

FP

ESSAYS BY:

Jonathan Spence • Martin Wolf •
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Plus, a debate between
Zbigniew Brzezinski &
John Mearsheimer

Foreign Policy



CHINA RISING



CARNEGIE
ENDOWMENT
*for International
Peace*

How the Asian colossus
is changing our world.

THE ONCE AND FUTURE CHINA



What of China's past could be a harbinger for its future? | By Jonathan D. Spence



Despite its incredible pace of change, China continues to carry echoes of its past. And yet, the difficulty of drawing any direct links between its past and present is demonstrated by the fact that any topic can shift in perspective depending on where you enter China's vast chronology. What constitutes political stability, for example, has varied dramatically across almost four millennia, and in different periods it has been defined in relation to the greatness of leaders, the peacefulness of imperial successions, the suppression of peasant rebellions, and the handling of foreign incursions—whether religions, technologies, or troops.

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Our appreciation of China's economic growth will veer erratically, depending on whether we concentrate on specie and banking, the formation of cities, the creation of trade hubs, or advances in transportation and communication. Our current fascination with high-tech dynamism could be tied to an equally wide range of variants, designed to give China an aura of either preeminence or stagnation. Rarely has China been so weak as when the emperor's ill-equipped army did battle with British forces during the Opium Wars in the mid-19th century. And yet, the sophistication of the Song dynasty's metallurgy or the imposing power of the Ming dynasty's fleets made China a potential global leader long before the competition among states was considered in these terms.

But today, relations among states are discussed very much like a competition or race, and few have run it as well as China in the modern era. Indeed, the prospect of China's rise has become a source of endless speculation and debate. To speak of China's "rise" is to suggest its reemergence. It can also imply a recovery from some kind of slump or period of

quietude. But "rise" can also mean that a change is being made at someone else's expense. Must a fall always accompany a rise? If so, then a conflict will occur almost by definition. These are difficult questions made all the more so by the fact that a country as vast and complex as China makes up at least half of the equation.

One arena, however, in which China's past can serve as a useful prologue to the present, can be found in looking at how its territorial extent has evolved over time. This approach can show both how China has come to be the size it is, and perhaps—although this is a more contentious area—how China might change again in the future.

The China of today can be recognizably traced back to the late 16th century and the waning years of the Ming dynasty. One harbinger of what was to come was China's earlier Korean War—in 1592. It was then that the wildly ambitious Japanese military commander Hideyoshi sent a powerful fleet and ground forces to invade Korea, hoping to consume the country and force a passage into China, the greatest prize of all. Despite the ineptitude and factionalism of the Ming

court, the Chinese responded powerfully, sending a strong expeditionary force to check the Japanese advance and shore up the Korean king. They ordered major fleets from south China to sail north with reinforcements and supplies, and to interdict the Japanese supply routes. After numerous costly engagements on land and sea, and vast numbers of both civilian and military casualties, the Sino-Korean forces prevailed, and in late 1598, the Japanese withdrew.

So did the Chinese, and that was one important marker for the future: China itself would not try to conquer Korea, but China would react against another power if it interfered in the Korean peninsula, even at great cost. Such interventions by China occurred a second time in the face of renewed Japanese aggression in 1894, and once again in the face of the presumed threat of the U.N. forces sent to check the North Korean invasion of South Korea in 1950. Few probably realize that China's current diplomatic role in the six-party talks regarding the North's nuclear programs has a historical lineage more than 400 years old.

By the same token, a number of China's most complex domestic grievances are rooted in conquests made by Chinese rulers during the 17th and 18th centuries. From 1644 onward, the vast region of Manchuria to China's northeast became part of the country's central concept of its power. In 1683, the Qing emperor ordered naval forces from Fujian province to oust renegade Chinese forces from several islands off the country's southeastern coast. The emperor's forces dispatched the rebels in a crisp campaign and, in the process, added the fertile island of Taiwan to the growing orbit of the Qing empire. Likewise, unrest on China's frontier led the Qing dynasty to send military forces to Tibet around 1720, and subsequently to incorporate border areas of north and



eastern Tibet into the Qing administrative structure, a process that was well underway by the 1750s. It was also in the mid-18th century that Qing expeditionary forces penetrated deep into the Altishahr regions of Central Asia, and to Kashgar, Urumqi, and Ili, leading to Chinese occupation of the vast, mainly Muslim regions of what is now called Xinjiang.

