



# **The Influence of Sino-American Relations on China's Modernisation**

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## Abstract

This thesis examines China's modernisation in the context of Sino-American relations. These relations have been fraught since the 1870s when Chinese leaders had unrealistically high expectations of assistance from America and hoped that US aid would be a major factor in China's modernisation. China's political disintegration and economic backwardness, however, prevented modernisation and damaged Sino-American relations. The continuing strand of isolationist thought in American foreign policy has also constrained relations.

The Korean War and the Cold War ensured a long period of Chinese estrangement from the West and domestic economic policies in China prevented any rapid modernisation. After its rapprochement with the West, two decades of reform and strong economic growth, China's military capability has also grown and has generated new concerns in the Sino-American relationship. Despite the US engagement policy with China, there remain strong opinions within government and academia that are opposed to stronger ties. And within China, there are deep suspicions and hostilities that prevent closer engagement. Complicating all aspects of the relationship, and of China's modernisation, is the Taiwan issue. It is a potential flashpoint in the relationship as well as in the region, but Taiwan is also an inescapable reference point for China in its attempts to modernise, both economically and politically.

China's rapid growth has not been accompanied by a corresponding political development and Taiwan's experience in establishing a democracy is an increasing challenge, particularly since it owes a great deal to American economic, political, educational and military influence. The current Chinese practice of allowing large numbers of students to study abroad, not least in the US, will intensify pressures to follow the Taiwanese modernising precedent. The middle-class elite being created by this process

in China has a similar interest in stability and secures Sino-US relations as its Taiwanese forebear.

The thesis demonstrates that the maintenance of constructive Sino-American relations is of great importance to the process of China's modernisation. It also emphasises that the development of democracy in China is central to dealing with domestic problems as well as improving Sino-American relations and eliminating tensions between Beijing and Taipei. China's modernisation is much more likely to be achieved if it has a stable set of external relations and democracy at home.

## Statement

This work contains no material, which has been accepted for the award of any other degree or diploma in any university or other tertiary institution and, to the best of my knowledge and belief, contains no material previously published or written by another person, except where due reference has been made in the text.

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Date: 20. November 2000

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## Abbreviations

AAM	Air-to-Air Missile
AEW	Airborne Early Warning
AIFV	Armoured Infantry Fighting Vehicle
AIT	American Institute in Taiwan
APEC	Asia-Pacific Economic Cooperation Council
ASEAN	Association of Southeast Asian Nations
ASM	Anti-Ship Missiles
ASW	Anti-Submarine Warfare
BBR	Bomber
CCP	Chinese Communist Party
CMC	Central Military Committee (PRC)
COU	Collectively owned unit
CSC	Central Standing Committee (ROC)
DPP	Democratic Progressive Party (Taiwan)
EASI	East Asia Strategic Initiative
EPZ	Export Processing Zone
ESZ	Special Economic Zone
FDI	Foreign Direct Investment
FGA	Fighter, Ground-Attack
FTR	Fighter
FYP	Five-Year Plan
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GNP	Gross National Product
IAEA	International Atomic Energy Agency
ICBM	Intercontinental Ballistic Missile
IE	Individuals Enterprise ( <i>getihu</i> )
IMF	International Monetary Fund
Incl.	Include
IRBM	Intermediate-Range Ballistic Missile
ITRI	Industry Technological Research Institution (Taiwan)
JCRR	Joint Sino-American Commission on Rural Reconstruction

KMT	Kuomintang (Nationalist Party)
MBT	Main Battle Tank
MFN	Most-Favoured-Nation
NATO	North Atlantic Treaty Organisation
NICs	Newly Industrialising Countries
NP	New Party (Taiwan)
OECD	Organisation for Economic Cooperation and Development
PLA	People's Liberation Army
PLAN	People's Liberation Army Navy
PNTR	Permanent Normal Trade Relations
PRC	People's Republic of China (Mainland China)
RMB	<i>Renminbi</i> (Chinese currency or <i>yuan</i> )
ROC	Republic of China (Taiwan)
SAM	Surface-to-Air Missile
SLBM	Submarine-Launched Ballistic Missile
SOE	State-Owned Enterprise
SOF	Special Operation Force
SOI	State-Owned Institute
SSBN	Nuclear-Fuelled SSB
SSM	Surface-to Surface Missile
TMD	Theatre Missile Defence
TRA	Taiwan Relations Act
TRIMs	Trade Related Investment Measures Agreement
TSEA	Taiwan Security Enhancement Act
UN	United Nations
WHO	World Health Organisation
WTO	World Trade Organisation

This thesis uses the current pinyin system of romanisation. Some Chinese terms follow the older usage of spelling such as Peking University and Tsinghua University rather than Beijing University and Qinghua University and the Sino-US *Wangshia* Treaty rather than *Wangxia* Treaty. Some Taiwanese terms (including names of places and people) adopt the Taiwanese transliteration system such as Wang Chin-ping instead of Wang Jinping. Some names are well-known in their old form such as Sun Yat-sen and Chiang Kai-shek rather than Sun Yixian and Jiang Jieshi.

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## Chapter One: Introduction

*Awesome economic growth and a more energetic foreign presence since the 1970s has led the international community to ask questions about China's future relations with the rest of world...China's future foreign policy may be shaped by its own agendas and constrained through interdependence and interaction with the outside world.<sup>1</sup>*

Both Sino-American relations and Chinese modernisation are issues of foremost significance to contemporary international relations and economics. The dynamics of these two issues and the connection between them are the subjects of this thesis. In general terms, it is argued that periods of benign Sino-American relations have, historically, been associated with positive periods of Chinese modernisation, while those periods in which Sino-American relations have been fraught, have been associated with economic stagnation and political instability in China.

The issues dealt with in the thesis have taken on renewed importance in recent years for a number of reasons. Firstly, Sino-American trade (including Mainland China, Taiwan and Hong Kong) became the world's fourth largest bilateral trading relationship in 1998.<sup>2</sup> Secondly, there has been a greater cultural and personal interchange between China and America. Increasing numbers of Chinese students, for example, are studying in American universities, many opting to stay in the US after completion of their studies.<sup>3</sup> Thirdly, China's generally larger role in international relations in recent years has led to a broader engagement in all major international forums such that its relations with the US are necessarily more complex, diverse and normalised. Many have predicted this new integration of China into international institutions will produce a more cooperative Chinese foreign policy than in the past. As a RAND analysis suggests, 'the more China is

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<sup>1</sup> David S. G. Goodman and Gerald Segal, (eds.), *China Rising: Nationalism and Interdependence*, London: Routledge, 1997, preface.

<sup>2</sup> According to US Census Bureau, the amount of Greater China-US trade was \$160.16 billion in 1998. It was behind of US-Canada trade (\$329.86 billion), US-Japan trade (\$179.68 billion), and US-Mexico trade (\$173.4 billion). Greater China, however, shared the largest trade surplus with the US in 1998.

<sup>3</sup> Ruiqing Du, *Chinese Higher Education: A Decade of Reform and Development, 1978-1988*, New York: St. Martin's Press, 1992. See also David Zweig and Chen Changgui with the assistance of Stanley Rosen, *China's Brain Drain to the United States: Views of Overseas Chinese Students and Scholars in the 1990s*, Berkeley, CA: University of California Press, 1995.

integrated into the international system, the less likely China will be to use force, as this would threaten its interests.’<sup>4</sup>

Fourthly, since the end of the Cold War, China has occupied a unique international position as the only powerful socialist state and as such, it has been the focus of great attention in American academic, foreign policy and strategic circles. While, in general terms, the relationship has allowed economic interaction to flourish, there have been issues and events that have exposed the relationship as fragile and threatened to undermine it. Finally, as the largest population of overseas Chinese students is in the US, it may well be that they will have a major impact on Chinese modernisation, as the overseas Chinese did from 1895 to 1911 and Russian trained Chinese experts did in the 1950s.

It will be argued in the thesis that the model of Taiwan’s development and its current international situation are of critical significance to the issues discussed in the thesis. A positive resolution of Taiwan’s international status is so central to Sino-American relations that no successful Chinese modernisation is likely to occur without it. Taiwan’s significance is multi-faceted. Its economic success, and latterly, its political democratisation, have provided a model which is relevant to both Sino-American relations and China’s modernisation.

Since the implementation of the “reform and opening” policy in 1978, interaction between China and the US has grown quickly and has become one of most important bilateral relationships in the world. The success of Chinese economic growth has promoted a great deal of academic and political attention to the implications of China’s modernisation. One obvious implication is concerned with China’s regional relationships. China’s economic growth has benefited the regional economy and arguably, regional stability. If China can become both wealthy and stable, it will undoubtedly assist in the generation of sustained regional prosperity. On the other hand, if China were to descend into economic and/or political chaos, it would have an adverse effect on regional security.

In more general terms, China’s foreign policy inevitably reflects its domestic development processes. Many assume that democracy and a market economy will help the Chinese leadership acquire the confidence to adopt a responsible international role.

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<sup>4</sup> Z. Khalilzad, A. N. Shulsky, D. Byman, R. Cliff, D. Orletsky, D. A. Shlapak, and A. J. Tellis, (eds.), *The United States and A Rising China: Strategic and Military Implication*, Washington, DC: RAND, 1999, p. 64.

Alternatively, benign external circumstances will be favourable to China's domestic development. In this research, the character of Sino-American relations is explored to assess their impact on China's modernisation.

In regard to China's modernisation, there were seven periods during which China made serious attempts to modernise from the 1870s to 1975 as outlined in the chart below. Each phase resulted in failure or only partial success.<sup>5</sup> During the period, the US played an important role in the process of China's modernisation. This history provides important insights into the likely course of current US-China interaction.

Since the "Open Door policy" was first proposed in 1899, US China policy, unlike more familiar imperialist policy, was based on several principles in relation to China, including friendship, admiration, sympathy, and encouragement.<sup>6</sup> The US government provided many scholarships to train Chinese students studying abroad and funded Tsinghua (Qinghua) University in Beijing.<sup>7</sup> Also, Hawaii was the headquarters of the Revive China Society (*Hsing Chung Hui*), aimed at overthrowing the Qing dynasty, restoring China to the Chinese and instituting a republic government, from 1894 to 1908.<sup>8</sup> The spirit of American liberalism deeply affected the process of the Chinese revolution at the beginning of the twentieth century.<sup>9</sup>

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<sup>5</sup> See Chart one.

<sup>6</sup> Immanuel C.Y. Hsu, *The Rise of Modern China*, 5<sup>th</sup> edition, New York: Oxford University Press, 1995, pp. 349-350 and 400.

In September 1899, the *open door policy* was submitted by Secretary of State, John Hay, who delivered it to Britain, Germany, Russia, France, Italy, and Japan. It contained three main points:

- 1) Within its sphere of interest or leasehold in China, a power would agree not to interfere with any treaty ports or the vested interest of other power.
- 2) Within its sphere of interest or influence, no power would discriminate against nationals of other countries in matters of harbor dues or railway charges.
- 3) Within each sphere of foreign influence, the Chinese treaty tariff should apply and the Chinese government is allowed to collect customs duties.

On July 1900, during the *Boxing Rebellion*, the United States made a second declaration extending its scope to include the preservation of Chinese territorial administrative entity, permanent safety, and peace.

<sup>7</sup> Ruiqing Du, *Chinese Higher Education: A Decade of Reform and Development, 1978-1988*, New York: St. Martin's Press, 1992.

<sup>8</sup> Dr. Sun Yat-Sen established China Revival Society in 1894. Dr. Sun was the Father of the Republic of China as George Washington was the Father of the United States of America.

<sup>9</sup> Dr. Sun Yat-Sen's "the Three Principles of the People" - nationalism, democracy, and the People's Livelihood - borrowed from Abraham Lincoln's ideals - of the People, by the People, and for the People. He also adopted the ideas of Henry George's anti-landlord single-tax panacea to end peasant poverty. See Arthur Power Dudden, *The American Pacific: From the Old China Trade to the Present*, New York: Oxford University Press, 1992, p. 123. In the same period, Liang Chi-chao's liberalism focused on monarchy. Later, the Chinese Communist Party adopted the Soviet-style to establish China as a socialist society. These different claims deeply impacted on Chinese society. However, the main purpose was to



Although China and the US were hostile to each other in the Cold War era, particularly in the 1950s and 1960s, China opened its door - albeit cautiously - to the West in 1972 and both sides normalised their relations because of strategic considerations. International circumstances changed considerably during the intervening years, producing dramatic impacts on Sino-American relations.

Historically, Chinese foreign relations have been marked, according to western observers, by periods of fluctuating irrational enthusiasms and animosities. This situation became particularly apparent when the Sino-Japanese war ended in 1945 and the Chinese Communist Party (CCP) defeated the Kuomintang (KMT) in 1949. The quest for wealth and power, which began with the early reformers at the turn of the twentieth century, was continued throughout the PRC period. After Mao Zedong proclaimed that “the Chinese have stood up”, he thought China would catch up to Great Britain in fifteen years and the United States in twenty years when he implemented the “Great Leap Forward”.<sup>10</sup> In the meantime, many Chinese intellectuals believed that the time had come to fulfil what they saw as the historical mission of constructing a strong China.<sup>11</sup>

China’s capacity for autonomous action was curtailed by the Western powers’ containment policy after the formation of the PRC, when the CCP chose to lean towards the Soviet Union. China’s involvement in the Korean and Vietnam Wars, led to its containment within the “Iron Curtain” for twenty-three years, until President Nixon visited Mainland China in 1972. China then began contact with the western countries, but its foreign policy remained ideologically based on socialist premises. This altered considerably after Mao’s death with a shift from communist ideology to nationalist pragmatism. Nationalism has, in fact, become a major driving force in the modernisation process.<sup>12</sup>

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establish China as a regional hegemon as it once was in East Asia. See Samuel P. Huntington, *The Clash of Civilizations and the Remaking of World Order*, New York: Simon and Schuster, 1996, pp. 103-109.

<sup>10</sup> Bruce Cumings, ‘The Political Economy of the Pacific Rim’, in Ravi Arvind Palat, (ed.), *Pacific-Asia and the Future of the World-System*, Westport, Connecticut: Greenwood Press, 1993, p. 24.

<sup>11</sup> Suisheng Zhao, ‘Chinese intellectuals’ quest for national greatness and national writing in the 1990s’, *The China Quarterly*, no. 152, December 1997, p. 726.

<sup>12</sup> *Ibid.*, p. 725.

**Chart One: The Historic Evolutions of China's Modernisation, 1870s-1970s<sup>13</sup>**

PERIOD	MAIN THEME	FIELDS OF MODERNISATION	RESULTS
1870s	<i>Ti-Yong</i> Philosophy (Chinese essence, Western utility)	learning sciences and technology, Chinese politics could not change	Fail (lost the Sino-Japanese war in 1894-95)
1899	The Hundred Days Reform ( <i>Wu Xu Bian Fa</i> )	<ul style="list-style-type: none"> <li>Adopted Japanese Module:</li> <li>Revision of the Examination System</li> <li>Establishment of Government Institution Bureau</li> <li>Creation of Parliament</li> <li>Adoption of a New Constitution</li> </ul>	Fail (conservatives crackdown the reform because of fearing the Manchurian Qing regime would be replaced)
1919	Learning Science and Democracy (Mr. De - Democracy and Mr. Sai - Science; Go to East, Go to West)	Fourth May Movement (emphasised science and democracy must be coexistence)	Fail (Warlords oppressed the movement for maintaining their given economic and political interests)
1934	Industrialisation and New Life Movement (focused on revitalising the moral fibre of the people and to achieve the spiritual awakening)	<ul style="list-style-type: none"> <li>financial reform</li> <li>abolished some inequality treaties</li> <li>development of industry</li> <li>educational reform</li> </ul>	Fail (Japanese invasion)
1958-1960	Socialism and Self-sufficiency	Great Leap Forward and People's Commune. Goal: To construct China became a developed country within 15-20 years	Fail (thirty million deaths)
1960s-70s	Taiwan's Experience	<ul style="list-style-type: none"> <li>captured timing and utilised foreign aid</li> <li>prolonged the compulsory education</li> <li>encouragement of high-rate saving</li> <li>recruitment young and well-educated Taiwanese people into the ruling party</li> </ul>	<ul style="list-style-type: none"> <li>Success (partially)</li> <li>adapted export-oriented policy and import-subsidiary industry policy</li> <li>prolonged the compulsory education from 6 years to 9 years. At the same time, encouraged youth study abroad, particularly the US.</li> <li>recruited young generation - more Taiwanese with high educated degree - entered the core of decision-making</li> </ul>
1975	launched four modernisations program but insisted four cardinal principles	agriculture, industry, science and technology, and national defence modernisation	Waiting for empirical evidence but economically has moved into capitalism, politically keeps "soft authoritarian".

In economic terms, China suffered a long period of slow growth after the Second World War as it implemented Soviet-derived central planning policies but after the beginning of economic reform in 1978, China's high annual economic growth rate has enabled it to develop into a major world economy. Its quick economic expansion has been on a scale that several of its neighbours have perceived as threatening. In contrast, however, with the modernisation of the economy, the political situation has not undergone

<sup>13</sup> Immanuel C. Y. Hsu, *The Rise of Modern China*, (5<sup>th</sup> ed.), New York: Oxford University Press, 1995. Ranbir Vohra, *China's Path to Modernization: A Historical Review from 1800 to the Present*, (2<sup>nd</sup> ed.), Englewood Cliffs, NJ: Prentice Hall, 1992. Jonathan D. Spence, *The Search for Modern China*, New York and London: W. W. Norton & Company, 1990. Chen Yong-fa, *Zhongguo Gongchan Gemin Qishi Nian (The Seventy Years of the Chinese Communist Revolution)*, Volume I & II, Taipei: Lian Jin Publisher, 1998.

a concomitant liberalisation and continues to attract the human rights concerns of most western nations, especially the US.

In this recent period, moreover, China generated a series of incidents that attracted western strategic responses. These included holding missile manoeuvres in the Taiwan Strait during 1995-1996, selling nuclear technology to Iran, transferring missile technology to Pakistan, and disputing territorial sovereignty with the Philippines in the South China Sea.<sup>14</sup> This behaviour, has been interpreted by many, not least American critics of China, as evidence that China is becoming a potentially dangerous and even threatening country.

Although China is growing at historically unprecedented rates, some scholars consider that China has neither the resources, nor infrastructure nor social structure to become a great power.<sup>15</sup> More particularly, some point to an absence of technology, inequity of property distribution, inadequate infrastructure, out-of-date military equipment, rigid bureaucracy and inadequate financial system.<sup>16</sup> The implementation of remedial policies would have unacceptable costs in the short run. Imbalances in the development process have also evoked serious problems. The rapid advance of some provinces, particularly those in the Southeast, geographically distant from Beijing, has weakened central authority.<sup>17</sup> Such developments may hasten modernisation - but in ways that produce widely disparate economic outcomes in different regions.

Following Deng Xiaoping's death, China's politics have remained relatively stable. There are, however, several domestic destabilising factors that affect Chinese foreign policy and there are some disputes between China and the US that are major foreign policy determinants. According to some, 'America's alliances with Japan and Germany are viewed as an integral part of a strategy that seeks: 1) to prevent multipolar rivalries, 2) to

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<sup>14</sup> See Kenneth Lieberthal, *Governing China: From Revolution through Reform*, New York: W.W. Norton and Company, 1995.

<sup>15</sup> See Gary Klintworth, *China's Modernisation: The Strategic Implications for the Asia-Pacific Region*, Canberra: Australian Government Publishing Service, 1989. Joseph Fewsmith, *Dilemmas of Reform in China: Political Conflict and Economic Debate*, New York: M.E. Sharpe, 1994. Stuart K. Harris and Gary Klintworth, (eds.), *China as a Great Power: Myths, Realities and Challenges in the Asia-Pacific region*, Melbourne: Longman Australia, 1995.

<sup>16</sup> See Z. Khalilzad, A. N. Shulsky, D. Byman, R. Cliff, D. Orletsky, D. A. Shlapak, and A. J. Tellis, (eds.), *The United States and A Rising China: Strategic and Military Implications*, Washington, DC: RAND, 1999. URL: <<http://www.rand.org/publications/MR/MR1082-AF.html>>

<sup>17</sup> Richard H. Young, (eds.), *Chinese Regionalism: The Security Dimension*, Boulder: Westview Press, 1994. Gary Klintworth, *Asia-Pacific Security: Less Uncertainty, New Opportunities*, Melbourne: Addison Wesley Longman Australia, 1996.

discourage the rise of global hegemonies, and 3) to preserve a cooperative and healthy world economy.’<sup>18</sup> In contrast to the larger perspectives of American strategy, Chinese scholars have viewed China’s aims as: 1) claiming multipolarity, 2) fighting against superpower interests and 3) establishing a cooperative and world order in which respect is given to all states.<sup>19</sup> ‘From China’s perspective, unipolarity was a far worse state of affairs than bipolarity.’<sup>20</sup>

Other arguments suggest that Japan and Germany will rise to become superpowers. According these perspectives, it may be in America’s interest to ally with China, to form a relationship that ‘could be strategically useful to the United States in a multipolar world.’<sup>21</sup> This has been referred to as ‘competition strategy’. It assumes that should Japan and Germany become superpowers they would threaten the interests of the US. Whether the US adopts an engagement or containment or competition strategy, China has become a vital consideration for American grand strategy. If the US government adopts a containment strategy, China must modernise by itself or will need other countries’ help. If the US government follows an engagement or competition strategy, China could be modernised with American support.<sup>22</sup>

China’s modernisation involves the development of industry, technology and the economy generally. If the US is to become involved in the modernisation process, the preservation of Chinese traditions and socialist practice as well as the adoption of western ideas such as democracy and capitalism become critical issues. Such issues became central to debates in China from the late of Qing dynasty to the Fourth of May Movement and the modernisation program in the post-Mao era.<sup>23</sup>

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<sup>18</sup> Michael E. Brown, Sean M. Lynn-Jones, and Steven E. Miller, *The Peril of Anarchy: Contemporary Realism and International Security*, Cambridge: MIT Press, 1995, p. 158.

<sup>19</sup> See Zhu, Chun ‘New Trends in the Current International Strategic Situation’, *International Strategic Studies*, CIISS (China Institute of International Strategic Studies), no. 43, January 1997, pp. 1-9.

<sup>20</sup> David Shambaugh, ‘China’s Security Policy in the post-Cold War Era’, *Survival*, vol. 34, no. 2, 1992, p. 92.

<sup>21</sup> Michael E. Brown, Sean M. Lynn-Jones and Steven E. Miller, *The Peril of Anarchy: Contemporary Realism and International Security*, Cambridge: MIT Press, 1995, p. 171.

<sup>22</sup> See Z. Khalilzad, A. N. Shulsky, D. Byman, R. Cliff, D. Orletsky, D. A. Shlapak, and A. J. Tellis, (eds.), *The United States and A Rising China: Strategic and Military Implications*, Washington, DC: RAND, 1999. URL: <<http://www.rand.org/publications/MR/MR1082-AF.html>>

<sup>23</sup> See Chen Song, (ed.), *Wusi Qianhou Dongxi Wenhua Wenti Lunzhan Wenxuan (Selected Works from the Debate on Eastern-Western Culture from the Time of May Fourth)*, Beijing: Zhongguo shehui kexue chubanshe, 1989. Y. C. Wang, *Chinese Intellectuals and the West, 1872-1949*, Chapel Hill: University of

China's economic growth inevitably strengthens its ability to project national power, particularly military power. The historical examples of Wilhelminian and Nazi Germany and Japan of the 1930s have not been forgotten. The key point for western powers is whether China will become a threat to world order. Its political stability could well be challenged if the CCP insists on retaining political dominance after economic modernisation. Heightened nationalism may well be used to enhance the CCP's position both domestically and internationally. The Chinese government, in such a scenario, would adopt a hard-line against political reform domestically and in pursuing its interests internationally. The character of Chinese culture and nationalism has long been an issue of great interest. One Chinese scholar has suggested that as public blame for the Communist system was forbidden in the 1980s, many intellectuals were encouraged to focus on "cultural research" - giving rise to "cultural fever".<sup>24</sup> While many of them raised criticisms of Chinese history and tradition, they retained a profound nationalist belief. In this period, '*Heshang* (River Elegy or Death song of the River) represented a deep quest for a viable dream of a strong China.'<sup>25</sup>

Historically, China and Japan had modernisation drives in the same period - the 1870s. But while Japan has succeeded in becoming an industrial country, China is still struggling with the process. A central difference between the experience of the two countries is that, unlike Japan, China has borrowed technology and science from western countries, but retained existing social and political structures.

The experience of Taiwan during the Cold War era is highly instructive in considering China's current dilemmas. Taiwan borrowed western political institutions through the mediation of its American-trained elite. Its pro-American policy ensured high levels of US aid, military protection and access to the US market. It also resulted in the growth of a middle class with democratic aspirations. The result was such that Taiwan was

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North Carolina Press, 1965. Samuel P. Huntington, *The Clash Civilizations and the Remarking of World Order*, New York: Simon and Schuter, 1996, pp. 72-78.

<sup>24</sup> Merle Goldman, Perry Link and Su Wei, 'China's Intellectuals in the Deng Era: Loss of Identity with the State', in Lowell Dittmer and Samuel S. Kim, (eds.), *China's Quest for National Identity*, Ithaca: Cornell University Press, 1993, p. 143.

<sup>25</sup> Suisheng Zhao, 'Chinese Intellectuals' Quest for National Greatness and National Writing in the 1990s', *China Quarterly*, no. 152, December 1997, p. 727.

seen as an “economic miracle”.<sup>26</sup> This experience is highly pertinent to that of China in its current situation. That situation has involved very high growth rates have been but its “four modernisations” have not yet produced effective democratic reforms.

Taiwan is also of great relevance to the issues under discussion in that Chinese unification is a major source of disagreement in Sino-American relations. The US role derives from its long-term involvement in the Chinese civil war and its aftermath. The US government has consistently seen its national interests and fundamental values as involved in a peaceful resolution of the mainland China-Taiwan differences. On Taiwan’s side, a democratic environment is a precondition for unification. For China’s part, the principle of “one China” is its bottom line. For America, a peaceful unification is the central policy. Basically, Taiwan is unwilling to unify with Mainland China if it maintains an authoritarian polity because Taiwan has developed a democracy. The achievement of democratisation is in accordance with America’s fundamental values. The US, for its part, is unwilling to accept a regime such as that of Taiwan reverting to a non-democratic form as a result of unification with an unreformed mainland.

The thesis documents the main debates that have occurred and continue to occur between China and the United States; summarises the major phases in the history of Chinese attempts at modernisation with particular emphasis on current attempts; compares the Taiwanese development model with that of China and relates Sino-American relations to the process of modernisation in China and Taiwan.

The thesis considers the strategic arguments relevant to both historical and current Sino-American relations. It does so paying particular attention to Taiwan’s strategic position and modernising experiences. This approach is adopted because of the Taiwan’s major relevance to Sino-US relations and its role as a model for China’s modernisation.

To attain these objectives, the following chapter will discuss some of the central features of the extensive literature dealing with Sino-American relations and the development of China. Chapter three deals with the research methodology used in the thesis. Historical and current Sino-American relations will be discussed in chapters four and five. Chapter six will compare Chinese and American strategic concerns. Chapter

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<sup>26</sup> Ezra F. Vogel, *The Four Little Dragons: The Spread of Industrialization in East Asia*, Cambridge, Massachusetts: Harvard University Press, 1991.

seven will discuss the triangular relationship between the US, China and Taiwan that is related to China's modernisation and the development of Sino-American relations. Chapter eight focuses on the latest phase of China's modernisation, which has under way for twenty years and the political reform that has not yet been forthcoming. Having the same cultural background with China, Taiwan, as the largest overseas Chinese society, is inevitably posed as a model for China's modernisation. Chapter nine will discuss the ROC model including its economic, political, and educational. The US role in China's modernisation is already of such significance that it warrants treatment in a separate chapter - chapter ten. Finally, chapter eleven will draw conclusions based on the above discussions, debates, and analyses.

## Chapter Two: Literature Review

*"Let China sleep; when she wakes she will shake the world."*

Napoleon Bonaparte (1769-1821)

### 2-1 Introduction

After twenty years of reform, the outcome of China's "four modernisations program" domestically and its "Open Door policy" internationally has generated a wide range of analyses and responses from academic and government sources. In general terms, the Chinese literature is wholly supportive of the stances taken by the Chinese government, both in terms of its modernisation program and its international relations, while that of scholars and governments outside China is much more likely to be critical. The lines of criticism vary, but in the foreign relations field, they generally relate to China's dramatic swings in its alliances in the post-War period, its dealings with states such as Iran, Pakistan and North Korea that have themselves been responsible for international instability and a variety of other issues, both regional and global. Among the more common criticisms is the possibility of China becoming a political threat, as implied in the quotation above from Napoleon. But the issue that attracts most attention is China's behaviour towards Taiwan, where its threatening tone and occasionally threatening actions, have elicited concern both in their own right and as a harbinger of what might obtain in the region.<sup>1</sup>

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<sup>1</sup> See for instance some sources supportive of the Chinese government positions, such as: Deng Xiaoping, *Deng Xiaoping Selected Writing (Deng Xiaoping Wen Xuan)*, Beijing: People's Publisher, 1993. Hsu Ming (ed.), *Guanjian shike: Dangdai Zhongguo Jidai Jiejue De Er Shi Qi Ge Wenti (The Critical Moment: 27 Problems of Extremely Waiting for Resolving in Contemporary China)*, Beijing: Jinri Zhongguo Chubanshe, 1997. Soong Qian, Zheng Cang Cang, Qia bian, and (et. al.), *Zhongguo ke yi shuo bu (China That Can Say No)*, Hong Kong: Min Pao Publishing, 1996. Wang Jisi, 'Go Ahead: Blame China', *LA Times*, 4 April 1999. Yoichi Funabashi, Michel Oksenberg, and Heinrich Weiss, *An Emerging China in a World of Interdependence*, A Report to the Trilateral Commission, no. 45, New York: The Trilateral Commission, May 1994. Lanxin Xiang, 'The China Debate and the Civilization Debate', *Issues and Studies*, vol. 34, no. 10, October 1998, pp. 79-92. Jiang Zemin speech in Malaysia, 'China's Policy Toward East Asia', 11 November 1994, *Peace (Heping)*, no. 36-37, March 1995, p. 4. Chen Jian, 'Will China's Development Threaten Asia-Pacific Security', *Security Dialogue*, vol. 24, no. 2, June 1993, p. 194. For more critical appraisals, see, for example: Wang Shan, *Di Si Zhi Yan Jing Kan Zhongguo (The Fourth Eye Watches China)*, Hong Kong: Ming Bao Publisher, 1995. Edward Timperlake and William C. Triplett II, *Red Dragon Rising: Communist China's Military Threat to America*, Washington DC: Regnery Publishing, 1999. Wu Jiande, *Zhongguo Weixielun: Houlengzhan shiqi zhonggong junbei zhi kuozhang (China's Threat: The Expansion of the Chinese Military Capability in the post-Cold War Era)*, Taipei: Wunan Publishing, 1996. June Teufel Dreyer, 'Regional Security Issues', *Journal of International Affairs*, vol. 49, no. 2, winter 1996, pp. 391-411. Weixing Hu, 'China and Asian Regionalism: Challenge



In literature concerned with the more recent period, some scholars consider that 'the external response to China has ranged from the romantic through the fearful to the dismissive - the latter less so in recent years - but in other respects the change has not been great.'<sup>2</sup> In relation to the wellsprings of China's foreign relations, the claim is often made that, 'much of the PRC's approach to the outside world may be seen as an attempt to recapture the past glory which, in the views of its leaders, had been destroyed by the West and by Japan in the course of China's century of shame and humiliation from the 1840s to the 1940s.'<sup>3</sup> To restore its prestige, according to this view, China sought to re-establish its status as a regional power by catching up with western military technology. As various analysts have noted, however, the adoption of more advanced military technology is not sufficient to restore China's national dignity. The transformation of society would be required.<sup>4</sup>

Much of the literature, particularly that sourced in China, notes that internal backwardness not only caused China to suffer its hundred years of humiliation but also caused many difficulties in constructing an effective foreign policy. Emphasis is placed on the fact that China considered itself to be ignored, sacrificed and betrayed in international politics. Particular examples of this phenomenon that are commonly cited include the Yalta Conference where President Roosevelt and Prime Minister Churchill asked Stalin to enter the war and fight against Japan to end the Second World War early. These leaders of democratic nations are considered in effect, to have traded the interests of China in favour of the undemocratic Soviet Union in order to win the War.<sup>5</sup> On the most dramatic reading

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and Policy Choice', *Journal of Contemporary China*, vol. 5, no. 11, 1996, pp.43-56. You Ji, 'A Blue Water Navy: Does It Matter', in David S. G. Goodman and Gerald Segal, (eds.), *China Rising: Nationalism and Interdependence*, New York: Routledge, 1997, pp. 71-85.

<sup>2</sup> Stuart K. Harris and Gary Klintworth, (eds.), *China as a Great Power: Myths, Realities and Challenges in the Asia-Pacific Region*, Singapore: Longman, 1996, p. 2.

<sup>3</sup> Michael Yahuda, *The International Politics of the Asia Pacific, 1945-1995*, New York: Routledge, 1996, p. 188.

<sup>4</sup> Michael Yahuda, *op. cit.*, p. 189.

<sup>5</sup> In the Yalta Conference, Stalin agreed to enter the war against Japan within two or three months after Germany's defeat, on the condition that all Russian privileges in Manchuria be restored to the Soviet Union. Specifically, he asked for the Kurile Island, Southern Sakhalin, warm-water ports such as Dairen (or Dalian) and Port Arthur (or Lu Shun), the Chinese Eastern Railway and the Southern Manchurian Railway, and support of the *status quo* in Outer Mongolia. The main reason, Stalin told Roosevelt, was that 'if these conditions were not met, it would be hard for him and Molotov to explain to the Soviet people why Russia was entering the war against Japan.' Quoted from Immanuel C.Y. Hsu, (5<sup>th</sup> ed.), *The Rise of Modern China*, New York: Oxford University Press, 1995, pp. 607-608. Also see, Xiaoyuan Liu, *A Partnership for Disorder: China, the United States and Their Policies for the Postwar Disposition of*

of this decision, the conference carried on the disdain with which China had been treated in the past and doomed the Asia-Pacific region to conflict in the past half a century.<sup>6</sup>

In relation to the PRC's modernisation, there is a vast literature documenting China's "leaning to one side" policy of the 1950s and subsequent developments.<sup>7</sup> "This policy was prompted not only by ideological affinity but also by practice."<sup>8</sup> During the Cold War period, China was directly involved in the Korean War from 1951 to 1953 and indirectly in the Vietnam War from 1965 to 1975. Although many of the Western countries started to enter into diplomatic relations with Beijing, trade and communication with China was strained.

The literature documenting the late 1950s Chinese economy when the "Great Leap Forward" was implemented and Mao 'sought to overtake England within fifteen years'<sup>9</sup>, is

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*the Japanese Empire, 1941-1945*, New York: Cambridge University Press, 1996. David Horowitz, *From Yalta to Vietnam: American Foreign Policy in the Cold War*, Ringwood, Victoria, Australia: Penguin, 1971.

<sup>6</sup> The conference impacted the situation of the East Asia that generated the occurrence of Korean War. Although many literatures retrospectively the origins of the war mainly focusing on the Chinese and the US government's policy making, arguably, that the Yalta conference brought a variation in the East Asian region as well as infringing Sino-American relations. Jiang Jieshi (Chiang Kai-shek), *A Summing-Up at Seventy: Soviet Russia in China*, London: Harrap, 1957. Warren I Cohen, 'The United States and China since 1945', in Warren I. Cohen, 1983, *New Frontiers in American East Asian Relations*, New York: Columbia University Press, pp. 130-146. Foster Rhea Dulles, *American Foreign Policy toward Communist China*, New York: Thomas Crowell, 1972. William U. Stueck, *The Road to Confrontation: American Policy toward China and Korea, 1947-1950*, Chapel Hill: University of North Carolina, 1981. Rosemary Foot, *The Wrong War: American Policy and the Dimension of the Korean Conflict, 1950-1953*, Ithaca: Cornell University Press, 1985. Chen Jian, *China's Road to the Korean War: The Making of the Sino-American Confrontation*, New York: Columbia University Press, 1990. Hao Yufan and Zhai Zhihai, 'China's Decision to Enter the Korean War: History Revisited', *The China Quarterly*, no. 121, March 1990, pp. 94-115. Yao Xu, *From Yalu River to Panmunjon*, Beijing: People's Press, 1985. Yu Bin, 'Containment by Stealth: Chinese view of and Politics Toward America's Alliances with Japan and Korea After the Cold War', *A/PARC Paper*, Stanford University, September 1999, pp. 5-39. Sergei N. Goncharov, John W. Lewis, Xue Litai, *Uncertain Partners: Stalin, Mao, and the Korean War*, Stanford, California: Stanford University Press, 1993. Gordon H. Chang, *Friends and Enemies: The United States, China and the Soviet Union, 1948-1972*, Stanford, California: Stanford University Press, 1990.

<sup>7</sup> June Teufel Dreyer, *China's Political System: Modernisation and Tradition and Asia-Pacific Regional Security*, London: Macmillan, 1996. John Lewis Gaddis, *We Now Know: Rethinking Cold War History*, Oxford: Clarendon Press, 1997. Mao's "leaning to one side" speech made on 30 June 1949. After his speech, Deng Xiaoping explained 'Chairman Mao says that this leaning is our initiative...and is better than being forced to lean to one side in the future'. John Lewis Gaddis, *op. cit.*, pp. 65-66, quoted from Bo Yibo, 'The Making of the "leaning to one side" Decision', translated by Zhai Qiang, *Chinese Historians*, 5, spring 1992, p. 60.

<sup>8</sup> Immanuel C.Y. Hsu, *op. cit.*, p. 661. Also see Melvyn P. Leffler and David S. Painter, (eds.), *Origins of the Cold War: An International History*, New York: Routledge, 1994. Michael Yahuda, *International Politics of Asia Pacific 1945-1995*, New York: Routledge, 1996.

<sup>9</sup> Bruce Cumings, 'The Political Economy of the Pacific Rim', in Ravi Arvind Palat, (ed.), *Pacific-Asia and the future of the world-system*, Westport, Connecticut: Greenwood Press, 1993, p. 24.

generally highly critical of these disastrous policies. Some analyses, even some of the Chinese literature, recognise the calamitous outcomes produced.<sup>10</sup>

Mao considered that China could be a self-sufficient developed country within a short term. Mao's doctrines dominated Chinese foreign policy and developmental strategy, and some consider they have not been completely abandoned even now.<sup>11</sup> Such strategies were, in general, continued under "the Gang of Four" and the literature is clear that the results were little better. The turning point arrived with the ascendancy of Deng Xiaoping who adopted an open door and economic reform policy by 1978 and established a more formal relationship with the US by establishing *de jure* diplomatic relations in 1979.

In the 1970s, the People's Republic of China (PRC) was recognised by most nations in the world. Late in this period, China encouraged foreign enterprises to invest in four special economic zones (SEZs) in 1979, opened fourteen coastal cities and Hainan Island in 1984, and extended the policy to three delta areas in 1985.<sup>12</sup>

As a result of rapid economic growth and its export-oriented policy, China has accumulated a large amount of capital and mature technology. While it has become an economic power in the Asia-Pacific region, China still insists it is constructing 'a socialist

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<sup>10</sup> Zhang Lijia and Calum Macleod, *China Remembers*, New York: Oxford University Press, 1999. In this book, the authors invite many Chinese to express their personal experience during the Mao's era. They contribute their real life to reflect the backwardness of Chinese society during that period. Other literatures describe the Great Leap Forward movement as a backwardness. See Lawrence C. Reardon, 'Learning How to Open the Door: A Reassessment of China's "Opening" Strategy', *The China Quarterly*, no. 155, September 1998, pp. 479-511. Harold C. Hinton, (ed.), *The People's Republic of China, 1949-1979: A Documentary Survey*, Wilmington, Del.: Scholarly Resources, 1980. David M. Bachman, *Bureaucracy, Economy and Leadership in China: The Institutional Origins of the Great Leap Forward*, Cambridge, New York: Cambridge University Press, 1991. Frederick C. Teiwes, (2<sup>nd</sup> ed.), *Politics and Purges in China: Rectification and Decline of Party Norms*, Armonk, NY: M. E. Sharpe, 1993. Alan Lawrance, *China Under Communism*, London and New York: Routledge, 1998. Roderick MacFarquhar, (ed.) *The Politics of China: The Eras of Mao and Deng*, New York: Cambridge University Press, 1997. Jonathan D. Spence, *The Search for Modern China*, New York and London: W. W. Norton & Company 1990. Ranbir Vohra, *China's Path to Modernization: A Historical Review from 1800 to the Present*, (2<sup>nd</sup> ed.), Englewood Cliffs, NJ: Prentice Hall, 1992. There is a valuable book referring to China's history with 15 volumes, which is *Cambridge History of China*. In this thesis, the 14<sup>th</sup> and 15<sup>th</sup> volumes are related to the context. See, Roderick MacFarquhar and John K. Fairbank, *The People's Republic, Part I: The Emergence of Revolutionary China 1949-1965*, in *Cambridge History of China*, volume 14, Cambridge: Cambridge University Press, 1987. Roderick MacFarquhar and John K. Fairbank, *The People's Republic, Part II: The Revolutions within the Chinese Revolution 1966-1982*, in *Cambridge History of China*, volume 15, Cambridge: Cambridge University Press, 1991. John King Fairbank and Merle Goldman, (enlarge ed.), *China: A New History*, Cambridge, Massachusetts: The Belknap Press of Harvard University, 1998.

<sup>11</sup> Michael Yahuda, *op. cit.*, pp. 190-192.

<sup>12</sup> See Ravi Arvind Palat, (ed.), *Pacific-Asia and the Future of the World-System*, Westport Connecticut: Greenwood Press, 1993.

market economy with Chinese characteristics' and tightly controls political resources and mass media - though some observers arguing that there is progress towards a limited democracy.<sup>13</sup> As will be noted throughout, the Chinese leaders are seriously concerned that western-style peaceful political reform would threaten the legitimacy of the CCP regime and much western literature takes note of this. Chinese leaders understandably fear peaceful reform will result in demands for more democracy and undermine the CCP's ruling status, as democratisation gradually eroded the KMT's leadership in Taiwan. Further, they worry that independence and separatist movements are spreading in Taiwan and in Tibet and Xinjiang provinces.

During the period of confrontation with the Soviet Union, Washington was prepared to overlook the character of the Beijing regime for its larger strategic interests of containing Moscow's expansion. But with the collapse of the Soviet Union, Beijing's position became increasingly important. These interactions have caused some arguments and confrontation between Beijing and Washington.

For many of the states in the region, China has begun to loom as a potential threat.<sup>14</sup> Since the 1990s, there has been a growing literature about a "China threat" outside of

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<sup>13</sup> See Kate Hannan, *China, Modernisation and the Goal of Prosperity: Government Administration and Economic Policy in the late 1980s*, London: Cambridge University Press, 1995.

<sup>14</sup> See, for example, Allen S Whiting, 'ASEAN Eyes China: The Security Dimension', *Asian Survey*, April 1997, pp. 299-322. Douglas H. Paal, 'China and the East Asian Security Environment: Complementarity and Competition', in Ezra F. Vogel, (ed.), *Living with China: US/China Relations in the Twenty-First Century*, New York: W. W. Norton & Company, 1997, pp. 97-119. David M. Lampton, 'A Growing China: In A Shrinking World: Beijing and the Global Order', *op. cit.*, pp. 120-140. Ashton B. Carter and William J. Perry, *Preventive Defense: A New Security Strategy for America*, Washington DC: The Brookings Institution Press, 1999, pp. 105-116. Thomas E. Ricks, 'For Pentagon, Asia Moving to Forefront', *Washington Post*, 26 May 2000, p. A01. Denny Roy, 'The "China Threat" issue: Major Arguments', *Asian Survey*, vol. 36, no. 2, August 1996, pp. 758-771. Mitchel B. Wallerstein, 'China and Proliferation: A Path Not Taken?', *Survival*, vol. 38, no. 3, Autumn 1996, pp. 58-66. *Xiandai Hanying Cidian (A Modern Chinese-English Dictionary)*, (21<sup>st</sup> ed.), Beijing: Foreign Language Teaching and Research Press, 1997. Alastair Iain Johnston, 'China's Militarized Interstate Dispute Behavior, 1949-1992: A First Cut at the Data', *China Quarterly*, no. 153, March 1998, pp. 1-30. John W. Garver, *Foreign Relations of the People's Republic of China*, Englewood Cliffs, NJ: Prentice Hall Press, 1993. Karl W. Eikenberry, 'China's Challenge to Asia-Pacific Regional Stability', in Richard J. Ellings and Sheldon W. Simon, (eds.), *Southeast Asian Security in the New Millennium*, Armonk, New York: M. E. Sharpe, 1996. Lin Chong-pin, *Dianxuae Zhanzhang: Zhonggong Yenfa Xishiji de Zhanlue Wuli (Punctur War: Chinese Communist Developing Strategic Forces of the Next Century)*, in Lin Chong-pin, *Heba: Toushi Kua Shiji Zhonggong Zhanlue Wuli (Nuclear Hegemony: Exploring the PLA's Strategic Forces Moving Toward the Next Century)*, Taipei: Xuesheng chubashe, 1999, pp. 1-32. Denny Roy, 'Current Sino-US Relations in Strategic Perspective', *Contemporary Southeast Asia*, vol. 20, no. 3, December 1998, pp. 227-228. Gerald Segal, 'Tying China into the International System', *Survival*, vol. 37, no. 2, summer 1995, pp. 60-73. Paul H. B. Godwin, 'Force and Diplomacy: China Prepares for the Twenty-First Century', in Samuel S. Kim, (ed.), *China and the World: Chinese Foreign Policy Faces the New Millennium*, Boulder, Colo.:

China. Journalists and commentators have contributed to this.<sup>15</sup> Some academics and defence observers, emphasising China's intentions and growing capabilities, argue that it is becoming a serious threat in the Asia-Pacific region.<sup>16</sup> Others, however, consider that China will evolve into a benign political force or at least will not become a threat in the near future.<sup>17</sup>

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Westview Press, 1998. Decision Brief, 'China: Will It Become the West's Next Great Adversary?', No98-D21, *Center for Security Policy*, 4 February 1998. URL: <<http://security-policy.org/asia.htm#China>>

Some adopt different viewpoints, for example, Henry Kissinger, 'Let's Cooperate with China', *Los Angeles Times*, 6 July 1997, p. C07. Henry Kissinger, 'PLA Not A Threat', *Washington Post*, 27 April 1999. Evan A. Feigenbaum, 'China's Military Posture and the New Economic geopolitics', *Survival*, vol. 41, no. 2, summer 1999, pp. 71-88. Ren Yue, 'China's Perceived Image of the United States: Its Sources and Impact', in Peter Koehn and Joseph Y. S. Cheng, (eds.), *The Outlook for U.S.-China Relations Following the 1997-1998 Summits: Chinese and American Perspectives on Security, Trade and Cultural Exchange*, Hong Kong: The Chinese University Press, 1999, p. 258. Also see, Ya-chun Chang, 'Beijing's Strategies and Actions toward Washington: Containment and Counter-Containment', *Issues and Studies*, vol. 33, no. 9, pp. 46-63. Guangqiu Xu, 'Anti-US Sentiments in China, 1989-1996: Sources, Development, and Impact', *Issues and Studies*, vol. 34, no. 1, January 1998, pp. 79-99. Quansheng Zhao with Barry Press, 'The US Promotion of Human Rights and China's Response', *Issues and Studies*, vol. 34, no. 8, August 1998, pp. 30-62. Yong Deng, 'The Chinese Conception of National Interests in International Relations', *China Quarterly*, no. 154, June 1998, pp. 308-329. Erica Strecker Downs and Phillip C. Saunders, 'Legitimacy and the Limits of Nationalism: China and the Diaoyu Island', *International Security*, vol. 23, no. 3, winter 1998/99, pp. 114-146. Greg Sheridan, 'Mahathir Backflip on Our Asian Role', *The Australian*, May 15, 1995, p. 1. Lieutenant General Li Jijun, vice president of the Academy of Military Science, The Chinese People's Liberation Army, an address at the US Army War College in July 1997, 'Traditional Military Thinking and the Defensive Strategy of China', *Letort Paper* no. 1, (Acrobat version), Carlisle Barracks, Pa.: US Army War College, 29 August 1997, p. 5.

URL: <<http://carlisle-www.army.mil/usassi/ssipubs/pubs97//china/china.htm>>

<sup>15</sup> For example, Nicholas Kristof, 'The Real Chinese Threat', *New York Times*, 27 August 1995. Stephen Strassner, 'Armed to the Teeth', *Newsweek*, 12 July 1995. Charles Krauthammer, 'Why We Must Contain China', *Time*, 31 July 1995. Barry Wain, 'China Tones Up Its Military Muscle', *Asian Wall Street Journal*, 18 February 1995. William C. Triplett, 'Inside China's Scary New Military Industrial Complex', *Washington Post*, 8 May 1994. James Walsh, 'A Leaner, Meaner Fighting Machine', *Time*, 10 May 1993. Jim Mann and David Holley, 'China Builds Military: Neighbors, US Uneasy', *Los Angeles Times* (hereafter *LA Times*), 13 September 1992.

<sup>16</sup> Some support the spectrum as a matter, for example, Denny Roy, 'Hegemon on the Horizon? China Threat to East Asian Security', *International Security*, summer 1994, pp. 149-168. David Shambaugh, 'Growing Strong: China's Challenge to Asian Security', *Survival*, summer 1994, pp. 43-59. Chong Pin-Lin [Lin Chong-pin], 'The Stealthy Advance of China's People's Liberation Army', *The American Enterprise*, January-February 1994, pp. 29-35. Lin Chong-pin, *China's Nuclear Weapons Strategy: Tradition within Evolution*, Lexington, Mass: Lexington Books, 1998. Lin Chong-pin, *Dianxuae Zhanzhang: Zhonggong Yenfa Xishiji de Zhanlue Wuli (Punctur War: Chinese Communist Developing Strategic Forces of the Next Century)*, in Lin Chong-pin, *Heba: Toushi Kua Shiji Zhonggong Zhanlue Wuli (Nuclear Hegemony: Exploring the PLA's Strategic Forces Moving Toward the Next Century)*, Taipei: Xuesheng chubashe, 1999, pp. 1-32. Richard Bernstein and Ross H. Munro, 'The Coming Conflict with America', *Foreign Affairs*, vol. 76, no. 2, March/April 1997, pp. 18-32. Richard Bernstein and Ross H. Munro, *The Coming Conflict with China*, New York: Alfred A. Knopf, 1998.

<sup>17</sup> Some adopt more circumspect attitudes. For example, Michael D. Swaine, *The Modernization of the Chinese People's Liberation Army*, Seattle: National Bureau of Asian Research, 1994. Michael D. Swaine, 'Chinese Military Modernization and Asian Security', *A/PARC Paper*, Stanford University, 30 April 1998, pp. 3-21. Alfred D. Wilhelm, Jr. and Paul H. B. Godwin, *Assessing China's Military*

In relation to the US and China, mutual interests are sometimes swamped by international antagonisms - categorised by William H. Overholt as military issues, sovereignty issues, economic issues, and human rights issues.<sup>18</sup> An Australian scholar sought to categorise the issues that divide them as: the issue of Taiwan, US-China economic relations, arms control, Hong Kong and human rights,<sup>19</sup> while some categorise Sino-American relations as “5 Ts”: Taiwan, Tiananmen, Tibet, Trade and Technological Transfer.<sup>20</sup> For the purposes of this thesis, the central issues are the strategic debates, the issue of sovereignty, economic disputes, and the process of China’s modernisation.

## 2-2 Current Strategic Debates

Historically, Sino-American relations have been perceived from the viewpoint of liberals and realists. These views can be found in the works of Sinologists who saw China as a US commercial market and religious missionary destination since the formal contact began between the US and China in 1844.<sup>21</sup> As Richard Madsen indicates, that faith in

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*Potential: The Importance of Transparency*, Washington DC: Atlantic Council, 1995. John Caldwell, *China’s Conventional Military Capabilities, 1994-2004: An Assessment*, Washington DC: CSIS, 1994. Kenneth Lieberthal, *Governing China: From Revolution through Reform*, New York: W.W. Norton & Company, 1995. Michael Yahuda, *International Relations of Asia Pacific 1945-1995*, New York: Routledge, 1996.

<sup>18</sup> See William H. Overholt, *The Rise of China: How Economic Reform is Creating a New Superpower*, New York: W. W. Norton and Company, 1993a, pp. 365-416. Also see, William H. Overholt, *China: the Next Economic Superpower*, London: Weidenfeld and Nicolson, 1993b, pp. 248-284.

<sup>19</sup> See Frank Frost, ‘The United States and China: Containment or Engagement?’ Department of the Parliamentary Library Australia, *Current Issues Brief*, no. 5, 1996-97.

