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Dragon at the Crossroads: The Uncertain Future of Governance in China

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In the empty place where Chinese Communism once stood, an awesome figure is now taking shape. It has yet to be given a name.¹

Introduction

Modern China is perceived by many as an emerging economic giant and heir apparent to the former Soviet Union as America's equal in a future bi-polar world. It is a country perched on the edge of superpower status with vast numbers of people, resources and military potential. However, beneath the recent fanfare of annual economic growth rates, rising GDP and defence spending are concerns that China's authoritarian, one-party system is headed for collapse. Evidence or signs of an impending crisis such as rising unemployment, civil unrest, widespread corruption and insolvent banks form the basis of this premise, but they are only part of the story. The remainder of this tale lies beyond the political crossroads faced by China's leadership: a choice between continuing with some form of Chinese Communist Party (CCP) dictatorship or making fundamental political reforms that would compliment the country's remarkable economic transformation and opening to the West.

Thus far, Beijing has managed to ride the coattails of its sensational economic ascent without any significant change to its governing structure, but the CCP is running out of time. This paper asserts that economic problems in China are real, significant, and growing. Moreover, it argues that they are the result of a regime that is unwilling to reform or relax its monopoly on power and appears determined to press forward within a

¹ A. James Gregor, *A Place in the Sun: Marxism and Fascism in China's Long Revolution*, (Boulder: Westview Press, 2000), xiii.

political system that is at odds with “the essential requirements of the rule of law, a market economy and an open society.”² China’s impressive economic performance of the past decade and massive foreign investment by Western entrepreneurs have overshadowed the worst consequences of “socialism (bureaucracy and lassitude) and of capitalism (windfall gains and growing income disparities).”³ Failure to address these contradictions with fundamental institutional change could reverse the current climate of rising prosperity and relative peace and replace it with economic decline and oppression or even worse, financial ruin, violence and regional conflict. In this context, this paper also explores recent and historical patterns of irredentism, ethnic migration and nationalism as an emerging form of CCP justification for ‘strike hard’ actions in separatist provinces, the reunification of Taiwan and its legitimacy as a governing party. Before examining the governance patterns of the present, however, it is essential to look briefly into China’s dynastic, nationalist and communist past.

China’s 20th Century Revolution – A Continuing Journey

The evolution of Chinese power and authority over the past millennia has been influenced by the dynastic succession of former emperors whose respective families monopolized power under what was understood as the emperor’s Mandate of Heaven. Under this mandate, the emperors were not viewed as divinities in the “traditional Western sense”, but “ruled in hereditary succession as earthly legates of Heaven” until overthrown by a dynastic competitor who, as the new ruler, would legitimately assume

² Minxin Pei, “China’s Governance Crisis,” *Foreign Affairs*, September/October 2002, 99.

³ CIA World Fact Book 2002, China (updated 9 December 2002).

the mantle of the Mandate of Heaven and deserve “allegiance from the people.”⁴ Even after monarchical rule by emperors had ended, the traditional legitimacy of the Mandate of Heaven appears to have been understood inherently by the people for each new leader of China, although a sense of nationalism was not part of this legacy. In the period leading up to the end of the last dynasty, the Q’ing in 1912, “China was not a nation state, as the Chinese people were not imbued with an enduring sense of nationalism based on the loyalties to the nation-state or ethnicity” but “instead, culturalism permeated traditional Chinese thought because Chinese culture was the focus of people’s loyalty.”⁵ The transition from cultural loyalty to national loyalty began with China’s increasing contact with Western Civilization.

Knowledge in China of Western Civilization was apparent as early as the Han Dynasty (202 B.C.-A.D. 220), but the two civilizations actually moved in divergent directions – Western Civilization moved westward from Greece to Rome, then to Europe and finally America, while Chinese Civilization spread southward from the Yellow River valley and thence to other parts of China.⁶ According to China scholar, Immanuel Hsu, the end of the 18th century is generally identified as the period when China’s monarchical rulers brought the empire to its peak as first among civilizations. Stretching from the China Sea to Central Asia and from sub-tropical Hainan to Siberia, China was a massive and powerful empire with a well-educated bureaucracy, prosperous economy and self-

⁴ Shunde Jin, “Patterns in Chinese History,” *Chinese 231 – Traditional Chinese Culture*, The Ohio State University, Spring 1998, <<http://www.cohums.ohio-state.edu/deall/jin.3/c231/default.htm>>.

⁵ Suisheng Zhao, “Chinese Nationalism and Its International Orientations,” *Political Science Quarterly*, Volume 115, Number 1, Spring 2000, 3-4.

⁶ Immanuel C.Y. Hsu, *The Rise of Modern China*. (London: Oxford University Press, 1977), 6-7.

sufficient society. “It is therefore not without good reason that the Chinese regarded their country as the Middle Kingdom on earth and the centre of the known civilized world.”⁷

Significant contact between China and the West coincided with the industrial revolution in Great Britain and its subsequent expansion of maritime trade links to South and East Asia, beyond the traditional Canton and Taiwan posts established earlier by the Portuguese and Dutch. By the middle of the 19th century, decisive use of expeditionary forces and superior western military technology overwhelmed a weak Q’ing dynasty and resulted in cessions (Hong Kong, Macao) and treaties favorable to the Westerners or, as they were labeled by the Chinese, ‘barbarians’. In China’s continental north, concurrent Russian expansion and conquest in Siberia ultimately led to similar confrontations over territory and trade. Treaty settlements gave Russia large tracts of land in Southern Siberia and privileged diplomatic and commercial relations with Beijing well ahead of the British, French and Americans. In return, the Chinese received peace of mind and reassurance over their interests in Mongolia and northern Manchuria.

The hundred years spanning the middle of the 19th to the middle of the 20th century have often been characterized by both Chinese and Western scholars as a period of great humiliation and shame at the hands of foreign powers, including aggression from China’s Asian arch-rival Japan. Beginning with the victory of British troops in the 1840-42 Opium War, successive military defeats and the imposition of foreigners on Chinese soil enabled the British, Japanese and other outsiders to prop up dynastic or puppet rulers so that they could continue enforcement of unequal treaties, practice opportunistic commercialism and semi-colonialism, and in the case of Japan, oppress and terrorize Manchuria. A dearth of Chinese leadership and vision typifies not only the final years of

⁷ Ibid. 169.

rule by the emperors, their courts and Confucian ideology, but also most of the previous century of monarchs.