Having gained these territories in the corners of the kingdom, China has been loath to ever let them go. Even when the Qing dynasty fell in 1912, the Republican government, despite its fragility as an administra-

tive entity, sought to hold on to the fullest extent of the empire. After their victory in 1949, the Communists did the same. Today, Muslim unrest and Tibetan nationalism are near-constant sources of tension for China's leadership. And Taiwan, lost first to the Japanese in 1895, and then to the Chinese Nationalists in 1949, is one of Asia's most dangerous potential flash points.

Although relations between China and the United States may be of vital importance to both, from the Chinese perspective, the relationship has been extremely brief. Indeed, there

wasn't even a United States for China to have relations with until late into the reign of the Chinese Emperor Qianlong, arguably one of the greatest leaders of the last Chinese dynasty. When relations were established, Americans sometimes behaved admirably. Other times, they were a nuisance, or worse, a menace. Again, it depends who you are and where you settle your gaze. You can see the United States as benevolent in its development of Chinese hospitals and modern medicine. You can see it as destructive in its dissemination of par-

tisan religious tracts by American evangelists to such people as the leader of the Taiping Rebellion. Or, you can see it as thoroughly ambiguous in the 1900s, when U.S. leaders urged the Chinese toward a more republican form of government, which quickly descended into warlordism. To be sure, the Chinese have these images, and many more, in mind when they think about their relations with the United States.

These are the memories and the territorial histories that China has to juggle as it embarks on its myriad

new challenges and opportunities: as the defender of an apparently irrelevant revolutionary ideology, as a new kind of regional powerhouse, as the ambiguous heart of a global diaspora, as one of the world's major new competitors for shrinking supplies of fossil fuels, and as the present guardian of an unprecedented amount of foreign exchange and investment. Some of these phenomena can also be tracked through the historian's lens, but some are, I believe, genuinely new. Just why that should be is itself part of the story. **FP**

DEBATE

CLASH OF THE TITANS



Is China more interested in money than missiles? Will the United States seek to contain China as it once contained the Soviet Union? Zbigniew Brzezinski and John Mearsheimer go head-to-head on whether these two great powers are destined to fight it out.

Make Money, Not War

By Zbigniew Brzezinski

Today in East Asia, China is rising—peacefully so far. For understandable reasons, China harbors resentment and even humiliation about some chapters of its history. Nationalism is an important force, and there are serious grievances regarding external issues, notably Taiwan. But conflict is not inevitable or even likely. China's leadership is not inclined to challenge the United States militarily, and its focus remains on

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economic development and winning acceptance as a great power.

China is preoccupied, and almost fascinated, with the trajectory of its own ascent. When I met with the top leadership not long ago, what struck me was the frequency with which I was asked for predictions about the next 15 or 20 years. Not long ago, the Chinese Politburo invited two distinguished, Western-trained professors to a special meeting. Their task was to analyze nine major powers since the 15th century to see why they rose and fell. It's an interesting

exercise for the top leadership of a massive and complex country.

This focus on the experience of past great powers could lead to the conclusion that the iron laws of political theory and history point to some inevitable collision or conflict. But there are other political realities. In the next five years, China will host several events that will restrain the conduct of its foreign policy. The 2008 Olympic Games is the most important, of course. The scale of the economic and psychological investment in the Beijing games is staggering. My

expectation is that they will be magnificently organized. And make no mistake, China intends to win at the Olympics. A second date is 2010, when China will hold the World Expo in Shanghai. Successfully organizing these international gatherings is important to China and suggests that a cautious foreign policy will prevail.

More broadly, China is determined to sustain its economic growth. A confrontational foreign policy could disrupt that growth, harm hundreds of millions of Chinese, and threaten the Communist Party's hold on power. China's leadership appears rational, calculating, and conscious not only of China's rise but also of its continued weakness.

There will be inevitable frictions as China's regional role increases and as a Chinese "sphere of influence" develops. U.S. power may recede gradually in the coming years, and the unavoidable decline in Japan's influence will heighten the sense of China's regional preeminence. But to have a real collision, China needs a military that is capable of going toe-to-toe with the United States. At the strategic level, China maintains a posture of mini-

mum deterrence. Forty years after acquiring nuclear-weapons technology, China has just 24 ballistic missiles capable of hitting the United States.



Even beyond the realm of strategic warfare, a country must have the capacity to attain its political objectives before it will engage in limited war. It is hard to envisage how China could promote its objectives when it is acutely vulnerable to a blockade and isolation enforced by the United States. In a conflict, Chinese maritime trade would stop entirely. The flow of oil would cease, and the Chinese economy would be paralyzed.

