

China's Rise to Superpower Status:
Problems and Prospects

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Declaration

I, the undersigned, hereby declare that the work contained in this assignment is my own original work and has not previously in its entirety or in part been submitted at any University for a degree.

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ABSTRACT

The research assignment examines pertinent factors affecting the political, economic and social landscape of the development of the People's Republic of China (PRC). Domestic conditions within the PRC are influencing its foreign policy behavior in the international arena. The PRC's internal environment will thus determine the extent of its external presence.

OPSOMMING

Die werkstuk bestudeer die relevante faktore wat die politieke, ekonomiese en sosiale landskap ten opsigte van die Republiek van China (PRC) se holistiese ontwikkeling beïnvloed. Omstandighede binne die Republiek beïnvloed die land se buitelandse beleidsgedrag in die internasionale arena. Dit sal dus regverdig wees om te sê dat binnelandse faktore 'n beslissende rol speel ten opsigte van hoe die land homself binne die globale arena hanteer.

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Dedicated to my Mom Marina and Dad John

1.1 INTRODUCTION

'For centuries China stood at the pinnacle of the world's technology and income. Indeed so strong was China that its people become accustomed to thinking of their country as the Middle Kingdom, the centre around which all else revolved. But for the past two centuries the Chinese have experienced weakness abroad and fragmentation at home, and people have lived in unspeakable poverty' (Overholt 1994: 26).

'The re-emergence of China as a great power is arguably the single most important development in the post-Cold War world. The rapid economic growth of the People's Republic of China (PRC) over the past decade, coupled with high levels of defence spending, have stimulated much interest, as well as trepidation, amongst policy-makers and analysts across the world. Although the continued augmentation of Chinese power is not predetermined, the profound effects of China's growing process cannot be underestimated' (Rex 1999: 3).

Since the early 1990s, scholars such as Bernstein and Munro (1997) have called for the containment of China because of its phenomenal growth. Today, some people are even speaking about a second Cold War looming between China and the United States. This has been because China is perceived by many to be the next superpower that will challenge US hegemony, both in the Asian region and, perhaps, the world.

China's *economic* growth started in the early 1980s, the result of the reforms that Deng Xiaoping initiated from 1979 onwards. Since then, China has become one of the world's fastest growing economies, and the world's number one emerging market. After a brief period in the 1980s of deflation, Beijing rebounded in 1992 to again become the world's fastest growing economy (Overholt, 1994: 27). The strength of China's economy could be seen during the economic crisis that hit East Asia in 1997/98, as relatively speaking, the financial crisis had little impact on the Chinese economy.

However, it must be remembered that to become a "superpower", one should not just measure economic performance. The real threat to China's status as an emerging superpower does not come from outside its borders, but from *inside*. Politically, people are still suppressed and poverty is still part of the lives of millions. Religious and minority freedoms, such as in Tibet and Xinjiang, as well as for religions such as the Fulan Gong, remain suppressed. Environmental degradation, urbanisation, continuing rapid population growth

and an inefficient state-owned sector in the economy are all aspects hampering the Chinese elites' ambitions to become an emerging superpower.

In addition, one of the key contributors for China in its striving to become a potential superpower is its military, the People's Liberation Army (PLA). The military obviously plays a fundamentally important role in Beijing's striving towards greatness. Militaries are very important in terms of how a state may project its power, and much of this depends on a state's economic success and ability to fund such a military. It should be remembered that when reforms were initiated in China, military modernisation was not overtly part of the initial process - it was Beijing's economic success that enabled the Chinese leaders shift their focus more towards military modernisation. Since the mid-1980s, this has become one of the top priorities on Beijing's agenda. No matter from what angle one looks at China's future role, if China continues on the path that it is now pursuing, it will be a force to be reckoned with in the future. As McAlvang (1997: 15) put it, 'China's army, at 3 million troops, is in fact twice as large as America's active duty armed forces at 1.5 million troops'.

1.2 Problem Statement

Over the last decade there has been a heated debate, particularly in the West, about the potential challenges an increasingly strong and assertive China poses to the Asia-Pacific region and the world in general (Rex 1999: 1). The result is that China's role in the international system is increasingly debated, with some scholars saying that China will be the next superpower to counter US hegemony, particularly in the Asia-Pacific region. With this debate come the fears of what a strong China might do, and what may or may not be the advantages of a strong China in the region and in world politics.

This debate is framed within the contexts of "containment" and "engagement", particularly in the United States. The containment theorists believe that a strong China should be contained, because it is a threat to the stability of the region, and specifically to Taiwan. Engagement theorists on the other hand believe that China should be brought into international organisations and should participate in global issues. By doing this, China could be forced to become a responsible power *i.e.* a country that respects international norms. The debate highlights the importance of China in the international system. Beijing's importance is further highlighted because of the financial and trade opportunities that it presents.

To answer the question whether China will be the next superpower, I propose to

answer the following research questions:

- Firstly is what is meant by the concept of a “superpower”?
- What are the elements in favour of China’s attainment of superpower status?
- What can derail China’s ambition for superpower status?
- How is the military going to help Beijing in becoming a superpower?
- Lastly, realistically can China become a superpower?

This report will be of value to people who are interested in China’s future role in the international system. It will be interesting for government leaders and policy-makers, and to business people who want to look at investment opportunities in China. Lastly, this thesis will of interest to students in the field of international studies and International Relations.

1.3 Purpose of this study

The purpose of this study is to make scholars aware of the integral role Beijing is, and will be, playing in the future, not just economically but also politically. Why do scholars and students need to know about China? China has been a society isolated from the international community, partly because the country’s past political leaders believed that China could be self-sufficient. This belief proposed that the country did not need to interact (culturally and economically) with the outside world. Now however, Beijing is increasingly important on the global stage. This study will look at China as an increasingly important economic and trade centre. What will also be looked at are the problems that Beijing will need to address in order to become the next superpower. These problems are shared by the Chinese Communist Party (CCP), particularly regarding its survival as the governing party.

1.4 “Superpower” defined

It is imperative that the concept of a superpower is clearly defined. Today, it is widely thought that the US is the only superpower left after the Soviet Union’s collapse. However, countries like the United Kingdom and France also possesses many of the qualities that make the US a superpower (although to a lesser extent). Then there are Germany and Japan that

could be superpowers but due to their constitutional constraints are prevented from having big militaries. As it is well known, both of these countries are *economic* superpowers.

Thus, what term may such states be called? Most of these countries are widely described as “great powers”.¹ Although this is not a comparative study, I will analyse the superpower concept mostly by looking at the US, and the U.K and France where applicable.

“Superpower” is a term that was first used extensively by Fox in his 1944 book with the same name, and he defined superpower as ‘hyphenated “super” and “power” to show the etymology’, according to Adams and Newnham. Adams and Newnham (1990: 31) uses Fox’s definition of superpower whereby a superpower is ‘a country with great power but which also has great *mobility* of power’. If Fox is understood correctly, it means that superpowers are states that have substantial “power”. This power could be political, economical or militarily. Militarily, this power can be projected, for instance to fight a war across its borders but far away from home.

In 1944, Fox identified three superpowers, namely the United States of America, the Soviet Union and the United Kingdom. It is well known that after World War II, the UK’s status as a superpower declined very rapidly, although it still today plays a very prominent role in international affairs. During the Cold War, only the US and Soviet Union were regarded as superpowers.

Superpowers can be defined in different categories, meaning that a state can be a superpower because of its huge military arsenal, but not necessarily due to its strong economy. As Evans *et al.* (1990) explain about Moscow:

In terms of the wealth/welfare area of its political economy, the S.U. was never really a superpower. In its attempt to attain and then maintain parity with the U.S in the military-security field, great opportunity costs were incurred by the Soviet economy and a highly distorted development pattern resulted.

This was one of the reasons that led to the break-up of the Soviet Union, and as a result, Moscow lost its status as a superpower.

¹ A great power is defined as a state deemed to rank amongst the most powerful in a hierarchical state system,

‘Superpower is an analytical distinction based upon structural power considerations. It assumes a hierarchy of actors with the superpower at the top’ (Evans *et al.*, 1990:82). According to Krieger (1993: 888) ‘the US and the Soviets have been called superpowers because of their predominantly military powers’. He continues by saying that superpowers are distinguished from traditional great powers ‘because of the absolute and relative size of their military predominance’. Krieger brought in two new terms, namely relative and absolute, when he speaks about superpowers.

Could it be that countries like Japan, U.K, Germany can be superpowers, but only economically and not militarily? Japan could easily qualify as a superpower because it is, after the U.S, the highest industrialised country and the second strongest economy. But compare its military size to that of the US and the former Soviet Union, it is relatively small. The economic success of a superpower is important because it helps to carry the military cost. Krieger claimed that ‘while the military arsenals of the US and Russia (after the dissolution of the Soviet Union) still qualify them as superpowers, a combination of factors - principally Russia’s reliance on Western economic assistance, radically undermine Russia’s global influence’. This could be seen during the war in Kosovo when Moscow was against the war and wanted to show that they were not in favour of the NATO attack, when there were rumours that Russia was sending some of its war ships to the region. It was however later reported in the media that most of the Russian ships didn’t even have fuel to go out to sea, indicating the economic hardships which the country is going through. Indeed, since the collapse of the Soviet Union, the International Monetary Fund, World Bank, and even the United States itself have had to assist Moscow financially.

Robertson agrees with some of the earlier statements, but goes even further in defining what is meant by the term “superpower”. He believes that ‘superpowers in the modern world are those few states with huge economic resources, far transcending the next division in such a league table’ (Robertson, 1985:311). It could of course be any of those states that have been mentioned earlier, because all of them have huge economic resources. Robertson (1985: 311) asserts that ‘the most common view would allow only two superpowers, the US and Soviet Union, with the possible addition of China. But this is to

reflected in its influence over minor states. (Heywood 1997: 143)

combine a series of variables together - actual economic wealth, population size, and, above all, the extent to which these qualities have been used to produce military strength, especially in the possession of sophisticated nuclear armaments'. It is only when one reads Robertson's definition of a superpower, does one realise why Robertson is saying 'possibly' China, because in his definition, China has most of the aforementioned characteristics.

Robertson touches on one issue that has not yet been mentioned: the importance of nuclear weapons regarding superpower status. Heywood's (1997: 140), definition of a superpower relies heavily on the nuclear capacity of a country. He defines superpower as 'a state with preponderant nuclear military capacity and global territorial influence'. In the case of both the US and the Soviet Union, both had huge nuclear arsenals and this added to their superpower status, particular *vis-à-vis* the Soviet Union. However, if nuclear weapons are to be used solely as a variable to measure a superpower, then states like the U.K, China, India and Pakistan are all "superpowers". China surely has most of the elements that Robertson mentions to become a superpower, and following this then, the U.K should still be one. But India and Pakistan certainly are not.

It is therefore not a good idea to use nuclear weapons as an element alone to grant states superpower status. States that are economically strong can spend money on nuclear weapons, but not at the expense of its people, like in the case of India, Pakistan and (perhaps) China. Therefore, the fact that a state has nuclear weapons certainly contributes to a state being perceived as powerful, but it is not enough to qualify it as a superpower. India and Pakistan have nuclear weapons, but economically and militarily they could not "compete", probably not even with a country like Japan.

On the other hand, Williams and McGinnis (1992) do not define superpowers as such, but they conceptualise the term "superpower rivalry". This term does not really fit into the category of definitions thus far, but Williams and McGinnis' work seems more appropriate in defining a superpower. Williams and McGinnis (1992: 89) believe that "superpower rivalry" includes 'conventional nuclear arms, crisis management, diplomacy, alliance commitments, troop deployments, economic and military aid, and interventions in regional conflict'. In short, each superpower tries to counter any gain made by its rival, whether in terms of new weapons, new allies, or new gambits in their ideological struggle. The US and the Soviet Union clearly fitted very much into this definition, because these are the things that they took

to the extreme during the Cold War.

It is however imperative to remember that, as said earlier, states can be a superpower economically but not militarily. Countries like South Korea and Taiwan which are highly industrialised, but geographically very small, could also then perhaps qualify as superpowers. But such a broad definition would be very complicated, particularly because those countries do not have the international leadership and influence that is needed to be a superpower like the US

North *et al.* (1985: 5) analysed what it means to be a superpower on different levels. These levels focused on what a country needed to qualify as a superpower. On level one, a country needs 'population, technology and resources'. Technology, that is applied knowledge and skills, is important because it is important in the developing of new resources and goods that could be in the interest of a country economically. In this area, the US is very strong and far ahead of many countries in the world, contributing to their economic strength. North *et al.* (1985: 7) looked at how a country's domestic policies are organised, and how a country is positioned in the international system. I believe it is more in the international system that a superpower can be defined. I say this because if one looks at China, its leadership has always perceived themselves as one of the most advanced nation on the planet. But, in the past the Chinese did not interact with other nations of the world. Because of that, China became one of the poorest and most backward countries.

In summary, the definitions of Robertson (1985: 311), Williams and McGinnis (1992: 89) and lastly North (1985: 5-7), seem to incorporate all the essential aspects that a country needs to become a superpower:

- the size of the country geographically;
- its economic success;
- the country's utilisation of its resources;
- its international influence;
- the state of industrialisation and modernisation;
- its military strength and its deployment;
- the size of the population;
- possession of nuclear weapons.

All the above-mentioned are important, in my view, for a state to be a superpower. If one had

to take these measurement all together, then currently there is only one superpower - the United States of America. The US has a very strong and highly modernised military, it has troops all over the world, not just in the form of its Seventh Fleet, which patrols the oceans, but also troops that are stationed in many areas of the world. The US is a highly modernised, technologically advanced state and the economic centre of the world. It is highly involved in multilateral organisations, and has a huge influence over bodies such as the IMF and World Bank.

It is by using the above-mentioned criteria that I am going to analyse whether China has the potential of becoming a superpower. Throughout this section, it has become very clear that economic power and the military plays an important role in how a state is perceived by other states. China today is growing economically, expected to be the biggest economy in about 10 to 20 years. At the same time, it has the biggest military, the biggest population, and its influence in the world politics is growing. Clearly it would be fair to say that China is a great power today.

1.5 Theoretical perspective

This thesis will write within the theoretical framework of realism. I believe that to understand the emerging role of China as an integral part of the international system and to understand the security implications for the region in particular, the realist perspective helps one understand China's behaviour. Realism is one of the oldest theories of International Relations and has become the dominant theory since the Second World War:

The realist view of international relations is based on the assumption that the world is essentially anarchic and that there is no central authority governing the behaviour of states. To protect their national security and survival in such a self-help system, states must seek to acquire or maximize their power through economic and military means (Rex 1999: 5).

Heywood (1997: 143) goes further by saying that an 'anarchic international system is one in which each state is forced to help itself and give priority to its own national interest, defined, most basically, as state survival and territorial defence'. This is precisely what the Chinese authorities have been doing (or claim to have been doing) over the last decades. Heywood (1997: 143) believes that 'realists place a heavy emphasis on the role of power in international affairs', and 'they tend to understand power in terms of military means military

capacity or force'. Realists also argue that because there is the United States (the only current superpower) and other great powers like Japan, France, U.K and Germany, it would be impossible for China to follow an aggressive foreign policy. This, given the impression that although the United States is the only superpower, other countries also have influence in the international system, means that a multi-polar system exists. As Nel and McGowan (1999: 56) put it, 'order emerges in international affairs not because there is a set of rules that everyone obeys in the fear of being punished by a central authority. Order emerges in the inter-state system primarily because of particular sets of power configurations, or balances of power'.

For the realist, the emergence of China as a potential great power in the international system must be understood within the context of the end of bi-polarity and the advent of a uni-polar moment, following the disintegration of the Soviet Union (Rex 1999). The reason why China has received so much attention over the last few years is because the country seemingly has all the potential to become the next superpower. Certainly, for the past twenty years, its economic growth and potential, as well as its massive military modernisation programme has been taken note. This brings us back to the point that China is pursuing its own interest because Beijing realises the country's potential to become the next superpower. It is within this framework that China's potential, as a future superpower will be investigated.

1.6 Overview

In this part I will give a short overview of what I will address in each of the chapters.

