HEARING ON CHINA'S EXPANDING GLOBAL INFLUENCE: FOREIGN POLICY GOALS, PRACTICES, AND TOOLS

Testimony before the U.S.-China Economic and Security Review Commission

on

THE STRATEGIES AND OBJECTIVES OF CHINA'S FOREIGN AFFAIRS & ASIAN REACTIONS TO CHINA'S RISE

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Let me thank the U.S.-China Economic and Security Review Commission for the invitation to testify here today. The questions posed by the Commission are as follows:

1. Do China's foreign relations embody its policy of "peaceful development," or do they contradict it?
2. Do China's foreign policy activities displace the United States and exclude it from international participation?
3. Are China's foreign relations diminishing the influence and security of U.S. regional partners and allies?
4. What is China doing to undermine the U.S. influence at the regional and global levels?

In my testimony, I shall first outline the broader historical and geopolitical context before focusing on the strategies and objectives of China's foreign policy. This is followed by an analysis of Asian reactions to China's rise, and a discussion of China's foreign policy activities that undermine the influence and security of U.S. friends and allies. I'll not be going into details of Chinese foreign policy initiatives, tools and practices as these will be covered by other speakers.

THE GEOPOLITICAL CONTEXT: POWER SHIFTS

At the beginning of the early 21st century, we're witnessing major powers shifts or power transitions that take place only once in 50 to 100 years in history. The kind of world order—first bipolar and then unipolar—that came into being with the end of the Second World War and the Cold War is fast fading into history. In other words, we are witnessing history in the making. Power in the international system is relative and ever-shifting. Economic expansion inevitably leads to overseas military expansion and fuels grandiose geopolitical ambitions. Generally speaking, power transitions are usually dangerous periods when an established great power is challenged by the rise of a rival or peer competitors because rising powers are by nature revisionist, not status quo, powers. They seek to expand their power and influence in and beyond their regions, and this expansion is mostly at the expense of established great powers. More than a quarter century of exponential economic growth (10-12%) in China has been accompanied by nearly two decades of double-digit growth (15-18%) in its military expenditure, thereby creating geopolitical realignments and frictions around the world. All major powers, particularly China, are maneuvering for geopolitical advantage and economic leverage through new equations, permutations, and formations. It is also worth noting that China is not rising in a vacuum. India is also rising, so is Russia, and Japan is increasingly becoming a "normal nation". Each has the potential to spoil China's party because China wants to be the sole preeminent, predominant power in the Asia-Pacific, and is unwilling to share the leadership of Asia with peer competitors—Japan or India. Never before in history have all three Asian giants been strong at the same time.

Though the United States still stands as a global colossus—economically, militarily, and culturally—the challenge to U.S. global primacy today stems as much

from China's rise as from other matters such as growing competition over natural resources (particularly oil & gas), the emergence of new economic centers of gravity, ideological differences over democratic versus autocratic development, *jihadi* terrorism, and WMD proliferation. More importantly, every major power has its weak point or an "Achilles heel"—immense financial debt for the U.S.; demographic shifts in Russia and Japan; regional conflicts and poverty for India; and the contradiction within the "Market-Leninist" system for China. While I do not subscribe to the notion that China is a "fragile superpower" or is on the verge of collapse, it certainly faces enormous socio-political and resource challenges that might slow down its march to glory. It is worth remembering that even when China was a fragile state, it never behaved like a weak state. Over the last 100 years, the Chinese nation has successfully overcome several shocks and reverses (the Civil War and World War II, the Great Leap Forward, inter-state wars, the Cultural Revolution and the Tiananmen Massacre). In their 5,000 years-old history, the Chinese people and the Chinese nation have never had it so good. The world is their oyster, so to speak.

In my opinion, the Asia-Pacific of the early 21st century—home to several rising and contending powers as well as some declining and failing states—thus bears more resemblance to Europe of the late 19th and early 20th centuries than to Europe of the early 21st century. Unlike Europe's *retiring* powers, Asia today has two *rising* powers—China and India—with ever-expanding geopolitical ambitions, and a Japan that has long seen itself as the regional heavyweight. They also share disputed boundaries (China-India) and maritime frontiers (China-Japan). These three Asian giants are today where Germany, France, Britain and Italy were at the beginning of the 20th century. They are increasingly looking outward, beyond their immediate regions in search of access to markets, resources and capital, while jockeying for power and influence, and seeking to outmaneuver and outbid each other in different parts of the world. This extra-regional competition amongst Asia's heavyweights is invariably reflected in their intra-regional interaction, in their suspicions and perceptions of each other and in their dealings at multilateral forums. Regional organizations and institutions such as the ASEAN (Association of Southeast Asian Nations), ARF (ASEAN Regional Forum), SCO (the Shanghai Cooperation Organization), APT (ASEAN Plus Three), APEC (Asia-Pacific Economic Cooperation), and EAS (East Asia Summit) are either too week to be effective in conflict resolution/management or are susceptible to manipulation by major players. The East Timor crisis in 1999 and the widespread uprising against the military junta in Burma in 2007 demonstrated ASEAN's inability to find regional solutions to regional problems. The result is that regional organizations remain mute spectators to intra-state and regional conflicts. It is not clear as to how ASEAN can insulate China's rivalry with Japan or China's worldwide competition for resources, markets and diplomatic influence with India (e.g., the UN Security Council reforms) from their common East Asian Community-building project in the Asia-Pacific.

Having outlined the broader geopolitical landscape, let me now try to answer the following question: Do China's foreign relations embody its stated policy of "peaceful development," or do they contradict it?

CHINA'S FOREIGN POLICY GOALS & GRAND STRATEGY

Generally speaking, there is a gap between the declaratory and operational foreign policies in most countries. However, this gap is much wider in the case of China due to

- its closed political system;
- an opaque national security decision-making process;
- strategic culture; and
- a long tradition of defense through deception and denial.

An objective assessment of China's foreign policy goals must focus on Beijing's "deeds", not its rhetorical flourishes about "peaceful rise/development", "harmonious world" and "good neighborliness". Notwithstanding Beijing's rhetoric of "peace and development", China's strategic posture is based on the realist paradigm of "comprehensive national power" with which it seeks to defend its interests, intimidate rivals, and support the enemies of its enemies. One reason China has been called "the high church of realpolitik" is that it has always played hardball diplomacy by investing in hard power and alliances so as to establish a balance of power that serves its interests.

China's obsession with "catching up with the west" or "leapfrogging" to emerge as Number One Power in the world (*Zhongguo di yi*) is no state secret. Anyone who has lived in China and reads Chinese language sources is well aware of this great national obsession. Its roots go back to the late 19th century "Self-Strengthening Movement," to Mao's "Great Leap Forward" in the late 1950s (which sought to displace Britain as the world's largest steel producer but ended in disastrous famine that took millions of lives), and to Deng's "Four Modernizations" strategy outlined in 1978.