In response to worsening crises of famine, lawlessness, unemployment and social upheaval, instigators of the Boxer Uprising in 1900 represented a growing discontent by the Chinese people as a whole and was the first collective expression of nationalist violence. Their efforts to replace the monarchy and dispel the foreigners failed; however, the Boxers' desire for change and modernization laid the foundation for future political transformation and China's return to its rightful place among nations. Chinese leadership, so wanting in the previous century, started to appear through a rebelliousness borne of nationalist thinking and ideas borrowed from a modernized and militarily successful Japan, Soviet communism and Western schools of thought.

In the period leading up to the establishment of the CCP in 1949, nationalism and China's pre-eminence in Asia remained at the forefront of guiding principles among competing political forces and their ideologies. Early attempts to develop representational democracy were frustrated by immature concepts of parliamentarianism, internal rivalries, assassinations and an overall inability to engage the masses and incorporate military power as a support mechanism for new political structures. The result was the division of China by Warlords and descent into regional wars, irresponsible taxation and the systematic degradation of civic services and public confidence in ruling authorities.

From the ashes of "warlordism" arose an intellectual movement for domestic revolution. It was buoyed by patriotism, anti-imperialism and Marxist-Leninist thought. Initially under the guidance of Soviet advisors, two rival revolutionary parties, the

Kuomintang (KMT – Nationalist Party) and the CCP competed against each other to take power, unify the country, expel foreigners and, through revolution, lead China out of its backward state to prosperity.

Initial advantage fell to the KMT under Chiang Kai-shek. Although able to outmaneuver Mao Tse-tung and other CCP faithful for leadership of the country, Chiang focused his efforts and sparse resources on reinforcing personal power and authority instead of developing political innovation and change to relieve a suffering populace. He and his armed party dictatorship also bore the brunt of eight years of Japanese aggression, constant challenge and insurgency by the CCP and six years of world war. Following the surrender of Japan in August 1945, four years of civil war ensued between the KMT and CCP. Chiang's Nationalist Party was no match for the CCP, who had refined and mastered the art of the people's party. Having replaced proletariat with "peasant" proletariat, Mao and his rural, Chinese-style Marxism succeeded in educating, indoctrinating and motivating the masses to create a party, an army and a future. On 1 October 1949, the CCP proclaimed the People's Republic of China in its capital, Beijing, while Chiang Kai-shek and defeated forces of the KMT retreated to Taiwan.

Despite Chiang Kai-shek's defeat and exile from the Chinese mainland, the nationalist fervor that gave meaning to his party's namesake was as much a part of the future ideology of his opponent, Mao, as it would be for other successors in the CCP. According to Suisheng Zhao, "in the twentieth century, all Chinese leaders from Sun Yat-sen, Chiang Kai-shek, and Mao Zedong to Deng Xiaoping and Jiang Zemin have shared a deep bitterness at China's [Western] humiliation," and "were convinced that China ought

to stand equal with other great powers and that there was something profoundly wrong with a world that denied it this status.”⁸

Maoism and Nixon

Like most changes of government, the Chinese Communist Party enjoyed a brief honeymoon with its constituents during which time it established authority, hierarchy and supervisory mechanisms to carry out party objectives. Mao’s early successes were impressive. Post-war inflation was quickly brought under control while effective mobilization of China’s most enduring asset, manpower, ensured the repair and augmentation of national infrastructure. On the other hand, the benefits of a unified China had to be weighed against the authoritarian, centralist dictatorship of the party and the outcome of its decisions.

The charismatic Mao had succeeded in transforming a war weary, insecure and divided country into a cohesive, integrated nation of respectable great power status in less than three decades, however, his legacy of proletariat revolution and economic policy was a failure. Events such as the Great Leap Forward of 1958 and the Cultural Revolution from 1966 to 1976 were huge blunders that isolated China, cost millions of lives, decimated intellectuals and set the country back 20 years. If anything, it underlined the experimental nature of Mao’s communist regime and the painful process of making mistakes, dealing with failures and searching unsuccessfully for solutions. According to A. James Gregor, the political structure employed by Mao “had been neither a consistent

⁸ Zhao, *Chinese Nationalism*, 4.

reactive nationalist developmental system⁹ nor a ‘proletarian dictatorship’...but “had been part Stalinist, part fascist, and, ultimately, almost entirely idiosyncratic.”¹⁰

President Richard Nixon’s historical visit to Beijing in 1972 was one of the few bright moments during the Cultural Revolution. It marked a significant turning point in how China would henceforth be viewed and engaged by the West and, more importantly, it served as an opening for economic reform once the state had been released from the grip of Maoism. Following Mao’s death in 1976, “a cohort of ‘capitalist roaders’ arose to transform the bankrupt system he left behind into a form of authoritarian, single-party state capitalism...while “Chinese Communism... passed silently into oblivion.”¹¹ Communism with new ‘Chinese characteristics’ had entered a phase of détente with the West, but was this just part of a longer journey to professed world revolution or was Nixon’s diplomatic coup a harbinger of change that would unknowingly undermine China’s proletariat dictatorship and again change the course of governance in the Middle Kingdom?

Economic Revolution and Uncertainty

In 1978, under the new leadership of Deng Xiaoping, China took advantage of Nixon’s initial visit to enhance ties with the West and ever so slowly initiated steps to shift from its non-performing Soviet-style economy to a market-based system. Despite

⁹ As defined by Gregor, such a political system is dominated by a single, elitist, hegemonic party that exercises control through a dominance of the economy, perceives itself as surrounded by real or potential enemies (imperialists or privileged plutocracies), and seeks the restoration of lost lands. See Gregor, *A Place in the Sun*, 64-65.

¹⁰ Gregor, *A Place in the Sun*, 106.

¹¹ Ibid. xii.

the tight reins held by government, the success of this strategy permitted a continuous evolution of minor changes, liberalization and adaptations such that China's GDP grew by a factor of four and today is second only to that of the United States.¹² Underneath the statistics, however, there exists a potentially disruptive combination: the CCP's attempt to fuse its centralized political system to free markets, individual enterprise, foreign investment and global trade laws has set ideology and methodology on divergent courses.