1.6.1 Chapter 2: The Chinese economy

China's growth over the last twenty years has been unprecedented. After reforms began, China's economy has grown at an annual rate of about ten percent. Economists are predicting that China could become the world's largest economy within the next 15 to 20 years. This puts China back on to the world map after decades of isolation. The man that was largely responsible for China's economic development was Deng Xiaoping. Deng's reforms were largely successful because he reformed the Chinese economy systematically.

Firstly, the government reforms were directed at the farming sector. The central government initiated price and ownership incentives for farmers, which enabled them to sell a portion of their crops on the free market. Secondly, the government established four special

economic zones for the purpose of attracting foreign direct investment, boosting exports, and importing high-technology products into China. Additional reforms followed in stages that sought to decentralize economic policy-making in several economic sectors, especially trade. Economic control of various enterprises was given to provincial and local government, which were generally allowed to operate and compete on free market principles, rather than under the guidance of state planning. Additional coastal regions and cities were designated as open cities and development zones, which allowed them to experiment with free market reforms and to offer tax and trade incentives to attract FDI (Morrison 2000: 3).

Despite the success of the Chinese economic reforms, there are a number of problems that need to be addressed by Beijing in order to secure continuous growth. The areas that need urgent further reforms are the State Owned Enterprises (SOEs) which are hampering China's economic growth because of government involvement due to the number of jobs which will be lost if this sector is opened to foreign competitors. Another sector is the banking system. The problems in the banking system are directly linked to the SOEs because of their financial support to the SOEs that are not performing economically and therefore cannot repay their loans. Infrastructure in China is far from international standards and also hampers China's economic growth. This is particularly so in the interior areas of the country that remain largely underdeveloped. These are some of the problems which will be addressed in this thesis. What Beijing is doing to solve these problems will also be discussed.

1.6.2 Chapter 3: The Chinese military

'China's rise in power has focused considerable scrutiny on the capabilities and intentions of the PLA. For some observers, Beijing's combination of consistently rising budgets, military modernisation, and a more offensive operational doctrine has signalled its intentions to assume the status of a world power' (Howard 1999: 6). China's military budget has increased for eleven consecutive years. This, considering that every other major military power has cut their defence spending since the end of the Cold War, is a cause for concern. Beijing has been able to spend heavily on the military because of the good growth that the country has experienced over the last twenty years. The result is that China is currently busy with a massive military modernisation programme. The government claims that the increase in the defence budget has been due to high inflation. China has the biggest army in the world with about 3 million soldiers, including about 2.3 million in the army, 260,000 in the navy, and

470, 000 in the air force. In addition, there are strategic missiles units consisting of about 90,000 personnel (Ding 1995: 3).

Although the PLA is seen by many as an armed force that is equipped with very outdated and backward technology, the sheer size of the PLA stirs trepidation with its neighbours. What is even more worrisome is that Beijing does not include a number of important items in their defence budget (normally included in the West). These are all issues that have made analysts question Beijing's real motives.

1.6.3 Chapter 4: Domestic problems Beijing is facing

China's economic growth over the last twenty years has been extraordinary. This is evident if one considers that China was until recently one of the poorest countries in the world. Despite this growth however, China is still a developing country faced with a number of problems. Most of these problems have the potential to not only derail China aspirations to become the next superpower but also threatens domestic stability, as well as the Communist Party's hold on power. It is therefore imperative for Beijing to address these issues with the utmost dedication in order for China to continue to build on its economic success. In this chapter I will look at the problems which I believe need to be tackled, such as the country's human rights record, problems in the Tibet and Xinjiang provinces, religious suppression, unemployment, urbanisation, population growth and environmental degradation. These are some of the most important problems in my view that China leaders will have to deal with in the next decade. How Beijing tackles these problems will possibly ensure either China's continued economic success, or they will have a negative effect, not only on China's economy, but also on the country's standing within the international system.

1.6.4 Chapter 5: China's foreign policy

China's foreign policy has undergone two major changes since 1978: first, when Deng Xiaoping opened the country in late 1978 and secondly, since the end of the Cold War when Moscow collapsed. The collapse of the Soviet Union brought an end to a bi-polar international system. Many analysts believed that collapse of the Soviet Union gave the Chinese leaders an increased aspiration to become the next superpower.

As I will indicate in Chapter 5, China's behaviour has changed dramatically since 1989, from being a state that did not easily co-operate within the global system, to a state that

now plays a leading role in helping to resolve conflict in different parts of the world. Beijing has, over the last decade, signed most of the important international treaties, and played a more co-operative role in the United Nations Security Council. These are all indications that Beijing wants to play a more prominent role in international affairs.

In this chapter there will be looked at how Beijing's behaviour has changed over the last decade, and what Beijing's motives might be for this sudden change of heart. I will argue that Beijing's leaders have their own agenda and are co-operating with other nations because it is serving its own national interest. To illustrate this I will look at China's position on peace-keeping operations of the UN. There will also be looked at China's position in the international system after 1989, as well as a look at China's possible future policies and its behaviour in the international system.

1.6.5 Chapter 6: Conclusion

In this chapter a summary will be given of the whole thesis. I will then assess what factors influence whether China will be the world's next superpower and what the implications might be for the world and the region.

CHAPTER 2: THE CHINESE ECONOMY

Deng Xiaoping has embarked on a risky strategy that ties legitimacy of his regime to the ability to produce prosperity. So far it has worked. China has sustained nearly ten percent annual growth for the past 13 years, and the World Bank, not the most radical of institutions, now issue a range of evidence for why China looks set to become the world's largest economy by 2010 or, if one includes 'Greater China', by 2002'. (Segal 1994: 44).

China is currently enjoying fantastic growth rates, replicating the history of most of the countries in the region, such as Singapore, South Korea and Taiwan, known as the “Asian Tigers”. However, China’s economic success has come much later than the countries mentioned above. Deng Xiaoping probably wanted China to copy its neighbours when he initiated reforms during the late 1970s. As is well known, most of the Asian Tigers first started their reforms with economic development and *then* they became democracies. This is possibly what Deng had in mind, because although the Chinese economy has been liberalised to a certain extent, the political system has remained the same. The economic reforms were successful, because since the 1980s the Chinese economy has grown at a staggering rate, which was and today still is better than the most developed countries such as, the United States of America, Germany, the UK and Japan.

It is important, before looking at the success of Chinese economic growth, to first look at what might have inspired Deng Xiaoping to open up the Chinese economy. Probably two of the most fundamental reasons were the Great Proletarian Cultural Revolution (GPCR) and the Great Leap Forward. Both were the result of Mao’s effort to stay in power, with the Great Leap Forward being also aimed at making China self-sufficient economically. The effects of these two events are still felt today in China, economically and politically. Certainly, the Maoist legacy has meant that the state still controls the economy and the aim of self-sufficiency retarded growth. As Morris (2000: 2) put it ‘a central goal of the Chinese government was to make China’s economy relatively self-sufficient. Foreign trade was generally limited to obtaining only those goods that could not be made or obtained in China’. Therefore it is not surprising that China’s real GDP grew at an average annual rate of only about 5% for twenty years before the reforms were started.

The impact of Mao's GPCR could be considered as having played a central role in steering Deng Xiaoping toward initiating reforms. One of the effects of the GPCR, according to Roy (1998: 85), was that the 'Central Communist Party's (CCP) legitimacy was further damaged by the ideological excesses of the Cultural Revolution. A rapid improvement in living standards was needed to preclude serious challenges to the CCP's exclusive right to govern China'. The reason was because the GPCR had a very negative impact on the living standards of people in China at the time. Deng Xiaoping realised that in order for China to grow economically he would have to open China to the world, so that foreign companies could invest in the country, and at the same time, to make China the proud nation it once was. However, one of the main reasons that stood out was the one directed at the economy. As Premier Zhao Ziyang said, 'all ideas and actions based on keeping our door closed to the outside world are wrong and sticking to conventions are wrong...we should boldly enter the world market' (quoted in Roy 1998: 86).

When government economic reforms were initiated at the beginning of 1979, they were aimed at those sectors that would be labour intensive, such as the restructuring of the agriculture industry, which played a very significant role before the reforms because they were vital for the food sector in China. As Roy (1998) put it:

Internally, China's new economic strategy involved reduced emphasis on heavy industry, less investment and more consumption; concentrating economic development in coastal cities rather than the interior; reduce funding for the PLA and most important, shift economic policy away from central planning and gear it towards giving market forces a greater role in determining prices, wages and production. Externally, China would expand its foreign trade, beginning with a program to produce light industrial goods for export, and welcome foreign investment.

These policies were based on free market principles or what Deng called 'socialism with Chinese characteristics', which at the time was a radical shift from the ideology which Mao had preached.

The economic policies were successful, and led to China growing at an annual average growth rate of 9.7 percent a year. This made China one of the fastest growing

economies in world. China's economic growth has surged over the last 15 years and as a result the 'per capita income has nearly quadrupled and a few analysts are predicting that the Chinese economy will be larger than that of the United States in about 20 years' according to a report from the IMF (1997: 1).

However it should be noted, that in spite of the fact that the China's per capita income has quadrupled, it is still not comparable to most developed countries or even the Asian Tigers. This is largely a result of China's big population. According to Pye (1996:) 'China is indeed destined in time to have one of the world's largest economies in total aggregate numbers, but that same huge population insures that the per capita income will lag far behind'.

2.1 What were the causes of China's economic growth?

Before investigating the cause of China's economic growth, it is imperative to look at the realist position, on whether economic development, contributes to the role the state plays in international affairs. The realists generally have two views. First, Gilpin (1987: 31) makes the assumption that the central idea of the economic realist 'is that economic activities are and should be subordinate to the goal of state-building and the interest of the state. All nationalists ascribe to the primacy of the state, of national security, and of military power in the organisation and functioning of the international system'. Realists believe that national security stands central to all other things and they see the safeguarding of national economic interest as the minimum essential to the security and survival of the state.

'On the other hand, there are those nationalists who regard the international economy as an arena for imperialist expansion and national aggrandisement' (Gilpin 1987: 32). This clearly indicates the different views there are amongst realists, with regard to what role economic development or industrialisation plays, or whether it in fact plays a role at all in building a country's position in the international system. I am inclined to agree with Jacob Viner's explanation regarding the relationship, between wealth and power. It is as follows:

I believe that practically all mercantilists, of whatever period, country, or status of, would have subscribed to all of the following propositions: (1) wealth is an absolutely essential means to power, whether for security or for aggression; (2) power is

essential or valuable as a means to the acquisition or retention of wealth; (3) wealth and power are each proper ultimate ends of national policy; (4) there is a close relationship between these ends, although in particular circumstances, it may be necessary for a time to make economic sacrifices in the interest of military security and therefore also long-run prosperity (Viner, 1958: 286).

A large proportion of China's budget is spent on the PLA and not enough on the alleviation of poverty. But, if China is militarily strong, it can pursue economic development with a fair amount of security against domestic uprisings and external threats. Gilpin gives another interesting reason as to why industrialisation is so important for the development of a country at the bottom. 'Realists also believe that great power emergence is destabilising because rising powers tend to pursue expansionist policies to promote or protect their economic interests' (Rex 1999: 22).

Morris (2000: 3) believes that economists 'attribute much of China's rapid economic growth to two main factors: large-scale capital investment (financed by large domestic savings and foreign investment) and rapid productivity growth'. The FDI leads to industrialisation and it also brings in new technology and this is the one of the main objectives of the nationalist approach. As Gilpin (1987: 33) puts it,

The nationalist believes that industrialisation has a spill-over effect (externalities) throughout the economy and leads to its overall development. Secondly, they associate the possession of industry with economic self-sufficiency and political autonomy. Third, and most importantly, industry is prized because, it is the basis of military power and central to national security in the modern world'. This gives one a better understanding about China's economic development and its spending and promoting of capital-intensive industries all of which had positive results for military spending.

As Rachman says (1996. 122):

Realism also suggests that a huge, increasingly prosperous nation is likely to want to throw its weight around. The emergence of two large new powers – Germany and Japan – at the end of the nineteenth century is not a particularly happy precedence.

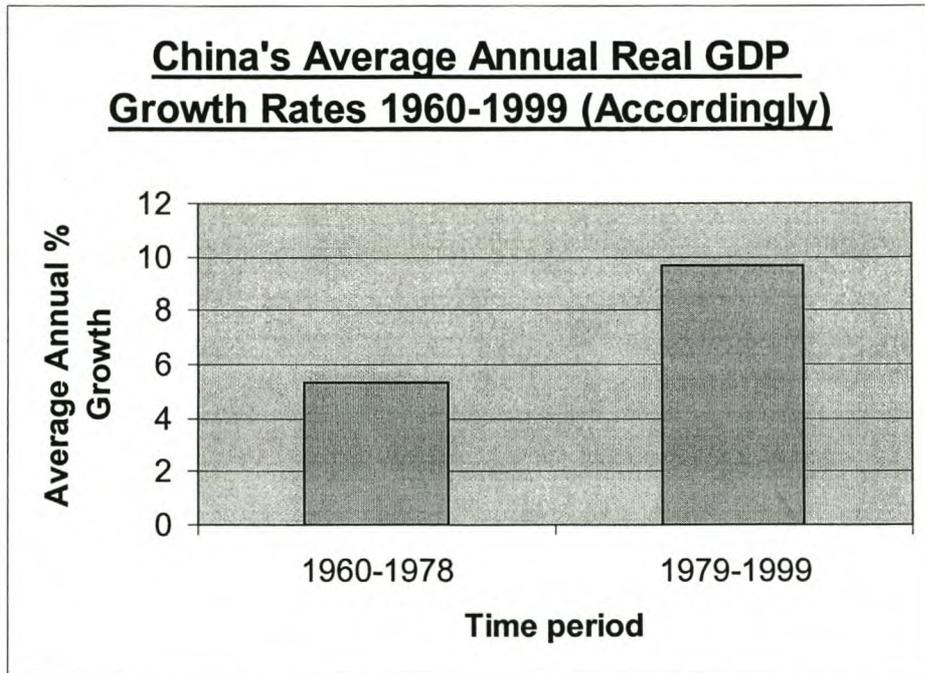
Big countries are more likely to be difficult to live with, if they have a strong sense of cultural superiority or historical grievances about their treatment by the rest of the world. China has its share of both chauvinism and grievance.

It is for such reasons that the industrialised countries fear China's robust economic growth, because this growth would make China a more aggressive power.

2.2 China's real GDP growth

As mentioned earlier, Mao isolated China, and as a result foreign investment effectively dried up, particularly during the GPCR. This changed dramatically when Deng took power as he opened China to the world. Since then, China's economic growth has been unprecedented. China's economic growth rate should be coupled with foreign investment, which streamed into the country from 1979: 'Chinese statistics show real GDP from 1979 to 1999 growing at an average annual rate of 9.7%, making China one of the world's fastest growing economies. According to the World Bank, China's rapid development has raised nearly 200 million people out of extreme poverty' (Morris: 3). As shown below, there are not many countries (if any) in the world, that can show these type of figures for the last twenty years as shown in figure 1.