<sup>20</sup> David M. Lampton and Gregory C. May, *Managing US-China Relations in the Twenty-First Century*, Washington DC: The Nixon Center, 1999, p. 17. URL: <<http://www.nixoncenter.org>>

<sup>21</sup> For example, Akira Iriye, *Across the Pacific: An Inner History of American-East Asian Relations*, New York: Harcourt, Brace & World, 1967. Arthur Power Dudden, *The American Pacific: From the Old China Trade to the Present*, New York, Oxford University Press, 1992. Warren I. Cohen, *America’s Response to China: A History of Sino-American Relations*, New York: Columbia University Press, 1990. Donald W. White, *The American Century: The Rise and Decline of the United States As A World Power*, 1996. Michael Schaller, *The United States and China in the Twentieth Century*, (2<sup>nd</sup> ed.), New York: Oxford University Press, 1990. Y. C. Wang, *Chinese Intellectuals and the West*, Chapel Hill, NC: the University of North Carolina Press, 1965. Michael H. Hunt, *Ideology and U.S. Foreign Policy*, New Haven and London: Yale University Press, 1987. Harold Isaacs, *Scratches on Our Minds: American Images of China and India*, Westport, Conn.: Greenwood, 1973. Xiaoyuan Liu, *A Partnership for Disorder: China, the United States and Their Policies for the Postwar Disposition of the Japanese Empire, 1941-1945*, New York: Cambridge University Press, 1996. Jonathan D. Spence, *The Search for Modern China*, New York: W. W. Norton & Company, 1990. Andrew J. Nathan, *China’s Crisis: Dilemmas of Reform and Prospects for Democracy*, New York: Columbia University Press, 1990. A. Doak Barnett, *China and the Major Powers in East Asia*, Washington, DC: The Brookings Institution, 1977. John K. Fairbank, *China: The people’s Middle Kingdom and the U.S.A.*, Cambridge, Mass: The

liberal democracy, freedom and modernisation as progress provides a powerful moral and emotional context for American views about China. He believes the Chinese want to prove they had a mature affinity for American values and believed that expectations about Chinese developments were central to American's basic self-identity.<sup>22</sup>

The realism/liberalism debate that has been central to the discipline of international relations throughout much of its existence is a continuing one within the US government, academic intellectuals, political elite, and mass media in discussions of US-China relations. In the political area, the concepts of "state" and "sovereignty" constitute the major agenda. In the economic area, on the other hand, "free trade" and "market economy" are the key concepts.<sup>23</sup> Each argument links with two dimensions: China's internal development, China's foreign policy and the response of the United States, particularly in the post-Deng era.<sup>24</sup>

In the twentieth century, mankind experienced two bloody wars and a long-term ideological rivalry period – the Cold War. During this period, the concept of attaining free trade, establishing a world-wide government, and improving welfare have always been the concerns of liberals. President F. D. Roosevelt, as a Wilsonian, believed in ideas of self-determination, open markets and collective security.<sup>25</sup> The United Nations (UN), the World Trade Organisation (WTO), World Bank, and International Monetary Fund (IMF) are typical examples of the outcomes of these beliefs. Such beliefs have underpinned much of the literature that has sought to have China involved in international forums and actively participating in international economic exchanges.

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Belknap Press of Harvard University Press, 1967. Immanuel C.Y. Hsu, (5<sup>th</sup> ed.), *The Rise of Modern China*, New York: Oxford University Press, 1995.

<sup>22</sup> Richard Madsen, *China and the American Dream*, Berkeley, California: University of California Press, 1995.

<sup>23</sup> Robert Gilpin, 'Three Ideologies of Political Economy', in *The Political Economy of International Relations*, New Jersey: Princeton University Press, 1987, pp. 25-64. Barry B. Hughes, 'Realism and Idealism' in *Continuity and Change in World Politics: The Clash of Perspectives*, Englewood Cliffs: Prentice-Hall, 1991, pp.51-65. Charles W. Kegley Jr., *Controversies in International Relations Theory: Realism and the Neo-liberalism Challenge*, New York: St. Martin's Press, 1995.

<sup>24</sup> Thomas A. Metzger and Ramon H. Myers, 'Chinese Nationalism and American Policy', *Orbis*, winter 1998, p. 22.

<sup>25</sup> John Lewis Gaddis, *We Now Know: Rethinking Cold War History*, Oxford: Clarendon Press, 1997, pp. 5-12.

## 2-2-1 Liberalism, or the Optimistic Viewpoint

Liberals suggest that democracy and free trade are universal principles and that they benefit all nations.<sup>26</sup> Democracy and a global market are the major liberal foci.<sup>27</sup> Because of China's rapid economic growth, its potentiality provides a huge commercial opportunity for most developed countries. Liberals argue that engagement is helpful for the stability of China and for the security of the Asia-Pacific region. In particular, through economic success and prosperity, the process of China's modernisation would be progressively reached.<sup>28</sup> Therefore, it is necessary to engage China into the international community and to cooperate with it in order to prevent another Cold War from occurring.<sup>29</sup> Moreover, an authoritarian government would have more confidence to face challenges without worrying about losing power if it can maintain political stability and economic growth.<sup>30</sup>

The operation of the market is impacting on China's fundamental structure including its underlying values of its political system. How China is integrated into the international economic community, will depend on the influence of global organisations such as the WTO, the IMF, and the World Bank. Though interactions with these international institutions, China's society will be changed considerably. In particular, the

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<sup>26</sup> For example, US President Bill Clinton reveals the liberal view as America's primary impulse on the entire world. See Bill Clinton, 'American Foreign Policy and the Democratic Ideal', *Orbis*, vol. 37, no. 4, fall 1993, pp. 651-660. Yehudah Mirsky, 'Democratic Politics, Democratic Culture', *Orbis*, vol. 37, no. 4, fall 1993, pp. 567-580. Christopher Hughes, 'China and Liberalism Globalised', *Millennium*, vol. 24, no. 3, winter 1995, pp. 425-446. Michael Doyle, 'Liberalism and World Politics', *American Political Science Review*, vol. 80, no. 4, December 1986, pp. 1151-1169. Francis Fukuyama, *The End of History and the Last Man*, New York: Penguin, 1992. Bruce Russett, *Grasping the Democratic Peace: Principles for a Post-Cold War World*, Princeton, NJ: Princeton University Press, 1993. John M. Owen, 'How Liberalism Produces Democratic Peace', *International Security*, vol. 19, no. 2, fall 1994, pp. 87-125.

<sup>27</sup> Paul R. Viotti and Mark V. Kauppi, 'Chapter Four' in *International Relations Theory: Realism, Pluralism, Globalism*, New York: Macmillan Publishing Company, 1987. pp.399-426. Herman M. Schwartz, *States versus Markets: History, Geography, and the development of The International Political Economy*, New York: St. Martin's Press, 1996. Susan Strange, *States and Markets: An Introduction to International Political Economy*, London: Pinter Publishers Limited, 1988. Lucian W. Pye, 'Civility, Social Capital, and Civil Society: Three Powerful Concepts for Explaining Asia', *The Journal of Interdisciplinary History*, vol. 29, no. 4, spring 1999, (Electronic Journal through University of Adelaide Library World Web Site system), pp. 763-772.

<sup>28</sup> Robert S. Ross, *East Asia in transition: toward a New Regional Order*, Armonk, NY: M.E. Sharpe, 1995.

<sup>29</sup> Stephen R. Rock, *Why Peace Breaks Out: Great Power Rapprochement in Historical Perspective*, Chapel Hill: University of North Carolina Press, 1989. Janne E. Nolan, (ed.), *Global Engagement: Cooperation and Security in the 21st Century*, Washington DC: Brookings Institute, 1994.

<sup>30</sup> Samuel P. Huntington, *The Third Wave: Democratization in the Late Twentieth Century*, Norman: University of Oklahoma Press, 1991.



consequent economic growth has improved Chinese living standards. Shipman, among others, argues that rising living standards will create pressures for political change.<sup>31</sup> The more China is involved in the international system, the argument progresses, the greater the possibilities of social change, particularly of political democratisation. In the view of Kenneth Lieberthal, 'a reform-minded and modernizing China will continue to advance toward a market-driven system guided by law rather than by corrupt families and will better meet the material needs of its citizens, eventually creating a middle class with a moderating influence.'<sup>32</sup> Thomas A. Metzger and Ramon H. Myers indicate, 'the optimists see China's domestic development as according to a large extent with what Alex Inkeles and others have called the increasing "convergence" of modern or modernising societies.'<sup>33</sup> If China could develop some degree of modernity, particularly in the political sector, then the image of a threatening power would be mitigated. James R. Lilley, formerly US ambassador to China, claims that 'the pragmatic internationalist wing of the Chinese Communist Party is now in power.'<sup>34</sup> Bringing China into the international system in order to accelerate China's "peaceful revolution" is the main strategy of such "optimists".

### 2-2-2 Realism or the Pessimistic View

Unlike the liberal view, those of a more realist persuasion believe that China's rapid economic growth generates military capacity, which is strong enough to threaten its neighbours. According to Metzger and Myers, '[t]he pessimists assume that US' China policy must be based on not only US primacy in the Pacific and the determination to defend vital US interest but also a kind of stern, whole disapproval of all Chinese activities at odds with US interests and ideals.'<sup>35</sup> Preventing a rising power from threatening US interests is the major goal of the US strategic design.<sup>36</sup>

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<sup>31</sup> M. D. Shipman, *Education and Modernisation*, London: Faber and Faber, 1971, p. 15.

<sup>32</sup> Kenneth Lieberthal, 'A New China Strategy', *Foreign Affairs*, vol. 74, no. 6, November/December 1995, p. 36.

<sup>33</sup> Thomas A. Metzger and Ramon H. Myers, *op. cit.*, p. 22.

<sup>34</sup> *Ibid.*

<sup>35</sup> Thomas A. Metzger and Ramon H. Myers, *op. cit.*, p. 29.

<sup>36</sup> Ashton B. Carter and William J. Perry, *Preventive Defense: A New Security Strategy for America*, Washington DC: The Brookings Institution Press, 1999.

The kinds of these issues are part of a larger main debate in relation to whether, and if so, how China is challenging the power of the US. And if it is, should the US government adopt a “containment strategy” or “engagement strategy” or “competitive engagement strategy”?<sup>37</sup> David Shambaugh notes that projections of size and strength are not as difficult as predictions about China’s internal political and social cohesion, and how

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<sup>37</sup> The containment school argues that balance of power in East Asia is becoming dangerously unstable. The viewpoint of containment strategy is supported, for example, by Charles Krauthammer, ‘Why We Must Contain China’, *Time*, 31 July 1995, p. 72. Paul Dibb, ‘Towards a New Balance of Power in Asia’, *Adelphi Paper*, no. 295, May 1995. Richard K. Betts, ‘Wealth, Power, and Instability: East Asia and the United States after the Cold War’, *International Security*, vol. 18, no. 3, winter 1993-1994, pp. 34-77. Gideon Rachman, ‘Containing China’, *Washington Quarterly*, vol. 19, no. 1, winter 1996, pp. 129-139. In Rachman’s article, he argues that the US China policy should combine both engagement and containment as economic engagement but military containment. His view is similar to Gerald Segal and Denny Roy. The engagement school argues states will provide stability not to lose the benefits of economic interdependence, therefore, there is no need to think the term of balance of power. This viewpoint is supported, for example, by Kishore Mahbubani, ‘The Pacific Impulse’, *Survival*, vol. 37, no. 1, spring 1995, pp. 105-120. James L. Richardson, ‘Asia Pacific: The Case for Geopolitical Optimism’, *The National Interest*, no. 38, winter 1994, pp. 28-39. Morton Abramowitz, ‘Pacific Century: Myth or Reality’, *Contemporary Southeast Asia*, vol. 15, no. 3, December 1993, pp. 257-268. Kenneth Lieberthal, ‘A New China Strategy’, *Foreign Affairs*, vol. 74, no. 2, November/December 1995, pp. 35-49. Henry Kissinger, ‘Let’s Cooperate with China’, *Los Angeles Times*, p. C07. Larry Diamond, ‘Why the United States Must Remain Engaged’, *Orbis*, vol. 40, no. 3, summer 1996, pp. 405-413. Arthur Waldron, ‘China’s Coming Constitutional Challenges’, *Orbis*, vol. 39, no. 1, winter 1995, pp. 11-18. Arthur Waldron, ‘Eight Steps toward a New China Policy’, *Orbis*, vol. 42, no. 1, winter 1997, pp. 77-82. Donald P. Gregg, ‘The Case for Continued US Engagement’, *Orbis*, vol. 41, no. 3, summer 1997, pp. 375-384. William H. Overholt, *The Rise of China: How Economic Reform is Creating A New Superpower*, New York: W. W. Norton and Company, 1993. Edward Friedman, ‘Chinese Nationalism, Taiwan Autonomy and the Prospects of A Larger War’, *Journal of Contemporary China*, 6 (14), 1997, pp. 5-32. Robert S. Ross & Andrew J. Nathan, 1997, *The Great Wall and the Empty Fortress: China’s Search for Security*, New York: W. W. Norton & Company. Robert S. Ross, ‘Beijing as A Conservative Power’, *Foreign Affairs*, vol. 76, no. 2, March/ April 1997, pp. 33-44. James R. Sasser, the former US Ambassador to China, addressed to the Asia Society, Washington DC, 4 March 1997, URL: <[http://www.state.gov/www/regions/esp/970304\\_sasser\\_china.html](http://www.state.gov/www/regions/esp/970304_sasser_china.html)> Audrey Kurth Cronin and Patrick M. Cronin, ‘The Realistic Engagement of China’, *Washington Quarterly*, vol. 19, no. 1, winter 1996, pp. 141-169. Jeffrey A. Bader, Deputy Assistant Secretary for East Asian and Pacific Affairs, Statement before the House International Relations Committee, Washington, DC, 23 April 1997. URL: <[http://www.state.gov/www/regions/esp/970423\\_bader\\_china.html](http://www.state.gov/www/regions/esp/970423_bader_china.html)> David Shambaugh, ‘Containment or Engagement of China? Calculating Beijing’s Responses’, *International Security*, vol. 21, no. 2, autumn 1996, pp. 180-210. Joseph S. Nye, ‘China’s Re-emergence and the Future of the Asia-Pacific’, *Survival*, vol. 39, no.4, winter 1997-98, pp. 65-79. Richard Bernstein & Ross H. Munro, ‘The Coming Conflict with America’ *Foreign Affairs*, vol. 76, no. 2, March/April 1997, pp. 18-32. David M. Abshire, ‘US Global Policy: Toward An Agile Strategy’, *Washington Quarterly*, vol. 19, no. 2, spring 1996, pp. 41-61. David M. Lampton, ‘China and Clinton’s America: Have They Learned Anything?’, *Asian Survey*, vol. 37, no. 12, December 1997, pp. 1099-1108. Other Western scholars outside of the US such as Gerald Segal and Denny Roy adopt different terms as “appeasement position, enmeshment strategy, and containment strategy” instead of “engagement and containment strategy”. See, Gerald Segal, ‘East Asia and the “constraint” of China’, *International Security*, vol. 20, no. 4, Spring 1996, pp. 107-135; and Denny Roy, who is a Research Fellow in Australian National University, ‘The “China Threat” Issue: Major Arguments’, *Asian Survey*, vol. 36, no. 8, August 1996, pp. 758-771.

it will wield its strength on the world stage. He argues that “containment” of China is a badly flawed policy option. Engagement, even though it will not be fully reciprocated by China, is the best way to integrate China into the international system.<sup>38</sup> In the meantime, he also argues:

...there is more hype than reality in assessments of Chinese military modernization, and the discussion of a “China threat” is both inaccurate and irresponsible. The Chinese military does not now, and will not for the foreseeable future, have the capability to challenge US national security directly. But, at the same time, the cross-the-board progress being made in streamlining and modernizing the PLA must be recognized<sup>39</sup>

There are several choices in America’s current options for its grand strategy. These choices are dominion, global collective security, regional collective security, cooperative security, containment, isolationism, and selective engagement. Robert J. Art offers his rationale for why selective engagement can best serve US national interests. The strategy is a hybrid, taking the good elements from its six competitors but avoiding their pitfalls.<sup>40</sup>

Responding to China’s military actions in the Spratly Islands, Gerald Segal concluded that economic interdependence is not enough to make China moderate its behaviours, but that concerted action is needed by its neighbours. China’s neighbours and powers farther afield, therefore, must use elements from a strategy of engagement as well as the balance of power to constrain China from expansionism.<sup>41</sup>

Regarding the appropriate grand strategy for the US in the post-Cold War era, these are two major theories - balance-of-threat theory and balance-of-power theory. The

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<sup>38</sup> David Shambaugh, ‘Containment or Engagement of China?: Calculating Beijing’s Responses’, *International Security*, vol. 21, no. 2, fall 1996, pp. 180-209.

<sup>39</sup> David Shambaugh, ‘China’s Military: Real or Paper Tiger?’ *Washington Quarterly*, vol. 19, no. 2, spring 1996, p. 19.

<sup>40</sup> Robert J. Art, ‘Geopolitics Updated: The Strategy of Selective Engagement’, *International Security*, vol. 23, no. 3, winter 1998/99, pp. 79-113.

<sup>41</sup> Gerald Segal, ‘East Asia and the “Constrainment” of China’, *International Security*, vol. 20, no. 4, spring 1996, pp. 107-135. Also see Gerald Segal, ‘China Changes Shape: Regionalism and Foreign Policy’, *Adelphi Paper*, no. 287, March 1994. Gerald Segal, ‘Tying China into the International System’, *Survival*, vol. 37, no. 2, summer 1995, pp. 60-73.

balance-of-threat theory puts emphasis on American security strategy in order to deter any potential or rising challengers that will threaten the US and to reduce any opportunity of regional instability, is the appropriate policy to pursue.<sup>42</sup> Whereas the balance-of-power theory adopts the viewpoint of dominating American foreign economic policy in order to mobilise its national competition against other powers.<sup>43</sup>

Realists argue that states tend to balance against power or threat; that they are not functionally differentiated in international politics; that potential hegemons are countered by the balancing efforts of other states; and that unipolar periods motivate other states to rise to great power status. Paul Schroeder argues that the more one examines these historical generalisations about the conduct of international politics through history, the more doubtful, indeed strange, these generalisations appear.<sup>44</sup>

Others argue that the balance of power theory is more sensible for the US government and that it should adopt an economic strategy, which is to engage China into the international economy in order to benefit the region and to maintain the US' economic interests.<sup>45</sup>

Avery Goldstein concludes that the increases in China's military capabilities most important for international security have thus far been modest. Finally, predictions of China engaging in a major war maybe "unnecessarily alarmist".<sup>46</sup>

Some scholars have defined US preponderance as "a unipolar moment"; others have suggested that the current structure is "uni-multipolar".<sup>47</sup> Regardless of the characterisation, the conventional wisdom maintains that unipolarity is unstable and conflict-prone, and thus unlikely to prevail over the long term. William C. Wohlforth challenges this logic, arguing that unipolarity is both durable and peaceful. The principal threat to the current structure, according to Wohlforth, is the failure of the United States to

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<sup>42</sup> Kenneth N. Waltz, *Theory of International Politics*, Reading, Mass.: Addison-Wesley, 1979. Kenneth N. Waltz, 'The Emerging Structure of International Politics', *International Security*, vol. 18, no. 2, fall 1992, pp. 45-73. Christopher Layne, 'The Unipolar Illusion: Why New Great Power Will Rise', *International Security*, vol. 17, no. 4, spring 1993, pp. 5-51.

<sup>43</sup> Stephen M. Walt, *The Origins of Alliances*, Ithaca, NY: Cornell University Press, 1987.

<sup>44</sup> Paul Schroeder, 'Historical Reality vs. Neo-Realist Theory', *International Security*, vol. 19, no. 1, summer 1994, pp. 108-148.

<sup>45</sup> Michael Mastanduno, 'Preserving the Unipolar Moment: Realist Theories and U.S. Grand Strategy after the Cold War', *International security*, vol. no. 4, spring 1997, pp. 49-88.

<sup>46</sup> Avery Goldstein, 'Great Expectations: Interpreting China's Arrival', *International Security*, vol. 22, no. 3, winter 1997/98, pp. 36-73.

<sup>47</sup> Samuel P. Huntington, 'The Lonely Superpower', *Foreign Affairs*, vol. 78, no. 2, 1999, pp. 35-49.

stay involved in the international arena.<sup>48</sup> Robert S. Ross, therefore, argues that US-China bipolarity in the region will continue for at least the next quarter century.<sup>49</sup>

When the US Congress took action urging the US government to institute a policy for dealing more firmly with China, China consequently adopted a series of retaliatory actions, such as blocking trade, made serious allegations about the reprehensible behaviour of the US, and even terminated dialogue at the highest-level. The two worst confrontations were over the Tiananmen massacre in 1989 and the PLA's missile manoeuvres in the Taiwan Strait in 1995-96. As Robert S. Ross says, 'America must be concerned by Chinese military power not because China will develop hegemonic power but because it can raise the cost of defending American interests and spoil the prospects for a cooperative regional order.'<sup>50</sup>

### **2-2-3 The Issue of Sovereignty**

In the words of Arthur Waldron, 'the core issue in US-Chinese relations is not most-favoured-nation (MFN) status, or proliferation, or Taiwan, or any other immediate and preoccupying agenda items. Rather, it is regime change and its consequences.'<sup>51</sup> It means that the Chinese government is seriously concerned over the matter of maintaining national sovereignty, since one of the objectives of Washington is, effectively to change the rulers of China and replace them by a more representative system of government. Understandably, the Chinese regime views this as a threat to its vital interests and indeed its own survival. As Deng Xiaoping concluded on 2 September 1986 when he was interviewed by CBS news program "60 Minutes",

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<sup>48</sup> William C. Wohlforth, 'The Security of A Unipolar World', *International Security*, vol. 24, no. 1, summer 1999, pp. 5-41.

<sup>49</sup> Robert S. Ross, 'The Geography of the Peace: East Asia in the Twenty-first Century', *International Security*, vol. 23, no. 4, spring 1999, pp. 81-118.

<sup>50</sup> Robert S. Ross, 'Beijing as a Conservative Power', *Foreign Affairs*, vol. 76, no.2, March/April, 1997, p. 40.

<sup>51</sup> Arthur Waldron, 'Eight Steps toward a New China Policy', *Orbis*, winter 1997, p. 77.

When foreigners are playing tricks in an attempt to snatch Taiwan away, the Chinese government will be compelled to use force to defend national sovereignty.<sup>52</sup>

The issue of sovereignty is a sensitive and explosive problem in Sino-American relations. It includes Taiwan, Tibet, Hong Kong, and human rights. The PRC government claims that Taiwan, Tibet, and Hong Kong are parts of China. Since 1950, Beijing has controlled Tibet. Hong Kong, a former British colony returned to the motherland on 1 July 1997. Taiwan, however, has not been under the control of the CCP government since 1949. Strongly intent on unification, the CCP government reiterates that Taiwan is part of China. Interestingly, the CCP and the KMT government agree that the unification is a Chinese domestic affair. In this logic, external or international interference will be treated as an intervention in Chinese sovereignty.

Although China and the United States have had formal diplomatic relations since 1 January 1980, the Taiwan issue has become a very serious and complex problem.<sup>53</sup> The PRC insists that Taiwan is a part of China. In the US-China Shanghai Communiqué, the American government “acknowledges” that there is only “one China” but Taiwan is part of China.<sup>54</sup> In spite of signing three communiqués, Washington still establishes a quasi-government relationship with Taipei. Samuel P. Huntington criticises the inconsistency of the US China policy for creating tension in the Sino-American relationship. As he says:

The US allowed President Lee of Taiwan to come to the US, sold F-16s, designated Tibet an occupied sovereign territory, denounced China for its human right abuses, denied Beijing the 2000 Olympics, normalized relations with Vietnam, accused China of selling chemical weapons components to Iran, imposed trade sanctions on China for sales of missile equipment to Pakistan, and threatened China with additional sanctions over economic issues while at the same time barring China’s admission

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<sup>52</sup> Richard C. Bush III, ‘Role of the U.S. in Taiwan-PRC Relations’, in Denis F. Simon and Michael Y. M. Kau, (eds.), *Taiwan: Beyond the Economic Miracle*, New York: M. E. Sharpe, 1992, p. 362.

<sup>53</sup> See Felix K. Chang, ‘Conventional War across the Taiwan Strait’, *Orbis*, fall 1996, pp. 577-607.

<sup>54</sup> See Appendix B, The Joint US-China Communiqué, Shanghai, 27 February 1972.

to the World Trade Organisation. Each side accused the other of bad faith: China, according to Americans, violated understanding on missile exports, intellectual property rights, and prison labour; the US, according to China, violated agreements in letting President Lee come to the United States and selling advanced fighter aircraft to Taiwan.<sup>55</sup>

These exchanges between China and the US indicate that Washington considers that Beijing should be restrained and that Taiwan can, in part, be thought of as a separate nation; but Beijing thinks of China as being one state with Taiwan being a part of it. Therefore, any further military sales should be subjected to approval by Beijing authorities. Otherwise this behaviour is an unfriendly action and would harm the relationship between them. Clearly, the Taiwan issue is a significant factor when China makes its foreign policy, particularly when dealing with the US.<sup>56</sup> Although the Taiwan issue is a barrier in Sino-American relations, various authors note that it is in US interests to have a stable relationship of mutual trust with Beijing, although not at the cost of other objectives.<sup>57</sup>

While Taiwan considers itself effectively independent, Beijing claims that the two-sides' discussions must be based on the principle of "one China" that Beijing is the central government and Taipei is a local government, which is unacceptable for Taipei. The two sides' talks have stagnated over this pre-condition for a long time. In 1995-1996, the Taiwan Strait crisis reflected the basic different perceptions between Beijing and Taipei.

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<sup>55</sup> Samuel P. Huntington, *The Clash of Civilisation and the Remaking of World Order*, New York: Simon and Schuster, 1996, p. 223. Also see Tzong-Ho Bau, 'Beijing-Taipei Interaction As A Two-Person Conflict, 1949-1988', and Richard C. Bush III, 'The Role of the United States in Taiwan-PRC Relations', both are in Denis Fred Simon and Michael Y. M. Kau, (eds.), *Taiwan: Beyond the Economic Miracle*, New York: M. E. Sharpe, 1992.

<sup>56</sup> Richard Bernstein and Ross H. Munro, 'The Coming Conflict with America', *Foreign Affairs*, vol. 76, no. 2, March/April 1997, pp. 18-32.

<sup>57</sup> Thomas A. Metzger and Ramon H. Myers, (eds.), *Greater China and US Foreign Policy: The Choice Between Confrontation and Mutual Respect*, Stanford, CA: Hoover Institution of Stanford University Press, 1996. Joseph S. Nye, 'China's Re-emergence and the Future of the Asia-Pacific', *Survival*, vol. 39, no. 4, winter 1997-98, pp. 65-79. Andrew J. Nathan, 'What's Wrong with American Taiwan Policy', *Washington Quarterly*, 23:2, spring 2000, pp. 93-106. Ezra F. Vogel, (ed.), *Living with China: US-China Relations in the Twenty-first Century*, New York: W. W. Norton & Company, 1997. Lynn T. White III, 'Taiwan's China Problem: After A Decade or Two', *SAIS Policy Forum Series*, Report no. 6, December 1998. David Shambaugh, '1997 Sino-American Summit', *Asia Society*, October 1997, URL: <<http://asiasociety.org>> David M. Lampton and Gregory C. May, *Managing US-China Relations in the Twenty-First Century*, Washington DC: The Nixon Center, 1999, (Internet Version), URL: <<http://www.nixoncenter.org>>

For probing of the origins, development, arguments and implications of the Taiwan Strait crisis, there is considerable literature discussing this event in detail.<sup>58</sup>

In early 1998, the US government tried to play the role of mediator, although this was difficult since it is also Taiwan's principal patron. Meanwhile, Joseph S. Nye, a former Clinton administration official, clearly claims that 'China should not use force and Taiwan should not pursue independence.'<sup>59</sup> For Beijing analysts, this issue symbolises the

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<sup>58</sup> For example, three of major Sinological journals such as *the China Journal*, *the China Quarterly*, and *Journal of Contemporary China* individually published various viewpoints regarding this issue. Andrew J. Nathan, 'China's Goal in the Taiwan Strait', *The China Journal*, no. 36, July 1996, pp. 87-93. Jia Qingguo, 'Reflections on the Recent Tension in the Taiwan Strait', *The China Journal*, no. 36, July 1996, pp. 93-97. Chu Shulong, 'National Unity, Sovereignty and Territorial Integration', *The China Journal*, no. 36, July 1996, pp. 98-102. Parris H. Chang, 'Don't Dance to Beijing's Tune', *The China Journal*, no. 36, July 1996, pp. 103-106. Chih-Yu Shih, 'National Security is a Western Concern', *The China Journal*, no. 36, July 1996, pp. 106-110. Jonathan D. Pollack, 'China's Taiwan Strategy: A Point of No Return', *The China Journal*, no. 36, July 1996, pp. 111-116. Willy Wo-Lap Lam, 'The Factional Dynamics in China's Taiwan Policy', *The China Journal*, no. 36, July 1996, pp. 116-118. You Ji, 'Taiwan in the Political Calculations of the Chinese Leadership', *The China Journal*, no. 36, July 1996, pp. 119-125. Peter Van Ness, 'Competing Hegemons', *The China Journal*, no. 36, July 1996, pp. 125-128. Stuart Harris, 'The Taiwan Crisis: Some Basic Realities', *The China Journal*, no. 36, July 1996, pp. 129-134. Jean-Pierre Cabestan, 'Taiwan's Mainland Policy: Normalization, Yes; Reunification, Later', *The China Quarterly*, no. 148, December 1996, pp. 1260-1283. David Shambaugh, 'Taiwan's Security: Maintaining Deterrence Amid Political Accountability', *The China Quarterly*, no. 148, December 1996, pp. 1284-1318. Michael Yahuda, 'The International Standing of the Republic of China on Taiwan', *The China Quarterly*, no. 148, December 1996, pp. 1319-1339. Thomas W. Robinson, 'America in Taiwan's Post-Cold War Foreign Relations', *The China Quarterly*, no. 148, December 1996, pp. 1340-1361. David Shambaugh, 'Exploring the Complexities of Contemporary', *The China Quarterly*, no. 148, December 1996, pp. 1045-1053. Suisheng Zhao, 'Economic Interdependence and Political Divergence: The Emerging Pattern of Relations Across the Taiwan Strait', *Journal of Contemporary China*, vol. 6, no. 15, 1997, pp. 177-197. John F. Copper, 'The Origins of Conflict across the Taiwan Strait: The Problem of Differences in Perceptions', *Journal of Contemporary China*, vol. 6, no. 15, 1997, pp. 199-227. You Ji, 'Making Sense of War Games in the Taiwan Strait', *Journal of Contemporary China*, vol. 6, no. 15, 1997, pp. 287-305. Edward Friedman, 'Chinese Nationalism, Taiwan Autonomy and the Prospects of a Longer War', *Journal of Contemporary China*, vol. 6, vol. 14, 1997, pp. 5-32. Shelley Rigger, 'Competing Conceptions of Taiwan's Identity: The Irresolvable Conflict in Cross-Strait Relations', *Journal of Contemporary China*, vol. 6, no. 15, 1997, pp. 307-317. Also see, Chang Pao-Min, 'The Dynamics of Taiwan's Democratization and Crisis in the Taiwan Strait', *Contemporary Southeast Asia*, vol. 18, no. 1, June 1996, pp. 1-16. Chen Qimao, 'The Taiwan Strait Crisis: Its Crux and Solutions', *Asian Survey*, vol. 36, no. 11, November 1996, pp. 1055-1066. Weixing Hu, 'China's Taiwan Policy and East Asian Security', *Journal of Contemporary Asia*, vol. 27, no. 3, 1997, pp. 373-391. Andrew Scobell, 'Show of Force: The PLA and the 1995-1996 Taiwan Strait Crisis', *A/PARC Paper*, Asia/Pacific Research Center, Stanford University, January 1999, pp. 5-23.

<sup>59</sup> Joseph S. Nye issued this idea when He visited Taiwan in January 1998. During his visit to President Lee Teng-hui, Nye mentioned the policy of the US government in the Taiwan issue and suggested that the best way is maintaining *the status quo*. See *Taiwan Today News Network*, 10 January 1998. Also see Editorial, 'Interim Agreement Concept Has Been Exaggerate: Winston Lord', *Central News Agency* (Taipei), 19 May 1999. Former Secretary of Defence William Perry emphasises on establishing a "Second Track" dialogue between two sides of the Taiwan Strait. See, *Agency France Press*, 21 February 1999. Also see Ashton B. Carter and William J. Perry, *Preventive Defense: A New Security Strategy for America*, Washington D.C.: Brookings Institutions Press, 1999. Chas. W. Freeman, Jr. 'Preventing War in the Taiwan Strait', *Foreign Affairs*, vol. 77, no. 4, July/August 1998, pp. 6-12.



American government's propensity to interfere with China's sovereignty and affect Chinese national security.<sup>60</sup>

#### 2-2-4 Economic Disputes

In the Cold War era, there was no significant economic relationship between China and America. After China's reform, economic relations have dramatically increased particularly in the past decade.<sup>61</sup> There are, however, several economic disputes between the US and China, such as intellectual property rights protection, bilateral trade balance, market access, trade in textiles, currency manipulation, services, export controls, prison labour exports, and most-favoured nation status.<sup>62</sup> On these issues, each side has a different position, particularly in the issue of balance-of-trade.<sup>63</sup>

Nevertheless, the American market is very important to China because of the level of China's exports to the US and the US government eventually agreed to give China most-favoured-nation status. The US, for its part, has been able to export many high-value products to China such as commercial aircraft and computers. Both China and America consequently have a great economic need for each other, but Chinese dependence on the US market is deeper than that of the US on China.<sup>64</sup>

Indeed, the rapid development of the Chinese economy after the liberalisation of the 1980s has only been possible because of US willingness to assist that process.

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<sup>60</sup> William H. Overholt, *The Rise of China: How Economic Reform is Creating a New Superpower*, New York: W.W. Norton and Company, 1993. June Teufel Dreyer, 'Regional Security Issues', *Journal of International Affairs*, vol. 49, no. 2, winter 1996, pp. 391-411. Andrew J. Nathan and Robert S. Ross, (eds.), *The Great Wall and the Empty Fortress: China's Search for Security*, New York: W.W. Norton and Company, 1997. Frederick Tse-Shyang Chen, (ed.), *China Policy and National Security*, New York: Transnational Publishers, 1984.

<sup>61</sup> Frank Frost, 'The United States and China: Containment or Engagement?' Department of the Parliamentary Library Australia, *Current Issues Brief 5*, 1996-97, p. 9.

<sup>62</sup> Nicholas R. Lardy, *China in the World Economy*, Washington DC: Institute for International Economics, 1994. Zong Hou, 'Dui Zhongguo yu Meiguo xian cun jing mao wen ti zhi tan tao (Exploring the Present Economic Issues between the US and China)', *Zhonggong Yanjiu (Studies on Chinese Communism)*, vol. 32, no. 8, August 1998, pp. 36-47.

<sup>63</sup> K. C. Fung and Lawrence J. Lau, 'The China-United States Bilateral Trade Balance: How Big Is It Really?', *A/PARC Paper*, Asia/Pacific Research Center, Stanford University, April 1996, pp. 1-23. K. C. Fung and Lawrence J. Lau, 'New Estimates of the United States-China Bilateral Trade Balances', *A/PARC Paper*, Asia/Pacific Research Center, Stanford University, April 1999, p. 1-29.

<sup>64</sup> Harold K. Jacobson and Michael Oksenberg, *China's Participation in the IMF, the World Bank and the GATT: Toward Global Economic Order*, Ann Arbor, MI.: University of Michigan Press, 1990.

Concurrently, 'the rapid integration of China into the international economy has been accompanied by friction with the US over issues including the balance of trade, market access for US products, Chinese policies on protection of intellectual property rights, and China's access to membership of the World Trade Organisation.'<sup>65</sup> As the US government argues for the importance of permanent normal trade relations (PNTR) with China, Congress has continued to represent local interest groups in opposition.<sup>66</sup>

### 2-3 China's Modernisation

In regard to China's modernisation, Jonathan Spence illustrated with examples of China's achievements that China has modernised through produces computers and satellites, feeds a billion people, educates more Chinese young people, provides medical care sufficient to maintain a life expectancy of over sixty-nine years, and engages with the international economy. But he argues that China has not been modern for at least 400 years. Spence points out that people's average levels of consumption were no higher in the Qing than in the Ming dynasty, in the 1930s than in the nineteenth century, under Mao's era than under Chiang Kai-shek's. In this sense, China's development has lagged.

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<sup>65</sup> Frank Frost, 'The United States and China: Containment or Engagement?' Department of the Parliamentary Library Australia, *Current Issues Brief* 5, 1996-97, p. 9.

<sup>66</sup> Greg Mastel, 'A New U.S. Trade Policy toward China', vol. 19, no. 1, *Washington Quarterly*, winter 1996, pp. 189-207. Barbara Hackman Franklin, 'The US-China Relationship: Truth Is Stronger Than Fiction', The Heritage Foundation, *Heritage Lectures*, no. 638, 6 July 1999, pp. 1-6. Robert P. O'Quinn, 'How to Bring China and Taiwan into the World Trade Organisation', The Heritage Foundation, *Asian Studies Centre Backgrounder*, no. 140, 22 March 1996, pp. 1-13. Robert P. O'Quinn, 'Solving the Asian Crisis through Trade and Investment Liberalization', The Heritage Foundation, *Executive Memorandum*, no. 523, 10 April 1998, pp. 1-2. Stephen J. Yates, 'Eight Good Reasons to Continue MFN for China', The Heritage Foundation, *Executive Memorandum*, no. 449, 30 April 1996, pp. 1-3. Stephen J. Yates, 'Why Renewing MFN for China Serves US Interests', The Heritage Foundation, *Asian Studies Centre Backgrounder*, no. 141, 25 June 1996, pp. 1-10. Stephen J. Yates, 'Six Reasons to Continue MFN for China', The Heritage Foundation, *Backgrounder*, no. 542, 21 July 1998, pp. 1-2. Stuart Harries, 'China's Role in the WTO and APEC', in David S. D. Goodman and Gerald Segal, (eds.), *China Rising: Nationalism and Interdependence*, New York: Routledge, 1997. Jan S. Prybyla, 'China as an Asian Economic Power', *Issues and Studies*, vol. 33, no. 1, January 1997, pp. 62-84. Daniel Burstein and Arend de Keijzer, *Big Dragon - China's Future: What It Means for Business, the Economy, and the Global Order*, New York: Simon and Schuster, 1998. Barry P. Bosworth, 'Growing Pains: Trade Frictions Corrode the US-Asian Relationship', *Brookings Review*, vol. 14, no. 1, winter 1996, pp. 4-9, (electronic version through the Library of Adelaide University). James A. Dorn, 'Trade and Human Rights: The Case of China', Freedom to Trade: Refuting the New Protectionism, *Cato Institute*, 1997, (Internet version).

Following the opening and reform policy, as will be noted in some detail, China's agricultural, industrial, and commercial productivity has risen sharply.<sup>67</sup>

While China's rapid growth impresses many observers, Spence's views, which are shared by others, provide a different dimension. Because China requires new markets, technologies, capital and new ideas, there is much discussion of China's continuing need for further political reform to ensure continued economic success.<sup>68</sup>

Adrian Wood adopts an optimistic view that China's economic reform can and will gradually be completed. Wood suggests deeper economic reforms, such as price and state-owned enterprise reforms, are necessary for China's development. On the other hand, this kind of reform would undermine the Communist regime. As Wood notes, political constraints are critical to China's modernisation although he has an optimistic view of China's economic reform.<sup>69</sup> This research adopts similar perspective. The major focuses here are on China's reforms - not only the achievements such as economic, military and technological growth and also on the deficiencies, such as educational and political restraints.

### 2-3-1 Educational resources

In spite of its rapid growth, China faces a major dilemma. As June T. Dreyer notes, 'an inadequate education system is facing limits on economic development, while inadequate economic development sets limits on how much can be contributed to the advancement of education.'<sup>70</sup> Further, there are some inevitable problems emerging such as growth bottlenecks, a lack capital and technology, lack of sound management, ossified

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<sup>67</sup> Jonathan D. Spence, *The Search for Modern China*, New York: W. W. Norton, 1990.

<sup>68</sup> Andrew J. Nathan, *China's Transition*, New York: Columbia University Press, 1997. Andrew J. Nathan, *Chinese Democracy*, New York: Alfred Knopf, 1985. Andrew J. Nathan, *China's Crisis: Dilemmas of Reform and Prospects of Democracy*, 1990. Lucian W. Pye with Mary W. Pye, *Asian Power and Politics: The Cultural Dimensions of Authority*, Cambridge: Harvard University Press, 1985. Andrew J. Nathan and Robert S. Ross, *The Great Wall and the Empty Fortress: China's Search for Security*, New York: W. W. Norton & Company, 1997.

<sup>69</sup> Adrian Wood, 'China's Economic System: A Brief Description, with Some Suggestions for Further Reform', in Qimiao Fan and Peter Nolan, (eds.), *China's Economic Reforms: The Cost and Benefits of Incrementalism*, New York: St. Martin's Press, 1994.

<sup>70</sup> June Teufel Dreyer, *China's Political System*, London: Macmillan Press, 1993, p. 230.

attitudes, a corrupt bureaucracy, economic imbalances, and extensive decentralisation.<sup>71</sup> These internal problems retard modernisation. As Paul Kennedy states, 'education and science confront further obstacles' in China.<sup>72</sup> Because of the priority of economic development and national security, it is difficult for China to allocate a higher percentage of GDP to education. Compared with developed countries, whose governments spend 6 percent of GNP on education, China allocates 3 to 4 percent GNP.<sup>73</sup> The available literature reveals that 2.66% of GNP was devoted to education in 1993. Compared with developed countries at 6.1%, developing countries at 4.1%, other Asian countries at 4.6%, and a world average of 5.7%, 'the PRC's investment for education is lower than the average international investment level, it is also below that other developing countries.'<sup>74</sup>

In Paul Kennedy's view, the efficiency of financial management - which is in fact how a modern society allocates its resources - is a key factor that has caused the rise and fall of great powers.<sup>75</sup> In the view of Ray Huang, an overseas Chinese historian, such factors have affected the rise and fall of many dynasties in the history of the Middle Kingdom.<sup>76</sup>

In the 1950s, Russia trained most of the Chinese scientists and technicians whose contributions to economic and technological development helped Chinese economic growth to average about 10 percent in the 80s and 90s. These people also brought back with them Soviet ideas about politics, economics, society and culture, which ultimately would retard Chinese development. Today, Russian-trained experts have aged and the knowledge is out-of-date. In particular, the influence of the Great Proletarian Cultural Revolution caused millions of students to lose educational opportunities. Also, in the late 1970s, the ratio of scientific and technical personnel was low.<sup>77</sup> Chinese leaders recognised this situation and wanted to improve the backward technology and close the development gap. After the Soviet Union collapsed, more and more Chinese students chose to go to the

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<sup>71</sup> Jude Howell, *China Opens its Doors: The Politics of Economic Transition*, Harvester Wheatsheaf: Lynne Rienner Publishers, 1993.

<sup>72</sup> Paul Kennedy, *Preparing for the Twenty-first Century*, London: Fontana Press, 1993, p. 181.

<sup>73</sup> *Ibid.*

<sup>74</sup> June Teufel Dreyer, (2<sup>nd</sup> ed.), *China's Political System*, New York: Macmillan, 1996, p. 230.

<sup>75</sup> Paul Kennedy, *The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1500 to 2000*, London: Collins Publishing Group, 1988.

<sup>76</sup> Ray Huang, *China: A Macro-history*, Armonk, New York: M.E. Sharpe, 1988.

<sup>77</sup> Peter Nolan, *China's Rise, Russia's Fall: Politics, Economics and Planning in the Transition from Stalinism*, New York: St. Martin's Press, 1995, pp. 110-159.

US instead of going to Russia. Logically, the more overseas Chinese students study in the US, the more scientific and technological transfer will occur in China. Chinese, as well as western observers, note that through these cultural exchanges, Chinese society may not only be enriched, but also changed more fundamentally.<sup>78</sup>

### 2-3-2 Economic Growth

While China's economic growth has generally been welcomed in all quarters, it has, nonetheless, continued to excite controversy. This is particularly so in relation to its regional status. China may well come to dominate production in Asia generally and become a hegemonic power in East Asia. More importantly, as Samuel P. Huntington says: 'China's history, culture, traditions, size, economic dynamism, and self-image all impel it to assume a hegemonic position in East Asia.'<sup>79</sup>

Denny Roy argues that economic development will make China more assertive and less cooperative with its neighbours. China's domestic politics make it more likely to use force to achieve its political goals; and that its growth may well provoke Japan into a military build up, plunging Asia into a new Cold War era.<sup>80</sup>

To many, it seems that China has replaced the Soviet Union, as the new power in the Asia-Pacific region. As Samuel P. Huntington argues, economic growth enables China to expand its military capabilities and brings uncertainty among the Asia-Pacific nations and increases the probability of conflict.<sup>81</sup>

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<sup>78</sup> Qian Ning, *Liuxue Meiguo (Study in the United States)*, Nanjing: Jiangsu wenyi chubanshe, 1996. David Zweig and Changgui Chen (with the assistance of Stanley Rosen), 1995, *China's Brain Drain to the United States: Views of Overseas Chinese Studies and Scholars in the 1990s*, Berkeley: Institute of East Asian Studies, University of California (China Research Monograph No. 47). Dickson, Bruce J. 'China's Democratization and the Taiwan Experience' *Asian Survey*, vol. 38, no. 4, April 1998, pp. 349-364.

<sup>79</sup> S. P. Huntington, *The Clash of Civilization and the Remaking of World Order*, New York: Simon and Schuster, 1996, p. 229.

<sup>80</sup> Denny Roy, 'Hegemon on the Horizon?: China's Threat to East Asian Security', *International Security*, vol. 19, no. 1, summer 1994, pp. 149-169.

<sup>81</sup> Samuel P. Huntington, *The Clash of Civilization and the Remaking of World Order*, *op. cit.*, p. 218.

### 2-3-3 Military Growth

Despite the emphasis placed on military development since the inception of the 'Four Modernisations' policy in China, the Pentagon considers it is not a real military threat. As Stuart K. Harris and Gary Klintworth indicate, the PLA's capability has a long way to go.<sup>82</sup>

Gary Brown comes to the same conclusion when he says that 'for the next five to ten years China could not be a threat to its neighbours.'<sup>83</sup> Because of its military inadequacy and the capital required, he argues, China will maintain its present foreign policy style.

On the other hand, China has much greater foreign currency than ever before. It means that China has the capacity to purchase more advanced equipment. Richard D. Fisher argues that China's military purchases and improvement are an implied challenge to the US.<sup>84</sup> Further, the experiences of the Sino-Vietnam war convinced the Chinese government of the inadequacy of communication, control, command and intelligence possessed by the PLA, and, moreover, its logistical systems had been severely tested.<sup>85</sup> In addition, the US Army's modern equipment made a great impression on the Chinese military leaders during the Persian Gulf War.<sup>86</sup> As a result, China's leaders decided to create and equip crack troops in order to manage crises and external challenges in the future. The PLA is making every effort to improve its projection ability.<sup>87</sup> All of these

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<sup>82</sup> Stuart Harris and Gary Klintworth, (eds.), *China as a Great Power: Myths, Realities and Challenges in the Asia-Pacific Region*, Singapore: Longman, 1995.

<sup>83</sup> Gary Brown, 'China as a Military Power: Peril or Paper Tiger?' Department of the Parliamentary Library Australia, *Research Paper*, no. 1, 1996-97, p. 21.

<sup>84</sup> See Richard D. Fisher, 'China's Purchase of Russia Fighters: A Challenge to the U.S.', The Heritage Foundation, *Asian Studies Center Backgrounder*, no. 142, 31 July 1996.

URL: <<http://www.nationalsecurity.org/heritage/library/categories/forpol/asc142.html>>

<sup>85</sup> See Richard J. Ellings and Sheldon W. Simon, (eds.), *Southeast Asian Security in the New Millennium*, New York: M.E. Sharpe, 1996.

<sup>86</sup> See Richard Bernstein and Ross H. Munro, 'The Coming Conflict with America', *Foreign Affairs*, vol. 76, no. 2, March/April 1997, pp. 18-32.

<sup>87</sup> Mark A. Stokes, 'Dawn of A New Age: China's Long-range Precision Strike Capabilities', *China's Strategic Modernisation: Implications for the United States*, Carlisle Barracks, Pa.: Strategic Studies Institute, 1999, pp. 79-108. Also see, Tim Huxley and Susan Willet, *Arming East Asia*, *Adelphi Paper*, no. 329, Oxford: Oxford University Press for IISS, 1999. Hongxun Hua, 'China's Strategic Missile Programs: Limited Aims, Not "Limited Deterrence"', *Nonproliferation Review*, winter 1998, pp. 60-68. Z. Khalilzad, A. N. Shulsky, D. Byman, R. Cliff, D. Orletsky, D. A. Shlapak, and A. J. Tellis, (eds.), 'China's Military Modernization', in *The United States and A Rising China: Strategic and Military Implications*, Washington, DC: RAND, 1999. Bruce Dorminey, 'Chinese Missiles Basic to New Strategy', *Aviation Week & Space Technology*, 8 March 1999, pp. 59-61. And 'Cruise Missiles Becoming Top Proliferation Threat', *Aviation Week & Space Technology*, 1 February 1993, pp. 26-27. Paul Godwin and John J. Schultz, 'Arming the Dragon for the 21<sup>st</sup> Century: China's Defense Modernisation Program',

actions add to the perception that China is moving towards regional hegemonic status and a possible threat to Japan, despite the PLA reducing in size since 1997.<sup>88</sup>

Because most of China's weapon systems are out-of-date, and need be upgraded, the defence budget has enormously increased, particularly following its rapid economic growth. Some estimate that China's military spending has decreased compared with its GNP. In 1991, for example, it was 1.7% of GNP, in 1992 it was 1.5% of GNP, and 1.3% in 1993.<sup>89</sup> However, 'the defence budget has nearly tripled over the last seven years from 21.53 billion yuan (\$5.83 billion) in 1988 to 63.1 billion yuan (\$7.48 billion) in 1995.'<sup>90</sup> During the past eight years, the budget has increased 293%. This means that the annual rate of increase is an average of 36.6%, which is more than the rate of economic growth in the same period.

This signifies that the military expense per head is increasing, and is enhancing the combat effectiveness of the PLA. Even though military hard power is progressively strengthened in this process, its soft power is still inadequate.<sup>91</sup> Because of inadequate levels of human capital, China needs to increase its military budget for training. On the other hand, internal inflation has affected China's military budget. As the Chinese

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*Arms Control Today*, December 1993, p. 6. The Military Balance, IISS, 1999-2000. US Department of Defence, 'The Security Situation in the Taiwan Strait', *Report to Congress Pursuant to the FY99 Appropriations Bill*, Washington DC: The Pentagon, 26 February 1999. URL: <[http://www.defenselink.mil/pubs/twstrait\\_02261999.html](http://www.defenselink.mil/pubs/twstrait_02261999.html)>

John Wilson Lewis and Hua Di, 'China's Ballistic Missile Programs: Technologies, Strategies, and Goals', *International Security*, vol. 17, no. 2, fall 1992, pp. 5-40. Stephen J. Yates, 'China: Promoting Freedom and Protecting American Security', in *Issues 98: The Candidate's Briefing Book*, chapter 15, Washington, DC: The Heritage Foundation, 1999. Richard D. Fisher, Jr. 'China Increases Its Missile Forces While Opposing U.S. Missile Defense', *Backgrounder*, no. 1268, The Heritage Foundation, 7 April 1999, pp. 1-18. Robert A. Manning, Ronald Montaperto, and Brad Roberts, *China, Nuclear Weapons, and Arms Control: A Preliminary Assessment*, Chairmen's Report of a roundtable jointly sponsored by the Council on Foreign Relations, the National Defense University, and the Institute for Defense Analyses, (Internet version), Washington DC: the Council on Foreign Relations, 2000.

<sup>88</sup> Mei Lin, 'Zhonggong caijun wushi wan de dongyin ji neirong (The PLA's Motivation and Content of Reducing Half-Million Numbers)', *Zhonggong Yanjiu (Studies on Chinese Communism)*, vol. 33, no. 1, January 1999, pp. 96-111. Huang Shi, 'Gaige kaifang ershinain de zhonggong junshi: gongjun de jianshe yu fazhan (China's Military after Reform and Opening: PLA's Construction and Development)', *Zhonggong Yanjiu (Studies on Chinese Communism)*, vol. 33, no. 5, May 1999, pp. 55-70. Huang Shi, 'Dui Zhonggong caijun wenti zhi yanjiu (The Study of China's Reducing Military Force)', *Zhonggong Yanjiu (Studies on Chinese Communism)*, vol. 32, no. 7, July 1998, pp. 47-54.

<sup>89</sup> June Teufel Dreyer, 'Regional Security Issues', *Journal of International Affairs*, vol. 49, no.2, winter 1996, p. 401.

<sup>90</sup> *Ibid.* p. 402.

<sup>91</sup> Sheng Lijun, 'China and the United States: Asymmetrical Strategic Partners', *Washington Quarterly*, vol. 22, no. 3, summer 1999, pp. 147-164, especially pp. 152-158. Sheng Lijun borrowed the idea of "soft power" from the book *Bound to Lead* written by Joseph S. Nye.

government claims, 'the budget increases are eaten up by inflation.'<sup>92</sup> At present China's military modernisation is severely constrained by its inability to access US weapons systems which are internationally the most advanced and by its consequential decision to buy cheaper Soviet originated systems which are much less effective.