I have the sense that the Chinese are cautious about Taiwan, their fierce talk notwithstanding. Last March, a

Communist Party magazine noted that "we have basically contained the overt threat of Taiwanese independence since [President] Chen [Shuibian] took office, avoiding a worst-case scenario and maintaining the status of Taiwan as part of China." A public opinion poll taken in Beijing at the same time found that 58 percent thought military action was unnecessary. Only 15 percent supported military action to "liberate" Taiwan.

Of course, stability today does not ensure peace tomorrow. If China were to succumb to internal violence, for example, all bets are off. If sociopolitical tensions or social inequality becomes unmanageable, the leadership might be tempted to exploit nationalist passions. But the small possibility of this type of catastrophe does not weaken my belief that we can avoid the negative consequences that often accompany the rise of new powers. China is clearly assimilating into the international system. Its leadership appears to realize that attempting to dislodge the United States would be futile, and that the cautious spread of Chinese influence is the surest path to global preeminence.

Better to Be Godzilla than Bambi

By John J. Mearsheimer

China cannot rise peacefully, and if it continues its dramatic economic growth over the next few decades, the United States and China are likely to engage in an intense security competition with considerable potential for war. Most of China's neighbors, including India, Japan, Singapore, South Korea, Russia, and Vietnam, will likely join with the United States to contain China's power.

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To predict the future in Asia, one needs a theory that explains how rising powers are likely to act and how other states will react to them. My theory of international politics says that the mightiest states attempt to establish hegemony in their own region while making sure that no rival great power dominates another region. The ultimate goal of every great power is to maximize its share of world power and eventually dominate the system.

The international system has sev-


eral defining characteristics. The main actors are states that operate in anarchy—which simply means that there is no higher authority above them. All great powers have some offensive military capability, which means that they can hurt each other. Finally, no state can know the future intentions of other states with certainty. The best way to survive in such a system is to be as powerful as possible, relative to potential rivals. The mightier a state is, the less likely it is that another state will attack it.

The great powers do not merely strive to be the strongest great power, although that is a welcome outcome. Their ultimate aim is to be the hegemon—the only great power in the system. But it is almost impossible for any state to achieve global hegemony in the modern world, because it is too hard to project and sustain power around the globe. Even the United States is a regional but not a global hegemon. The best outcome that a state can hope for is to dominate its own backyard.

States that gain regional hegemony have a further aim: to prevent other geographical areas from being dominated by other great powers. Regional hegemony, in other words, do not want peer competitors. Instead, they want to keep other regions divided among several great powers so that these states will compete with each other. In 1991, shortly after the Cold War ended, the first Bush administration boldly stated that the United States was now the most powerful state in the world and planned to remain so. That same message appeared in the famous National Security Strategy issued by the second Bush administration in September 2002. This document's stance on preemptive war generated harsh criticism, but hardly a word of protest greeted the

assertion that the United States should check rising powers and maintain its commanding position in the global balance of power.

China is likely to try to dominate Asia the way the United States dominates the Western Hemisphere. Specifically, China will strive to maximize the power gap between itself



A powerful China is likely to try to push the United States out of Asia, much the way the United States pushed the European great powers out of the Western Hemisphere.

and its neighbors, especially Japan and Russia, and to ensure that no state in Asia can threaten it. It is unlikely that China will go on a rampage and conquer other Asian countries. Instead, China will want to dictate the boundaries of acceptable behavior to neighboring countries, much the way the United States does in the Americas. An increasingly powerful China is also likely to try to push the United States out of Asia, much the way the United States pushed the European great powers out of the Western Hemisphere. Not incidentally, gaining regional hegemony is probably the only way that China will get back Taiwan.

Why should we expect China to act differently than the United States? U.S. policymakers, after all, react harshly when other great powers send military forces into the Western Hemisphere. These foreign forces are invariably seen as a potential threat to American security. Are the Chinese more principled, more ethical, less nationalistic, or less concerned about their survival than Westerners? They are none of these things, which is why China is likely to imitate the United States and attempt to become a regional hegemon. China's leadership and people remember what happened in the last century, when Japan was powerful and China was weak. In the anarchic

world of international politics, it is better to be Godzilla than Bambi.

It is clear from the historical record how American policymakers will react if China attempts to dominate Asia. The United States does not tolerate peer competitors. As it demonstrated in the 20th century, it is determined to remain the world's only regional hegemon. Therefore, the United States will seek to contain China and ultimately weaken it to the point where it is no longer capable of dominating Asia. In essence, the United States is likely to behave toward China much the way it behaved toward the Soviet Union during the Cold War.