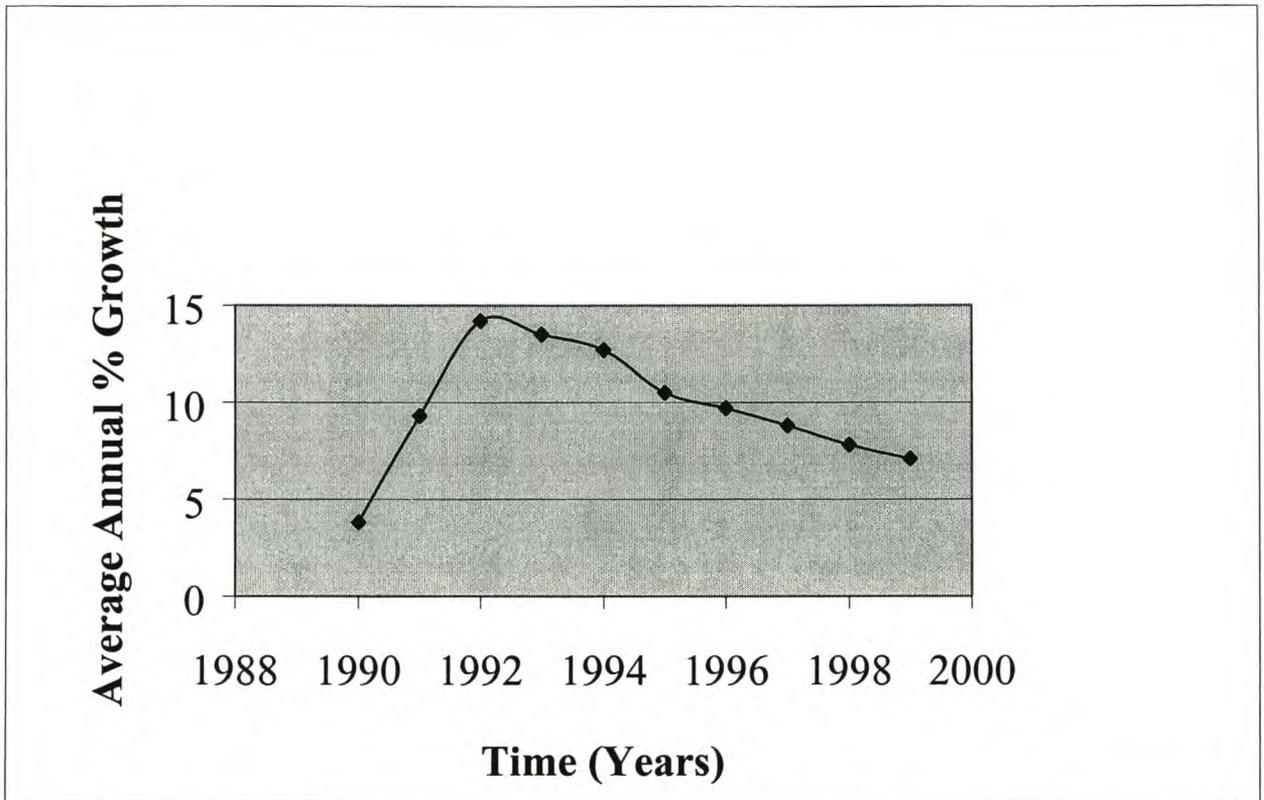
Figure 1 - China's annual real GDP



Source: [Http://ww.cnie.org/nle/inter-10.html](http://ww.cnie.org/nle/inter-10.html)

When looking at the comparative growth rates of China before the economic reforms were initiated and after 1978, it shows how fast China has been growing over the last 20 years. However, there is one very important aspect that should be remembered and this is, because of China's isolation, most of the country was hardly developed pre-reform period. Therefore, one reason for China's growth over the last twenty years, is the fact that the country grew from a very low base. Despite the unprecedented growth of the last twenty years, China still presents many opportunities as a market for foreign companies. Huge parts of China, in particular western China, still need massive amounts of investment for there to be the same level of development as in the coastal areas. Therefore, though the potential for growth is still great, it will take years before China will be a fully developed country.

Figure 2 - China's average annual growth



Source: [Http://ww.cnine.org/nle/inter-10.html](http://ww.cnine.org/nle/inter-10.html)

Figure 2 shows how Chinese economic growth has slowed down since 1997. The dip shown from 1997, was the result of the Asian financial crisis of that year. This crisis had a negative impact world-wide, but hardest hit were the countries and emerging markets of the region, including China (although China was not affected as severely as its neighbours). However, the Asian crisis undermined the Chinese government's growth plans. Yet, currently it seems as if the Chinese economy has shaken off the Asian crisis. This year (2000) 'the government forecast that growth would reach 7.6 percent up from 7.1 percent from last year' (Davies 1998: 2)

The growth of the Chinese economy has of course, had an effect on all aspects of Chinese society. China's trade and investment reforms and incentives, led to a surge in FDI, which has been a major source of China's capital growth. As shown in the following diagrams, China is the world's number one emerging market. However, what is even more fascinating, is how economic growth will not only improve China's GNP and its per capita income, but nearly every other sector of Chinese society will be positively affected.

Figure 3 - the big emerging markets, 1997

	<i>Big Emerging Markets, 1997</i>				
<i>Market</i>	<i>GNP</i>	<i>GNP</i>	<i>% of World</i>	<i>% of World</i>	<i>% of World</i>
	<i>Billions</i>	<i>Per Capita</i>	<i>GNP</i>	<i>PPP</i>	<i>Population</i>
Bem (Total)	\$4248	\$1388	15	29	52
CEA (Total)	1318	1046	5	12	22
China	890	723	3	11	21
Taiwan	268	12263	1	1	<1
Hong Kong	160	25225	1	<1	<1
Brazil	590	3591	2	3	3
Korea, Rep.	512	11218	2	2	1
India	352	365	1	4	17
Mexico	318	3323	1	2	2
Russian Federation	301	2018	1	2	3
Argentina	297	8336	1	1	1
Turkey	184	2896	1	1	1
South Africa	134	3096	1	1	1
Indonesia	133	667	1	2	3
Poland	108	2770	<1	1	1

China is the world's number one emerging market. China will probably go from the number seven position in terms of GNP in 1997, to the world's number four position in 2010, overtaking countries like the UK, Italy and France. This has to a large extent been the result

of FDI. As Morris (2000: 4) puts it, ‘annual utilised FDI in China grew from \$636 million in 1983, to \$45.6 billion in 1998 (but dropped to an estimated level of \$ 40.5 billion in 1999), making China, in recent years, the second largest destination of FDI (after the United States). Total utilised FDI at the end of 1998 reached \$269 billion’. It is also interesting to note that about two-thirds of FDI in China has come from Hong Kong and Taiwan. The United States is the third largest investor in China, accounting for 8.1 % (17.2 billion) of total FDI in China, from 1979 to 1998. United States FDI in China 1998 totalled \$3.9 billion, or 11.9% of total FDI in 1998.

Figure 4 - the big emerging markets, 2010

<i>Big Emerging Markets, 2010</i>					
<i>Market</i>	<i>GNP</i>	<i>GNP</i>	<i>% of World</i>	<i>% of World</i>	<i>% of World</i>
	<i>Billions</i>	<i>Per Capita</i>	<i>GNP</i>	<i>PPP</i>	<i>Population</i>
Bem (Total)	\$7673	\$2082	19	35	51
CEA (Total)	2724	1853	7	17	21
China	1952	1357	5	15	20
Taiwan	512	21115	1	1	<1
Hong Kong	259	34837	1	<1	<1
Korea	925	18212	2	2	1
Brazil	877	4384	2	3	3
India	665	544	1	5	17
Mexico	545	4389	1	2	2
Russian Federation	501	12023	1	2	1
Argentina	297	8336	1	1	1

Turkey	330	4117	1	1	1
Indonesia	230	948	1	3	3
South Africa	208	4864	<1	1	1

2.3 China's trade

Since the economic reforms started, China has transformed itself into a major trading power. The fact that China's top ten trading partners are all first world nations, which are highly industrialised, suggests that China is a very important trading partner. The other interesting observation one can make, is that apart from the US and the EU-countries, all the others are from the Pacific or East Asian region. The fact that China's trade is with most of its neighbours could be significant, because through this China can build up trust of those who fear it the most. If China and its neighbours are becoming more economically integrated, this will not only foster good economic relations, but also give a sense of stability to China's trading partners, in particular those that China wants to convince that it does not want to become a dominant power in the region. The next figure is a list of China's top ten trading partners:

Figure 5 - China's top ten trading partners (millions of US dollars)

Country	Total Trade	Exports	Imports	Trade Balance
All Countries	360.7	194.9	165.8	29.1
Japan	66.2	32.4	33.8	-1.4
US	58.5	44.4	14.1	30.3
EU	55.7	30.2	25.5	4.7

Hong Kong	43.8	36.9	6.9	30.0
S. Korea	25.0	7.8	17.2	-9.4
Taiwan	23.5	4.0	19.5	-15.5
Singapore	8.6	4.5	4.1	0.4
Australia	6.3	2.7	3.6	-0.9
Russia	5.7	1.5	4.2	-2.7
Malaysia	5.3	1.7	3.6	-1.9

Source: Official Chinese trade data.

The extent to which the Chinese economy has grown over the last two decades, becomes clearer when looking at the trade figures of China compared with the rest of the world. China's exports rose from \$14 billion in 1979 to nearly \$195 billion in 1999, while imports grew from \$16 billion to \$166 billion. Another sign of Beijing's impressive growth becomes visible if it is seen, that China's ranking as a trading power rose from 27th in 1979 to 10th in 1998. In addition, over the last 7 years, Beijing has run a surplus (except for 1993):

Figure 6 - China's trade balance - 1979-1999

	Exports	Imports	Trade Balance
1979	13.7	15.7	-2.0
1980	18.1	19.5	-1.4
1981	21.5	21.6	-0.1
1982	21.9	18.9	2.9
1983	22.1	21.3	0.8
1984	24.8	26.0	-1.1
1985	27.3	42.5	-15.3
1986	31.4	43.2	-11.9
1987	39.4	43.2	-3.8
1988	47.6	55.3	-7.7
1989	52.9	59.1	-6.2
1990	62.9	53.9	9.0
1991	71.9	63.9	8.1
1992	85.5	81.8	3.6
1993	91.6	103.6	-11.9
1994	120.8	115.6	5.2
1995	148.8	132.1	16.7
1996	151.1	138.8	12.3
1997	182.7	142.2	40.5
1998	183.8	140.2	43.6

1999	194.9	165.8	29.1
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Source: <http://www.cnie.org/nle/inter-10.html>

The healthy trade surplus is mainly because China has been the biggest recipient of FDI in developing countries, for seven straight years since 1993. The fact that over 400 of the world's top 500 multinational corporations have invested in China helps confirm the country's status as the world's number one emerging market. The importance of these foreign companies is very significant, not just for developing China, but also because they bring in advanced technology, huge amounts of capital, and they pay taxes. According to the *People's Daily*, taxes paid by foreign funded enterprises rose by 33.78 percent and the total volume amounted to 16 percent of the country's total industrial and commercial taxes. The imports and exports volume of these foreign companies was \$174.5 billion or 48.38 percent of the nations foreign total (<http://english.peopledaily.com.cn>)

It is also believed that foreign companies employ about 20 million or 10 percent of China's urban workers. Some analysts expect that China will have an annual growth rate of 10 per cent for the next ten years. Considering the following, it is not difficult to believe that as of July this year (2000), investors from more than 180 countries and regions have established 353,700 foreign-funded enterprises in China. Contractual investment exceeds 641.7 billion dollars and foreign funds used amounted to 327.7 billion dollars (<http://english.peopledaily.com.cn>). This is certainly very impressive for a country, which only ten years ago, was one of the poorest in world and at the same time bearing in mind, that China's economy is far from reaching its potential.

2.4 Challenges facing the Chinese economy

2.4.1 State-owned enterprises (SOEs)

No matter how successful the China's economic modernisation process has been over the years, China is still a country faced with many problems, which if not addressed, could be an obstacle to China's continuous economic growth. One of the biggest problems is the fact that too many companies are still owned by the government. This puts a heavy strain on the

economy because many are economically under-performing. Most of these companies are state controlled. They have loans from banks that are poorly run and therefore cannot repay these loans, which contribute to a banking system that is near collapse. Government support for these companies is aggravating the problem and as a result, valuable resources are directed away from potentially more efficient and profitable enterprises. As Davies (1998: 2) put it 'there are 305,000 state-owned enterprises (SOEs) which account for 90 percent of loans granted by Chinese banks but produce less than 40 percent of its industrial output. A survey conducted by the *Far Eastern Economic Review* found that for every dollar made by China's industrial enterprises, only one cent comes from SOEs'.

2.4.2 Banking System

The banking system, according to Morris (2000: 8), 'is facing several difficulties because of the financial support to the SOEs and as a result of their failure to operate solely on market based principles'. This is partially because the government controls and regulates the banking industry and forces it to lend money to SOEs, which are not really contributing to the economy. In fact, they are a burden to the Chinese economy. Morris (2000. 8) believes that currently, about 70 percent of state owned bank loans now go to the SOEs, even though a large share of the loans are not likely to be repaid. The high volume of bad loans now held by Chinese banks (estimated to total \$250 billion) poses a serious threat to China's banking system. Indeed, according to Davies:

As a result of bad lending practices based on politics rather than merit, China's banks have become extremely exposed to the Jurassic SOEs. The country's four largest banks have bad debts equal to 22 percent of their total lending. This figure is probably understated, since China's recordings of financial statistics are lax by international standards. China's financial system is thus technically insolvent - bad debt exceeds capital (Davies 1998: 2).

Davies believes (1998: 2) that the 'cost of writing off of these loans will be massive. To give scale to the problem, to re-capitalise banks would cost about 35 percent of GDP, which is three times worse than Japan's financial troubles'.

This banking problem poses not just a threat to the banking industry in China but as Pei (1999) points out, 'unlike unemployment, which tends to hit one segment of society

especially hard, the banking crisis could eventually hurt everyone (except the very wealthy). Such a crisis could send out a political signal to the majority of the population, that something is terribly wrong, thus facilitating unity and co-ordination amongst all the disaffected elements, from the peasantry to the unemployed to the middle class'. What Pei is saying is that a banking crisis could lead to the mobilisation of all groups in society, especially those who are affected the most during a period of crisis. This does not just threaten social stability but also the government's position.

2.4.3 *Infrastructure*

China's infrastructure remains a problem. Overholt (1994. 75) wrote that 'China faces massive infrastructure problems: insufficient telephones, inadequate transport, energy shortages, and so on'. Another point is that the China's government reforms were focussed on the coastal areas, whereas inland, there is a slower change. However, Lardy (1998) wrote, that the Chinese government has for 1998-2000, planned a massive expenditure programme that was worth \$1.2 trillion. Increased funding is flowing not only to well-chosen infrastructure projects, but also to a broad range of state-owned manufacturing enterprises. This shows that Beijing knows about the problem and is willing to address this.

2.4.4 *Corruption*

There are many other social problems, which are the direct result of rapid economic growth, such as pollution and poverty. These are two of the problems that will be dealt with in the next chapter, which deals with the problems facing China. However, corruption has become a major problem, largely as a result of China's rapid growth and a major problem has been the involvement of political leaders in this corruption. As Sutter (1996. 5) put it, 'the scope and spread of corruption and the misuse of funds, has reportedly become so widespread, that there may not be enough untainted cadre or local officials left to replace or sanction the errant local cadre'.

The Chinese government is aware of this problem and knows the potential harm corruption can cause China's development. That is why corruption in severe cases is punished by execution. Just recently, a high-ranking government official was executed for

corruption. As Pei (1999: 96) put it, 'from 1996 to 1998, China ranked in the bottom 25 percent of the Corruption Perception Index published by *Transparency International*. According to Pei, 'data released by the official Chinese media shows that corruption may cost China about 4 percent of its GDP each year'. This figure could of course, be much higher, as it is well known that statistics coming from China are lax by international standards. According to Pei (1999:98):

- A 1998 government audit discovered that between 1992 and 1997, officials stole or illegally diverted 40 percent of the national grain purchase fund.
- Corruption is endemic in the construction industry. Of the 70,000 bribery cases prosecuted since the mid-1990s, 63 percent involved construction projects. Chinese authorities estimate that 20 percent of construction projects did not meet government standards, and economic losses resulting from shoddy construction are believed to be around 100 billion yuan a year (note: 8.3 yuan = 1 US dollar).
- Chinese Communist officials regularly sell government offices for personal gain. A CCP organisation chief in one province sold more than 200 government posts in a two-year period. One enterprising CCP provincial secretary even sold the post of the chief of the anti-corruption bureau for 260,000 yuan!
- Diversion and embezzlement of public housing and pension funds are routine. In 1997, 17 percent of low-income public housing funds in Guangdong province were illegally diverted to speculative real estate-owned enterprises. Billions of yuan in pension funds and unemployment insurance contributions are lost each year.