Asia's rising superpower, China, has long viewed the world's reigning superpower, the United States, as its major global strategic rival that needs to be contained and balanced. Beijing's search for friends and allies to counter U.S. global hegemony led China into dangerous liaisons with the proliferators of weapons of mass destruction and into the arms of dictators from North Korea to Iran and North Africa. Since the end of the Cold War, in particular, China's foreign policy makers have sought a multi-polar world order in which new powers emerge to challenge U.S. supremacy—Europe, Russia and China in the forefront, with some regional powers (such as Iran) forming the second rank. Many Chinese see the year 2001 as marking the beginning of the end of the post-Cold War U.S.-led unipolarity. This was the year when the sole superpower, the United States, was challenged by both state and non-state actors—first by China in April 2001 over the EP-spy plane incident and then by *Al-Qaeda* with its 9/11 attacks. The Chinese are convinced that China's rise as a great power will bring about an end to Western dominance on the world stage.

Similar to how the U.S. seeks to prevent the emergence of a peer competitor at the global level, China has sought to prevent the rise of a peer competitor at the regional level. This stance leads Washington to support a multi-polar Asia (with a strong Japan

and powerful India to balance China) but a unipolar world (with the United States as the sole superpower without any peers). In contrast, Beijing prefers a unipolar Asia-Pacific (with China as the sole superpower without any peers) and a multi-polar world (with the U.S., European Union, Russia and China as four major power poles).

Chinese strategic thinkers perceive the emerging multi-polar world similar to that of the Warring States era (475-221 BC) which was characterized by power rivalries, conflicts, shifting alliances, betrayals, with some competing to become a hegemon and others forming alliances to prevent any state from attaining that dominant status. This outlook necessitates distrust of strong, powerful neighbors and preference for small, weak and subordinate or client states. Whether Imperial, Nationalist or Communist, China has long sought to install either buffer states or to cultivate friendly, and preferably pliant, regimes or tributary states along its periphery. A survey conducted in China in 2005 revealed that many interviewees thought that "a stronger China will try to restore its traditional vassal system." Once China emerges as an "unrivalled regional power and a major global actor, it will use its enhanced power to grant assistance and protection to "the faithful countries," in return for their alliance, obedience and inevitable submission and compliance."[1] The point is that all great powers (democratic or authoritarian) tend to behave in a similar hegemonic fashion once they reach the pinnacle of power but China has a long historical track record of this behavior.

The focus of many of Beijing's economic and diplomatic initiatives is to drive a wedge between the U.S. and its friends and allies in the Asia-Pacific region. Beijing's multilateral diplomacy reveals China's preferences for a Sino-centric Asian and global international order. Luo Yuan, Chairman of the Strategy Research Institute of the Chinese Academy of Military Sciences, believes that China will soon reach a stage where it will have the power to either mold or discard existing institutions, and build a new political-economic international order that will ensure strategic balance and stability.[2] He outlines 3 stages in China's rise:

- The construction [*yingzao*] state, in which China should promote a peaceful environment on its periphery and safeguard national sovereignty and territorial integrity.
- The molding [*suzao*] stage, in which China would pursue policies to shape events, influence outcomes and regain lost territories.
- The plan and control [*jinglue*] stage, in which by political or military means, the international community accepts China's efforts in building a new political economic international order that ensures strategic balance and stability, i.e. a Sino-centric international order.[3]

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1 *Heartland: Eurasian Review of Geopolitics*, No. 3 (Hong Kong: Cassan Press, 2005), p. 57.

2 Tao Deyan and Zhang Binyang, "Zhuanjia zonglun Zhongguo heping jueqi jinglue" ["Experts Discuss China's Peaceful Rise Concept"], *Zhongguo Zhengzhi Xue*, May 18, 2004 (originally published in *Guoji Xianqu Daobao*).

3 Ibid.

Such views reinforce perceptions that Beijing's new-found love for multilateralism is nothing but a smokescreen for its strategic expansion designs. Beijing's push for "multilateralism as the panacea for regional security problems" notwithstanding, the Chinese have not lost sight of their grand strategic objectives. Nor have they ignored the "hard power" dimension. Otherwise, how does one reconcile China's "peaceful rise" with doubt-digit growth rates in defense expenditure for nearly 20 years that far exceed China's economic growth rates of 10-12 percent? According to official figures, since 2000 China's military budget has leaped from $15 billion to $59 billion, solidifying China's position as the world's second-highest military spender after the United States. But SIPRI, IISS and CIA estimates put it as high as $90 to $150 billion.

Furthermore, the purportedly "successful Chinese model" of "development-without-democracy" or "development-before-democracy" is being sold to the developing world as an alternative model for ending poverty in Africa, Asia, Latin America and the South Pacific. And it resonates well across the world because the Chinese government, unlike the U.S. and U.N. agencies, is not in the business of lecturing the Latin American, African, Central Asian, and Middle Eastern governments on human rights, good governance, democracy, fiscal prudence or drug trafficking as long as they abide by the "one China" policy and provide access to their markets and natural resources.

The key elements of Beijing's grand strategy are identified as follows:

1. Focus on acquiring "comprehensive national power" that is essential to achieving the status of a "global great power that is second to none" by 2049 (the year marking 100 years of the founding of the People's Republic of China).

2. Gain access to natural resources, energy and raw materials, capital, and overseas markets to sustain China's economic expansion. As an old Chinese proverb says: "*yang wei zhong yong*": "Make foreign things (technology, resources) help China become strong."

3. Pursue the "three Ms": Military build-up (including naval presence along the vital sea lanes of communications (SLOC) or maritime chokepoints, mutual security pacts, arms sales, intelligence cooperation with like-minded states), Multilateralism and Multi-polarity at the global level so as to counter the containment of China's regional and global aspirations by the United States and its friends and allies.

4. Build a network of Beijing's friends and allies through China's "soft power": diplomatic charm offensive, trade, aid, and creation of economic dependencies via closer economic integration (through Free Trade Agreements), and multilateral forums.

China's Geopolitical Discomfort

How Beijing will seek to achieve these rather ambitious foreign policy objectives without provoking countervailing actions from other major powers is unclear. Most China-watchers remain skeptical. I am confident that a robust balance-of-power in Asia will be

maintained to ensure that the growing Chinese power is balanced by other strong regional players such as Japan, India, Vietnam, and other ASEAN member-states. While China's rise will inevitably lead to significant geopolitical shifts, we must not underestimate what I call "China's geopolitical discomfort". A major reason the U.S. is a superpower is because of its unique geographical location. Unlike the U.S., China does not have Canada and Mexico on its frontiers but large and powerful states such as Japan, India, Russia, Vietnam and ASEAN states that will singly and jointly seek to counter-balance China's growing power for historical, geopolitical, geo-economic, cultural, and civilizational reasons. For, countries such as Australia, India, Japan, and Russia were never part of the traditional Sinic world order or tributary state system, and there is no reason to expect them to slide into China's orbit without resistance.[4] Put it differently, China's rise will become a threat only if China transforms Russia into Canada, India into Mexico, Japan into Britain, and Australia into Panama. Through a mix of engagement, integration and hedging strategies, Washington can ensure that this does not happen, even after the U.S. ceases to be the largest economy in the world sometime during the midpoint of the 21st century (as projected by the World Bank, Goldman Sachs and the National Intelligence Council). This is a perspective grounded in geopolitics. Regional reactions to China's rise, particularly in India, Japan, Vietnam, and Indonesia, mean that China's objective of emerging as a "global great power that is second to none" or as the sole predominant power in the Asia-Pacific is not going to be easy to attain.