On the other hand, China is adjusting its strategic consideration from "people's war" to "limited war under high-tech condition". Alastair I. Johnston has scrutinised China's nuclear doctrine and argues that much recent commentary on Chinese nuclear forces has missed important basic developments and has underestimated the degree of recent innovation. He argues that Chinese strategists have developed a concept of "limited deterrence" that requires counterforce and countervalue tactical, theatre, and strategic nuclear forces.<sup>93</sup>

#### **2-3-4 Technological Transformation**

Since the end of the Cold War, China has sold missile technology to Iran and transferred nuclear technology to Pakistan. China has also provided several types of traditional weapons to Thailand. All of these military sales have created a degree of nervousness in neighbouring states. The US government is very concerned that this kind of trade will help transform and affect the security of the international system. Meanwhile, 'China's exports of weapons and nuclear-related equipment has been another area of contention...In 1996, the US threatened both sanctions and suspension of prospective loans from the Export-Import Bank.'<sup>94</sup> In 1999, the US Congress' *Cox Report* revealed China stole top secret nuclear weapons information from the US Los Alamos laboratory and received assistance from the Loral and Hughes companies.<sup>95</sup> Further, China's *Long March* rocket system had some technological assistance from Motorola and Hughes companies

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<sup>92</sup> David S. G. Goodman and Gerald Segal, (eds.), *China Rising: Nationalism and Interdependence*, Published for International Institute for Strategic Studies, London: Routledge, 1997, p. 61.

<sup>93</sup> Alastair Iain Johnston, 'China's New "Old Thinking": The Concept of Limited Deterrence', *International Security*, vol. 20, no. 3, winter 1995/96, pp. 5-42.

<sup>94</sup> *Ibid.* p. 10.

<sup>95</sup> See Christopher Cox, Chairman of the United States House of Representatives Select Committee on US National Security and Military/Commercial Concerns with the People's Republic of China, *Report of the United States House of Representatives Select Committee on US National Security and Military/Commercial Concerns with the People's Republic of China*, 25 May 1999, URL: <<http://www.house.gov/coxreport>>



which also provided channels for technological transfer. Significantly, US technological transfer assists China in improving its aviation and space industry through commercial channels, which could be used in military improvement and to threaten the security of Taiwan and the US.

While Beijing strives to enhance its national security through importing high level technology,<sup>96</sup> the US government, is intent upon retaining limits on technological transfers to China because of fears China will use it for military improvement. Furthermore, high quality of manpower and high levels of capital input accompany hi-technology – areas in which China is deficient. David Wall and Yin Xiangshuo argue that Chinese hi-tech industries are facing high-costs and a lack of competition such that China will be obliged to ‘play the role of a goose for the foreseeable future’.<sup>97</sup>

As arms control agreements reduce the arsenals of the United States and the former Soviet Union, China’s relative capacity will increase, regardless of whether its huge economy also helps to underwrite expansion in an absolute sense. Moreover, China is not constrained by an international arms control regime from expanding and modernising its nuclear forces. Sober assessments of China’s long-term arms development strategy suggest that China is likely to develop a perspective based on notions of security interdependence.<sup>98</sup>

### **2-3-5 Internal Problems**

There is an extensive literature dealing with the shortcomings of China’s economy from the 1950s onwards. Despite developing its heavy industries in the 1950s with the Soviet Union’s assistance, many argue that China has suffered from an inadequate economic infrastructure and associated problems for a long time. The Soviet Union merely

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<sup>96</sup> Evan A. Feigenbaum, ‘Who’s Behind China’s High-Technology “Revolution”? How Bob Makes Remade Beijing Priorities, Politics and Institutions,’ *International Security*, vol.24, no. 1, summer 1999, pp. 95-126.

<sup>97</sup> David Wall and Yin Xiangshuo, ‘Technology Development and Export Performance: Is China A Frog or A Goose?’, in Charles Feinstein and Christopher Howe, *Chinese Technology Transfer in the 1990s: Current Experience, Historical Problems and International Perspectives*, Cheltenham, UK: Edward Elgar Publishing, 1997, pp. 186-187.

<sup>98</sup> Banning N. Garret and Bonnie S. Glaser, ‘Chinese Perspectives on Nuclear Arms Control’, *International Security*, vol. 19, no. 1, summer 1994, pp. 43-78.

exported its own rigidity and atrophy to China after the initial spurt of growth caused by a transfer of resources in the 1950s. The legacy of this history is evident in the current context where, according to a common observation, 'inequality and job insecurity are an inevitable trade-off for more rapid modernisation.'<sup>99</sup> While China's progress has been remarkable since the reform and opening policy began in 1978, there were about 4.6 percent of population who live below the national poverty line in 1998.<sup>100</sup> The unemployed population was estimated at 180 million to 260 million in 1998.<sup>101</sup> More than twenty percent of China's bank loans are said to be non-performing - a situation which could lead to a financial crisis in the future.

At the Fifteenth Party Congress of 1997, Jiang Zemin announced that over 300,000 state-owned enterprises would be transformed into private companies. A market-facilitating state would progressively replace the idea of "socialist market economy".<sup>102</sup> If this reform fails, the possibility of modernisation will inevitably be slowed.<sup>103</sup>

There are some authors who consider that problems in the economic structure, the bureaucracy and political institutions, in social organisation and managerial arrangements can only be dealt with by much greater attention to the education system.<sup>104</sup>

China's rapid economic growth has presented it with many social problems, including inequity between internal and coastal provinces, challenges to the political legitimacy of the government, and the ideological conflict between socialism and a free market. To resolve its internal problems, others have emphasised that China needs to

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<sup>99</sup> Jude Howell, *China Opens its Doors: The Politics of Economic Transition*, Harvester, Wheatsheaf: Lynne Rienner Publishers, 1993, p. 247.

<sup>100</sup> The World Bank, *2000 World Development Indicators*, Washington DC: The World Bank, 2000, p. 62. According to the same source, there is another measurement of the international poverty that indicates China had 18.5 percent population below \$1 a day in 1998.

<sup>101</sup> *Taiwan Today News Network*, 10 January 1998.

<sup>102</sup> *The Australian*, 13-14 September 1997, p. 1.

<sup>103</sup> The Analysis of Taiwan's government, *Taiwan Today News Network*, 10 January 1998.

<sup>104</sup> Wu Yongchao, 'Zhonggong Gaige Gaoxiao Zhaosheng Zhidu Jianxi (The Brief Analysis of China's Higher Education Entrance Examination System)', *Zhonggong Yanjiu (Studies on Chinese Communism)*, vol. 25, no. 11, November 1991, pp. 49-56. Bai Shui, 'Dalu Rencai Wui Liu Wenti Tanxi (Exploration and Analysis: the Situation of Skillful Manpower Outflow from the Mainland)', *Zhonggong Yanjiu (Studies on Chinese Communism)*, vol. 25, no. 9, September 1991, pp. 55-62. Ran Yunfei, *Chenke: Zhongguo Jiaoyu de weiji yu bipan (Severe and Lingering Illness: The Crisis and Criticism of China's Education)*, Hainan: Nanfan chubanshe, 1999. Wang Jueichi, 'The Development of Professional Manpower in Mainland China in the 1990s', *Issues and Studies*, vol. 36, no. 2, March/April 2000, pp. 99-132.

democratise in order to create a freer, more competitive, more transparent and diverse society.<sup>105</sup>

Most observers agree that Sino-American relations include dimensions of both conflict and cooperation. They have common strategic interests in maintaining the stability of the Asia-Pacific and also inter-related commercial interests, which are of great importance to each of them. But rapidly developing China has also caused its neighbours to be nervous, especially Japan and the ASEAN nations. It has nonetheless continued to expand and develop its military capacity, more significantly, to attempt its influence on regional affairs that creating serious concern among scholars and the US officials about regional security and the increased potential for conflict in the Asia-Pacific region.<sup>106</sup>

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<sup>105</sup> Bruce J. Dickson, 'Leninist Adaptability in China and Taiwan', in Edwin A. Winckler, *Transition from Communism in China: Institutional and Comparative Analysis*, New York: Lynne Rienner, 1999. Bruce J. Dickson, *Democratization in China and Taiwan: The Adaptability of Leninist Parties*, Oxford: Clarendon, 1997. Thomas A. Metzger, 'The Chinese Reconciliation of Moral-Scared Values with Modern Pluralism', in Ramon H. Myers (ed.), *Two Societies in Opposition: The Republic of China and The People's Republic of China After Forty Years*, Stanford, California: Stanford University, Hoover Institution Press, 1991. Shaomin Li 'What China Can Learn from Taiwan', *Orbis*, vol. 33, no. 3, summer 1989, pp. 327-340. Lee Teng-hui, *The Road to Democracy: Taiwan's Pursuit of Identity*, Tokyo: PHP Institute, 1999. David Zweig and Chen Changgui, *China's Brain to the United States: View of Overseas Chinese Students and Scholars in the 1990s*, Berkeley, CA: The University of California Press, 1995. Linda Chao and Ramon H. Myers, *The First Chinese Democracy: Political Life in the Republic of China on Taiwan*, Baltimore and London: The Johns Hopkins University Press, 1998. Keith Maguire, *The Rise of Modern Taiwan*, Brookfield, Vermont: Ashgate, 1998. Tse-Kang Leng, *The Taiwan-China Connection: Democracy and Development Across the Taiwan Strait*, Taipei: SMC Publishing, 1997. Willem van Kemenade, (translated from the Dutch by Dianne Webb), *China, Hong Kong, and Taiwan, Inc.: The Dynamic of A New Empire*, New York: Alfred A. Knopf, 1997. Jien Chi, *Banglianzhi: Zhongguo Zui Jia De Chulu (The Confederation: The Best Way for China)*, Hong Kong: Pai Shing Cultural Enterprise, 1992.

<sup>106</sup> Zalmay Khalilzad and Ian O. Lesser, *Sources of Conflict in the 21<sup>st</sup> Century: Regional Futures and US Strategy*, Washington, DC: RAND, 1998. Richard Bernstein and Ross H. Munro, *The Coming Conflict with China*, New York: Alfred A. Knopf, 1998. David Shambaugh, 'Sino-American Strategic Relations: From Patterns to Competitors', *Survival*, vol. 42, no. 1, spring 2000, pp. 97-115. Martin Lasater, *The New Pacific Community: US Strategic Options in Asia*, Boulder, Colo.: Westview Press, 1996. Samuel P. Huntington, 'The Erosion of American National Interests', *Foreign Affairs*, vol. 76, No. 5, September/October 1997, pp. 28-49. Christopher Layne, 'The Unipolar Illusion: Why New Great Power Will Rise', *International Security*, vol. 17, no. 4, spring 1993, pp. 130-176. Douglas T. Stuart and William T. Tow, 'A US Strategy for the Asia-Pacific', *Adelphi Paper*, 299, December 1995. Denny Roy, 'Current Sino-US Relations in Strategic Perspective', *Contemporary Southeast Asia*, vol. 20, no. 3, December 1998, pp. 225-240. Samuel P. Huntington, *The Clash of Civilizations and the Remarking of the World Order*, New York: Simon and Schuster, 1996. Joseph S. Nye, 'China's Re-emergence and the Future of the Asia-Pacific', *Survival*, vol. 39, no. 4, winter 1997-98, pp. 65-79. Wu Xinbo, 'Integration on the Basis of Strength: China's Impact on East Asian Security', *A/PARC Paper*, Stanford University, February 1998, pp. 3-19. Evan A. Feigenbaum, 'China Military Posture and the New Economic geopolitics', *Survival*, vol. 41, no. 2, summer 1999, pp. 71-88. Karl W. Eikenberry, 'China's Challenge to Asia-Pacific Regional Stability', in Richard J. Ellings and Sheldon W. Simon, (eds.), *Southeast Asian Security in the New Millennium*, Armonk, New York: M. E. Sharpe, 1996, pp. 89-122. Paul H. B. Godwin, 'Force and Diplomacy: China Prepares for the Twenty-First Century', in Samuel S. Kim, (ed.),

The vast literature available on the nature of China's foreign relations, both current and past, provides a valuable, if far from uniform resource for this thesis – as does the literature on China's modernisation. Sufficient evidence is available from these resources to demonstrate that cooperative periods of US-China relations, including the present, are one of the most significant preconditions for fruitful Chinese modernisation.

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*China and the World: Chinese Foreign Policy Faces the New Millennium*, Boulder, Colo.: Westview Press, 1998. US Department of Defence, 'The United States Security Strategy for the East Asia-Pacific Region 1998', February 1999. US Department of Defence, 'The Security Situation in the Taiwan Strait', *Report to Congress Pursuant to the FY99 Appropriations Bill*, Washington, DC: US Department of Defense, 26 February 1999. US Department of Defence, 'Annual Report on the Military Power of the People's Republic of China', *Report to Congress Pursuant to the FY2000 National Defense Authorization Act*, Washington, DC: US Department of Defense, 22 June 2000.

## Chapter Three: Methodology

The general proposition pursued in this thesis is that in the present, as in the past, benign Sino-American relations have been one of the critical components underpinning Chinese modernisation. In order to demonstrate the validity of this proposition, it has been necessary to undertake extensive reading in the areas of both Chinese foreign relations (and more broadly, international relations generally) on the one hand and the literature dealing with China's modernisation on the other. The range of literature available has been outlined in the previous chapter and the following chapters are designed to bring the evidence found in these two rather separate spheres into an argument concerning their interaction. Taiwan is used throughout the thesis as a case study of both modernisation and political development on the one hand and the relevant international relations issues on the other. Taiwan is also of significance in that its path to modernisation is, in some important respects, now being followed by China, despite very different bilateral relations with the US. The similarities, involve, among other issues: the large numbers of Chinese students who are returning to China with values influenced by their periods of study in the US and effectively functioning economic relations with the US. The significance of Taiwan to the issues under examination does not stop there, however, as its relations with the mainland are of critical significance to both the mainland's modernisation – in which it is playing a large role – and to the character of Sino-US relations.

Underpinning the approach that is adopted is the view, common in international relations theory, that domestic developments and external events are inescapably interlinked. In this instance, it is argued that while internal factors such as political stability, economic prosperity, and national integration indicate the success of China's modernisation, they have been made possible, in part, because of favourable external factors. These factors include a benign global and regional environment without detrimental strategic considerations, such as US-China bilateral conflicts or Mainland China-Taiwan conflicts on a scale that would seriously undermine China's modernisation. The research undertaken consequently focuses on the interaction of internal and external factors to analyse the evolution of Sino-American relations and to demonstrate how these relations impact on China's modernisation.

The following three chapters deal with relations between China and the US. In the first of these chapters, chapter four, the complex and at times, turbulent history of these relations is examined in order to focus on recurring patterns of misunderstanding,

differences of cultural values and strategic considerations, of sympathetic attachment and cool estrangement, of mutual interest and conflicting behaviour, of gaps in institutional systems, both economic and political. It is proposed in this chapter that these patterns persist into the contemporary difficulties experienced in Sino-US relations. This chapter also notes the attempts by Chinese governments during the Qing Dynasty, the Republican period and the pre-reform communist period to modernise using tradition Chinese philosophy combined with western science and technology. It also notes the severe limits to the success of each of these attempts – in each case because of a failure of domestic political institutions and related external intervention or hostility.

The following chapter, chapter five, examines the various issues that dominate contemporary Sino-US relations. It does so by focusing in particular on the more difficult and divisive issues that require resolution or a form of accommodation in order to ensure continued Chinese modernisation. The particular issues examined have been chosen according to two criteria: firstly their relevance to the central issue of the thesis, *ie* the relationship between Chinese modernisation and Sino-US relations and secondly: the extraordinary attention they have attracted in both Chinese and American societies as well as the rest of the world. They include: the Tiananmen massacre and its consequences; the human rights issues more generally; US arms sales to Taiwan and China's military modernisation; issues of technology transfer and arms control; the Taiwan issue (which will be discussed specifically and in greater detail in Chapter seven); and finally a series of economic issues that have excited most attention.

It has been necessary to include a specific chapter, chapter six, on Chinese and US strategic matters because of the special significance these have had and are continuing to have in Sino-US relations and their potential to promote or retard Chinese modernisation. At the time of writing, decisive debates are occurring in the US about its future strategic planning and activities in relation to China and its regional environment. The outcomes of these debates, given the hegemonic status of America, will be of determining significance in both China's military modernisation and the consolidation of its recent phase of development. Strategic considerations also come into play in a regional sense in that China's ability to modernise may be heavily constrained by inappropriate relations with its neighbours.

With different strategic considerations and fundamental values, relations between the US, the PRC and the ROC are inescapably complex. Currently they involve more than ever; the fraught issue of reunification, and it casts a long shadow on the discussion of strategic considerations in chapter seven. The principle of "one China" remains the most

sensitive aspect of this argument. In this chapter, the three parties' stances on the issue of China's reunification are examined and the author's preference for a peaceful resolution is suggested. With the hindsight afforded by the democratisation that has taken place in Taiwan and the benefits it has delivered to that society, it is suggested that democratisation in China may yet prove to be the most likely path to the possibility of peaceful reunification.

The thesis then turns to examine China's modernisation. In chapter eight, the most recent phase of China's modernisation is examined in detail. While noting the record of economic achievement to date, the dilemmas faced in the modernisation process under CCP direction are explored and put in the context of previous modernisation attempts and current international relations, particularly those with the US. The particular difficulties examined have been selected for scrutiny because they are central to Chinese social and political stability and/or effect major foreign policy matters, especially those relating to the US. During the process of China's modernisation, political and economic pressures have generated conflicting social forces. The mass media, intellectuals, the working class, private enterprise, and the military will all have to be involved in the evolution of a modern Chinese society with different roles to those they have had in the past. Through these interactions a new kind of socio-political culture with distinctive and unique values will be shaped. Modernisation does not just alter the technology, scale and tempo of life and work, but changes the expectations that govern behaviour itself.<sup>1</sup> In this context, education plays a vital role as it did in Britain in the eighteenth century, Europe, North America and finally Japan in the nineteenth century. The process of modernisation in these countries changed not only the structure of production, but also daily behaviours, life styles, values, norms, and thoughts.

The central goal of China's modernisation, from the Qing dynasty to Republic to Communist, was the recovery of China's international prestige and the strengthening of China as a nation, especially in scientific and technological terms. This ambition reflects the "old" Chinese—*ti-yong*—philosophy that tends to limit perspectives on modernisation to science and technology without taking into account political modernisation. The chapter also explores the reason for Chinese insistence on adopting western science and technology while attempting to be un-influenced by western political values such as democracy, human rights, and individual freedom.

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<sup>1</sup> M. D. Shipman, *Modernisation and Education*, London: Faber and Faber, 1971, p. 20.

Having the same cultural background as China, Taiwan has developed a successful industrialised economy and a political system that is a fully functional democracy. A skilled and technologically mature workforce underpins it. Taiwan's development is a significant indicator of the possibilities for China's modernisation. While Taiwan is formally excluded from most international forums, its situation has been and remains such that its modernisation has not been hampered by this difficulty. As a result of these factors, Taiwan naturally presents itself as a model, in terms both of its economic development, its educational policies and particularly its democratic evolution, when considering Chinese modernisation. In each of these three areas – economics, education and politics – the role of the US has been critical as a model, as advisor, aid donor, international supporter and strategic guardian, but more subtly, as the source of a wide range of political values that have been incorporated into Taiwanese practice. The US, in providing Taiwan with investment capital, with credit and with access to its huge markets provided a critical impulse for Taiwan's period of most spectacular export-oriented growth. These issues are considered in chapter nine.

Chapter ten discusses the role of the US in China's modernisation and draws together the international relations matters dealt with in earlier chapters and Chinese domestic economic and political modernisation issues. The most immediate international issues affecting China's modernising project include the huge international influence of the US, the entrance of China into the WTO, China's access to US product and financial markets, the influence of the US educational system and the values it incorporates and the US role in China's reunification.

In summary, the methodology used in this thesis takes into account the complex national and international factors involved in China's modernisation and draws on the available literature in the fields of international relations, economic development and political science in an effort to integrate their respective insights.



## Chapter Four:

### The History of Sino-American Relations, 1840s-1989

*The Chinese word for America translates as "beautiful country" in Chinese. Millions of Chinese see the United States as a land of bounty and opportunity. Political dissidents draw inspiration from the American example. The bureaucrats who rule China themselves get rich in business deals with Americans or send their children here as students during period when the United States and its influence are being described as baleful.<sup>1</sup>*

#### 4-1 Introduction

Historically, Sino-American relations have been filled with misunderstanding, mischance, and misery. For many Americans, China has been a great market for commercial traders and gospel evangelists. While the outcome of American relations with Japan during its period of modernisation is a complex but secure relationship, the outcome of American relations with China during its modernisation to date is an uncertain and volatile one. 'Although rarely lacking good will toward the Chinese throughout their protracted struggle', as a Chinese historian says, 'America could not provide historical guidance for China.'<sup>2</sup> Formally, official relations between China and the US began in 1844.<sup>3</sup> The US government signed the Sino-American *Wangshia* Treaty that capitalised on the British victory in the Opium War without itself engaging in armed conflict with the Qing government.<sup>4</sup> This unequal treaty began a history of uncertain friendship that has continued for the past 150 years.

From the end of the nineteenth century to the mid-twentieth century, a succession of US presidents sought to improve Sino-American relations. Theodore Roosevelt's efforts

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<sup>1</sup> Richard Bernstein and Ross H. Munro, *The Coming Conflict with China*, New York: Alfred A. Knopf, 1998, p. 35.

<sup>2</sup> Ray Huang, *China: A Macro History*, Armonk, New York: M.E. Sharpe, 1988, p. 242.

<sup>3</sup> In 1844, the Chinese government signed the Treaty of *Wangshia* with the US government. It was the first official contact. At the same time, the treaty was the only one "unequal treaty" before Republic was established. See Warren I. Cohen, *America's Response to China: A History of Sino-American Relations*, New York: Columbia University Press, 1990.

<sup>4</sup> This treaty's provisions laid out official policy: 1) Americans sought freedom to trade with the Chinese and agreed to abide with China's regulation of that trade; 2) if other countries won specified commercial and political privileges from China, Americans expected equal treatment for themselves; 3) the United States sought no territorial gains, nor, though a powerful nation, did it intend to wrest any advantages from China by force. Quoted from Arthur Power Dudden, *The American Pacific: from the Old China Trade to the Present*, New York: Oxford University Press, 1992, p. 7.

were limited primarily to the economic field, while William Howard Taft, who sympathised with China's situation, did not consider the importance of China to US interests or a place of serious American concerns. Woodrow Wilson proclaimed "self-determination" for China after WWI, but did not actively help China defend itself against Japanese imperialist aggression. Franklin Delano Roosevelt admired China as an ally during its period of resistance against Japanese militarism during World War II, but signed the Yalta agreement that determined the strategic situation of East Asia for thirty years in a way that did not meet with China's agreement.

Chronologically, the history of Sino-American relations can be divided into several periods. During the period 1844 to 1940, the relationship was one of sympathy but little assistance. From 1941 to 1949, China and the US were allies but limited aid was involved. From the 1850s to the beginning of the People's Republic, the Chinese government hoped to obtain American aid in order to prevent imperialist incursions, particularly those by Japan and Russia. Although the American government expressed strong concern about China's situation and also developed nationally advantageous economic ties with China, the American government provided little active assistance to China even during the Second World War. Compared with aid to the Soviet Union during World War II,<sup>5</sup> China obtained extremely small amounts of material assistance.<sup>6</sup>

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<sup>5</sup> Donald W. White, *The American Century: The Rise and Decline of the United States As A World Power*, 1996, p. 192. During WWII, 'the Soviet Union received 420,000 field telephones and wanted 62,000 miles of field telephone lines a month. The US supplied the Soviets with nearly 14,000 aircraft, including fighters, bombers, trainers, cargo planes, observation planes and flying boats. The US sent everything needed to run railroads – tons of rails, wheels, axles, and rolling stock; 1,825 steam locomotives; 10,000 flatcars; 1,000 dump cars; 100 tank cars; and 70 diesel-electric locomotives. Entire factories were exported, among them a tire plant, an aluminum rolling mill, and two pipe mills. Americans sent 4 million tons of food, including sugar, butter, and margarine. Nearly half of exports under lend-lease consisted of munitions and army equipment, from 7,000 tanks to 15 million pairs of army boots, but the Soviets also got ships, medical supplies, bridges, paint, plastics, rubber, paper, photographic materials, fish nets, and buttons.' Through the lend-lease, the Red Army was strengthened in order to defend Nazi Germany's attack. Gradually, the Allies won the victory in Europe. According to Donald W. White, 'Surveying the influx of lend-lease to the Soviet Union, the destination for nearly one-third of all the aid, a reporter for National Geographic surmised that without these commodities and armaments, "victory would have been delayed and conceivably might have been lost altogether".'

<sup>6</sup> According to Jonathan D. Spence, the US lend-lease program, initially, provided US\$630 million to China. The Congress approved a US\$500million to the KMT government. But, no one in the US knew how the money was to be used. Jonathan D. Spence, *The Search for Modern China*, New York: W. W. Norton & Company, 1990, p. 469. According to Ranbir Vohra, China received US military material through the route of the Himalayan Mountains was about 650,000 tons during the first three years (1941-1944), but most of it was intended for the US Fourteenth Air Force. Nearly 60 percent of the cargo was gasoline and oil. 'Not until the opening of the Burma Road in 1945 did the situation really improve for Chongqing.' See Ranbir Vohra, *China's Path to Modernization: A Historical Review from 1800 to the Present*, (2<sup>nd</sup> ed.), Englewood Cliffs, NJ: Prentice Hall, 1992, pp. 167-168.

1949 to 1972 was a period of hostile Sino-US relations but ambassador-level contacts were maintained intermittently. Since 1979, the Sino-American relationship has been normalised but several serious issues of contention remain. In retrospect, the history of the Sino-American relationship has been one in which China has provided only strategic leverage in America's Far East policy. After World War II, Japan has been considered the anchor of American policy in the Far East. China, however, has gradually played a more significant role in American strategic considerations in the regional and global levels.<sup>7</sup> The shift in the gravity of American Far Eastern policy from Japan to China reflects alterations in regional power and the methods necessary to pursue America's national interests. As Hans J. Morgenthau says 'it is not only a political necessity but also a moral duty for a nation to follow in its dealings with other nations but one guiding star, one standard for thought, one rule for action: *The National Interest*.'<sup>8</sup>

In the 1900s, America had by and large completed its industrialisation, territorial extension and domestic integration. It had the capacity to protect the independence of the new nation. Furthermore, it was able to do so without being compromised by the foreign policy of competing powers. Since that period, the US' China policy tightly reflects its national interests on maintaining economic free trade and relating to China's contemporary situations.

After the Chinese Communist Party's revolution succeeded in China, the US was referred to as a "paper tiger". It was considered powerful in statistical terms but unable to bring that power to bear against its enemies. Nonetheless, the United States was seen as 'militarily the most powerful, economically the most prosperous, technologically the most advanced, scientifically the most inventive and culturally the most accomplished'.<sup>9</sup> This perception was confirmed when, after Deng Xiaoping's reform, many Chinese students sought to study in the US. America represents to them, even to the children of CCP leaders, a dream of riches and freedom beyond that attainable at home.

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<sup>7</sup> David Shambaugh uses three levels to analyse Sino-American relations: 1) global systemic, 2) societal, and 3) governmental. See David Shambaugh, 'Patterns of Interaction in Sino-American Relations', in Thomas W. Robinson and David Shambaugh (eds.), *Chinese Foreign Policy: Theory and Practice*, Oxford: Clarendon Press, 1994, pp. 197-223.

<sup>8</sup> Hans J. Morgenthau, *American Foreign Policy: A Critical Examination*, London: Methuen & Co. Ltd., 1952, p. 242.

<sup>9</sup> Rosemary Foot, *The Practice of Power: US Relations with China Since 1949*, Oxford: Clarendon, 1995, p. 13.

In this chapter, the thesis will discuss the historical evolution of the Sino-American relationship through the sympathetic period, the allied period and the hostile period to the period of rapprochement and the period of honeymoon. The focus in each period will be on the strategic considerations of relevance to the relationship. In particular, the relevance of Sino-American relations with China's modernisation will also be discussed.

#### 4-2 The Sympathetic Period (1844 - the 1940s)

Sino-American relations formally established a diplomatic contact in 1844. In the mid-nineteenth century, America was still a weak nation. After the Civil War, the US integrated its territory, consolidated its sovereignty, and resolved its internal disputes. Moreover, the US bought Alaska from Russia in 1867 and defeated Spain. By then it extended from the Atlantic to the Pacific. In addition, massive immigration to the New Continent from Europe and East Asia caused population to increase rapidly. Its demographic structure, natural resources and institutional development led to it becoming a global power. In the 1890s, rapid industrialisation caused profound overproduction and also resulted in numerous political, economic and social problems in America.<sup>10</sup> China loomed as one source of relieving the domestic economic pressures. In 1861, 'the United States acquired a secretary of state who sought to work out a program for American action in the Pacific. Surely, here was the beginning of a new era-and here the appropriate place for evaluating American policy in the old.'<sup>11</sup>

In the viewpoint of Qing government, the US was a "benign barbarian" because the US did not desire Chinese territory as the Great British, Russia and France did. Thus, the Chinese government and mandarins had a high expectation to American. As Warren I. Cohen says,

At the time of the Opium War, Chinese officials had hoped that they could count on American support, if not out of American loyalty to China, then because of traditional American hostility toward England. They were disappointed, and in subsequent years correspondence

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<sup>10</sup> Rosemary Foot, *op. cit.*, p. 35.

<sup>11</sup> Warren I. Cohen, *America's Response to China: A History of Sino-American Relations*, New York: Columbia University Press, 1990, p. 23.

between various Chinese authorities and the emperor indicated a feeling that Americans were a people from whom China could always expect words of sympathy, but never any material support. Increasingly, the mandarins who dealt with foreign affairs came to suspect the complicity of the United States in England's schemes. Although these "barbarian experts" were aware that the Americans were not employing gunboat diplomacy, were not using warships to force concessions, they nonetheless warned the emperor that the Americans always "followed in England's wake"- allowed British gunboats to humble the Chinese and moved in to share whatever new privileges had been exacted.<sup>12</sup>

After the Taiping Rebellion, China's new leaders such as Prince Kung, Tseng Kuo-fan, Li Hung-chang, Chang Chih-tung, recognised the superiority of Western technology. They 'sought to adapt it to China's needs, hoping thereby to strengthen China without injury to the Confucian tradition that was the wellspring of their power.'<sup>13</sup> Since that time, it has been a Chinese goal to strengthen its economy while maintaining Chinese traditions. "Chinese essence, Western utility" (*zhong xue wei ti, xi xue wei yong* or *ti-yong* philosophy), has been a motto frequently cited in the process of China's modernisation. The official goal was to acquire scientific skills in order to serve China's immediate needs, and there was no intention to train them as leaders or to encourage their general absorption of western culture.<sup>14</sup> The establishment of an effective and cooperative foreign policy has also been pursued. The United States thus came to a position of independence, self-assurance and global influence at a time when China felt very strongly the need of overseas support and domestic modernisation. It is not surprising therefore, that the US came to assume a special focus in Chinese perceptions. It had modernised rapidly, as China hoped to and it provided a potential balance against those who would damage China. As a consequence, the first study group of 30 boys began their study in Hartford, Connecticut in

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<sup>12</sup> Warren I. Cohen, *op. cit.*, p. 25.

<sup>13</sup> Warren I. Cohen, *op. cit.*, p. 32.

<sup>14</sup> Y. C. Wang, *Chinese Intellectuals and the West, 1872-1949*, Chapel Hill, NC: University of North Carolina, 1965, p. 76.

1872. By 1881, 120 boys had been sent to the US to gain contemporary western science and other disciplines.<sup>15</sup>

The study abroad movement encouraged the adoption of appropriate foreign knowledge that could benefit the modernisation of Chinese society. As Y. C. Wang indicated,

[T]he goals of foreign study was for them “to learn about the sciences related to army, navy, mathematics, engineering, etc., for ten-odd years, so that they have completed their study and returned to China all the technological specialties of the West may be adopted in China, and the nation may begin to grow strong by its own efforts”.<sup>16</sup>

The reason for choosing the US as the first country for learning foreign knowledge was that the United States had no interest in pursuing colonial policies in China. To establish ties of friendship with the US was thus a reasonable objective.

At the same time, numerous Chinese labourers migrated to America. At first, the US ‘welcomed Chinese immigrants, for the entirely practical reason that they provided an essential labour force in the building of the transcontinental railroads. Anson Burlingame himself concluded a treaty with Secretary of State William Henry Seward for their free entry into this country.’<sup>17</sup> Their efforts contributed substantially to the establishment of the underdeveloped western states of the US.

However, Chinese openness to the US did not receive reciprocal treatment. As Warren I. Cohen argues:

In 1880, after both major political parties opposed further Chinese immigration in their platforms, the United States concluded a new treaty with China in which the Chinese agreed to allow the United States to

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<sup>15</sup> Y. C. Wang, *op. cit.*, p. 80.

<sup>16</sup> Y. C. Wang, *op. cit.*, p. 74.

<sup>17</sup> Foster Rhea Dulles, *American Policy Toward Communist China, 1949-1969*, New York: Thomas Y. Crowell Company, 1972, p. 14.

discriminate against Chinese to the extent of being able to regulate, limit, or suspend - but not prohibit - Chinese immigration.<sup>18</sup>

In this era, the Sino-American relationship was based on this unequal basis. In the Far West of the US, particularly in California, the state senate sent a resolution to Congress in 1876. It declared that 'the Chinese living in this country never discovered the differences between right and wrong, never ceased the worship of their idol gods, or advanced a step beyond the traditions of their native hive.'<sup>19</sup> The Congress finally and wholly prohibited Chinese immigration although two Presidents, Hayes and Garfield, vetoed this legislation. The agreement reflected the reality that China's powerlessness was such that it could not protect Chinese immigrants in the US. The differences in power between the two countries reflected in such events became the basis of a continuing sensitivity in China about treatment at the hands of America. As one commentator noted, 'the only difference in the situation as between China and the US appeared to be that the Chinese had no gunboats sailing up the Mississippi or the Potomac to compel redress for their injuries.'<sup>20</sup> It resulted from China's weakness. This historical unhappiness was fresh in the minds of the Nationalists and Communists. It is such experiences and the ways in which they have been remembered that contributed to the high degree of national emotion generated by the book *China That Can Say No* published in China in 1995.<sup>21</sup>

Initially, some leaders in the Qing government thought China needed foreign aid, particularly capital and technical assistance. For example Li Hung-chang, foremost of the Chinese leaders from the late 1870s to the mid-1890s, hope to work with Americans, especially in developing Chinese railroads and mines.<sup>22</sup> Before Li proposed this idea, Tseng Kuo-fan, another Chinese leader who 'considered the United States to be the least avaricious and he hoped the most useful of the barbarian nations,'<sup>23</sup> had made similar suggestions. During 1870s and 1880s, Li tried to draw the United States into Chinese tributary states in order to protect China from European imperialism and especially

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<sup>18</sup> Warren I. Cohen, *op. cit.*, p. 30.

<sup>19</sup> Foster Rhea Dulles, *op. cit.*, p. 14

<sup>20</sup> Foster Rhea Dulles, *op. cit.*, p. 15.

<sup>21</sup> Soong Qian, Zheng Cang Cang, Qia Bian, and (*et. al.*), *Zhongguo Ke Yi Shou Bu (China That Can Say No)*, Hong Kong: Min Pao Publishing, 1996.

<sup>22</sup> Warren I. Cohen, *op. cit.*, p. 32.

<sup>23</sup> *Ibid.*

Japanese expansion.<sup>24</sup> However, 'the task of modernising China remained unfinished long after Li Hung-chang and his schemes for American assistance were dead.'<sup>25</sup> Sentiment in Washington and among the concerned public generally in the United States tended to be pro-Japanese. Further, some Americans believed that Japan could bring Western civilisation to China as the United States had done for Japan.

During the first Sino-Japanese war in 1894-95, the Chinese government turned to the US as well as to other European powers to intercede on behalf of China. However, it had been disappointed at the outcome of the tripartite intervention that left the Liaodong peninsula under the control of Japan and Russia.<sup>26</sup> Although Secretary of State John Hay submitted the "Open Door Policy"<sup>27</sup> that seemed to ensure the independence of China and employed to refer to the principle of equality of economic opportunity,<sup>28</sup> the only consideration of the following US governments was to protect American national interests, primarily economic interests associated with trade and investment.<sup>29</sup> Instructed by the concept of balance-of-power, the US China policy 'continued to reflect the view that China was not important enough for the United States to risk embroilment with Japan.'<sup>30</sup> In particular, President Theodore Roosevelt 'did not consider it a vital or essential interest of the US to support China and to uphold the Open Door principles.'<sup>31</sup> As Theodore Roosevelt advised his successor that since

[t]he vital interest of Japan is in Manchuria and Korea, it is peculiarly our interest not to take any steps as regards Manchuria which will give the

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<sup>24</sup> Warren I. Cohen, *op. cit.*, p. 33.

<sup>25</sup> *Ibid.*

<sup>26</sup> Akira Iriye, *Across the Pacific: An Inner History of American-East Asian Relations*, New York: Harcourt, Brace & World, 1967, p. 75. Also see Arthur Power Dudden, *The American Pacific: From the Old China Trade to the Present*, New York, Oxford University Press, 1992, p. 144.

<sup>27</sup> As mentioned in chapter one, the second "Open Door" note on 3 July 1900 defined the three pedestals of US policy, which without consulting the other powers or the Chinese government. During the Boxer Rebellion, the second Open Door note included: '(1) the protection of American lives and property; (2) the opportunity for open and impartial trading; and (3) the preservation of China.' In sum, the Open Door policy was to keep China's trade door open. See Arthur Power Dudden, *op. cit.*, pp. 110-122.

<sup>28</sup> Tang Tsou, *America's Failure in China: 1941-1950*, volume 1, Chicago: The University of Chicago Press, 1963, p. 3. Also see Henry L. Stimson, *The Far Eastern Crisis: Recollections and Observations*, New York: Harper & Bros., 1936, p. 13.

<sup>29</sup> Warren I. Cohen, *op. cit.*, pp. 42-43.

<sup>30</sup> Tang Tsou, *op. cit.*, p. 15.

<sup>31</sup> Tang Tsou, *op. cit.*, p. 13.



Japanese cause to feel, with or without reason, that we are hostile to them, or a menace - in however slight a degree - to their interests.<sup>32</sup>

He was convinced that 'in the future the US would depend on the development of a powerful, yet peace-loving and friendly China acting as "the main stabilizing factor in Asia".'<sup>33</sup> Secretary of State Henry Stimson also followed this policy after Japan's occupation of Manchuria in 1931. Stimson thought great importance of China would benefit American interests, as he argued that 'a struggle between China and Japan might threaten our own people and their territorial possessions.'<sup>34</sup> But President Herbert Hoover refused to contemplate the use of force to support this policy. As he said, 'neither our obligation to China, nor our own interest, nor our dignity requires us to go to war over these questions [which arose out of Japan's aggression in Manchuria].'<sup>35</sup> During this period, especially in the periods of the Roosevelt and Hoover administrations, American foreign policy in the Far East was to employ to insist that its interests in this region were 'not worth a war'.<sup>36</sup>

At the outbreak of the First World War, Japan was quick to seize the German leasehold in Kiaochow (Qingdao), to press China to accept the notorious Twenty-one Demands, and to attain secret promises from Great Britain, France and Russia to support its claims for the transfer of German rights in Shandong. The Chinese government expressed its hope for American's intervention. Acting Secretary of State Robert Lansing expounded American policy in the following:

The United States desires China to feel that American friendship is sincere and to be assured that this government will be glad to exert any influence which it possesses, to further, by peaceful methods, the welfare of the Chinese people, but the Department realizes that it would be

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<sup>32</sup> *Ibid.*

<sup>33</sup> Tang Tsou, *op. cit.*, p. 18. Also see Henry L. Stimson, *op. cit.*, pp. 89 and 236.

<sup>34</sup> Henry L. Stimson, *op. cit.*, p. 89.

<sup>35</sup> William S. Myers, *The Foreign Policy of Herbert Hoover*, New York: Charles Scribner's Sons, 1946, pp. 195-197.

<sup>36</sup> Henry L. Stimson and McGeorge Bundy, *On Active Service in Peace and War*, New York: Harper & Bros., 1947, p. 244.

quixotic in the extreme to allow the question of China's territorial integrity to entangle the United States in international difficulties.<sup>37</sup>

Such assurances led to a continuing Chinese belief in American goodwill and their willingness to assist China when in need.<sup>38</sup> For example, during the initial phase of the Nationalist Northern Expedition to unite China, the Kuomintang's tactic was to 'fight the British; be friendly to the American, and ignore the Japanese.'<sup>39</sup> This tactic reflected the long-term idea of "Open Door" policy as both Chinese and American hoped. But, indeed, there was no particular friendship on the part of the Chinese toward the American. During the Expedition, most aid and support was from the Soviet Union. Because of strong nationalism and occasional conflict a band of Nationalist soldiers killed a number of foreigners in Nanjing, including some Americans. Some members in the KMT were adopting anti-American, as they were dogmatically anti-imperialists. A Marxist author, Chiang Kung-shen wrote in 1930,

The United States was no less aggressive than other powers. The Open Door policy was never meant to uphold China's integrity and otherwise help China against the encroachment of other nations, but merely to prevent them from controlling China; the ultimate aim was to establish American's own dominant position. The so-called "friendly attitude of the United States toward China" was mere propaganda; it was intended to hide its aggressive designs. Traders, missionaries, and educators were all agents of American policy.<sup>40</sup>

Nevertheless, Sino-American relations recovered slightly as a result of several historical events in the 1930s. Firstly, the Kuomintang united China and became the first legal ruling party after the end of the Qing dynasty. It seemed that China had an opportunity to develop its society, economy and politics moving forward to modernisation. In 1934, Chiang Kai-shek launched the New Life Movement, which represented a chance

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<sup>37</sup> Tang Tsou, *op. cit.*, p. 15.

<sup>38</sup> Richard Madsen, *China and the American Dream: A Moral Inquiry*, Berkeley, California: University of California Press, 1995, pp. 163-191.

<sup>39</sup> Akira Iriye, *op. cit.*, p. 154.

<sup>40</sup> Akira Iriye, *op. cit.*, p. 162.

to develop the Chinese society through Chiang's ideas of social reform. This movement was to respect existing government and social authority through emphasis on Confucianism and Christianity that encouraged many American missionaries to engage in Chiang's educational and health programs.<sup>41</sup> But this movement could not solve China's internal deficiencies nor could it deter Japanese invasion.<sup>42</sup> Second, the rupture of Kuomintang-Communist relations ensured that China would adopt a right-wing policy and form a coalition government. Third, Chiang Kai-Shek feared Japanese intervention and its diplomatic isolation. Hence, the KMT (Kuomintang or Nationalist Party) leaders saw 'the United States seemed the only country capable of helping them now that Britain, Russia, and Japan had one by one alienated them.'<sup>43</sup> They 'eagerly cultivated American friendship in the hope of obtaining financial and technical assistance...the new leaders were especially desirous of American help as Sino-Japanese relations worsened.'<sup>44</sup> This kind of expectations maintained in the Chinese and the US governments, but, in practice, there were many differences between the American and Chinese as well as within both of governments.

During the period 1860 to 1940, the various Chinese governments always wanted American assistance and support in order to defend themselves against other powers' ambitions of Chinese territorial and economic interests, particularly Japanese imperialism. American's goodwill, as expounded in the "Open Door" policy and the later Stimson's non-recognition doctrine, were only rhetorically beneficial. On the other hand, China's importance was insufficient for American involvement.

Historically, the Chinese government recognised the superiority of Western technology and wanted to increase its strength through foreign aid, particularly capital and technical assistance. The Chinese government sought American assistance.<sup>45</sup> At the end of the nineteenth century, 'the US still lacked the power or, most importantly, the political will to use it, across the Pacific'. At the same time, 'there seemed to be ample opportunity for safe and rewarding investments at home and those with capital could not be persuaded

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<sup>41</sup> Arthur Power Dudden, *op. cit.*, pp. 130-132.

<sup>42</sup> Michael Schaller, *The United States and China in the Twentieth Century*, (2<sup>nd</sup> ed.), New York: Oxford University Press, 1990, pp. 45-46.

<sup>43</sup> Akira Iriye, *op. cit.*, p. 155.

<sup>44</sup> Akira Iriye, *op. cit.*, p. 161.

<sup>45</sup> Warren I. Cohen, *op. cit.*, p. 32.

to risk their fortunes in China. Li's hope for cooperation with Americans came to naught.<sup>46</sup>

In the beginning of the twentieth century, the basic framework of the Sino-American relationship was based on 'balance of power' and 'economic interests'. For China, the Chinese government wanted to utilise the US' influence to balance other powers particularly Japan and Russia. For the US, a wealthy and strong China benefited a balance of power that was favourable for the US, especially the capacity of a strong China to balance Japanese and Russian imperialism. Furthermore, the Chinese market was a vast market for American products. China's backwardness and weakness, however, were disadvantageous conditions for developing closer relations with the US.

In fact, the so-called potential market of China remained a dream until the end of the twentieth century. From 1890 to 1904, the highest percentage of total US export trade to China was 1.8 percent in 1902. From 1905 to 1919, the peak was 3.5 percent in 1905 because of increases generated by the Russo-Japanese war. From 1920 to 1931, the peak was 4.0 percent in 1931.<sup>47</sup> Obviously, China was isolated from the American East Asian policy. Tables 4-1 to 4-3 demonstrate the trade relationships among US-Japan-China during the 1890s and the 1930s. They reveal that Japan was a vital player in the East Asian region. Compared to Japan's development, there was no doubt that China could not become an important trade partner with the US.

From the end of Qing dynasty to the beginning of Republican era, many Chinese students went to Japan because of cultural similarity and geographic adjacency. From 1916 to 1939, interestingly, the trend of studying in the US increased much more than in Japan. One of the reasons was Japanese expansionism. The percentage of American-trained students had increased from 9.5 percent in 1916 to 36.2 percent in 1939, however, the percentage of Japanese-trained students had declined from 33.7 percent in 1916 to 15.4 percent in 1939.<sup>48</sup> Between 1901-1920, there were twenty-four hundred Chinese students enrolling in American universities and between 1921-1940 some fifty hundred more enrolled in 370 American institutions.<sup>49</sup>

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<sup>46</sup> Warren I. Cohen, *op. cit.*, p. 33.

<sup>47</sup> Warren I. Cohen, *op. cit.*, p. 37, 68, and 107.

<sup>48</sup> Y. C. Wang, *Chinese Intellectuals and the West*, Chapel Hill, NC: the University of North Carolina Press, 1965, p. 177.

<sup>49</sup> Arthur Power Dudden, *op. cit.*, p. 131.

**Table 4-1: The American Economic Stake in China, 1890-1919**

YEAR	US EXPORTS TO CHINA (\$MILLION)	PERCENTAGE OF TOTAL US EXPORT TRADE	US INVESTMENT IN CHINA (\$MILLION)	PERCENTAGE OF TOTAL US INVESTMENT IN OVERSEAS
1890	3	0.3		
1891	9	1.0		
1892	7	0.7		
1893	4	0.5		
1894	6	0.7		
1895	4	0.5		
1896	7	0.8		
1897	12	1.1		
1898	10	0.8		
1899	14	1.1		
1900	15	1.1		
1901	10	0.7		
1902	25	1.8	19.7	1.2
1903	19	1.3		
1904	13	0.9		
1905	53	3.5		
1906	44	2.5		
1907	26	1.4		
1908	22	1.2		
1909	19	1.1		
1910	16	0.9		
1911	19	0.9		
1912	24	1.0		
1913	21	0.8		
1914	25	1.0	49.3	1.4
1915	16	0.6		
1916	32	0.6		
1917	40	0.6		
1918	53	0.9		
1919	106	1.3		

Source: Warren I. Cohen, 1990, page 37 and page 68. He quoted from *Historical Statistics of the United States, 1789-1945, Foreign Commerce and Navigation of the United States*, and C. F. Remer, *Foreign Investments in China* (New York: Macmillan, 1933).

**Table 4-2: The American Economic Stake in China, 1920-1931**

YEAR	US EXPORTS TO CHINA (\$MILLION)	PERCENTAGE OF TOTAL US EXPORT TRADE	US INVESTMENT IN CHINA (\$MILLION)	PERCENTAGE OF TOTAL US INVESTMENT IN OVERSEAS
1920	146	1.8		
1921	108	2.4		
1922	100	2.6		
1923	109	2.6		
1924	109	2.6		
1925	94	1.9		
1926	110	2.3		
1927	83	1.7		
1928	138	2.7		
1929	124	2.4		
1930	90	2.3		
1931	98	4.0	196.8	1.2

Source: Warren I. Cohen, *op. cit.*, 1990, page 107.

**Table 4-3: Comparison of American Exports to China and Japan, 1932-1940**

Year	VALUE OF EXPORTS (\$ MILLION)		PERCENTAGE OF TOTAL US EXPORT TRADE (%)	
	To China	To Japan	To China	To Japan
1932	56	135	3.5	8.4
1933	52	143	3.1	8.5
1934	69	210	3.2	9.9
1935	38	203	1.7	8.9
1936	47	204	1.9	8.3
1937	50	289	1.5	8.6
1938	35	240	1.3	7.8
1939	56	232	1.8	7.3
1940	78	227	1.9	5.6

Source: Warren I. Cohen, *op. cit.*, 1990, page 123.

In this period, the Western-educated (especially American-educated) people serving in government and academic sectors occupied many important positions. In the central government, which included, under the old Beijing regime, the President and the cabinet members, and under the Kuomintang regime, the Chairman of the national government, the head of the five Yuans, and the ministers in the Executive Yuan, the foreign-trained ministers were increased in central government. In 1915, 'five out of twelve central government leaders were foreign educated; In 1923, seven out of twelve; in 1932, fourteen out of eighteen; in 1937, twelve out of sixteen. The Western-trained as a whole outnumbered the Japanese-trained in all years except 1923 and 1937.'<sup>50</sup>

In the academic sector, the trend was more significant. For example, '[I]n 1937, on the faculty of Tsinghua (Qinghua) University, a nationally famous centre of learning, there were 94 Chinese full professors who had studied in the following countries: the US (69), both the US and Europe (5), Germany (7), France (4), England (3), Japan (3), Hong Kong (1), China (1), unknown (1). The only man trained solely in China was a professor of Chinese, who later spent a year on a study tour in Europe.'<sup>51</sup> In regards to the educational backgrounds of the fellows of the Academia Sinica (the highest research institution in China), there were seventy-five of the eighty-one trained in the West, and fifty-two were in the United States.<sup>52</sup>

After Chiang Kai-shek got power, American influence grew by leaps and bounds. His well-placed relatives cultivated Western contacts in all the right places. Many major universities obtained their credentials in the US. The Academia Sinica, the National

<sup>50</sup> Y. C. Wang, *op. cit.*, p. 178.

<sup>51</sup> Y. C. Wang, *op. cit.*, p. 180.

<sup>52</sup> *Ibid.*

Agricultural Research Institution, the Peking Union Medical College (under Rockefeller Funds), and the Geological Survey of China were supported by the American.<sup>53</sup>

Significantly, American education played a vital influence in this period according to the previous data. However, it was of little help to the relations between the US and China, nor for the strategic position neither of China, nor for China's modernisation because external pressure was too strong and internal integrity was so weak.

In retrospect, US China policy could be categorised according to two perspectives - realism and liberalism. In general terms, Theodore Roosevelt was a realist and Woodrow Wilson a liberal. These two perspectives reflected the divisions in US China policy as far as China's strategic importance was concerned.

When Theodore Roosevelt entered the White House proclaiming the Pacific an American lake and East Asia the nation's new frontier, he was responding to the rise of Japan. In doing so, however, he moved toward recognising the 'dominant position Japan deserved as an advanced state and regional power. That meant Japan, not the United States, would carry the primary responsibility to police as well as tutor China.'<sup>54</sup> In his presidency, Roosevelt accepted the primacy of Japanese interests in China while at the same time he won from Japan guarantees for the strategically vulnerable Philippines. On the other hand, he did not deny that 'the United States should serve as China's protector or that China constituted an important market, at least in the long term.'<sup>55</sup>

The liberal, President Woodrow Wilson, felt 'an obligation to help the Chinese become Christian and democratic and to protect them against Japan.'<sup>56</sup> These two main perspectives represented the US government's position on Sino-American relations at the end of nineteenth century and the beginning of twentieth century. Also, the two major approaches had interacted at profound levels in the policy making of America a hundred years. Notwithstanding the different views in every administration, in practical terms there is no doubt that the America's China policy has been a strategic of balance-of-power policy throughout this long period as well as China adopted.

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<sup>53</sup> Arthur Power Dudden, *op. cit.*, p. 131.

<sup>54</sup> Michael H. Hunt, *Ideology and U.S. Foreign Policy*, New Haven and London: Yale University Press, 1987, p. 132. Also see Arthur Power Dudden, *op. cit.*, p. 143.

<sup>55</sup> Michael H. Hunt, *op. cit.*, p. 132.

<sup>56</sup> Michael H. Hunt, *op. cit.*, p. 133.

### 4-3 The Period of Alliance (1941-1949)

Before the Pacific war, American East Asian policy still tilted toward Japan rather than toward China because isolationism was spreading and Japan was the only modernised country in the region. Therefore, 'in July 1937, as the fighting in China intensified and developed into a major war, the American response remained unchanged.'<sup>57</sup> In the early stage of the Sino-Japanese war, Washington began to view Nationalist China as more than a victim of attack. China became a potentially vital ally in an American strategy between containing Japan and constructing a new order in Asia.<sup>58</sup> The American was fascinated by the "stubborn and heroic resistance" of the Chinese troops against the better-equipped and better-trained Japanese troops.<sup>59</sup> Many American officials were more dislike Japan than Nazi Germany.<sup>60</sup> After Nazi Germany invaded the Soviet Union, Japan advanced Southward. American ambassador to Japan, Joseph Grew, urged the US government to show of use force to deter Japan's southward policy.<sup>61</sup> American was struggling with a dilemma, which the US did not have preparation to fight a two-front war in both the Atlantic and the Pacific. Thus, the US' strategic perceptions titled toward the importance of controlling the Atlantic and keeping the peace in the Pacific.<sup>62</sup>

Owing to the great depression in the 1930s, America needed to stimulate its economy, which gradually caused an economic conflict with Japan. In addition, a long term Asian immigration conflict occurred on the West Coast, particularly in California and Hawaii. These trends, along with Japanese domestic militarism, resulted in the American-Japanese war. China then naturally became an ally of America However, 'not until the summer of 1940, when Japan had made gestures against the British and French position in Southeast Asia and began flirting anew with Nazi Germany, did the United Sates take significant action to retard the Japanese war effort. Even then, Roosevelt was persuaded

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<sup>57</sup> Warren I. Cohen, *op. cit.*, p. 117.