2.5 Effects of China's growth

As indicated throughout this chapter, Chinese economic growth has been extraordinary in modern times. Not even the NIC-countries recorded such high levels of growth during the last two decades. However, China's economic growth has led to the fact, that most of its neighbours perceive Beijing as being a threat to the region. China's neighbours fear her for a number of reasons. One of the reasons is as a result of Beijing's spending on its armed forces over the last decade. The Chinese are currently busy with a massive military modernisation program, that costs them millions of dollars each year. The spending on the PLA is largely

the result of China's economic growth. There are a number of reasons why Beijing has decided to modernise its military forces and its economic success has provided the funds for this. China has border disputes with most of countries with whom it shares a border, there is the Taiwan unification "problem", and territorial claims *vis-à-vis* the Spratly Islands are even present.

Many analysts believe that one of the major reasons why Beijing started the PLA modernisation programme was the Iraqi war in which America demonstrated its high technology warfare equipment. This made the Chinese realise how outdated most of its military equipment was. This confirms the realist's approach, which believes that industrialisation leads to more spending on the military and this in turn makes other countries respect or fear a country and thus indirectly raises a country's standing in the international community. It should also be noted that China's military budget has been increased annually since 1990 i.e. post-Iraq. In the chapter on the military a closer look will be taken at China's military modernisation program.

Despite China's economic growth, it does need to grow constantly for the next ten to twenty years, in order to alleviate poverty and to create more jobs. As *The Economist* (2000. 14) put it:

Measured in terms of its total GDP, China is now a medium size or large economic power, the seventh-biggest in the world. The trouble comes when you divide its output by its population. Measured by GDP per head, China tumbles down the ranking to about number 150. For all its might, it is still a desperately poor country.

Therefore despite the fact that China's reforms and opening-up policies have made great strides, China remains very much a developing country.

2.6 What is Beijing doing about these problems?

According to Wu, 'the Fourteenth National Congress of the Chinese Communist Party pointed out that the nature of economic reform is to change the mechanism of resource allocation, so China can move from a planned economy to a market economy' (Wu 2000: 2). Currently the state sectors produce only about one third of the overall GDP but are the

dominant user of scarce resources. Therefore Beijing is trying frantically to reform the SOEs because they have been a huge burden on the country's financial resources. The reforms of the SOEs are pivotal because it has an effect on all the above challenges the country is facing. That is why Zhu Rongji has a tough task on his hands.

China is currently experiencing a painful transition to a more market-based economy. One of the ways government is trying to make the SOEs more economically sufficient is through privatisation. The down side of this is that privatisation has resulted in widespread urban unemployment. This is a trend that many Chinese officials fear may undermine social stability. This has forced the government to reform the SOEs at a slower pace over the next ten years. Some of these reforms will be carried out by using debt-to-equity swaps with state banks, along with the help of the financial assets of management firms, the introduction of modern corporate management systems, and the introduction of a shareholding system. China's entry into the WTO will serve as a catalyst for the SOEs reforms. Essentially, Beijing is being forced to speed-up the restructuring and reforms of the SOEs in order for these companies to compete in an open market economy (Morrison 2000: 10). As Morrison further states, 'the central government announced in 1998, that it would implement new reforms, to enhance the power of the central bank over the provincial and state banks and to improve the management systems of all Chinese banks' (Morrison 2000: 12). This means that power will be taken away from local officials, who have a direct influence on bank management and who frequently pressure banks into making bad loans. Banks henceforth will be forced to make loans based on commercial considerations: 'the government announced in 1998 a plan to issue bonds to recapitalise the state banks, to enable them to write off bad loans. Chinese officials claim their long-term goal, is to develop a modern banking system similar to that of the US Federal Reserve system' (Morrison 2000: 12)

Wu believes that the CCP have the right policies in place to make China's economic reforms successful. The problem lies in the implementation of these policies. The government is trying to push through tough economic and legal reforms, and at the same time the government is attempting to switch from relations-based to rules-based government. Zhu Rongji's economic plans are viewed as the most significant restructuring program to date. His reforms call for a significant reduction in the size of the government and diminished control over various sectors of the economy - dismantling of much of the remaining "iron rice bowl"

of cradle-to grave benefits for government and SOE workers. Morrison (2000: 12). These are all ways to make China a truly market economy. However the road ahead for the CCP will become even more difficult, as the liberalisation process engenders a multitude of problems, some of which are detailed in Chapter four.

CHAPTER 3: THE CHINESE MILITARY

The economic strength of a state is one of the most important areas that a country needs to become a superpower, as seen in Chapter one. Economic strength is essential to becoming powerful. China is today feared, not because of its economic success, but because the government is using its economic success to build-up a modern military establishment. Realists would say that a strong military power is what a country needs, so that the country can protect its national interest. As mentioned in the first chapter, China has the biggest military force in the world, with about 3 million soldiers, compared to the current superpower, the USA, which totals about 1.4 million, as indicated below:

1 *Figure 7: China and the United States' militaries compared*

	2 China	United States
3 Total strength	2,972,000	1.370,000
4 Armoured Vehicles	20.360	34,725
Combat Aircraft	5, 600	2. 626
Major Naval Vessels	310 (with another 88 held in reserve)	315 (with 18 in reserve)
Ballistic	93 – plus	982 (land and sea-based)
Nuclear Weapons	4.1 Info. not available	14,766

(Figures taken from the 1998 assessment by Jane's. The figures for the United States are from the US Department of Defence and other sources as noted (<http://cnn.com/interactive/specials/9908/china.military/tablehtml>)).

There a number of reasons why Beijing has a huge armed force. The size of China's military force can be attributed to the fact, that it has the biggest population in the world. It has the longest border in the world, (14 countries) including Russia and India and it is this border that needs to be protected. As Gerald Segal put it (1994: 53) 'China is virtually unique among great powers, in having a territorial dispute with nearly every one of its neighbours. The Chinese government believes that it could use its military power to "right the wrong of history" which will only be "natural". It is for reasons like this that makes many of China's neighbours perceive Beijing as a threat to the stability of the region. What makes the PLA even more threatening is the fact that the PLA military forces are larger than all those in the region combined.

In recent years China has quarrelled with Japan over the control of a group of desolate islands, 112 miles north-east of Taiwan. The islands, which the Chinese call Diaoyutai and the Japanese call Senkaku, are known historically as productive fisheries, but many believe that the area may also contain oil and gas reserves.

Beijing has also claimed total control over the Spratly Islands, an archipelago believed to be rich in oil and mineral deposits off the coast of southern Vietnam in the South China Sea. According to Kennedy, this assertion is contested by Brunei, Malaysia, the Philippines, Taiwan and Vietnam, each of which claims all or part of the Spratlys.

The size of China's military can certainly be justified by the government regarding security issues. However it should be remembered that although Beijing has the biggest army in the world, Nathan and Ross describe the PLA as the 'the world's largest military museum' and 'a junkyard army'. Nathan and Ross also believe that China is still a long way behind its neighbours, even compared to Taiwan, when it comes to military capabilities. Therefore the PLA is used more for securing internal stability and protecting the coastal cities of China, rather than being a threat to its neighbours. This might be true but the sheer size of the PLA would be enough to overwhelm Taiwan, even given its technologically superior military equipment.

Therefore the realist would view Beijing's military build-up as justified. This is because Beijing has had disputes with many countries, whether it is disputes about borders or arguments about a few Islands. This is not just to protect its own national security but also as a means to protect what is in the national interest of the country. As Nel *et al.* (1999: 56) put it 'the pursuit of power is intended to guarantee national security, the main national interest of

all states, a Realist would say'. China's actions regarding the issues mentioned, clearly speaks of a state that wants to secure or protect its national interest. Realists also have the view that 'of all people's evil ways, no sins are more prevalent, inexorable, or dangerous than their instinctive lust for power and their desire to dominate others' (according to Kegley *et al.*, 1995: 23). This is of course denied by Chinese government officials because in their view China is officially pursuing, what is called an "independent and peaceful foreign policy".

'China does not participate in the arms race, nor does it seek military expansion', said then Chinese Premier Li Peng in a speech intended to clarify Beijing's foreign policy. Li underscored China's opposition to hegemonism - one nation seeking greater influence over another. China, he said was against 'power politics, aggression and expansion in whatever form, as well as encroachment perpetrated by one country on the sovereignty and territorial integrity of another, or interference in the international affairs of another nation under the pretext of ethnic, religious or human rights issues' (Kennedy, 1999).

According to Cohen 'what you get is a signal that 'we have the power.' But there's a certain amount of restraint. They want very much to be the dominant power in East Asia without having to use force'. From the Chinese side, this is far from the truth. However this looks more like a realistic explanation. Most countries in the region fear the PLA, not because of the types of weapons it has but because of its size. Furthermore, good economic growth year after year has contributed to the mass modernisation of the PLA. If China does not want to participate in an arms race, why spend so much on the military? This money could have been used to alleviate the poverty which is prevalent throughout China.

Another issue is that although China may have many disputes with its neighbours, the realist theory helps us to understand China's actions, because realists believe that 'states are selfish actors who always seek to maximise their own interest, even at the cost of risking benefits that more than one state can share' (Nel *et al.*, 1998:55). This can certainly be seen in the argument regarding the Spratly Islands and the dispute which China has with Japan.

Another contradiction is, that at a seminar held in 1992 at the Ministry of National Defence, authorities discussed China's long-term security goal for the next twenty years. At this seminar participants emphasised the:

Potential for a resurgent Russian nationalism leading to a new Russian Naval threat. Concern was also expressed over Japan's naval power and the potential for further expansion by Japan, in the event of an American withdrawal from the region. Lastly,

India, which has already pushed its fleet into the South China Sea, was given special attention as a potential threat to China's ability to trade (Wortzel, 1993).

The probability that the above would happen in the new global order is very small. It seems that the Chinese authorities are looking for reasons to continue with the PLA's modernisation programme. This is quite surprising because now, the relationship between Russia and China is better than it has been during the past four decades. A certain sympathy can be accorded to China regarding Japan because Japan and China have had a traumatic history together. Another reason is that China will have to compete with Japan for the regional leadership, in case America withdraws from the area.

The realist believes that 'there is a basic continuity in international relations. Wars, for instance, start today for very much the same reasons as they did during the time of the Peloponnesian War: one side has too much power and this leads to a situation in which the stronger tries to impose its will on the weaker, or where the weaker side collects allies to attack the stronger' (Nel *et al.* 1999: 1957). In South East Asia, China is perceived to be the stronger one, and that is why most countries in the region fear China. This is one of the reasons why Japan still allows American troops to be stationed on its ground, despite the Japanese people's increasing hatred toward US troops. For Japan's elites it is a matter of protecting Tokyo's national security. Japan will remain limited regarding their military unless they change their constitution.

3.1 The rebuilding and modernisation of the PLA

Li Peng said that China does not participate in the arms race, nor does it seek military expansion. If China is not participating in an arms race, why is the government so reserved about its declaring military spending? The reason could be because China does not want to alarm its neighbours in the region because:

A conservative estimate of China's actual military expenditures would be at least ten times the officially announced level. In other words, China's real annual defence budget amounts to a minimum of \$87 billion per year, roughly one-third of the United States and 75 percent more than Japan's. Moreover the figure was 11.3 percent higher in 1996 than in 1995, and 14.6 percent higher in 1995 than in 1994' (Berstein *et al.* 1997: 25).

According to Shambaugh:

The official budget not only ignores these extra revenue sources, but explicitly exclude arms sales revenues, demobilisation and pension cost, maintenance of militia, reserves, and the Police Armed Forces (PAP), commercial earnings (in which the PLA has been operating more like a big company divided into subsidiaries, than a military who protects); and defence conversion industrial expenditure (Shambaugh 1996: 21)

3.2 Why China spends more on the PLA after the Cold War

The State Council Minister Hu Ping, explained that ‘most of what looks like a rapidly escalating budget can be accounted for by an inflation rate which is very high. Part of the rest was used to offset debts the PLA had accumulated, because of unduly low military expenditures in the past. Dreyer goes further by explaining that the PRC per capita military spending, was equivalent to \$5 in 1994, compared with \$1,000 for the U.S, \$360 for Japan and \$8 for India (Dreyer. 1996:403).

The above reasons seem adequate but some questions need to be asked. Why does China need to spend more money on its military, since it does not seek military ‘expansion nor hegemony?’ Why not spend money on social issues like health care and housing projects? The PRC, even with its technologically inferior military, is still relative stronger than most of the countries around it and at the moment none of them are a threat to the national security of China.

One reason for China’s military build-up could be Taiwan. The Chinese government has for long regarded Taiwan as a part of China. When Britain handed Hong Kong back to China, Beijing made it clear that Taiwan was never to seek independence. In 1998 China demanded an explanation from the Japanese government on the scope of its revised defence pact with the United States and warned that Beijing will not brook any interference on the Taiwan issue. This happened after the Japanese official said that US-Japan defence pact would also cover Taiwan. Beijing’s reaction is an indication of how strongly China feels about the Taiwan issue. The US with its strong military is also an unofficial ally of Taiwan and has indicated that it will not allow China to resolve the Taiwan issue through conflict. The Chinese government however has stated that the Americans use Taiwan as one of their unsinkable aircraft carriers. The US military is thus a stumbling block for China and this is one of the reasons why the Chinese are modernising the PLA, to not just compete with the US over Taiwan but to try and break US dominance in the region. This suggests that thinking within the PLA demands that China must be strong enough to compete with the powerful US.

The modernisation of the PLA by Beijing has also have led to increasing the military budget of most Asian countries. In a report to the Congressional Committee in June 1995, some of the complaints from the countries in the region were that the diminishing of the US military presence in the region, was making China a threat.

Lastly, Beijing has also claimed that the increase in its military budget, is a result of its restructuring programme of the PLA. President Jiang has order the military out of the businesses in which they were once involved and that the armed forces should start to focus more on military issues and so give renewed credibility to the PLA. Karniol (1999) says that the 1999 'defence budget has been highly anticipated as it was expected to include substantial compensation to the PLA for its withdrawal from purely commercial business activities'. Some analysts believe that compensation will reflect its loss of profits, net assets, and will be spread over several years. Karniol also believes that:

Much of the compensation from its loss of business income, is intended to boost military salaries and improve the quality of the life for the PLA personnel. The continuing demobilisation of some 500,000 troops, while costly in the short term, is expected to produce long-term saving for similar application. The first phase of this programme saw fourteen PLA divisions transferred to the PAP paramilitary force, while the second phase resulted in the disbandment of three army groups and several independent units. The third phase, now under way and due for completion next year (2000), is focussed on support, educational and headquarters personnel.

It is very clear that Beijing wants the PLA to be much more effective, and the more money spent on fewer troops, makes the modernisation programme so much more effective. Part of the modernisation is to focus on the educating of PLA personnel in key areas such as aerospace etc. Russia plays a very important role in this regard. Since the 1990s a large number of Russian specialists in military technology have moved to mainland China to work on projects for the Chinese government. Many Chinese have also gone to Russia for training. Beijing's aim is to make the PLA more competitive with other countries, by bring the PLA up to international standards. This part of the modernisation programme of the PLA also includes the restructuring of the armed forces and that is why Beijing is currently busy with the demobilisation of 500,000 troops, which will bring the total number of troops since Deng started the reform of the PLA in the early 1980s, to 1.5 million. Despite this, the combined total of the PLA and the PAP still is more than four million, including reserves. Such a large

armed force is not going to make any country feel comfortable for a very long time, particularly if a country shares a border with China.

3.3 Why an aircraft carrier?

'China does not participate in the arms race, nor does it seek military expansion'. These are the words of the former premier of China, Li Peng. The question which one should ask Mr Peng is, what does an aircraft carrier represent from a military point of view? In south east Asia the two biggest countries in the region are China, Japan. The US is also a very important player in the region. Apart from having troops stationed on the soil of some of the countries, the US also has aircraft carriers in the region, such as the US 7th Fleet, which patrols the South China Sea. In 1998 it was reported that the Ukrainian government wanted to auction a half-built aircraft carrier with the name of *Varyag*, that was built by the former Soviet Union. When the former Soviet empire began to fall apart, many big government projects simply ground to a halt. One of these projects was the *Varyag* which was handed over to the Ukrainian government who 'didn't know what to do with the 37 000-ton, half-finished ship, so they put it up for auction' (www.abcnews.com).