Problems related to this paradoxical situation have grown unchecked for over two decades with only cosmetic reforms attempted by the CCP. With China's economic growth averaging between 7 and 10 per cent per annum, the motivation to admit that something is wrong or that fundamental change may be necessary is non-existent. The CCP, according to author Minxin Pei, is trapped by the limits of its developmental autocracy and has fallen victim to its own success. "By pursuing market reforms that have eliminated rural communes and most SOEs [State Owned Enterprises]," the party has eliminated the very state-dominated economic and organizational structures that were fundamental to party appeal, penetration and internal discipline.¹³ Furthermore, Pei submits that "the CCP's organizational decay is paralleled by the decline of its authority and image among the public" where even "public officials are losing respect [and] the party's ideological appeal has all but evaporated."¹⁴ Building blocks that have provided the foundation for and sustained communist rule in China for over half a century are in jeopardy of crumbling and the CCP is in danger of meeting a fate similar to that which befell its Soviet cousin in 1989.

¹² CIA World Fact Book 2002, China (updated 9 December 2002), <<http://www.cia.gov/cia/publications/factbook/geos/ch.html#Intro>>

¹³ Pei, *Foreign Affairs*, September/October 2002, 101.

¹⁴ *Ibid.* 102.

Signs of this decay are most apparent in China's industrial cities of the Northeast, also known as the 'rust belt'. Shenyang, the largest, has the appearance of a modern Chinese dynamo with complex freeways, bustling streets, towering skyscrapers and large tracts of land devoted to industrial parks and massive housing developments. Upon closer inspection, however, one realizes that most of the office towers, apartment blocks and plan1(anhid(enrialparaks)Tj0.0026 Tc -0.0022 Tw 12 0 0 12232.020708 570.95988 Tm(arenost nlyd de

live on less than US \$1.00 a day,”¹⁸ and it is estimated that “China needs to create almost 100 million jobs over the next decade to absorb laid-off workers, school leavers and migrants.”¹⁹ CCP leadership is acutely aware that job creation and continued foreign investment are key to maintaining stability and remaining in power, but appear only to be chipping away at the concern with minimal effect.

Chinese relief programs in the form of social security assistance have led to increased expenditures on the “minimum living allowance” from US \$24.2 million in 1968 to \$555.7 million in 2002.²⁰ However, this is unlikely to be enough and will not fix pension distribution problems or capture everyone who needs to be included in the social safety net. Pilot projects for social security reform, such as the one in Liaoning Province in Northeast China, have encountered major problems. In an attempt to combine five aspects of social insurance - pension, medical, unemployment, work injury and maternity - the project has run up against difficulties in expanding pension coverage, covering contributions in arrears, linking hospitals with medical insurance administrators, budgeting for overly expensive medicine and accurately monitoring labor market movement.²¹

On the corporate scene, the situation is worse. The national financial system is a mess. State-run banks are mired in debt and corruption is still rampant between party elite and state-owned and private enterprises. In a recent special report on banking, journalist David Lague warned that the current state of finances in China is “far from an abstract economic debate” and “a financial meltdown would almost certainly be a catalyst

¹⁸ The World Bank Group, *Country Brief – People’s Republic of China*, (November 2002), 1.

¹⁹ Murphy, *Far Eastern Economic Review*, 31.

²⁰ The World Bank Group, *China – Macroeconomic Update*, (6 November 2002), 5.

²¹ *Ibid.* 6-7.

for political and social upheaval,” placing the very survival of the leadership at stake.²² A legacy of bad loans to SOEs resulted in the establishment of four government-owned Asset-management Companies (AMCs). The AMCs received US \$169 billion in non-performing loans (NPLs) from China’s four largest banks in what Lague suggests has merely been a paper shuffle to delay the day of reckoning rather than deal with the problem. His assessment is supported by the poor performance of the AMCs, managing only a 26.2 per cent²³ cash recovery rate, but even this is misleading as most of the difficult loans have yet to be tackled. In the end, the AMCs are likely to suffer a huge financial loss that could risk the financial health of the very institutions they were supposed to clean up.²⁴

Government reluctance to make the hard decisions is again explained by the dilemma of expanding private sector participation at the expense of losing party control over financial institutions. Speaking at the 16th Party Congress, Jiang Zemin was unequivocal in explaining where the party drew the line on liberalization. Clearly, the party’s embrace of capitalism would not be total. “State-ownership, he said, “should still play the dominant role in the economy” and controlling “the lifeline of the national economy...is of crucial importance in displaying the superiority of the socialist system.”²⁵ Despite Jiang’s promise, the current government practice of cash bailouts will be more difficult in the future. Increased spending to sustain economic growth and public confidence has pushed total foreign and domestic liabilities beyond China’s US \$1.1 trillion GDP. Another Asian financial crisis or global catastrophe could lead to two

²² David Lague, “On the Road to Ruin,” *Far Eastern Economic Review*, (14 November 2002), 32.

²³ World Bank, *Macroeconomic Update*, 5.

²⁴ Lague, *Far Eastern Economic Review*, 35.

crippling scenarios - a drying up of foreign investment or even worse, a run on China's banks by unconfident Chinese depositors to retrieve their estimated US \$1 trillion in savings.

To date, flow of Foreign Direct Investment (FDI) into China appears not to have been deterred by the U.S. war on terrorism, the war in Iraq or the process of leadership succession initiated by the party's 16th Congress in November 2002. In the first nine months of 2002, FDI continued an upward trend, rising by 22.6 per cent to reach an impressive US \$68.4 billion.²⁶ The World Bank cites WTO accession and the globalization shuffle of U.S., E.U. and Japanese manufacturers to low cost locations in China as the primary cause for sustained foreign investor confidence. Nevertheless, bungled downsizing of SOEs and the widening gap between China's estimated 600 million rural poor and 200 million middle class urbanites and millions of Chinese nouveau riche have created social tension, labor unrest and mass demonstrations. More and more, the leadership has had to respond to challenges to its authority as they did in the past - with a big stick. While they have also employed the carrot through monetary pay-offs and improved welfare benefits, increasing civil disobedience will demand more than repressive tactics and short-term bribery in order to regain public trust and confidence.