<sup>58</sup> Michael Schaller, *op. cit.*, p. 50.

<sup>59</sup> Harold Isaacs, *Scratches on Our Minds: American Images of China and India*, Westport, Conn.: Greenwood, 1973, pp. 164-167.

<sup>60</sup> Tang Tsou, *op. cit.*, p. 20.

<sup>61</sup> Joseph Grew, *Turbulent Era II: A Diplomatic Record of Forty Years, 1904-1945*, London: Hammond, 1953, pp. 1228-1229.

<sup>62</sup> Tang Tsou, *op. cit.*, pp. 21-22.



not to prevent the sale of all scrap iron and oil. In fact, the following year brought a tremendous increase in the sale of petroleum products to Japan.<sup>63</sup>

Although China became an ally of America during the Pacific War, the importance of China was as “an honoured ally, but also, a second-class ally”.<sup>64</sup> The Japanese occupied the coastal China’s provinces and invaded Indochina that did not evoke American to engage in the war until Japanese bombing Pearl Harbour on 7 December 1941. American engagement was cheerful in Chongqing because the KMT government and most Chinese believed US aid would come.<sup>65</sup> However, US aid was less than that the Soviet Union received, as mentioned the previous. One of the reasons was serious corruption in the KMT. Another reason was some concerned Chiang could comprise with the Japanese.<sup>66</sup>

On the other hand, there was fundamental incompatibility in the relationship between Generalissimo Chiang Kai-Shek and General Joseph Stilwell, who was a military adviser and represented President Roosevelt in advising Generalissimo Chiang. It was considering how to operate an appropriate strategy by utilising Chinese army to defend Japanese troops on the ground in Burma. In July 1940, Winston Churchill yielded to a Japanese demand that the Burma Road be closed to all military supplies, trucks, and gasoline for three months.<sup>67</sup> That decision affected the Chinese defending Japanese invasion bitterly. During that period, the KMT government was facing the most serious strategic problem that was its lack of air power. Chiang Kai-shek’s adviser Clair Lee Chennault suggested the KMT government to order some American made aircraft. But debates within the KMT government about contractors, prices and delivery date prevented the purchase being made.<sup>68</sup>

Compared to the role played by the British troops in Singapore, ‘the Chinese army was indeed playing a crucial role in the Allied effort, trying down about two-fifths of all the forces available to the Japanese.’<sup>69</sup> In January 1942, the so-called “impregnable

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<sup>63</sup> Warren I. Cohen, *op. cit.*, p. 122.

<sup>64</sup> Warren I. Cohen, *op. cit.*, p. 125. Also see Xiaoyuan Liu, *A Partnership for Disorder: China, the United States and Their Policies for the Postwar Disposition of the Japanese Empire, 1941-1945*, New York: Cambridge University Press, 1996, pp. 202-203.

<sup>65</sup> Jonathan D. Spence, *The Search for Modern China*, New York: W. W. Norton & Company, 1990, p. 469.

<sup>66</sup> Chen Yong-fa, *Zhongguo Gongchan Gemin Qishi Nian (The Seventy Years of the Chinese Communist Revolution)*, Taipei: Lian Jin Publisher, 1998, pp. 332-335.

<sup>67</sup> Jonathan D. Spence, *op. cit.*, p. 466.

<sup>68</sup> Jonathan D. Spence, *op. cit.*, p. 467.

<sup>69</sup> Jonathan D. Spence, *op. cit.*, p. 470.

bastion” of the British - Singapore - was occupied by the Japanese. The surrender of its 130,000 troops apparently degraded Britain’s weakened reputation with the Chinese.<sup>70</sup> As a result, China’s wartime supply route was completely cut. Thus, Stiwell argued that China must defend on the ground to reopen the Burma route so that large-scale supplies could again reach China not merely depended on Chennault’s planes flying over the Himalayas to receive US supply. But Chiang was unwilling to deploy his best-trained and best-equipped troops (most of the heavy equipment of the German-trained Fifth and Sixth armies) to Burma.<sup>71</sup> In April 1942, however, a subsequent loss of battles in which demoralised Nationalist troops were used isolated his forces in Southwest China as the Communists took up position in Yanan in the Northwest.

During the anti-Japanese war, the Chinese Communists adopted the strategy of guerrillas to defend Japanese invasion. Ideally, it was an effective strategy but ‘the Chinese Communists were not actively engaged in aggressive actions against Japan’s occupation forces.’<sup>72</sup> As Chalmers A. Johnson puts it, after their “Hundred Regiments’ Offensive” in 1940, the Communists put much greater stress upon “economic guerrilla warfare” than on guerrilla activities of a purely military nature.<sup>73</sup> Like the Nationalists, Tang Tsou stated, ‘the Chinese Communists were expanding and preserving their forces in preparation for the postwar struggle for power in China.’<sup>74</sup>

Another argued that ‘if Chinese Communists had been as strong as they claimed and if they had actively used their armies against Japan, they could have effectively tied down the Japanese forces, which in 1945 numbered 1,050,000 men in China proper.’<sup>75</sup> Compared with the British experience of fighting against the Communist guerrillas in Malaya, at the worst period, fifty armed men were ranged against one guerrilla. In general, it takes between ten and twenty soldiers to control one guerrilla in an organised operation.<sup>76</sup> In this logic, the CCP could entrap at least 10 million Japanese troops in China’s battlefields. As a matter of fact, Japanese troops were about 2 million excluded Manchurian troops. It was difficult to agree that the guerrilla warfare was successful in the

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<sup>70</sup> *Ibid.*

<sup>71</sup> Jonathan D. Spence, *op. cit.*, p. 471.

<sup>72</sup> Tang Tsou, *op. cit.*, p. 302

<sup>73</sup> Chalmers A. Johnson, ‘Civilian Loyalties and Guerrilla Conflict’, *World Politics*, July 1962, pp. 646-661.

<sup>74</sup> Tang Tsou, *op. cit.*, p. 302.

<sup>75</sup> Tang Tsou, *op. cit.*, p. 301. The author quoted from W. W. Rostow, ‘Countering Guerrilla Warfare’, *New Leader*, July 31-August 1, 1960, p. 13.

<sup>76</sup> Tang Tsou, *op. cit.*, p. 302.

anti-Japanese war. In fact, both the CCP and the KMT sought to preserve their strength in preparation for the postwar struggle to rule China; the CCP in particular was intent upon this outcome.<sup>77</sup>

In the summer of 1944, an impressive attack launched by Japanese troops (an operation code name *Ichigo* - meaning "Number One") damaged the Nationalist' military forces and contributed to a further deterioration of Chinese morale and of American confidence in Chiang's leadership. There were widely reports blaming the KMT regime for inefficient military strategies, bureaucratic corruptions, and heavy tax collections that caused Chinese peasants in the former Nationalist-held areas to have famine even the solders had malnutrition. Facing of these disasters and catastrophes, it was not surprising American swift their interests to the Communists in Yanan. As a matter of fact, President Roosevelt and the Joint Chiefs of Staff even discussed the possibility of equipping the Communist to strengthen their capacity in defending the Japanese.<sup>78</sup>

To receive US support, the Chinese Communists clearly expressed their strong desire for the US military to land on the China coast in 1944-1945, as well as for US military aid to strengthen their forces. Mao Zedong offered to undertake military cooperation with the US including the placing of Chinese Communists' forces under an American commander. 'We will accept your help with gratitude any time', he said, 'now or in the future. We would serve with all our hearts under an American General, with no strings or conditions attached. If you land on the shores of China, we will be there to meet you, and to place ourselves under your command.'<sup>79</sup> Furthermore, Mao also argued that he was in favour of long term American economic assistance for China's modernisation. He realised that China's greatest postwar need was economic development. America could provide its capital to invest in China and China was an export market for American products. He emphasised that 'America is not only the most suitable country to assist this economic development of China; she is also the only country full able to participate.'<sup>80</sup>

Nevertheless, John Lewis Gaddis thinks that 'the US favored the Chinese Nationalists over the Chinese Communists during World War II, but this is hardly

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<sup>77</sup> Chen Yong-fa, *op. cit.*, pp. 348-352.

<sup>78</sup> Jonathan D. Spence, *op. cit.*, pp. 476-478.

<sup>79</sup> A. Doak Barnett, *China and the Major Powers in East Asia*, Washington, DC: The Brookings Institution, 1977, pp. 165-66.

<sup>80</sup> A. Doak Barnett, *op. cit.*, p. 166.

astonishing.’<sup>81</sup> Until 1944, as mentioned above, because of the Nationalists’ incompetence in fighting the Japanese, the US began to consider the Communists seriously. Even so, the US still supported Chiang partly because Washington worried about Moscow’s influence throughout China if the Communists controlled it.<sup>82</sup>

In this period, American strategy in the Far East area was ‘to achieve a quick victory over Japan within the global strategy of defeating Hitler first. There was no hard-and-fast, long-range plan for the defeat of Japan.’<sup>83</sup> Under this guideline of ‘European-battlefield first’ priority, the US attempted to ensure China remained a credible Asian power and to avoid a military collapse. Thus, China was encouraged to make maximum use of its military potential and the KMT discouraged from launching a large-scale attack on the Chinese Communists. Most importantly, the CCP and the KMT were to be brought together to form a coalition government. American policy, ideally, was to bring about unified and democratic China by peaceful means and to reward China with great power status in the postwar world.<sup>84</sup> However, the CCP and the KMT were unable to resolve fundamental disagreements thus giving rise to a half century of difficult Sino-American relations.

In the 1940s, the US government kept relations with the CCP government in Yanan and the KMT government in Chongqing. At that time, some officers in the US government believed that the Chinese Communists were not real communists. As General Patrick J. Hurley told a news conference in Washington on 2 April 1945,

I believe you all do know that it is a matter of common knowledge that the Communist Party of China supports the principles of Dr. Sun Yat-sen. That was generally referred to as the people’s principles of China. The three principles are government of the people, by the people, and for the people. All the demands that the Communist Party has been making have been on a democratic basis. *That has led to the statement that the Communist Party [sic] in China are not, in fact, real Communists [emphasised added].* The Communist Party of China is supporting

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<sup>81</sup> John Lewis Gaddis, *We Now Know: Rethinking Cold War History*, Oxford: Clarendon Press, 1997, p. 58.

<sup>82</sup> John Lewis Gaddis, *op. cit.*, p. 59.

<sup>83</sup> Tang Tsou, *op. cit.*, p. 59.

<sup>84</sup> Tang Tsou, *op. cit.*, pp. 33-34.

exactly the same principles as those promulgated by the National Government of China and conceded to be objectives also of the National Government....As a matter of fact, the divergence between the parties in China seems to be not in the objective desired because they both assert that they are for the establishment of a government in China that will decentralize authority and conduct itself along democratic lines, employing democratic processes. The divergence between them is the procedure by which they can be achieved.<sup>85</sup>

In some Americans' minds, the CCP was pursuing democratic politics that could benefit China, also, and perhaps most importantly, benefit the US because a democratic and prosperous China was considered good for American commercial interests and evangelising.<sup>86</sup> Unfortunately, misunderstanding and inappropriate policy decisions caused ambiguity and dilemmas in Sino-American relations during the next thirty years. Despite the lack of formal relations between the US and the Chinese Communists, there were many contacts between the US government and the Communists 'during the Marshall mission period, at Panmunjom after the Korean War, at Geneva and Warsaw' in the 1950s.<sup>87</sup> According to A. Doak Barnett's analysis:

In its attempt to mediate the Nationalist-Communist conflict, the United States found itself in the vortex of struggle between irreconcilable forces. Its attempt simultaneously to support the Nationalist government (Kuomintang) and to induce it to reach a compromise with the Communist was probably destined from the start to fail. In the end virtually all major Chinese groups were bitter and disillusioned with the United States - the Nationalists felt the Americans had failed to give

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<sup>85</sup> Tang Tsou, *op. cit.*, p. 185.

<sup>86</sup> Andrew J. Nathan, *China's Crisis: Dilemmas of Reform and Prospects for Democracy*, New York: Columbia University Press, 1990, pp. 72-73. 'In the nineteenth century, American businessmen looked to the Chinese market for an outlet for manufactured good; American Protestant groups made China one of the major foci of their worldwide missionary effort....When China participated in the Second World War on the side of the Allies, Americans idealized Chiang Kai-shek and his Protestant wife as staunch allies and true democrats who were trying to transplant Western values into their country.'

<sup>87</sup> A. Doak Barnett, *China and the Major Powers in East Asia*, Washington, DC: The Brookings Institution, 1977, p. 165.

them full-scale aid and in attempting to push for reforms and compromises had meddled excessively in Chinese internal affairs; the Communists felt the Americans had failed to maintain a really neutral posture but instead had bolstered the Nationalist regime throughout the period of mediation.<sup>88</sup>

During WWII, China's position was improved because it was an ally against Japan. President Roosevelt promised Generalissimo Chiang that China would be one of the permanent members of the Security Council in the United Nations although Churchill was opposed to this idea. Before the Cairo Conference, President Roosevelt told his son Elliott Roosevelt:

The United States will have to lead and use our good offices always to conciliate, help to solve the differences which will arise between the others, between Russia and England, in Europe; between the British Empire and China and between China and Russia, in the Far East.<sup>89</sup>

During the Cairo Conference, President Roosevelt 'wanted Chiang to form a "unity government" with the Chinese Communists as a condition for American support for China's regaining of Hong Kong.'<sup>90</sup> The attitude reflected a central debate - a democratic China involving a "unity government" - that was related to American support. Further, the US official in State of Department emphasised that China must stabilise itself before it become a peacekeeping role in the postwar East Asia. They expressed three conditions were found wanting in China:

- (1) Internal political unity and stability;
- (2) The Chinese people's support for the KMT government;
- (3) A sound economic and financial capacity to support modern armed forces.<sup>91</sup>

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<sup>88</sup> A. Doak Barnett, *op. cit.*, p. 160.

<sup>89</sup> Xiaoyuan Liu, *op. cit.*, p. 144. Quoted from Elliott Roosevelt, *As He Saw It*, New York: Dull, Sloan & Pearce, 1946, pp. 129-130.

<sup>90</sup> Xiaoyuan Liu, *op. cit.*, p. 139.

<sup>91</sup> Xiaoyuan Liu, *op. cit.*, p. 205.

In this sense, it would be unwise for the US government to commit its China policy of helping the KMT develop modern forces or supporting China into a power in Asia unless the KMT fulfilled these three conditions. Accordingly, the central consideration in the US government was that a democratic, stable and anti-corruptive regime would be related to American aid and respect. Unlike American viewpoint, Chiang Kai-shek merely focused on military-security issues. He thought the postwar Chinese-American military cooperation should include:

- (1) mutual assistance against aggression;
- (2) American military presence at Pacific bases to prevent aggression;
- (3) US aid to China for equipment of Chinese land and air forces;
- (4) arrangement on bases for mutual security; and
- (5) mutual consultation with regard to decisions pertinent to the Pacific region and the Asian mainland.<sup>92</sup>

With different expectations, Chiang and Roosevelt did not reach a real decision about China's postwar position even an equal treatment. Although the Cairo Conference was unanimously praised by Chinese and American public as an unprecedented victory in China's diplomatic history, 'Chiang had only achieved vague promises from President Roosevelt at Cairo.'<sup>93</sup> 'Despite the Cairo summit alleging the importance of China in postwar, Roosevelt reached a secret understanding with Joseph Stalin over Asian problems [particularly China's loss territory and the future of the Korean peninsula] without consulting and notifying the Chinese.'<sup>94</sup> As Akira Iriye said, 'Roosevelt's view of China was reflected in the Yalta agreements; he considered that the Big Three (which meant the US, Britain, and the Soviet Union) would be the major partners for the new order after the

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<sup>92</sup> Xiaoyuan Liu, *op. cit.*, p. 140.

<sup>93</sup> Xiaoyuan Liu, *op. cit.*, p. 146.

<sup>94</sup> *Ibid.*

war. Russia, rather than China, would assume the burden of fighting the Japanese army; and for doing so the Soviet Union would be offered a prize at the expense of China.<sup>95</sup>

Roosevelt placed Manchuria, which was China's territory, under the authority of the Soviet Union because he still thought that peace, order and stability in postwar Asia depended on the new balance of power being established among the Big three rather among "four policemen - the US, Britain, the Soviet Union, and China."<sup>96</sup> The key reason was the Nationalists' military bad performance had caused Washington to be so disappointed that Roosevelt agreed to restore the Tsar's influence in Manchuria to Stalin in order to persuade the Red Army to enter the Pacific war.<sup>97</sup>

Some argued whether China should be a real power in the postwar. As John C. Vincent, a US official in the State Department, classified China as a second-rate power. The other, Stanley Hornbeck, believed that 'the US was capable, if willing, to alleviate China's poor physical conditions and help the Asian ally to develop in reality its wartime image as a great power.' He further warned that 'despite American's adherence to the concept of China as one of Big Four, its current lukewarm military effort in China was taking the risk of "letting China become a military and political nullity".'<sup>98</sup>

Unfortunately, the Nationalist troops could not effectively defeat Japanese that caused previously high expectation about Chongqing to disappear quickly. Militarily, the KMT troops lost the battle in the summer of 1944, which led China's importance to degrade. According to Winston Churchill, 'who had never had much faith in China, wrote that to consider it still as one of the Big Four was "an absolute force" and he noted China's "grotesque" military failures in the Ichigo battle.'<sup>99</sup>

It was not surprising Generalissimo Chiang could not join the meeting at Yalta in February 1945. In the Yalta meeting, Russian regained all privileges, which lost to the Japanese in 1905, including Sakhalin, the Kuril Islands and a preponderant interest in Manchuria (particularly lease Lushun naval base and Dalian port). These clauses directly contributed advantages for the Communists but disadvantages for the Nationalists. Further,

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<sup>95</sup> Akire Iriye, 'The United States As An Asian-Pacific Power', in Gene T. Hsiao (ed.), *Sino-American Detente and Its Policy Implications*, New York: Praeger, 1974, p. 11.

<sup>96</sup> *Ibid.*

<sup>97</sup> John Lewis Gaddis, *op. cit.*, p. 56.

<sup>98</sup> Xiaoyuan Liu, *op. cit.*, p. 203. Liu quoted from *Hornbeck to Secretary Hull*, 6 July 1944, Stanly K. Hornbeck paper, Hoover Institution, box 380.

<sup>99</sup> Jonathan D. Spence, *op. cit.*, p. 482.



China was struggling internal political disputes and economic difficulties. As a consequence, China's importance and international influence were not significant as the Soviet Union during the War.

The abrupt Tokyo surrender revealed that the weakness of the KMT government could not prepare for recovery the North and East China. It was struggling to control over the whole territory.<sup>100</sup> Chiang Kai-shek asked the US to airlift KMT troops as possible from Chongqing to north and east China.<sup>101</sup> However, according to the Yalta agreement, the USSR had occupied the territory and it allowed CCP troops to retake this richly endowed and vital strategic land.<sup>102</sup> In the two months after Japan's surrender, the US Tenth Air Force airlifted 110,000 of the KMT's best American-trained troops to key cities.<sup>103</sup> On the other side, the Communists forces Japanese troops to surrender directly to them wherever possible. Interestingly, American also airlifted around 20 Communists leaders from Yanan to battle fronts of north and east China. According to Deng Xiaoping, if the US had not lifted these leaders to those areas, the Communists would not have shared the fruits of anti-Japanese victory.<sup>104</sup> In fact, the two parties were struggling over expanding their political control through utilising US aid and sympathise. In Manchuria, the Soviet Union allowed huge stockpiles of Japanese weapons and ammunition to fall into the hands of the Chinese Communists after accepting the Japanese surrender.<sup>105</sup>

In the beginning of the civil war, President Truman dispatched General George Catlett Marshall to mediate the confrontation between the KMT and the CCP in 1947.<sup>106</sup> In the American mind, particularly in Marshall's, there was a hope that the KMT and the CCP could organise a coalition government.<sup>107</sup> Marshall thought that the Communists could be incorporated into a Nationalist-led coalition government so a political settlement could be

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<sup>100</sup> Nancy B. Tucker, *op. cit.*, p. 14.

<sup>101</sup> Jonathan D. Spence, *op. cit.*, p. 484.

<sup>102</sup> Nancy B. Tucker, *op. cit.*, p. 18. According to Nancy B. Tucker, the Russian did leave the Chinese Communists light weaponry that proved useful in the subsequent conflicts.

<sup>103</sup> Jonathan D. Spence, *op. cit.*, p. 484.

<sup>104</sup> Chen Yong-fa, *op. cit.*, pp. 395-396.

<sup>105</sup> Jonathan D. Spence, *op. cit.*, p. 485. Chen Yong-fa, *op. cit.*, p. 404. Chen cited from Andrei Ledovsky, 'Mikoyan's Secret Mission to China in January and February 1949', *Far Eastern Affairs*, no. 2, 1995, p. 79. In the early stage of civil war, according to Chen's translation, the Soviet Union did not promise providing weapons to the Communists' troops because of gaining many benefits from the KMT and worrying American military further engaging in China. Until 1948, at the eve of Mukden battle, the Soviets allowed 700,000 Japanese weapons to give to the Communists troops in order to match the battle of north China.

<sup>106</sup> June M. Grasso, *Truman's Two-China Policy, 1948-1950*, Armonk, NY: M. E. Sharpe, 1987, pp. 80-102.

<sup>107</sup> Nancy B. Tucker, *op. cit.*, pp. 16-17.

achieved in which the US might leave China under Moscow's control.<sup>108</sup> However, a real democratic outcome never eventuated although both sides attended a meeting to formulate the Constitution. Neither side could tolerate different opinions nor trust each other. A long-term struggle began and never ended. Since then, America played an important but inconsistent role in the conflict between the KMT and the CCP.

Some argue that the KMT failed to undertake land-reform policy, conducted an ineffective economic policy, adopted an inappropriate military strategy, suffered disintegrate party's leadership and allowed severe party corruption.<sup>109</sup> By contrast, the CCP government represented the interests of massive numbers of peasants, and developed an efficient and consolidated government in Yanan. Economically, it pursued an anti-landlord policy. Strategically, the CCP, led by Mao Zedong, was extremely pre-emptive. During the war, the Communists actively urged American friendships and support. On the other hand, it consolidated the trust of Stalin. These strategies enabled the Communists to develop their organisation and membership.<sup>110</sup> In late 1930, the Communists had decided to utilise the strategy of the "united front" that involved uniting with the KMT and the US in order to defend China against Japan. Meanwhile, the "united front" assisted in the survival of the CCP and later, it was of assistance in winning the civil war.<sup>111</sup> Despite Marshall's failure, 'Washington would search for an "Asian Tito" and Mao Zedong might

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<sup>108</sup> John Lewis Gaddis, *op. cit.*, p. 61.

<sup>109</sup> Nancy B. Tucker, *op. cit.*, p. 19. Also see Jonathan D. Spence, *op. cit.*, pp. 484-512.

<sup>110</sup> Chen Yong-fa, *op. cit.*, pp. 394-404. One Chinese historian concludes that the KMT lost a major battle in Northeast China (Manchuria) because of wrong military strategy and party's disintegration. As Wang Chaoxian believes the reasons of KMT's lose were: 1) Ambiguity of strategic gravity – the KMT leaders did not distinguish where was critical strategic gravity. As a result, Chiang dispatched his troops too spread to consolidate strike forces that caused the KMT troops could not concentrate the whole force in Manchuri. In addition, the KMT's primacy force was in the Southwest China rather than in the East or North China. In that situation, there was a big gap between its strategic gravity and substantive operation. Therefore, the KMT lost the battle in Manchuria in the beginning of civil war. 2) Incorrect judgement to the Soviet Union's attitudes: Chiang and his colleagues' misperception that the Soviet Union would commit the promises in the Yalta conference and ROC-USSR Friendly Treaty. Chiang hoped Russian Red Army would retreat from Manchuria during three months later and helped Nationalist troops to takeover Manchuria. 3) The KMT leaders were too rashly depend on the solution of force to "extinguish" the Communist: After the anti-Japanese war, the Nationalist had over 3 million troops with American equipment that gave the KMT leaders a myth that they could defeat the Communist without too long. 4) Internal disintegration: There were many disputes in the KMT that interrupted the consolidation of the party. As a result, diplomatic failure and political procrastination restrained military actions. Thereafter, incorrect military actions worsened political outcomes. It was not surprised that the KMT lost the civil war in Manchuria. See Wang Chaoxian, 'Kangzhan Shenglihou Guomindang (Kuomintang) Zai Dongbei Juece Yanjiu (The Research of Decision-making of the KMT in Manchuria after the Victory of Anti-Japanese War)', *Lishi Yanjiu (Historical Research)*, no. 238, 1995, pp. 132-133.

<sup>111</sup> Lyman P. Van Slyke, *Enemies and Friends: The United Front in Chinese Communist History*, Stanford, CA: Stanford University Press, 1967, pp. 185-207.

well be a plausible candidate. The Truman administration never wholly abandoned this view, even after the Korean War began.<sup>112</sup>

As a result of the failure of Marshall's mission and following the KMT's loss of the civil war, the situation in China seemed to deteriorate. Nothing could be done in many Americans' views. In August 1949, the US Department of State published the well known "White Paper" – chapter XIV.2.A. United States Relations with China, which sought to explain the failure of American policy in China and announced that the US would stand back from involving Chinese internal disputes.<sup>113</sup> It made clear that the United States 'did not intend to intervene to prevent a Communist takeover even of the island of Taiwan to which the National government had retreated.'<sup>114</sup> At the same time, the Chinese Communist government issued its foreign policy following the principle of "three great strategic decisions" which was laid by Mao. These decisions were:

1. "to set up a separate kitchen" [to establish a new regime],
2. "to clean up the room before sending invitations to the guests" [to exclude any anti-revolutionary elements],
3. "to lean to one side" [to ally with the Soviet Union].<sup>115</sup>

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<sup>112</sup> John Lewis Gaddis, *op. cit.*, p. 62.

<sup>113</sup> Alan Lawrance, *China's Foreign Relations since 1949*, London and Boston: Routledge & Kegan Paul, 1975, pp. 25-27. Also see June M Grasso, *Truman's Two-China Policy, 1948-1950*, Armonk, NY: M. E. Sharpe, 1987, p. 80. The full context was extracted from Dean Acheson's "Letter to the President Transmitting the Report on United States Relations with China", 30 July 1949. See Raymond Dennett and Robert K. Turner (eds.), *Documents on American Foreign Relations*, vol. 11, 1 January – 31 December 1949, London: Oxford University Press, 1950, pp. 538-546. In Acheson's letter, he expressed his unwillingness that the US could not involve China's domestic disputes. As he wrote,

The unfortunate but inescapable fact is that the ominous result of the civil war in China was beyond the control of the government of the United States. Nothing that this country did or could have done within the reasonable limits of its capabilities could have changed that result; nothing that was left undone by this country has contributed to it. It was the product of internal Chinese forces, forces which this country tried to influence but could not. A decision was arrived within China, if only a decision by default... We will not help the Chinese or ourselves by basing our policy on wishful thinking.

<sup>114</sup> A. Doak Barnett, *op. cit.*, p. 171.

<sup>115</sup> Wang Jisi, 'International Relations Theory and the Study of Chinese Foreign Policy: A Chinese Perspective', in Thomas W. Robinson & David Shambaugh (eds.), *Chinese Foreign Policy: Theory and Practice*, Oxford: Clarendon Press, 1994, p. 484. In February 1949, Mao Zedong talked to Anastas Mikoyan, Stalin's military delegate in the PLA: '[I]f we imagine our country to be a family house, it is very dirty inside. Firewood, trash, dust, bedbugs, and lice are everywhere. After the liberation, we have to clean our house carefully... [W]e need to get rid of all those dirty things and put our house in order. Only when the house is cleaned up... will we invite our guests to come in. True friends may come in earlier; they will also help us in the cleaning.' Quoted from Shi Zhe, 'With Mao and Stalin: The Reminiscences of A Chinese Interpreter', translated by Chen Jian, *Chinese Historians*, 5, spring 1992, p. 40.

At this time, the Truman administration revealed its willingness of recognising the new regime but the CCP followed the above principle to deal with the US government. As A. Doak Barnett recorded,

Ambassador John Leighton Stuart, who was accredited to the Nationalist regime, stayed in Nanking [waiting for opening negotiations with the CCP leaders] in April 1949 when much of the foreign diplomats moved the Nationalists government to Canton [including the Ambassador of the Soviet Union]. Soon after the Communist takeover, Stuart entered into discussion with Haung Hua (who in 1976 became China's foreign minister)...Haung indicated that the United States should make the first move toward recognition of the new regime by cutting its ties with the Nationalists.<sup>116</sup>

At that moment, the CCP had not taken the whole of China nor inherited the representative of China from the KMT in the United Nations. The purpose of the Communists was to win the civil war as soon as possible. The new regime did not have ability to commit its international obligations although the Soviet Union and Great Britain recognised it. As US ambassador John Leighton Stuart indicated that the preconditions for American recognition were evidence of acceptance of the new government by the Chinese people and a demonstration by the new government that it was willing and able to "perform its international obligations".<sup>117</sup> The US ambassador staying at Nanking (Nanjing) was a signal to the new regime that the US government had a willingness to accept the CCP government as a legal government. However, the CCP government lost opportunities to have close relations with the US partly because of Washington's uninterrupted support for the Nationalists in the immediate postwar years partly because of Mao's decision of leaning to the Soviets.<sup>118</sup> This decision also provided a survival condition to the KMT. Eventually, the KMT established a prosperous and democratic

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<sup>116</sup> A. Doak Barnett, *op. cit.*, p. 171.

<sup>117</sup> *Ibid.*

<sup>118</sup> Sergei N. Goncharov, John W. Lewis, and Xue Litai, *Uncertain Partners: Stalin, Mao, and the Korean War*, Stanford, California: Stanford University Press, 1995, pp. 29-44.

society in Taiwan but the CCP kept the Mainland as an economic backwardness and political dictatorship. The CCP's strategic decisions decided the path of China's modernisation and also impacted the regional environment.

During the Allied period, America continually supported the KMT but merely a diplomatic recognition China's policeman status after the war. Economically, American prepared to help China build a well-balanced economy. 'But such assistance would depend on what policies the Chinese government would follow and what actual conditions affecting American trade with and in China would exist in the postwar years.'<sup>119</sup> Implying in this policy, a real American aid would rely on China's internal development including stability, democracy, and clear bureaucracy. As a matter of fact, China's internal weakness and disintegration revealing the opinion of China's unimportance, which led by John Vincent prevailing in the Department of State, was an understandable policy. This policy also impacted the destiny of the KMT government and the process of China's modernisation during the civil war until the outbreak of the Korean War.

From the 1850s to the 1950s, relations between the US and China did not become as close as the US and Japan did before the WWII. The strategic influence of China also was less than that of Russia after the war. Internally, disintegrate situation caused China's development to stagnate. In particular, China was facing a KMT-CCP leadership struggle. The US had three alternative policies in such a situation: assistance to the Kuomintang, support for the Communists, or the promotion of a coalition government through America's arbitration. However, none of them would succeed. The failure of Marshall's arbitration worsened the Chinese civil war. The Communists defeated the Kuomintang and claimed they would "lean to one side - the Soviet Union". In 1949, the Truman administration published "the White Paper" with Special Reference to the Period 1944-1949, which seriously deteriorated the relationship between Washington and Nanking (later in Guangzhou, then in Taipei).<sup>120</sup> This policy was to design a step toward reaching an accommodation with the new government in China once it formally established. Nevertheless, the Truman administration's goodwill did not receive a reciprocal response

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<sup>119</sup> Xiaoyuan Liu, *op. cit.*, p. 206.

<sup>120</sup> The paper revealed the US Department of State's goals for Taiwan (under the KMT control) in two ways: first, it was designed to notify the KMT that they themselves were responsible for the security of Taiwan. Second, the US was not associated with the KMT on Taiwan and dismissed accusations made by the Soviets and the CCP that the US had designs on Taiwan. See June M. Grasso, *Truman's Two-China Policy*, *op. cit.*, pp. 85-86.

from the CCP. Meantime, the impact of the retreat of the Kuomintang caused a new chapter in the history of Sino-American relations as Taiwan developed from a ruin to a modernised society, from an authoritarian polity to a full-scale democracy, from a traditional culture to a new cultural identity. This development also had a profound impact on China. Further, the issue of Taiwan became a dilemma for China policy makers in the various US governments.

#### 4-4 The Hostile Period (1950-1969)

The Korean War was a turning point in Sino-American relations. Because Truman and Acheson had excluded Korea and Taiwan from the US defensive perimeter, Kim Il Sung believed the US would not intervene in the Korean War and even if they did, they would be unable to determine the outcome of the war.<sup>121</sup> Kim's ambitions and assumptions convinced Stalin. But Stalin urged Kim to consult with Mao because Stalin did not want to commit the Soviets to a direct conflict with the US. Mao linked the possibility of American response on the Korean War with the PLA's action on the liberation of Taiwan because both Kim and Mao thought this was an internal issue.<sup>122</sup>

Kim and Mao thus both miscalculated the American response and for the same reason. Both considered their respective problems to be internal. The US, however, had become preoccupied with Soviet expansionism,<sup>123</sup> and under the influence of the Truman Doctrine, the US adopted what came to be known as its containment strategy.<sup>124</sup> The miscalculations of Kim and Mao were to have the most serious consequences for the conduct of the Korean War and the position of Taiwan for the next fifty years. American's China policy changed with Beijing's entry into the Korean War, with the Chinese Communist regime coming to be treated as a proxy of Soviet communism, which would threaten American national interests. As a result, the US and China were in a hostile relationship during the period of the Korean War and the Vietnam War.

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<sup>121</sup> Sergei N. Goncharov, John W. Lewis, and Xu Litai, *op. cit.*, p. 142.

<sup>122</sup> Sergei N. Goncharov, John W. Lewis, and Xu Litai, *op. cit.*, pp. 143-145.

<sup>123</sup> Melvyn P. Leffler and David S. Painter (eds.), *Origins of the Cold War: An International History*, New York: Routledge, 1994, pp. 30-31.

<sup>124</sup> Robert G. Sutter, *China-Watch: Toward Sino-American Reconciliation*, Baltimore and London: The Johns Hopkins University Press, 1978, p. 31.

Fundamentally, because of Japan's modernised infrastructure, highly qualified human capital, industrial potential and historical ties with the US, it was inevitable that Japan's strategic position was more important than China's. Following the Korean War, Japan's strategic importance rose steadily with the implementation of the US containment strategy. John K. Fairbank stated three assumptions, which are related to US regional policy for East Asia. The first of these assumptions illuminated the importance of Japan that was based on the considerations of balance of power. As Fairbank argued,

In East Asia we must first of all defend a boundary to keep Japan from Communist absorption because a Communist Japan with its skills, even more than a Communist India, would tip the world power balance and have us soon fighting for survival. Defence of South Korea and of Taiwan are, incidentally, related to the problem of defending Japan.<sup>125</sup>

With the establishment of the new government, the Chinese people had "stood" up internationally as Mao Zedong said. After the new regime was formed, several states recognised it between October 1949 and January 1950 as table 4-4 reveals. Had the US not engaged in war with China during the Korean War there might well have been an opportunity for the US to recognise it diplomatically. An added problem was that the US continued selling arms to Taiwan despite the opposition of the CCP government.<sup>126</sup>

**Table 4-4: Major Countries Diplomatic Recognition of the PRC (1949-1950)<sup>127</sup>**

DATE	COUNTRY
2 October 1949	USSR
3 October 1949	Bulgaria, Romania
4 October 1949	Poland, Hungary, Czechoslovakia
5 October 1949	Yugoslavia
9 December 1949	Burma
30 December 1949	India
4 January 1950	Pakistan
6 January 1950	Great Britain (the Chinese rejected Britain's offer, since the British maintained formal diplomatic ties with the KMT regime), Ceylon, Norway
9 January 1950	Denmark, Israel
13 January 1950	Finland, Afghanistan
14 January 1950	Sweden

<sup>125</sup> John K. Fairbank, *China: The people's Middle Kingdom and the U.S.A.*, Cambridge, Mass: The Belknap Press of Harvard University Press, 1967, p. 53.

<sup>126</sup> June M. Grasso, *op. cit.*, p. 87.

<sup>127</sup> Jonathan D. Spence, *op. cit.*, p. 525.

Nevertheless, the Sino-American ambassadorial talks held in Geneva from 1955 to 1957. Chinese foreign minister Zhou Enlai underlined Chinese interest in peaceful coexistence and accommodation with the US. But Zhou repeatedly cited the Taiwan issue as the most tense in the Far East and indicated the Sino-American confrontation stemming from the US “occupation” of Taiwan.<sup>128</sup> Despite Beijing’s conciliatory attitude, Washington firmed its declaration on prohibiting the use of force in the Taiwan Strait as its fundamental.<sup>129</sup> From 1955 to 1957, the two were trying to negotiate but the issue of Taiwan was a key point, which became a blockade in developing a close relationship.

In the second Taiwan Strait Crisis of 1958, Mao developed a guideline to deal with any possibility of US intervention, which was ‘militarily, the PLA was to bombard Nationalists’ ships but ignore Americans’ ships; while politically, the PRC’s mouthpiece severely criticised the US but kept silent on the Nationalists.’<sup>130</sup> Mao’s intention was to test American commitment to the ROC-US mutual defence treaty and to avoid directly conflict with the US in the military field. This guideline implied a negotiation space for the PRC and the US. As a result, the US-PRC ambassador-level talks held on Warsaw. In the meantime, the US tightened its restrictions on ROC military activities. Although the ROC and the US signed the mutual defence treaty, ‘during the crises of 1954 and 1958, the American military not only gave general instructions regarding the type of operations that might be permitted, but also signed off on specific actions.’<sup>131</sup> As a result, the KMT vented their anger by referring to some unpleasant events since the World War II alliance experience such as the Yalta conference, the Marshall mission even the White Paper.<sup>132</sup> President Chiang Kai-shek even complained that ‘the mutual defense treaty was binding the ROC “hand and foot” and preventing it from accomplishing its goals [recovery the mainland].’<sup>133</sup> This situation reflected the US sought to contain both the PRC and the ROC during the 1950s and 1960s. This policy demonstrated a fundamental principle - American unwilling to be involved in a direct conflict with the PRC for the sake of the ROC -

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<sup>128</sup> Robert G. Sutter, *op. cit.*, p. 50.

<sup>129</sup> Robert G. Sutter, *op. cit.*, p. 57.

<sup>130</sup> Translated from Ying Qingyao, ‘Zhonggong de Gongbao Zhanshu (Chinese Communist’s Tactics of Communiqué)’, *Zhonggon Yuanjiu (Studies on Chinese Communism)*, vol. 32, no. 2, February 1998, p. 89.

<sup>131</sup> Steven M. Goldstein, ‘The United States and the Republic of China, 1949-1978: Suspicious Allies’, *A/PARC Paper*, Stanford University, February 2000, p. 14.

<sup>132</sup> Steven M. Goldstein, *op. cit.*, p. 17.

<sup>133</sup> Steven M. Goldstein, *op. cit.*, p. 15.



American interests. As Steven M. Goldstein says, the US 'remains entangled in the still volatile and dangerous Chinese civil war, frustrated, as before, by its inability to influence the combatants or to establish clear terms for its own involvement.'<sup>134</sup>

In retrospect, the US had a controversial and inconsistent policy on Sino-American relations. In the Eisenhower administration, for example, Secretary of State Dulles ostensibly stressed American flexibility and hinted at American willingness to seek opportunities of rapprochement with the PRC. 'Privately, he began to explore the possibility of recognition of the Peking regime, without withdrawing recognition of the Republic of China on Taiwan.'<sup>135</sup> The Kennedy administration further weakened the value of the mutual defence treaty. In addition to talking with Beijing regardless of Taipei's opposition, it told the PRC ambassador that the US would not support an attack on the mainland from Taiwan.<sup>136</sup>

As a matter of fact, the ROC-US Mutual Defence Treaty was a "defensive" one. The US effectively maintained its containment policy not only to the PRC but also to the ROC. In so doing, the US could avoid to be entrapped by a risk-taking between two sides of the Taiwan Strait. In the Chinese side, Mao thought that the Soviet Union and the US had jointed in collusion against China at the time of signing if the Test Ban Treaty in 1963.<sup>137</sup> With a strong intention, in 1964, China succeeded the first test of atomic bomb that demonstrated China became a member of the nuclear club after the US, the USSR and Great Britain. The big leap of China's importance affected the US strategic considerations. Owing to China's demographic, strategic military capacity, and economic potential, it was difficult to ignore the existence of China (PRC) in the international community. Therefore, whether to replace Taiwan (ROC) with the PRC in the China seat in the United Nations became one of the UN's great diplomatic challenges. US concern for Taiwan's security and the KMT's opposition, however, prevented the US government from normalising diplomatic relations with China until the late of 1960s.<sup>138</sup>

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<sup>134</sup> Steven M. Goldstein, *op. cit.*, p. 43.

<sup>135</sup> Warren I. Cohen, *op. cit.*, p. 186.

<sup>136</sup> Steven M. Goldstein, *op. cit.*, p. 19.

<sup>137</sup> Michael Yahuda, 'The Significance of Tripolarity in China's Policy Toward the United States Since 1972', in Robert S. Ross, (ed.), *China, The United States, and The Soviet Union: Tripolarity and Policy Making in the Cold War*, New York: M. E. Sharpe, 1993, p. 14.

<sup>138</sup> Rosemary Foot, *The Practice of Power: US Relations with China since 1949*, New York: Oxford University Press, 1995, p. 71.

#### 4-5 The *Rapprochement* and Normalisation Period (1969-1979)

Since the late of 1960s, Sino-American relations dramatically changed from strategic hostility to strategic cooperation. Owing to ideological differences and territorial confrontations, China formally split from the Soviet bloc in 1969. In spite of the Marxist emphasis on class struggle in international affairs, the Chinese leaders were pursuing 'an energetic, realpolitik-motivated, balance-of-power strategy to counterbalance Soviet influence.'<sup>139</sup> Under this strategic consideration, the Chinese leaders revealed strong ambitions to protect China's territory while it was at stake.

Although Zhou En-lai signed the Sino-Soviet Treaty of Friendship, Alliance and Mutual Assistance with A. Ia Vyshinskii (Soviet Foreign Minister in Stalin era) on 14 February 1950,<sup>140</sup> the armed conflict in *Damansky Island (Zhenbao Dao shi jian)* formally divided the two allies of Communist bloc.<sup>141</sup> In 1969, as a matter of fact, the Sino-Soviet boundary conflict would nearly become a full-scale war, Chinese foreign policy shifted to seek another power to balance the Soviet Union's influence particularly in military and strategic sector.<sup>142</sup> The US was the most important power in Chinese leaders' minds but it was trapped in the Vietnam War and needed to withdraw from what had become an impossible situation. The Sino-Soviet estrangement provided a good opportunity for Sino-American rapprochement.

From the Chinese perspective, Sino-American relations in this period could be divided into three phrases: 1971-73 was developing the new strategic structure of cooperation, 1974-77 both sides with doubts and domestic turmoil, 1978-79 was to committee the relationship be rapprochement consolidated.<sup>143</sup> During this period, the Chinese leaders realised the importance of the US alliance with Japan. They did not oppose US troops deploying in South Korea, Thailand and the Philippines. Similarly, the upheld

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<sup>139</sup> A. Doak Barnett, *op. cit.*, p. 18.

<sup>140</sup> Alan Lawrence, *China under Communism*, New York: Routledge, 1998, p. 21.

<sup>141</sup> Roderick MacFarquhar, (2<sup>nd</sup> ed.), *The Politics of China 1949-1989: The Eras of Mao and Deng*, New York: Cambridge University Press, 1997, p. 263.

<sup>142</sup> Tao Wenchuan, *The History of Sino-American Relations, 1949-1972*, Shanghai: Renmin Chubanshe, 2000. According to Tao, China missed the opportunity of reconciliation with the US in some substantive issues during US-China ambassadorial talks. But the Sino-Soviet Union conflict in 1969 was a tactic response under a series of the Soviets' boundary provocation. This occasionally tactic conflict, however, provided a strategic impact on Sino-American relations.

<sup>143</sup> Michael Yahuda, 'The Significance of Tripolarity in China's Policy Toward the United States Since 1972', *op. cit.*, pp. 16-24.

the US establishing close strategic ties with Turkey, Iran (under the Shiah) and Pakistan because of strategic value in containing the Soviet Union.<sup>144</sup> As a matter of fact, the Chinese leaders adopting the point of view that was based on balance-of-power. In particular, they were utilising the united front concept to imply in the Sino-American relations.

Owing to the changes in the international situation, the US needed to find a strategic partner in order to deter the Soviet Union's expansion. Although Chinese nuclear capability was in its infancy, the US government thought China's strategic position and military potential would help balance the Soviet Union.<sup>145</sup> As Richard Nixon said before he became President, 'we simply cannot afford to leave China forever outside the family of nations.'<sup>146</sup> Deeply, he wanted to pull China into US side rather than left China alone. After he entered the White House, for example, Nixon claimed that negotiation with the Communists instead of confrontation them would be his approach.<sup>147</sup> In his presidency, to end the Vietnam War was the US critical foreign policy. It also provided a sufficient space to reconcile the frozen Sino-American relations. As a result, the PRC was transformed from 'an adversary to a much-desired strategic partner, and the ROC alliance came to be seen as the major impediment to consummating that new relationship.'<sup>148</sup> Nixon, a realist president, adapted the balance-of-power strategy in order to reach an equilibrium among the US, the Soviet Union, and China.

In 1973, the development of Sino-American relations focused on the Taiwan issue as discussed in Kissinger-Zhou five assurances:

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<sup>144</sup> Michael Yahuda, *op. cit.*, p. 17.

<sup>145</sup> This consideration, indeed, implies in US China policy since the end of World War II. As a matter of fact, Washington's fundamental strategy is to try to pull China away from the Soviet Union's influence. John Lewis Gaddis, *op. cit.*, pp. 60-62.

<sup>146</sup> Rosemary Foot, *op. cit.*, p. 74.

<sup>147</sup> Richard Nixon revealed his new guidelines for American foreign policy in 1969. Initially termed the Guam Doctrine and limited initially to Asian nations. Critical to the Doctrine, Nixon viewed American allies would be expected to assume primary responsibility for their own defence. In particular, the US experienced four years war in Vietnam. Since the US engaged into the Vietnam War, it caused 31,000 American casualty. Nixon viewed it was not necessary for American to engage the war but damaged American confidence. To resolve the embarrassment, Nixon ensured to withdraw all American from Vietnam and to strengthen South Vietnamese strong enough to defend their own freedom. In so doing, Nixon believed that was the right way to end the war and to save the lives of young American. Essentially, he desired to end the war by peaceful means - through negotiations - that was the centre of the Doctrine. Cf. Richard M. Nixon, Address to the Nation on the War in Vietnam, 3 November 1969. URL: <[www.uiowa.edu/~c030162/Common/Handouts/POTUS/Nixon.html](http://www.uiowa.edu/~c030162/Common/Handouts/POTUS/Nixon.html)>

<sup>148</sup> Steven M. Goldstein, *op. cit.*, p. 23.

- (1) that the United States would conform strictly to the Shanghai Communiqué, which affirms that there is only one China;
- (2) that the United States would not support any independence movement on Taiwan and would oppose a two-China policy;
- (3) that the United States would oppose and attempt by a third country to move into Taiwan as America pulled out;
- (4) that the United States would support a peaceful resolution of the Taiwan problem; and
- (5) that the United States would discourage any military moves from Taiwan against the mainland.<sup>149</sup>

Under these assurances, the normalisation seemed to move towards a great leap. Kissinger further reported Zhou Enlai that a full diplomatic of Sino-American relations would attain before the middle of 1976.<sup>150</sup> Despite the PRC developing a strategic alignment with the US, further progress was hindered because of the preoccupations with domestic turmoil that each respectively experienced. In Washington, the Watergate event sent shock waves through the American polity. In Beijing, the radical faction (Gang of Four) affected the process of normalisation until Deng Xiaoping consolidated his leadership in 1978 at the Third Plenum of the party's Eleventh Central Committee.

Externally, the US withdrew from Indochina, changing the strategic atmosphere, which favoured the Soviet Union in the Asia Pacific region. Further, the Chinese leaders viewed the Helsinki agreement of 1975 as appeasement. In fact, before the agreement was signed, they had established diplomatic relations with Thailand and the Philippines on the basis of opposing superpowers' hegemony.<sup>151</sup> In 1977, Beijing feared that US appeasement policy in Europe would divert the Soviet Union's attention to Asia.<sup>152</sup> Significantly, the external security threat accelerated the progress of normalisation. Eventually, President Carter committed the US to a normalisation of diplomatic relations with China on 1 January 1979.

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<sup>149</sup> Patrick Tyler, *A Great Wall: Six Presidents and China: An Investigative History*, New York: Public Affairs, 1999, p. 167.

<sup>150</sup> *Ibid.*

<sup>151</sup> Michael Yahuda, 'The Significance of Tripolarity in China's Policy Toward the United States Since 1972', *op. cit.*, p. 19.

<sup>152</sup> Michael Yahuda, *op. cit.*, p. 20.

#### 4-6 The Honeymoon Period (1980-1989)

As the reorientation of the Soviet Union's foreign policy under Mikhail Gorbachev decreased the threat to China and the US, the strategic rationale for the Sino-American relationship slowly faded. In the mid-1980s, under China's economic reform programme, bilateral economic, educational, and cultural exchanges occupied significant chapters in the relationship. American and Chinese scholars began collaborative research on topics in the humanities, social sciences, and natural sciences.<sup>153</sup> Bilateral trade rose nearly twenty times from \$100 million in 1972 to \$20 billion in 1990. American investment amounted to over \$2 billion. Thousands of Chinese students received visas to visit and study in the US. On the other side, over two and a half million Americans travelled to China as tourists. More than half a billion dollars of American military equipment were sold through commercial channels to China.<sup>154</sup>

Although President Reagan, with a long history of anti-communism, was explicitly opposed to the PRC before he was elected, gradually came to view China more positively as a strategic partner. In particular, Alexander Haig helped Reagan to recognise the importance of the PRC.<sup>155</sup> The next Secretary of State, however, George Schultz, tilted toward Japan. He thought Japan was more important than China because of its huge economic significance. Nevertheless, Sino-American relations developed rapidly, particularly trade, education and cultural exchanges in the late 1980s.

The reason for the rapid growth in trade relations is summed up in the following observation,

much was changed by the rise of Deng Xiaoping as China's paramount leader in the post-Mao era. Deng moved for full normalisation of Washington-Beijing relations on January 1, 1979. By then, economic mutual benefit drove the US-China relationship. (Significantly), China's

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<sup>153</sup>The educational and academic exchanges will be discussed in Chapter Nine in detail.

<sup>154</sup> Harry Harding, *A Fragile Relationship: the United States and China since 1972*, Washington, DC: the Brookings Institution, 1992, pp. 9-16.

<sup>155</sup> Alexander Heig, the former NATO commander, believed that China is a growing power can held up some forces of the Soviet Union. Particularly, the Soviet invasion of Afghanistan and the Vietnamese invaded

economic success had great power implications. The Deng era seemed in 1988 like the early stages of Frederick the Great's reign.<sup>156</sup>

In this period, China's military capacity was also been improved through commercial and military sales. Owing to mutual strategic interests - counter-Soviet expansionism, particularly after the Soviet Union invaded Afghanistan. US arms sales to China had dramatically increased from 1984 to 1989 until the Tiananmen Square massacre occurred. As Rosemary Foot indicates,

The US role in this modernisation effort between 1985 and 1989 was indeed crucial. By the end of 1985, four areas for sales of defensive weapons had been identified and the value of arms deals rose from \$8 million in 1984 (when China was first made eligible for the US foreign military sales programme) to \$106 million in 1989.<sup>157</sup>

The external strategic environment provided a basis for improving bilateral relations. In particular, the trade between the US and China was increased rapidly. It 'rose from \$38.1 million in 1980 to \$69.66 billion in 1985 and \$111.6 billion in 1989.'<sup>158</sup> Through commercial contracts and military agreements, China has gradually approached its goal of modernisation, particularly in industrial and military sectors. This process has been greatly assisted by an internal integrate situation and a harmless external environment, which have been peaceful and increasingly complex, if not with great trust on either side. Owing to the situation that has been described as "tripolarity", China acquired an opportunity to improve its dated military equipment, although the US still limits several areas of hi-tech transfer to China. Although most Chinese students who have studied abroad, have done so in the US, the Tiananmen massacre and the possibility of

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in Cambodia. The position of China is important enough to impede USSR's expansionism, at least in Far East.

<sup>156</sup> Robert J. Lieber, *Eagle Adrift: American Foreign Policy at the End of the Century*, New York: Longman, 1997, p. 216.

<sup>157</sup> Rosemary Foot, *op. cit.*, p. 236.