However, this does not mean that China will stop its relentless pursuit of power. For their part, Chinese leaders believe that China's growing economic and military might would eventually enable Beijing to re-establish the Sino-centric hierarchy of Asia's past as the U.S. saps its energies in fighting small wars in the Islamic world, Japan shrinks economically and demographically while India remains subdued and contained by virtue of Beijing's "special relationships" with its South Asian neighbors.

ASIAN RESPONSES TO CHINA'S RISE: THREE-TIERS

The moment a country arrives on the international stage as "a great power of its age," it automatically generates envy, cooperation, opposition and rivalry. How to adapt to China's growing power and influence is a question that dominates the foreign policy establishment of nearly every country in the world. Economically, the rise of China is integrating Asia (and the world). However, geopolitically, it is dividing Asia, not uniting it. Among its neighboring countries, China arouses unease because of its size, history, proximity, potential power, and more importantly, because the memories of "the Middle Kingdom syndrome" and tributary state system have not dimmed. Historically, there has never been a time when China has coexisted on equal terms with another power of similar or lesser stature. Will Asia's future be different from the past? With the exception of a few, most Asian countries show little desire to live in a China-led or China-dominated Asia. Instead, they seek to preserve existing security alliances and

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4 This argument assumes that those states that were in a tributary relationship in the past (e.g., North/South Korea, Thailand, Burma) are more likely to fall into same position in the future but all the evidence to date points to the contrary.

pursue sophisticated diplomatic and hedging strategies designed to give them more freedom of action while avoiding overt alignment with major powers. Being a distant hegemon, the U.S. still remains the balancer of choice for countries on China's periphery because the interests of most big, small and middle powers lie in ensuring that Asia is not dominated by a single power.

Historically, the rise of a major continental power has always resulted in major geopolitical alignments, and led to the formation of a coalition of maritime powers to counter it. This is particularly so if that continental power happens to have an authoritarian regime nursing historical grievances with active territorial disputes. China is no exception to this rule. The U.S. hedging strategy, the U.S.-India nuclear deal, the growing warmth in India-Japan ties, and the U.S.-Japan-Australia-India quadrilateral (a.k.a. "concert of democracies") are all part of this—an inevitable response to the rise of China. Not surprisingly, Beijing sees the U.S. as its chief global antagonist and Japan and India as its regional challengers that are the object of Beijing's co-option and coercion strategies. China and Japan remain locked in a struggle for supremacy in East Asia. The Taiwan factor, unresolved maritime disputes in resource-rich areas of the East China Sea coupled with old issues of history, nationalism and World War II do not bode well for the future of China-Japan relations. The Sino-Japanese rivalry also has served as a catalyst for the proliferation of preferential trade agreements in East Asia. Even as it revitalizes the U.S.-Japan security alliance, Tokyo is increasingly looking beyond its reliance on the U.S. alliance and reaching out to countries such as Australia, India, Vietnam, and Taiwan to establish closer military-to-military ties. Interestingly, the most enthusiastic supporters of the U.S.-Japan-Australia-India Quadrilateral were the Japanese under the previous Abe administration.

Though India's economic ties with China have improved in recent years, India retains serious anxieties about "a resurgent and irredentist China". Frequent media reports of the People's Liberation Army (PLA) encroachments across the Line of Actual Control, China's assertion of sovereignty over Arunachal Pradesh, and supplies of Chinese small arms to insurgents in India's volatile northeast via Bangladesh and Burma have led to a remarkable meltdown in the Sino-Indian relations and a "mini-cold war" has quietly taken hold at the diplomatic level in the past two years, despite public protestations of amity and high-level visits.[5] Both countries are engaged in building military infrastructure in the border areas and strengthening their militaries. China and India are increasingly pointing to each other's defense expenditure to justify double digit increases in their annual defense budgets. As India grows outwardly, it is beginning to rub shoulders with China (ruffle feathers?) in different parts of Asia, Africa and Latin America for access to energy resources. Despite the 2006 bilateral energy cooperation agreement, Beijing's overall strategy is to deny India access to energy resources that lie in its immediate neighborhood—in Burma, Bangladesh, Central Asia, and Iran. As part of its "Look East" strategy, New Delhi is forging strategic partnerships with "China-wary" countries such as Japan, Vietnam, Indonesia, Taiwan, and Mongolia so as to

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5 Mohan Malik, "India-China Competition Revealed in Ongoing Border Disputes," *The Power and Interest News Report*, Oct. 9, 2007. http://www.pinr.com/report.php?ac=view_report&report_id=695&language_id=1

counter Beijing's perceived encirclement of India.[6] Even as they increasingly cooperate in the economic sphere and on transnational security issues (terrorism, environment, energy, global warming, proliferation, and pandemics), China-India, China-Japan and China-U.S. politico-military competition is a foregone conclusion.

Though Moscow shares Beijing's interest in limiting Washington's influence worldwide, Russia also has many geopolitical and economic interests that are congruent with the West and at odds with China. Russia, increasingly assertive in its foreign policy after years of oil-fueled economic growth, is looking for a new role in the world that cannot be subservient to China. Many Southeast Asian countries are also strengthening their security ties with the United States as part of a hedging strategy in an uncertain Asia-Pacific even as they become increasingly dependent on the Chinese market for trade and prosperity. The fear of becoming China's economic dependencies is also driving many Southeast Asian countries into courting Japan, India and Australia both to leverage their strategic clout, and to prevent an overly dominant China from skewing trade balances it its favor.[7] In short, just as Beijing is seeking friends and allies in Asia and far from its shores, other powers are also working to build new equations and partnerships.

By and large, countries on a rising power's periphery tend to either balance against or bandwagon with the rising power. Some, of course, choose to do both. Given China's centrality in Asian geopolitics, "hedging" against the rise of China is becoming the most preferred option, without giving up on the many benefits of engaging Beijing. I would divide the Asian-Pacific states' responses to China's rise into three tiers:

- ***First-Tier—Balancing:*** India, Japan, Australia, Vietnam, Taiwan, Indonesia, and Mongolia are pursuing a clear balance-of-power vis-à-vis China by strengthening their security ties with the United States as well as with each other. (India's courting of Burma, Indonesia, Vietnam, Japan, and Mongolia to counterbalance China is a case in point.) The first-tier countries are obviously concerned about the strategic implications of China's ambitious military modernization program, which emphasizes preparations to fight and win short-duration, high-intensity conflicts along its periphery (esp. with those countries that have unresolved disputed borders with China).

- ***Second-Tier—Balancing and Bandwagoning:*** South Korea, Thailand, the Philippines, Malaysia, Laos, East Timor, and Singapore are both bandwagoning with and balancing (or, hedging) against China. In other words, putting their eggs in both American and Chinese baskets. These small and middle powers are siding with Washington on some issues while backing Beijing on others. Most of these second-tier countries welcome the return of bipolarity and are already playing the reigning superpower off against the rising superpower to extract economic, diplomatic, and security benefits.