Nukes Change Everything

Zbigniew Brzezinski responds.

As an occasional scholar, I am impressed by the power of theory. But theory—at least in international relations—is essentially retrospective. When something happens that

does not fit the theory, it gets revised. And I suspect that will happen in the U.S.-China relationship.

We live in a very different world than the one in which hege-

monic powers could go to war without erasing each other as societies. The nuclear age has altered power politics in a way that was already evident in the U.S.-Soviet

competition. The avoidance of direct conflict in that standoff owed much to weaponry that makes the total elimination of societies part of the escalating dynamic of war. It tells you something that the Chinese are not trying to acquire the military capabilities to take on the United States.

How great powers behave is not predetermined. If the Germans and the Japanese had not conducted themselves the way they did, their regimes might not have been destroyed. Germany was not required to adopt the policy it did in 1914 (indeed, German Chancellor Otto von Bismarck followed

a very different path). The Japanese in 1941 could have directed their expansionism toward Russia rather than Britain and the United States. For its part, the Chinese leadership appears much more flexible and sophisticated than many previous aspirants to great power status.

Showing the United States the Door

John J. Mearsheimer responds.

The dichotomy that you raised between theory and political reality is an important one. The reason that we have to privilege theory over political reality is that we cannot know what political reality is going to look like in the year 2025. You mentioned that you traveled to China recently and talked to Chinese leaders who appear to be much more prudent about Taiwan than the conventional wisdom has it. That may be true, but it's largely irrelevant. The key issue is, What are the Chinese leaders and people going to think about Taiwan in 2025? We have no way of knowing. So today's political realities get washed out of the equation, and what really mat-

ters is the theory that one employs to predict the future.

You also argue that China's desire for continued economic growth makes conflict with the United States unlikely. One of the principal reasons that China has been so successful economically over the past 20 years is that it has not picked a fight with the United States. But that logic should have applied to Germany before World War I and to Germany and Japan before World War II. By 1939, the German economy was growing strongly, yet Hitler started World War II. Japan started conflict in Asia despite its impressive economic growth. Clearly there are factors that sometimes override economic

considerations and cause great powers to start wars—even when it hurts them economically.

It is also true that China does not have the military wherewithal to take on the United States. That's absolutely correct—for now. But again, what we are talking about is the situation in 2025 or 2030, when China has the military muscle to take on the United States. What happens then, when China has a much larger gross national product and a much more formidable military than it has today? The history of great powers offers a straightforward answer: China will try to push the Americans out of Asia and dominate the region. And if it succeeds, it will be in an ideal situation to deal with Taiwan.

America's Staying Power

Zbigniew Brzezinski responds.

How can China push the United States out of East Asia? Or, more pointedly, how can China push the United States out of Japan? And if the United States were somehow pushed out of Japan or decided to leave on its own, what would the Japanese do? Japan has an impressive military program and, in a matter of months, it could have a

significant nuclear deterrent. Frankly, I doubt that China could push the United States out of Asia. But even if it could, I don't think it would want to live with the consequences: a powerful, nationalistic, and nuclear-armed Japan.

Of course, tensions over Taiwan are the most worrisome strategic danger. But any Chinese military

planner has to take into account the likelihood that even if China could overrun Taiwan, the United States would enter the conflict. That prospect vitiates any political calculus justifying a military operation until and unless the United States is out of the picture. And the United States will not be out of the picture for a long, long time.

It's Not a Pretty Picture

John J. Mearsheimer responds.

If the Chinese are smart, they will not pick a fight over Taiwan now. This is not the time. What they should do is concentrate on building their economy to the point where it is bigger than the U.S. economy. Then they can translate that economic strength into military might and create a situation where they are in a position to dictate terms to states in the region and to give the United States all sorts of trouble.

From China's point of view, it would be ideal to dominate Asia, and for Brazil, Argentina, or Mexico to become a great power and force the United States to concentrate on its own region. The great advantage the United States has at the moment is that no state in the Western Hemisphere can threaten its survival or security interests. So the United States is free to roam the world causing trouble in other people's backyards. Other

states, including China of course, have a vested interest in causing trouble in the United States' backyard to keep it focused there. The picture I have painted is not a pretty one. I wish I could tell a more optimistic story about the future, but international politics is a nasty and dangerous business. No amount of good will can ameliorate the intense security competition that will set in as an aspiring hegemon appears in Asia. **FP**

WHY IS CHINA GROWING SO SLOWLY?



