

**Testimony to USCC: China in Asia**

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I am honored to have the opportunity to appear before this distinguished commission on this important topic – The impact of China’s economic growth on North and Southeast Asia.

*Specifically: How will China’s economic growth serve as an economic catalyst for the rest of the region; how will provide China with enhanced leverage? How is Chinese military power affecting the postures of other countries? How does the China-Taiwan relationship affect China’s relationship with the region?*

I think the questions posed go to heart of Chinese grand strategy: the harnessing of its resources and energies to achieve its national aspirations.

And those aspirations are becoming clear: that is to emerge over time as the dominant power in Asia.

China is going about this as one would expect from an emerging power – but one that has learned lessons from past emerging powers.

There are three elements to China’s strategy:

First, is to build-up what it calls “comprehensive national power;”

Second is to reassure the region that it in fact does not have revisionist or aggressive aspirations;

Third, by necessity, is to displace the United States as the preeminent power, hopefully, in their minds, peacefully.

*Much of what China is doing in Asia can be seen in the context of these three goals.*

**I. Comprehensive National Power**

The goal here is to develop all elements of CNP in unison. Economic growth is critical, but at the same time so is military power and so is building political leverage through economic growth.

For Chinese strategists a critical piece of comprehensive national power is “peaceful reunification of the motherland” or holding together the multiethnic empire and bringing other territories “lost” during the “century of humiliation” back into the fold.

Here is where Taiwan becomes such a high priority for China. The breakup of the Chinese empire – in China's terms - has weakened it. To gain great power status it must reverse this and acquire Taiwan.

Much of China military strategy, at least in the short term, is meant to intimidate, coerce, or use force to compel Taiwan to come into the fold. On the other hand Beijing is quite deliberately creating an economic interdependency that it hopes will convince Taiwan's public to join the "motherland" again on the other hand,

Economic growth part of comprehensive national power and keeping relations with the United States and other export markets stable is thus a necessity, at least for now.

The need for growth explains the tremendous amount of economic engagement China has developed with the region, and the institutions, the ASEAN-FTA, bilateral FTAs through which that engagement occurs.

On balance Asian nations have benefited from trade with China.

They have found a reliable buyer for their natural resources and many Southeast Asian nations enjoy a sizeable trade surplus with Beijing.

Of course some sectors have done better than others: there is apprehension as to the consequences of allowing cheap Chinese agricultural products unrestricted access. One quick example:

*After Thailand redrew its agreement with China on fruits and vegetables, for example, Chinese garlic was selling for the equivalent of 15 cents, whereas Thai garlic was \$1.35.*

Growth is one driver of Chinese engagement.

But there is no doubt that China sees its economic relationships in Asia in strategic terms as well – as a means to influence governments politically.

Taiwan is the most glaring example of this – Taiwan's exports to China account for 24.5% of its total now. And there are hundreds of thousands of Taiwanese businessmen living in China.

And, China tries to use them to affect Taiwanese politics. *As Phil Saunders at NDU points out* – China encouraged Taiwanese businessmen to fly to Taiwan in the 2004 presidential elections to vote for the more pro-China pan Blue candidate.

But other countries feel the pressure as well:

I will give one quick example – Australian-Chinese trade has increased dramatically, more than quadrupling in the past decade, making China both the second most popular

source of Australian imports and second most popular destination of Aus. exports. Not coincidentally China has attempted to apply political pressure to change Canberra's attitude toward the alliance with the United States.

In March of this year, He Yafei, a senior Chinese diplomat and Director-general of North American and Oceania Affairs, demanded of his Australian counterparts that they "re-look" the over 50 year old ANZUS treaty and make sure it does not apply to Taiwan.

Even Japan – where relations have soured and are quite competitive – China hopes over time to reverse the effects of an enhanced relationship with the U.S. by continuing a strong economic relationship with Japan Inc. *Here it has to be more targeted – focusing on industries such as automobile that want to enhance market share in China.*

And, China is clearly targeting for economic aid and exchange countries that it defines as strategically important for reasons of energy security, for example. Burma, Cambodia and Thailand are particularly important as they sit astride key sea lanes.