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6 For details, see Mohan Malik, "The Dragon Rises, the Elephant Stirs," *Guanxi: The China Letter*, Vol. 2, Issue 8, Dec. 2007, pp. 1, 5-8.

7 David Lague, "Coming to terms with China's ascent," *International Herald Tribune*, Nov. 7, 2005, p. 7.

- ***Third-Tier—Bandwagoning:*** North Korea, Pakistan, Burma, Russia, Cambodia, Bangladesh, Nepal, and some Central Asians and Iran are clearly bandwagoning with China—albeit, for entirely different motives.

U.S.-CHINA RELATIONS: "COOPERATIVE COMPETITION" OR "COLD PEACE"?

Having placed China's grand strategy in the context of the broader geopolitical landscape and regional countries' reactions to China's rise, let me now discuss the state of the U.S.-China relations by focusing on the fundamental question asked by the Commission:

- Do China's foreign policy activities displace the United States and exclude it from international participation? If so, how and in what ways does China undermine the U.S. influence at the regional and global levels?

The short answer is yes but in a gradual, subtle and roundabout way through a multi-dimensional "indirect strategy".

The U.S.-China relationship is the key variable in world politics of the 21st century. In the short to medium term, Chinese strategists are both satisfied and dissatisfied about a U.S. dominated world order, because while it serves China's interests in maintaining stability, it also constrains China's growing power. The status quo of the U.S. pre-eminence is temporarily acceptable, as long as Washington does not directly threaten a vital Chinese interest (e.g., Taiwan) during the present developmental phase. At the same time, China is laying groundwork for change when it hopes to displace the U.S. as the pre-eminent power.

A lot has been said and written about the notion of China as a "responsible stakeholder". The Chinese, however, remain skeptical about the idea of meeting American standards of "responsible stakeholder". Judging by Chinese standards, the U.S. is far from being a "responsible stakeholder". However, the Chinese leadership wants to steer clear of direct confrontation with Washington at least until China has closed the technological and military gap with the United States. So, what deters China from doing things not in the interests of the U.S. and its regional allies are power asymmetry and China's current focus on domestic economic development, at least for another 2 to 3 decades.

Many Chinese are convinced that the Iraq War, China's rise, and a deep financial malaise affecting the U.S. economy will eventually cost Washington its sole superpower status. Beijing's best-case scenario is that the United States would over time willingly give up its insistence on maintaining the dominant strategic position in Asian and world affairs and reach an understanding with China just as Great Britain did with the U.S. after World War II. As PACOM Commander Admiral Timothy Keating told Senate Armed Services Committee on March 11, 2008 that a senior Chinese naval officer has suggested a division of labor over the Pacific Ocean in the future, with the U.S. deploying troops over the area east of Hawaii and China taking military control of the area west of Hawaii as

this would allow the two countries to share the burden and save resources.[8] However, the prospects of Sino-American accommodation, with the United States pulling back strategically from Asia as China rises to regional leadership, or a shared China-U.S. hegemony or condominium seem remote for a variety of reasons. All the indications are that instead of walking away from the Asia-Pacific region or reducing its footprint as Beijing desires, Washington is going to practice a hedging strategy as it has vital political, economic and strategic interests at stake in the region. This means that America's relations with China will be characterized by "Cooperative Competition" (or, "Cold Peace"), and the Asian security environment will be shaped by the state of the U.S.-China relations.

Beijing is currently pursuing an "indirect strategy" that is multi-dimensional in character to thwart American influence and further its own foreign policy aims instead of coming into direct confrontation with Washington over issues such as Taiwan, trade, currency value, military modernization, arms sales, nuclear proliferation and energy supplies. Beijing's "indirect approach" aims at gradual but subtle erosion of U.S. power and influence worldwide but without inviting Washington's wrath. Even when Sino-American interests do not seemingly converge, Beijing tries to keep Washington in good humor by offering limited but conditional cooperation—mostly on China's terms—on contentious issues such as trade, intellectual property rights, human rights, currency exchange value, climate and energy issues, and Iran and North Korea's nuclear weapons programs. At the same time, Beijing is busy forging strategic partnerships with like-minded countries, molding international organizations and forming regional institutions to serve China's interests, and undertaking a massive military modernization program that would have the effect of eroding and circumventing the U.S. preponderance of the international system. However, an unintended consequence of China's "indirect strategy" of constrainment would be to solidify an informal or loose alignment of the United States, Japan, Vietnam, Indonesia, and India, thereby fulfilling Beijing's own paranoia of encirclement that it claims it wants to avoid.

Strategic Partnerships and Special Relationships

Ever since the Bush administration came into power in 2001, China has been uneasy about evolving U.S. ties with Japan and India. China's Asia strategy has come to be based on the assumption that the U.S., Japan, Australia, and India would eventually form an informal quadrilateral alliance to contain China. As per the August 2002 CCP central leadership's decision to bring about "a shift in the global correlation of forces," Beijing launched its drive to gather as many friends and allies as possible in Asia and beyond to form a countervailing coalition under the rubric of strengthening economic interdependence and globalization—but without antagonizing Washington for fear of jeopardizing access to the U.S. market, capital and technology.

Constraining the U.S. through countervailing alliances and "special relationships" with strategically located and resource-rich countries is now a key element of China's

[8] NHK, "China Proposes Sharing Control Of The Pacific With US," March 12, 2008. http://www.nhk.or.jp/daily/english/index2.html

national security strategy. Burma is a case in point. Beijing has taken advantage of Burma's isolation since 1988 to satisfy its own great power ambitions, and to establish naval posts in the Indian Ocean along the vital sea lanes by drawing Burma tightly into its sphere of influence. The cozy Sino-Burmese relationship has served to significantly reduce the U.S., Japanese and Indian presence in a country on China's southern flank.

China's old ties with Middle Eastern states based on arms sales and nuclear and missile technology transfers are now being reinforced by energy security ties. China's "strategic partnerships" with several countries (Russia, Kazakhstan, North Korea, Burma, Cambodia, Pakistan, Iran, Sudan, Venezuela) are primed to erode U.S. hegemony, not directly confront it. Beijing's strategic interests and unconditional "no-strings-attached" aid and investments prop up many authoritarian regimes, thereby undercutting Washington's ability to persuade them to change their behavior. In short, China now provides a major source of leverage against the United States for many countries around the world.

However, since most of China's friends and allies tend to be weak and failing authoritarian, military-dominated regimes that commit atrocities and gross human rights violations or engage in weapons proliferation, more often that not, they turn out to be more a liability than an asset for Beijing. In Pakistan, North Korea, Sudan and Burma, Beijing is facing its own "blowback" for its indulgence of regimes in those countries. Keen to project their image as a responsible benign great power, the Chinese worry over domestic developments in these countries that would tarnish China's international image in the months leading up to the Beijing Olympics of August 2008, already strained over such issues as the safety of Chinese exports, energy development, environmental pollution, and complicity in the Darfur genocide in Sudan. Beijing's "special relationships" with weak and unstable states can hardly contribute to China's strategic strength; they can only detract from China's strategic strength.