For all its success, China is still not living up to its potential. | By Martin Wolf

When people discuss China's economic growth, it's usually with awe. But these assessments of the country's economic performance almost always end with one question: How long can China's rapid growth continue? It's an obvious, even banal question. Yet it is not the right one. Because asking it suggests that there has been something extraordinary about the growth of the Asian colossus over the past 25 years. What is remarkable is not how quickly

China's economy has grown, but rather how slowly it has done so.

It may seem an odd thing to say of the world's fastest growing economy. But, given where the country stood when economic reforms were introduced in 1978, China should have grown even faster. This, in turn, suggests that, with the right mix of policies, China's economy should not maintain its current rate of growth: It should accelerate.

China's growing gross domestic product (GDP) is Exhibit A for those who laud the country's economic success. Between 1978 and 2003, China's per capita GDP grew at a compound rate of 6.1 percent a year,

which amounted to a 337 percent increase a quarter of a century later. It's an impressive performance, but it's not record-breaking. Japan's per capita GDP, for example, topped 490 percent between 1950 and 1973. South Korea outpaced China with 7.6 percent compound growth a year between 1962 and 1990, and Taiwan achieved annual growth of 6.3 percent between 1958 and 1990.

It may not seem fair to compare China to these smaller economies. That's true. China should have outperformed them all. The speed with which a country can grow is a function of how far it is lagging behind the productivity levels of the world's

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most advanced economies. That is why each generation of catch-up economies has tended to grow faster than the previous one. When China's surge began, its per capita GDP was only a twentieth of that of the United States. Even now, after 25 years of growth, China's per capita output is only 15 percent of that of the United States. Japan's was a fifth of that of the United States in 1950, even before its record-breaking growth surge began.

To be fair, many developing countries haven't caught up to the leaders as quickly as they should have. But most of them lack the fundamental ingredients for success. China can't claim that excuse. It, like Japan, South Korea, and Taiwan before

ever been awash in so much capital at this stage of its development. For example, China's per capita GDP (at purchasing power parity, or internationally comparable prices) is roughly the same today as South Korea's was in 1982, Taiwan's in 1976, and Japan's in 1961. But, in those years, Japan's investment rate was just above 30 percent of GDP, and South Korea's and Taiwan's were both below 30 percent. None of those countries invested as much capital at comparable stages in their development as China does today.



it, possesses a hardworking, cheap labor force; the ability to transfer huge numbers of workers from low-productivity agriculture to higher-productivity manufacturing; political stability; and an effective, development-oriented government.

And China possesses something else few ever do: an extraordinarily high rate of investment. At more than 40 percent of its GDP, the country's fixed investment is probably the highest ever achieved in a large economy. Nor has any country

So why hasn't Beijing done a better job? Because, China's economy is still highly inefficient. The voracious maw of China's state-owned enterprises accounts for much of this drag. Between 1993 and 2000, more than 60 percent of all loans went to these state-owned behemoths. The country's notoriously high level of bad loans tells you how good an investment they have been: The Standard & Poor's rating agency currently estimates

that China's banks have issued about \$650 billion in bad loans, or about 40 percent of outstanding loans. If an economy growing at close to 10 percent a year generates bad loans on this scale, the misallocation of capital has to be gigantic. Although countries such as South Korea or Taiwan may not have had as much capital, they obtained considerably more growth for their investment buck. The same was true of Japan in its high-growth phase. The same is true of India today.

Those who object to the idea that China could have grown faster will argue that a country of China's scale required far greater investment than its neighbors to build its infrastructure. And they will suggest that inefficiency should be expected in a country still trying to throw off the trappings of its socialist past. These points,

though valid, do not reverse the verdict: Given China's ample opportunities and investment, it should have raised its living standards even faster than it did.

The bottom line is clear. Do not think China's rapid growth is either extraordinary or a flash in the pan. It is neither. The social and political obstacles to China's rapid growth are considerable. But the opportunity remains enormous. China's economic boom could well be in its middle, not its end. **FP**

A GRAND CHESSBOARD



Beijing seeks to reassure the world that it is a gentle giant. | By Ashley J. Tellis

In 2003, Chinese President Hu Jintao's advisors hatched a new theory. Dubbed China's "peaceful rise," it held that, in contrast to the warlike behavior of ascending great powers in the past, the economic ties between China and its trading partners not only made war unthinkable but would actually allow all sides to rise together. The

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theory's name didn't survive power struggles within the Communist Party, but the general idea lives on in new and updated formulations such as "peaceful development" and "peaceful coexistence." Regardless of the label Chinese apparatchiks ultimately agree on, one thing is clear: China spends a great deal of time worrying about what other countries think about it.