Beijing does not trust the U.S. Navy to ensure safe passage of its oil imports from the Gulf – so it is trying to mitigate its vulnerabilities.

Burma could provide China with an overland alternative through the chokepoint of the Malacca Straits. Thus Burma has been the recipient of over \$1.6 billion in military assistance from the PRC

Cambodia is also an important example of this – China has cancelled Cambodia's debt, donated military facilities,

Much of this is in pursuit securing Cambodia's cooperation in transforming the Mekong into a major transportation artery for oil from or shipped through Thailand

Thailand is also targeted as part of China's energy security strategy. Beijing and Thailand plan to construct an Energy Land Bridge linking the Andaman Sea with the Gulf of Thailand south of the Isthmus of Kra, and reduce the PRC's dependence on American-patrolled SLOCs.

*In this case, the grease that got the wheels turning was Chinese financial assistance in the wake of the AFC in 1997 and 98. In short, both demonstrate both the scope of Chinese objectives and the persistence with which it is pursuing them.*

## **II. Reassuring the Region**

David Shambaugh of George Washington has written eloquently about Chinese new found fondness for multilateralism in Asia.

China, he writes, is increasingly involved in regional organizations and dialogues particularly ASEAN plus 1 and plus 3 the ARF and the Shanghai Cooperation Forum.

*Here is a Chinese official on the Chinese attitude toward regional fora – “Taking ASEAN plus 3 and the SCO as two focal points, China will make efforts to set up regional cooperation and push for the establishment of a regional cooperation conforming to the characteristic of regional diversity...”*

China is pushing for a Free Trade Area in East Asia, and an East Asia Community, political, security and economic dimensions. China has a particular fondness for institutions that are for Asia only and exclude the U.S. – but more on that later.

While China continues its ambitious military modernization program – according to latest Pentagon reporting it could be spending up to 90 billion dollars on defense -- making it the third largest spender in the world -- it is at the same time working to reassure the region that its intentions are peaceful, that its military is solely focused on “preventing Taiwan independence” and that Taiwan is the problem.

Again Shambaugh –

Besides its active participation to ASEAN and EAC, Beijing is also conducting security dialogues with Australia, Thailand, Mongolia, engaging in mil-to-mil or defense sales with Cambodia, the Philippines and putting much energy into the ARF.

In my view, China has not all of a sudden adopted a European allergy to hard power and the use of force, it is meant to reassure, until China is more confident of its hard power.

### **III. Gradually Displacing the United States.**

This is where the other two pillars of the strategy come together. Simply put, if China grows strong enough, and if it successfully reassures the region successfully thus preventing balancing coalition does form, it may not to directly confront the U.S. with force.

To be successful in this endeavor China must also break and fray Washington’s alliances.

Here we should also pay special attention to the *nature* of China’s military build-up and military relationships.

As the recent DoD report has pointed out, the focal point of China’s military build-up, ballistic and cruise missiles, as well as destroyers and submarines are mobile and can be deployed for purposes other than Taiwan.

*The basis of regional security for decades has been U.S. defense commitments to Japan, to Taiwan, to Australia, Philippines and South Korea Thailand.*

The introduction by China of ballistic missiles, submarines, and fourth generation aircraft – what is called anti-access capabilities - is meant to call into question the credibility of the U.S. commitments to its allies and friends.

This is compounded by a growing and more credible intercontinental ballistic missile and nuclear threat. The idea is to put doubts in the minds of allies about the U.S. will and ability to continue to provide the region with security.

In China's view, a level of military capability which it is not far from attaining, combined with successful leadership in regional fora that excludes the United States – ASEAN, the East Asia Community -- will persuade nations to accommodate themselves to Chinese pre-dominance and force them to re-think their partnerships and alliances with the U.S.

There is another way to break alliances – and here I turn to the Korean peninsula.

