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Veröffentlichungsversion / Published Version

Zeitschriftenartikel / journal article

Zur Verfügung gestellt in Kooperation mit / provided in cooperation with:

SSG Sozialwissenschaften, USB Köln

Empfohlene Zitierung / Suggested Citation:

Umbach, F. (2003). Bring China into the game! *Internationale Politik - Transatlantic Edition*, 4(Winter), 77-81. <https://nbn-resolving.org/urn:nbn:de:0168-ssoar-130985>

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Bring China into the Game!

Frank Umbach

Thanks to its population and fast economic growth, China begins the 21st century as an expanding regional power and possible superpower. Its 1.3 billion people constitute one-fifth of world population, its economy grew 8.2 percent in 2002 and 7.3 percent in 2001.

In coming decades, then, China could fundamentally change the international system. Efforts to encourage Beijing to pursue a cooperative and responsible foreign policy therefore have strategic significance with global ramifications. Even though China increasingly faces many social and economic problems, these are often largely ignored, dismissed, or marginalized by observers in other countries. The dominant impression China makes abroad is that of a major power on a seemingly inexorable path of expansion that is already influencing the foreign, security, and defense policies of China's Asian neighbors (especially Japan and India), Russia, and the United States.

Even though most foreign policy experts in China describe Beijing's policy priorities as confined to the immediate Asia-Pacific region, they have also come to recognize China's need to exercise an increasingly globally-oriented policy, given the country's re-

cently-acquired economic and political heft, the expectations and perceptions of other countries, and concrete economic requirements. Nowhere is this need more apparent than in China's response to its rapidly increasing dependence on foreign oil. The economy's steady, high growth rate could force China to import 30 to 35 percent of its national energy needs in 2005, and up to 45 percent by 2010.

Dependence of this magnitude is forcing the Chinese leadership to take positions toward countries and regions that previously played only minor roles or none at all in Chinese foreign policy. China now has vital national security interests in the Middle East and Central Asia. It must also pay more attention to issues of political stability in these regions to ensure the country's future energy flow as a basis for economic growth and social stability. For these reasons, the challenges of guaranteeing China's energy security have, since the mid-1990s, gone from "low" to "high" politics, requiring the attention of the most senior echelons in Beijing.

The huge additional demand for oil in China and East Asia should be met by the predicted increase in global crude oil production, China's increasingly market-oriented economy, and conservation efforts. Still, prices could begin rising by 2010. Heightened economic and political conflict, mainly with Japan, India, the US, and, in the longer term, Russia and even the Eu-

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ropean Union over the earth's dwindling oil reserves, especially those in Central Asia, cannot totally be excluded. Strategic rivalries between these great powers are growing, and these resources are regarded (except by the European Union) as strategic goods and not just commodity goods.

The states of the Persian Gulf and Central Asia have therefore become strategically significant for China and East Asia, not only in terms of energy policy, but also of broader security interests. China's process of "globalizing" its foreign policy, of reaching out towards the Gulf, Africa, and even Latin America since the mid-1990s shows the strategic consequences of rapidly-growing gas and oil imports from countries beyond the Asia-Pacific region. The new economic and political interdependence and its geopolitical implications for China's foreign policy have been mostly ignored in Europe, even though these realities pose just as important challenges to political and economic stability for Europe as for the US.

Even if trends in China's "near abroad" developed favorably for Beijing's interest in the 1990s and the People's Republic has discovered a new self-assurance, especially toward Southeast Asia, potential new threats have also emerged. Chief among these is the ambivalent relationship with the US, which is marked both by admiration and strategic conflicts of interest. The main point of contention between the two states is the unresolved issue of reunification with Taiwan, which, together with economic modernization, has the highest priority for China's po-

litical and military leadership. In the past China (like other countries) has displayed a willingness to use military force to achieve its political aims. On the other hand, its present, still limited military capabilities often functioned as a brake on ambitious foreign policy objectives. Therefore, many analysts now fear that Beijing will use its economic options and enhanced military status to take greater foreign policy risks in the future.