And for good reason: While China's economic growth over the

last 20 years has generated tremendous wealth at home, it has also stirred apprehension abroad. Beijing knows that the United States and countries throughout Asia are casting a wary eye in its direction, worried that China could ultimately become a regional hegemon that threatens their security. It has become obvious to Beijing that a new Chinese grand strategy is required—one that would allow it to continue its economic growth,



technological modernization, and military buildup without provoking other countries into a costly rivalry. The China we see striding on the world stage today is cut from the cloth of that new grand strategy.

Beijing began by making nice in its own neighborhood. It has sought to develop friendly relations with the major states on its periphery—Russia, Japan, India, and the Central and Southeast Asian states—that are potential balancing partners in any future U.S.-led, anti-Chinese coalition. This good neighbor approach is dramatically different from its behavior of the 1990s. Instead of invoking Chinese claims in territorial and maritime disputes as it did during that decade, Beijing

today has made a special effort to assure other states that it has the best intentions. China agreed to codes of conduct where territorial disputes have economic consequences, such as the South China Sea. It began to resolve border

Beijing knows that the United States is casting a wary eye in its direction.

disputes with important neighbors, such as India. It started to take its nonproliferation obligations much more seriously than before, including efforts to tighten export controls of potentially dangerous dual-use technologies. And it expressed a willingness to shelve political disputes

that cannot be reconciled immediately, so long as none of the other parties (such as Taiwan) disrupts the status quo. In 1994, during Washington's nuclear standoff with Pyongyang, Beijing's role was minor. Today, it is the driving force behind the complex six-party talks on North Korea's nuclear arsenal.

No relationship factors more into this diplomatic about-face than China's relationship with the United States. Beijing has gone out of its way to mollify Washington, trying to demonstrate that it has neither the intention nor the capability of challenging U.S. leadership in Asia—even as it seeks to promote a regional environment where a U.S. political-military presence will eventually become unnecessary.



Toward this end, Beijing has used the war on terror to position itself as a U.S. partner. Yet, it has also sought to preempt a potential U.S.-led coalition by deepening economic ties with American allies such as Japan, South Korea, Taiwan, and Australia. These countries would pay a steep economic price if they were to support any U.S.-led, anti-Chinese policies in the future. And China has adroitly exploited every manifestation of regional dissatisfaction with America's obsessive and overbearing war on terror, seeking to cast itself as a friendly, noninterfering alternative to U.S. might in the region. It is even proposing new institutional arrangements wherein China can exercise a leadership role that excludes the United States, such as the East Asian Economic Zone.

China has sought to make its presence felt outside of Asia, too. Much of China's diplomatic globe-trotting has been driven by the need to secure stable energy sources to fuel its gigantic economic machine. China is now routinely sending trade missions not only to Central Asia and the Persian Gulf but also to Africa and Latin America. And, as if giving notice of its full arrival as a great power on the world stage, China has become a much more robust player in the United Nations, the World Trade Organization, and other international bodies. More interesting, China has become acutely conscious of the need to promote its culture abroad, partly because it recognizes the benefits of "soft power," but also because it believes that a genuine appreciation of Con-

fucian rectitude will go a long way in mitigating suspicions about how Beijing might exercise its future power.

This strategy of emphasizing peaceful ascendancy in word and deed will likely satisfy Chinese interests until it becomes a true rival of the United States. At that point, China will face another strategic crossroads. Whether a turn toward strident assertiveness or deepened accommodation represents the future of China's geopolitical orientation, only time will tell. But Washington should recognize that if it mishandles its relations with its current or prospective partners, it might be faced with an absence of allies precisely when it needs them most. China's current grand strategy is focused on making that scenario a reality. **FP**

LIFTING ALL BOATS



Why China's great leap is good for the world's poor. | By Homi Kharas

China's economic juggernaut has forced the world to make room. For rich nations, it's just a matter of adjusting their economic strategies. But how is China's rise affecting poorer countries? Governments in Asia, Latin America, and Central and Eastern Europe watch the Chinese export machine and worry about keeping their manufacturing jobs at home. The anxiety is understand-

able, but a closer look suggests that China's success will help, not hurt, most developing countries. The power of its economy—and the power of its example—will advance the fight against poverty.