The most significant outbreaks of labor unrest have occurred in the depressed 'rust belt' provinces of Liaoning and Heilongjiang. In March 2002, 80,000 workers from the Daqing oilfields and Liaoyang heavy industries mobilized for street protests, blockades and sit-ins for over three months as a result of mass lay-offs without

²⁵ Susan V. Lawrence, "Jiang Ensures Party Endures," *Far Eastern Economic Review*, (21 November 2002), 34.

compensation. What sets these protests apart from earlier actions such as the 1989 pro-democracy movement in Tian An Men Square, was the fact that they were not led by activists and intellectuals but “were economically driven and the organizing was workplace-based.”²⁷ Furthermore, cases handled by the CCP’s labor arbitration committee jumped from 23,000 in 1995 to 120,000 in 1999, and it is estimated they will reach 200,000 in 2002.²⁸ CCP leadership has received the message. The recently elected Communist Party chief and now President, Hu Jintao, was recently quoted as saying, “his government will give urgent attention to his country’s “disadvantaged groups,” particularly farmers and laid-off workers.”²⁹

Government anti-corruption measures have also met with limited success. A number of public executions of high profile offenders and senior officials has not eliminated the problem, which continues to eat away at CCP cohesion and public confidence in the state. In a recent party survey, “crooked princelings and spouses of cadres are No. 2 on a list of citizens’ grievances...just behind abusive, baton-wielding police.”³⁰ Even those snagged in government dragnets appear to be getting off lightly or going unpunished. “Of the 670,000 party members disciplined for wrongdoing from 1992 to 1997, only 37,500, or six per cent were punished by criminal prosecution” and in recent years, the party has “expelled only about one per cent of its members.”³¹ Running for political office in China is no longer viewed by the public as a competition for power and respect. It is seen as a fight for economic advantage where “the relatives of top

²⁶ World Bank, *Macroeconomic Update*, 4.

²⁷ Trini Leung, “China Labour Bulletin,” *The Third Wave of the Chinese Labour Movement in the Post-Mao Era*, (5 June 2002).

²⁸ Murphy, *Far Eastern Economic Review*, 33.

²⁹ Elisabeth Rosenthal, “Workers’ Plight Brings New Militancy in China,” *New York Times*, (10 March 2003).

³⁰ Melinda Liu, “China’s Princelings Problem,” *Newsweek*, (New York: 25 November 2002), 21.

leaders...have amassed sprawling business empires through their political connections.”³²

Facts from party documents bear this out. “Seventy-eight per cent of the suspects in fraud cases involving more than \$600,000 have been related to senior officials, ninety-eight per cent of senior officials had relatives in significant government or business posts, with incomes up to 120 times the Chinese average, and economists estimate that various types of corruption...have bled about 14 per cent from China’s GDP yearly since the 1990s.”³³

The CCP’s inability to enforce internal party discipline is symptomatic of a political organization splintered by divided loyalties - heightened even further by the recent leadership transition - and a network of overt patronage appointments for personal profit. As was demonstrated by the surprising first-time invitation of wealthy private sector businessmen to the recent party congress as delegates, communist ideology regarding class struggle and definition of the proletariat beckoned clarification by the party’s leader. Given that “the private sector, including bosses, contribute[s] to China’s prosperity,” they should, said Jiang Zemin, be treated for ideological purposes as fellow “builders of socialism with Chinese characteristics.”³⁴ The journalist reporting this story referred to Jiang’s remarks as his big fudge of the year. In addressing the issue of corruption, Jiang warned that without a serious crackdown, “the flesh-and-blood ties between the party and the people will suffer,” and the party could find itself “heading

³¹ Pei, *Foreign Affairs*, September/October 2002, 103.

³² Liu, *Newsweek*, 20.

³³ Ibid. 20.

³⁴ Lawrence, *Far Eastern Economic Review*, 36.

toward self-destruction.”³⁵ It is likely that the Chinese people, at least those that were following the proceedings, would agree on both points.

Nationalism and National Security

After almost 15 years of negotiation, accession to the World Trade Organization (WTO) in 2001 formalized China’s economic links and commitments to international trade laws, controls and practices. In order to preserve access to raw materials, markets, energy and sustained foreign investment, some internal changes through continued liberalization and an outward focus on regional partnerships and security arrangements became increasingly important. As a consequence, “overt ideological trappings” of China’s national security policy were dispensed with and replaced by a “policy of dynamic stability.”³⁶ In this regard, concerted efforts were made to quell internal disquiet, advance regional alliances, counter U.S. influence in Asia and promote nationalism through cultural programs and modernization of the People’s Liberation Army (PLA).

As will be seen, nationalism became an increasingly important component of CCP efforts to legitimize its authority in an environment of creeping domestic and entrepreneurial freedoms and influential economic (capitalist) zones in select provinces. In the midst of this sensitive balancing act and its ideological dilemma over governance, the CCP was also coping with its third leadership transition since the death of Mao Tse-

³⁵ Liu, *Newsweek*, 22.

³⁶ Mark Weisenbloom and Roger Spotswood, “China’s Emerging Strategic Doctrine,” *China Strategic Review*, Vol. III, no. 1, Spring 1998, 28.

tung. The recent coronation of Hu Jintao as the 4th President and General Secretary of the Central Committee added another element of instability to the mix.

In his recently published monograph, *Dragon on Terrorism*, Mohan Malik argues convincingly that in the aftermath of the September 11th terrorist attacks no other country was affected by the “geopolitical shifts unleashed by the U.S. counteroffensive” as much as China.³⁷ Aside from a general warming in Sino-U.S. relations with China’s verbal commitment to join the fight, the outcome for China in its strategic security relationship with surrounding regions was a net negative. Clockwise around China, from Japan to Russia, every perimeter relationship, each with varying levels of invested diplomacy to counter U.S. hegemony and influence in Asia, had changed. The future extent to which China could continue to liberalize and sustain economic growth in this new environment was dependent on Beijing’s ability to preserve its national security policy objective of ‘dynamic stability’. A unified, secure and strong China from within would become the CCP’s first strategic priority, but would not detract from an aggressive stance on the reunification of Taiwan, defence of its terrestrial and maritime claims, and aspirations for dominance in Asia and its role as a major pole opposite the United States in a future multi-polar world.