Who bought the carrier? The buyer of the half-built ship was a travel agency from the Portuguese colony of Macao, which was handed over to China in 1999. What did Macao want with this kind of ship? According to Porubcansky (1998) a Macao-based company called, Chong Lot Co. wanted to buy the half-built carrier apparently to use it as a "floating amusement park". In numerous reports, the government of Macao denied that it has any knowledge about the *Varyag* and also that Macao's harbour is only a few yards deep in places, much too shallow for an aircraft carrier.

If the Macao government denies that it has given permission for the *Varyag* to enter the harbour of the state, why then did the deal with the Ukrainian government take place? It is a fact that the Chong Lot Travel Agency belongs to a Hong Kong based company called Chin Luck (Holdings). 'Four of Chin Luck's six board members come from the same area in China's Shandong Province, which just happens to be where the Chinese navy builds its ships. And Chin Luck's chairman is a former career military officer with the PLA'. (www.seattletimes.nwsourc.com/)

It should not be difficult to work out, that there is a strong possibility that the PLA might have a hand in this deal, because at that stage the PLA was still deeply involved in

business ventures of its own. The buying of a carrier would have a big impact on the role the Chinese military will play in the near future in the region and around the world. As one report put it ‘the *Varyag* reportedly is in poor condition, but even if China chose to dismantle it, the military could learn something about how to build its own aircraft carrier’ (www.seattletimes.nwsourc.com/).

On August 27, 1999, about a year after the Chong Lot Travel Agency bought the *Varyag*, the Chinese government approved the building of two aircraft carriers. This was apparently done to counter the US naval presence in the region. ‘The Chinese Communist Party Central Committee and the State Council or Cabinet have earmarked an initial fund of 250 million yuan (\$52 million) for the design and work on the construction of a 250,000-ton aircraft carrier and a smaller 30 000 ton vessel, the *Independent Sun* newspaper said, quoting unidentified sources. Both carriers are to be completed by 2009, the paper said, adding that Beijing approved the plans following the presence of the US 7th Fleet in the Taiwan Strait in 1996, following Chinese war games (www.freepublic.com/forum/).

The building of the aircraft carrier just emphasises the aim of China to dominate the region. The carriers could also be used as a weapon to bring Taiwan back to the mainland, and to help Beijing to deal more effectively with the disputes over issues like the Spratly Islands. How effective aircraft carriers will be in helping Beijing to resolve some of its disputes still has to be seen, as the US will remain in the region for a long time, particularly as long as the US-Japan security treaty remains intact.

3.4 China as a Nuclear State

Figure 8 - China's Key Nuclear-Related Facilities



<http://cns.miis.edu/edu/cns/projects/ealp/pubs/chinanuc/map.thm>

The fact that China has nuclear weapons, makes Beijing part of an exclusive club in the world. As seen on the above map, the Chinese have a quite a number of nuclear site from where they do there research and development. Nuclear weapons are just a confirmation, the realists believe, that a state with nuclear weapons can use its weapons to dominate those who does not have these weapons. In the case of Beijing, there is no exception. However Beijing's nuclear upgrading should be connected to China's economic growth because it was the stimulant which Beijing needed to 'upgrade its strategic nuclear capabilities, despite the end of the Cold War' according to a report delivered to a Congressional Committee in June 1995. Analysts believe that China has between 300 and 400 nuclear warheads in two basic categories. According to a report from the Pentagon in 1997 entitled *Proliferation: Treaty and Response*, the US Defence Department stated that China has over 100 nuclear warheads deployed operationally on ballistic missiles, while additional warheads are in storage. According to Roberts *et al.* (2000:56):

China's deployment of short and intermediate-range missiles is increasing, particularly in Fujian province, which is across the Straits from Taiwan. The reported number of missiles deployed there grew from about twenty in the mid-1990s to between 160 and 200 in early 1999, and it is estimated that the number might rise to between 500 and 650 within five years. These missiles are generally thought to be tipped with conventional warheads, although some reports indicate they could be given nuclear payloads.

The likelihood of Beijing using nuclear weapons remains slim because China is a signatory to the Comprehensive Test Ban Treaty (CTBT) which it signed in 1996. The US navy is also in the region and it has submarines which are equipped with nuclear missiles. The deployment of the short and intermediate range missiles in Fujian province is probably an intimidating strategy, to prevent Taiwan from doing things which might further complicate re-unification. The chance that China might use nuclear weapons against Taiwan is small. However if Beijing continues to modernise its nuclear capabilities it would probably result in a nuclear arms race amongst Russia, India and possibly Japan, to contain China. Therefore it would be fair to argue that China as a nuclear state will contribute to upsetting the balance of power in the region. Despite Beijing increasing its spending on nuclear weapons it should be remembered that it has also signed many other international treaties regarding nuclear weapons. As Roberts *et al.* put it,

During the last decade China has signed the Non-proliferation Treaty (NPT), the Chemical Weapons Convention, and the CTBT. China also supports the negotiations of a ban on the production of fissile weapons and has agreed to bring its technology export practices more fully into compliance with international norms. In 1997 it also joined the Zanger Committee, which, under the NPT, co-ordinates nuclear export policies.

It seems that China is playing a two-way game because on the one hand they have signed international treaties with regard to nuclear weapons, and on the other hand, China is spending heavily on its nuclear expansion program. The expansion could be the result of the following five reasons:

- (1) India is a nuclear state and China does not have very good relations with India;
- (2) to use these weapons as counter against US hegemony in the region;
- (3) to unify Taiwan with the mainland. However, this is highly unlikely because over time China's military advantage will surpass that of Taiwan and it may be able to take Taiwan by force with its military superiority anyway, and thus there is no need for nuclear weapons to bring Taiwan back to the mainland;
- (4) China has not always had the best of relations with Russia but there have been signs of improvement in their relations over the past few years;
- (5) China could use the weapons to dominate the countries in the region. It might be that China is signing and agreeing to abide by these international treaties, just to increase its international standing and thereby lead to its becoming part of organisations such as the World Trade Organisation (WTO), which would be in its interest.

3.5 China's defence industry

China's military have been heavily involved in their own business operations since the early 1980s. To what extent these military businesses have contributed to the Chinese economic growth is not yet known. During 1998, the Chinese President Jiang Zemin, has ordered the PLA elites to stop their commercial activities and to concentrate on military activities. This was a big blow to the PLA financially, and therefore they had to focus more on the defence industry to make-up for the losses incurred when they stopped their business ventures. Despite this the Chinese did not exclude the defence industry when the reform process started in 1978.

In 1999 further reforms were undertaken, which have shown how serious Beijing is about its defence industry. According to Ding (2000: 56) 'the reforms in 1999 split the big five defence industries system into ten groups. The big five defence industrial systems were, the China National Nuclear Corporation, China State Shipbuilding Corporation, China Ordnance Industry Corporation, China Aerospace Corporation, and Aviation Industries of China'. But just realising this, makes it clear that these industries are all capital-intensive industries. Dreyer (1997: 8) says that 'China is funding three major combat aircraft programmes, while the whole of Europe could barely afford two'. This indicates how serious China is about its defence industry. In an article entitled 'China's Hand in Africa's Wars' (www.startfor.com/SERVICES/giu2000/082200.ASP) it is discussed how the PLA is trying make inroads into the African continent with regard to arms sales. According to government statistics, the PLA has arms export deals with only 22 countries, of which only two are in Africa. It is clear that it is looking to shift its military money making process away from China's domestic industries and towards shipping arms abroad. The more China's defence industry grows, the bigger role player it will become in the global industry. However, at present, China's defence industry is still lagging behind most developed countries. At the moment China is still purchasing most of its defence equipment from Russia. China still cannot produce sophisticated, advanced technology, but must rely on the importation of sophisticated weapons systems to meet its growing military modernisation demand (Ding 2000: 62)

CHAPTER 4: DOMESTIC PROBLEMS BEIJING IS FACING

China is growing at very fast rate. As said earlier, it is expected that China will continue to grow economically for the next ten years at an average rate of ten percent annually and that it will be the world's biggest economy by either 2010 or 2015. China is facing a myriad of internal challenges and problems as it moves into the twenty-first century. China's ability to successfully solve these problems and manage these challenges, will directly influence (a) China's internal stability, (b) the continuation of its reform and opening up policies, and (c) the security of the region. In turn, China's internal stability, economic and political liberalisation, and leadership will affect regional security. Therefore in order for China to become a superpower it firstly needs to address the domestic problems that the country is facing today.

The main problems are: human rights, population growth, unemployment, corruption, environmental problems, and poverty. All these problems have the potential to destabilise and derail China's economic growth and this in turn could lead to political and social instability in China. These problems will be looked at in this chapter.

The realist mostly looks at the international system. However internal unrest has the potential to threaten the national security of a country. China, as said in Chapter 3, has disputes with many of its neighbours in the region and any instability within the borders of China could weaken the country. As Ding (2000: 5) put it the 'PLA has built up rapid reaction forces to cope with what Beijing believes will be the wars of the future: small-scale conflicts caused by territorial disputes and short, sharp border clashes, rather than large-scale aggressive wars aimed at conquest'. However it is highly unlikely that any of China's neighbours would dare to attack Beijing, even if China is unstable within its borders. However the Chinese have suffered much over the last few centuries and would do anything (even at a high cost) not to be humiliated again.

China has never been a democracy. The people of China have suffered particularly during this last century. The Chinese people have experienced severe times of hardship under Mao's reign, firstly during the Great Leap Forward during the late 1950s and early 1960s and than during the Great Cultural Revolution. However, the events that took place on Tiananmen Square really put the spotlight on China's human rights record.

China's human rights record has for many years been a hotly debated issue. Who can forget Tiananmen Square? The only thing they were guilty of, was the fact that they protested against corruption, greed, nepotism and arbitrary bureaucratic rule. After this incident China was harshly criticised by the international community, and many foreign investors also pulled out of the country. However there is also the Tibetan issue, and the Fulan Gong religious group, which the Chinese elite feels has the ability to destabilise the country and therefore see it as a threat to national security, or rather to the CCP.

The reforms were started in China to liberate the economy and not the political system. The CCP believes China would never have advanced this far economically, if both the political and economic systems were liberalised and looks to Russia for confirmation of this thesis. According to Dennis (1996: 76) Beijing claims human rights are a security threat in two senses. First, they represent a challenge to the successful status quo, and, therefore, retrogression to the catastrophic status quo ante. China's uniquely difficult social and economic circumstances have made it impossible for the Chinese to have both extensive personal liberties and socio-economic development. In the CCP's view, the former would destroy the latter.

The following is just an indication of Beijing's reluctance to give its people civil liberties. China has signed the International Covenant on Civil and Political Rights (ICCPR) and the International Covenant on Economic, Social and Cultural Rights (ICESCR) in 1998 and 1997 respectively. To date it has failed to ratify either of these core instruments, and has committed blatant violations of the rights they contain. These violations include extensive use of arbitrary detentions, imprisonment of political and religious dissidents, torture and ill-treatment of detainees, deprivation of the rights to freedom of expression, association and assembly, widespread failure to enforce the laws protecting the rights of workers and women, suppression of religious freedom and the use of physical and psychological coercion in the implementation of the population control policy (<http://www.hrichina.org/july2000-Uksubmission.html>). McAlvany (1997: 26) paints a very bad picture of human rights in China:

The present Chinese leadership has taken population controls (via one child per family, forced abortion, infanticide – especially of baby girls – even cannibalism); slave labour in the *laogai* surveillance of its citizens; beating; torture; imprisonment; arbitrary executions; persecution of Christians and other religious groups'.

This might seem like an over statement. However an example of what kind of things are happening in China should not be taken lightly. Recently it was reported that in some regions, wealthy families are able to pay for a second child. Also recently in the *Sunday Times* (2000: 17), it was reported how babies are murdered if they are not of the right sex (boys), and how corrupt officials claim money if a person wants to keep their child. As the *Sunday Times* put it 'China's population control policies allow petty bureaucrats across the country a free hand to ruin people's lives, as they extort bribes and gifts and dispense life-or-death decisions'.

The fact that Beijing has failed to ratify these core instruments is not surprising. If Beijing does ratify these two important pieces of international legislation, it will only hamper itself. It will hamper itself in the sense, that Beijing will have to conform to international norms. At present, it seems highly unlikely the government is going to do that. These are clearly extreme cases of human rights violations. However it is corrupt government officials who enforce these policies and not necessarily the Beijing government. China is a bureaucratic state and the government does not have its hands on all institutions and officials. However it would be fair to say that Beijing does turn a blind eye in many cases, where the rights of people have been abused and where some people have even lost their lives as a result of that.

4.1 Falun Gong

In China the main religions are Buddhism, Taoism, Islam and Christianity (Catholicism and Protestantism). There is also the Falun Gong sect, a religion which is a mixture of martial arts, Buddhism and Taoism.

A booklet published by the Chinese government (*China: Facts and Figures*, 2000) had the following to say about religion in China: 'normal religious activities and the legitimate rights of the people to practice their religion are protected by the state. Religious believers are allowed to participate in their normal religious activities. The Constitution stipulates that Chinese citizens enjoy freedom of religious belief. No state organ, social organisation or individual may compel citizens to believe in, or not believe in, a religion. They may not discriminate against them in any way' (2000: 119).

In the very same booklet China dedicates a few pages to explain why the Falun Gong should be banned from the Chinese society. 'In July 1999, China's Ministry of Civil Affairs

declared the Research Society of Falun Gong organisation under its control to be an illegal organisation and consequently outlawed them. Falun Gong is a heretical cult said Ye Xiaowen, Director of State Administration for religious affairs' (2000: 56). Xiaowen's statement sums up the Chinese government's feeling toward this group, whose leader Li Hongzhi is in exile. Beijing views this group of people as a threat to the national security of the country and therefore they have to be taken out of the Chinese society.

It is believed that the reason why Beijing fears the Falun Gong, is because their membership is apparently between 70 and 100 million followers, which is larger than the CCP membership. A CNN report quoted Renqui Yu who said that 'China's primary fear with regards to Falun Gong is its size'. According to Holland (1999: 16) government officials point to the Falun Gong's tight organisational structure. This is in a country where organisations outside party control are forbidden. It is not surprising that the CCP has taken strong action against the Falun Gong: any group over which Beijing does not have direct control presents a direct threat to the CCP's hold on power, particularly if that group is organised.

Another problem for Beijing is that an alarming number of party cadres and PLA soldiers belong to the Falun Gong sect. The involvement of PLA and the CCP members is of particular concern to the CCP because members of these two organisations are not supposed to hold religious beliefs. The official *People's Daily* has revealed that a few party members were deemed to be the "backbone" of the sect. Some party officials say that as many as 700 000 party members are involved with the Falun Gong (Holland: 1999: 16).

The Chinese government has, since the Falun Gong ban on July 1, 1999, arrested hundreds of members of the group and many of the leaders were sent to prison. Many followers were also detained without a trial. According to the organisation *Human Rights in China* 'some of the sentences meted out to Falun Gong practitioners, were the hardest known to have been handed down to people for peaceful exercise of their basic rights, since the prosecution of the 1989 demonstrators: 18 years in the case of Li Chang, an official in the Public Security Ministry, and 16 years for Wang Zhiwen, both condemned after a secret trial held on December 26, 1999; 17 years in the case of 74 year old Yu Changxin, tried in January 2000' (<http://www.hrichina.org>).

Just as recently as 1 October 2000 on the national holiday in China, the Chinese police arrested hundreds Falun Gong members, after they had protested against the ban which the government imposed on them in 1999.

4.2 Tibet

Tibet has been under Chinese control since the 1950s when the PLA invaded the country. Tibet is one of five provinces, which the Chinese government calls “autonomous regions”. However the Chinese government has controlled Tibet with an iron fist. In my view part of the reasons that is governed by Beijing the way it is is because of the role the Dalai Lama plays within the international community. If it was not for the Dalai Lama’s international standing the Tibet issue would probably not be as prominent in the international system. I would go as far as to say that it is largely due to the role the Dalai Lama plays in Tibet issues that Tibetans are suffering this much. Beijing does not want foreigners to criticise domestic issues. It should also be considered that the Dalai Lama has called for the independence of Tibet and has been preaching democratic values. However a reading of the history of Tibet will show there is no record of Tibet having been a democracy. The plight of the Dalai Lama is highlighted by the fact, that many prominent actors and business people belong to the faith.