Today, China has a lock on a large portion of the export market in North America, Europe, and elsewhere—markets that poor countries covet. This situation would spell trouble for many, but for the fact that China has also become one of the developing world's best customers. Forty-five percent of China's \$400 billion in annual imports

comes from developing countries, and these imports rose by \$55 billion in 2003. Indeed, China runs a trade deficit with the developing world. Chinese demand for basic commodities (produced primarily in poorer countries) is so strong that it has pushed up prices for food staples and industrial raw materials such as aluminum, steel, copper, cotton, and rubber. For the millions of farmers around the world who depend on revenue from these products, the global price boom has come at just the right time, reversing decades of slumping prices.

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China has also become the center of a virtuous regional trade cycle that benefits Asia's developing countries. True, China sucks up vast quantities of raw materials, but four fifths of its imports are now manufactured goods, including office machines, telecom equipment, and electrical machinery. Neighboring countries are feeding the trade boom by exporting components and machine parts to China for final assembly. Korea and Taiwan have benefited the most, but the Philippines, Thailand, and Indonesia saw their annual exports to China shoot up by roughly 30 percent last year. Other regional production networks are developing, notably in automobiles and garments, so the gains from this trade will probably endure even if one sector lags.

China's economic impact is powerful. But so too is its example. The country has become a showcase of what open markets can achieve. It is reinvigorating the debate on how trade can reduce global poverty. China already has a large agricultural sector relatively undistorted by the types of subsidies and tariffs found in the United States or Europe. Its free-trade credentials will only grow as it complies with increasingly stringent World Trade Organization (WTO) commitments. Global quotas on textiles and clothing, for example, disappeared on Jan. 1, 2005. If economic liberalization allowed China to post 9 percent growth over three decades and lift 300 million people from poverty during that time, then surely other countries can make significant gains by knocking down barriers.

The standard excuses for poor development performance—an uneven global playing field and exploitation by foreign investors—lose credibility when set against China's record. And there are signs that the lesson is taking hold. China's example was likely an



important catalyst in India's reforms and growth surge during the last decade. Latin American countries are starting to take notice: Chile and China are contemplating a free trade agreement, and Mexico and Brazil are sending high-level trade and investment missions to China. As China engages in free trade agreements with neighboring countries, Southeast Asia is likely to benefit even more.

During its communist heyday, Beijing often championed the cause of the developing world, at least in its rhetoric. Now, as a large, successful trader, China is in a far better position to put meaning behind its message, shaping the rules in the WTO and other international bodies to address development concerns. China is already active in the Group of 20, a forum in which rich countries and the largest developing countries exchange views. In many cases, China's interests coincide with those of other developing countries,

many of which look to China for support. For example, China wants to promote freer global trade in agriculture, a key concern of poorer countries. China might also add its voice to the chorus of developing countries that seek safeguards for their service sectors.

Of course, China's rise does come

on protected markets. Maquiladora industries in Central America that export to the United States under preferential agreements are already exiting the market, fearing the coming competition with China. Similarly, the advantages conveyed to some of the world's poorest countries through free-market access agreements with the United States and Europe will decline, as global trade barriers come down and efficient producers such as China begin to compete. Still, the benefits of China's economic rise, and of a more liberal and fairer global trading system, outweigh the costs.

Decades ago, Japan, Germany, and South Korea showed the world how to develop with a strategy based on exporting manufactured goods. China's rise may offer an equally compelling example of how open economies can spur rapid growth. For the developing world, it's something to emulate, not fear. **FP**

China has become the center of a virtuous regional trade cycle.

at a cost for some. Those poor countries that rely on commodity imports take a hit as China's demand pushes up prices. China is such an efficient producer of garments that it will likely dominate textile markets, now that the global system of quotas has disappeared. That scenario will hurt garment workers in such countries as Bangladesh and Cambodia, whose jobs and wages depend

DANGEROUS DENIALS



China's economy is blinding the world to its political risks. | By Minxin Pei

There is a Chinese proverb that says "one spot of beauty can conceal a hundred spots of ugliness." Today, in China, there are few things as beautiful as the country's economic growth. But it is premature to

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dismiss the inherent instability in China's authoritarian politics. The country's rapid economic growth may be blinding us to systemic risks in Chinese domestic politics that, if poorly managed, could explode, threatening the survival of the regime. There is no question that China's economy is on the rise—but so are the risks of political crisis.