A senior official from the Ministry of Foreign Affairs emphasized these key strategic priorities after the party’s recent release of its White Paper on Defence (December 2002), and General Xiong Guangkai, the PLA’s Deputy Chief of General Staff, stressed them again in a follow-on public statement. Despite the candid and uncomplicated manner in which each defence activity - size/composition of forces,

³⁷ Mohan Malik, “Dragon on Terrorism: Assessing China’s Tactical Gains and Strategic Losses Post-September 11,” (Strategic Studies Institute, October 2002), 1.

budget etc. - is described, there is an opaqueness about the information that allows the reader to draw just about any conclusion about China's apparent non-threatening, peace-loving disposition, including a sense of ambiguity about whether defence forces are actually defensive or offensive - the separatist issue for Taiwan being an example of the latter. As will be explained later, much of Chinese policy-making constitutes a blend of culture, tradition and centuries of insularity that are incorporated into a custom of holding one's cards until timing and personal strength (relative to others) combine to provide maximum advantage. In General Xiong's article, he is both apologetic and impenitent in a tone that gives added weight to each defence policy declaration. Finally, a common theme throughout the piece is the Chinese practice of using both history and culture to comment on contemporary events in order to uphold a favoured point of view. In one historical example, maltreatment of Chinese by foreigners is used to substantiate defence forces:

From the Opium War in 1840 to the founding of the People's Republic of China in 1949, China had been bullied and humiliated by Western powers for more than a century. Historical facts have taught Chinese people that only an adequate national defence can guarantee the country's sovereignty, security, unification and territorial integrity.³⁸

This is a classic example of what both Zhao and Gregor assess as reactive nationalism. It is a pragmatic, logical approach that inspires homeland defence against both foreign and internal pressures where nationalist sentiment, with its historical link to foreign invasions or separatist threat, has become an indispensable instrument of legitimacy for CCP rule and bonding to the Chinese nation. Its utility for harmonizing collective support was

³⁸ General Xiong Guangkai, "China's Defense Policy Equals Peace," *People's Daily*, (10 March 2003). See also "White Paper on China's National Defense 2002," (Information Office of the State Council, 9 December 2002); and General Xiong Guangkai, "The New Security Concept Initiated by China: Address

demonstrated with surprising results during the 1996 Sino-U.S. tiff over Taiwan.

Angered by the dispatch of two carrier battle groups to contain China and protect Taiwan, the aggressive response of Chinese intellectuals to this incident underlined their emerging role as “a driving force of nationalism in the 1990s.”³⁹

These insights are central to understanding how China’s national security strategy is linked to its national interests. Despite numerous publications from Chinese military and political think tanks, Beijing has not produced an official statement or document that outlines its National Security Strategy, Grand Strategy or Military Strategy. This practice, nevertheless, is in keeping with the gaps and uncertainties acknowledged by the United States Congress in its *Annual Report on the Military Power of the People’s Republic of China*. It stresses that “Chinese secrecy is extensive” and the report itself demonstrates “how little is known about the most significant aspects of Chinese military power.”⁴⁰

Notwithstanding these caveats, the report does provide a definition of Chinese Grand Strategy as the “overall strategy of a nation or an alliance of nations in which they use overall national strength” to achieve national political goals, especially those related to national security and development.”⁴¹ In more practical terms, China’s grand strategy is to preserve national independence and increase national power through the balancing of two competing objectives: the development of Comprehensive National Power (CNP)

to Students of the 4th International Symposium Course,” (China Institute for International Strategic Studies, 19 November 2002).

³⁹ Zhao, *Chinese Nationalism*, 22.

⁴⁰ “Annual Report on the Military Power of the People’s Republic of China,” (United States Secretary of Defense: Report to Congress, 2002).

⁴¹ Ibid. 5.

and the exploitation of existing “strategic configuration of power” or “shi”.⁴² Taken individually, CNP is used to qualify China’s standing relative to other nations and “shi” is constantly evaluated to determine potential adversaries, possibly necessitating an adjustment to grand strategy, and to seek opportunities to advance national interests. Clarification and simplification of the concept can be drawn from ancient Chinese culture and Confucian ideology where centrality and “interdependent familial-like relationships between people, organizations and states” combine to legitimize China’s rightful place as “cultural leader and educator of other states.”⁴³ For modern China, therefore, relationships with its Asian neighbors have been based on a sense of hierarchy (superiority), which, in turn, has been determined by the cultural, political, economic and military elements of CNP.

China’s grand strategy re-affirms the priorities outlined in its defence policy. National unity, sovereignty and stability guarantee first the survival of the state, and second the development of a national strategy with China at the centre of Asia. Incorporated in this strategy is a Chinese patience or willingness to live with ambiguity before considering the employment of force such that advantage is obtained, moral high ground is occupied and supporters or non-supporters (friend or foe) are identified. China’s national security policy objectives, ‘dynamic stability’ and economic growth, are directly linked to the maintenance of unity through preservation of the regime, domestic order and territorial integrity.

⁴² Ibid. 5-6. The report provides further explanation of “shi” as the “alignment of forces,” the “propensity of things,” or the “potential born of disposition,” that only a skilled strategist can exploit to ensure victory over a superior force. Similarly, only a sophisticated assessment by an adversary can recognize the potential exploitation of “shi.”

⁴³ Weisenbloom and Spotswood, *China Strategic Review*, 24-25.

As noted earlier with the civil unrest in Northeast China, safeguarding economic growth and stability have driven central authorities to make difficult decisions. On the one hand, inefficient industries cannot be allowed to drag down the economic health of the nation, but on the other, national unity and party survival cannot be jeopardized by mass disobedience. The dilemma facing Beijing is that graduated liberalization of the economy has progressed to the point where market systems, international agreements and commitments to foreign investment limit the options of central party executives to control internal situations by force. The prospect of long-term economic prosperity through domestic stability has forced the CCP to always consider using the velvet glove before the iron fist when dealing with any public actions, peaceful or otherwise. What follows is an examination of China's major internal strategic concerns and the emergence of nationalist pressures to re-unify Taiwan and to quell unrest and preserve non-Han ethnic territories within the Motherland.