I must admit that the Chinese government of the last century does not have a good record when it comes to human rights. This is the same for Tibet and the Xinjiang province which are both so called autonomous regions. These are both regions that have separatist movements that are fighting for these regions’ independence. It is believed that over 1.2 million Tibetans have died since Beijing took control over the region nearly fifty years ago. There is certainly a case for the Dalai Lama and his followers to fight for independence but so would there be for people in Xinjiang and Inner Mongolia for that matter. If Tibet become independent it would certainly set a precedent and Beijing realises this and is fiercely opposed to it.

What the Chinese government has done in the minority areas, of which Tibet is one, is to develop these areas economically. The minority groups in China including Tibetans, receive more benefits from the Chinese government than the Han Chinese. The Chinese one

child policy is well known. However the government has a more relaxed approach toward minorities, when it comes to implementing this policy.

Three of the reasons why Tibet is also important for China are

- 1) it acts as a strategic barrier for China against India;
- 2) Tibet is very rich in natural resources which still need to be explored and million of dollars have already been invested for that;
- 3) Beijing is using these minority areas to move some Han Chinese there, in order to alleviate over population in the cities and the coastal areas.

4.3 Xinjiang

The Xinjiang province is situated in the north western part of China and is home to about 20 million Muslims and is a hotbed of religiously inspired separatism. The Uighurs, Muslims who speak a Turkic language and who live in the western part of China, eastern Kazakhstan, and Kyrgyzstan are seeking the right to self-government. The Muslim separatists have been at the forefront of fighting for an independent East Turkestan country.

In the past few years violence in Xinjiang has increased tremendously. This apparently has been, because the Chinese government's strategy for achieving security in the province, is to discriminate against Uighurs, Beijing resettles Han Chinese in desert oases, billets troops in paramilitary camps, tests nuclear weapons near large towns, and imperils the environment.

Some of the reasons for the conflict in Xinjiang are because the Han Chinese majority has eroded that of the Uighurs, who used to be the majority in the province. This means that the Uighurs have become a minority group in their own homeland. The minority groups have been "Han-ised". As Xiaomen (1999) writes, in 'Xinjiang locals resent Han immigrants, who are said to get the best jobs on construction sites and in the oil fields, which are being developed. They are outraged at the forced sterilisation of women and they worry that the influx of non-minorities is changing the ethnic character of the minority areas'. The above clearly shows that the Uighurs, like the Tibetans, have no rights in their own homeland and over the past few years according to some reports officials have arrested more than 60,000

Uighurs and executed more than 2,000 of them for political crimes. (www.time.com/time/magazine).

Other problems are, that the Uighurs have not shared in the province's riches that have been exploited by Beijing. Xinjiang is one of the poorest provinces in Beijing, with the highest inflation rate of all the other provinces in China. Equally troubling are the income disparities which have bred resentment between the Uighurs and the ethnic Han Chinese.

Why is Xinjiang so important for Beijing? Xinjiang is one of China's biggest provinces, accounting for one-sixth of China's landmass. The province borders on six nations but most important is the fact that the province is rich in untapped natural resources like oil and natural gas. Although the Muslim separatists in Xinjiang do not present any real threat to the government, the possibility remains that a major conflict could break out, which could spread to Tibet and Inner Mongolia. Beijing clearly has its own agenda regarding these so-called autonomous areas, that are anything but autonomous. These areas are all rich in natural resources that are essential for Beijing's energy needs and also these areas act as regions to which the government can locate more Han Chinese.

4.4 Unemployment

Unemployment in China is high and continues to rise. The rising unemployment can to a large extent, be attributed to the role that many of the non-performing SOEs play in the Chinese economy. The Chinese government keep funding these enterprises because they employ people. Although government has supported these enterprises, mainly because they employ millions of people, this was a recipe for failure in an open market economy. These SOEs have become a financial burden to the government and that is why the government is currently busy with a restructuring programme of these enterprises that include privatisation. The result is that many are losing their jobs.

China's unemployment rate is currently estimated between 10 and 11 percent. As Pei (1999. 2) writes, the 'official Chinese reports are that, amongst urban dwellers, unemployment is about 11 percent (between 16 or 18 million people). In addition, as many as 120 million rural labourers are considered underemployed'. Chinese authorities expect that their accession to the World Trade Organisation (WTO) will result in a further 10 million

people losing their jobs, when the economy is fully opened. This will obviously increase the unemployment rate dramatically.

It is those who have lost their jobs, who are presenting a potential danger to China's stability. If these forces become organised, they have the potential to mobilise against the government and this could lead to social unrest. According to CNN, generating jobs for the unemployed before they take to the streets to protest, is a major challenge. Mackinnon writes that Chinese officials already admit privately, that every day, somewhere in China, there is labour unrest. Davies (1999) writes that it is 'estimated that in the three years to 1997, more than six thousand strikes and demonstrations by disgruntled workers took place'.

Although it is unlikely that unemployment will really destabilise Chinese society, Beijing knows the effect that social unrest will have on the economy and on its development program. Pei (1999: 2) has the view that regarding 'high unemployment in China, its impact on political instability tends to be limited for two reasons. Firstly, unemployment principally affects only one segment of society, namely, manufacturing workers. It would be difficult for these workers to find political allies in other sectors. Secondly, the ranks of the unemployed are relatively fluid. Many unemployed, especially the most able, can find alternative employment'.

4.5 Poverty

China's economic growth although very successful until now, has not yet succeeded in alleviating poverty. Poverty in China is today still wide-spread and this is particularly the case in the western part of the country. Western China is relatively underdeveloped compared to the eastern coastal part of the country where most foreign direct investment goes. The per capita income in the coastal cities or provinces is much higher than that in western part of the country.

Davies (1999) believes that 'since 1978, the eighteen inland provinces have received just US \$13 billion in direct foreign investment, just a tenth of the national total. China today receives more or less US \$100 million a day in overseas investment - mostly infrastructure projects in the eastern cities'. As Pye (1999) put it 'China is now characterised by both prosperous coastal cities and poverty-plagued interior provinces, rich entrepreneurs and

masses of urban unemployment'. The development of western China remains one of the biggest problems for the Chinese government, according to the current Chinese ambassador in South Africa, Mr Wang Xuexian. Most of the poor people live in the rural areas of China and there are huge disparities in income, between the people in the rural areas and those in the urban areas. This is one of the reasons why there is an increase in urbanisation in China, because people believe things are much better in the cities.

4.6 Urbanisation

One of the first parts of reform was to develop and reorganise agriculture. The agricultural reforms were successful and have contributed greatly to the economic growth of the country. However, this sector of the economy could not absorb all the people in the rural areas, and because people have heard that in the big cities things are going much better, they move there in the hope of becoming part of the country's employed. Over the last 20 years, urbanisation in China has increased rapidly. The increase in the numbers of people who are moving towards the cities creates problems of its own.

Economists predicted last year (1999) that 18 million people in urban areas would be unemployed. Apart from problems which arise because of urbanisation, people in cities are normally better informed than those in the rural areas. The reason is that they are more exposed to information flows, through newspapers, and television. When people are informed and they suffer because of difficult economic circumstances unrest grows. Beijing is well aware of this situation and therefore it is a priority of the government to continuously reform the economy and stimulate economic growth in order to create jobs.

4.7 Population growth, environmental problems

It is imperative that these two variables should be looked at together. The environment and population growth are inter-linked, because the one has an effect on the other. If the environment is not looked after, the challenges the Chinese government will face, regarding production of food, and providing adequate water for its people will become big.

‘As the world’s population continues to grow, great pressure is being placed on arable land, water, energy, and biological resources to provide an adequate supply of food, while maintaining the integrity of our ecosystem’ according to Pimentel *et al.* (1996). This is even truer because since the establishment of the People’s Republic, Chinese officials have emphasised economic development over environmental protection (www.apcss.org/). It should also be remembered that China has the world’s biggest population and its population continues to grow. China’s population is growing annually to such an extent, that it adds another Australia every year. This has serious implications for the environment.

Smil (1995: 802) wrote that according to the ‘UN’s long term projection, China’s 1995 population of 1.2 billion people will increase to almost exactly 1.4 billion by the year 2010, and to just over 1.5 billion by the year 2025’. Brown (1995) believes that ‘China is on track for adding some 490 million people between 1990 and 2030 - the equivalent of four Japans - swelling its population to more than 1.6 billion’. This in itself is a threat to the Chinese government because the more people there are, the more problems will arise if the authorities do not succeed in providing for all. If Beijing fails to provide for the most important needs of the people, the CCP hold on power will become increasingly weaker. Beijing is well aware of this situation and therefore it has introduced various policies since 1978 in order to contain the population growth.

‘The food is eaten with the silver chopsticks that the emperors thought would tarnish if touched by poison. Today in Beijing, the fear of poisoning remains, but not from the food’ (Gummer, 2000). Gummer made this statement in order to illustrate how severe air pollution is in China. This is one of the negative aspects of a fast growing economy that clearly indicates that the government has not given enough attention to the environment. Edmonds (1999: 644) writes ‘a study done by the Washington based World Resource Institute has concluded that nine of the ten worst air polluted cities in the world are found in China. This problem is tied to the continuous dependence of China upon coal as a source of energy’.

Chinese economic growth will further expand the middle class even if this is small, considering the population size. Just consider if a 50 million people in China have cars what effect it might have on the environment. Edmonds (1999: 646) put it that ‘one source has predicted that car growth will jump from two vehicles per 1,000 people in 1995 to anywhere between 53 and 83 per 1,000 by 2020, with the number of motorcycles possibly growing

even faster'. This has great potential to cause further harm to the environment and will contribute to global warming.

'Water shortages remain arguably a more critical issue than arable land shortage, especially in the north of China, with many sources shrinking or drying up during the last quarter of a century' (Edmonds. 1999: 642). It seems as if Beijing realises this problem and therefore is working on an alternative solution to solve it. In 1999 the government made the *State of the Environment Report* public, in which the government noted the dismaying trend.

There are currently a few major dam building projects underway in China. The biggest of them is the Three Gorges Dam. These dams are being built to help increase the production of China's energy needs. To many Chinese, this dam is seen as a symbol of their technological strength, and more importantly it is hoped that the dam will resolve most of the country's energy needs. Consider that 'in China more than 300 cities are already short of water, and these shortages are intensifying' (Pimentel *et al.*, 1996). The Three Gorges Dam will also contribute to China's energy needs with hydroelectric turbines are expected to create as much electricity as 18 nuclear power plants.

However this dam has also created controversy, not just in China but also all over the world. Some believe that this dam is causing more harm to the environment than the problems it is meant to be solving. The building of the Three Gorges Dam will lead to the resettlement of an estimated 1.2 million people, but some analysts believe the figure could be as high as 2 million. Kennedy (1999) wrote that the land, which is going to be flooded, is some of the most fertile in China. So, although the Three Gorges will supposedly help relieve some of the country's energy problems it will also create many other problems that the Chinese government will need to address.

Another challenge the Chinese government is facing in this regard, is their ability to provide enough food for their growing population. Good economic conditions have increased the living standards of people in China. 'Forecasts of substantially rising demand for grain follow logically from the combination of large absolute population increases and growing purchasing power' (Smil 1995: 802). It is natural that when populations increase, requirements for resources also increase. However if living standards increase, the demand for resources becomes even greater. Of this Beijing has take note, because President Jiang

Zemin warned that 'lagging agricultural growth could spawn problems that would threaten inflation, stability, and national economic development' (Brown 1995).

The problem becomes even bigger for China, because it should be remembered that the world's population will also increase at the same time. This means that other countries might face the same problems, although not to the same extent as China. Therefore the world croplands will continue to decrease further. This could mean that countries will not be able to export as much food resources as they previously did and this in itself will lead to problems, that could only be overcome by developing chemically engineered food resources. Pimental *et al.*, (1996) illustrate the above point:

In future, when exporting nations keep surpluses at home, Egypt, Jordan, and countless other countries in Africa and Asia will be without the food imports that now help them survive. China, which now imports tons of food, illustrates this problem. As the Worldwatch Institute has pointed out, if China's population increases by 500 million and their soil erosion continues unabated, it will need to import 200-400 million tons of food each year by 2050. But by then, sufficient food imports probably will not be available on the international market'.

This is not just a problem for China, but also for the rest of the world, but it will affect the Chinese population far more, compared to other nations, largely because of its population size.

The issues in this chapter remain not just a threat to China's stability but more importantly to the CCP's hold on power. If these problems are not addressed, they may also derail Beijing's quest for global power status because the government will have to divert most of its attention to domestic issues. Environmental degradation in China is not only a blight to the aesthetic beauty of the country, it also has far-reaching economic and social implications. It is noted that total air and water pollution in China costs the nation \$ 54 billion (or about 8% percent of the nation's GDP), a figure that includes health and productivity losses. Environmental degradation in China is also contributing to mass internal migration, a trend that has generally been attributed to only economic factors (www.apcss.org/).

CHAPTER 5: CHINA'S FOREIGN POLICY

Until now, aspects have been looked at which could help China become a superpower, and also the possible problems that could prevent Beijing from becoming one. China's role in the international system is of pivotal importance. In order to see whether it behaves like one, it is necessary to ask whether China can or is taking a leading role in international affairs like the U.S, UK and France. Does it co-operate with intergovernmental, non-governmental organisations? Does Beijing accept and respect international treaties? However it should be added immediately, that it does not mean if Beijing does comply or interact with these organisations, that it will not become a force to reckoned with in future. The Chinese economy alone is of such immense importance, that it will be forced to interact with other countries because its economy is an integral part of the world economy.

The CCP had isolated the People's Republic of China since 1949 because the Chinese elites had always believed that they could live without the rest of the world. This was indicated by Foot (1995: 236) who wrote that China 'almost totally excluded (itself) from the world of intergovernmental organisations in the period 1949-1970, by 1977 China had joined twenty-one organisations and by 1988, thirty-seven. Participation in non-governmental organisations also rose dramatically from seventy-seven in 1977 to 574 in 1988 (Foot: 1995: 236).

Today Chinese citizens belong to more than 1100 non-governmental organisations (NGOs) and intergovernmental organisations (IGO). Considering that before 1971 China was only part of twenty-one international organisations this is incredible. Beijing's membership in the UN in 1971 was very significant. Mao used to be very sceptical about the UN, viewing it as an organisation that served only the interests of the North, and therefore even after admittance China did not involve itself in the activities of the organisation till after 1978. Since Beijing started to co-operate with the UN in 1978, the country's membership in multilateral bodies grew very rapidly and China joined virtually all UN IGOs. China's position in the UN is very significant because it is one of the permanent members of the Security Council and it has a veto vote. This position is in itself very important because China is the only developing country on the Security Council.

The PRC membership of (particularly) the United Nations General Assembly (UNGA) has presented China with a stage from which it can project its world outlook. In the UNGA, Beijing has always been a supporter of the South, by voting in most cases along with developing countries. Beijing wants to give the impression that it is a concerned actor for the South in global politics. Realists believe that states are selfish in nature and therefore it is clear that Beijing is only serving its own national interest, rather than being really concerned about other states' welfare. Beijing's position in UNGA and its membership of so many NGOs and IGOs make it compete directly with the US and all the other great powers of the North. This is to China's advantage as it can promote its foreign policy on the world stage.

It would be fair to say that China really become part of the world community when Deng and his comrades started to open up the Chinese economy to the world. Today Beijing is an integral part of the international diplomatic community. Apart from the Tiananmen Square incident of 1989, China has since the late 1970s realised that to be in isolation would only do more harm to the Chinese people's well being and to its position in world affairs. As Zhao wrote,

In the post-Cold War era, every major power, as well as every state within East Asia, must factor China in as a key element into its foreign policy considerations. China continued to play its now-familiar role as a leading magnet for investment and diplomatic attention. James Baker, Secretary of State under President George Bush, described China's important role as ranging from 'missile and nuclear proliferation, to co-operation in the Gulf crisis, to resolving regional conflicts', which he said 'underscored the need for sustained engagement with China on issues of common concern (Zhao 1996: 5).