<sup>158</sup> Rosemary Foot, *op. cit.*, p. 237.

considerable personal gain has meant that many of them remain in the US to fulfil their "American dream".<sup>159</sup>

Externally, on the other hand, it is difficult for China to develop real harmonious relations with the US or any other democratic state because it internally retains strong authoritarian politics. The historical record would seem to demonstrate that the interaction of internal and external factors is among the most important elements in Sino-American relations.

#### 4-7 Conclusion

The history of Sino-American relations examined in this chapter reveals periods that vary greatly in terms of the degree of cooperation or hostility. From the sympathetic period, the alliance period, the hostile period, the *rapprochement* and normalisation period, to the honeymoon period, a continuing phenomenon of Sino-American relations has been separate expectations that have defied unification. On the part of America, there has been an expectation that China would move towards democratic structures when it modernised and in doing so would benefit US interests. The American position throughout the analysed period drew heavily on the liberal belief that an open, stable, democratic China was in American interests as well as those of China itself.

On the part of China, there was an expectation that the US would provide assistance to balance other powers' intervention and to strengthen its domestic development through the provision of scientific and technological resources.

In the case of both expectations, China's internal fragmentation and political turmoil proved frustrating and ensured that external assistance was never forthcoming for China in the quantities required.

It is clear from the discussion in this chapter that Sino-American relations never attained a "strategic partnership" or "mutual benefit". Even though during the period of the Pacific War, they were allies against Japanese militarism, China's internal political struggle and poor military performance ensured China was regarded as a "second-class ally".

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<sup>159</sup> See David Zwing and Chen Changgui, *China's Brain Drain to the United States: Views of Overseas Chinese Students and Scholars in the 1990s*, Berkeley, CA: University of California, 1995.

The views of liberals, however, were not the only relevant perspective. From the realist perspective, China did not assume importance as a strategic lever in US grand strategy until the late 1960s. By then China had become a nuclear power. In the 1970s, the strategic demand to balance the Soviets' expansionism that was the major consideration in cooperating strategically.

In the beginning of the Cold War era, ideological confrontation prevented the development of Sino-American relations. Although normalisation was eventually achieved, the Taiwan issue has continued to be a stumbling block in Sino-American relations because of its strategic significance and the fundamental differences in values that are involved. In Chapter five and seven, the Taiwan issue will be discussed in detail.

Differences in economic and political institutions, values, and a changed global strategic environment in the post-Cold War era have caused Sino-American relations to move towards a fluid and ambiguous period. At the centre of these differences is the character of China's internal development that remains largely uninfluenced by the fundamental American values of democracy and freedom. These differences have continued to frustrate relations for over half century and constantly recreate disputation in various aspects of the relations.

In the next chapter, the thesis will discuss these current issues in the period after the honeymoon. The underlying differences referred to above came to take on new and greater significance as China's economic strength was consolidated and the Cold War's demise changed the way the world had worked for fifty years. As all major international actors assumed new roles, the strategic considerations underpinning Sino-American relations also had to be restructured.



## Chapter Five

### Current Relations: An Ambiguous Era, 1989-99

#### 5-1 Introduction

During the Reagan administration, Sino-American relations entered a stable stage between 1983 and 1988, based largely on their common hostility to the Soviet Union.<sup>1</sup> Following this stage, however, Sino-American relations have been difficult for nearly ten years, particularly from 1989 to 1999. This is despite superficial continuities: diplomatically, both sides have attained full levels of normalisation; economically, the trade between both sides has grown rapidly; and politically, presidential level dialogue had been continued for all but the four years from 1989 to the APEC high-level meeting in Seattle in 1993. But in regional and global strategic issues, China has generally sought outcomes that reflect its preference for a multipolar world, while the US has pursued a strategy that the Chinese considers to be one of unipolar dominance.

Although China and the US established the so-called “constructive strategic partnership” in 1998 followed by Presidents Jiang and Clinton’s reciprocal visits, Sino-American relations are still full of many variables. To many Americans, the Chinese government is untrustworthy on all issues because it is not a democracy.<sup>2</sup> For example, the shadow of the Tiananmen massacre still brings bad images of China to most Americans. Meanwhile, the development of China’s military capability and current strategic ambition is the American major concern. In 1999, *Washington Times* reported that ‘the Pentagon is expanding military ties to the People’s Liberation Army [PLA] this year in a program some officials say will expose sensitive US military know-how and boost China’s capability for invasion and long-range operations.’<sup>3</sup> On the other hand, FBI counter-espionage investigation has found in evidence in Chinese documents that some top-secret US nuclear weapons such as the Trident missile warhead – one of the newest US strategic

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<sup>1</sup> James Mann, *About Face: A History of America’s Curious Relationship with China, From Nixon to Clinton*, New York, Alfred A. Knopf, 1999, p. 134.

<sup>2</sup> Ming Wan, ‘Chinese Opinion on Human Rights’, *Orbis*, vol. 42, no. 3, summer 1998, p. 361.

<sup>3</sup> Bill Gertz, ‘Military Exchange with Beijing Raises Security Concerns’, *Washington Times*, 19 February 1999.

weapons in the late 1980s were known to the Chinese.<sup>4</sup> This discovery placed the Clinton administration in an embarrassed situation, particularly since he and President Jiang had just established a “constructive strategic partnership” in 1997. This is by no means the only aspect of the relationship between the US and China in which ambiguity is evident.

Chronologically, the deterioration of Sino-American relations had several flashpoints, such as the historic tragedy of the Tiananmen Square crackdown in 1989, US arms sale to Taiwan since 1992, the President of the ROC, Lee Teng-hui’s visit to the US in 1995, and the Taiwan Strait missile crisis during 1995-96. Contextually, both sides have some major agenda items such as the imbalance of trade, the issue of Most-Favoured-Nation (MFN) status, intellectual property rights, non-proliferation of weapons of mass destruction and technological transfer, and China’s entry into the World Trade Organisation (WTO). Furthermore, the CCP government is seriously concerned about the future of Hong Kong, Tibet, and Taiwan – all issues that are linked “China’s sovereignty”. On the other hand, the US Congress and executive branches continue arguing about the human rights issue, in ways that query the CCP regime’s legitimacy and that raise the possibility of China’s democratisation. The US and other governments propose what they regard as universal human rights, while China has regarded such actions as interference in its internal affairs.

In terms of regional security, the South and East China Seas areas have both become sensitive and a threat to regional stability and prosperity. China’s neighbours in Southeast Asia, as well as Japan, Korea (ROK), Taiwan, and the US are all involved. At the level of global strategy, China is partly aligned with Russia, France, Germany, and the central Asian states, as well as Pakistan in South Asia. In its relations on the world stage, China may be seen as challenging the hegemonic position of the US.

Internally, China adopts a strategy that is capitalist in an economic sense, but authoritarian politically. In particular, hundreds of thousands of state-owned enterprises will be privatised or at least cooperatised in the near future, symbolising that the kind of “socialism” that has prevailed to date will end and a market economy will succeed it. The movement to develop political democracy, however, has been rigorously curtailed by the CCP. Externally, China is in the situation of facing no hostile threat - even the US is a

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<sup>4</sup> Walter Pincus, ‘US Cracking Down on Chinese Designs on Nuclear Data’, *Washington Post*, February 17, 1999, p. A07.

benign “enemy” - but China has never stopped its military modernisation. Owing to rapid economic growth, China has gradually become a regional economic power. During this period of growth, it has purchased advanced military equipment from Russia, France, Italy, and Israel. These purchases have aroused the attention of other powers particularly the US and Japan. China made clear its ambition to become a modern military power when it began its “four modernisations program”. As a result of its increased economic and military strength, China’s international position, particularly within the region, has been considerably strengthened.

After the Soviet Union collapsed in 1991, the strategic position of China changed from being a “partner” with the US against the Soviets to a challenger of America’s unipolar power. China is no longer an ally in opposition to the major enemy of the US - the Soviet Union - but rather, a potential rival. Since that period, there has been an ongoing debate among scholars, journalists and officials as to whether the US should contain or engage China.<sup>5</sup> Underpinning the debate was the perception that increasingly powerful and influential China, particularly if it used its economic and political power in aggressive ways, would be beyond America’s control and damaging to the stability and prosperity of the region.

In this sense, the ‘theory of a “China threat” began to gain popularity, and in 1995, *Time* magazine called for a policy of containment against Mainland China.’<sup>6</sup> As Charles Krauthammer commented, ‘Containment aims to prevent war. But a change in regime to a tolerant, democratic China is the better guarantee of peace.’ Further, he clearly reflected House of Representatives Speaker Newt Gingrich’s thought and advocated ‘undermining its [China’s] aggressively dictatorial regime.’<sup>7</sup>

During the Taiwan Strait crisis in 1995-96, in a period of very tense Sino-American relations, President Bill Clinton dispatched two aircraft carriers to cruise the Taiwan Strait. Both sides were practicing a form of “brinkmanship”. After this crisis, both sides started to establish a “constructive strategic partnership”, particularly after Clinton visited Beijing in 1998. Broadly, bilateral relations from educational and cultural exchanges, scientific and

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<sup>5</sup> An amount of literatures have discussed in chapter two, see chapter two footnote 37. For detail discussion, see chapter six.

<sup>6</sup> Ya-Chun Chang, ‘Beijing’s Strategies and Actions Toward Washington: Containment and Counter-Containment’, *Issues and Studies*, vol. 33, no. 9, September 1997, p. 47.

<sup>7</sup> Charles Krauthammer, ‘Why We Must Contain China’, *Time*, 31 July 1995, p. 72.

technological transfers to military cooperation, improved more than ever before. Nevertheless, several disputes still exist between the two. These include global and regional issues. It is not necessary to discuss all of these issues in this chapter. The main purpose here is to analyse three major issues that impact on the Sino-American relationship as well as on China's modernisation. The first of these is the economic issue, which involves the US and China in conflict over the imbalance of trade, intellectual property rights, and China's re-entry into WTO.

The second is the Taiwan issue, which is closely related to China's sovereignty and its historical mission of reunification. This moral or ideological issue involves a degree of conflict over sovereignty, human rights, democratisation of political institutions, and territorial unification. The third issue is Chinese military modernisation, which is concerned with both substantive national interest and moral or ideological issues.

The CCP authorities consider that they face a "peaceful revolution plot"<sup>8</sup> that would permanently end its regime if that "plot" were to be effective. Hence, any issue involving its sovereignty, legitimacy, and survival will be seen as a challenge to its authority – a prospect that has been viewed with great alarm since the collapse of the Soviet Union. As Arthur Waldron argues, 'The core issue in US-Chinese dealings is not Most-Favoured-Nation (MFN) status, or Taiwan, or any of the other immediate and preoccupying agenda items. Rather, it is regime change and its consequences.'<sup>9</sup> The reason is that while US delegates negotiate with China, it is not difficult to reach an agreement on the substantive issues. Eventually, China's delegates tend to make concessions under American pressures. On the other hand, when both sides are negotiating in relation to moral or ideological issues such as Taiwan's status and future or the human rights issue, China's delegates tend to take a hard line with no concessions.

In regard to China's military modernisation, it is of greatest significance that America and Japan are developing the TMD (Theatre Missile Defence) system in North Eastern Asia.<sup>10</sup> Taiwan has expressed a strong interest in this development that will significantly challenge the effectiveness of China's missile capability in the region. Most

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<sup>8</sup> Editorial, 'Firmly Walk Along One's Own Way', (in celebration of the 70<sup>th</sup> Founding Anniversary of the Chinese Communist Party), *People's Daily*, 1 July 1991, p. 1.

<sup>9</sup> Arthur Waldron, 'Eight Steps Toward a New China Policy', *Orbis*, winter 1997, p. 77.

<sup>10</sup> Stephen A. Cambone, 'The United States and Theatre Missile Defence in North-East Asia', *Survival*, vol. 39, no. 3, autumn 1997, pp. 66-84. David Shambaugh, 'Sino-American Strategic Relations: From Partners to Competitors', *Survival*, vol. 42, no. 1, spring 2000, pp. 97-115.

importantly, if Taiwan is successfully involved in the TMD system, the opportunity for Taiwanese independence will increase. In this sense, the Chinese government has strongly warned that the inclusion of Taiwan into the security cooperation plan 'will be considered as infringing upon China's sovereignty.'<sup>11</sup> The warning came following reports that the US may include Taiwan in its TMD system, a move that China sees as an impediment to its future reunification. As the Chinese government says,

Including Taiwan into the TMD violates the basic principle of International Law and principles contained in the three Sino-US communiqués. It creates barriers in relation to the improvement and development of Sino-US relations and is harmful to security and stability in Taiwan and the Asian-Pacific region. We hope the US government will abide by the principles and related promises it has made on the Taiwan issue and will not transfer TMD-related technologies and equipment to Taiwan.<sup>12</sup>

The insistence of Chinese authorities on this subject is typical of their approach on such 'moral' issues. In the following sections, several current issues of significance will be discussed, including the Tiananmen Square massacre, the human rights issue, arms sales to Taiwan and China's military modernisation, technology transfer, the Taiwan issue, and economic relations. In general, the Sino-American relationships can be described as the five Ts - Tiananmen, Taiwan, Tibet (Human Rights), Trade and Technology Transfer.<sup>13</sup> These five Ts represent arms control issues, territorial and sovereign issues, and economic issues. The Tiananmen Square massacre belongs to the scope of human rights issues, Tibet involves human rights and territorial issues, while Taiwan relates to the issue of sovereignty and territorial claims. The issues of WTO accession, unbalanced trade and intellectual property protection belong to the broad category of economic issues. US arms

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<sup>11</sup> Editorial, 'US TMD Warned Not to Include Taiwan', *Beijing Review*, 25 January 1999, p. 4.

<sup>12</sup> *Ibid.*

<sup>13</sup> David M. Lampton and Gregory C. May, *Managing US-China Relations in the Twenty-First Century*, Washington DC: The Nixon Center, 1999, (Internet Version), p. 17. Peter Koehn and Joseph Y. S. Cheng categorise three Ts, which including Taiwan, Tibet and Trade as well as three Is, which including Intellectual Property Rights (IPR), Images and Information in Sino-American relations. Cf. *The Outlook for US-China Relations Following the 1997-1998 Summits: Chinese and American Perspectives on Security, Trade and Cultural Exchange*, Hong Kong: The Chinese University Press, 1999, pp. 169-296.

sale and China's military modernisation are relative to arms control issues, which imply debates between the sovereignty and national privilege as the Chinese government serious concerns.

## **5-2 The Tiananmen Square Massacre and Human Rights**

The Tiananmen Square massacre caused the Sino-American relationship to degrade for several years. As Edward Friedman says:

The great spring democracy movement in China was bloodily crushed on June 4, 1989 in an international television spectacle that made a deep impression on the United States' political psyche...Suddenly good US relations with a repressive Chinese dictatorship seemed an embarrassment in Washington.<sup>14</sup>

This event also changed the inferior position of Taiwan, which had been isolated from international affairs for the previous decade. Owing to the Tiananmen Square massacre, China's political prestige became less respected than previously. Because the East European communist bloc had collapsed, China lost her strategic importance that had been previously used by the US to balance the strategic power of the Soviet Union. For the US, it seemed that,

In Beijing, the ruling groups, no longer worried by a Soviet threat, put domestic politics first. They worried about the survival of the dictatorial system that kept them in power. Consequently, the United States no longer was an anti-Soviet friend. Instead, Chinese power-holders saw the United States more as a real and present threat to the system that rewarded these power holders so richly. They saw the United States

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<sup>14</sup> Edward Friedman, 'The Challenge of A Rising China: Another Germany?' in Robert J. Lieber, (ed.), *Eagle Adrift: American Foreign Policy at the End of the Century*, New York: Longman, 1997, p. 216.

promoting forces of peaceful evolution toward political democracy in China.<sup>15</sup>

In response to the Tiananmen massacre, the US government threatened to abolish China's MFN status, introduce economic sanctions, and loudly protested against the Chinese government's abuse of human rights. On the other hand, it adopted a policy of accepting over 40,000 Chinese overseas students and political dissidents in the US and allowing them permanent residence there. This policy created a sharp dichotomy in the approaches of the two countries, as 'China increasingly touted developmental dictatorship, (while) the United States increasingly promoted human rights.'<sup>16</sup>

The human rights issue is also a continuous argument that affects the issue of Chinese democratisation and the Tibetan independence movement. While American official opinion is divided about whether the US should contain or engage China, there is no doubt that both sides are convinced that the human rights issue is the only "moral" argument in the Sino-American relationship. Jiang Zemin expressed his opinion about the Chinese government's stance on the "disturbance in Beijing in Spring-Summer 1989" to American students' letter on 11 June 1990. In this letter, his position can highlight as,

It is purely the Chinese people's own business and right to choose the kind of social system they want in China, just as it is the American people's own business and right to choose theirs. There are always some people in the world who want to see China change its course according to their will. This, of course, is something the Chinese people will never agree to or accept.<sup>17</sup>

Some argue that every state has its standard of human rights,<sup>18</sup> and China's standard is to satisfy people's daily needs.<sup>19</sup> As President Jiang Zemin told a journalist of *Time*

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<sup>15</sup> Edward Friedman, *op. cit.*, p. 217.

<sup>16</sup> Edward Friedman, *ibid.*

<sup>17</sup> Editorial, 'Jiang Zemin Replies to American Students', *Beijing Review*, 25 June-1 July 1990, p. 9.

<sup>18</sup> Yi Deng, 'Opposing Interference in Other Countries Internal Affairs Through Human Rights', 6-12 November 1989, *Beijing Review*, pp. 10-12.

<sup>19</sup> In 1992, a Chinese author denied the rumour that indicated human rights are merely a question of sufficient food and clothing. Rather, the author thought 'having enough food, clothing and personal

*Magazine*, 'I believe the most important, the most fundamental human right is how to ensure that the 1.2 billion Chinese people have adequate food and clothing.'<sup>20</sup> Moreover, one Chinese student, a Yale economics student who came to Boston to support Jiang Zemin's visit in 1997, Andrew Chen says,

Americans should learn more about China...We have basic human rights...The situation in China has improved. It takes time to build a democracy. In China, if you obey the law, no one will kill you, no one will make you disappear. There is much misconception in the American people.<sup>21</sup>

In the American and Western view, however, the essence of human rights is not only people's daily needs but also freedom of religion and politics. This gap in perception between the Chinese government and the West, cannot be easily bridged at this juncture, given the insistence by both sides on their own particular perceptions of human rights. Nevertheless, the issue of human rights involves with political game and became a bargaining chip between two sides.

In the Carter Administration, for example, strategic interests were the highest priority in Sino-American relations. The human rights issue in China largely ignored, even though President Carter himself emphasised the driving force behind American human rights policies in the world affairs.<sup>22</sup> While the US revealed the strongest support to dissidents in the Soviet Union in the 1980s, realistic politicians refused to give comparable criticism to the Chinese government.<sup>23</sup> Only after the collapse of the Soviet Union, the lack of strategic mutual interests reminded the US government to respond the issue of human rights in China as real.

Despite shifting from socialism to a market economic system and establishing diplomatic relationships with the US, Chinese political and military leaders still think that

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security are, after all, of paramount importance.' Yu Quanyu, 'Subsistence: The Primary Human Right', *Beijing Review*, 6-12 January 1992, p. 12.

<sup>20</sup> Editorial, 'US and China: Ups and Downs', *Time*, vol. 150, no. 17, 27 October 1997, p. 56.

<sup>21</sup> Jennifer Heldt Powell and Alvin Powell, (eds.), *Harvard Newsletter*, after President Jiang Zemin spoke in Harvard University in October 1997.

<sup>22</sup> James Mann, *About Face*, *op. cit.*, 1999, p. 81.

<sup>23</sup> Patrick Tyler, *A Great Wall: Six Presidents and China, An Investigative History*, New York: Public Affairs Press, 1999, p. 283.



the US is their principal long-term potential enemy.<sup>24</sup> Because the American human rights pressure seems designed not to compromise China's legitimacy to the Chinese government.<sup>25</sup>

To respond the US linkage the economic issues with human rights, Beijing claims to practice a "principled" foreign policy, and 'the two principles it refers to most are sovereignty and non-interference'.<sup>26</sup> Beijing strongly believes that outsiders should not tell a state how to manage its internal affairs<sup>27</sup> and that matters of human rights are domestic issues. While many countries condemned the situation China's human rights because of the Tiananmen massacre, several essays in *Beijing Review* repeatedly denied that there were human rights problems in China, defended Chinese sovereignty in Tibet, and condemned Western pressure as interference in China's domestic affairs,<sup>28</sup> and criticised American stance.<sup>29</sup> After President Clinton delinked human rights issue with China's most-favoured-nation status, the volumes of criticism in *Beijing Review* decreased. Despite the violent criticism reducing, the differences are existing between both sides.

There are five factors driving the CCP's position on the issue of human rights. First, the history of western imperialism in China and the Marxist global view of the CCP regime undermine much Chinese thinking on human rights. Pressure from the west to improve human rights will be 'interpreted as a weapon wielded by western nations still hoping to

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<sup>24</sup> Ross H. Munro, 'Eavesdropping on the Chinese Military: When It Expect War - Where It Doesn't', *Orbis*, vol. 38, no. 3, summer 1994, pp. 355-372.

<sup>25</sup> Ming Wan, 'Chinese Opinion on Human Rights', *Orbis*, vol. 42, no. 3, summer 1998, p. 361.

<sup>26</sup> Denny Roy, 'Human Rights as A National Security Threat: The Case of the PRC', *Issues and Studies*, vol. 32, no. 2, February 1996, p. 67.

<sup>27</sup> *Ibid.*

<sup>28</sup> For example, Commentator, 'Anti-China Clamour Cannot Intimidate Chinese People', cited from *People's Daily*, *Beijing Review*, July 17-23, 1989, pp. 14-15. Shu Yu, 'The West's Peaceful Evolution Examined', *Beijing Review*, 23-29 October 1989, pp. 9-10. Yi Deng, 'Opposing Interference in Other Countries Internal Affairs Through Human Rights', 6-12 November 1989, *Beijing Review*, pp. 10-12. Information Office of the State Council, 'Human Rights in China', *Beijing Review*, 4-10 November 1991, pp. 8-45, esp. p. 44. In this article, it emphasises that 'no state or group of states has the right to intervene, directly or indirectly, for any reason whatsoever, in the internal or external affairs of any other State'. And every State has the duty 'to refrain from the exploitation and the distortion of human rights issues as a means of interference in the internal affairs of States, or exerting pressure on other States or creating distrust and disorder within and among States or groups of States'. Further statements see, Information Office of the State Council, 'Tibet-Its Ownership and Human Rights Situation', *Beijing Review*, 28 September-4 October 1992, pp. 9-42. Zhu Muzhi, 'Why China Publishes the White Paper on Human Rights', interviewed by editor, *Beijing Review*, 11-17 November 1991, pp. 19-21. Dorje Tsedain, 'Tibet: Human Rights and China's Sovereignty', *Beijing Review*, 2-8, March 1992, pp. 22-25. Dai Gang, 'Shanghai Scholars and Exports on Human Rights', *Beijing Review*, 16-22 March 1992, pp. 22-23.

<sup>29</sup> Xiao Hong, 'US Contradicts Itself on Human Rights', *Beijing Review*, 30 March-5 April 1992, p. 13. Liu Wenzong, 'US "Diplomacy of Human Rights"', *Beijing Review*, 8-14 June 1992, pp. 7-11. Xin Li, 'Human Rights Concern or Power Politics', *Beijing Review*, 5-11 March 1990, p. 10.

weaken and control China.<sup>30</sup> Secondly, the self-explanation of the CCP about its own historical role determines its dominant social role.<sup>31</sup> The CCP is convinced that ‘it broke the chains of foreign domination and built an effective national defence force.’<sup>32</sup> Further, the CCP government brought social and economic justice to China, redistributing property and providing for the basic needs of all Chinese. In this sense, the Chinese leaders believe the satisfaction of basic needs is the most significant indicator of human rights.<sup>33</sup> Doubting the legitimacy of the CCP under these circumstances is regarded as “tantamount to treason”. Thirdly, because of the high level of prestige the CCP accords itself, it believes that the party alone is capable of leading the drive of modernisation. As the party’s mouthpiece - *People’s Daily* - argued:

Without leadership by the Communist Party, people will become disunited like grains of sand; the country will be divided; economic construction and reform and opening to the outside world will be out of question; and so will social stability and people’s well-being.<sup>34</sup>

The statement reflects the Chinese leaders’ views that their response to criticism of their human rights record is part of the process of protecting the regime. They considered

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<sup>30</sup> Denny Roy, *op. cit.*, pp. 67-68.

<sup>31</sup> President Jiang Zemin spoke at the Joint Press Conference on 29 October 1997 while he was visiting Washington, URL: <<http://www.whitehouse.gov>>

In his response to question about the human rights issue, Jiang said:

We also have different historic and cultural traditions, different levels of economic development, and different values. Therefore, I believe it is just natural for our two countries to hold different views on some issues...the concepts on democracy and human rights and on freedoms are relative and specific ones, and they are to be determined by the special national situation of different countries.

<sup>32</sup> Denny Roy, *op. cit.*, p. 68.

<sup>33</sup> Chinese Premier Zhu Rongji spoke at the Joint Press Conference on 8 April 1999 while he was visiting Washington. He replied on a journalist’s question as following:

...Different countries have different conditions, and human rights, actually, is also a concept that has evolved in history...So given such different levels of education and also income, it’s natural that people may have different concepts of human rights. For instance, if you want to talk about human rights to a very poor person, maybe what he is more interested in is - if you want to just talk to him about direct election. But may be that’s not what he is most interested in. What he is interested in most is the other aspects of human rights, such as *the right to education, the right to subsistence, the right to development, the right to a cultural life, and the right to medical care, health care* [emphasis added]. So, I think human rights actually include so many aspects.

URL: <<http://www.whitehouse.gov/WH/New/html19990408-1109>>

<sup>34</sup> Editorial, ‘New Historical and the Communist Party of China’, *People’s Daily*, 1 July 1992.

that the leadership of the CCP is indispensable and that if the Party is given 'maximum political power then the party will use this power to serve and protect the masses.'<sup>35</sup> Therefore, Beijing argues that the increase in living standards 'validates the CCP project and more than compensates for the restriction of some civil liberties, which in any case generate inefficiency and disorder when they are granted in excess, as in Western democracies.'<sup>36</sup>

Hence, the movement towards democracy, which demands more liberal rights to participate in political affairs, is still impossible. From Mao to the Deng era, or even the post Deng era, many dissidents have been imprisoned because the CCP regime has never tolerated political challenge from outside of the party. To maintain its long-term and stable ruling status, the CCP monopolises political power and resources in accordance to what it refers to as the "Four Cardinal Principles".<sup>37</sup>

Fourthly, as a result of its own historical evolution and ideology, the CCP has its own understanding of the meaning of the term 'human rights'. The Chinese leaders, as noted above, believe that civil liberties must wait until basic socioeconomic needs are met.<sup>38</sup> Fifthly, Beijing responds to the external pressure in accordance with its internal political circumstances.<sup>39</sup> In light of these five basic factors, it is not difficult to realise that the CCP regime fears the democratic movement and pressure for human rights. In summary, the CCP argues that its situation differs from that of other countries for reasons to do with culture, economics, and social development.

Nevertheless, 'The heightening of democracy and human rights as a factor in Beijing-Washington relations was intensified by developments in Taiwan.'<sup>40</sup> Taiwan's democratisation has, in turn, encouraged many dissidents in China to call for democratic change. Because of their common cultural background, China's political reform might well

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<sup>35</sup> Denny Roy, *op. cit.*, p. 68

<sup>36</sup> Denny Roy, *op. cit.*, p. 69.

<sup>37</sup> In his "four insistences" policy, Deng Xiaoping emphasised the importance of keeping the socialist road, upholding the dictatorship of the proletariat, the leadership of the Communist Party and Marxism-Leninism-Mao Zedong Thought, while China driving for the "four modernisation program", as ideological and political principles. See, Deng Xiaoping, 'Uphold the Four Cardinal Principles', spoke on 30 March 1979, *Deng Xiaoping Selected Writings*, Beijing: People's Daily Press, (Internet version). URL:<<http://202.99.23.239/english/dengxp/vol2/b1290.htm>>

<sup>38</sup> Denny Roy, *op. cit.*, pp. 70-71.

<sup>39</sup> Denny Roy, *op. cit.*, p. 71.

<sup>40</sup> Edward Friedman, 'The Challenge of A Rising China: Another Germany?' in Robert J. Lieber, (ed.), *Eagle Adrift: American Foreign Policy at the End of the Century*, New York: Longman, 1997, p. 217.

follow the same path as Taiwan's democratisation since it managed to change from the period of military dictatorship to political authoritarianism and then to democratic politics. In 1995-1996, the PLA launched missile manoeuvres to protest against the Clinton administration issuing a visa for President Lee's visit to the US, to interfere with the Taiwanese presidential election, to deter Taiwan from pursuing independence,<sup>41</sup> and to test America's response.<sup>42</sup> This action made clear the lengths China would go to in order to demonstrate its belief that China's sovereignty is undivided and that Taiwan is central to the sovereignty issue. As a result of subsequent frictions, Sino-American relations were at an impasse from 1992 to 1996 even in low-ebb particularly in 1996.

The key reason for that military exercise was to prevent the success of Taiwan's democratic development having a follow-on effect in Chinese society. As Taiwan develops democratic institutions and practices, it will be able to make a truly representative decision on its future. China clearly fears, not only the independence of Taiwan, but also the encouragement such a movement would provide for China's other inner provinces - Xinjiang, Tibet, and coastal areas as Guangdong, Fujian, Jiangsu, and Zhejiang where are Beijing most concerned.

Thus, the Chinese leaders insist that western democracy is not suitable for China. As Li Peng spoke in European parliament:

The opposition and ruling parties sat opposite each other, and while one side was speaking, people on the other side were in boisterous chaos, stamping their feet and clapping their hands...You may think this formula interesting, but the Chinese people will not stand for it.<sup>43</sup>

Also, there are still nearly 20 per cent of the population that is illiterate that is unaware of the essence of democracy. The effect of democracy on China's society is considered to be disastrous. The Chinese leaders consider the stability is critical for

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<sup>41</sup> Andrew Scobell, 'Show of Force: The PLA and the 1995-1996 Taiwan Strait Crisis', *A/PARC Paper*, Stanford University, January 1999, p. 5.

<sup>42</sup> James Mann, *About Face*, *op. cit.*, p. 128.

<sup>43</sup> Editorial, 'Taiwan's Elections: Real Democracy, Chinese-style', *The Economist*, 12 December 1999, p. 40.

achieving economic development as China's primary task. As President Jiang Zemin claimed,

[T]he Communist Party of China and the Chinese government have long drawn the correct conclusion on this political disturbance and facts have also proved that if a country with an over 1.2 billion population does not enjoy social and political stability, it cannot possibly have the situation of reform and opening up that we are having today.<sup>44</sup>

In 1998, some dissidents began to organise opposition parties in China, but their organisations were quickly suppressed. Many dissidents are imprisoned because the CCP regime fears the democratic movement would overturn its rule.

On 1 March 1999, for example, US Secretary of State Madeleine Albright continually protested China's human rights situation. But she did not gain any concessions from Chinese officials during "forceful and tough" discussion on human rights. Chinese Foreign Minister Tang Jiaxuan blamed "a handful of anti-China elements" for sparking much of the criticism.<sup>45</sup> As Tang said, 'We have always been opposed to politicizing the human rights question. Practice has proved that confrontation cannot solve the problem.'<sup>46</sup> By contrast, Albright told the Chinese leaders that 'trying to organise a political party is not a threat or a crime. It is a right guaranteed by the Universal Declaration of Human Rights.'<sup>47</sup>

The US government contends that its opposition is based on 'China's human rights practices, which do not meet international norms.'<sup>48</sup> In this sense, the Chinese government's fear is incompatible with the US government's expectation. The US government expects the Chinese government to follow international norms. Therefore, a significant external pressure is pushing towards democratisation in the belief that a

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<sup>44</sup> The White House, Office of the Press Secretary, Press Conference by President Clinton and President Jiang Zemin, 29 October 1997. Source: <<http://www.whitehouse.gov/WH/>>

<sup>45</sup> Laura Myers, 'US, China Fail to Reach Human Rights Accord', *Washington Post*, 1 March 1999, URL: <<http://www.washingtonpost.com/wp-srv/inatl/longterm/china/china.htm>>

<sup>46</sup> *Ibid.*

<sup>47</sup> Michael Laris, 'Albright Debates Human Rights with Top Chinese Officials', *Washington Post*, March 2, 1999, p. A11.

<sup>48</sup> Jeffrey A. Bader, Deputy Assistant Secretary for East Asian and Pacific Affairs, Statement before the House International Relations Committee, Washington, DC, 23 April 1997. URL: <<http://www.state.gov/www/regions/esp/970423-bader-china.html>>

democratic China will not become a threat to the region. However, the Chinese leaders insist that every state has its unique situation and that so-called human rights must be implemented according to its social development and demand.<sup>49</sup> In particular, the issue of human rights is an internal affair,<sup>50</sup> as the Chinese leaders believe that

[A] country's most important task is to ensure people's right to life and to protect people's economic, social and cultural rights. Only when these basic rights are ensured can it offer genuine protection of people's political rights.<sup>51</sup>

Hence, the two sides have a big gap in perceptions that is difficult to resolve in the short term. There is no doubt that the two governments are maintaining a hard line on this issue and using it as a negotiating device in the Sino-American relationship.

### 5-3 US Arms Sale to Taiwan and China's Military Modernisation

In regard to China's military modernisation, it will discuss more details in chapter six. In this section, it is important here to set it in the context of contemporary Sino-American relations. Owing to the Tiananmen massacre, the US government and its people were extremely wary of the CCP regime, and this influenced the heads of states and temporarily terminated formal interaction for eight years until the second Clinton administration. Reflecting the Tiananmen massacre and, the French government decided to sell 60 Mirage 2000-N-5 air superiority fighters and six *Lafayette* frigates to Taiwan. Following France's arms sale, the Bush administration agreed to sell to Taiwan 150 F-16

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<sup>49</sup> Jia Qinguo, 'Economic Development, Political Stability and International Respect (Contemporary China: The Consequences of Change)', *Journal of International Affairs*, winter 1996, vol. 49, no. 2, pp. 572-589.

<sup>50</sup> Premier Zhu Rongji answered questions in the Joint Press Conference on 8 April 1999 when he visited the US. In his talking, Premier Zhu expressed a firm opposition to the US. He regarded the stance of a draft resolution directed at China at the Human Rights Commission session that was unfair and took it as an interference on China's internal affairs. See The White House, Office of the Press Secretary, 8 April 1999, URL: <<http://www.pub.whitehouse.gov>>

<sup>51</sup> Jia Qinguo, 'Economic Development, Political Stability and International Respect (Contemporary China: The Consequences of Change)', *Journal of International Affairs*, winter 1996, vol. 49, no. 2, p. 583.

fighters<sup>52</sup> that became the Taiwan Air Force's front line weapons. US arms sales to Taiwan stimulated China to increase its military purchases from overseas, particularly from Russia, including more advanced aircraft, the Su 27, four *Kilo*-class submarines, T-80U main battle tanks, IL-76 cargo aeroplanes, S-300 theatre missile systems, and two *Sovremenny*-class missile destroyers towards the end of the 1990s.<sup>53</sup>

The Bush administration's decision to sell weapons to Taiwan became a major argument between the US and China. In the Chinese view, it symbolised that Chinese "sovereignty" had been infringed upon. The argument was that the "one China" premises had been breached in the three US-China Joint Communiqués. In the American view, the arms sale was helpful to the stability of East Asia, and of course it was of benefit to American domestic industries, particularly aviation.

Nevertheless, the Chinese government did not condemn this military sale as whole heartedly as it did the French sale of 60 Mirage jets to Taiwan. For example, 'China countered by closing down the French consulate in Guangzhou and by denying French companies any chance to bid on a contract to build Guangzhou's subway.'<sup>54</sup> China frequently threatens western states with reducing commercial opportunities and degrading diplomatic relationships in order to block Taiwan's military modernisation. On the other hand, it actively purchases advanced weapons and develops ballistic missiles systems. China's primary intention is to limit Taiwan's survival space and to break US containment of its own activity in the region.

Since the beginning of the 1990s, China has deployed over 100 middle-range missiles aimed at Taiwan, according to *New York Times*.<sup>55</sup> An American official expressed the view that the missile deployment has increased the perception of a China threat in America.<sup>56</sup> Partly in response to this development, the US developed the Theatre Missile Defence (TMD) system, which involves with Japan, South Korea, and probably includes Taiwan, in September 1998. Sino-American relations had seemed on such a stable footing

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<sup>52</sup> The decision of selling F-16 to Taiwan motivated partly by maintaining military balance across the Taiwan Strait and by keeping defence industry jobs in Texas, David M. Lampton and Gregory C. May, *Managing US-China Relations in the Twenty-First Century*, Washington DC: The Nixon Center, p. 31.

<sup>53</sup> Stephen J. Blank, *The Dynamics of Russian Weapon Sales to China*, 4 March 1997.  
URL: <<http://www.milnet.com/milnet/rusmil97/rusweptc.htm>>

<sup>54</sup> James Mann, *About Face: A History of America's Curious Relationship with China, From Nixon to Clinton*, New York: Alfred A. Knopf, 1999, p. 270.

<sup>55</sup> *The New York Times*, 11 February 1999, p. A14.

<sup>56</sup> *Ibid.*

in June of 1998 that were damaged as a result. The Chinese government considers the TMD system is designed to establish a “NATO” in Asia to constrain China and reduce China’s military superiority in relation to Taiwan as well as threaten China’s security. China warned that the deployment of TMD is disadvantageous the regional stability and security. As official mouthpiece – Beijing Review warns:

If the US insists on including Taiwan in its security cooperation plan, China would have to take corresponding actions and make military adjustments in order to maintain state sovereignty and territory.<sup>57</sup>

Further, a senior Chinese official warned that such a transfer would be “the last straw” in US-China relations.<sup>58</sup> He strongly protested against this arms sale and claimed that ‘there is one thing that’s more important than money. That’s [dignity, sovereignty and integrity]. I’m sure that the Chinese people are ready to die for it.’<sup>59</sup>

At the same time, the Pentagon published a report, *The security situation in the Taiwan Strait*, on 26 February 1999. In this report, the Pentagon considers that ‘by 2005, the PLA will possess the capability to attack Taiwan with air and missile strikes which would degrade key military facilities and damage the island's economic infrastructure.’<sup>60</sup> In this sensitive period, the Pentagon expressed its concerns in relation to the security situation as it had previously in 1996. It would seem that both sides have started a new wave of strategic competition in the manner of the US and the Soviet Union in the Cold War era.

While China’s military strength has increased, the US government has agreed to sell more advanced military equipment and technology to Taiwan to maintain Taiwan’s defensive capability. But while the US increased its arms sales to Taiwan, China purchased a larger amount of advanced weapons and technology from Russia and other countries. In March 1992, Russia agreed to sell China 24 of its Sukhoi-27 jet fighters, which were

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<sup>57</sup> Editorial, ‘US TMD Warned not to Include Taiwan’, *Beijing Review*, 25 January 1999, p. 4.

<sup>58</sup> John Pomfret, ‘Chinese Warn US not to Arm Taiwan’, *Washington Post*, 6 March 1999, p. A01.

<sup>59</sup> *Ibid.*

<sup>60</sup> US Department of Defense, ‘The Security Situation in the Taiwan Strait’, *Report to Congress Pursuant to the FY99 Appropriations Bill*, Washington DC: The Pentagon, 26 February 1999, p. 16 of 17.



advanced, all-weather and long-range aircraft.<sup>61</sup> These arms sales changed the balance of power in the East Asian area. Reflecting on this strategic change, the Bush administration broke the limitations of the Sino-American Joint Communiqué of 18 August 1982 and decided to sell Taiwan 150 F-16s. China now no longer looked to the US to provide its military technology. It has returned to Russia to attain the goal of its military modernisation. China is improving its nuclear and aviation technologies by employing Russian scientists and espionage in the US.

In the post-Cold War era, China's military capabilities have been improved to an amazing extent. In particular, China's ballistic missiles system is reaching an outstanding level. In the 1996 Taiwan Strait crisis, PLA's M-9 and M-11 missiles posed a great threat to the Taiwanese. According to *Washington Post*, a Chinese spy was arrested on charges of 'trying to buy equipment vital to missile guidance systems and smuggle it to China.'<sup>62</sup> Further, 'the FBI inquiry that led investigators to suspect the scientist was begun after US intelligence in 1995 obtained a top-secret Chinese nuclear weapons document from the late 1980s that indicated Chinese scientists had become aware of techniques employed by US scientists to miniaturize the shape of nuclear materials to get an explosion 20 times more powerful than the Hiroshima bomb.'<sup>63</sup> In addition, China has deployed more than 100 nuclear ballistic missiles in Fujian and Jiangxi facing Taiwan.<sup>64</sup> Accordingly, it is not difficult to imagine that China could use conventional or nuclear or chemical warheads on M-9 and M-11 missiles to threaten the Taiwanese with forceful reunification.

Strategically, the US government considered deploying the TMD system in the East Asia region, including Japan and its "surrounding area", in order to provide a shield against North Korean's successful development of the long-range Taepodong I and II missiles. However, the TMD system includes Taiwan as part of the area surrounding Japan. If the deployment is successful, Taiwan could be protected under the American antimissile umbrella. As Chinese official warned, 'such a move would block China's hopes of reuniting peacefully with Taiwan.'<sup>65</sup> China takes a very strong exception to the

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<sup>61</sup> James Mann, *About Face: A History of America's Curious Relationship with China, From Nixon to Clinton*, New York: Alfred A. Knopf, 1999, p. 257.

<sup>62</sup> *Washington Post*, 2 March 1999, p. A08.

<sup>63</sup> *Washington Post*, 7 March 1999, p. A19.

<sup>64</sup> *Washington Post*, 11 February 1999, p. A01. Also see *Stratfor Weekly Analysis*, 'From Kosovo to Beijing: Nasty Exchanges Between the US and China', 1 March 1999. URL: <<http://www.stratfor.com/findfacts/>>

<sup>65</sup> *Washington Post*, 8 March 1999, p. A13.



development and implementation of the TMD. As Chinese Foreign Minister Tang Jiaxuan says,

If some people intend to include Taiwan under threat-missile defence that would amount to an encroachment on China's sovereignty and territorial integrity and also be an obstruction to the great cause of peaceful reunification of the motherland.<sup>66</sup>

The TMD system would reduce the extent of China's threat to the regional states, particularly Taiwan. Besides Taiwan has indicated an intention to purchase *Aegis* ships (a ship-based TMD system) to improve its antimissile ability. This intention has been criticised by Chinese officials, who said that 'sales to Taipei of the *Aegis* system would seriously threaten US ties with China.'<sup>67</sup>

The issue of weapons acquisition has escalated as an issue of contention between the US, China and Taiwan. For example, when the US brought up China's commitments on weapons non-proliferation, the Chinese argued that US arms sales to Taiwan also breached American commitments.<sup>68</sup> In this logic, while China considers itself to be facing a "moral" issue, it is difficult for it to concede, even if external pressure orchestrated by the US is strong. On the other hand, from the US perspective, while an issue involves regional security, the US government is also not in a position to concede easily. In accordance with this logic, although China and the US have moved toward a "constructive strategic partnership", any issue touching upon China's sovereignty (a "moral" issue for China) and regional security or stability (a national interest issue for the US) will be very difficult to resolve. In this sense, Sino-American relations are moving toward a situation that is fraught with a major dilemma.

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<sup>66</sup> *Ibid.*

<sup>67</sup> John Pomfret, 'Chinese Warn US not to Arm Taiwan', *Washington Post*, 6 March 1999, p. A01.

<sup>68</sup> Michael Laris, 'Albright Debates Human Rights with Top Chinese Officials', *Washington Post*, 2 March 1999, p. A11.

#### 5-4 The issues of Technological Transfer and Arms Control

The issues of technological transfer are not only related to China's export of sensitive weapons such as mid-range missiles and nuclear technology, but also to China's acquisition of hi-tech information from the US. The export of Chinese weapons to third world states has improved its foreign currency reserves and increased the funding available to its military research institutions. The intention of these Chinese activities is, at least according to some observers, the improvement of China's capability for long-range operations.<sup>69</sup>

China sold ballistic missiles to Iran and nuclear technology to Pakistan. Meanwhile, China has smuggled increasing numbers of AK-47 rifles to the US.<sup>70</sup> One outcome has been serious social problems such as street crime and bank robbery in the US. China's actions have also caused tensions in the Middle East and South Asia, since the kinds of technology they have exported there has provided those countries with the capability to damage American security interests.<sup>71</sup> In 1998, President Jiang gave his strongest assurances to US Defence Secretary William Cohen that 'China would not sell Iran cruise missiles or provide technology to upgrade its existing missiles.'<sup>72</sup>

In regards to the upgrading of China's technology, some American enterprises have been accused of selling or transferring illegal hi-tech products to China, particularly dual-use technology such as aviation, communications, super-computers, remote-control and satellite technology in the 1990s. The companies concerned include Boeing, Motorola, and Hughes. At the end of 1998, Congress was seriously concerned that some hi-tech aviation and communication products had been exported to China. These technologies have improved China's ballistic missile capability.<sup>73</sup> Since the mid-1980s, China has obtained confidential information that involves design of nuclear missiles, such as the W-88 (the nuclear warhead of a submarine-launching missile that is carried on Trident II

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<sup>69</sup> Bill Gertz, 'Military Exchange with Beijing raises Security Concerns', *Washington Times*, 19 February 1999.

<sup>70</sup> Richard Bernstein and Ross H. Munro, *The Coming Conflict with China*, New York: Alfred A. Knopf, 1997, p. 8. The same argument can be found in Daniel Burstein and Arne de Keijzer, *Big Dragon, China's Future: What It Means, For Business, The Economy, and the Global Order*, New York: Simon and Schuster, 1998, p. 128.

<sup>71</sup> *The Australian*, 21 January 1998, p. 8.

<sup>72</sup> *Ibid.*

<sup>73</sup> Bill Gertz, 19 February 1999, *ibid.*

intercontinental missiles) and the W-70 warhead (commonly known as the neutron bomb). This technological acquisition saved China the ten to twenty years estimated as the time it needed for independent development of ballistic missile technology.<sup>74</sup> Through technological transfer, whether by trade or espionage, China is gradually becoming a military power in the Asia-Pacific region. In particular, the PLA's revised strategic guidelines stipulate that China needs to acquire high-tech, superpower status as fast as it can<sup>75</sup> in order to prepare for waging a "limited war under high-tech conditions".

On 25 January 1999, *Time* magazine reported that 'a top secret congressional report delivered to the White House ... suggest(ed) a stunning espionage effort being coordinated from Beijing, whose spy rings have been stealing secrets in the U.S. for 20 years.'<sup>76</sup> Some cautioned that despite 'China's plans to launch cyberwar or anti-satellite weapons ... they are a long way from reality.'<sup>77</sup> The revelations, however, caused the Clinton administration to reject a \$600 million sale of US communications satellites to China.<sup>78</sup> For its part, China blasted the Clinton administration's decision, saying it would have a "negative effect" on trade ties between the two states.<sup>79</sup>

Nonetheless, China continued to be involved in a yearlong exchange program with the US. Through this exchange program, China is attempting to strengthen its military capability as rapidly as possible. According to an internal Pentagon document entitled, "Game Plan for 1999 - US-Sino Defense Exchanges",<sup>80</sup> high level official visits will begin in March 1999 with Gen. Henry H. Shelton, the Chairman of the Joint Chiefs of Staff being the first to go to China. Following this visit, the Secretary of Defence, William S. Cohen and Marine Corps Commandant, General Charles Krulak will then travel to China. These visits indicate something of the capability for these Sino-US military reciprocal activities to improve China's backward manpower quality. In particular, Chinese PLA generals will be allowed to view training manoeuvres in California by the Army's 3<sup>rd</sup>

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<sup>74</sup> *Washington Post*, 7 March 1999, p. A19.

<sup>75</sup> Douglas Waller, 'China's Arms Race: The World's most populous country wants the world's best military. Here's a look at its plan', *Time*, 25 January 1999, p. 40.

<sup>76</sup> *Ibid.*

<sup>77</sup> Douglas Waller, *op. cit.*, p. 42.

<sup>78</sup> John Mintz, 'Sale of Satellites to China Rejected: Earlier Dealings Said to Hurt Hughes', *Washington Post*, 24 February 1999, p. A15.

<sup>79</sup> Michael Laris, 'China Says US Decision to Block Sale of Satellites Could Affect Trade', *Washington Post*, 26 February 1999, p. A28.

<sup>80</sup> Bill Gertz, 'Military Exchange with Beijing raises Security Concerns', *Washington Times*, 19 February 1999.

Infantry Division and the 82<sup>nd</sup> Airborne Division. This is an action to transfer military know-how to China. Further, China will send logistics officers from the PLA Air Force who will attend flight safety seminars.<sup>81</sup> If the military exchange program succeeds, China's fourth modernisation goal - modernisation of defence - will be easily attained, which means its ability to project power and the quality of its manpower will improve beyond the situation of the past twenty years'. Although the US is 'unlikely to lose its lead in information technology'<sup>82</sup>, there is no doubt that China will challenge the US dominant position in the Asia-Pacific region through military exchange.

According to Ralph Cossa, who heads the Pacific Forum Center for Strategic and International Studies in Honolulu,

China's new military tools will alter the balance of power in Asia...China isn't trying to project power to San Francisco Bay. It's trying to project power to the South China Sea. Though China's leaders may want to restore their nation to its traditional Middle Kingdom status as Asia's dominant power, they must still face a formidable US military presence in the Pacific. That doesn't necessarily mean war, but it almost certainly means more tension.<sup>83</sup>

## 5-5 The Taiwan Issue

While the Taiwan issue will be discussed more fully in Chapter seven, it is important here to set it in the context of contemporary Sino-American relations. Washington and Beijing have disagreed on a wide range of issues as discussed previously, but none is more urgent than the Taiwan issue.<sup>84</sup> It has become one of the major flashpoints in Sino-American relations.<sup>85</sup> Although the US government has had diplomatic

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<sup>81</sup> *Ibid.*

<sup>82</sup> Joseph S. Nye, *op. cit.*, p. 70.

<sup>83</sup> Douglas Waller, *op. cit.*, p. 42.

<sup>84</sup> Robert A. Manning and Ronald N. Montaperto, 'The People's Republic and Taiwan: Time for a New Cross-Strait Bargain', *Strategic Forum*, no. 103, Washington, DC: Institute for National Strategic Studies, National Defense University, 1997.

<sup>85</sup> Denny Roy, 'Tensions in the Taiwan Strait', *Survival*, vol. 42, no. 1, spring 2000, pp. 76-96. David Shambaugh, 'Sino-American Strategic Relations: From Partners to Competitions', *Survival*, vol. 42, no. 1, spring 2000, pp. 97-115.

relationship with China since 1979, it still maintains a semi-official relationship with Taiwan. Following fifty years of estrangement, Taiwan and China have never been able to reunify. The United States has played a significant role in the Taiwan issue or the issue of China's reunification. 'This is because the Taiwan situation comprises two irreconcilable elements: one, the people of Taiwan do not want to be ruled by the current Beijing regime, and two, Beijing has made reunification too high a priority for it ever to relinquish that goal.'<sup>86</sup> The Chinese government continues to restate its long-held position quite clearly in the US-China Shanghai Joint Communiqué of 1972:

The Taiwan question is the crucial question obstructing the normalization of relations between China and the United States...The Chinese government firmly opposes any activities which aim at the creation of "one China, one Taiwan", "one China, two Governments", "two Chinas", and "independent Taiwan" or advocate that "the status of Taiwan remains to be determined".<sup>87</sup>

Nevertheless, the US government continues to sell defensive military equipment to Taiwan. This behaviour has, at various times, prompted the PRC to protest strongly because, it argues, its sovereignty is infringed. As former vice-Preimer Li Xiannian told US Admiral (ret.) Elmo Zumwalt in June 1977, 'As to when and in what way the Chinese people are to liberate their scared territory of Taiwan, that is entirely China's internal affairs, which brooks no interference.'<sup>88</sup> On the other hand, the US government declared:

The United States acknowledges that all Chinese on either side of the Taiwan Strait maintain there is but one China and that Taiwan is a part of China. The US government does not challenge that position. It reaffirms its interest in a peaceful settlement of Taiwan question by the Chinese themselves.<sup>89</sup>

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<sup>86</sup> Richard Bernstein and Ross H. Munro, *The Coming Conflict with China*, New York: Alfred A. Knopf, 1998, p. 19.

<sup>87</sup> Source: *Keesing's Contemporary Archives*, 18-25 March 1972, p. 25150.

<sup>88</sup> Patrick Tyler, *op. cit.*, p. 242.

<sup>89</sup> *Ibid.*

Following the Sino-US Establishment Communiqué of 1979, the statement of the US government was: ‘The USA continues to have an interest in the peaceful resolution of the Taiwan issue, and expect that the Taiwan issue will be settled peacefully by the Chinese themselves.’<sup>90</sup> According to the US-PRC Joint Communiqué on 17 August 1982,

The United States government understands and appreciates the Chinese policy of striving for a peaceful resolution of the Taiwan question as indicated in China’s Message to Compatriots in Taiwan issued on January 1, 1979 and the Nine-Point Proposal put forward by China on September 30, 1981.<sup>91</sup>

The US government’s position, in the three US-PRC Joint Communiqués, was that there should be no use of force to attain the unification of China, thereby matching the essence of “peaceful resolution” formulation. The Chinese government, however, has never ruled out the use of force because of its strong claims to sovereignty in the three communiqués – “Taiwan is part of China”. In accordance with this perspective, Chinese President Jiang Zemin said, during his visiting to the US in October 1997, ‘China’s refusal to commit to renouncing the use of force was not aimed at “compatriots in Taiwan”, but at the external forces attempting to interfere in China’s internal affairs.’<sup>92</sup> This is the essence of China’s case for sovereignty, making it a non-negotiable issue as well as a moral issue.