In terms of internal security, China has three separatist issues: Taiwan, Tibet and the Uighur Autonomous Region (Xinjiang Province). The three are distinctly different in terms of the threat they pose to national unity and the manner in which they have been dealt with by Chinese authorities. For Taiwan, the leadership has consistently been uncompromising on the matter of independence and views it as the most serious and sensitive bilateral issue with the United States. Diplomatically, the United States supports the 'One China' policy whereas Chinese on either side of the Taiwan Straits maintain that there is but one China and that Taiwan is part of that China. However, the U.S. connotation of 'One China' leans toward the day-to-day reality of a Taiwan that functions as an independent nation despite its non-recognition by the UN and China's

ongoing efforts for peaceful re-unification. Taiwan's strategic importance to the U.S. in Asia is no secret to the Chinese. However, for the U.S. to legally provide military support to the island it was necessary for the U.S. legislature to enact the Taiwan Relations Act in 1979. The Act links China-U.S. diplomatic relations to the expectation that the future of Taiwan will be determined by peaceful means, and until such time this occurs the United States is authorized to "provide Taiwan with arms of a defensive character."⁴⁴ China views the Taiwan situation as a continuation of civil war and a matter that is entirely the domain of Chinese internal affairs.

A public display of calm and reconciliation by PRC leadership over Taiwan belies a highly charged and emotional drama between Beijing and Taipei and a lot of resentment towards the U.S. for meddling in a domestic dispute. At a seminar hosted by the PLA's National Defence University, a leading PRC authority on Taiwan delivered an hour of conciliatory rhetoric on the return of Taiwan to the motherland, but ended abruptly with a warning that "if Taiwan steps out of line, we (the PRC) will crush them to ensure the sovereignty of all China - this is a non-negotiable position."⁴⁵ Given China's tremendous fiscal horsepower, the ability to crush may be nearer today than ever before in its history. A recent PRC spending spree on modern, technically advanced Russian military equipment and a series of demanding, real world focused amphibious and offshore operational training exercises have intensified pressure on Taiwan to keep pace. However, with the island's economy struggling to recover from the latest Asian recession

⁴⁴ "Taiwan Relations Act," (United States Code, Title 22, Chapter 48, Sections 3301-3316, 10 April 1979), <<http://www.taiwandocuments.org/tra01.htm>>.

⁴⁵ The author attended a two-month program for senior International Officers at the PLA's National Defence University in Beijing. The remarks quoted here were delivered on 21 November 2002 by Professor Xu Shiquan, Director of the Institute for Taiwan Studies at the Chinese Academy of Social Sciences (CASS). What was striking about this event was the near pacifist demeanour conveyed by

and China now estimated to have the world's second largest defence budget at US \$45-65 billion⁴⁶ (second to the U.S. and three times Beijing's official figures), Taiwan will be forced to rely on and continue its lobby for superior U.S. technology. By not spending to at least maintain a qualitative edge over mainland forces, Taiwan is in jeopardy of falling further behind in this unofficial but very serious arms race.

With a Chinese "arsenal of over 300 SRBMs"⁴⁷ within striking distance and a non-existent island missile defence, Taiwan's desire to purchase second-hand Aegis-equipped U.S. guided missile destroyers has re-heated the on again-off again Taiwan Straits debate.⁴⁸ Notwithstanding China's declaration to use armed force against Taiwan under certain circumstances (such as Taipei acquiring nuclear weapons) an attack is considered highly unlikely in the near term. China's focus on its economy and 'dynamic stability' will continue to override interest in an invasion. Moreover, increased U.S. military presence throughout Asia has significantly reduced PLA chances of success in a quick, decisive campaign intended to gain favorable negotiating terms before America could intervene. Failure in such a risky venture could also spell the end of the CCP. Beijing is banking on the peaceful option and will wait as long as necessary to gain maximum strategic advantage.

Unlike the dangerous brinkmanship between Beijing and Taipei, the separatist and terrorist issues in Tibet and Xinjiang Province⁴⁹ have all but been suppressed by a combination of heavy-handed oppression, economic aid and development and gradual

Professor Xu throughout the presentation until his warning against Taiwan - it was delivered with such fury that the entire audience was temporarily shocked by the outburst.

⁴⁶ CIA World Fact Book, China.

⁴⁷ "Annual Report on the Military Power of the People's Republic of China," 51. SRBM – Short Range Ballistic Missile.

⁴⁸ David Lague and Susan V. Lawrence, "In Guns We Trust," *Far Eastern Economic Review*, (12 December 2002), 35.

ethnic displacement of indigenous residents by migrant Han Chinese. Earlier systematic assimilation policies were terminated as a result of resentment and conflict between the Han and affected minority groups. A softer approach intended to win the hearts and minds of Tibetans and other minorities was crafted in the 1980s, but even then the ruling Han had their limits:

China's "affirmative policy" is to give the minority nationalities enough power, education, or economic success to keep them from making independent demands and is not based on any philosophy of equality or any desire to celebrate differences. The Chinese people remain completely at ease with racial stereotypes, and the Han's bias against the minorities is commonplace.⁵⁰

Aside from the more recent terrorist incidents that occurred in Xinjiang, the situation and problems facing the Tibetans and the Uighurs are remarkably similar.

In Tibet, where Han Chinese and other minorities outnumber Tibetans, years of crackdown tactics have silenced pro-independence dissidents, landed them in prison or caused them to leave the country. Chinese workers, business professionals and civil servants dominate Tibetan commerce, administration and education and have transformed its once quiet and spiritual centres into busy Chinese cities with requisite billboards, neon lights and restaurants. Nevertheless, underneath this calm exterior lies Tibetan resentment over the inability to criticize, the suffocating pressure of China's national police, the preferential treatment of Han Chinese and the absence of the Dalai Lama - Tibet's spiritual leader in exile since 1959. Even with its firm lock on Tibetan society, Beijing still fears the impact that a Dalai Lama return would have on pro-independence sentiment and considers him "a major challenge to its national security."⁵¹ There is much

⁴⁹ The Uighur (pronounced weeger) Autonomous Region also known as East Turkistan.