Multilateral Diplomacy

Behind China's multilateral diplomacy lies the motivation to undermine the San Francisco-system of alliance network in the Asia-Pacific region. Apparently, China sees multilateralism as an effective antidote to U.S. unilateralism and bilateralism in Asia and the world. Beijing has long called for the dismantling of U.S. alliances with its Asian-Pacific allies. The Chinese contend that that these alliances—"relics of the Cold War era"—hinder regional integration and ought to be replaced with the SCO-type multilateral institutions. So a major objective of Beijing's multilateral diplomacy is to establish regional organizations and institutions that exclude the United States (SCO, APT, and EAS). Rising powers thrive on picking up loose geopolitical change on their periphery. This is what the United States did in the 19th century in Latin America by proclaiming the Monroe Doctrine, and that is exactly what China's exclusivist multilateral diplomacy is now doing in Central Asia (via the SCO), in East Asia (via the ASEAN Plus Three) and in far away Africa (via China-Africa Summit) where Beijing faces little or no competition from other powers.

It is no exaggeration to say that the SCO is the power-play of China (and Russia). With the decline of Moscow's influence, Beijing has sought to rely primarily on the SCO as an instrument to project its power and gain allies in a region which is a source of much-needed strategic energy resources as well as a launch-pad for China's larger strategic aspirations in Central and Southwest Asia, and most importantly, counter the post-9/11 U.S. presence in the region.[9] The SCO summit meetings routinely endorse Chinese foreign policy agenda.[10] If the 2005 and 2007 military exercises conducted by the SCO member-states are any indication, this regional grouping is beginning to look more like "NATO of the East" than like the European Union or ASEAN.[11] Beijing's task is also made easier by the fact that the SCO is devoid of any democratic and liberal values.

Obviously, there is tension or disconnect between the U.S. and Chinese motives for multilateralism.[12] Many observers believe that the EAS and APT, in effect, duplicate APEC's economic and ARF's security agendas, and thus may have the effect of undermining Washington-backed trans-Pacific multilateralism. Washington's major challenge is to reconcile the pan-Asian multilateral initiatives (e.g., EAS which excludes the United States) with existing trans-Pacific multilateral institutions (APEC which includes the United States).

Second, the U.S. desires to see regional community-building processes upholding and promoting freedom and democracy along with free markets and free trade. Washington's stated preference is to see the overall balance-of-power underpinning multilateral regional organizations remaining in favor of liberal democracies, not autocracies. This sentiment was best expressed in the September 2002 U.S. *National Security Strategy Statement* which observed that "multilateral institutions can multiply the strength of *freedom-loving nations*" and stressed the need "to develop a mix of regional and bilateral strategies to manage change in this dynamic region." However, in sharp contrast are Beijing's efforts to promote the purportedly successful Chinese model of "authoritarian capitalist development" (or "development minus democracy" to the developing world as an alternative model of economic growth.

As regards U.S. membership of the East Asia Community (EAC), opinion remains divided. Some believe that exclusion equals loss of influence. They worry that

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9 John C.K. Daly, "Analysis: SCO military or economic pact?" *UPI online*, Nov. 2, 2007. http://www.upi.com/International_Security/Energy/Analysis/2007/11/02/analysis_sco_military_or_economic_pact/9787/

10 In 2005, SCO became the first regional bloc to oppose the proposal by the Group of Four (Japan, Brazil, Germany, and India) to expand the UN Security Council's permanent membership, and called for an end to U.S. military presence in Central Asia.

11 Fred Weir, "Russia, China looking to form 'NATO of the East'?: A six-member group, seeking to balance U.S. power, meets in Moscow," *Christian Science Monitor*, Oct. 26, 2005, p. 4.

12 Chen Xiangyang, "Draw up new 'Greater Periphery Strategy' as soon as possible," *Liaowang* [*Outlook*], No. 29, July 17, 2006, p. 64; Mohan Malik, "The East Asian Community and the Role of External Powers: Ensuring Asian Multilateralism is not Shanghaied," *The Korean Journal of Defense Analysis*, Vol. XIX, No. 4, Winter, 2007, pp. 29-50.

China—a late convert to multilateralism—will use its growing involvement in the East Asian Summit (EAS) and other regional organizations that exclude Washington (APT, SCO) to define limits to U.S. global power, marginalize Beijing's regional rivals (e.g., Taiwan is not invited to the EAS but is a member of APEC), and mold multilateral institutions to promote its national interests or have its foreign policy agenda endorsed. Given the central role that China plays in giving direction to the SCO, the manner in which the SCO has developed provides interesting clues to the direction other regional organizations, such as ASEAN Plus Three and EAS, might take if China is allowed to have its way or assume a dominant position. Already, in deference to Beijing's sensitivities, most of regional hot-spots and hot-button security issues—Taiwan, Burma, competing claims to petroleum deposits and islands in the South and East China seas, military modernization and maritime expansion, nuclear proliferation, Beijing's river-linking projects which negatively affect the countries downstream in Asia—are all kept off the agenda of regional multilateral dialogue forums. Understandably then, Beijing's multilateral diplomacy is causing a great deal of angst in Washington and Tokyo.

Despite some anxiety that China may use regional organizations to reduce U.S. influence, the consensus is that this is unlikely to happen for the foreseeable future for the simple reason that most Asians do not want to replace American hegemony with Chinese domination over their countries. This became evident in 2005 when Beijing's attempts to steer East Asian multilateralism along the lines of the Shanghai Cooperation Organization to serve Beijing's broader strategic goals were successfully thwarted by Japan and some Southeast Asian countries that campaigned hard to include India, Australia and New Zealand at the inaugural East Asia Summit in Kuala Lumpur in December 2005. Presumably, the decision to expand the EAS membership was based on the belief that as long as China finds itself in the company of Japan and India at multilateral forums, Beijing will be on its best behavior. Otherwise, "the Middle Kingdom syndrome" would inevitably manifest itself, much to the disadvantage of small and middle powers in the region. It was against this backdrop that the very first East Asian Summit resolved that ASEAN must remain at the center of a future EAC. Since then, Beijing's enthusiasm for EAS has waned and it has retreated to the ASEAN Plus Three (APT) forum where China enjoys a more domineering position.[13] Put simply, Asians view the U.S. presence in the region as an insurance policy against any future bid by China to re-establish tributary state system or a China-led "East Asia Co-prosperity Sphere." While being wary of becoming divided into Chinese and American blocs, most ASEAN member-states want the United States to stay engaged in the region. After all, the primary *raison d'etre* of the ASEAN and APT is to cope with the China challenge in the Southeast Asian/South China Sea region. So the United States, being a distant hegemon, remains the balancer of choice for countries on China's periphery.