The Chinese leadership regards the issue of Taiwan and territorial conflicts in the South China Sea as primarily domestic affairs and refuses to tolerate any outside interference. Moreover, China feels threatened on its southern flank by India, the Kashmir conflict, and attendant scenarios of nuclear escalation between India and Beijing's ally, Pakistan. China also feels exposed to the destabilizing threat of Islamic fundamentalism and its expansion from Afghanistan through Central Asia into the western Chinese province of Sinkiang.

Security Policy

The strategic rivalry with the US, Japan, and India, and particularly the unresolved Taiwan conflict determine China's defense and security policy. The country has been increasing its annual military appropriations by double-digit percentages for more than thirteen years. In many of these years the defense budget seems to have been increasing faster than the gross domestic product and total state spending. In 2001 and 2002 defense outlays grew by 17.7 and 17.6 percent respectively.

Even the official defense budget for 2000 of at least \$17.2 billion exceeded those of Taiwan, South Korea, and India together. In 2002 the official defense budget alone amounted to \$20 billion—a total increase of 35 percent on the year 2000. Officially, the Chinese leadership justified this rise by pointing to higher pay, increased spending on military training, and gaps in the budget that stemmed from the cessation of numerous lucrative business activities the People's Liberation Army had engaged in since 1998.

These explanations are accurate, but incomplete, as spending on research and development and military procurements also increased. Individual Chinese military policy experts now freely admit that the country's military budget cannot be compared to those of other countries using United Nations or NATO criteria. International security and military analysts estimate that China's actual military spending to be two to five times higher than that officially stated. Factoring in purchasing power parities, the Pentagon for the first time officially placed China's actual defense outlays in 2002 at up to \$65 billion. Even many estimates place China's military spending above Japan's \$45 billion and make China's defense budget third only to that of the US and Russia.

Military Modernization

Beijing's ongoing military modernization depends greatly on weapons systems and technology imported from Russia. The Swedish peace research institute SIPRI estimates that

China imported \$10.78 billion in weapons systems in the past decade, with more than 90 percent of this coming from Russia. As of 2000, China became the world's biggest arms importer, ahead of India, Turkey, Taiwan, and Saudi Arabia. Yet even this figure is probably too conservative, since it does not include all deliveries of tanks, artillery and radar systems, rockets, and helicopters, or transfers of technology. In 2002 alone new arms deliveries were basically agreed between Russia and China that amounted to almost \$5 billion.

Efforts to modernize and streamline the 2.5 million strong People's Liberation Army are being combined with comprehensive structural reforms. The military must pay special attention to technical training, which can succeed only by recruiting a new and technically gifted officer corps. Yet in attracting the best and brightest, the army faces stiff competition from the private sector, which offers better prospects in terms of both pay and social status. On September 1, 2003, China announced a further cut of 200,000 in its armed forces within two years, after a previous demobilization of 500,000 during the Ninth Five-Year-Plan period (1996–2000). Even then the PLA will remain the world's largest armed force. But the scope of the reductions appears to fall far short of the cuts anticipated by some Chinese and foreign military experts, who predicted another downsizing by 500,000 soldiers. Nonetheless, the Chinese version of the "Revolution in Military Affairs" follows the recognition of the need for smaller,

more mobile, and better-equipped armed force, controlled by a powerful central command. It also reflects the planned transition from mechanized to information warfare.

China and Russia

China has also had to come up with a response to the pro-Western foreign policy of Russian President Vladimir Putin, who has re-evaluated his country's bilateral ties with China and India. Putin has significantly expanded Russia's military and technological cooperation with India and wants to provide New Delhi with nuclear-powered submarines and TU-22 "Backfire" bombers, yet refuses to give Beijing access to these systems. Moscow is also unwilling to agree on cooperating with the Chinese on a new generation of weapons systems, even though similar agreements have already been concluded with India.