⁵⁰ Zhao, *Chinese Nationalism*, 26. According to a 1990 census, non-Han minorities comprise 55 nationalities and 8 per cent of the population.

⁵¹ Ben Dolven, "Hope Springs Eternal," *Far Eastern Economic Review*, (26 September 2002), 35.

to support the theory that Chinese authorities are waiting for him to die so they can help “choose a successor and gain control over the theocratic line that ruled Tibet from the 17th century until 1951.”⁵² Until then, the CCP will continue to promote ethnic displacement, provide economic assistance and maintain a large security infrastructure, just in case.

The story in Xinjiang, China’s most western province, is much the same. Years of repression by Beijing have all but wiped out the terrorist threat and silenced the activist-minded in the Uighur population. Originally established in southwest Mongolia, the Uighurs were forced to flee to their current location in western China and by A.D. 950 had been converted to Islam. Conquered by the Q’ing Dynasty in the middle of the 18th century, the Uighurs briefly managed to re-establish an autonomous state, the East Turkestan Republic, while Chinese Nationalists and Communists were pre-occupied with the 1944-49 civil war. Shortly after the PRC was established, the PLA successfully reunited the Uighurs, facing only minimal armed resistance.

Following the collapse of the Soviet Union in 1989 and encouraged by newly independent Muslim states in Central Asia, Uighur separatist groups launched a series of deadly attacks against Chinese authorities. Beijing responded with overwhelming force and continued to put down separatist activities throughout most of the 1990s. In 1996, Beijing spearheaded the formation of a cooperative regional group known as the Shanghai Five as a result of mutual confidence gained during border settlement negotiations with Russia, Tajikistan, Kyrgyzstan and Kazakhstan. By June 2001, the Shanghai Five became the Shanghai Cooperation Organization (SCO) with the addition

⁵² Ibid. 32.

of Uzbekistan and a mandate to “ensure regional security in Central Asia.”⁵³ Major declarations and announcements emanating from the first summit meeting of the SCO committed the organization to “implementing the Shanghai Treaty on the crackdown on terrorism, separatism and extremism”⁵⁴ and although not a military alliance aimed at the United States, the group hoped to “counterbalance American dominance of world affairs.”⁵⁵

Despite the much publicized declarations of the SCO and China’s dedicated efforts to counter U.S. influence in this region, the impact of U.S. and U.S.-led forces in Afghanistan, Pakistan and Central Asian states after 9-11 turned the tables on China, and Beijing has been playing catch up ever since. Even the Russians conveniently sidelined the SCO and joined forces with the United States. The Russians possessed first-hand knowledge of military operations in Afghanistan from the botched Soviet campaign of the 1980s and proved indispensable in assisting U.S. efforts to track down and kill or capture members of the Taliban and Al Qaeda. In sum, Beijing’s hoped for utility of the SCO as “an instrument for gaining political influence - has proved to be ineffective.”⁵⁶

A major element of Chinese national interest in Xinjiang and Central Asia is energy. Prior to China’s economic boom, the Uighur region was a disregarded and underdeveloped wild west with little interest from Beijing aside from a being a large and convenient wasteland for nuclear tests. That was until China’s free market experiment blossomed and developed a thirst for energy to feed its rapidly expanding commercial,

⁵³ “Special Report: Shanghai Cooperation Organization (SCO),” (USCINCPAC Virtual Information Center – VIC, 29 June 2001), 8.

⁵⁴ “Declaration of Shanghai Cooperation Organization,” (People’s Daily, 15 June 2001).

⁵⁵ “Special Report: Shanghai Cooperation Organization (SCO),” 8.

⁵⁶ Birgit Brauer, “China Loses Out in Central Asia,” *International Politik*, (Transatlantic Edition, 2/2002, Vol. 3, Summer Issue), 84.

industrial and personal consumers. Modest gas and oil potential in Xinjiang's Tarim and Orodos Basins will generate some return on Beijing's annual billion dollars (plus) investment for the next five years, however, most of the money is intended as a pacifier for both the repressed Uighurs and outside Human Rights Organizations looking in.⁵⁷ With relative stability now established in the region, Chinese authorities are unlikely to loosen their vast security net and, like Tibet, will continue to encourage ethnic displacement, maintain the flow of development funds and never truly erase the separatist/terrorist threat with repressive tactics.

Xinjiang is also China's gateway to vast reserves of oil and gas in the Central Asian states and guaranteed access to Middle East suppliers. The U.S. Energy Information Administration (EIA) indicates that China will surpass Japan as the world's second-largest consumer of oil, behind the U.S., on its way to doubling current consumption by 2020.⁵⁸ In strategic terms, Russia and especially the U.S. stand to diminish China's influence on oil markets in Central Asia. This will make the Chinese even more anxious about their increasing reliance on oil imports from the Middle East given the vulnerability of international sea lanes (Indian Ocean, Strait of Malacca and Indonesian Archipelago) to U.S. Navy interdiction, the current U.S. war against Iraq, and Middle East instability in general.⁵⁹ For reasons similar to China's acceptance of WTO trade regulations, David Lague argues that "Beijing will find it must cooperate with energy suppliers and other major importers including the U.S. and Japan if it wants to

⁵⁷ Matthew Forney, "One Nation – Divided," *Time - Asia*, (Vol. 159, No. 11, 25 March 2002).

⁵⁸ David Lague, "The Quest for Energy to Grow," *Far Eastern Economic Review*, (20 June 2002), 16.

⁵⁹ Susan V. Lawrence and Murray Hiebert, "Bending in the U.S. Storm," *Far Eastern Economic Review*, (24 October 2002), 36. "In response to the tensions over Iraq, Beijing has decided to fast-track a plan to create a strategic oil reserve with a capacity of 44 billion barrels of crude oil, according to state media."

maintain economic growth” - a vulnerability that some believe is one reason “Beijing would be reluctant to attack Taiwan.”⁶⁰

China’s Fascist Future?