Enmeshing China with the U.S. allies and partners in the broad framework of international organizations is part of Washington's engagement-cum-integration strategy to condition China's rise in such a way that it becomes a "responsible stakeholder" in regional stability and prosperity. While a "Sino-centric Asian international order" might

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13 Mohan Malik, "The East Asian Summit," *Australian Journal of International Affairs*, Vol. 60, No. 2, June 2006, pp. 207-211.

be a long-term Chinese goal, concerns that Beijing will use its growing involvement in regional organizations to diminish the U.S. role in Asia are somewhat unfounded. Just as the exclusion of the United States from the European Union did not result in a reduced role and influence in Europe, its exclusion from the East Asian Community need not be detrimental to Washington's interests. The United States enjoys enormous advantages vis-à-vis China. Much like the United States, the European Union has vested interests in ensuring that Asian multilateralism is not shanghaied. Last but not least, with the sole exception of the Shanghai Cooperation Organization, the overall economic and military balance of power remains in favor of democracies within regional multilateral forums.

Soft Power Offensive

Faced with a dramatic expansion of U.S. military power ("hard power") all around China's periphery after the September 11 attacks, Beijing responded by unveiling its "soft power" strategy in the form of a diplomatic "charm offensive," the notion of "China's peaceful rise," and laid greater emphasis on multilateralism and economic integration. Since 2002, the Chinese government has been using the full panoply of foreign aid, trade concessions (FTAs), investment, infrastructure development, educational and cultural exchanges, and UN peacekeeping to foster a more benign public image abroad of China's "peaceful rise", and thereby creating economic dependencies. Beijing's pitch for "non-interference in domestic affairs" and "development first, democracy later" is certainly winning an audience in Central Asia, parts of South and Southeast Asia (Bangladesh, Burma, Nepal, Pakistan, Cambodia, Laos, and Vietnam), Africa, and Latin America. In a sense, this amounts to the revival of the old ideological debate over which political system—authoritarianism or democracy—delivers more people from poverty, and whether wealth or elections are a greater measure of freedom.

Although this "contest of ideas" ("the Washington Consensus" versus "the Beijing Consensus") bodes ill for the U.N. efforts to promote transparency, accountability, good governance and democracy in weak, failing states, it does open the door for Beijing to position itself to play the role of a balancer (or, "spoilsport", from Washington's perspective) and enlarge China's own sphere of influence in different parts of the world. As a consequence, there might be a return to polarization in world politics, with the United States and China competing over trade, natural resources, markets, and cooperation and allegiance from other countries. One recent Chinese commentary gloated over Washington's predicament:

> All over the world, China has, either intentionally or unintentionally, exported its influence through manufacturing, consumption, culture, and diplomacy. Faced with a "new world order" in which the balance of forces pitted against each other is dynamic, the United States has not prepared itself psychologically to accept the [new] reality.[14]

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14 Yu Wanli and Su Minghua, "Is China the Backbone of US Diplomacy?" *Shijie Zhishi* [*World Knowledge*], December 1, 2007, pp. 36-37.

However, it would be unwise to over-state the impact of China's soft power diplomacy. As noted earlier, China's values are attractive mostly to authoritarian, militarist elites and pariah regimes. Besides, the establishment of 100 plus Confucius Institutes around the world is an example of China's "state (hard) power", not "soft power". In contrast, the U.S. still offers a set of political values, based on the twin attractions of freedom and prosperity, which have a much broader appeal and hold promise for masses around the world.

Economic Interdependence Fuels Resource and Maritime Competition

The conventional wisdom is that China's growing ties to the world economy and its dependence on imported oil and raw materials will ensure China's "peaceful rise," as Beijing's leaders have pledged. But these same economic interests—and the need to defend them—are also forcing Beijing to pursue resource- and commodities-driven mercantilist foreign policy just as Britain and the United States did in the 19th and 20th centuries. While China's economic boom offers profit and opportunity, Beijing's strategic ambitions and efforts to lock up a significant share of Central Asian, African, Latin American, Iranian, Burmese, Kazakh and Russian energy resources and minerals for China's exclusive use generate suspicion, envy and fear. China today enjoys close relations with the world's two largest energy suppliers—Saudi Arabia and Iran. China's state-owned oil companies have an edge over their international competitors because Beijing enthusiastically pursues deals with so-called pariah states where Western companies are either barred by sanctions or constrained from doing business because of concerns over human rights, repressive policies, labor standards and security issues. In addition, Chinese state-owned corporations draw on generous lines of credit from the Chinese government, which also offers military support and diplomatic protection (in the form of UN Security Council veto) to resource supplier states.

As China becomes dependent on the Middle East, Central Asia, Africa and Latin America for commodities and energy resources to sustain its economic growth, it wants to project power and establish some military presence in those regions. Unlike Japan and South Korea, China will not rely on the safety of sea lanes of communications (SLOCs) provided by the U.S. and its allies. Since nearly 70 percent of China's trade is carried by sea through the Strait of Malacca, the Indian Ocean and the Suez Canal, China views the predominance of the U.S. and Indian navies along these SLOCs as a major threat. As a major trading nation and a world power, Beijing is now laying the groundwork for a naval presence along maritime chokepoints in the South China Sea, the Malacca Straits, the Indian Ocean and the Strait of Hormuz in the Persian Gulf through acquisition of or access to naval bases in Cambodia, Burma, Bangladesh, Sri Lanka, the Maldives, Pakistan, and Iran to protect its long-term economic security interests. The PLA troops are reportedly now deployed in small numbers in the Sudan, Pakistan, and Burma to safeguard Chinese oil concessions, SIGINT installations, and infrastructure projects. As yet another example of rhetoric/practice disjuncture, Beijing still officially continues to denounce foreign (read, U.S.) military bases and overseas troop deployments without U.N. sanction.

Chinese military journals stress the need to protect the country's seaborne trade and energy supply routes, to blunt the U.S. military's overarching superiority in the Pacific, and to disabuse New Delhi of the notion that the "Indian Ocean is India's ocean." For, as one Chinese daily editorial put it, in the 21st century, "whichever country controls the Indian Ocean controls East Asia."[15] Some Chinese naval officers want to fly the flag ever farther afield as a demonstration of China's rise. They speak of developing three oceangoing fleets: one to patrol the areas around Korea and Japan, another to push out into the western Pacific, and a third to protect the Strait of Malacca and the Indian Ocean. This may seem too ambitious, but China certainly seeks to be the dominant naval power in the region east of the ASEAN group of countries, especially in the South China Sea, just as India aspires to achieve the same capacity in the Indian Ocean and South Seas.