To be fair, some of the dangers China is facing simply come with the challenge of being a developing country racing toward a market economy. Shaking off socialism isn't easy for any nation. When you are the world's most populous country, the chances for socioeconomic disaster are enormous. Income inequality, for example, is to be expected. The period from 1980 to 1997 saw



a 50-percent rise in inequality in China. Labor migration is natural. But China is experiencing the largest movement of rural labor in history. In recent years, Chinese cities have absorbed at least 114 million rural workers, and they are expected to see an influx of another 250 to 300 million in the next few decades. Under the circumstances, it's hardly surprising that

China's effort to establish a new social safety net has fallen short, especially given its socialist roots. It would be a Herculean task for any government.

But China's isn't just any government. It is one that rests on fragile political foundations, little rule of law, and corrupt governance. Worse, it has consistently placed the highest value on eco-

nomie growth and viewed all demands for curbing its discretion and power as threats to its goal of rapid modernization. The result? Social deficits in education, public health, and environmental protection. But it is hardly surprising, since promoting high growth advances the careers of government officials. Thus, China's elites devote most of their resources to

building glitzy shopping malls, factories, and even Formula One racing tracks, while neglecting social investments with long-term returns. So for those who wonder how, if China's political system is so rotten, it can deliver robust growth year after year, the answer is that it delivers robust growth year after year, in part, because it is so rotten.

But the Chinese Communist Party knows that the people will tolerate only so much rot. Corruption is a rising concern. The party's inability to police its own officials, many of whom are now engaged in unrestrained looting of public assets, is one of Beijing's greatest worries. These regime insiders have effectively privatized the power of the state and use it to advance personal interests. Their loyalty to the

party is questionable, if it exists at all. The accelerating effect on the party's demise resembles that of a bank run; more and more insiders cannot wait to cash in their investment in the party.

Of course, the Chinese government, like other authoritarian regimes, is constantly threatened by internal power struggles. Again, Beijing has not only bucked the naysayers, but its ability to weather internecine strife appears to have improved markedly since the 1989 Tiananmen tragedy. The recent transfer of power from Presidents Jiang Zemin to Hu Jintao turned out more smoothly than expected, perhaps signifying that the party has acquired a higher degree of institutional maturity. But it may still be too little, too late for an increasingly pluralistic and assertive

population. Although the government managed to build an elitist ruling alliance of party officials, bureaucrats, intellectuals, and businessmen, the durability of this alliance is questionable. And, as in other countries, exclusionary politics inevitably breeds alienation, resentment, and anger. This does not mean that a social revolution is imminent in China. But should a crisis hit, all bets are off.

Thankfully, all of these risks are manageable if China confronts them with bold political reforms rather than denial and delay. But this may be wishful thinking. Beijing has thus far preferred these risks to the gamble of democratic reforms. The only thing certain about China's political risks is that they are on the rise. And that reality is hardly a thing of beauty. **FP**

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For authoritative histories of China, readers can turn to Jonathan D. Spence's *The Search for Modern China* (New York: Norton, 1990), *Chinese Roundabout: Essays in History and Culture* (New York: W.W. Norton, 1992), and *To Change China: Western Advisers in China, 1620–1960* (Boston: Little, Brown, 1969). Michael H. Hunt examines the historical roots of the foreign policy of the People's Republic in *The Genesis of Chinese Communist Foreign Policy* (New York: Columbia University Press, 1996).

Yasheng Huang and Tarun Khanna question whether China's pursuit of foreign direct investment is the fastest route to economic development in "Can India Overtake China?" (*FOREIGN POLICY*, July/August 2003). Nicholas R. Lardy analyzes the frailties of China's banking and financial system in *China's Unfinished Economic Revolution* (Washington: Brookings Institution Press, 1998). For a look at the emerging relationship between the Chinese Communist Party and the country's new class of entrepreneurs, check out Bruce J. Dickson's *Red Capitalists in China: The Party, Private Entrepreneurs, and Prospects for Political Change* (New York: Cambridge University Press, 2003).

Whether China's rise will be a source of conflict has sparked many debates. For a pessimistic outlook, see Aaron L. Friedberg's "Ripe for Rivalry: Prospects for Peace in a Multipolar Asia" (*International Security*, Winter 1993–94). Andrew J. Nathan and Robert S. Ross are optimistic about the chances of integrating China into the international community in *The Great Wall and The Empty Fortress: China's Search for Security* (New York: W.W. Norton, 1997). Also, the transcripts from the Carnegie Endowment for International Peace's two-day conference "China's Peaceful Rise?" are available on the endowment's Web site.

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