Russia's growing wariness of China is not limited to its long border with the People's Republic. Russian policy toward China, recognizing the evolving balance of power between the two powers is increasingly focused on Central Asia. The two countries' joint activities within the Shanghai Cooperation Organization (SCO) neither contradict this nor suggest common interests. The SCO is merely evidence that Russia wants to incorporate China into regional structures so as to be better able to control or at least influence Beijing's conduct through improved cooperation and transparency.

The military-strategic balance between Moscow and Beijing will also

change increasingly over time. China's strategic nuclear weapons program is currently the world's largest. It is the only nuclear power to be simultaneously working on two intercontinental ballistic missile (ICBM) programs, a new generation of submarine-launched ballistic missiles (SLBM), a nuclear-powered strategic submarine (SSBN), and cruise missiles capable of carrying nuclear warheads. Should China decide to deploy its ICBM and SLBM systems with at least three independently-targeted warheads per missile—a development that has become likelier after Russia agreed to deep cuts in the Strategic Offensive Reduction Treaty (SORT) with the US and let the second Strategic Arms Reduction Treaty (START II) expire in 2002—China could theoretically equal Russia's strategic nuclear arsenal of 900 warheads in some 15 years.

These weapons programs, and the fact that Beijing has never been included in any comparable nuclear disarmament negotiations, make a strategic dialog between the US and China especially important. The signs are already clear that China's current minimal nuclear deterrent is on course to becoming a multidimensional deterrent capability, including credible minimum deterrence of the United States and Russia; a more offense-oriented limited nuclear deterrence of Taiwan, consisting mainly of short- and medium-range missiles; and an offensively-configured, preemptive, counterforce war-fighting posture of "active" or "offensive defense" for the conventional missile forces.

In the months following the 9/11 terrorist attacks, many international analysts doubted that there would be any basic qualitative change in the web of relations among China, the United States, and Russia. However, once Putin began seeking to cooperate ever more closely with the US at the strategic and economic levels, and even freely permitted American military bases to be established in Central Asia, China became increasingly isolated diplomatically in the issues of anti-ballistic missiles, American missile-shield plans, and US bases in Central Asia. Beijing can no longer rely on the “strategic partnership” with Moscow that has so often been invoked, though both sides are forced to cooperate with each other politically, economically, and militarily.

At the same time, the aftermath of the 16th Party Congress, a pending transfer of power to a new generation of senior leaders, and socio-economic problems stemming from China’s entry into the World Trade Organization all ensure that the Beijing leadership needs quiet on the foreign policy front. It is noteworthy that China has even made some foreign policy advances toward the United States, including supporting United Nations Security Council Resolution 1441 on Iraq, exhibiting greater pragmatism on the Taiwan issue, and indicating that non-proliferation policy has largely been detached from the issue of US military support for Taipei. The economic reforms that have been accompanied by rising corruption and eroding control mechanisms could still cause considerable bilateral pro-

blems, but both sides are more likely to place greater emphasis on the cooperative elements in their “strategic dialog.”

NATO, with its eastward enlargement, expanding cooperation with Central Asian states, and closer relationship with Moscow through the NATO-Russia Council, is also coming closer to China’s borders. Where this would once have raised suspicion and fears of encirclement in Beijing, China is seeking—for the first time in its history—dialog and cooperation with NATO as well.

None of this means that Beijing would relinquish its strategic objective of reunification with Taiwan or a total subordination of its program of military modernization to economic reforms—as has been made abundantly clear by the continued growth of military expenditures during times of record budget deficits (amounting to \$37.5 billion, up 19.2 percent on 2001) and explicitly confirmed in the “White Paper on China’s Defense in 2002.” Therefore the decisive consideration for the United States and countries neighboring China in the immediate term will be to heighten the transparency of Beijing’s security policy and arms procurement programs through dialog and cooperation. In the medium term the two sides will have to develop a new, joint security philosophy (“mutual security”) on the basis of multilateral institutions. NATO should also take up the Chinese offer of dialog and work to institutionalize it, in the interests both of China and of itself in light of the new global security challenges.