Following President Jiang Zemin’s visit to the US in October 1997 and President Bill Clinton’s visit to Beijing in June 1998, Sino-American relations seemed to improve significantly. Although the reciprocal visits carried high expectations on both sides and both agreed to establish a “constructive strategic partnership”, the relationship ‘has undergone no fundamental change’<sup>93</sup> as Denny Roy noted, from a deeper strategic perspective. ‘The most important recent event preceding Clinton’s visit to China was of course the latest Taiwan Strait crisis.’<sup>94</sup> Both sides wish to avoid a violent confrontation in

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<sup>90</sup> Source: *Keesing’s Contemporary Archives*, 6 April 1979, pp. 29534-29535.

<sup>91</sup> See Appendix D, *The US-PRC Joint Communiqué*, 17 August 1982.

<sup>92</sup> *The Australian*, 31 October 1997, p. 1.

<sup>93</sup> Denny Roy, ‘Current Sino-US Relations in Strategic Perspective’, *Contemporary Southeast Asia*, vol. 20, no. 3, December 1998, p. 225.

<sup>94</sup> Denny Roy, *op. cit.*, p. 229.

the region lest the Taiwan issue become a flashpoint that damages US-China relations. Clinton's announcement in Shanghai on 30 June 1998 of the 'three noes' policy provoked intense Taiwanese reaction, but his statement is best 'understood as a clarification of policy rather than a major policy change.'<sup>95</sup>

While there is no great debate among Chinese foreign policy proponents, there are significant differences between what might be referred to as "soft-liners" and "hard-liners". The former considers that Chinese interests are best served by compromise with the US in order to 'enjoy the benefits of maintaining a favourable working relationship with Washington.' The latter argues that 'China is already strong enough and recent US affronts to Chinese sovereignty and dignity have been so serious that Beijing should demand concessions for each instance of Chinese cooperation with the Americans.'<sup>96</sup> Following China's growth in national strength, the hard-liners seem now to dominate China's foreign policy. China has gradually adopted a policy that strongly protects its sovereignty and territory without making concessions to the US.

The Taiwan issue has become more difficult to resolve under present international circumstances. As Richard Bernstein and Ross H. Munro say,

In fact whatever the outcome, Taiwan will be a problem in Chinese-American relations...Moreover, Taiwan sits in the middle of the sea routes that supply all of the oil and raw materials to the United States' most important Asian ally, Japan.<sup>97</sup>

Further, following the successful development of democracy in Taiwan, it is now more difficult for the US government to sacrifice a model for most developing nations and to preserve an authoritarian regime that seeks to regain the island. Taiwan's strategic importance and democratic performance are in accordance with the substantive and moral interests of the US.<sup>98</sup> The US, however, needs to take account of China's capability to

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<sup>95</sup> Denny Roy, *op. cit.*, p. 232.

<sup>96</sup> Denny Roy, *op. cit.*, p. 227.

<sup>97</sup> Richard Bernstein and Ross H. Munro, *The Coming Conflict with China*, New York: Alfred A. Knopf, 1998, p. 6.

<sup>98</sup> In regard to Taiwan's strategic importance, Andrew J. Nathan contributes different point of view as the US no longer needs Taiwan to maintain its military position in Asia because the post-Cold War strategic environments changed. See Andrew J. Nathan, 'What's Wrong with American Taiwan Policy', *Washington Quarterly*, 23:2, spring 2000, pp. 93-106.



enact revenge. If China was provoked to a military response it would greatly increase the difficulty of maintaining international stability.

For example, China vetoed of an extension of the UN peacekeeping effort in Macedonia in 1999 shortly after Taiwan's expansion of diplomatic relations with Macedonia and the latter's recognition of Taiwan.<sup>99</sup> Further, China did not support the Anglo-American air strikes against Iraq in January 1999; China supported Serbia in the Kosovo war in opposition to NATO. These instances of non-cooperative behaviour clearly signify China's intention that it disallows the US and the West to give any 'diplomatic space' to Taiwan. If any country acts in ways, which imply non-recognition of China's claim to sovereignty over Taiwan, it will face all the international diplomatic challenges, which China can generate.<sup>100</sup> Notwithstanding the frictions between the US and China, whether because of Taiwan or a variety of other issues, fundamental "differences between our social systems", as George Shutz argued, underpin the differences between the two countries.<sup>101</sup> In chapter seven, the Taiwan issue will be discussed in detail. In particular, it will focus on the role of the US in the Taiwan Strait. Apart from the Sino-American and Taiwan differences among themselves, the interactions between the three parties are important to the stability of the Asia-Pacific region.

## **5-6 Economic Relations - Trade, WTO and MFN/PNTR**

One of the most serious issues in Sino-American relations is economic relationship, which here encompasses the issue of unbalanced trade, the WTO, and most-favoured-nation (MFN) status latter as permanent normal trade relations (PNTR).

### **5-6-1 The Issue of Unbalanced Trade**

Since diplomatic normalisation, trade between the US and China has been gradually improved. In the early 1990s, unbalanced trade arose as an issue in bilateral US-

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<sup>99</sup> David M. Lampton and Gregory C. May, *Managing U.S.-China Relations in the Twenty-First Century*, Washington DC: The Nixon Center, 1999, p. 48.

<sup>100</sup> *Taiwan Today News Network*, 28 February 1999.

<sup>101</sup> James Mann, *About Face*, p. 130.

China relations. A rapidly growing US deficit in its trade with China became an issue of international significance.<sup>102</sup>

The US has incurred a deficit in its trade with China every year since 1983. As a result, China's share of the whole US trade deficit rose rapidly. In 1998, the US trade deficit was over \$50 billion and became the largest deficit of any country with China. However, both sides have different statistical data. 'For example, in 1990, while the United States claimed a deficit in its trade with China of \$10.4 billion, the Chinese asserted they had a bilateral deficit of \$1.7 billion.'<sup>103</sup> The principle problem is the increasing role of Hong Kong as an entrepot. Because of almost two-thirds of all Chinese exports to the US were goods that had been re-exported via Hong Kong, 'particularly footwear, garments, and toys, which account for a very large share of total Chinese sales in the US market.'<sup>104</sup> China records these exports as going to Hong Kong rather to the US, according to the country of destination principle. As a Chinese scholar argues, 'US figures are grossly inflated, having incorrectly counted many exports from Hong Kong as exports from China.'<sup>105</sup> But the US, based on its view that these goods should be designated according to their country of origin, counts those goods as being imported from China. Whatever reading of the trade figures one adopts, it is clear that there remains a large gap in the trade balance and the problem will remain a difficult one to resolve.

The US government claims that the US deficit is caused by Chinese import restrictions. On the other hand, the Chinese government argues that the US could reduce the trade deficit by removing the ban on hi-tech products, which have been prohibited for export to China for several years.<sup>106</sup> There are two factors that should be taken into account. As Kenneth Lieberthal indicates,

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<sup>102</sup> Nicholas R. Lardy, *China in the World Economy*, Washington, DC: Institute for International Economics, 1994, p. 73.

<sup>103</sup> Nicholas R. Lardy, *op. cit.*, p. 75.

<sup>104</sup> *Ibid.*

<sup>105</sup> Jia Qinnnguo, 'Economic Development, Political Stability and International Respect', *Journal of International Affairs*, winter 1996, vol. 49, no. 2, pp. 584.

<sup>106</sup> Although both sides have vastly different official estimates of the bilateral trade imbalance, one important conclusion made by Chinese scholars that whole US trade statistics may be more reliable than Chinese trade statistics even both they are completely accurate. See, K. C. Fung and Lawrence J. Lau, 'New Estimates of the United States-China Bilateral Trade Balances', *A/PARC Paper*, Stanford University, April 1999, pp. 1-29, especially p. 26.

First, the US counts as exports from China all goods from Hong Kong that originate from China, but it fails to subtract the 16 per cent or so that is added to the price by Hong Kong firms engaged in the re-export. For its own exports, America classifies all goods that are re-exported to China from Hong Kong as US exports to Hong Kong only. Second, a substantial portion of China's exports to the United States consists of products largely produced in Taiwan and Hong Kong, but for which final assembly takes place in China.<sup>107</sup>

Since the late 1980s, Taiwan and Hong Kong investors have established large numbers of firms in China that are labour intensive, particularly in such industries as textiles, footwear, kitchenware, and toys. These investments created what was commonly referred to as an "economic miracle" in the other "two Chinas". Such investors are now playing the same roles in China as they did in Taiwan and Hong Kong in the 1980s, earning huge foreign remittance from the US. The US response to its deficit with China parallels its response to the deficits it incurred with Taiwan and Hong Kong at an earlier stage.

According to Chinese statistics, the amount of trade between the US and China totalled \$309.6 billion from 1979 to 1997. The average rate of increase of trade during that period was over 20 percent. By the end of 1997, America invested \$17.5 billion in capital and there were over 24,400 instances of US investment in China. On the other side, China has invested \$500 million with more 500 enterprises in the US.<sup>108</sup> The US is the biggest export market for Chinese products and investment. China obtains most-favoured-nation status to trade with the US. China has made serious efforts to enter the WTO culminating in its November 1999 agreement with the US. However, China maintains high levels of tariff protection on its fragile domestic economy.<sup>109</sup> Consequently, the major US China

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<sup>107</sup> Kenneth Lieberthal, 'Domestic Forces and Sino-US Relations', in Ezra F. Vogel, ed., *Living with China: US/China Relations in the Twenty-First Century*, New York: W. W. Norton and Company, 1997, p. 275, footnote 1.

<sup>108</sup> Translated from Zong Hou, 'Dui Zhongguo Yu Meiguo Xian Cun Jing Mao Wenti Zhi Tanta (Probing the present economic issues between the US and China)', *Zhonggong Yanjiu (Studies on Chinese Communism)*, vol. 32, no. 8, August 1998, p. 36.

<sup>109</sup> To bolster its prospects of joining the WTO, China cut its average import tariff from 35% to 23% in April 1996 and from 23% to 17% in October 1997. Beijing also promised that China's tariff would fall to an average of 15% by the year 2000. See, Wu Xinbao, 'Integration on the Basis of Strength: China's Impact on East Asian Security', *A/PARC Paper*, Stanford University, February 1998, p. 4.

policy in the economic sector is to open the Chinese market for American products and to incorporate China into the world economic system. On the other hand, China uses its advantageous market situation to lobby US industry, particularly the American aviation, communication, nuclear energy and insurance industries - all of which seek greater outlets in China. China hopes to increase pressure on the US government to relax its prohibitions on these industries' involvement with China. The pressure China has been able to apply, as a result of this situation, has been a major advantage for Chinese negotiators in their dealings with their US counterparts.

In March 1999, US Trade Representative Charlene Barshefsky visited Beijing to seek an opportunity to resolve the deteriorating US-China trade. Both sides sought an agreement to open China's civil aviation market for more American airlines.<sup>110</sup> At the same time, the US was very keen to reduce its imbalance of trade. Because the US had a \$57 billion trade deficit, a rise of about 15 percent compared with that of 1998. The US government hoped, therefore, that through this negotiation China would import more American agricultural products, communication equipment, and financial and insurance services.<sup>111</sup>

### **5-6-2 Accession to the World Trade Organisation (WTO)**

As a result of China's rapid economic growth and its integration into the world economy, there was an argument as to whether China could meet the requirements of the WTO. The requirements of participation in WTO include low tariffs and transparency in a country's trading arrangements.

China, however, still maintains high tariff rates for many imported goods and the import decision-making is not transparent.<sup>112</sup> 'In the early 1990s, China's tariff rates were relatively high among APEC members, at 37.5 percent, with most other APEC members having average tariff rates of less than 20 percent.'<sup>113</sup>

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<sup>110</sup> *Taiwan Today News Network*, 24 February 1999.

<sup>111</sup> *Ibid.*

<sup>112</sup> Nicholas R. Lardy, *op. cit.*, p. 138.

<sup>113</sup> Christopher Findlay and Andrew Watson, 'Economic Growth and Trade Dependency in China', in David S. G. Goodman and Gerald Segal, (eds.), *China Rising: Nationalism and Interdependence*, New York: Routledge, 1997, p. 112.

In 1993, China's weighted mean tariff was 38.4 percent and unweighted mean tariff was 39.9 percent, as table 5-1 indicates, which was higher than any other APEC members' were. Therefore, China needs to 'agree to a demanding schedule of reductions of tariff and quantitative restrictions, such as quotas and other non-tariff barriers, and to increase the transparency of its trade system, particularly import decision making.'<sup>114</sup> From a Chinese perspective, it is 'unrealistic and unfair to demand that China abolish all barriers at once'.<sup>115</sup> They believe that harsh conditions and double standards are used by Western powers, particularly the US to force China's accession to the WTO, thereby violating the principle of non-discrimination.<sup>116</sup>

**Table 5-1: Comparison of Tariff Rates: Selected Countries in Members of APEC**

SELECTED COUNTRIES IN ASIA-PACIFIC AREA	WEIGHTED MEAN TARIFF (%)	STANDARD DEVIATION OF TARIFF (%)	UNWEIGHTED MEAN TARIFF (%)
China (1993)	38.4	29.9	39.9
(1996)	22.6	17.4	23.6
Indonesia (1993)	21.7	16.1	19.4
(1996)	13.8	16.7	13.0
Philippines (1993)	20.2	14.1	22.5
(1995)	18.4	11.0	20.0
South Korea (1992)	10.7	6.5	11.6
(1996)	9.5	26.1	11.1
Mexico (1991)	13.1	4.4	13.0
(1995)	11.8	5.4	12.6

Source: The World Bank, *1999 World Development Report*, 1999, pp. 340-342.

Although the Chinese government reduced tariff rates on a wide range of commodities in 1995, the multilateral meeting had not resolved this dispute even though China reduced tariff rates to less than 30 percent on 2000 commodities in 1997. In 1999, before China's Premier Zhu Rongji's visit to the US, the US negotiation representative strongly warned China that if China did not open its market the US would consider letting Taiwan (with the title of Taiwan-Penghu-Quemoy-Matsu Custom Autonomous Territory) join the WTO earlier than China.<sup>117</sup> Some Chinese officials believe that the US government considers 'China is not a developing country and therefore should not enjoy the trade concessions granted to them.'<sup>118</sup> China was, however, considered a developing

<sup>114</sup> Nicholas R. Lardy, *op. cit.*, p. 138.

<sup>115</sup> Jialin Zhang, 'An Assessment of China's Thinking on Trade Liberalization', *Hoover Essays*, URL: <<http://www-hoover.stanford.edu/publications/he/he18.html>>

<sup>116</sup> Jialin Zhang, *op. cit.*

<sup>117</sup> *Taiwan Today News Network*, 19 March 1999.

<sup>118</sup> Jia Qinnnguo, 'Economic Development, Political Stability and International Respect (Contemporary China: The Consequences of Change)', *Journal of International Affairs*, winter 1996, vol. 49, no. 2, p.583.

country according to the World Bank's *1995 World Development Report*.<sup>119</sup> The argument about the entry of the WTO is not merely an economic issue but also a political one. As Stuart Harris argues, 'Tiananmen Square provided a major set-back to the negotiations for entry and in shaping external attitudes towards China that impinged on them.'<sup>120</sup>

The Chinese government still considered that China would receive multiple benefits from resuming its position in the worldwide organisation. Politically, joining the WTO symbolised China's international status, credibility and national legitimacy. Prior to its accession, China was the only major power not in the WTO. A range of non-political benefits was also seen to accrue to China. These included participation in decision-making processes, a variety of economic benefits and information exchanges and the acquisition of high-level technological knowledge.<sup>121</sup> On 15 November 1999, the US and China attained an agreement that China's concession of entrance of the WTO. In this agreement, both sides agreed,

- China will cut duties from an overall average of 22.1% to 17%.
- China will make even greater reductions on agricultural items of particular interest to the US.
- China will establish large and increasing tariff-rate quotas for wheat, corn, rice, and cotton with a substantive share reserved for private trade.
- State trading for soy oil will be phased out.
- China will eliminate export subsidies.
- American companies can provide auto financing.
- New access for US companies, including banks, insurance companies, and telecommunication business.
- Distribution rights for US exporters.

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<sup>119</sup> The World Bank classified low-income economies were those with a GNP per capita of \$695 or less in 1993, middle-income, \$695-\$8,625, high-income \$8,626 or more. According to this criterion, China was considered as a low-income economy. The World Bank, *The World Development Report 1995*, New York: Oxford University, 1995, pp. 158 and 162. China's GNP per capita was \$490 in 1993, \$530 in 1994, \$860 1997, and \$750 in 1998. These data can be found in the World Bank's *World Development Report*, 1996, p. 188; 1998/1999, p. 190; 1999/2000, p. 230.

<sup>120</sup> Stuart Harris, in David S. G. Goodman and Gerald Segal, (eds.), *China Rising: Nationalism and Interdependence*, New York: Routledge, 1997, p. 136.

<sup>121</sup> *Ibid.*

- Improved access for computer services, business consulting, accounting, advertising, and financial information services.
- Increased imports of foreign films, on a revenue-sharing basis, to at least twenty films per year.
- In textiles, the US and China agreed on appropriate measures to avoid market disruptions during and after the phase out of current quotas.<sup>122</sup>

In general terms, WTO entry would help China's modernisation. As summarised by one commentator, these benefits include:

First, to contain international protectionism; second, to expand China's markets; third, to gain for China non-discriminatory access to markets - including unconditional MFN treatment; fourth, to gain treatment that developing countries get, such as preferential trade agreement; fifth, to improve China's negotiating capability by having access to multilateral dispute settlement procedures; sixth, to encourage Chinese industry to become more competitive internationally; seventh, to increase confidence among China's trade, investment and technology providing; and eighth, to safeguard China's position in prospective negotiations on new areas such as trade in services, investment and intellectual property rights.<sup>123</sup>

Briefly, China would have three main benefits, which would be to assure non-discriminatory tariff treatment, to reduce its own levels of tariff protection, and to access the preferential arrangements associated with its developing country status. Because of US insistence, however, China's entrance had to wait until the US and China resolved their disagreements.

### **5-6-3 Most Favoured Nation Status and Permanent Normal Trade Relations**

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<sup>122</sup> 'US and China sign historic trade agreement', Office of the United States Trade Representative, Executive Office of the President. URL: <<http://www.usia.gov/topical/eco/wto99/pp1115a.htm>>

<sup>123</sup> Stuart Harris, in David S. G. Goodman and Gerald Segal, (eds.), *op. cit.*, p. 137.

In regard to the essence of Most Favoured Nation (MFN) status, which is a unilateral restriction of the US government. According to Nicholas R. Lardy,

Under the terms of the Jackson-Vanik Amendment to the Trade Act of 1974, MFN status can be extended to non-market economies only if the president issues a waiver certifying either that the country concerned does not impede emigration or that providing MFN status to it would be likely to lead to increased emigration. Once MFN status is awarded to a non-market economy, it must be renewed annually. In the Chinese case, since MFN status expires on 3 July every year, the law requires the president to state his intention to renew the waiver by 3 June. If the Congress objects to continued MFN status for China it must pass a joint resolution disapproving the waiver by 1 September. The president has the option of vetoing the joint resolution, in which case Congress has 15 legislative days to override the veto, which requires a two-thirds veto in both the House and Senate. If an override veto were successful, China's MFN status would expire 60 days after the veto.<sup>124</sup>

The annual review by the US Congress of China's MFN status has not only created great uncertainty for China, but from China's perspective, has also damaged its national dignity.<sup>125</sup>

China was neither a market economy nor a country from which free emigration was possible. In addition, the Tiananmen Square massacre turned the attention of many congressmen and the executive branch to the situation of Chinese human rights. Consequently, the two goals of the US government in its economic relations with China, became: first, to encourage the Chinese government to improve its human rights situation; and second, to further open its market to such US goods as aviation, nuclear power plants and the products of insurance companies and the information industries.

From America's perspective, China's engagement in the world economy 'will accelerate the domestic transformations that are most likely to lead to a more pluralistic

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<sup>124</sup> Nicholas R. Lardy, *op. cit.*, p. 99.

<sup>125</sup> Stuart Harris, in David S. G. Goodman and Gerald Segal, (eds.), *op. cit.*, p. 138.



political system and ultimately to a more favorable human rights environment as well.’<sup>126</sup> In this perspective, engaging China in the world economy became a central strategic perspective, of benefit not only to the Chinese economy but also to the American. In the Chinese view, linkage of the economic issues with the human rights is completely unacceptable. For example, President Clinton signed ‘an executive order requiring that China show “overall, significant progress” on human rights or face the effective severance of US trade by the spring of 1994.’<sup>127</sup> But the Chinese government’s response was a wave of arrests on the eve of Warren Christopher’s first visit to Beijing after Assistant Secretary of State for Human Rights John Shattuck met China’s most prominent dissident, Wei Jinsheng, in a Beijing hotel.<sup>128</sup> The same situation occurred before Secretary of State Madeleine K. Albright’s visit in March 1999, at which time the Chinese government arrested dissidents.<sup>129</sup>

At the beginning of 2000, the Clinton administration made every effort to persuade the Congress to pass the act of permanent normal trade relations (PNTR) with China. The US Labour Union and domestic interest groups were strongly opposed, primarily on human rights and labour grounds.<sup>130</sup> Nevertheless, the House passed the act convincingly (237-197).<sup>131</sup> However, the Senate, however, at the time of writing, has not yet passed the

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<sup>126</sup> Nicholas R. Lardy, *op. cit.*, p. 140.

<sup>127</sup> *Washington Post*, 21 June 1998, p. A20.

<sup>128</sup> *Ibid.*

<sup>129</sup> *Taiwan Today News Network*, 28 February 1999.

<sup>130</sup> According to the AFL-CIO, the new advertisements urge working families to call their elected Representative to vote against permanent normal trade relations and to “keep China on probation” until the Made in China label “stands for fairness”. AFL-CIO President John Sweeney explains the reason that ‘China-which has not yet ratified the two Union States covenants on human rights it agree to sign before President Clinton’s trip to China in 1998-has broken every trade agreement it has signed with the United States over the past 10 years. Chinese government officials already are saying they have no intention of complying with the agreement they signed with the US only three months ago...And China is one of the worst offender of human rights in the world. It is a country that does not tolerate political dissent or free speech. China uses executions and torture to maintain order, persecutes religious minorities, and violates workers’ rights.’ AFL-CIO argues that China’s factories produce goods for export to the US pay their workers between 30 and 35 cents an hour. As a result, the US runs a trade deficit of nearly 70billion with China in 1999, where workers’ wages are considerably low. ‘New Television ads Tell Members of Congress, “Keep China on Probation”’: New Peter Hart Research Polling Shows Voters Strongly Disapprove of Giving China Permanent Free Trade Status’, AFL-CIO, 23 February 2000. URL: <<http://www.aflcio.org/publ/press2000/pr0222.htm>>

<sup>131</sup> According to *Financial Times*, 25 May 2000, The House of Representatives on 24 May 2000 voted solidly in favour of granting permanent normal trade relations to China, opening a new era of Sino-American relations. In a decisive foreign policy triumph for President Bill Clinton, the Republican-led House voted 237-197 to end the 20-year-old ritual of annually reviewing China’s trade status, putting Beijing on the same footing as most other US trading partners. Detail of the bill, *Cf.* The House of Representatives, the bill (H.R. 4444) ‘Authorizing Extension of Nondiscriminatory Treatment (Normal Trade Relations

act. These examples demonstrate that while economic issues remain closely involved with political issues, it is difficult to reduce the gap between the two sides. The deeper the engagement of political and economic issues is, the worse, it would seem, are the prospects for harmonious economic relations.

## 5-7 Conclusion

In this chapter, several major issues have been discussed. In each of these issues, complex interactions between their domestic and international aspects are significant for both the US and China. Many of them, in all likelihood, will remain unresolved for some time. Domestic US pressures, such as those from the pro-China business lobby have improved Sino-American economic relations. External pressures, such as considerations of regional security and stability, force the US government to construct its China policy prudently. On the other hand, China's rapid internal development has enhanced its role as a regional power, but external pressures have limited its potential for expansion. Such external pressures include the US government using the human rights issue and disputes over technological transfers to constrain China. These issues have been discussed at great

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Treatment) to the People's Republic of China', (House of Representatives, 24 May 2000). URL: <<http://thomas.loc.gov/cgi-bin/query/C?r106:/temp/!r106oulezv>>

After the bill, some also attempted to pass the other resolution (HCON 334 I, 106th CONGRESS, 2d Session, H. CON. RES. 334) expressing the sense of Congress that normal trade relations treatment for products of the People's Republic of China should be revoked if that country attacks, invades, or imposes a blockade on Taiwan. But, this suggestion was vetoed by 258:176 before the vote. The full contexts are following:

In the House of Representatives, May 24, 2000, Mr. WELDON of Pennsylvania (for himself, Mr. BERMAN, and Mr. COX) submitted the following concurrent resolution; which was referred to the Committee on Ways and Means.

### Concurrent Resolution

Expressing the sense of Congress that normal trade relations treatment for products of the People's Republic of China should be revoked if that country attacks, invades, or imposes a blockade on Taiwan. Whereas article XXI of the GATT 1994 (as defined in section 2(1)(B) of the Uruguay Round Agreements Act (19 U.S.C. 3501(1)(B)) allows a member of the World Trade Organization to take 'any action which it considers necessary for the protection of its essential security interests,' particularly 'in time of war or other emergency in international relations'; and Whereas an attack on, invasion of, or blockade of Taiwan by the People's Republic of China would constitute a threat to the essential security interests of the United States and an emergency in international relations: Now, therefore, be it. Resolved by the House of Representatives (the Senate concurring), That it is the sense of the Congress that pursuant to article XXI of the GATT 1994, nondiscriminatory treatment (normal trade relations treatment) should be withdrawn from the products of the People's Republic of China if that country attacks, invades, or imposes a blockade on Taiwan, in addition to whatever other measures the United States might take to assist Taiwan.

URL: <<http://thomas.loc.gov/cgi-bin/query/z?c106:H.CON.RES.334:>>

length through diplomatic, academic, and military channels. Both sides insist on their respective standpoints and are, in effect, conducting a power struggle at domestic, regional and global levels.

Clearly, for the US, the maintenance of security and prosperity at regional and global levels is in accordance with its interests. Strategically, the prevention of a rising power from challenging its hegemony is a logical practice. Economically, the improvement of economic prosperity is clearly in America's interest. Politically, a stable and democratic regime is helpful for regional peace. Hence, to attain these goals, the US government advocates a free market to improve economic prosperity; urges political democratisation and human rights to assure regional peace and it emphasises arms control and limitation of nuclear proliferation to reduce possibilities of conflict.

On the Chinese side, maintaining the CCP's continuous ruling status and keeping China's territorial integrity are two basic principles, which are not open to concessions. To maintain its continuous ruling status, the CCP tries to maintain 8% economic growth per annual and emphasises the relevance of socialism with Chinese characteristics - by which it means the CCP's leadership is unchallengeable. To keep China's territorial integrity, Taiwan and Tibet as well as Xinjiang are made inseparable from China. Actively increasing export earnings, foreign investments, management skills and technology and know-how maintain China's economic growth rate.

Owing to the obvious gaps in perception and the conflicts of interest involved, it is inevitable that China and the US have a degree of national competition. Sino-American relations are complex and include cooperation, rivalry, and confrontation. The Sino-American *rapprochement* could be reached because global strategic circumstance had changed. In recent years, however, the strategic circumstances, which underpin the *rapprochement*, have changed again and the domestic politics of both countries have also undergone significant change. In the next chapter, several arguments relating to strategic considerations will be discussed in their military, economic, and political aspects. Basically, the major strategic debate concerned with containment and engagement policy is at the core of the next chapter.

## Chapter Six

### Strategic Comparisons – China and the United States

*Once China becomes strong enough to stand alone, it might discard us. A little later it might even turn against us, if its perception of its interests requires it.*

Henry Kissinger.<sup>1</sup>

#### 6-1 Introduction

Underlying the complex and contentions relations between the US and China is a set of strategic considerations, which play a significantly determining role in the way the two states interact. While this has been true to some extent throughout the PRC's existence, it has become much more important as China's economic and technological power increases. In recent years, the strategic balance between the two states has understandably attracted great attention. It is examined here in some detail as it is perhaps the most crucial of all aspects of the Sino-American relationship and therefore of major significance to China's modernisation.

The collapse of the Soviet Union and the rise of an economically reformed China raise more questions than answers for Northeast Asian countries and US-China policy. Now that the Cold War is over and the countries of the former Soviet bloc are moving toward market economies and democracy, many western countries as well as Japan and South Korea wonder whether China will undergo a similar transformation. In fact, the Chinese people today enjoy greater prosperity and control over their own lives than at any time since the founding of the People's Republic of China (PRC) in 1949.

At the same time, however, the image of Chinese tanks rolling into Tiananmen Square on 4 June 1989, and Chinese missiles landing off the adjacent coast of Taiwan during the Republic of China's (ROC) March 1996 presidential election makes one wonder whether the PRC has changed at all. As a result of its increased economic strength, China has become a regional power in economic and military terms. The return of Hong Kong on

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<sup>1</sup> Henry Kissinger, *White House Years*, Boston, Mass.: Little, Brown and Company, 1979, p.1091.

1 July 1997 and Macau on 20 December 1999, symbolise the nationalist forces that are shaping "Greater China". In the meantime, reunification with Taiwan remains an unresolved issue. Although the mainland and Taiwan have closer economic ties than they had during the Cold War era, pressures to reunify are threatening regional security and the instability generated is of serious concern to the major powers, particularly the United States and Japan.

During the Cold War era, the confrontation between American and Soviet blocs was intense. Nuclear deterrence maintained global and regional stability. Although regional conflicts such as the Korean War and the Vietnam War occurred in the 1950s and 1960s, the two superpowers were never engaged directly in conflict. Both powers developed alliances such that a strategic balance was struck. With the collapse of the Soviet bloc in the early 1990s, the strategic balance seemed to have shifted dramatically in favour of the United States. In 1992, however, US troops retreated from the Philippines and the US has downgraded its forces elsewhere in Asia. East Asia faced the possibility of an emerging strategic vacuum and China's increased power threatened to fill it.

To maintain regional security and stability, the US government has deployed 100,000 US troops in East Asia (including 37,000 in South Korea and 47,000 in Japan). To increase both regional prosperity and their own profits, American businessmen and multinationals are eagerly flowing into the regional economies across the Pacific, with China's market being the biggest incentive. European, Japanese and overseas Chinese have also focused their interests on China's economy as a source of future profit. The relations between China and Taiwan remain, however, many uncertainties, which currently affect regional security and stability and may yet affect them more dramatically. Hence, maintaining regional security and stability in the face of continued tensions in the Taiwan Straits has become a central strategic issue.

As a result of American military dominance,<sup>2</sup> regional security depends on its willingness to intervene. The US has adopted a balance-of-power strategy in the region. In accordance with this strategy, it maintains a strong Navy and Air Force presence as well as nuclear weapons in the region. In addition, the US encourages regional powers such as

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<sup>2</sup> Zalmay Khalilzad and Ian O. Lesser, *Sources of Conflict in the 21<sup>st</sup> Century: Regional Futures and US Strategy*, Washington, DC: RAND, 1998, pp. 70-74.

Japan, China, South Korea, and Taiwan to undertake peaceful interaction to avoid conflicts. Further, the US repeatedly proclaims its promise of regional security and stability to its allies - Japan, and South Korea. Of course, it also clearly requires a peaceful resolution of the tensions between the PRC and the ROC.

In 1999, China's Defence White Paper outlined China's perspective of the post-Cold War Asian security order. It inherits Zhou Enlai's "five principles of peaceful coexistence"<sup>3</sup> and has not changed these. According to these principles, China is gradually establishing "strategic partnerships" or "constructive strategic partnerships" with key nations such as Russia, Central Asian states, France, Germany and Pakistan, and also with political-economic organisations such as APEC, ARF and ASEAN. In the meantime, China actively uses its diplomatic power to increase its influence in Asia-Pacific region. Inevitably, China's role is more and more important than previous its economic and military influence, which will become significance in the twenty-first century.

This chapter compares the strategies of the US and China at the global and regional level and their impact on the course of China's modernisation. Throughout the course of their post World War II relations, strategic considerations have played an exceptionally large role in the formulation of each state's policy towards the other. Here, an examination is conducted of the current debates among the formulators of strategic perspectives in each state in the context of the historical forces that have generated them.

## **6-2 Grand Strategic Considerations: Realpolitik vs. Liberal Views**

During the Cold War era, both China and the US had a mutual strategic interest to balance the expansion of the Soviet Union. Despite the two states not attaining a real

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<sup>3</sup> See *China's National Defense 1999*, Beijing: Information Officer of State Council, 1999, pp. 6-7. The Five Principles of Peaceful Coexistence are: mutual respect for territorial integrity and sovereignty, mutual non-aggression, non-interference in each other's internal affairs, equality, and mutual benefit and peaceful coexistence, they build on the premise of global and regional security. Chou En-lai in Bandung Conference, initially, submitted these principles, on 23 April 1955. He submitted a resolution on world peace containing seven points, which are: (1) respect for the sovereignty and territorial integrity of all countries; (2) abstention from aggression, military threats, and interference in other countries' internal affairs; (3) recognition of the equality of all nations and races; (4) respect for the right of peoples to choose freely their own way of life and their political and economic systems; (5) settlement of international disputes by peaceful means; (6) support for all efforts to promote peace; (7) an immediate arms truce among all countries. Source: *Keesing's Contemporary Archives*, vol. X, 1955-1956, p. 14182.

strategic partnership, China relied on the US nuclear umbrella and its satellite intelligence.<sup>4</sup> In the post-Cold war era, the possibility of China challenging US hegemony has replaced the previous mutual interest. Not only is there a change of external circumstances but in the case of China there are also major domestic changes which contribute to the uncertain status of Sino-American relations.

Some realists predict that a war will occur in the near future if US' China policy is unsuccessful.<sup>5</sup> This prophecy has plausibility. In Walter S. Jones' analysis, there are fifteen elements that could contribute to an outbreak of war in the contemporary international context.<sup>6</sup> China's indicated ambitions and potential in the military/political field are easily incorporated by the parameters of this analysis. Although war between China and the US is not presently on the horizon, their strategic considerations are focusing on the opposition as a "challenger", "competitor" or even "enemy".

For liberals, American values are more influential through the provision of US aid, as was demonstrated by the Marshall Plan in Europe and through bilateral cooperation in East Asia during the Cold War era. In the post-Cold war era, American strategy highlights the importance of democracy as a central belief, inextricable to America's world leadership.<sup>7</sup> Developing democracy as a universal principle is a key focus of the liberal orientation. The US continually attracts elite human capital from the rest world "because of

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<sup>4</sup> Henry Kissinger told Huang Hua, the Chinese ambassador to the United Nations in 1971, "we would be prepared, at your request, through whatever sources you wish, to give you whatever information we have about the disposition of Soviet forces." See *ABC News*, 9 January 1999.  
URL: <<http://abcnews.go.com/sections/world/DailyNews/kissinger990109.html>> Quoted from the National Security Archive of George Washington University.

<sup>5</sup> See Richard Bernstein and Ross H. Munro, *The Coming Conflict with China*, New York: Alfred A. Knopf, 1998.

<sup>6</sup> See Walter S. Jones, *The Logic of International Relations*, (6<sup>th</sup> ed.), Glenview, Ill: Scott & Foresman, 1988, chapter 11. He analyses that the origins of war are, First, balance of power exists in major powers. Second, the transfer of power from the existing power to potential competitors could result in a war. Third, a rising of nationalism, separatism or revanchism in some declining nations could cause conflicts. Fourth, Darwinism could be utilised as a political excuse to launch a war. Fifth, misperception between states could originate a war. Sixth, the failure of communication might launch a war. Seventh, the arms race could increase the possibility of war. Eighth, the authorities might try to improve internal integration through external conflict or hostility. Ninth, civil war could involve international conflict because of alliances or treaties. Tenth, some regimes are naturally aggressive. Eleventh, the stimulation of economic and scientific development could improve the capability for war. Twelfth, the structure of military industry could induce the possibility of war. Thirteenth, some countries may feel that their interests are exploited. Fourteenth, some nations face the limitation of survival space because of population pressure. Finally, to attain political goals there may be no other choice except forceful resolution.

<sup>7</sup> Madeleine K. Albright, spoke at the Rostov Lecture Series, School of International Advanced Studies, Johns Hopkins University, 18 January 2000, p. 3.

democracy.”<sup>8</sup> China, on the other hand, is attempting to increase its influence through its “four modernisations program”. To achieve this, it almost certainly requires American assistance – which it wants without having to accept American democracy.

### 6-2-1 Chinese Grand Strategic Considerations

Central to China’s current foreign policy is its strong determination to recover its national dignity as discussed in chapters four and five. As Gilbert Rozman indicates, ‘the Chinese authorities capitalised on this deep sense of national loss to present a simplistic version of the past aimed as much at kindly nationalist support as at finding new ways to achieve international cooperation.’<sup>9</sup> Through vigorous efforts at international cooperation, China has sought to remove some of the negative impressions of China that are held internationally. These include the image of a repressive China and the impressions of China as a threat to regional stability, and as a “rogue state”. China, therefore, is trying to improve its international prestige as a responsible power. As Paul H. B. Godwin indicates, Beijing seeks the status and influence of a ‘principal rule maker in determining the region’s post-Cold War security architecture.’<sup>10</sup>

This determination to recover national pride clearly impacts on the Sino-American relationship. China and the US have different interests, objectives and policies, but have some mutual interests.<sup>11</sup> America assumes in its China policy that a wealthy and strong China will be useful for the stability of East Asia in accordance with idealist or liberal international relations.<sup>12</sup> Since the PRC became a member of the nuclear club and entered the Security Council of the United Nations, its influence has increased. That influence has been enhanced by its continued economic growth. More importantly, China adjusted its

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URL: <<http://secretary.state.gov/www/statements/2000/000118.html>>

<sup>8</sup> *Ibid.*

<sup>9</sup> Gilbert Rozman, ‘China’s Quest for Great Power Identity’, *Orbis*, summer 1999, p. 388.

<sup>10</sup> Paul H. B. Godwin, ‘Force and Diplomacy: China Prepares for the Twenty-First Century’, in Samuel S. Kim, (ed.), *China and the World: Chinese Foreign Policy Faces the New Millennium*, Boulder, Colo.: Westview Press, 1998, p. 188.

<sup>11</sup> David Shambaugh, ‘Sino-American Strategic Relations: From Patterns to Competitors’, *Survival*, vol. 42, no. 1, spring 2000, pp. 97-115.

<sup>12</sup> For example, President Clinton believes ‘a stable, open, prosperous China, shouldering its responsibilities for a safer world is good for America.’ President Clinton spoke in a press conference at the Great Hall of People in Beijing on 27 June 1998, The White House, Office of the Press Secretary, 27 June 1998. URL: <<http://www.whitehouse.gov/WH/>>.



global strategic consideration from one based on Marxist ideology to one that was more obviously based on *realpolitik* considerations. In words of Gilbert Rozman, 'China's abrupt switch in foreign policy in the midst of the decade-long Cultural Revolution came not because of new domestic priorities or a new ideological line, but because of a new geopolitical strategy.'<sup>13</sup>

During the 1960s and 1970s, Mao assessed China's military capacities, which were previously not strong enough to support its intentions. Sino-Russian relations deteriorated to the point where armed border clashes over disputed territory took place. Under this assessment, China chose to reconcile with the US in order to obtain US support against possible attack from the USSR. This change of strategic thinking has impacted on global and regional circumstances, particularly on Sino-US relations.

Others view the Chinese strategic thinking that seems not to be different from previous one. Although China adopted strong ideological Marxism in economic policy and diplomatic propaganda, the Chinese government skillfully implicated the "strategy of united front",<sup>14</sup> which is based on China's national interests, as the Chinese Communist Party's interests, which reflected its *Realpolitik* perspective,<sup>15</sup> as political realism perspective.<sup>16</sup>

This *realpolitik* perspective and its implications for China's security were the Chinese government's foremost concern in the Cold War era. This perspective is based on "winning over the middle forces"<sup>17</sup>, which linkages with the Chinese leaders considering winning the supports from others and consolidating its power *per se*.<sup>18</sup> During this period,

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<sup>13</sup> Gilbert Rozman, 'China's Quest for Great Power Identity', *Orbis*, summer 1999, p. 388.

<sup>14</sup> Mao emphasised that 'the united front, armed struggle and Party building are the three fundamental questions for our Party in the Chinese revolution.' See *Selected Works of Mao Tse-Tung (Mao Zedong)*, vol. II, Peking (Beijing): Foreign Language Press, 1965, p. 288.

<sup>15</sup> Alastair Iain Johnston, 'China's New "Old Thinking": the Concept of Limited Deterrence', *International Security*, vol. 20, no. 3, winter 1995/96, p. 7.

<sup>16</sup> 'Political realism, a school of thought that focuses on the concepts of "national interest" and "power", argues that nations ought to pursue these rather than abstract moral or legal principles.' In Charles W. Kegley, Jr. and Eugene R. Wittkopf, (3<sup>rd</sup> ed.), *American Foreign Policy: Pattern and Process*, London: Macmillan, 1987, p. 19, footnote 8.

<sup>17</sup> According to the principle of united front, '[t]he *winning over the middle forces* [emphasis added] is an extremely important task' for the CCP. See *Selected Works of Mao Tse-Tung (Mao Zedong)*, vol. II, Peking (Beijing): Foreign Language Press, 1965, p. 424.

<sup>18</sup> 'The united front means a political alliance of the proletariat and its party consolidating all patriotic classes, stratifications, parties and sects to fulfil certain common goals. The method is firstly to pursue the consolidation and integration of the party *per se*. Secondly, to unite all [other] patriotic classes, stratifications, parties, sects and other political forces...gradually fulfilling its strategic goals.' Editors,

for example, China had few options in its relations with the Soviet Union and the US. China and the US exchanged military information only in order to deter the Soviet Union's expansion. Although China was not an ally of the US, it played a shrewd role. By 1980, Sino-American relations entered a stage of quasi-alliance when US Secretary of Defence Harold Brown visited Beijing to discuss possible military cooperation.<sup>19</sup>

In the 1970s, China regarded the US and Japan alliance as a part of an anti-Soviet Union front. In the meantime, China no longer perceived the increase in Japan's defence capability in negative terms. China did not protest at Japan's development of an independent military force.<sup>20</sup> Even Chinese Premier Hua Guofeng agreed that Japan had a right to develop its own military capability. As he said,

An independent and sovereign state should have the right to maintain its own defense so as to safeguard its independence and sovereignty. As to what Japan will do, we do not interfere in its internal affairs.<sup>21</sup>

Where as in the Cold War era, the strategic balance was based on ideological rivalry. It now involves disputes about sovereignty, about economic issues, and natural resources, about human rights issues and the environment. Regardless of these issues, China has never conceded its bottom line on the issue of Taiwan: sovereignty, which links with the issue of sovereignty and national dignity - a *realpolitik* viewpoint. The trend seems to return to the European balance-of-power in the 1920s. The difference is a new strategic balance forming in the Northeast Asia region. To protect its national interests, both China and the US are playing balance-of-power game in international affairs. The international system is becoming a new competition between US allies (NATO, Japan,

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*Dang Dai Zhongguo De Tongyi Zhanxian (Contemporary China's United Front)*, vol. I, Beijing: Dang dai zhongguo chu ban she, 1996, p. 1. 'Unity and struggle are the basic principles of Mao Zedong's thought.' *op. cit.*, p. 10. Most importantly, the foundation of the united front is to "*insist on the leadership of the Chinese Communist Party*" [emphasis added] so that the Party can attain the final victory.

<sup>19</sup> Jianwei Wang and Xinbo Wu, 'Against us or with us? The Chinese Perspective of America's Alliances with Japan and South Korea', *A/PARC (Asia/Pacific Research Center)*, Stanford University, May 1998, pp. 19-20.

<sup>20</sup> Jianwei Wang and Xinbo Wu, *op. cit.*, p. 20.

<sup>21</sup> Editorial, 'Premier Hua gives press conference in Tokyo', *Beijing Review*, 9 July 1980, p. 12.

ASEAN and Australia, led by US) and China's partners (Russia, Central Asian states, Pakistan, Iraq, Iran - led by China and probably supported by Russia).

In the post-Cold War era, China has adopted a contradictory stance in its foreign policy. For example, China respects every country's right to the maintenance of its sovereignty in accordance, as it often notes, with the "five principles of peaceful coexistence".<sup>22</sup> On the other hand, China strongly protests against Japan joining the Theatre Missile Defence (TMD) system with the US,<sup>23</sup> because the deployment of the TMD could undermine Chinese missile superiority in East Asia. Most importantly, Taiwan would be involved in the umbrella of TMD system led by the US that increases the possibility of independence, which is unacceptable to the Chinese leaders. As many believe the importance of territorial integration – the Chinese national interests. Or, to take another example, in 1985, when China's trade deficit with Japan reached a peak of US\$5.96 billion. The Chinese government began to express serious concern. In 1998, when China's trade surplus with the US reached US\$70 billion, the Chinese government did not express concern, but argued with the US over a series of trade issues. These examples alone demonstrate that the Chinese, is indeed, playing a *realpolitik* game that only concerns China's national interests.<sup>24</sup>

China still lags technologically as a nuclear power. On the other hand, it is zealously developing laser weapons, information warfare, smart and more accurate missiles, which are being incorporated into the PLA's capacities to win a future war.<sup>25</sup>

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<sup>22</sup> Information Office of the State Council of the People's Republic of China, *China's National Defense*, Beijing: Information Office of the State Council Press, 1999, pp. 6-7.

<sup>23</sup> For example, Patrick E. Tyler, 'China Warns US Against Developing Asian Missile Shield', *International Herald Tribune*, 18-19 February 1995, p. 4. Noriyoshi Itokawa, 'Sino-Japanese Security Talks Discussed', *Asahi Shimbun* (Tokyo), 16 January 1996, p. 2. Editorial, 'Beijing Warns Tokyo Not to Join US in Theatre Missile Defense Program', *Agence France Presse*, 30 December 1998. Gao Junmin and Lu Dehong, 'A Dangerous Move', *Jiefangjun Bao (PLA Daily)*, 24 January 1999, p. 4. Chen Yali, 'TMD Issue Detrimental to Sino-US Relations', *China Daily* (online), 27 January 1999. John Pomfret, 'Chinese Official Warns US on Missile Defense', *Washington Post*, 11 November 1999, p. A01. For further detail, see the chronological information made by the East Asia Nonproliferation Project, Center for Nonproliferation Studies, *Theater Missile Defense in Northeast Asia: An Annotated Chronology, 1990-Present*, Monterey Institute of International Studies, 2000.  
URL: <<http://cns.miis.edu/research/neasia/tmdchron.htm>>

<sup>24</sup> Yong Deng, 'The Chinese Conception of National Interests in International Relations', *The China Quarterly*, no. 154, June 1998, pp. 308-329.

<sup>25</sup> Simon Beck, 'US Fears PLA Anti-satellite Laser Weapons', *South China Morning Post*, 5 November 1998. Lawrence Freedman, 'The Revolution in Strategic Affairs', *Adelphi Paper* 318, Oxford: Oxford University Press 1998. Michael Pillsbury, (ed.), *Chinese Views of Future Warfare*, Washington, DC: National Defense University Press, 1997.

Strategically, the PLA's capability has provided a degree of threat to China's adversaries. The PLA believes in so-called "limited deterrence".<sup>26</sup> In the 1980s, Deng Xiaoping described the basic deterrent effect of nuclear weapons in the following way: "you have some [nuclear missiles], and we also have some. If you want to destroy us, then you yourself will receive some retaliation."<sup>27</sup> Although China is no longer preparing to fight an early, large-scale and nuclear war, 'the military role of nuclear weapons has not changed appreciably in commentary by Chinese strategists.'<sup>28</sup>

These strategic considerations reflect on recent Sino-American relations. PLA leaders realised the importance of hi-tech warfare of future hi-tech warfare, particularly the lesson of the Persian Gulf war in 1991 and US intervention in the Taiwan Strait crisis in 1996. The PLA is speeding up its military modernisation and adjusting its strategic thinking. The Chinese government is developing an "asymmetric strategy policy"<sup>29</sup> that means the PLA concentrates on developing ballistic missile technology, with small but more powerful nuclear warheads accompanied by information warfare.<sup>30</sup> The main purpose of this strategy is to keep adversaries from knowing with certainty its abilities in order to achieve nuclear or conventional victory. It is a Chinese philosophy of war which originated from Sun Zi's principle of "defeating enemies without fighting" (*bao zhen re chu ren zhi bin*).<sup>31</sup> Apparently, this strategic philosophy is brought into play in many sensitive areas of China's strategy towards its adversaries including the US and Taiwan.

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<sup>26</sup> Alastair Iain Johnston, 'China's New "Old Thinking": the Concept of Limited Deterrence', *International Security*, vol. 20, no. 3, winter 1995/96, p. 5.

<sup>27</sup> Alastair Iain Johnston, *op. cit.*, p. 9.

<sup>28</sup> *Ibid.*

<sup>29</sup> Lawrence Freedman, 'The Revolution in Strategic Affairs', *Adelphi Paper* 318, Oxford: Oxford University Press 1998, pp. 35-49.

<sup>30</sup> US Department of Defence, 'The Security Situation in the Taiwan Strait', *Report to Congress Pursuant to the FY99 Appropriations Bill*, Washington, DC: US Department of Defense, 26 February 1999, pp. 8-10. The information operations include information warfare, computer warfare, electronic warfare, anti-satellite (ASAT) program, sensors for detection and targeting, telecommunication infrastructure, deception, and psychological operations.

<sup>31</sup> Sun Tzu (Sun Zi), *The Art of War*, (translated by Thomas Cleary), Boston: Shambhala, 1988. In chapter three: 'Planning A Siege', Sun Zi indicated, 'The general rule for use of the military is that it is better to keep a nation intact than to destroy it. It is better to keep an army intact than to destroy it, better to keep a division intact than to destroy it, better to keep a battalion intact than to destroy it, better to keep a unit intact than to destroy it.' *Op. cit.*, p. 66.

Extending this meaning, Sun Zi categorised five levels of planning a siege as following,

- 'Those who win every battle are not really skillful-those who render others' armies helpless without fighting are the best of all.' (*gong xin wei sang* – playing grand strategies with enemies only)

The Chinese government has sought in the 1990s to consolidate its economic foundations by reforming state owned enterprises, attracting foreign direct investment and a range of other policies in the context of a more market-oriented environment. At the same time, the Communist Party has sought to retain strong and unchallenged political leadership. As the Japanese economy stagnated through the 1990s and the American economy forged ahead, China sought to improve its international status in the post-Cold War era.<sup>32</sup> Rapid economic growth, however, would require stability, which the Communist Party insists, it alone can deliver.<sup>33</sup>

## 6-2-2 US Grand Strategic Considerations

The US global strategic considerations are based on its national interests. What are the national interests of the US? According to Henry Kissinger, '[I]n the early years of the Republic, American foreign policy was in fact a sophisticated reflection of the American

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- 'The superior militarist strikes while schemes are being laid.' (*qici fa mou* – playing schemes like Machiavellism)
  - 'The next best is to attack alliances.' (*qici fa jio* – diplomatic war such as diplomatic isolation, economic sanction as power diplomacy)
  - 'The next best is to attack the army.' (*qici fa bin* – fighting in battlefields)
  - 'The lowest is to attack a city. Siege of a city is only done as a last resort.' (*qixia gong cheng* – fighting in urban battlefield)

According to the above, the best planning is to defeat enemies without fighting. Cf. Sun Tzu (Sun Zi), *The Art of War*, *op. cit.*, pp. 67-70. Sun Zi's strategic philosophy has been developed in the PLA considerably. As a senior PLA leader interprets the above with three essential way: 1) to defeat the enemy by stratagem (*fa mao*), 2) to undermine the enemies' alliance by diplomatic means (*fa jiao*), and 3) to assault the walled city (*gong cheng*). Cf. Lieutenant General Li Jijun, vice president of the Academy of Military Science, The Chinese People's Liberation Army, an address at the US Army War College in July 1997, 'Traditional Military Thinking and the Defensive Strategy of China', *Letort Paper* no. 1, (Acrobat version), Carlisle Barracks, Pa.: US Army War College, 29 August 1997, p. 4.

URL: <<http://carlisle-www.army.mil/usassi/ssipubs/pubs97/china/china.htm>>

<sup>32</sup> Gilbert Rozman, 'China's Quest for Great Power Identity', *Orbis*, vol. 43, no. 3, summer 1999, p. 384.

<sup>33</sup> Initially, Deng Xiaoping announced the four cardinal principles after the decision of the Third Plenary Session of the Eleventh Central Committee of the Chinese Communist Party - the four modernisations: 'we must keep to the socialist road; we must uphold the dictatorship of the proletariat; we must uphold the leadership of the Communist Party; and we must uphold Marxism-Leninism and Mao Zedong thoughts.' The Chinese government has proclaimed these principles since China's reform and opening policy began. See, 'Uphold the Four Cardinal Principles', a speech at a forum on the principles for the Party's theoretical work, on 30 March 1979, in *Deng Xiaoping Wen Xuan (Deng Xiaoping Selected Writings)*, vol. II, Beijing: People's Publisher, 1993, p. 3. Through over twenty years' reform and opening, China has been neither socialist (as Deng Xiaoping and his successors claim) nor Marxist-Leninist. By contrast, many claim that China is economically capitalist but politically may be classified as "soft authoritarian". In this sense, the only one principle still maintained is upholding the leadership of the Communist Party.

national interest, which was, simply, to fortify the new nation's independence.'<sup>34</sup> According to Donald Nuechterlein's analysis, the interests of the US are to maintain the American life style, to protect American overseas' economic interests, and to maintain the world order.<sup>35</sup> According to Samuel P. Huntington's analysis, American national interests are in accordance with a certain sense of national identity that reflect American culture and values.<sup>36</sup> Synthetically, it is no doubt that to maintain the American life style, to protect American overseas' interests (especially transnational enterprises' interests), and to maintain the world order are the basic principles of American foreign policy.