This gives one an indication that China has become important for two reasons: 1) because of its economic development and growth which it is currently undergoing and; 2) the role it plays in resolving conflicts and contributing to stability in its region.

Beijing's actions during the last 20 years have changed dramatically. It has come from a being country that was nearly totally isolated by Mao, to a country that is today an integral part of the world community. Despite this the Chinese government has always been adamant, that they are pursuing a peaceful foreign policy and the respect of each state's sovereign rights. It would be fair to say that this policy was particularly directed at the world community, who have been criticising China continuously over the last decade about its human rights record.

The Chinese government has always tried to pursue an independent foreign policy in particular since it started its economic reforms. The underlying goal of this policy is to 'safeguard the world, opposing all forms of hegemony, and achieving economic modernisation. China repeatedly emphasises that it needs a peaceful international environment, so that it can devote resources to its ambitious development plans' (Sutter 1996: 9). The Chinese have pointed out on numerous occasions, that they need a peaceful international order, and this could indicate, that Beijing might shift its focus more towards international involvement, when it has reached a sustainable level of development. There are already signs of this happening if it is seen that Beijing's record in peacekeeping has changed radically since 1979. This indicates that Beijing is becoming a role player in the global village, which only enhances its global agenda, because in a number of cases Beijing has played a pivotal role in trying to create a peaceful international environment.

5.1 China's peace-keeping record

Despite China's working with most NGOs and IGOs and in most of the structures of the UN, the country has in the past shown apathy towards peace-keeping operations of the UN. This could be seen in the light of Beijing's foreign policy regarding the sovereignty of a country, which it believed should be respected at all costs. The Chinese government believed that the superpowers were violating the sovereign rights of areas where conflict was, through their intervention. This was reflected on the issue of Cyprus in 1971 at a Security Council meeting, when the Chinese representative put it as follow: 'We (China) are firmly opposed to aggression and subversion by any outside force against a sovereign state' (Tzou 1998: 108). However since the 1980s, China started to support financially peacekeeping operations in order to help create and promote a peaceful international environment.

China according to Tzou (1998: 102) began to 'support almost all resolutions relating to the establishment of the peacekeeping missions and the extensions of the existing ones'. The PRC realised that if they wanted to ally themselves with the South, they needed to support these initiatives of the UN and in that way it could enhance their status internationally, in particular amongst developing countries. In 1981 the PRC voted for the first time for a UN operation and in 1982 started to make financial contributions to the organisation's peace-keeping operations.

Beijing's influence in Africa was particularly significant because during Namibia's first independent election, it sent for the first time 20 twenty non-military personnel to monitor the election.¹ A further sign that Beijing wanted peace on the African continent came, when it gave up support for liberation movements and when it urged African belligerents to make peace with legitimate governments. After civil wars ended in Angola and Mozambique Beijing voted in favour of establishing the UNAVEM I (UN Angola Verification Mission) in 1988 and the UNAVEM II in 1991. It also voted in favour of the establishment and extension of UN operations in Mozambique. The Chinese government also supported UN missions for Western Sahara, Liberia and Rwanda. China also supported peacekeeping operations in the Middle East. Beijing further supported UN peacekeeping operations in Cambodia (to which it sent military observers and an engineering battalion) in west and central Asian countries and also in South America. In 1999, China also sent a delegation of police officers to help the UN reconstruction efforts in East Timor.

The PRC involvement in peacekeeping actions should not be seen in isolation because it uses these organs of the UN and IGO in general, as a tool of its foreign policy. Beijing is also promoting its own national interests around the world through support of these initiatives by the UN. In 1993 Beijing voted for the establishment of UNMIH in Haiti, through which thousands of peacekeepers were sent to that country. However, two years later, when the Haiti government requested an extension of UNMIH, Beijing refused to support it. The reason was because the Haiti government had invited the then ROC President Li Yuan-zu, to visit the country. Although Beijing did eventually (after behind the scenes negotiations) agree to extend the UN peacekeeping mission in Haiti, it made its intentions very clear that Beijing will use its position on the Security Council to defend and promote its national interest and it will not easily compromise on issues that fail to acknowledge Beijing as the sole government of China.

A similar case occurred in 1997, when the Security Council drafted a resolution to send 155 military observers to Guatemala, to monitor the implementation of the peace accord, signed between the Guatemalan government and guerrilla forces. China vetoed the

resolution because the Guatemalan government recognised Taiwan. The Chinese government felt that the Guatemalan government disregarded PRC sovereignty and territorial integrity because of its recognition of Taiwan. However, according to Tzou (1998: 120) ‘after ten days of secret talks between the two countries, Beijing was appeased, and subsequently cast its vote in favour of Guatemala on January 20, 1997, upon which the resolution was adopted unanimously by the Security Council’.

5.2 China after 1989

After the Tiananmen Square massacre, China’s role within the international system changed considerably. Beijing did not just co-operate with countries such as the United States but it also took an active role in resolving conflicts in the region and the rest of the world. It is not to be debated that Beijing acted in most cases to enhance their own image, and these actions had a positive effect on the national interest of the country.

Sutter (1996: 34) points out how ‘Beijing made an effort to meet the requirements of the United States and others regarding markets access, intellectual property rights, and other economic issues’. China since the early 1990s has become more co-operative with regard to international treaties and also helping to resolve conflicts where it has influence:

- China signed the Treaty on the non-proliferation of Nuclear Weapons and the Comprehensive Test Ban Treaty;
- China’s willingness to abide by the terms of the Missile Technology Control Regime;
- China also put pressure on North Korea to allow the inspection of its nuclear facilities and to remain a signatory to the non-proliferation Treaty;
- ‘China is also collaborating with South Korea in encouraging North Korean moderation’ (Ross 1997: 40);
- ‘China also acceded to the Biological Weapons Convention (BWC) in 1984, but has not joined the Australian Group, the organisation designed to control the export of chemical weapons technology and precursors’ (Roy 1998: 152);
- China has also supported the UN activities in Cambodia in 1991, and as Benewick (1995) put it ‘China has given concrete and verbal support to the UN activities in Cambodia, backing the negotiations settlement and electoral process, and sending an engineering battalion to work under UN auspices’;
- ‘In June 1999 China was the first nuclear state to agree in principle to an ASEAN

initiative, the South East Asia Nuclear Weapon Free Zone', (Lawrence: 1999. 19);

- Beijing also agreed to discuss a code of conduct for the South China Sea and its disputed islands;

The above indicates China's willingness to work together with other states to try and create world peace, which it claims it promotes. The following comments by a Chinese Foreign Ministry official makes it clear that national interest or China's image polishing plays just as an important a role rather than real interest in solving conflict or to co-operate with other countries: 'wherever the United States is, China is too. China is more active than the Soviet Union was', the official adds (Lawrence 1999: 18).

This clearly indicates that the Chinese are contradicting themselves, when they say that they do not want to become a hegemonic power. Comparing itself with the United States and indicating that China is more active than the Soviet Union was, during the Cold War gives the impression that China sees itself as a superpower, in particular in Asia. 'Chinese scholars note, moreover, that on the issues that count in Asia, such as the negotiations over North Korea's nuclear programme, China often sits at tables where two other would-be Asian powers Japan and Russia, are absent' (Lawrence 1999: 18).

The fact that China co-operates with other states or intergovernmental organisations on issues of global importance is certainly creating the impression that Beijing is really serious about the role they wish to play in the world. However, Beijing's actions are that of a state who only wants to further its own course when one look at the following. This year American intelligence agencies claimed that China has violated international agreements regarding the spread of nuclear weapons. The National Intelligence Council found that Beijing had transferred 'complete nuclear-capable M-II missiles to Pakistan in 1992 and 1993. Robert Einhorn, U.S secretary of state for non-proliferation, told a Hong Kong audience on June 7 that China continue to provide equipment and technology for missile programmes in Pakistan, Iran and elsewhere' (Hiebert *et al.* 2000: 16).

According to Lawrence (2000: 18), Yan Xuetong, a security expert at Qinghua University's Institute of International Studies offers the following assessment with regard to China's nuclear arm sales to Pakistan. Yan and others suggested that the shifts in U.S policy towards South Asia over the last two years made China rethink its arms sales to Pakistan, its long time ally. It happened apparently because the U.S has accepted India as a de facto

nuclear state. Thus, says Yan, 'when the US blames China for its policy towards the region, China says "You initiated this. You're giving more freedom to India to modernise its military capabilities, particularly its nuclear capabilities". China may adjust its policy to account for this'.

This proves that Beijing is trying to act like a second Soviet Union by trying to counter U.S moves at all cost. This in my view indicates that a stronger Beijing economically and military will challenge the U.S as the only superpower. The signals which Beijing sends out through this type of actions will definitely not makes its neighbours in the region feels at ease. These actions only confirm the suspicion that many have, which is that China cannot be trusted as a responsible power in the region and world.

Sutter (1996: 99) writes that Beijing has been widely seen by many experts as 'accommodating pragmatically to many international norms not because such accommodations is seen as inherently in China's interest. Rather Beijing is said to view each issue on a case-by-case basis, calculating the cost and benefits of adherence to international norms in each case'.

5.3 China's future foreign policy and behaviour in the international arena

Roy says that 'Chinese foreign policy has three primary and enduring goals: power, wealth and status. 'Power' means Beijing's capacity to influence the policies of other governments and of the international system as a whole towards the outcomes of the PRC desires. 'Wealth' means promoting China's economic development and raising the living standards of Chinese citizens. 'Status' means increasing international respect for China' (Roy 1998: 215).

A realist would say that Roy's statement is probably the underlying goal of any state because any state will want to enhance its position in the international community. However, these three goals are clearly inter-related because the first two, will be building blocs for the latter. The Chinese economic growth, as stated repeatedly throughout this paper, has made it a force to be reckoned with, globally. Most countries in the world, in particular from the North, have relations with China not necessarily because of Beijing's political importance but rather because of the potential China offer. as a big economic market. As indicated, these actions have improved Beijing's status in the international arena and have also helped establish China as a major power with an influence in world politics.

Although China is certainly increasingly becoming a global power, there are still a

number of challenges which Beijing is facing regarding its present and future policies. Therefore in this section, Beijing's relations with other regions will be looked at, particularly a look at the US–China relations because it remains one of the greatest challenges that Beijing faces and because the US is the current superpower (as a Chinese academic put it: 'Where the US is, there is China too') This means China is challenging the United States and wants to show its dominance or status in the international system. In addition, China's relations with Japan, Asia and Africa will also be looked at briefly.

Why should a relationship between the U.S and China be problematic? It should be remembered that these two countries' economies are very interdependent. Many big MNCs of the US are in China and the US remains a big exporting market for Chinese products and vice versa. Any deterioration in these two economies would be more detrimental to the Chinese economy than that of Washington, considering that the Chinese need continuous trade for the development of the Chinese society. Apart from being interdependent economically, America is the one country, that can prevent China from taking up its role as the regional power in the South East Asian region. There is America's unofficial protection of Taiwan, which the Chinese see as a gross violation of their sovereign right by America. The US security pact with Japan is seen by the Chinese as another way to curtail them in the region.

Another stumbling block in Washington and Beijing relations is the proposed Theatre Anti-ballistic Missile Defence System (TMD), which the Chinese have asserted 'was designed to neutralise China's nuclear retaliatory capability. The Chinese have warned that the deployment would jeopardise Chinese participation in a comprehensive ban on nuclear testing' (Roy 198: 224).

These are just a few of the problems which future Washington and Beijing relations will face or will have to overcome; as the one aspires to having a great power status and the other, the current superpower. Depending on how seriously Beijing wants to be the next great power of the world will largely shape its relations with the United States. This *could* lead to a second Cold War within the international system, between two countries, which are very interdependent. Considering that nationalism in China is on the rise, 'military and political hard-liners are riding this wave, advocating tougher policies towards the United States' (Bert 2000: 20).

China-Japan relations are another aspect which the Chinese should address because

Beijing still harbours hatred toward the Japanese because of past atrocities committed by the Japanese against the Chinese. However, like in the case of Washington and Beijing, the Japanese and Chinese economies are also inter-linked. The US and Japan are both a crucial source of investment and know-how for China's modernisation. What makes this relationship very difficult is the fact that they fear each other. Although China is perceived to be against the Japan-America security treaty, Beijing actually welcomes the US presence in the region, as a stabilising force. However, China's historical suffering at the hands of the Japanese is still seen as an enormous national humiliation.

For this very reason, China fears that if the US withdrew from the region, Japan will start with a massive military build-up. It should be remembered that, after America, Japan has the biggest defence budget and Beijing is certainly aware of this. The Japanese on the other hand, need America for the protection of their national security. As Roy (1998: 224-5) writes: 'Chinese economic growth expands China's capabilities, and therefore increases the potential damage a hostile China could do to Japan's interest, which is the contingency for which Japanese defence planners must prepare'.

It should be kept in mind that there are unresolved issues regarding the Diaoyutai Islands which both countries claim. Conflict between these two nations remains unlikely but still remains a possibility. However, it will depend on how China as a stronger power projects itself toward other nations. As Bert (2000: 2) writes: 'war is most likely prior to the time that the challengers (China) are even in capabilities with the dominant power (the United States), rather than when they are equal or even more powerful than the dominant country'. A strong China and US-Japan security pact will only contribute to the balance of power in the region. The role of China, Japan and the USA clearly show that a tri-polar system is present in East Asia. However, Japan is not a conventional political and military power and is unlikely to become one soon, largely due to constitutional constraints, and for that reason a bipolar rather than a tri-polar system is visible in East Asia.

China will continue to develop co-operative relations with the European countries. Despite Europe being critical of Beijing's human rights record, the economic potential does shine through as a dominant reason for continued good relations. However Beijing has learnt that it is a fairly easy task to divide and weaken Europe's resolve on controversial matters like human rights by dangling the carrot of economic deals and contracts.

Beijing is playing an increasingly dominant and leading role in the region. The

chances are high that the PRC government will expand its influence in regional affairs. China will surely have to compete with the USA which has great support among many countries in the region. How Beijing deals with regional issues like the disputes over the Spratly Islands will depend on whether China becomes a regional power which is feared or a regional power that has respect and co-operation from the region. China's relations, in particular with the ASEAN members will be of particular importance because many of these countries also claim the Spratlys and therefore resist Beijing on these issues. If Beijing could become a member of this organisation (which at the moment seems highly unlikely), it will certainly become easier for it to become a leader in the region.

Beijing will continue to develop relations and even strategic alliances with developing countries in the region (ASEAN) and in particular Africa. Africa is important because it has a huge amount of natural resources that China needs for its development. The current debate regarding debt relief for poor countries (in particular countries in Africa) by developed countries and institutions like the World Bank and IMF, means, in effect, that China has to step forward and set a precedent by announcing that it will cancel over a billion dollars in debt for African countries. If one looks at the Beijing aid assistance record, it will show that most countries from Africa get support from China. Beijing is probably doing this in its own interests, but it also shows that Beijing is a major player in international politics and an ally of the South.

As the PRC's international status is gradually restored and strengthened, the Beijing leadership will become more confident in world affairs. This would hopefully enable China to exhibit more positive behaviour. Although many in the North are still sceptical of China's true motive, Beijing has been very co-operative regarding international issues and with international organisations like the UN. China today, is an integral part of the world community and will remain an essential part of it in future. No major changes are expected in Beijing foreign policy soon and if the North will work more with China on issues which address both the North and China interests, China will become a state which not only plays a constructive and positive role in its region but also in the world.

Beijing is likely to go along with the mainstream of world opinion while seeking to advance its own independent policy. China will increasingly play a leading role in the South and will act independently in its relationship with industrialised countries on behalf of the South. Beijing as the only developing country on the UN Security Council, will continue to

follow the policies of the major powers on some occasion, but it is more likely to continue to act as a protector of the interests of the countries in the South.