Since the U.S. and Chinese economies are closely inter-linked and interdependent, any economic downturn or deterioration in bilateral relations between these two countries will have global ramifications. Apparently, the biggest challenge from China to the U.S. supremacy is economic, not military, in nature. The risk comes from a certain degree of hubris, perhaps justifiable, over China's tremendous economic success over the last 25 years. On current trends, China is projected to overtake the United States by 2025 to be the world's largest economy and is anticipated to grow to about 130% the size of the United States by 2050. So the "tipping point" would be reached sometime in the third decade of this century (as per Price WaterhouseCooper's recent projection) when (and *if*) China displaces the United States as the largest economic power in the world. The Chinese relish the fact that "the U.S. economy is now hostage to the Chinese economy."[16] Under pressure from the U.S. Congress for currency revaluation and unfair trade practices, the Chinese government has lately dropped hints that it may liquidate its vast holding of U.S. treasury bonds if Washington imposes trade sanctions to force a Yuan revaluation. Two senior officials have reportedly said that Beijing may use its $1.33 trillion of foreign reserves as a political weapon (i.e., "bargaining chip") to counter pressure from the U.S. Congress. Described as China's "nuclear option" in the Chinese state media, such action could trigger a dollar crash at a time when the U.S. currency is already breaking down through historic support levels.[17] A related concern is that the energy exporting countries could join hands to challenge the U.S.-dominated post-Bretton Woods global economic system. One wonders if it is a mere coincidence that China's friends—Russia, Iran and Venezuela—have recently spoken of dispensing with the U.S. dollar as the principal currency of settling energy accounts. The debate amongst economists on whether the economic interdependence of

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15 Cited in James Holmes, "China's Energy Consumption and Opportunities for U.S.-China Cooperation," Testimony before the U.S.-China Economic and Security Review Commission, June 14, 2007,<http://www.uscc.gov/hearings/2007hearings/written_testimonies/07_06_14_15wrts/07_06_14_holmes_statement.pdf>

16 Remarks by a senior researcher from the Institute of American Studies, Chinese Academy of Social Sciences, June 2007.

17 Ambrose Evans-Pritchard, 'China threatens "nuclear option" of dollar sales,' *Telegraph*, August 8, 2007. <http://www.telegraph.co.uk/money/main.jhtml?xml=/money/2007/08/07/bcnchina107a.xml&CMP=ILC-mostviewedbox>

the modern world provides insulation against shocks and wars or sets the stage for a chain reaction of economic and political woes remains inconclusive.

Weapons of Mass Destruction Proliferation

There also remains a gap between what Beijing says and what it actually does on the nonproliferation subject despite China's membership of the Nuclear Non-Proliferation Treaty (NPT), Nuclear Suppliers' Group (NSG), and other nuclear arms control regimes. In the recent past, China has been held responsible for aiding, either *directly* or *indirectly*, the proliferation of weapons of mass destruction (WMD) on the Korean Peninsula, and in South Asia and the Middle East—the world's most flammable regions. From Beijing's perspective, WMD proliferation was an essential component of its "containment through surrogates" strategy that required proliferation to countries that would countervail its perceived rivals and enemies. Throughout the 1980s and 1990s, China skillfully played "the proliferation card" by exploiting loopholes in the non-proliferation regime and contradictions in major power relationships to provide nuclear technology and their delivery systems to its friends and allies like Pakistan, Iran, and North Korea as doing so supposedly undermined the security of Beijing's perceived enemies (India, the U.S., and Japan).[18] Beijing also pointed to U.S. double standards in dealing with the proliferation problem. Many Chinese strategists saw WMD proliferation as limiting U.S. policy options in Asia and constraining its global ambitions. In the aftermath of the 1991 Gulf War, China made a strategic decision to move closer to Iran and to build up its defenses as a counterweight to U.S. influence in the Middle East. From China's perspective, the emergence of additional power centers, albeit *far from its borders* (for example, Iran in the Middle East), would keep Washington preoccupied in those areas rather than on China's rise. In Beijing's strategic calculations, faced with two or three regional crises simultaneously, the United States would have to choose which one is more important for its national security interests, leaving the other to China to sort out.

Throughout the 1990s, whenever bilateral relations between China and the United States deteriorated over issues such as Taiwan, missile defense plans, human rights and religious freedom, Beijing retaliated by peddling nuclear and missile technologies to countries hostile to the United States and its allies.[19] In 1999, the head of Chinese Foreign Ministry's Arms Control and Disarmament Division, Sha Zukang, warned that should the United States go ahead with its missile defense program, Washington would "confront a nightmare scenario of nuclear proliferation" and that there would be so many fires around the world that the United States would get exhausted putting out these

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18 Mohan Malik, "China plays 'the proliferation card'," *Jane's Intelligence Review*, Vol. 12, No. 7, July 2000, pp. 34-37**;** "A.Q. Khan's China Connection," *China Brief*, Volume 4, Issue 9 (April 29, 2004). http://www.jamestown.org/publications_details.php?volume_id=395&issue_id=2939&article_id=236639

19 On China's attempts to link non-proliferation issues to the US arms sales to Taiwan, see Shirley A. Kan, *Chinese Proliferation of Weapons of Mass Destruction*, CRS Issue Brief 92056, *Current Policy Issues*, June 1, 1998.

fires.[20] I have argued elsewhere that it could not be a coincidence that the U.S., Japan, South Korea, and India—countries that either see China as their rival or have had strained ties with China—found themselves subjected to nuclear blackmail, terrorism, and coercion by countries—North Korea, Pakistan, and Iran that happened to be China's "all-weather" friends and allies.[21] China's proliferation activities led to the repeated imposition of sanctions on state-owned entities and resulted in numerous pledges and written commitments from the Chinese leadership to legislate rules and regulations governing WMD exports and to tighten trade in dual-use technologies.

On the positive side, China has indeed come a long way in embracing non-proliferation norms and treaties. Beijing is now playing an important and constructive role in dealing with the North Korean and Iranian proliferation crises. Apparently, the prospect of Japan and Taiwan going nuclear prompted Beijing to change its hands-off approach to North Korea and play a pro-active role in the Six Party Talks aimed at freezing and dismantling Pyongyang's weapons program. China ended all its nuclear cooperation with Iran in 1997 as part of a deal with the Clinton administration which paved the way for the implementation of the U.S.-China civilian nuclear cooperation agreement of 1985. Beijing has also lent support to UN Security Council resolutions condemning Iran for violating its NPT commitments and supported the imposition of limited sanctions.

Nonetheless, arms control experts and non-proliferation warriors believe that China and its proxies continue to be instrumental in fueling proliferation crises large and small, imminent and somewhat more distant. For instance, the *2006 Report to the Congress of the U.S.-China Economic & Security Review Commission* concluded that "[d]espite its rising power and wealth, China may not be willing or ready to meet the threshold test of responsibility in the area of non-proliferation…China in recent years has allowed the transfer of weapons and technology across its territory from North Korea to Iran."[22] China's continuing ambivalence on nonproliferation reflects the tension between being a *status quoist* power in terms of nuclear weapons capability and non-*status quoist* power in terms of a rising global great power that wants freedom of action to reward friends and punish enemies. China's dual-use exports to Pakistan and Iran remain a cause for concern at a time when there are growing fears of nuclear weapons falling into the hands of *jihadi* terrorists. Nor does Beijing share the U.S. perceptions of the WMD proliferation challenges. Beijing's preferred solutions to proliferation problems also tend to be somewhat different from those of Washington. Beijing's growing economic relationship with Iran (deals worth $100 to $200 billion to supply oil and gas to China have been concluded since 2004) comes in the way of seeking full cooperation in uncovering and rolling back Teheran's nuclear program. As Joseph Cirincione points out: "China is not looking for a confrontation with the United States over Iran, but neither

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20 Sha Zukang's remarks at a conference in Beijing, September 1999; Eric Eckholm, "China Says US Missile Shield Could Force an Arms Buildup," *New York Times*, May 11, 2000, p.1.