Although scholars claim that an engagement strategy should integrate China into international community for many reasons such as improving the people's welfare through global free trade and maintaining regional prosperity, it is still based on the interests of America.<sup>37</sup> In the post-Cold War era, American national interests reflect on the following fundamental concepts, which are:

- To prevent attacks on the US with weapons of mass destruction;
- To prevent the emergence of hostile hegemony in Europe or Asia and of hostile power on US borders or on the seas;
- To prevent the collapse of the global systems for trade, financial markets, energy supplies, and the environment; and
- To ensure the survival of US allies.<sup>38</sup>

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<sup>34</sup> Henry Kissinger, *Diplomacy*, New York: Simon & Schuster, 1994, p. 30.

<sup>35</sup> Donald E. Nuechterlein, *America Overcommitted: United States National Interests in the 1980s*, Kentucky: Lexington, 1985, p. 15 and p. 50.

<sup>36</sup> Samuel P. Huntington, 'The Erosion of American National Interests', *Foreign Affairs*, vol. 76, No. 5, September/October 1997, pp. 28-29.

<sup>37</sup> The goal of engagement strategy is to involve the Chinese central government and a multiplicity of regional and functional organisations and leading personalities in a series of economic exchanges and linkages that also involve institutionalised multilateral and bilateral meetings so as to forge habits of consultation and dialogue. See David S.G. Goodman and Gerald Segal, *op. cit.*, p. 21. Meanwhile, engagement refers to the means that would increase bilateral contact and produce closer relationships. See Z. Khalilzad, A. N. Shulsky, D. Byman, R. Cliff, D. Orletsky, D. A. Shlapak, and A. J. Tellis, (eds.), 'US Policy Options', in *The United States and A Rising China: Strategic and Military Implications*, Washington, DC: RAND, 1999, pp. 63-69.

<sup>38</sup> Samuel P. Huntington, 'The Erosion of American National Interests', *Foreign Affairs*, vol. 76, no. 5, September/October 1997, p. 36. He referred to a report from the Commission on America's National Interests, Cambridge: Central for Social and International Affairs, John F. Kennedy School of Government, Harvard University, 1996, p. 1.

To this end, it is in the American national interest to keep free trade, protect American territorial security, and maintain US allies' survival and prosperity. In brief, US national interests link with global free economy, political stability, and American values such as democracy and freedom.

The first document to describe post-Cold War US goals for the region was the East Asia Strategic Initiative (EASI), which was submitted in April 1990 to the Office for International Security Affairs, a branch of the Office of the Secretary of Defence. The EASI emphasised that traditional US interests in the region would follow the goals,

- Protect the United States from attacking,
- Support a US global deterrence policy,
- Preserve US political and economic access to East Asia,
- Maintain the balance of power to prevent the rise of regional hegemony,
- Strengthen the western orientation of Asian nations,
- Foster the growth of democracy and human rights,
- Deter nuclear proliferation, and
- Ensure freedom of navigation.<sup>39</sup>

According to Zalmay Khalilzad and Ian O. Lesser, American vital interests in Asia have three dimensions. First to prevent, deter, and reduce the threat of attack on the continental United States and its extended territorial possessions. Second, to prevent the rise of a hegemonic state in Asia. Any hegemonic state capable of dominating the Asian landmass and the lines of communication, both internal and external, represents an unacceptable challenge to the safety, prosperity and power position of the United States. Third, to ensure the survival of American allies. It is necessary for the US to meet its treaty

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<sup>39</sup> Stanley Chan, 'The American Military Capability Gap', *Orbis*, vol. 41, no. 3, summer 1997, pp. 385-386. Cited from Martin Lasater, *The New Pacific Community: US Strategic Options in Asia*, Boulder, Colo.: Westview Press, 1996, p. 18.

obligations to two important Asian states - Japan and South Korea to keep its credibility in the international society and to assure US leadership.<sup>40</sup>

In other words, US strategic interests are to protect its territory, to prevent a challenger, and to fulfil its treaty obligations to allies and assure its leadership. China's rising does not mean the US territory would be attacked immediately. However, China's blue water ambition meets with US regional interests that would be treated as a challenge to US regional interests and as a threat to its allies interests, particularly those of Japan and ASEAN.

This strategy reflects the Sino-American relationship on which is obviously following the same principles. According to President Clinton, the reasons for the American government considering the strategic relations between the US and China are:

First, the United States has a profound interest in promoting a peaceful, prosperous, and stable world. Second, the United States has a profound interest in peace and stability in Asia. Third, the United States has a profound interest in keeping weapons of mass destruction and other sophisticated weapons out of unstable regions and away from rouge states and terrorists. Fourth, the United States has a profound interest in fighting drug trafficking and international organized crime. Fifth, the United States has a profound interest in making global trade and investment as free, fair, and open as possible. Finally, the United States has a profound interest in ensuring that today's progress does not come at tomorrow's expense.<sup>41</sup>

President Clinton reveals that the national interests of America are to maintain global stability, regional security, continuously economic prosperity, and environmental protection. To attain these goals, the US government recognises that China will be a strategic partner in the twenty-first century. To maintain a partnership with China is in

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<sup>40</sup> Zalmay Khalilzad and Ian O. Lesser, (eds.), *Sources of Conflict in the 21<sup>st</sup> Century: Regional Futures and US Strategy*, Washington, DC: RAND, 1998, pp. 52-54.

<sup>41</sup> Remarks by The President in address on China and the national interest, *The White House, Office of the Press Secretary*, 24 October 1997, URL: <<http://www.whitehouse.gov/>>



accordance with American interests. In this sense, Clinton and many liberals expect that China will carry on free markets, political diversity, and undertaking international responsibilities.<sup>42</sup> Hence, a cooperative China will benefit American national interests. The major consideration is how to keep China cooperating with the US. If China continues to open its markets, to democratise, and to maintain its international responsibilities, it will meet American regional and global interests.

Accordingly, the more cooperative attitudes China adopts, the more likely American interests will be maintained. The central question is whether China will willingly cooperate with the US.

### 6-2-3 Unipolarity vs. Multipolarity

During the Cold War era, the global situation was frequently described as one of bipolarity. In 1964, China became a member of the nuclear club. Although its nuclear capability was in an infant stage, China's geography, population, and international status became of greater international significance, allowing China gradually to play a more vital role in world affairs. A number of terms came into common usage to describe the new situation, including strategic triangle, triangular politics, and even tripolarity in the 1970s.<sup>43</sup> After the Soviet bloc collapsed, the strategic situation has dramatically changed from one of tripolarity to one of a single superpower and a few other powers. A number of debates have followed as to whether the future world order might be categorised as one of unipolarity or multipolarity.<sup>44</sup>

In the early post-Cold War era, US grand strategy was to develop a unipolar world order. According to the Pentagon planning documents on post-Cold War strategy, there were two major approaches: one unilateral approach and the other collective.

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<sup>42</sup> *Ibid.* As President Clinton emphasises, 'A stable, open, and non-aggressive Chinese government. Further, China embraces free markets, political pluralism, and the rule of law, that works with the US to build a secure international order--that kind of China, rather than a China turned inward and confrontational, is deeply in the interests of the American people.'

<sup>43</sup> Robert S. Ross (ed.), *China, the United States, and the Soviet Union: Tripolarity and policy making in the Cold War*, Armonk, New York: M.E. Sharpe, 1993, p. 4.

<sup>44</sup> Christopher Layne, 'The Unipolar Illusion: Why New Great Power Will Rise', *International Security*, vol. 17, no. 4, spring 1993, pp. 130-176.

Our first objective is to prevent the re-emergence of a new rival, either on the territory of the former Soviet Union or elsewhere, that poses a threat on the order of that posed formerly by the Soviet Union. This is a dominant consideration underlying the new regional defense strategy and requires that we endeavor to prevent any hostile power from dominating a region whose resources would, under consolidated control, be sufficient to generate global power. Our most fundamental goal is to deter or defeat attack from whatever source...The second goal is to strengthen and extend the system of defense arrangements that binds democratic and like-minded nations together in common defense against aggression, build habits of cooperation, avoid the renationalization of security at lower costs and with lower risks for all. Our preference for a collective response to preclude threats or, if necessary, to deal with them is a key feature of our regional defense strategy. The third goal is to preclude any hostile power from dominating a region critical to our interests, and also thereby to strengthen the barriers against the re-emergence of a global threat to the interests of the U.S. and our allies.<sup>45</sup>

Apparently, the Pentagon's grand strategy is to maintain US military hegemony and global stability under the unipolar system in order to assure US interests. In this logic, any potential challenger would be treated as a threat. Since the end of Cold War, Russia, because of its economic difficulties, has been in no position to challenge US hegemony. Japan and Germany are economic powers, but their democratic institutions and alliance relationships with the US preclude them from being threats. The only potential threat is China, particularly if its economy and military capability continue to grow rapidly. It is possible that China is shaping, or will in the future, an alliance to challenge US hegemonic status.

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<sup>45</sup> Charles W. Kegley, Jr. and Gregory A. Raymond, *A Multipolar Peace?: Great-Power Politics in the Twenty-first Century*, New York: St. Martin's Press, 1994, p. 189, (Box 8.5). Source from, Patrick J. Tyler, 'Pentagon Drops Goal of Blocking New Superpowers', *New York Times*, 24 May 1992, p. 14.

Unlike the argument of unipolarity, Samuel P. Huntington argues that global politics has moved to a multiplier or “uni-multipolar” system.<sup>46</sup> The strategic circumstances of the post-Cold War era in Asia are the US allies to Japan and South Korea; China allies with Russia and the Central Asian states of Tajikistan, Kyrgyzstan and Kazakhstan. Although China and the US have established a constructive strategic partnership, the present relations are fragile. Accordingly, the strategic environment is similar to that of a new Cold War in this region. While China seeks to develop and project its capability, the best policy for the protection of America’s interests in twenty-first century Asia is a moderate multipolar balance-of-power system, as Douglas T. Stuart and William T. Tow suggest.<sup>47</sup> China shares power with Russia in Central Asia such that both China and Russia may be strengthened by their developing ties in a way that contributes to the attempted creation of a multipolar world.<sup>48</sup> In such ways, China is gradually developing a multipolar strategy to rival the unipolar strategy of the United States. This situation reflects on the Pentagon’s document that reveals US grand strategy is focusing on unipolarity. Christopher Layne indicates the Pentagon’s strategic framework as follows,

During late 1992 and early 1993, the Pentagon’s Joint Staff was preparing a “new NSC-68” intended to establish an intellectual framework for America’s post-Cold War grand strategy. One of this document’s key themes is that a multipolar world is, by definition, dangerously unstable.<sup>49</sup>

On the other hand, he argues that a multipolar world would be helpful to the world order. In particular, China’s rising power could help America in a multipolar world.<sup>50</sup>

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<sup>46</sup> Samuel P. Huntington, ‘Global Perspectives on War and Peace or Transiting a Uni-Multipolar World’, America Enterprises Institute (AEI), *Bradley Lecture Series*, 11 May 1998, p. 2. URL: <<http://www.aei.org/bradley/bl051198.html>>. Also see Samuel P. Huntington, ‘The Lonely Superpower’, *Foreign Affairs*, vol. 78, no. 2, March/April 1999, pp. 35-49.

<sup>47</sup> Douglas T. Stuart and William T. Tow, ‘A US Strategy for the Asia-Pacific’, *Adelphi Paper*, 299, December 1995, p. 27.

<sup>48</sup> Stratfor’s Global Intelligence Center, ‘China-Russia Power Sharing in Central Asia’, 17 September 1999. URL: <<http://www.stratfor.com/SERVICES/GIU/091799.ASP>>

<sup>49</sup> Christopher Layne, ‘The Unipolar Illusion: Why New Great Powers Will Rise?’ *International Security*, vol. 17, no. 4, spring 1993, p. 131.

<sup>50</sup> Christopher Layne, *op. cit.*, p. 171.

Hence, the argument that multipolarity is stabilising the world order would benefit China's international status, giving China more international responsibilities, with the US government reducing commitment in world affairs. And also, the US government will reduce commitment and pressure on its international obligations.

According to S. P. Huntington, the leaders of countries with at least two-thirds of the world's people (such as Chinese, Russian, Indians, Arabs, Muslims, and Africans) see the United States as an external threat to their security. However, '[t]hey do not see America as a military threat; they do see it as a threat to their integrity, autonomy, prosperity, and freedom of action to pursue their interests as they see fit.'<sup>51</sup> In this sense, an anti-American coalition is shaping, which could not occur in a unipolar world 'because the other states are too weak to mount it.'<sup>52</sup> Therefore, Huntington argues that the era of unipolarity has ended. In particular, he reflects Beijing's belief that

The principle threats to peace, stability, and China are "hegemonism and power politics", by which they mean the United States, whose policies are designed to undermine and create disunity in the socialist states and developing countries.<sup>53</sup>

Following reform, the Chinese leaders realised that China is a power and that its military capacities are being strengthened. Therefore, China should be treated as a regional power but must be contained by others. In June 1973 Zhou Enlai indicated asked a young member of a visiting American delegation:

Do you think China could ever become a hegemonic power? She replied, "I doubt it," to which the Premier swiftly responded, "Do not count on it, China could embark upon a hegemonic path. But if it does, you should

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<sup>51</sup> Samuel P. Huntington, 'Global Perspectives on War and Peace or Transiting a Uni-Multipolar World', America Enterprises Institute (AEI), *Bradley Lecture Series*, 11 May 1998, *op. cit.*, p. 3.

<sup>52</sup> Samuel P. Huntington, *op. cit.*, p. 4.

<sup>53</sup> Samuel P. Huntington, *op. cit.*, p. 3.

oppose it. And you must inform that generation of Chinese that Zhou Enlai told you to do so.’<sup>54</sup>

Apparently, China’s strategic intention was to be a great, even a hegemonic, power and, the Chinese leaders expected that the contradiction would occur. Although China does not have sufficient ability to fulfil its strategic intention, its doctrine contains a wish list of capacities to establish its economic, technological and military strength,<sup>55</sup> China moves to toward a challenge to US hegemony.

In regard to the mutual interests of Sino-American relations, Bates Gill indicates some critical phases:

China and the US share an interest in limiting the spread of Islamic fundamentalism. Particularly in southeasten and central Asia. Both sides want Russia to manage its troubles benignly and Japan to continue stabilizing the region. Moreover, both would benefit if China had a greater stake in the success of institutions and regimes that foster global order and economic growth.<sup>56</sup>

Theoretically, the mutual interest in Sino-American relations is to attain stable global and regional situation by military cooperation, increasing economic prosperity, and reducing religious conflicts. However, they differ over the future world order. In particular, Beijing opposes Washington’s tendency toward unilateralism.<sup>57</sup>

Regionally, ‘Like the United States, China wants to prevent an escalation of tensions on the Korean peninsula and sees advantages in maintaining the status quo of separate

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<sup>54</sup> Michel Oksenberg, ‘Taiwan, Tibet and Hong Kong in Sino-American Relations’, in Ezra F. Vogel, (ed.), *Living with China: US/China Relations in the Twenty-first Century*, New York: W. W. Norton and Company, 1997, p. 94.

<sup>55</sup> Alastair Iain Johnston, ‘China’s New “Old Thinking”: The Concept of Limited Deterrence’, *International Security*, vol. 20, no. 3, winter 1995/96, p. 6.

<sup>56</sup> Bates Gill, ‘Limited Engagement’, *Foreign Affairs*, vol. 78, no. 4, July/August 1999, p. 68.

<sup>57</sup> Bates Gill, *op. cit.*, p. 69.

North and South Korean states. China shares the US interest in a militarily “contained” Japan and in preventing Indian domination of the Indian Ocean.’<sup>58</sup>

Globally, although ‘China does not share America’s commitment to global objectives, such as preserving the security of Israel,’<sup>59</sup> China’s growing military power, rapidly growing economy, and the technology transfer of missiles and nuclear weapons to Iran, Iraq, and Pakistan: are of extreme concern to the US government. Through these behaviours, China attempts to weaken US influence and to challenge US hegemony in the regional and global affairs. In particular, the achievement of China’s economic modernisation has broadly been expected that its influence will replace of America’s in the next two decades. From Beijing point of view, Washington is sensitive to any power that may pose a challenge to its hegemonic position. When the Soviet Union collapsed and the US government was eager to identify potential rivals, China became the target.<sup>60</sup>

Strategically, there are four characteristics in the relationship between the US and the PRC in the 1990s. First, following the Soviet Union’s collapse, the strategic relationship has changed from containing the expansion of the Soviet Union to mutually maintaining regional security and developing the demands of economic interests. Second, both governments will use strategic dialogue and improve their relationship, their basic ideological conflict will exist for a long time. Third, the PRC thinks that the US is always interfering in its domestic affairs such as human rights and the Taiwan issue. Fourth, the economic relationship between the US and the PRC should be greatly improved, but political factors may cause frictions to become more and more possible.<sup>61</sup>

Responding to the evolution of Sino-American relations, therefore, ‘the American optimal strategy is not too strong, not too weak, but just right - strong enough to protect American interests without provoking others.’<sup>62</sup> And, Joseph Nye says that current US

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<sup>58</sup> Denny Roy, ‘Current Sino-US Relations in Strategic Perspective’, *Contemporary Southeast Asia*, vol. 20, no. 3, December 1998, p. 232.

<sup>59</sup> *Ibid*

<sup>60</sup> Ren Yue, ‘China’s Perceived Image of the United States: Its Sources and Impact’, in Peter Koehn and Joseph Y. S. Cheng, (eds.), *The Outlook for U.S.-China Relations Following the 1997-1998 Summits: Chinese and American Perspectives on Security, Trade and Cultural Exchange*, Hong Kong: the Chinese University Press, 1999, p. 262.

<sup>61</sup> Zhao Guo-cai, ‘Taiwan zai ya tai an quan ti xi zhi giao shai yu de wei (The Role and Status of Taiwan in the Asia-Pacific Security System)’, *Zhonggong Yanjiu (Studies on Chinese Communism)*, vol. 30, no. 5, 1996, p. 63.

<sup>62</sup> Michael E. Brown, Sean M. Lynn-Jones and Steven E. Miller, *The Peril of Anarchy: Contemporary Realism and International Security*, Cambridge: MIT Press, 1995, p. 170.

strategy is described as “constructive engagement”.<sup>63</sup> However, it is difficult to imagine that China will sincerely cooperate with the US. More importantly, as Jianwei Wang and Xinbo Wu indicate, China often uses the Taiwan issue as its touchstone to test the US and its alliances.<sup>64</sup> The Taiwan issue, in fact, is bogging down Sino-American relations. On the other hand, a dynamic Sino-American relationship can assist the future of Taiwan. ‘When Sino-American relations are good, it’s not good for Taiwan. But when they are bad, it’s worse for Taiwan.’<sup>65</sup>

Joseph S. Nye suggests that current US foreign policy in the Asia-Pacific region has four major options. First, the US might withdraw and pursue an Atlantic-only-policy.<sup>66</sup> Second, the US could create a local balance of power. Third, the US could create regional security institutions. Fourth, the US could create a coalition to contain China.<sup>67</sup>

Thus both China and the US are in the process of determining their strategic options in ways that they hope to maintain or increase their capability to shape the world order.

### 6-3 Chinese Strategic Perceptions

China’s strategic perceptions are based on its national interests and traditional strategic thinking. In this section, the thesis mainly focuses on China’s sovereignty and its defensive/offensive strategy.

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<sup>63</sup> Joseph S. Nye, ‘China’s Re-emergence and the Future of the Asia-Pacific’, *Survival*, vol. 39, no. 4, winter 1997-98, p. 75.

<sup>64</sup> Jianwei Wang and Xinbo Wu, ‘Against Us or With Us? The Chinese Perceptive of America’s Alliances with Japan and Korea’, *A/PARC*, Stanford University, May 1998, p. 37.

<sup>65</sup> Yin Xiao-huang, ‘The Growing Influence of Chinese Americans on U.S.-China Relations’, in Peter Koehn and Joseph Y. S. Cheng, (eds.), *The Outlook for U.S.-China Relations Following the 1997-1998 Summits: Chinese and American Perspectives on Security, Trade and Cultural Exchange*, Hong Kong: the Chinese University Press, 1999, p. 343. Quoted from Emily MacFarquhar, ‘China’s Trouble with Taipei’, *U.S. News and World Report*, 25 September 1995, p. 66.

<sup>66</sup> Huntington presents the same viewpoint. See Samuel P. Huntington, *The Clash of Civilizations and the Remarking of the World Order*, New York: Simon and Schuster, 1996, p. 316.

<sup>67</sup> Joseph S. Nye, ‘China’s Re-emergence and the Future of the Asia-Pacific’, *Survival*, vol. 39, no. 4, winter 1997-98, pp. 74-75.

### 6-3-1 Chinese National Interests

In the beginning of the PRC, Chinese national interests were influenced by the Marxist theory of class struggle. Chinese leaders considered their national interests to be identical to those of the international working class. In the post-Mao era, the national interest replaced class interest.<sup>68</sup> The “national humiliation” of China’s past has been revived in support of the new form of nationalism. Following China’s rise, the trend towards this new form of nationalism seems to be provoked and manipulated by the authorities. In particular, it is mirrored in China’s foreign policy and strategic considerations.

Historically, the Chinese government assessed itself as a great power or at least, during much of the Cold War period, as the leader of the “Third World”.<sup>69</sup> This identity has influenced its foreign policy for a long time. Since the nineteenth century, China has lost several major wars against the West particularly the British and Japan, and its foreign policy had been adjusted from inward looking to outward looking. During the past 150 years, the Chinese obsession with great power relations is rooted in its ‘historical humiliations, ideological adjustments, and power politics.’<sup>70</sup> Therefore, China adopts a strong nationalism in its foreign policy. Because of this historical experience, the Chinese government has set up its grand strategy of a balance of power in its development. At the end of the nineteenth century, for example, the Chinese government tried to cooperate with Russia to defend Japanese expansionism according to Li Hongzhang’s strategy of “allying with Russia and deterring Japan”.<sup>71</sup> China’s backwardness, however, made it vulnerable,

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<sup>68</sup> Yong Deng, ‘The Chinese Conception of National Interests in International Relations’, *The China Quarterly*, no. 154, June 1998, p. 312.

<sup>69</sup> Mao talked with a Zanzibari expert on 18 June 1964. See *Mao Zedong Si Xiang Wan Sui (Long Life Mao Zedong Thought)*, editor and publisher unknown, 1969, p. 514. Initially, Mao had developed this argument in spring 1946 when American journalist Anna Louise Strong interviewed him. The term of intermediate indicates that China and many developing countries are divided from the “first zone” - the US and the Soviet Union - and the “second zone” which include Europe, Canada, Australia, New Zealand, and Japan. Thus, China is the leader of the developing world-the Third World - is well known. See *Selected Works of Mao Tse-tung (Mao Zedong)*, vol. IV, (3<sup>rd</sup> ed.), Peking (Beijing): Foreign Language Publisher, 1969, p. 99.

<sup>70</sup> Gilbert Rozman, ‘China’s Quest for Great Power Identity’, *Orbis*, summer 1999, p. 387.

<sup>71</sup> Immanuel C. Y. Hsu, *The Rise of Modern China*, (5<sup>th</sup> edition), New York: Oxford University Press, 1995, pp. 346-348.



which resulted from a 'lack of intelligence about relations among the world powers.'<sup>72</sup> Lacking accurate intelligence in its foreign relations and an appropriate strategy of development, China suffered the so-called "humiliation".

The various Chinese governments, from monarchist to republican, have placed emphasis on strengthening national power through cooperating with *benign* foreigners. Sun Yat-Sen tried 'to ally with other nations, which treat Chinese equally, to recover China's predominance position,'<sup>73</sup> and Mao Zedong decided to 'lean to one side'.<sup>74</sup> Initially, Sun Yat-Sen hoped to receive assistance from the US because it was not as imperial as other powers but, as a matter of fact, Dr. Sun allied with the Russian because only the Communists assisted Sun's anti-imperialism. After the PRC founded, Mao focused on Russia because the USSR was the leader of international Communism. Mao's leaning to one side policy had set the direction for the CCP government's foreign policy. This historical decision deeply impacted on Chinese foreign policy and its strategy of development. The major consideration was national survival through the Soviets assistance and ideological similarity with the Soviet Communists.

The split in Sino-Russian relations resulted from strategic considerations and territorial conflict rather than only from an ideological difference. At the end of the 1960s, China decided to ally with the US against the USSR because of strategic considerations although China was still hostile to the US. From the *rapprochement* to the Soviet collapse, China actively played a cooperative role in Sino-American relations because it needed the

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<sup>72</sup> Gilbert Rozman, *ibid.*

<sup>73</sup> See Sun Yat-sen, *Three Principles of the People (San Min Chu I)*, translated by Frank W. Price, Shanghai: The Commercial Press, 1932. In Dr. Sun Yat-sen's will, he emphasised that [to attain the goal of the elevation of China to a position of freedom and equality among the nations] we [the KMT and all members] must bring about a thorough awakening of our own people and ally ourselves in a common struggle with those peoples of the world who treat us on the basis of equality.

<sup>74</sup> Sergei N. Goncharov and John W. Lewis, and Xye Litai, *Uncertain Partners: Stalin, Mao, and the Korean War*, Stanford, California: Stanford University Press, 1993, p. 44. Also see *Selected Works of Mao Tse-Tung (Mao Zedong)*, vol. IV, (3<sup>rd</sup> ed.), Peking (Beijing): Foreign Language Press, 1969, pp. 415 and 417. Mao declared in his article "On the People's Democratic Dictatorship" that 'the twenty-eight years' experience of the Communist Party have taught us to lean to one side, and we are firmly convinced that in order to win victory and consolidate it, we must lean to one side...all Chinese without exception must lean either to the side of imperialism or to the side of socialism. Sitting on the fence will not do, nor is there a third road. We oppose the Chiang Kai-shek reactionaries who lean to the side of imperialism, and we also oppose the illusions about a third road...Internationally, we belong to the side of the anti-imperialist front headed by the Soviet Union, and so we can turn only to this side for genuine and friendly help, not to the side of the imperialist front.'

US strategic influence. In this era, the Chinese leaders were seriously concerned that the national sovereignty and security as top priorities.<sup>75</sup>

As a result of this background, there are three major schools of strategic thoughts concerning China's future. These are: the "implosion school, the expansion school, and the integration school".<sup>76</sup> In recent times, the view of the integration school, which stresses the benefits of greater integration with the rest of the world, has been the most influential.<sup>77</sup>

Nevertheless, Chinese scholars think that international relations in the future, particularly those between China and the US, should take cognisance of the following: first, China is taking a neo-realism approach. Second, the main concern of most Americans is not so much a powerful China with its military budget, but an increasingly stronger China adhering to a different philosophy. Third, American idealism: a traditional desire to promote Western democracy and a market economy, or simply the American model. This indulgence in idealism is further reinforced by the fact that the US has become the sole superpower, and its leadership ought to reflect something as noble as human rights and values. Fourth, Americans are ambivalent about facing a rising China. Fifth, some argue a "China threat" and "China anomaly". Sixth, there is no secret that behind the dispute is the different national interests of China and the US. The United States wants to have maximum access to China's market immediately, while China wants to have a period of time for respite to protect some nascent parts of her economy from being fatally stricken or even crippled by a sudden massive foreign economic inrush. Seventh, American's China policy may be summarised as follows: 1) maintaining constructive relations with China; 2) because China has an atomic arsenal and a veto in the UN Security Council; 3) a strategy of "comprehensive engagement" with China will encompass both the American economic

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<sup>75</sup> Yong Deng, 'The Chinese Conception of National Interests in International Relations', *The China Quarterly*, no. 154, June 1998, pp. 313-314. Also, see Deng Xiaoping, *Deng Xiaoping Wenxuan (Deng Xiaoping Selected Writings)*, vol. III, Beijing: Renmin chubanshe, 1993, p. 331.

<sup>76</sup> See Wu Xinbo, 'Integration on the Basis of Strength: China's Impact on East Asian Security', *A/PARC Paper*, Stanford University, February 1998. In this article, the "implosion" school claims that China is unable to cope with the social, economic and political challenges that were caused by its rapid economic growth. Hence, China will follow in the footsteps of the former Soviet Union. The "expansion" school argues that China will gradually build up its material strength so that Beijing will wield its weight and seek to establish hegemony in the region. The "integration" school emphasises that as China's economy further merges with the world economy, Beijing's internal and external behaviour will slowly but inevitably conform to international norms, and China will become a more responsible and more cooperative member of the world community.

<sup>77</sup> Wu Xinbo, *op. cit.*, p. 3.

and strategic interests; 4) the United States is to pursue all of its interests at a level and intensity that will achieve results; to seek mutual confidence and agreement in areas where the American and Chinese interests converge; and to reduce the areas in which the two sides have differences. Eighth, a fundamental question is how to accommodate to each other. Finally, a basic principle is to seek common ground while reserving differences.<sup>78</sup>

There are some arguments about Chinese strategic calculations of national interests. In spite of shifting its foreign policy from ideological terms, the Chinese government has shown its *realpolitik* desires, which have been responded in accordance to international and domestic factors. The major goals can be summarised as:

- Preservation of China's territorial integrity,
- Recovery of lost territories considered to be part of the PRC,
- Recognition of the PRC as the sole legitimate government of China,
- Enhancement of China's international status.<sup>79</sup>

Yong Deng says that 'derivation from the assumption of domestic-international dichotomy, anarchy and power politics is the Chinese conception of national interests in international relation.'<sup>80</sup> This means that the former relates with the concept of sovereignty and the latter links with the survival of the regime. The sovereignty and legitimacy of the regime become two inseparable security considerations, which are typically national interests. Many scholars have argued recently that 'China follows a largely *realpolitik* approach to diplomacy and the use of force', which reveals Chinese contemporary strategic behaviours.<sup>81</sup> In other words, China's critical interests are its sovereignty and territorial

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<sup>78</sup> Cui Liru, "Sino-U.S. Relations: At A New Crossroads?" *Contemporary International Relations*, China Institute of Contemporary International Relations, vol. 5, no. 3, March 1995, pp. 4-7. Also see Yong Deng, 'The Chinese Conception of National Interests in International Relations', *The China Quarterly*, no. 154, June 1998, pp. 308-329.

<sup>79</sup> June Teufel Dreyer, *China's Political System: Modernisation and Tradition and Asia-Pacific Regional Security*, London: Macmillan, 1996, p. 308.

<sup>80</sup> Yong Deng, 'The Chinese Conception of National Interests in International Relations', *The China Quarterly*, no. 154, June 1998, p. 312.

<sup>81</sup> Evan A. Feigenbaum, 'China Military Posture and the New Economic geopolitics', *Survival*, vol. 41, no. 2, summer 1999, p. 74. According to Evan A. Feigenbaum, there are different approaches focusing on Chinese strategic behaviours. For a strategic culture approach, see Alastair Iain Johnston, *Cultural Realism: Strategic Culture and Grand Strategy in Chinese History*, Princeton, NJ: Princeton University Press, 1995. For a more structural account, see Robert S. Ross, *Negotiating Cooperation: US-China*

claims rather than purely economic and resource-type interests.<sup>82</sup> If there were any threat to the sovereignty and survival of the Communist regime, it would have resort to force. Significantly, the use of force is a critical element in maintaining Chinese national interests.

In the 1970-80s, harmonious foreign relations were of the highest strategic consideration because China could not defend itself against two major enemies simultaneously. Alternatively, to establish a relationship with a benign enemy was better than to ally with a perilous friend. This was a shrewd political and strategic consideration in practice. The traditional US-China policy assumed China's prosperity and stability, and was in accordance with the traditional Chinese image of the US. Although there were ideological conflict and diplomatic issues, China and the US moved toward their historical new relationship because of strategic considerations and national interests of prosperity, stability and security.

Nevertheless, the international relations theory of Marxism-Leninism-Maoism did not perish following the end of the Cold War. 'In Chinese Communist vocabulary, "theoretical work" simply means "ideological work", and theory is more closely linked with practice than with reality.'<sup>83</sup> It is an approach based on realism or pragmatism. A Chinese scholar explains that the theory of international relations is not only an explanatory tool with which to observe world affairs, but also more importantly, is a guide for international action and foreign policy.<sup>84</sup> Through Deng's redefinition of Chinese foreign policy, the Chinese leadership recognised that China could play the role of

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*Relations, 1969-1989*, Stanford, CA: Stanford University Press, 1995. For an approach that anchors realpolitik behaviour in leadership and security concepts, see Sergei Goncharov, John Wilson Lewis and Xue Litai, *Uncertain Partners: Stalin, Mao, and the Korean War*, Stanford, CA: Stanford University Press, 1993. For a structural and domestic linked approach, see Thomas Christensen, *Useful Adversaries: Grand Strategy, Domestic Mobilization, and Sino-American Conflict, 1948-1956*, Princeton, NJ: Princeton University Press, 1996. Also see Chen Jian, *China's Road to the Korean War*, New York: Columbia University Press, 1994.

<sup>82</sup> Evan A. Feigenbaum, 'China Military Posture and the New Economic geopolitics', *Survival*, vol. 41, no. 2, summer 1999, p. 76.

<sup>83</sup> Wang Jisi, 'International Relations Theory and the Study of Chinese Foreign Policy: A Chinese Perspective', in Thomas W. Robinson and David Shambaugh (eds.), *Chinese Foreign Policy: Theory and Practice*, Oxford: Clarendon Press, 1994, p. 483.

<sup>84</sup> *Ibid.*

“balancer” in world politics.<sup>85</sup> There is no doubt that China will follow or has followed realist principles to pursue its national interests.

‘In the Chinese mind, wise and far-sighted statesmen are those who can adroitly guide action according to circumstances (*yinshi lidao*).’<sup>86</sup> Hence, the concept of this philosophy is a critical element in Chinese perspectives. As a Chinese scholar says, ‘the Leninist philosophy that balance is only relative and temporary but imbalance is absolute and constant leads the Chinese always to emphasise tilting of balance and the rise and fall of great powers.’<sup>87</sup> Furthermore, ‘in Chinese eyes, adjustments in domestic and foreign policies are only natural as long as principles and goals remain unchanged.’<sup>88</sup> According to this philosophy, the Chinese scholar states,

If the objective situation in the external world-contradictions, configurations, and balance-is in a perpetual motion, why should China keep a certain alignment permanently?<sup>89</sup>

Because of the change in the external situation, Chinese foreign policy should be adjusted in accordance with the changing situation in order to meet Chinese national interests. Internally, on the other hand, principles such as communist leadership, people’s dictatorship, socialist construction and ideological insistence have to be sustained. This philosophy might explain the mobility of Chinese foreign policy, which provides more flexible decision-making in accordance with different circumstances. For example, Mao observed that ‘Marxism emphasises the importance of theory precisely and only because it can guide action.’<sup>90</sup> It is supposedly better at reflecting new international realities, representing China’s national interests, and serving Chinese diplomacy.

In the 1970s, Beijing strongly supported Japan’s claim to the North Territories: *Habomai, Shikotan, Kunashiri, and Etorofu*.<sup>91</sup> ‘By 1975, China concluded that the Soviet

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<sup>85</sup> Wang Jisi, *op. cit.*, p. 487.

<sup>86</sup> Wang Jisi, *op. cit.*, p. 490.

<sup>87</sup> Wang Jisi, *op. cit.*, p. 489.

<sup>88</sup> *Ibid.*

<sup>89</sup> *Ibid.*

<sup>90</sup> Wang Jisi, *op. cit.*, pp. 482-483.

<sup>91</sup> Jianwei Wang and Xinbo Wu, ‘Against us or with us? The Chinese Perspective of America’s Alliances with Japan and Korea’, *A/PARC Paper*, Stanford University, May 1998, p. 17.

Union was more dangerous than the US, since the former was on the offensive while the latter was on the defensive.’<sup>92</sup> So, Chinese strategy was to urge alliance in order to balance the threat of the Soviet Union. In Mao’s era, China concentrated on its security because of ideological and territorial disputes were more serious than other issues.

In the post-Mao era, ‘while the traditional Anglo-American realists considered military security as “high politics” and social and economic issues as the domain of “low politics”, Chinese contemporary realists tend to place greater emphasis on economic and technological development.’<sup>93</sup> China’s national interests seem to focus more on economic affairs than on political issues. According to the four modernisations program, the development of agriculture, industry and science were listed on the first priority. In this sense, Chinese scholars argue that Chinese is not an aggressive nation, the Great Wall providing the persuasive evidence. A Chinese scholar, He Xin, used an illustration of sheep and wolves to explain the reason of Chinese defensive strategy:

If the flock of sheep builds some walls and defences specifically designed to protect themselves, it is not because they are not open-minded enough; but rather, it is for the sake of not being swallowed by the wolves. But from the wolves’ point of view, these fences are probably not necessary, or are even provocative.<sup>94</sup>

In 1997, China and the US established “constructive strategic partnerships”. China realised that the American troops presence in Northeast Asia was a positive function, but has been consistently concerned that the US alliance with Japan and South Korea: may clash with its national interests of security, sovereignty and territorial integrity.<sup>95</sup>

China attempts to use its growing market to instigate competition and distrust between the US and Japan by preferential economic treatment to each. In contrast, the US

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<sup>92</sup> Jianwei Wang and Xinbo Wu, *op. cit.*, p. 16.

<sup>93</sup> Yong Deng, ‘The Chinese Conception of National Interests in International Relations’, *The China Quarterly*, no. 154, June 1998, p.315.

<sup>94</sup> Yong Deng, *op. cit.*, p. 315. Also see He Xin, *Zhonghua Fuxing yu Shijie Weilia (China’s Revival and the World’s future, vol. I and II)*, Sichuan: Sichuan renmin chubanshe, 1996, p. 338.

<sup>95</sup> Jianwei Wang and Xinbo Wu, *op. cit.*, p. 35.

and Japan have established a closer relationship than that of the US and China.<sup>96</sup> While China is trying to play the role of an influential regional power, the US-Japan mutual defence treaty is impacting on Sino-American relations. The deployment of TMD by the US and Japan is treated as a new Cold-War strategy from a Chinese perspective. Beijing's point of view is that such an alliance system, or a NATO in East Asia, as an 'expansion of Western influence and an attempt to contain China.'<sup>97</sup>

In brief, Chinese strategic considerations are to assure its economic development, to consolidate its national interests - sovereignty, legitimacy of the Communist Party, and territorial integrity - and to prevent any attempt by a respectable power from containing China.

### **6-3-2 Offensive/Defensive Strategy: Is China A Threat?**

Since the end of the Cold War, America has assumed that a prosperous and engaged China will be useful for the security of the East Asia.<sup>98</sup> By contrast, other observers consider that a rising China will threaten the stability of Eastern Asia and even the whole world. A specialist warns that the US as 'ought to remember the mistakes Britain made in dealing with Germany in the years before World War I.'<sup>99</sup> According to Denny Roy,

An increasingly powerful China is likely to destabilise regional security in the near future. This idea became highly topical as China's economy posted exceptional growth in the early 1990s.<sup>100</sup>

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<sup>96</sup> Yoichi Funabashi, 'Bridging Asia's Economics-Security Gap', *Survival*, vol. 38, no. 4, winter 1996-97, p. 113.

<sup>97</sup> Yoichi Funabashi, *ibid.*

<sup>98</sup> Douglas H. Paal, 'China and the East Asian Security Environment: Complementarity and Competition', in Ezra F. Vogel, (ed.), *Living with China: US/China Relations in the Twenty-First Century*, New York: W. W. Norton & Company, 1997, pp. 97-119. David M. Lampton, 'A Growing China: In A Shrieking World: Beijing and the Global Order', *op. cit.*, pp. 120-140. Ashton B. Carter and William J. Perry, *Preventive Defense: A New Security Strategy for America*, Washington DC: The Brookings Institution Press, 1999, pp. 105-116.

<sup>99</sup> Thomas E. Ricks, 'For Pentagon, Asia Moving to Forefront', *Washington Post*, 26 May 2000, p. A01.

<sup>100</sup> Denny Roy, 'The "China Threat" issue: Major Arguments', *Asian Survey*, vol. 36, no. 2, August 1996, p. 758.

Although many believe China is a developing country as the Chinese believe, China's permanent seat on the UN Security Council and nuclear power symbolise that China is a global power not just a regional one.<sup>101</sup> As a global power, China's foreign policies significantly impact on global affairs. If its attitudes and intentions are different from others' expectations, others may perceive them as threatening. Clearly, China's size, population, growing economy, strengthening military capability and its intentions are related to the concept of threat.

The Chinese expression for "threat (*wei-xie*)" consists of two characters. The former, *wei*, means "impressive strength" or "power". The latter, *xie*, indicates "to force" or "to coerce".<sup>102</sup> Combining the two characters' meanings, the concept of "threat" includes capabilities and intentions.<sup>103</sup> A state's military power does not in itself constitute a threat to other nations, but it may create a perception of threat. For example, Canadians and Mexicans do not feel threatened by US military power, whereas Pakistanis and Indians wonder about each other's intentions and perceive them as threatening.

According to this logic, intentions include strategic plans, military doctrines, and strategic implementations that present a real imagination of threat. For example, Nazi Germany's military capabilities were weaker than those of France before it invaded Western Europe. Whereas well-disciplined German troops with *blitzkrieg* defeated a well-equipped British-French Army in 1941. By contrast, intentions can make conflicts come true. In particular, China is adopting a framework of international politics with realist view. China's intentions are arguably comparable to Wilhelmina Germany. Some argue that China 'is still far from the point at which it might seek to rewrite the rules' as Germany or Japan in the 1930s.<sup>104</sup> In the 1930s, US' isolationism and Great Britain's appeasement policy provided the two rising powers opportunities to challenge the world's political distribution of power.

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<sup>101</sup> Mitchel B. Wallerstein, 'China and Proliferation: A Path Not Taken?', *Survival*, vol. 38, no. 3, Autumn 1996, p. 59.

<sup>102</sup> *Xiandai Hanying Cidian (A Modern Chinese-English Dictionary)*, (21<sup>st</sup> ed.), Beijing: Foreign Language Teaching and Research Press, 1997, p. 918 and p. 980.

<sup>103</sup> Karl W. Eikenberry, 'China's Challenge to Asia-Pacific Regional Stability', in Richard J. Ellings and Sheldon W. Simon, (eds.), *Southeast Asian Security in the New Millennium*, Armonk, New York: M. E. Sharpe, 1996, p. 90.

<sup>104</sup> Karl W. Eikenberry, *op. cit.*, 1996, p. 108.



Today, China attempts to increase its influence on international affairs. Beijing adopts different explanations of international politics such as the definition of human rights and democracy with Chinese characteristics. In the Chinese viewpoint, by contrast, America is creating a circumstance in which China's rising is a threat. This reflects the Chinese perceptions of American strategy. As Paul H. B. Godwin indicates, Beijing believes that the core of US strategy is 'to delay, if not prevent, China's emergence as great power' in the twenty-first century.<sup>105</sup> To fulfil this strategy, Beijing interprets US China policy as aspiring to 'integrate China into an international system *dominated by Western states* [emphasis added].'<sup>106</sup> Further, the Chinese government aspires to become a superpower. Economic strength has emboldened the Chinese leaders to believe that the last few centuries, when China was humiliated and exploited by a succession of strong foreigners, are at an end.<sup>107</sup> However, a rising power is not necessarily a threat. Some argue that 'China's challenge to America will be political and economic, not military.'<sup>108</sup>

From Beijing's perspective, the US naval dominance in the region would discourage the revivification of Japanese militarism, provides a benign external environment for China's economic prosperity.<sup>109</sup> On the other hand, many Chinese people express growing nationalistic feeling, which is, in part, the outcome of America's hegemonic image. Many of the younger generation, ironically, have received high education and have a dream to go to the US. This nation-wide feeling has given the Chinese government a clear signal that it should stand firm where China's national interests - sovereignty and national dignity - are concerned.<sup>110</sup>

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<sup>105</sup> Paul H. B. Godwin, 'Force and Diplomacy: China Prepares for the Twenty-First Century', in Samuel S. Kim, ed., *China and the World: Chinese Foreign Policy Faces the New Millennium*, Boulder, Colo.: Westview Press, 1998, p. 178.

<sup>106</sup> Paul H. B. Godwin, *op. cit.*, p. 188. Quoted from Zhu Chen and Xie Wenqing, 'The US China Policy and Sino-American Relations Moving Toward the Twenty-First Century', *International Strategic Studies* (Beijing), no. 1, January 1997, p. 36.

<sup>107</sup> Decision Brief, 'China: Will It Become the West's Next Great Adversary?', No98-D21, *Center for Security Policy*, 4 February 1998. URL: <<http://security-policy.org/asia.html#China>>

<sup>108</sup> Henry Kissinger, 'Let's Cooperate with China', *Los Angeles Times*, 6 July 1997, p. C07.

<sup>109</sup> Evan A. Feigenbaum, 'China's Military Posture and the New Economic geopolitics', *Survival*, vol. 41, no. 2, summer 1999, p. 80.

<sup>110</sup> Ren Yue, 'China's Perceived Image of the United States: Its Sources and Impact', in Peter Koehn and Joseph Y. S. Cheng, (eds.), *The Outlook for U.S.-China Relations Following the 1997-1998 Summits: Chinese and American Perspectives on Security, Trade and Cultural Exchange*, Hong Kong: The Chinese University Press, 1999, p. 258. Also see, Ya-chun Chang, 'Beijing's Strategies and Actions Toward Washington: Containment and Counter-Containment', *Issues and Studies*, vol. 33, no. 9, pp. 46-63. Guangqiu Xu, 'Anti-US Sentiments in China, 1989-1996: Sources, Development, and Impact', *Issues and*

Despite China's declaration of itself as a peaceful nation adopting a defensive strategy, there were no less than 118 cases of the Chinese use of force to resolve international disputes between 1949 and 1992.<sup>111</sup> It is clear that China's foreign policy is firmly related to its security concerns and is prone to rely on the use of force.<sup>112</sup> Interestingly, the only one case of territorial compromise in the PRC's diplomatic history was 'recognition of Outer Mongolian independence in 1950.'<sup>113</sup> Nevertheless, China's resolution on the issue of protecting its territorial claims is always strong. Compared with two superpowers in the 1970s, China's backwardness seemed to make it difficult to efficiently protect its territory in the viewpoint of military. Its will was zealous but its capability was weak. Therefore, to ally with the US and to launch the "four modernisations program" became an inevitable strategy.

In its "four modernisations program", 'China's official position has been that it seeks to develop a world-class economy, to maintain military force only for defence, and to refrain from interfering in the internal affairs of other countries.'<sup>114</sup> Its goals are to establish an independent foreign policy and to recover its international prestige. Following China's rapid economic growth, 'the Chinese leaders have realised that, as a great power, China must have its own independent voice in the world. Right judgements on international situations also help domestic policy-making and implementation.'<sup>115</sup> Gradually, the Chinese elite realised that 'a rich state and strong army (*fu guo qiang bing*) are inextricably linked and form the basic road to security.'<sup>116</sup> Hence, Chinese nationalism is again significant. In the nineteenth century, China was shocked by extensive invasion led by the West, and China's society was impacted by external influences which

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*Studies*, vol. 34, no. 1, January 1998, pp. 79-99. Quansheng Zhao with Barry Press, 'The US Promotion of Human Rights and China's Response', *Issues and Studies*, vol. 34, no. 8, August 1998, pp. 30-62.

<sup>111</sup> Alastair Iain Johnston, 'China's Militarized Interstate Dispute Behavior, 1949-1992: A First Cut at the Data', *China Quarterly*, no. 153, March 1998, pp. 1-30. Another scholar cites fifteen instances of China's international use of force since 1949. See, John W. Garver, *Foreign Relations of the People's Republic of China*, Englewood Cliffs, NJ: Prentice Hall Press, 1993, p. 251.

<sup>112</sup> Evan A. Feigenbaum, 'China Military Posture and the New Economic geopolitics', *Survival*, vol. 41, no. 2, summer 1999, p. 73

<sup>113</sup> Evan A. Feigenbaum, *op. cit.*, p. 75.

<sup>114</sup> Richard Bernstein and Ross H. Munro, *op. cit.*, 1998, p. 51.

<sup>115</sup> Yong Deng, 'The Chinese Conception of National Interests in International Relations', *China Quarterly*, no. 154, June 1998, p. 309, footnote 2.

<sup>116</sup> Alastair Iain Johnston, 'China's New "Old Thinking": The Concept of Limited Deterrence', *International Security*, vol. 21, no. 3, winter 1995/96, p. 7.

'challenged both the traditional Confucian culture and territorial integrity and national unity.'<sup>117</sup>

Presently, China still lacks the ability to threaten the US. Its military modernisation, however, has rapidly moved it toward being a regional power that would threaten the region's stability, particularly that of Taiwan. Theoretically, the US will be involved if China unifies Taiwan by force. In this sense, the question of China's threat is not empty. In reality, should China be treated as a threat? In answering this question, a typical statement is: 'If you look at the history of China they have never invaded neighbouring countries.'<sup>118</sup> Some Chinese argue that China has never had an aggressive intention in relation to other countries. A Ming Dynasty official Zheng He had the opportunities to seize many territories in the 15<sup>th</sup> century but he did not; Shi Haung ti (the first emperor of Qin Dynasty) built the Great Wall in the 3<sup>rd</sup> century BC, to defend Mongolian's invasion. This kind of statement makes it clear that the Chinese is a defensive nation rather than an offensive one.<sup>119</sup> According to this logic, Chinese defensive strategy is not equal to a threat. As a senior PLA leader summarised China's nuclear doctrine as follows:

China's nuclear strategy is purely defensive in nature. The decision to develop nuclear weapons was a choice China had to make in the face

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<sup>117</sup> Erica Strecker Downs and Phillip C. Saunders, 'Legitimacy and the Limits of Nationalism: China and the Diaoyu Island', *International Security*, vol. 23, no. 3, winter 1998/99, p. 118.

<sup>118</sup> Greg Sheridan, 'Mahathir Backflip on Our Asian Role', *The Australian*, May 15, 1995, p. 1.

<sup>119</sup> I visited some Chinese overseas students at the University of Adelaide, Australia. During our dialogues, they expressed this nation-wide feeling that Chinese is a peaceful and defensive nation rather than an aggressive and offensive people. By contrast, Europeans explored the America Continent in the 15<sup>th</sup> century, colonised the Middle East and Africa, India and South East Asia in the 18<sup>th</sup> century. Compared to Europeans' aggression, China was a nation with strength but without ambition to conquer other territories, according to the interviewees [who required anonymous quotation]. One Chinese scholar thinks the difference between the Ming Dynasty and European nations was that the Ming emperor chose the policy of self-isolationism rather than the Chinese authorities had not had the nature of expansion. As Luo Rongqu indicates, 'the Ming dynasty did not hold the historical opportunities to assist the development of new economic approach' that caused China to lose the opportunity to develop outwardly. See Luo Rongqu, 'Shiwu Shiji Zhong Xi Hanghai Fazhan Quxiang de Duiyi yu Cisuo (The Thinking and Comparison about the Approach of Sino-West Navigation Development in the 15<sup>th</sup> Century)', *Lishi Yanjiu (Historical Research)*, no. 215, 1992, pp.3-19, esp. p. 18. According to this logic, the so-called "defensive strategy" does not mean China has not a nature of aggression. Rather, it adopt a defensive strategy because of historical factor – the Chinese leaders chose self-isolationism. Once the Chinese leaders adopt an outward approach, it was usual to issue outward aggressions as did in the period of Han Dynasty, Tang Dynasty, Yuan Dynasty and later on the early of Qing Dynasty. Thus, "defensive strategy" is not a nature of Chinese think. On the contrary, it depends on the capability of nation and the intention of leadership in various circumstances.

of real nuclear threats. A small arsenal is retained only for the purpose of self defense. China has unilaterally committed itself to responsibilities not yet taken by other nuclear nations, including the declaration of a no-first-use policy, the commitment not to use or threaten to use nuclear weapons against non-nuclear states and nuclear-free zones...In short, China's strategy is completely defensive, focused only on deterring the possibility of nuclear blackmail being used against China by other nuclear powers.<sup>120</sup>

Even though China adopts a defensive strategy, it does not mean that China will renounce the opportunity of pre-empting attack. China launched the "punishing" Vietnam War in 1979, which was explained as a means to breakthrough the possible containment of the Soviet Union. Some argue that China always adopted a passive action is the Korean War.<sup>121</sup> When it fears its territory being threatened, it can launch a war against any potential threat with the excuse of justice. In this sense, China's intentions and ambitions are more important than its capabilities. Further, Chinese strategic consideration is always evident behind its foreign policy. In fact, Chinese foreign relations have followed Mao Zedong's ten offensive principles.<sup>122</sup> These principles show that the so-called defensive

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<sup>120</sup> Lieutenant General Li Jijun, vice president of the Academy of Military Science, The Chinese People's Liberation Army, an address at the US Army War College in July 1997, 'Traditional Military Thinking and the Defensive Strategy of China', *Letort Paper* no. 1, (Acrobat version), Carlisle Barracks, Pa.: US Army War College, 29 August 1997, p. 5.