The PRC is more than likely to enlarge the degree and range of its participation in international activities. Its pursuit of economic modernisation and regional stability will possibly incline China toward greater co-operation on security matters and increasing economic and cultural exchanges, which should of course be encouraged. The decline of communism has enabled Chinese foreign policy to become more flexible in many areas and throw off the shackles of a foreign policy, which has been driven by ideology and radicalism. China has already established formal diplomatic relations with South Korea and Israel, which on a strictly ideological level, is totally indefensible. Such relations are graphic illustrations of the limited role ideology now plays in China's foreign policy.

At the same time, nationalism will continue to influence Chinese foreign policy (particularly against the U.S), and the protection of China's national integrity and national interests, may make territory related issues a factor in foreign policy disputes. The issue of Taiwan will continue to pose the potential for international conflict, especially if the increasing demand for political independence by Taiwan receives any support from Western powers. Other territorial disputes, such as that with Japan over the Diaoyutai Islands and those with Vietnam, and the Philippines over the South China Sea islands, may also become a source of international conflict. International conflict in the region however remains unlikely. Depending on what China's actions will be towards these issues, will shape its future in the international system and the region. However China's foreign policy will show whether it wants to be a superpower or a regional power.

CONCLUSION

China has over the last twenty years changed more than it has in the previous two centuries and it looks set to continue undergoing changes and through that it will become an integral part of the world community. The PRC's economic reforms that were started by Deng Xiaoping, were largely responsible for the changes which took place in a country which had been isolated for most of the previous century. True, the economic reforms have made China's role in the international system more significant. However there are some other facts that make China a pivotal part of the global community.

6.1 Some economic facts about China:

- China is the world's most populated country with a population of +/- 1.3 billion people. It is a big potential market for any company's goods. That is why today in China 400 of the top 500 MNC are in that country.
- China has been, and still remains, the world's fastest growing economy. Analysts are at one, that the PRC will become the biggest economy within the next 15 to 20 years and that the country will grow at an average rate of 8 percent annually, for the next ten years.
- According to the World Bank, China is at the moment the third largest economy in the world behind the U.S and Japan.

6.2 Some political facts about China:

- China is the only developing country that is a permanent member of the UN Security Council (where it has veto power).
- China has the largest standing army in the world with approximately 3 million soldiers and economic success has encouraged Beijing to modernise the PLA. The military budget has increased for the last eleven years consecutively.
- China is a nuclear state, which makes it part of the exclusive nuclear club in the world.
- China shares a border with fourteen countries, which includes Russia and India, making it the longest border in the world.

The above indicates, although to a limited extent, the importance of China. However it would be fair to say that Beijing's role in the region and in international affairs has become important, partly because of some of the above reasons.

Is Beijing going to be the next superpower? This question turns out to be more difficult to answer than would be expected. However, there are certain indicators which favour Beijing's status as a possible future superpower. Of course one is never certain of what the future holds. Maybe a financial crisis like the one that happened in Asia could happen again and derail Beijing's growth. Or China could experience a slowdown over the next two decades, which in turn could cause a loss of legitimacy for the CCP and possibly lead to disorder. However what remains certain is that Beijing will remain a political actor in global affairs, even if its economic success does not continue.

This thesis was written from a realist perspective. It has not been easy to analyse China's growth over the last twenty years, within the framework of this perspective. But the underlying principles of the theory are applicable, to explain China's behaviour within the world today. During the last decade Beijing's behaviour truly testified to that of a nation, which is acting in most cases to benefit its national interest. Here there are cases that can be referred to, where Beijing helped resolved issues of international importance, such as supporting UN activities in Cambodia, China also put pressure on North Korea to allow the inspection of its nuclear facilities and to remain a signatory to the non-proliferation Treaty. Beijing signed the non-proliferation of Nuclear Weapons and the Comprehensive Test Ban Treaty to name a few. Although Beijing's actions in most cases were praiseworthy, used these opportunities, to put itself on the international stage as an important role player in international affairs.

The strange part is, that Beijing claims that it does not seek or want to become a hegemonic power. Yet on numerous occasions, Chinese government officials have pointed out that China is currently more active than Russia was during the Cold War or that China is, in most cases, at the negotiating table in the region where Russia and Japan are not present. These statements give signals that Beijing perceives itself to be behind the USA, as the second most dominant actor in the international arena. These actions of Beijing testify to a country that has its own agenda and a country that is seeking to become a global actor.

The Chinese government has also made an effort during the last decade to ease

tension between itself and the nations in the region. In June 1999 the Chinese government was the first nuclear state, to agree in principle to an Asian initiative, to make the south east Asia region a Nuclear Weapon Free Zone. Beijing also agreed to discuss a code of conduct for the South China Sea and its disputed islands. This is all good and well but it should be remembered, that China is the only nuclear state in East Asia. Beijing is at the forefront regarding claims to the disputed islands. Beijing is also at present busy with a massive military modernisation program, a fact that has not been well received by the states in the region. In fact, they view China's actions very suspiciously, considering that Beijing wants them to believe that it is a responsible power. The Chinese actions have rather led to an arms race in the region.

Beijing is clearly sending out mixed signals. But does China have the means to become a superpower? Throughout this work, issues have been investigated, which could lead to China being the next superpower, as well as the actions which Beijing needs to take in order to claim that status.

So, what are the potential indicators that could make Beijing a superpower? Of course providing that that government forces through the reforms they are busy with, these sectors could they prove to be very essential for China as a future global power. China's economic growth over the last twenty years has been unprecedented. The country grew at an annual average rate of 10 percent and it is that economic growth that has made China a hot topic. This growth is expected to continue over the next ten years at least and it is expected that China will become the biggest economy in the world overtaking the United States. China certainly is an economic superpower and its importance in global affairs has increased since the mid-1980s, due to its potential as an economic market.

However, despite the PRC's excellent growth, there are still many problems that Beijing needs to address urgently if its economic success is to continue. Some of the biggest challenges Beijing is facing is the reforming of the SOEs, which have put a major strain on the Chinese economy for several years. There are over 300,000 SOEs, which account for 90 percent of loans granted by Chinese banks - but they account for less than 40 percent of industrial output. The Chinese government has been very reluctant to push for reforms because more than two thirds of China's urban workers are employed in these sectors. The government has however lately shown its commitment to reforming of this sector, by appointing Prime Minister Zhu Rongji to head the process. The successful reform of these

institutions would contribute more to China's competitiveness globally. That is why the privatisation of most of the 300,000 SOEs are in the pipeline and those enterprises that are unprofitable will most likely be closed.

Another area that needs attention, is the banking system. The problems that the banking system are facing are because of the financial support it gives to SOEs. The banking industry in China is controlled and regulated by the government and because of that banks are forced by government to give credit to companies that do not perform economically. As a result, banks have lending practices that are based on politics rather than merit. Officially, the country's largest banks have built-up debt close to 22 percent of their total lending. Reforms in this sector have been under way since 1998. One of the most significant reforms was initiated by the Chinese Central Bank and through this move, the Central Bank took control over the provincial and state banks. This was done to improve the management of the banks, to combat corruption and force banking officials to make loans on purely commercial principles rather than who-you-know.

Corruption is another obstacle to China's growth. The legal system is not functioning very well and that is why many firms who are doing business in China struggle to get a foothold in the Chinese market at the beginning. Corruption within the SOEs has also been one of the major problems contributing to the failure of many of these institutions. *Transparency International* ranked China in the bottom 25 percent of the organisation's Corruption Perception Index, and Chinese officials believe that corruption costs China about 4 percent of its GDP yearly. Clearly this is a problem that must be resolved because these finances would be better spent on issues like unemployment, infrastructure etc. The government has shown it is committed to root out corruption because if found guilty, corruption is punishable by death.

China has the biggest military in the world. Since the mid-1980s Beijing has been busy with a massive military modernisation process. For the last eleven years the military budget has increased. What makes Beijing's military modernisation suspicious, is that while most countries after the end of the Cold War, in particular those in the North cut down on military spending, China increased its military budget yearly. This has made the countries in the region view Beijing with suspicion. Chinese government officials have however claimed on numerous occasions, that China does not want to be a hegemonic power in the region.

The PLA's huge military spending has been a source of concern for China's

neighbours. The Chinese government have tried to put their fears to rest by claiming that the escalation in the military budget is a result of inflation. This argument is not really convincing because since 1997, China's inflation rate has been 5 percent and that is very low compared to other years. The increase in the military budget is the result of restructuring the PLA, particularly over the last few years, to compensate the PLA for its losses, which resulted from their withdrawal from commercial business activities. The government is also demobilising more than 500,000 troops, which is a very costly process but this is expected to produce long-term saving for similar purposes in future. All these explanations seem satisfactory, but China will still have over four million troops when the PLA and PAP are combined.

Nathan and Ross described the PLA as the world's 'largest military museum' and a 'junkyard army'. Most of China's military equipment is still outdated and because of this China's military is still years behind its neighbours. This is one of the reasons why the government is spending millions of dollars each year on modernising the military. The Chinese government has approved the building of two aircraft carriers. The government has apparently earmarked about \$ 52 million dollars for the design and work on a 250,000-ton aircraft carrier. These carriers should be completed by 2009. The Chinese government has until now not yet made this move public knowledge. The building of two aircraft carriers is clearly to counter the US-presence in the region and also to patrol the South China Sea. This would enable China to deal much more effectively with the disputes over the Spratly and Diaoyutai (Senkaku) islands and emphasise China's quest to be the dominant regional power and in the long term, project its power world-wide.

Lastly, the fact that China has nuclear weapons makes it part of the exclusive nuclear club in the world. Analysts believe that China has between 300 and 400 nuclear war-heads, of which over a 100 are deployed operationally on ballistic missiles. Most of China's nuclear missiles are believed to be in the Fujian province across the Taiwan Straits. This is clearly a move to intimidate Taiwan, but also acts as a possible defence against Japan, the US and other countries in the region. The possibility of Beijing using nuclear weapons are however very slim because it has signed most of the treaties regarding nuclear weapons including the CTBT and the NPT. China is also surrounded by nuclear states such as India and Russia and its ally, Pakistan. The Indian and Russian presence will further deter Beijing from using its nuclear weapons, and possibly contribute to the balance of power in East and South East

Asia.

China's continuous economic success will continue to have a spill over effect on spending on the PLA. This will make China a military and economic power whose influence will continue to expand, first in the region and then globally. However, providing the Chinese government works on solutions to resolve the problems that have been addressed here, China could certainly become a dominant political and economic power.

That China has experienced an economic miracle over the last twenty years is true, but for all that, China remains a developing country with all the problems of a developing country. Some of these problems are of a serious nature and have the potential to derail the country's economic successes of the last twenty years. In many ways China's development has followed the path of the Asian Tigers. Like the Asian Tigers, the Chinese government has embarked on a risky strategy that ties legitimacy of their regime to the ability to produce prosperity. Until now it has worked. Today, however, China is faced with a number of problems that can constrain the country's progress in the future, if government does not address these problems.

China has never been a democracy and because of this, the Chinese people have not enjoyed even some of the basic human rights. Everything must be done within parameters that the CCP lays down. Therefore its not surprising that China has one of the worst human rights on record in the world. Married couples are not allowed to decide how many children they may have, because the government enforces a strict one-child policy, in order to curb population growth. By doing this the government takes one of the most basic of human rights away from its people.

Religious rights are only allowed to a limited extent and any religion which makes the government feel threatened, are banned. Such a group is the Falun Gong, which the government feels has the ability to destabilise the country. The true reason Beijing fears this peaceful group is because the Fulan Gong have been growing fast over the last few years and have more members than the CCP. It is believed that the group have between 70 and 100 million followers. The Chinese government's official explanation for banning the Fulan Gong is because the group is a heretical cult. One of the reasons Beijing fears this group is because of its size and because so many CCP and PLA members apparently belong to the group.

Unemployment is high and it is on the increase. This is largely because of the transition towards a market-based economy. Unemployment is the result of a number of

factors. The restructuring and privatisation of the SOEs have left many without a job. More people from the rural areas are coming to the cities for better jobs that are not there. Unemployment is believed to be between 10 and 11 percent, that is between 16 and 18 million people, but this figure could be higher. In addition there are about 120 million rural labourers underemployed. China needs at least a 10 percent growth rate over the next ten years to keep pace with the population growth and to ensure a good per capita growth income. It remains one of the most challenging obstacles for Beijing, to create jobs for the unemployed because this group of people have the ability to destabilise the country if they become organised and threaten the hold which the CCP has, as governing party.

China has the biggest population in the world and its huge population has put a great strain on the environment. What makes the situation worse, is the fact that the government over the last century did little to protect the environment. Pollution, water shortages, and shortages of arable land are some of the problem areas where the government has to take drastic measures, otherwise Beijing will not be able to feed its people during the next century.

Lastly, China's foreign policy. A country's foreign policy normally indicates how that country perceives its role within the international system. This is the same with China's foreign policy. However, the difference with Beijing's foreign policy is that they do not practice what they preach (like many countries!). It becomes clear when one studies China's foreign policy, that the country's leaders are positioning Beijing as a global actor. This, the Chinese government has denied on numerous occasions in the past. Despite the fact that China is still a developing country, it does not behave like a developing country, at least through the role they are trying to play internationally. Beijing competes with the USA - as one government official put it 'wherever the United States is, China is there too'. This proves to a large extent that Beijing cares more about its image and interests, rather than being a responsible actor in international affairs. China can of course try to justify this, by saying it can compete with developed countries because it is a permanent member of the Security Council of the UN and therefore it represents those in the South, who do not have the same platform in the international system to do it for themselves. And therefore this position certainly contributes to the Chinese wanting to be on the world stage. Beijing has also over the last two decades, become very much involved in international issues like peacekeeping, helping to resolve conflicts, and has signed many international treaties regarding various issues.

Now that a summary of the important aspects of this thesis have been set out, here is the view on whether China will be the next superpower. This thesis has looked at the favourable aspects, that could help China to become the next superpower and also at those aspects that are not so favourable. China is certainly a country with tremendous potential, specifically economically, and it is an integral part of the global community. Politically the country has started to play a leading role in world affairs and particularly in the region since the early 1990s. This thesis comes to the conclusion that there are only two positive aspects that can help China to become a superpower. They are:

- 1) continuous economic growth;
- 2) the country's military (in this regard China will or could however also be limited to an extent).

Economic growth will continue to have a positive spill-over effect on military spending. China has become an important part of the world community largely because of its economic success over the last few decades. It could be fair to say that China is today, despite all its problems, an *economic* superpower. Continued success of the Chinese economy depends on how the government deals with problems such as corruption, unemployment and the legal system that have the potential to derail the economic growth. One would hope that China's entrance into the WTO would encourage the government to create a more business friendly environment.

China has the biggest military in the world today. Despite having the biggest military in the world, the military is still very backward in terms of military equipment, warfare techniques etc. The Chinese government is however busy with a massive military modernisation programme, which includes a reduction in the size of the armed forces. This is to make the armed forces more effective in combat and while the Chinese forces are being reduced in size, its quality, and therefore its combat strength is on the rise. Yet despite China's military build-up it should be remembered that China shares border with 14 countries including Russia and India. It has disputes with a number of countries in the region regarding various issues. The U.S military presence in East Asia remains significant and a barrier to China's military supremacy in the region. These are surely elements that will force China to be a responsible global power and prevent it from becoming an aggressive power.

As mentioned before, China is a country with huge potential, and also a country with

huge problems. Indications are that Beijing is trying to address the various problems because the government and in particular the CCP know that its hold on power depends very much on whether or not they resolve these issues such as unemployment etc. China is definitely a regional power because Beijing has, over the last few years, taken more of an interest in the region, even co-operating with the nations in the area. Beijing has also been acting like a global power. Its position in the UN certainly gives Beijing a limited mandate to play a global role. The North also wants China to participate more in global affairs, in the hope that by engaging with Beijing, the North will help it to become a responsible power that will share international norms. Many Chinese officials certainly see China as a global power in its own right. That is why in many cases, China pursues its own agenda that is in direct opposition to the US and the North. It is certainly a possibility that Beijing could become the next superpower, providing their leaders resolve the country's problems with the necessary urgency. The writer is of the opinion that Beijing will become a responsible global actor the more it interacts with the rest of the world. It can be thus said that China at present has the prospect of being a superpower, but many many problems stand in the way before this mantle can be confidently assumed.

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2.4.4.2

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