21 For details, see Mohan Malik, "The Proliferation Axis: Beijing-Islamabad-Pyongyang," *The Korean Journal of Defense Analysis*, Vol. XV, No. 1, Spring 2003, pp. 57-101.

22 Reuters, "China Not Ready to Be Advocate for Peace, Panel Says," *Washington Post*, Oct. 31, 2006, p. A16.

does it want U.S. actions to increase instability in areas vital to its economic development. It sees Iran and North Korea not as threats that must be confronted but as problems that can be managed through flexible and patient diplomacy."[23]

Last but not least, the Chinese, of course, argue that economic reforms have produced a much-weakened central government and that proliferation, if any, results from fragmented, autonomous companies, private businesses and uncooperative decision-making cells within the Chinese defense establishment. In other words, it is a manageable problem of compliance and enforcement of regulations governing WMD technologies. However, this argument is far from convincing for two reasons. One, if that were so, then Japan, Taiwan and South Korea would have been the biggest beneficiaries of Chinese nuclear and missile proliferation, because these 3 East Asian countries run the largest number of private businesses in China, not Pakistan, North Korea and Iran. Two, most of the companies involved in WMD sales are state-owned, PLA-run enterprises (such as NORINCO, Poly Technologies) or formerly state-owned companies and common sense dictates that WMD sales to a small band of countries (mostly, Islamic) cannot take place without approval at the highest levels. The consensus among China-watchers is that Beijing can and should do a better and thorough job on nonproliferation as it does on Internet censorship.

Military buildup

Although there exists a huge gap between the U.S. and Chinese military capabilities, American and regional defense policy planners harbor serious misgivings about the dramatic growth of Chinese military power, and the intentions behind it. It is true that China's military modernization program started from a very low base. It is also true that China's regional adversaries (Japan, Taiwan, Vietnam, and India) maintain formidable military capabilities. While a direct military conflict seems highly unlikely in the near future (assuming that Taiwan does not assert its independence from mainland China and Pakistan does not unravel), both China and Japan and China and India are watching each other with suspicious eyes as they build up their respective militaries and jostle for power, influence and allegiance of small and medium-sized nations. In addition, the U.S. Navy and Air Force maintain their superiority over China and all other regional countries. The overall military balance of power is likely to remain in favor of America and its allies for a long period of time.

A key driver behind China's military build-up is to develop military forces that give Beijing the option of a short, swift and successful military operation against recalcitrant Taiwan. Current strategic focus is on the development of interdiction (air and naval) capabilities vis-à-vis the U.S. military and other forces should they intervene in defense of Taiwan in any confrontation across the Taiwan Strait. In addition, China's unresolved territorial disputes with India and Vietnam require it to develop forces to

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[23] Testimony of Joseph Cirincione before the U.S.-China Economic and Security Review Commission, *Hearing on China's Proliferation and the Impact of Trade Policy on Defense Industries in the United States and China*, July 12, 2007, p. 3. http://www.uscc.gov/pressreleases/2007/testimony/Cirincione.pdf

overwhelm and defeat its opponents in short-duration, high-intensity conflicts along its periphery. The overall objective of the PLA is the closing of technology and capability gaps with the modern armed forces of significantly more developed military countries.

In the short to medium term, the issues of territory (including Taiwan) and resources could, if not handled with care, bring China into conflict with the United States and/or its neighbors.[24] Although China's military strength is no match for the United States, Beijing has identified certain weaknesses, some vulnerabilities, to pursue its area-denial, sea-denial and space-denial strategy vis-à-vis Washington. This is called China's "asymmetric warfare strategy" which places emphasis on building the world's largest fleet of submarines (100 plus), acquiring anti-satellite warfare capability and building a very large number of all kinds of missiles—ballistic, cruise, and anti-ship. Since 2004, many observers have noticed a certain degree of over-confidence at the elite level in Beijing. However, China's PLA has not fought a war for almost 30 years, to be precise since 1979. This makes one wonder if a certain degree of overconfidence generated by a quarter century of economic growth, assertive nationalism of a newly modernized military, and a question mark over Washington's will, if not capability, to intervene due to its preoccupation with the Islamic world (Iraq, Iran, Pakistan, and Afghanistan) coupled with Taiwan's refusal to be subdued by China would be a recipe for miscalculation which could draw the U.S. and China into a conflict. Most wars are the result of miscalculation and most miscalculations are the result of human tendency to project our own beliefs about statecraft (e.g., peace, cooperation, interdependence, multilateralism) onto our adversaries who may or may not share the same beliefs. Recent history is replete with examples when dissatisfied powers with authoritarian regimes have made such miscalculations and initiated conflicts that seemed irrational and unthinkable.

CONCLUSIONS

The Chinese government has been using the full panoply of foreign aid, trade concessions (FTAs), investment, infrastructure development, educational and cultural exchanges, and UN peacekeeping to foster a more benign public image abroad of China's "peaceful rise", and thereby creating economic dependencies. However, given the nature of China's domestic political system and its strategic culture, a number of unresolved territorial and sovereignty issues with neighboring countries, and an ever-growing military capability, there are not many takers for Beijing's professed declarations of a foreign policy of "peaceful rise/development" in the region and beyond. Beijing's expansive foreign policy goals and initiatives are meeting with resistance from other powers that are also maneuvering for geopolitical advantage and economic leverage through new equations, permutations, and formations. While being wary of becoming divided into Chinese and American blocs, *most* Asian countries want the United States to stay engaged in the region. Being a distant hegemon, the U.S. still remains the balancer of choice for countries on China's periphery because the interests of most big, small and middle

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24 "I see China and the U.S. coming into conflict over energy in the years ahead," says Jin Riguang, an oil-and-gas adviser to the Chinese government and a member of the Standing Committee of the Chinese People's Political Consultative Council.

powers lie in ensuring that Asia is not dominated by a single power. China's political values and developmental model are attractive mostly to authoritarian, militarist elites and pariah regimes in weak and unstable states that can only detract from China's strategic strength, not add to it.

China's "charm offensive" is aimed at gathering as many friends and allies as possible in Asia and beyond to form a countervailing coalition under the rubric of strengthening economic interdependence and globalization—but without antagonizing Washington for fear of jeopardizing access to the U.S. market, capital and technology. The overall objective of China's military modernization is to close the technology and capability gaps with the armed forces of significantly more developed countries. China is currently pursuing a multi-dimensional "indirect strategy" that includes diplomatic, economic, resource, institutional, and military means to thwart American influence worldwide even as Beijing explores all avenues to promote Sino-American cooperation on a range of regional and transnational issues. In fact, constraining the U.S. through countervailing alliances and "special relationships" with strategically located and resource-rich countries is now a key element of China's national security strategy. This "indirect approach," if successful, would lead to a gradual erosion of U.S. power and influence worldwide. Whether it is in soft power or hard power, the United States currently enjoys enormous advantages vis-à-vis China.