In the few short decades since President Richard Nixon declared his historic visit to Beijing as “a week that changed the world,” he would surely not believe that the bridge he built so that two great nations “may be able to talk across it” would result in the China of today with an economy second only to America.⁶¹ At least that is what he would see at first glance. Upon closer inspection, it would quickly become evident to the President that while some miraculous reforms had been undertaken to free up sections of the country to global markets and vice versa, there was one constant that did not change - the government.

While some might argue that the CCP has evolved from revolutionary or communist dictatorship to fascist dictatorship, the party is still a dictatorship. Moreover, it might also be accepted that the CCP is no longer made up of Communists, but of Fascists - “under Jiang, the party has gradually dropped all references to Marx, Engels, Lenin and Stalin”⁶² and their construct is to “preside over a capitalist economic system with a large state-controlled sector, while using military power to suppress opposition.”⁶³ Mussolini would have been proud. Fascist Italy’s pre-war government, behaviour and

⁶⁰ Ibid. 15.

⁶¹ Hsu, *The Rise of Modern China*, 904.

⁶² Jasper Becker, “China is a Fascist Country,” *The Spectator*, (London, 23 November 2002), 26.

⁶³ Nicholas D. Kristof, “China’s Three Lies,” *The New York Times*, (19 November 2002), 31.

irredentist designs on Ethiopia shed an all too familiar light on China's numerous territorial claims, not the least of which includes territory occupied by Japan and Russia.

A. James Gregor has devoted an entire volume in support of a premise that modern China is not in transition from communism to some form of freer democratic state, but instead has given way to a "variant of contemporary fascism" that belongs to the same family of political systems that produced Nazi Germany and Mussolini's Italy.⁶⁴ Gregor's theory is also supported by author Michael A. Ledeen:

Like their European predecessors, the Chinese claim a major role in the world because of their history and culture, not because of their current power, or scientific or cultural accomplishments. Just like Germany and Italy in the inter-war period, China feels betrayed and humiliated and seeks to avenge historic wounds.⁶⁵

While both Ledeen and Gregor stop short of predicting imminent aggression by China against its neighbors, they strongly suggest that previous fascist governments did not hesitate to use overwhelming force in pursuit of irredentist objectives and see no reason why China could not eventually follow this path. Ledeen suggests that China has been preparing for war for years and Gregor believes that China's desire to dominate East Asia is "a potential threat to the peace and security of our time."⁶⁶ It is interesting to note that of the eleven foreign-policy crises that the PRC has been engaged in between 1950 and 1985, the Chinese "resorted to violence in eight of them, or 72 per cent of the time – far

Berlin in 1936...as if his aggression could be repeated by China.”⁶⁸ Others might suggest that close oversight of Beijing during the games would have the opposite effect and keep any belligerents in the regime under control.

Conclusion

China is headed towards an economic crisis. If it does not take action soon to initiate financial, institutional and governmental reforms, it could trigger a major recession and undo in an instant 20 years of economic progress and inflict serious damage on a slow recovering, post-9-11, war-dampened global economy. Most financial experts agree that there is still sea room for China to make the necessary maneuvers, but time is running out on opportunities to address its looming banking crisis, corruption, soaring unemployment, mounting government debt, widening gap between rich and poor, ineffectual tax administration, civil unrest and most importantly, need for political reform. New CCP leadership under Hu Jintao has thus far been ineffectual, and with each passing week the regime is beginning to look more and more like those of the past – incapable of producing fresh ideas or cooperating with any organization that is not dominated or controlled by the party. Reporting for *The Economist*, James Miles concludes:

The leadership is fearful of acting and will probably remain so until some colossal social or political shock forces it to change. One potential candidate is a collapse of confidence in China’s feeble banking system.⁶⁹

⁶⁸ James R. Lilley, “Beijing’s Risky Game,” *Newsweek*, (16 July 2001), <http://www.aei.org/news/newsID.13019/news_detail.asp>

⁶⁹ James Miles, “A Dragon Out of Puff/Seeds of Change?” *The Economist*, (15 June 2002), 8.

The consequence of failure would ripen the ground for mass revolt and could plunge the people of China, East Asia and countless other countries into a state of conflict, anarchy and destruction.

If there is any hope, it lies with the recent batch of leaders whose numbers were called at the 16th national congress. The question remains, are there reformers among them and will Hu Jintao be able to lead or support them through decisive but careful changes, or will he remain a younger version of the old guard and do only what is necessary to preserve party power in the shadow of Jiang Zemin's behind-the-scene's direction?

Outgoing president Jiang's attempt at ideological change fell well short of the reforms necessary to avert the approaching crisis. His amendment to the party's constitution, *The Three Represents*, re-affirmed the marriage between capitalism and totalitarianism and formally welcomed "not only workers, farmers, soldiers and intellectuals but also 'any advanced element of other social strata' such as "the emerging forces of private businessmen, professionals and other social elite."⁷⁰ While it does represent change, it is not reform, and unfortunately it is the only constitutional amendment of value from Jiang's disappointing collection of "ideological contortion" and "cryptic rhetoric."⁷¹ Whether it is Hu or a protégé of Jiang, the next leader cannot wait until the 17th party congress to amend the constitution. Real political reform will demand real courage to right China's ship and set the country on a course of recovery.

What 'awesome figure' will occupy the space vacated by Chinese communism is yet to be determined. It is possible that some form of nationalist autocracy or "defensive

⁷⁰ Antoaneta Bezlova, "China: From Revolutionary Party to Ruling Party," (15 November 2002), 1.

nationalism,”⁷² fuelled by Chinese “feelings of national humiliation and pride,” could replace the Communist Party. In either case, without patience, understanding and assistance from the West, a slippery slope to fascism and unmitigated peril could darken the new millennium. China has already proven its remarkable resilience under the weight of Mao’s catastrophic failures and will need all of this strength and more to weather the coming storm.

⁷¹ “Asia: Troubles Ahead for the New Leaders; China’s Future,” *The Economist*, (16 November 2002), 67-68. <<http://proquest.umi.com/pdqweb?>>.

⁷² Suisheng Zhao uses a definition of “defensive nationalism” that is described by David Shambaugh as “assertive in form, but reactive in essence.” It is a form of nationalism that has “made Chinese leaders very assertive in defending China’s national interests, particularly on the issues concerning national security and territorial integrity.”

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