Whatever the short-term outcome, the long-term goal for China is to get South Korea to question the need or value of the alliance with Washington. The hope in China, I think, is that once the ROK-U.S. alliance diminishes, then Japan is left isolated, as the only Asian country home to substantial U.S. troops.

### **Conclusions**

Now the question is how well is this strategy working. And here I must say it is mixed.

The Taiwan issue in particular poses a conundrum from China – how can you on the one hand convey the message of a peaceful rise but on the other very publicly threaten Taiwan and build-up your military capabilities?

There are some examples of irritation by Asian nations with Chinese pressure on the Taiwan issue. Singapore was quite angered by Chinese bullying when now Prime Minister Lee Hsien Loong visited Taiwan in July 2004.

*Even the South Koreans got their backs up when parliamentarians were told not to go to the Taiwan presidential inauguration in 2004.*

Nations of the region do not want a conflict between the U.S. and China over Taiwan but they do not want the U.S. to cede Taiwan either – they would view that as a real blow, they would really question the value of U.S. commitments.

And, I would add that it has not gone unnoticed by nations of the region – Japan, in particular but others as well, -- that the same weaponry that China is deploying opposite Taiwan can be used to make good Chinese territorial and resource claims in the sea of Japan and in the South China sea.

*Remember it was only about decade ago that China forcefully took Mischief Reef – territory claimed by Manila as well as China.*

*Remember as well that the relationship developed only when South East Asia secured China's agreement to meet two conditions: stop pushing SEA to drop US alliances, and refrain from politically mobilizing overseas Chinese. There still exists a fundamental distrust that hasn't been displaced by economic exchange.*

So what are these countries doing? Well clearly Japan is balancing – the adjustment to its defense posture I would argue is more about China than North Korea.

A Vietnamese Prime Minister was just in town for the first time since the war to discuss among other things defense and intelligence cooperation.

The U.S. –Singapore defense relationship has been upgraded with the recent signing of the Strategic Framework Agreement, and the US Navy now pays more than one hundred ship visits there each year.

The U.S. Australia relationship has been upgraded and there will now be a trilateral dialogue among the foreign ministers of Washington, Tokyo and Canberra.

The India security relationship which you will hear more about later is upgraded.

The bottom line is that nations of the region are reacting, and are quite certain that the military build-up is not just about Taiwan.

If you look at statistics provided by Strategic Asia – you see that military expenditures by India, South Korea, Australia, Indonesia have all gone up in actual dollar amounts,

And in particular South Korea, Singapore, Australia and Japan are all undertaking significant military modernization programs – most with the intention of interoperating with the U.S.

Containment is a loaded term, but there is actually a good deal of containing already going on, although nobody, including the U.S.G., wants to admit it.

Let me add a final point that gets into policy prescriptions. There is much talk about Chinese advantages on “soft power” they are not as bullying as the United States, many students now study in China and so forth, and this is all true.

But, I would like to direct the commissioner's attention to something else -- the Journal of Democracy recently published a fascinating study of democracy in Asia done by the East Asian Barometer Survey Project.

And they interviewed publics in new democracies and older democracies – South Korea Japan Mongolia the Philippines and Taiwan and Thailand.

I will distill in down to this – vast majorities in all of these countries preferred democracy to any other system and wanted it to work in their countries. It was mixed especially in the younger ones to whether they thought it would sustain. But they unquestionably wanted it to.

Now, is China going to help these countries with democratic consolidation? Their corruption problems and so forth. Their deep national aspiration. The answer is of course no.

Only America can lead the way on this issue. And, if we engage along this dimension believe the notion that China has a soft power advantage will disappear quite quickly.

The bottom line is to be clear with the Chinese that we are not going anywhere, that are presence has been the sin qua non for peace, prosperity and democratization in the region.

And, there should not be a China exception to the President's assertive promotion of democracy. I believe that only if China becomes one will the U.S. and China be able to work out a peaceful accommodation in Asia. If you listen to many Chinese people the idea is not so far fetched.

Thank you.