URL: <<http://carlisle-www.army.mil/usassi/ssipubs/pubs97/china/china.htm>>

<sup>121</sup> Sergei Goncharov, John Wilson Lewis and Xue Litai, *Uncertain Partners: Stalin, Mao, and the Korean War*, Stanford, CA: Stanford University Press, 1993. Thomas Christensen, *Useful Adversaries: Grand Strategy, Domestic Mobilization, and Sino-American Conflict, 1948-1956*, Princeton, NJ: Princeton University Press, 1996. Chen Jian, *China's Road to the Korean War*, New York: Columbia University Press, 1994.

<sup>122</sup> *Selected Works of Mao Tse-tung (Mao Zedong)*, vol. IV, (3<sup>rd</sup> ed.), Peking [Beijing]: Foreign Languages Press, 1969, pp. 160-162. Mao developed ten offensive principles: 1) To strike dispersed, isolated enemies first; and concentrated, strong enemies second. 2) Take small and medium-sized cities and extensive rural areas first, and large cities second. 3) Make wiping out the enemy's effective strength, rather than holding a city or seizing an area, the main objective. 4) In every battle, concentrate an absolutely superior force by encircling the designated enemy forces completely, strive to wipe them out thoroughly, and do not let anyone escape from the net. 5) Never fight unprepared and uncertain battles. 6) Give full play to the style of fighting: be courageous in battles, with no fear of sacrifice or fatigue, and press on with continuous fighting. 7) Strive to destroy the enemy through mobile warfare. 8) Occupy all cities that are weakly defended. 9) Replenish strength with the arms and (most of) the personnel captured from the enemy. 10) Make good use of intervals between operations to rest, train, and recognise the troops.

strategy is an offensive defensive strategy. In practice, the Chinese leaders fulfil these principles in China's foreign policy and on negotiation tables.

Many Chinese writings reveal a bewildering array of classification and typology of deterrence. China's deterrence has been described as 'defensive, self-defensive, minimum, eclectic and limited.'<sup>123</sup> According to their thoughts, 'minimum requires only the ability to carry out a simple, undifferentiated countervalue second strike.'<sup>124</sup> Presently, Chinese strategists prefer to "limited deterrence" rather than "minimum deterrence".<sup>125</sup> They argue that

A limited deterrence means having enough capabilities to deter conventional, theatre, and strategic nuclear war, and to control and suppress escalation during a nuclear war. That is, a limited deterrence should be able to respond to any level or type of attack from tactical to strategic, and the initial response should be calibrated to the scope of the initial attack.<sup>126</sup>

In this logic, the Chinese strategy of deterrence appears to 'entertain war-winning possibilities'.<sup>127</sup> Through the evolution of strategic thinking, China's strategic design is moving from Mao's defensive/offensive strategy to Deng's limited deterrence.

Under this strategic perception, Chinese strategists argue that it requires smaller, more accurate, survivable, and penetrable ICBMs, SLBMs, tactical and theatre nuclear weapons, ballistic missiles, space-based early warning and command and control systems, and anti-satellite weapons (laser weapons).<sup>128</sup> This intention has been revealed in recent

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<sup>123</sup> Alastair Iain Johnston, 'China's New "Old Thinking": The Concept of Limited Deterrence', *International Security*, vol. 20, no. 3, winter 1995/96, p. 17. Johnston categorises at least 20 types of term of deterrence in these Chinese writings such as: offensive, defensive, passive, active, punitive, positive, immediate, general, strong, medium, weak, minimum, maximum, assured, self-defensive, offensively defensive, superior, balanced, eclectic, and limited. Johnston, *op. cit.*, footnote 42.

<sup>124</sup> Alastair Iain Johnston, *op. cit.*, p. 18.

<sup>125</sup> Alastair Iain Johnston, *op. cit.*, p. 17.

<sup>126</sup> Alastair Iain Johnston, *op. cit.*, p. 19.

<sup>127</sup> *Ibid.*

<sup>128</sup> Liu Mingshou and Yang Chengjun, *Gao Jishu Zhanzheng Zhong De Daodan Zhan (Missile Warfare in High-tech Wars)*, Beijing: National Defense University (NDU) Press, 1993, pp. 170-171. Liu Tieqing, Rong Jiabin, and Chang Jinan, *Zhanlue Daodan Budui Zhanyi Lilun Tixi Chuyi (Our Views on the Structure of the Campaign theory of the Strategic Missile Forces)*, in NDU Research Department, (ed.),

years. China is continually developing long-range ballistic missiles, improving its “information warfare” abilities, and launching multi-function satellites,<sup>129</sup> which means the PLA may use every effort to win a future war, the most probable target being Taiwan.

In the short term, indeed, China does not have the ability to challenge US hegemony because of its limited military capability and the fifth principle of Mao’s ten offensive principles, never fight unprepared and uncertain battles, which has been mentioned.<sup>130</sup> But most experts agree that ‘China aims in the near term to replace the United States as the dominant power in East Asia and in the long term to challenge American’s position as the dominant power in the world.’<sup>131</sup> In other words, China’s strategic aims are to defend its territory and to be an influential power in the region, particularly in East Asia. However, when its strength reaches a level at which it could challenge US hegemony, it would be difficult to deny the Chinese government’s intentions, and particularly the PLA’s ambitions.

It is difficult to convince western scholars that the PLA could win a contemporary high-tech, limited war by using obsolete weapons according to traditional operational art.<sup>132</sup> However, it is not difficult to find Chinese military officers who argue that China needs a new strategy to right the balance of power, namely to operate an “unrestricted war”, which surpasses all boundaries and restrictions.<sup>133</sup> According to this argument, this strategy is designed to develop a “Chinese method” to win a war without limitation. These Chinese military officers argue that the more complicated the combination - for example, terrorism plus a media war plus a financial war - the better the results.<sup>134</sup> They try to break

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*Zhanyi Jiben Lilun Xintan (New Explorations of the basic theory of Campaign)*, Beijing: NDU Press, 1989, p. 330. Song Zhi, *Ben Shiji Mo Ge Zhuyao Guojia De Junshi Zhanlue He Women De Duice (The Military strategy of each major state at the end of this century and our countermeasures)*, in Academy of Military Sciences Operations Analysis Research Department, (ed.), *Guoji Xinhshi Yu Guoji Zhanlue (The international situation and international strategy)*, Beijing: Academy of Military Science Press, 1987, p. 73.

<sup>129</sup> Lin Chong-pin, *Dianxuae Zhanzhang: Zhonggong Yenfa Xishiji De Zhanlue Wuli (Punctur War: Chinese Communist Developing Strategic Forces of the Next Century)*, in Lin Chong-pin, *Heba: Toushi Kua Shiji Zhonggong Zhanlue Wuli (Nuclear Hegemony: Exploring the PLA’s Strategic Forces Moving Toward the Next Century)*, Taipei: Xuesheng chubashe, 1999, pp. 1-32.

<sup>130</sup> See footnote 122.

<sup>131</sup> Joseph S. Nye, *op. cit.*, p. 70. Also see Denny Roy, ‘Current Sino-US Relations in Strategic Perspective’, *Contemporary Southeast Asia*, vol. 20, no. 3, December 1998, pp. 227-228.

<sup>132</sup> Jianxiang Bi, ‘Prospects for the PLA’s Operational Art Toward 2000: Tradition versus Revolution’, *Issues and Studies*, vol. 23, no. 12, December 1997, pp. 94-131.

<sup>133</sup> John Pomfret, ‘China Ponders New Rules of “Unrestricted War”,’ *Washington Post*, 8 August 1999.

<sup>134</sup> *Ibid.*

the rules of war. In fact, they try to expand the scope of war from a limited arms conflict to an unrestricted war, which marries the Chinese classic philosophy, *The Art of War* by Sun Zi, with modern military technology and growing economic strength.

Wang Xiangsui, the other author of this book, said: '[w]e are a weak country. So, do we need to fight according to your rules? No.'<sup>135</sup> Obviously, the new generation of Chinese military officer is adopting the old thinking of Mao's strategic thoughts '[Y]ou fight your war and I will fight mine'. As they reflect their philosophy on the issue of TMD, they believe that '[i]t's obviously part of a US plan to pull China into an expensive trap. We don't want China to fall into that trap because all Chinese military officers know that we don't possess the resources to compete in an arms race.'<sup>136</sup> In this logic, it can be interpreted that China's strategic thought is developing a "Chinese unique characteristic" strategy that inherits Mao Zedong's guerrilla strategy. Its purpose is to defeat the enemy and win the final victory. Qiao Liang thinks that

War is not a foot race; it is more like a soccer game. If it was a foot race, China would never be able to catch up to the United States. But it is a soccer game and the goal is to win. It doesn't matter how you kick the ball into the net.<sup>137</sup>

According to the above analysis, in sum, the so-called "China threat" probably is a psychological perception rather than a likely military occurrence in the short term. Once China's completes its military modernisation program, the perception of "China threat" is more likely to be real.

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<sup>135</sup> *Ibid.*

<sup>136</sup> *Ibid.*

<sup>137</sup> *Ibid.*

### 6-3-3 Chinese Strategic Implementation: Accelerating the Process of Military Modernisation

#### A. Increasing Military Investment

Although some argue that Chinese military capability is poor and weak and incapable of challenging US dominance,<sup>138</sup> the Pentagon considers China's military modernisation has improved rapidly following its economic achievements.<sup>139</sup> Officially, the Chinese military budget was \$9 billion in 1996.<sup>140</sup> But this excludes the cost of the People's Armed Police, nuclear weapons development and soldiers' pensions.<sup>141</sup> In the 1990s, the PRC military budget has had yearly increases averaging over 12 percent.<sup>142</sup> Other evidence shows the actual budget at five times the official figure, which would make it, roughly equivalent to the Japanese defence budget.<sup>143</sup> As the Institute for International Strategic Studies (IISS) concludes, 'China's actual defence spending is at least four times greater than the official figure.'<sup>144</sup> According to Richard Bernstein and Ross Munro, in 1996 China's defence budget was 11.3 percent higher than that of 1995, and they further

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<sup>138</sup> Michael Swaine, 'Chinese Military Modernisation and Asian Security', *A/PARC Paper*, Stanford University, 30 April 1998, pp. 3-21.

<sup>139</sup> US Department of Defence, 'The United States Security Strategy for the East Asia-Pacific Region 1998', February 1999, pp. 1-34. US Department of Defence, 'The Security Situation in the Taiwan Strait', *Report to Congress Pursuant to the FY99 Appropriations Bill*, Washington, DC: US Department of Defense, 26 February 1999, pp. 1-17. US Department of Defence, 'Annual Report on the Military Power of the People's Republic of China', *Report to Congress Pursuant to the FY2000 National Defense Authorization Act*, Washington, DC: US Department of Defense, 26 February 2000, pp. 1-21. All sources came from DoD's web site. URL: <<http://defenselink.mil/pubs>>

<sup>140</sup> State Statistics Bureau, *1997 Zhongguo Tongji Nain Jian, ZTNJ (China Statistical Yearbook 1997)*, Beijing: China Statistical Publishing House, 1997, p. 234.

<sup>141</sup> Richard Bernstein and Ross H. Munro, 'The Coming Conflict with America', *Foreign Affairs*, vol. 76, no. 2, March/April 1997, p. 24. In fact, China's official numbers exclude the cost of research and development. Some of the funding for the development of nuclear weapons comes from the Ministry of Energy, and some of the budget for aircraft development comes from the Ministry of Aeronautics and Astronautics Industry. Even some income of arms sales and the PLA owned businesses and industries are excluded from its official budget. Cf., Lin Chong-pin, 'Chinese Military Modernization: Perceptions, Progress, and Prospects', a working paper submitted at the American Enterprise Institute Conference, Staunton Hill, Virginia, during 17-19 June 1994, p. 11.

<sup>142</sup> State Statistics Bureau, *1997 Zhongguo Tongji Nain Jian, ZTNJ (China Statistical Yearbook 1997)*, Beijing: China Statistical Publishing House, 1997, p. 234 and p. 242.

<sup>143</sup> Harvey J. Feldman, 'The U.S.-PRC Relationship: Engagement vs. Containment or Engagement with Containment', in *The Inaugural Conference of Asia-Pacific Security Forum: The Impetus of Change in the Asia-Pacific Security Environment*, Taipei, September 1, 1997, p. 8.

<sup>144</sup> IISS, *The Military Balance 1996/97*, Oxford: Oxford University Press for the IISS, 1996, p. 174.



argue that China's defence budget was some ten times more than common estimates.<sup>145</sup> From other's analysis, China's military spending contributes a thrilling picture. (See table 6-1)

**Table 6-1: Comparative Trends in Chinese, Japanese, Taiwanese and Korean Military Spending: 1985-1996 (constant 1996 \$billion)**

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
China	53.5	52.1	52.5	53.1	52.4	55.7	54.3	55.4	56.4	58.5	63.5
Japan	37.5	39.3	41.4	43.4	45.1	46.8	48.4	49.5	50.1	50.5	50.2
Taiwan	8.8	9.2	7.2	8.3	9.7	10.3	10.6	11.1	12.5	11.8	13.1
N. Korea	7.2	7.3	7.3	7.3	7.2	6.8	5.5	5.9	5.6	5.6	6.0
S. Korea	8.9	9.4	9.5	10.2	11.2	12.4	12.0	12.7	13.1	14.3	14.4

Source: Anthony H. Cordesman, *The Asian and Chinese Military Balance: A Comparative Summary of Military Expenditures; Manpower; Land, Air, Naval, and Nuclear Forces; and Arms Sales*, CSIS (Center for Strategic and International Studies, Washington DC, January 2000, p. 6. Adopted from US arms Control and Disarmament Agency, *World Military Expenditures and Arms Transfers*, GPO, Washington, various editions.

According to the Chinese official report, China's defence budget increased from 63.67 billion *yuan* (*Renminbi*) in 1995 to 72.01 billion *yuan* in 1996, which means that the rate of increase was 13.09 percent.<sup>146</sup> Further, compared with the previous years, China's defence budget increased 29.34 percent in 1994 (55.07 billion *yuan*) over the 1993 figure of 42.58 billion *yuan*. While some have suggested that the ratio of defence spending to aggregate GNP has decreased, 'the defence budget has nearly tripled over the last seven years from 21.53 billion *yuan* (\$5.83 billion) in 1988 to 63.1 billion *yuan* (\$7.48 billion) in 1995.'<sup>147</sup> Further, other research indicates that China's defence budget increased fourfold from 20.37 billion *yuan* in 1987 to 80.57 billion *yuan* in 1997.<sup>148</sup> As table 6-2 shows, China's national defence expenditure has remained at over 30 percent of the central government's expenditure. Apparently, the growth of the Chinese defence budget is designed to increase confidence as well as the PLA's capability, but it may well also increase regional tension. According to tables 6-2 and 6-3, China's military expenses link with the growth of Scientific and Technological (S&T) expenditures that have significantly increased since 1993.

<sup>145</sup> Richard Bernstein and Ross Munro, *The Coming Conflict with China*, New York: Vintage, 1998, p. 72.

<sup>146</sup> State Statistics Bureau, *1997 Zhongguo Tongji Nain Jian, ZTNJ (China Statistical Yearbook 1997)*, Beijing: China Statistical Publishing House, 1997, p. 234 and p. 242.

<sup>147</sup> June Teufel Dreyer, 'Regional Security Issues', *Journal of International Affairs*, vol. 49, no. 2, winter 1996, p. 401.

<sup>148</sup> June Teufel Dreyer, 'State of the Field Report: Research on the Chinese Military', *Access Asia Review*, 1997, URL: <<http://www.accessasia.org/products/aareview/vol1no1/article1.html>>

**Table 6-2: Comparison the Growth Rate of National Defence in the Central Government Expenditure (100million yuan, 1992-1997)**

EXPENDITURE BY CATEGORY OF EXPENSES	1992	1993	1994	1995	1996	1997	1998
Total expenditures	3742.20	4642.30	5792.62	6823.72	7937.55	9233.56	10798.18
Central government	1170.44	1312.06	1754.43	1995.39	2151.27	2532.50	3125.60
National defence	377.86	425.80	550.71	636.72	720.06	812.57	934.70
Percentage of National defence expenses*	32.28%	32.45%	31.39%	31.91%	33.47%	32.09%	29.90%
Growth rat by base of 1992*	1	+12.69%	+45.74%	+68.50%	+90.56%	+115.04%	+147.37%
Growth rat by base of the previous year *	1	+12.69%	+29.30%	+15.62%	+13.09%	+12.85%	+15.03%

Source: State Statistics Bureau, *1997 Zhongguo Tongji Nain Jian, ZTNJ (China Statistical Yearbook 1997)*, Beijing: China Statistical Publishing House, 1997, p. 234. And National Bureau of Statistics, *1999 Zhongguo Tongji Nain Jian, ZTNJ (China Statistical Yearbook 1999)*, Beijing: China Statistics Press, 1999, p. 270 and p. 275.

\* Calculated by this research.

According to table 6-3, the S&T expenses have significantly increased from 1993 to 1997. Although the growth rate was reduced about 10 percent in 1998 (the actual growth rate was 7.27%), the Chinese Central Military Committee (CMC) decided to add 80billion *yuan* (about US\$10billion) more of military investment between 1999 and 2004 to purchase new equipment and support Research and Development (R&D).<sup>149</sup> The major goal in increasing its military budget is reunification with Taiwan. Some observers believe that by 2005 China will be able to field a conventional military capability equivalent to that of NATO in the early 1980s.<sup>150</sup>

**Table 6-3: China's Scientific and Technological Expenses (1992-1998, 100million yuan)**

YEAR	TOTAL	GROWTH RATE (% BASED ON THE PREVIOUS YEAR)	EXPENSE ON S&T PROMOTION	OPERATING EXPENSES FOR SCIENCE	CAPITAL CONSTRUCTION OF S&T INSTITUTES	OTHER S&T OPERATING EXPENSES
1992	189.26	-	89.41	57.16	24.55	18.14
1993	225.61	19.21%	106.56	65.59	33.95	19.51
1994	268.25	18.90%	114.22	87.90	36.06	30.07
1995	302.36	12.72%	136.02	96.86	38.00	31.48
1996	348.63	15.30%	155.01	109.66	48.55	35.41
1997	408.86	17.28%	189.97	127.12	42.74	49.03
1998	438.60	7.27%	189.90	151.92	47.28	49.50

Source: National Bureau of Statistics, *1999 Zhongguo Tongji Nain Jian, ZTNJ (China Statistical Yearbook 1999)*, Beijing: China Statistics Press, 1999, p. 272.

<sup>149</sup> Hong Kong *Ming Pao*, 15 September 1999.

<sup>150</sup> Rajan Menon, 'The Strategic Convergence between Russia and China', *Survival*, vol. 39, no. 2, summer 1997, pp. 101-125.

The Pentagon predicts that China's military capability will be superior to that of Taiwan by 2005.<sup>151</sup> In this sense, the growth of China's military will threaten the security of Taiwan and the stability of region. In particular, 'China faces no such constraints over the long term and, hence, could become a true peer competitor of the US in a way that Japan could not.'<sup>152</sup>

## B. Improving Nuclear Weapons Systems and Long-rang Project Capabilities

The revolution in the PLA's operations reflects on Chinese foreign policy and its strategic perceptions. The Chinese government realises its national strength and the priority of a national goal. Therefore, the PLA is eagerly developing high-tech for winning "asymmetric warfare". Under this doctrine, the PLA is establishing its strategic projection troops and engaging in a broad-base modernisation of its strategic capabilities.<sup>153</sup> First and most important, as a RAND analysis argues, 'China has nuclear weapons that can reach US territory. The existence of such capabilities would weigh heavily in any possible future Sino-US confrontation.'<sup>154</sup>

According to IISS, as categorised in table 6-4, China's military modernisation focused on increasing its long range projective capabilities including long-rang ballistics missiles, modern submarines and destroyers, and long-range and full weather aircraft, through purchase from overseas, cooperative and domestic research and produce. By 2005,

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<sup>151</sup> US Department of Defence, 'The Security Situation in the Taiwan Strait', *Report to Congress Pursuant to the FY99 Appropriations Bill*, Washington DC: The Pentagon, 26 February 1999. URL: <[http://www.defenselink.mil/pubs/twstrait\\_02261999.html](http://www.defenselink.mil/pubs/twstrait_02261999.html)>

The same conclusion is revealed by the Pentagon's annual report to Congress in June 2000, Annual Report on the Military Power of the People's Republic of China, Report to Congress: Pursuant to the FY2000 National Defense Authorization Act, Washington DC, 23 June 2000, p. 17.

URL: <<http://www.defenselink.mil/news/Jun2000/china06222000.html>>

<sup>152</sup> Zalmay Khalilzad and Ian O. Lesser, *op. cit.*, p. 63.

<sup>153</sup> Mark A. Stokes, 'Dawn of A New Age: China's Long-range Precision Strike Capabilities', *China's Strategic Modernisation: Implications for the United States*, Carlisle Barracks, Pa.: Strategic Studies Institute, 1999, pp. 79-108. Also see, Tim Huxley and Susan Willet, 'Arming East Asia', *Adelphi Paper*, no. 329, Oxford: Oxford University Press for IISS, 1999, p. 74. Hongxun Hua, 'China's Strategic Missile Programs: Limited Aims, Not "Limited Deterrence"', *Nonproliferation Review*, winter 1998, pp. 60-68.

<sup>154</sup> Z. Khalilzad, A. N. Shulsky, D. Byman, R. Cliff, D. Orletsky, D. A. Shlapak, and A. J. Tellis, (eds.), 'China's Military Modernization', in *The United States and A Rising China: Strategic and Military Implications*, Washington, DC: RAND, 1999, p. 47.

the PLA's long-range projective capabilities will be maturely accomplished that will overtake Taiwan's military capability.<sup>155</sup>

**Table 6-4: The Major Evolution of the PLA's Military Development, since 1985**

SUPPLIER	CLASSIFICATION	DESIGNATION	UNITS	ORDER DATE	DELIVERY DATE
Domestic	ICBM	DF-31	10	1985	1999
Domestic	ICBM	DF-41	12	1985	2005
Domestic	SLBM	JL-2		1985	2002
Domestic	SRBM	DF-11 (M-11)	20	1988	1996
Domestic	SRBM	DF-15 (M-9)	50	1988	1996
Domestic	Bomber	H-6			1998
Russia	FGA	Su-27	50	1992	1993-96
Russia	FGA	Su-27 (J-11)	150	1997	1999
Israel	AWACS	IL-76	4	1997	
Domestic	FGA	F-10		1993	2005
Domestic	FGA	F-8IIIM		1993	1996
Domestic	FGA	FC-1 (Joint venture with Pakistan)		1991	2005
Domestic	ASM	KR-1 (development with Russia)	20	1988	1996
Russia	SAM	Tor-MI (SA-15)	15	1995	1997
Domestic	SSBN	Type 094	1	1985	2010
Domestic	SSGN	Type 093	1	1985	2005
Domestic	SS	Ming	6	1994	1997
Domestic	SS	Song	3	1994	2002
RUSSIA	SS	Kilo 636	2	1993	1996-1998
Domestic	DDG	Luhai	1	1996	1999
Russia	DDG	Sovremennyy	2	1996	1999
Domestic	FF	Luhu	3	1991	1996
Russia	Helicopter	Ka-28	8	1998	1999
Russia	ASSM	SS-N-22		1998	2000
Russia	Helicopter	Mi-17	35	1995	1997
Domestic	SLCM	C-801 (modernised)		1997	
France	Helicopter	AS-350 (Z-11)	12	1988	1996
France	Helicopter	AS-365 (Z-9A)		1992	

Source: IISS, *The Military Balance*, 1998-1999, p. 171

The PLA aims at making various improvements to its strategic strike capabilities, such as:

- Improvements to range, payload, and accuracy.
- Improvements to the ability of force to survive attack.
- The ability to attack space-based assets, such as satellite communications systems and missiles delivering warheads.

<sup>155</sup> US Department of Defence, 'The Security Situation in the Taiwan Strait', *Report to Congress Pursuant to the FY99 Appropriations Bill*, (online), Washington, DC: US Department of Defense, 26 February 1999, p. 17. US Department of Defence, 'Annual Report on the Military Power of the People's Republic of China', *Report to Congress Pursuant to the FY2000 National Defense Authorization Act*, (online), Washington, DC: US Department of Defense, 26 February 2000, pp. 17-20.

- The ability to penetrate ballistic missile defences, such as technologies on decoy warheads, maneuverable reentry vehicles, electronic and infrared “jammers”, high powered laser systems, and depressed trajectory attacks and fractional orbital missiles.
- Improvements to C<sup>3</sup>I capabilities for conducting wartime operations.
- Development of alternative delivery technologies, such as building cruise missiles and recruiting Russian specialists for resolving technique problems.<sup>156</sup>

In the meantime, China is planning to produce four to six submarines for the delivery of submarine-launched ballistic missiles (SLBMs) and to apply stealth technologies.<sup>157</sup> In addition, China has improved its military under the concept of “asymmetric warfare” by developing C<sup>3</sup>I, fibre-optic communication, air-fuel and early warning systems. China also has long range ballistic missiles with more survivable because they are mobile. A new Chinese transporter-erector-launcher (TEL) that incorporates technology from the Russian MAZ TEL may be developed from the Chinese WS-2400 heavy transporter. Although China does not have land-attack cruise missiles, it has many anti-ship cruise missiles such as YJ-22 (400km range). More formidably, China has hundreds of medium range missiles, such as DF-15 (CSS-6, M-9), DF-11 (CSS-7, M-11) and DF-21 (CSS-5) in the coastal area opposite Taiwan has increased to some 150-200 since 1996,<sup>158</sup> that are absolutely superior to Taiwan’s present defence ability. It is more important that China increases the number of deployment short and medium range missiles in the opposition of Taiwan will increase to 500-650 by 2005.<sup>159</sup>

<sup>156</sup> Bruce Dorminey, ‘Chinese Missiles Basic to New Strategy’, *Aviation Week & Space Technology*, 8 March 1999, pp. 59-61. And ‘Cruise Missiles Becoming Top Proliferation Threat’, *Aviation Week & Space Technology*, 1 February 1993, pp. 26-27.

<sup>157</sup> Paul Godwin and John J. Schultz, ‘Arming the Dragon for the 21<sup>st</sup> Century: China’s Defense Modernisation Program’, *Arms Control Today*, December 1993, p. 6.

<sup>158</sup> See *the Military Balance*, IISS, 1999-2000, p. 171.

<sup>159</sup> Ministry of Defense, *2000 ROC National Defense Report*, Taipei: Li Min Publisher, Chapter 3, p. 4 of 12. (Internet version). URL: <<http://www.mnd.gov.tw/report/830/html/e-03.html>>

Besides the improvements of strategic strike capabilities, China has revealed its strong desire for advanced fielded weapons systems.<sup>160</sup> In particular, six new weapon systems that will challenge the balance in the Taiwan Strait. As some analysis indicate that these systems include:<sup>161</sup>

- Airborne warning and control system aircraft (AWACS) - Russia and Israel teamed up in 1997 to build a new radar aircraft for China based on Russian A-50 aircraft and Israeli *Phalcon* phased-array radar. China may purchase up to eight over the next decade. These aircraft will give the PLA a needed level of awareness to manage offensive and defensive air and naval operations around Taiwan.
- Radar satellites -China is seeking European and Russian technology to build its own high-resolution radar satellites that can find targets in Taiwan in all weather conditions. They also can locate ROC, Japan naval forces or US at sea and provide targeting data.
- DF-15 (M-9) missiles - this 600km-range missile is very difficult to shoot down due to a second stage that can change its trajectory. Although the US government is considering the deployment of TMD (Theatre Missile Defence) in East Asia, including Japan, South Korea, and Taiwan, the anti-missile system is still being tested.
- New land-attack cruise missile - Israeli and Russian technology may be helping China to field a new Tomahawk-class long-range land-attack cruise missile by the next decade. These also are very accurate, and are employed from land, naval and air launchers. In other words, they are mobile.
- Supersonic anti-ship missiles - China has purchased two Russian *Sovremenny* destroyers that are equipped with the *Moskit* (SS-N-22)

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<sup>160</sup> John Wilson Lewis and Hua Di, 'China's Ballistic Missile Programs: Technologies, Strategies, and Goals', *International Security*, vol. 17, no. 2, fall 1992, pp. 6-7.

<sup>161</sup> Stephen J. Yates, 'China: Promoting Freedom and Protecting American Security', in *Issues 98: The Candidate's Briefing Book*, chapter 15, Washington, DC: The Heritage Foundation, 1999, p. 412, Chart 15.1. Also see, Richard D. Fisher, Jr. 'China Increases Its Missile Forces While Opposing U.S. Missile Defense', *Backgrounder*, no. 1268, The Heritage Foundation, 7 April 1999, pp. 1-18.

or *Yakhont* supersonic anti-ship missiles. These can fly faster than twice the speed of sound, making them difficult to shoot down and can be used to attack US aircraft carrier and other battleships.<sup>162</sup>

- Kilo-class conventional submarine - China is buying four Russian Kilo-class conventional submarines, which are very quite and hard to detect.<sup>163</sup> The US Office of Naval Intelligence says that China may have 15 new submarines by 2010, which may allow China to pose a much more serious threat of naval blockade to its neighbours particularly to Taiwan.

**Table 6-5: Northeast Asian Major Military Powers in 1998-1999**

	CHINA	JAPAN	TAIWAN	SOUTH KOREA	NORTH KOREA
Naval Manpower (1000s)	265	43	68	60	46
Destroyer-Guided Missile	18	9	7	7	-
Other Destroyer	-	-	11	-	-
Frigate-guided Missile	34	50	5	21	3
Other frigate	2	1	13	12	-
Submarines	63	17	4	4	25
Marines (1000s)	5	-	30	25	-
Naval aircraft	600	100	31	23	-
Air force Manpower (1000s)	470	44.5	68	52	85
Combat Aircraft	4970	379	392	461	661
AEW	-	18	4	-	-
Strategic Forces (1000s)	90	-	-	-	-
ICBM	17+	-	-	-	-
IRBM	70+	-	-	-	-
Army Manpower (1000s)	2200	148	240	548	923
Main Battle Tanks	8500	1130	710	2050	3400
Artillery	14500+	780	1475	4500	8000
MRLs	?	90	170	156	2200
Total Helicopters	225	49	20	18	283
Armed Helicopters	135+	?	?	143	?

Source: Anthony H. Cordesman, *The Asian and Chinese Military Balance: A Comparative Summary of Military Expenditures; Manpower; Land, Air, Naval, and Nuclear Forces; and Arms Sales*, CSIS (Center for Strategic and International Studies, Washington DC, January 2000, pp. 9-10

According to table 6-5, the significance of China's modernisation program impacts on the security of Northeast Asia region. Much evidence reveals that the goal of military

<sup>162</sup> Some Western defence specialists described the *Sovremenny* as 'one of most technologically advanced naval warships ever produced by the [former] Soviet Union.' It is armed most advanced weaponry and has performance characteristics that 'will increase China's ability to threaten US carriers.' M. Ehsan Ahrari, 'Strategic Implications of China's Naval Modernisation', *Global Beat*, October 1998, p. 6. URL: <<http://www.nyu.edu/globalbeat/asia/ahrari1098>>

<sup>163</sup> This kind of submarine has two types: 877EKM and 636SSK. Both types with most advanced torpedoes, which originally built by the Russian Navy. The 636 type is the latest design 'with quieter propulsion and an automated combat information system capable of providing simultaneous fir control on two targets.' See M. Ehsan Ahrari, *op. cit.*, p. 5.

modernisation is to unify Taiwan by force and to deter American interference in the conflict of the Taiwan Strait. It is clear that Taiwan is the focal point of Beijing's concerns. Beijing believes that ballistic missiles can offer the prospect of leverage, which can use to reach its goals of "peaceful" reunification with Taiwan without actual invasion. Most importantly, PLA's missile development program with the strategic guidelines – to win a limited war under hi-tech conditions – is a mean to quickly settle down the issue of reunification before the US responds or interferes. As some observers view, PLA's missile modernisation program 'is not designed first and foremost to confront the United States. But improvements to China's strategic force will increase its confidence in attempting to coerce and deter the United States.'<sup>164</sup>

### C. Professionalising the PLA's Staff

To match its new strategic philosophy, the PLA has tried to improve young officers' military knowledge through military exchange with outside, particularly the US.<sup>165</sup> According to Lin Chong-pin, a Taiwanese-Chinese strategic force specialist, the weapons for the "puncture war" can be categorised by two types: hard-killing and soft-killing weapons. The former includes precision-guided weapons such as cruise missiles, anti-radiation missiles, guided bombs and shells, and guided torpedoes. The latter includes electrical interfering weapons, computer viruses, directed energy weapons, and electromagnetic pulse bombs.<sup>166</sup> Such warfare needs high quality operating military staff, including both officers and soldiers.

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<sup>164</sup> Robert A. Manning, Ronald Montaperto, and Brad Roberts, *China, Nuclear Weapons, and Arms Control: A Preliminary Assessment*, Chairmen's Report of a roundtable jointly sponsored by the Council on Foreign Relations, the National Defense University, and the Institute for Defense Analyses, (Internet version), Washington DC: the Council on Foreign Relations, 2000, p. 30.

<sup>165</sup> For example, David Shambaugh, 'China's Military in Transition: Politics Professionalism, Procurement and Power Projection', *China Quarterly*, no. 146, June 1996, pp. 265-298. Dennis J. Blasko, Philip T. Klapakis and John F. Corbett, Jr., 'Training Tomorrow's PLA: A Mixed Bag of Tricks', *China Quarterly*, no. 146, June 1996, pp. 488-524.

<sup>166</sup> See Lin Chong-pin, *op. cit.*, 1999, pp. 7-11. He cited from some Chinese strategists' writings which include: Li Yuankua, *kao Jishu Yu Xiandia Zhanzheng (High-tech and Modern War)*, Beijing: Junshi Yiwen chubanshe, 1998, pp. 65, 67, and 336. Shen Weiguang, *Xien Zhanzheng lun (New War Theory)*, Beijing: Renmin chubanshe, 1997, pp. 168-169. Wang Weizhang, (ed.), *Deng Xiaoping jundui xiandaihua jianshe sixiang yanjiu (The Research of Deng Xiaoping's Military Modernisation Constructive Thoughts)*, Beijing: National Defense University Publishing, July 1997, p. 75.



To professionalise its military staff, a fast channel is to learn latest military knowledge through accelerating Sino-American military exchanges. In 1985, the PLA established the National Defence University (NDU) by combining the Political Academy, Military Academy, and Logistics Academy to train senior command staff and theoretical personnel. It also established a program with Harvard University's John F. Kennedy School of Government for bringing PLA officers to the US for two weeks each year in order to discuss international security issues.<sup>167</sup>

Through many years' effort, the NDU has graduated more than 5,000 staff including more than 400 officers with PhD and master's degrees.<sup>168</sup> Under this military exchange program, foreign language training allows young military officers to develop new skills and to operate modern weapon systems. In particular, the English training program has been considered as an important project especially for the PLAAF pilots who are likely to operate transport aircraft outside of Chinese airspace.<sup>169</sup> The PLAAF pilots' flying hours are less than their major "enemies", Japan and Taiwan. In table 6-6, it is clear that Chinese pilots' training is inadequate.

**Table 6-6: Selected Countries' Pilot Flying Hours Per Year**

Selected countries	Pilot Flying Hours
USA	Fighters: 233 hrs, Bombers: 238 hrs
China	H-6: 80 hrs, J-7 and J-8: <100 hrs, Su-27: 100+ hrs
United Kingdom	Harrier: 184, Tornado: 215, Jaguar: 200
France	180 hrs
Germany	150 hrs
Australia	F-111: 200 hrs, F/A-18: 175 hrs
Taiwan	180 hrs
Japan	150 hrs

Source: IISS, *The Military Balance*, 1998-1999.

Also, refers Reto Haeni, *An Introduction to Information Warfare*, Washington DC: Reto E. Haeni, December 1995. URL: <<http://www.seas.gwu.edu/student/reto/papers>>

Clifford Beal, 'US DoD Investigates "Acoustic Cannon" for Non-lethal Roles', *Jane's Defense Weekly*, 24 June 1998, p. 25. Douglas Pasternak and Bruce B. Auster, 'Terrorism at the Touch of a Keyboard', *US News & World Reports*, 13 July 1998, p. 37.

<sup>167</sup> Kenneth W. Allen and Eric A. McVadon, *China's Foreign Military Relations*, A Project by The Henry L. Stimson Center, no. 32, October 1999, p. 21. URL: <<http://www.stimson.org>>

<sup>168</sup> Kenneth W. Allen and Eric A. McVadon, *op. cit.*, p. 21. They cited from Wang Yifei, 'China National Defense University: Cradle of Generals', *Kuang Chiao Ching*, Hong Kong, 16 December 1998, pp. 24-26.

<sup>169</sup> Kenneth W. Allen and Eric A. McVadon, *op. cit.*, p. 23.

Many PLA officers study abroad, especially in the US and England. American top universities have become PLA officers' study destinations. As two experts indicate, 'some of whom were from elite families, studied at or became visiting fellows at Harvard, Johns Hopkins, Stanford, George Washington University, Georgetown, University of Maryland, and other top universities in the United States.'<sup>170</sup> This situation also increases the quality of the PLA's officers. Some PLA officers privately express their hope of engaging with the US that will build a professional not political PLA and develop personal ties with Americans.<sup>171</sup> In doing so, a bridge is established for the PLA in order to understand American military doctrine. More importantly, through military exchange programs the PLA can improve its military know-how. This situation contributes to the process of China's military modernisation and particularly increases the PLA's "soft power".

#### **6-4 American Strategic Perceptions: Containment, Engagement or Constructive Engagement**

In regard to China's threat, many Americans have a negative view of China because of the shadow of the Tiananmen Square massacre.<sup>172</sup> As Joseph S. Nye indicates, 'US public opinion has become skeptical about China since the Tiananmen Square incident in 1989: 50 percent of Americans have an overall negative view of China, and 40 percent a positive one - ranking China in the bottom quarter of countries rated in 1997.'<sup>173</sup> On the other hand, external pressure made China's increase its strong nationalism. According to a Chinese poll in May 1995, '57 percent of the country's youth ranked the US first among their most disliked foreign countries (up from 31 percent in 1994).'<sup>174</sup>

Twin legacies of the missionary and the traders deeply shape US China policy. Since the nineteenth century, these legacies have become 'a strong impulse to enlighten

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<sup>170</sup> *Ibid.*

<sup>171</sup> Kenneth W. Allen and Eric A. McVadon, *op. cit.*, p. 24.

<sup>172</sup> Gregory P. Fairbrother and Gerard A. Postiglione, 'Teaching About China in America: Shaping the Perspectives of a New Generations', in Peter Koehn and Joseph Y. S. Cheng, eds., *The Outlook for U.S.-China Relations Following the 1997-1998 Summits: Chinese and American Perspectives on Security, Trade and Cultural Exchange*, Hong Kong: The Chinese University Press, 1999, p. 267.

<sup>173</sup> Joseph S. Nye, 'China's Re-emergence and the Future of the Asia-Pacific', *Survival*, vol. 39, no. 4, winter 1997-98, p. 66.

<sup>174</sup> *Ibid.*

and “save” the Chinese and an irresistible attraction to the prospective rewards of the huge Chinese market.<sup>175</sup> These legacies present a liberal view of Sino-American relations. In the central of the Clinton administration’s vision of America’s role in the world affairs focuses on economic interests that in an era of geo-economic no distinction could be drawn between domestic politics and foreign policy.<sup>176</sup> Furthermore, idealists/idealism seem to fulfil America’s democratic mission since the end of WWI. In particular, after the Soviet collapse, the US has the opportunity to complete the democratic revolution.<sup>177</sup>

On the other hand, Chinese foreign policy has shown underlying continuities, despite the tactical shifts that have been made in response to international and domestic factors. These goals may be summarised as: the preservation of China’s territorial integrity, the recovery of lost territories that are considered to be part of the PRC, the recognition of the PRC as the sole legitimate government of China, and the enhancement of China’s international status.<sup>178</sup>

According to a realist outlook, Chinese foreign policy is to develop its relations with the rest of world. Basically, ‘the Chinese government followed a maxi/mini principle in the conduct of multilateral diplomacy-maximizing China’s rights and interests and minimizing China’s responsibility and normative costs.’<sup>179</sup> US government policy is based on similar concepts in dealing with China. Although US scholars claim that an engagement strategy should integrate China for the welfare of the world, it is still based on the interests of America.<sup>180</sup> Therefore, no matter which idea is used, both concepts are mixed in the American grand strategy. Because containment and engagement strategies are mutually important to American interests, ‘the ability to lock doors, as well as the willingness to

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<sup>175</sup> Denny Roy, ‘Current Sino-US Relation in Strategic Perspective’, *Contemporary Southeast Asia*, vol. 20, no. 3, December 1998, p. 227.

<sup>176</sup> Michael Cox, *US Foreign Policy After the Cold War: Superpower Without A Mission?*, London: Royal Institute of International Affairs, 1995, p. 23.

<sup>177</sup> Michael Cox, *op. cit.*, p. 3.

<sup>178</sup> June Teufel Dreyer, *China’s Political System: Modernization and Tradition and Asia-Pacific Regional Security*, London: Macmillan, 1996. The same opinion reveals in David Shambaugh, ‘Growing Strong: China’s Challenge to Asian Security’, *Survival*, summer 1994, pp. 43-59.

<sup>179</sup> David S.G. Goodman and Gerald Segal, (eds.), *China Rising: Nationalism and Interdependence*, London: Routledge, 1997, p. 15.

<sup>180</sup> The goal of engagement strategy is to involve the Chinese central government and multiplicity of regional and functional organisations and leading personalities in a series of economic exchanges and linkages that also involve institutionalised multilateral and bilateral meetings so as to forge habits of consultation and dialogue. See, David S.G. Goodman and Gerald Segal, *China Rising: Nationalism and Interdependence*, London: Routledge, 1997, p. 21.

open them, remains a *sine qua non* condition when dealing with Beijing', as Arthur Waldron states.<sup>181</sup>

Nationalism is replacing communism as China's "new" guiding ideology. China's strategy is to revert to being 'more Chinese'. Historically, China's neighbour states were categorised as potential enemies and as tributary states that acknowledged Chinese hegemony.<sup>182</sup>

In the early Cold War era, US-China policy certainly was a containment policy. After rapprochement, the US gave up the previous policy of incorporating the Chinese Communist regime into the US bloc to prevent the influence of the Soviets from expending. Despite the ideological rivalry disappearing in the 1990s, tensions in Sino-American relations seem to continually exist. China's growing economic and military strength is likely to challenge US dominance, prompting US decision-makers to rethink their China policy: whether to continually adopt containment, to change to engagement, or to combine both as constructive engagement. In the 1990s, a major strategic debate emerged in American academic literature over whether the US should contain or engage China.<sup>183</sup>

Since the Soviet Union collapsed, American power has been stronger than that of any other nation. The phenomenon has been particularly prominent since the Persian Gulf War. Can a rising power such as China challenge US hegemony? Is China strong enough over against the US or to threaten the security of the region? In the short term, the answer would be negative rather than positive because China's military capacities, including command-and-control, logistic and support capabilities, are still inadequate.<sup>184</sup> And, of course, China lacks the funds to buy new equipment in sufficient quantities.<sup>185</sup> However, following China's rapid economic growth, in a medium and long term, its military capability would be an alarm for its neighbours and the US. In particular, China is

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<sup>181</sup> Arthur Waldron, 'Eight Steps toward a New China Policy', *Orbis*, winter 1997, p. 79.

<sup>182</sup> William M. Carpenter and David G. Wiencek, 'China: Missile Diplomacy and East Asian Security', URL: <<http://www.global-defense.com/china.html>>

<sup>183</sup> See, chapter 2, footnote 37.

<sup>184</sup> Marion Rae, 'China's Navy, Tomorrow's threat or a Paper Tiger', *Australian Defence Force Journal*, no. 103, November/December 1993, p. 55.

<sup>185</sup> Joseph S. Nye, Jr., 'China's Re-emergence and the Future of the Asia-Pacific', *Survival*, vol. 39, no. 4, winter 1997-98, pp. 68-78. Ron Montaperto, 'China as A Military Power', *Strategic Forum*, no. 56, December 1995, URL: <<http://www.ndu.edu/ndu/inss/strforum/forum56.html>>

purchasing more advanced weapons and equipment from Russia. This section will discuss containment, engagement and constructive engagement through both sides' arguments.

#### 6-4-1 Containment

In the Cold War era, containment strategy was 'one of the most enduring themes in postwar American foreign policy.'<sup>186</sup> It was to restrict the Communism expansion. In the post-Cold War era, the reason for containment is to prevent a future war occurring between the US and China. As Charles Krauthammer states, 'the West failed to contain an emergent Germany. The result was two world wars. We cannot let that happen with the emerging giant of the 21<sup>st</sup> century.'<sup>187</sup> The term, "containing China", seems a nightmare to many Chinese and some American interest groups. The book *China that Can Say No* strongly suggests that nationalist feelings started with attempts by the United States to prevent Beijing winning the bid for the 2000 Olympics. Because of the US block on the application to join the World Trade Organisation, US abuse of human rights diplomacy to pursue its interests, and intervention of the US Navy in the Taiwan Strait, this book encouraged nation-wide feelings of anti-Americanism.<sup>188</sup> According to this book, US China policy is aimed at "containing China".<sup>189</sup> An author of this book, He Peilin reveals the theme of this book is to search for an equal atmosphere in the dialogue rather to seek rivalry. The rivalry, according to this view, comes from American politicians who have a zealous Cold War mentality.<sup>190</sup>

Furthermore, some Chinese scholars believe that Japan and the US are creating a "containment" strategy to constrain China. Cheng Bifan, a research fellow of the Chinese Academy of Social Science, expressed this opinion in an article *Riben Gouzhu Dui Hua Ezhi Quan (Japan constructs a containing circle to China)* in 1998. He emphasised three

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<sup>186</sup> Charles W. Kegley, Jr. and Eugene R. Wittkopf, *American Foreign Policy: Pattern and Process*, London: Macmillan, 1987, p. 5.

<sup>187</sup> Charles Krauthammer, 'Why We Must Contain China', *Time*, 31 July 1995, p. 72.

<sup>188</sup> Soong Qian, Zheng Cang cang, Qia bian, *et. al.*, *Zhongguo Ke Yi Shuo Bu (China that Can Say No)*, Hong Kong: Min Pao Publishing, 1996.

<sup>189</sup> Christopher Hughes, 'Globalisation and Nationalism: Squaring the Circle in Chinese International Relations Theory', *Journal of International Studies*, vol. 26, no. 1, 1997, p. 119.

<sup>190</sup> Soong Qian, Zheng Cang cang, Qia bian, and *et. al.*, *op. cit.*, preface.

things that could prove why Sino-Japanese relations are changing.<sup>191</sup> First, the US-Japan Security Treaty includes the “surrounding area”, which may include Taiwan and, of course, ‘this fuelled Beijing’s suspicions that the US-Japan Security Treaty was aimed at China.’<sup>192</sup> Second, Japan and the US are planning to develop a Theatre Missile Defence (TMD) system in which Japan and the US see the pretend enemy as China rather North Korea. Third, the Japanese government still refuses to apologise for its historical mistake: the invasion of China.<sup>193</sup> With US support, Japan could adopt a harder attitude in Sino-Japanese relations.<sup>194</sup> To deflect US containment policy, the Chinese government would utilise its advantageous conditions such as its growing economy and potential markets to bargain with others. In this way, the bargaining powers of China would be stronger than before.

On the other hand, on the America side, many people think that China has the intention of challenging US leadership. Therefore, they argue that US-China policy should include a containment strategy in order to prevent China from threatening US national interests.<sup>195</sup> In this logic, US military power maintains a relative deterrence to contain China’s threat. Chinese strategists believe that ‘the goal of deterrence is, in Sun Zi’s words, “to defeat the enemy without fighting”.’<sup>196</sup> Chinese strategists do not believe in the idea of mutual deterrence or balance of terror. Instead, they believe that the nuclear deterrence is advantageous for peace and development. As a Chinese strategist indicated,

Capitalist states use deterrence; socialist states use deterrence; large states use it; medium and small states use it. We must not only not

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<sup>191</sup> *Taiwan Today News Network*, 24 February 1999.

<sup>192</sup> Ezra F. Vogel, ‘Taking the Road to a Peaceful Asia, Step by Step’, *International Herald Tribune*, 19 September 1998. URL: <<http://www.iht.com/IHT/TODAY/SAT/ED/edvogel.html>>

<sup>193</sup> *Taiwan Today News Network*, 24 February 1999.

<sup>194</sup> *Ibid.*

<sup>195</sup> Containment strategy is supported, for example, by Charles Krauthammer, ‘Why We Must Contain China’, *Time*, 31 July 1995, p. 72. Richard Bernstein & Ross H. Munro, ‘The Coming Conflict with America’ *Foreign Affairs*, vol. 76, no. 2, March/April 1997, pp. 18-32.

<sup>196</sup> Alastair Iain Johnston, ‘China’s New “Old Thinking”: The Concept of Limited Deterrence’, *International Security*, vol. 20, no. 3, winter 1995/96, p. 17. Quoted from, Chen Peiyao, ‘Ze yang kandai he weishi zhanlue (How should we approach nuclear deterrence strategy?)’, in *Shijie Jingji*, no. 5, 1987, pp. 39-44.

oppose, but must also take advantage of nuclear deterrence that is favorable for peace and development.<sup>197</sup>

Considering the strength of the PLA subsequent to China's considerable economic growth, containment would not be as easy as the way in which the US contained the Soviet Union in the Cold War era. China today is not the Soviet Union of the 1950s. During that period, the Soviet Union was seen not only as a threat to the US but to all the west. China does not threaten all western nations. Conversely, China's huge economic markets have attracted most developed nations to invest and trade with China. It cannot be isolated any longer. Further, 'foreign competition for China's markets is intense, and the Chinese know how to use that competition in their own interest.'<sup>198</sup> Because of suspicious US containment policy, 'there are many voices in the PRC, including some senior officials of the PLA, who already have declared publicly that the PRC and the US are enemies.'<sup>199</sup> In this sense, containment would increase the tension in Sino-American relations.

#### **6-4-2 Engagement**

When Clinton came to power in the White House, he did not adopt the idea of engagement until the second year of his administration.<sup>200</sup> Being of a liberal thought, he criticised his former administration for being too concessionary in China affairs,

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<sup>197</sup> Alastair Iain Johnston, *op. cit.*, p. 17, footnote 22. Quoted from, Wang Yang, (ed.), *Mei Su Junbei Jingsai Yu Kongzhi Yanjiu (Research in the US-Soviet arms race and arms control)*, Beijing: Academy of Military Sciences Press, 1993, p. 172.

<sup>198</sup> Harvey J. Feldman, *op. cit.*, p. 12.

<sup>199</sup> Harvey J. Feldman, *op. cit.*, p. 9. Also see Patrick E. Tyler, 'China Warns US to Keep Away From Taiwan Strait', *New York Times*, 18 March 1996. 'US Dismisses Chinese Warning', *New York Times*, 18 March 1996. Marcus W. Brauchli, 'China-Taiwan Flap Worries Neighbors', *Wall Street Journal*, 12 March 1996. Kenneth Lieberthal, 'A New China Strategy', *Foreign Affairs*, vol. 74, no. 6, November/December 1995, pp. 35-49. Joseph S. Nye, Jr., 'The Case for Deep Engagement', *Foreign Affairs*, vol. 74, no. 4, July/August 1995, pp. 90-102. Chalmers Johnson and E. B. Keehn, 'The Pentagon's Ossified Strategy', *Foreign Affairs*, vol. 74, no. 4, July/ August 1995, pp. 103-114.

<sup>200</sup> Ashton B. Carter and William J. Perry, *Preventive Defense: A New Security Strategy for America*, Washington, DC: Brookings Institution Press, 1999, p. 94.

particularly on human rights issue, during his presidential campaign.<sup>201</sup> And he linked the issue of human rights with most-favoured-nation (MFN) in the initial presidency.<sup>202</sup>

Although a major strategic debate emerged in American academic literature, over whether should the US contain China or engage China, as mentioned in chapter five and six, current Sino-American relations are moving towards engagement. Whether the US and China are going to work together as President Clinton claimed in answer to questions from students at Beijing University remains unclear. He said,

You ask me, do I really want to contain China? The answer is no. The American people have always had a very warm feeling toward China that has been interrupted from time to time when we have had problems.<sup>203</sup>

The bombing of the Chinese Embassy in Belgrade, the deployment of the theatre missile defence (TMD) system in the North East Asia, the declaration of US-Japanese Security and the Cox Report, indicate however, that the so-called “strategic partner relationship” faces severe challenges. Beijing has responded by seeking closer cooperation with Moscow.<sup>204</sup>

Significantly, President Clinton has changed his policy from containment to constructive engagement because the US is attempting to establish a friendly relationship with China to resolve global and regional issues. It means the US government is incorporating China into such issues as prohibiting the spread of weapons of mass destruction and nuclear proliferation, striking against threats of organised crime and drugs trafficking, protecting the environment, and resolving severe economic dislocation.<sup>205</sup> Without China’s cooperation, the US can hardly overcome all these issues. China consequently became one of the most important “allies” of the US in consolidating

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<sup>201</sup> James Mann, *About Face: A History of America’s Curious Relationship with China, from Nixon to Clinton*, New York: Alfred A. Knopf, 1999, p. 277.

<sup>202</sup> James Mann, *op. cit.*, p. 279.

<sup>203</sup> The White House, Office of the Press Secretary, ‘Remarks by the President to Students and Community of Beijing University’, 29 June 1998.

URL: <<http://www.whitehouse.gov/WH/New/China/Speeches.html>>

<sup>204</sup> Editorial, ‘China ponders more nationalist defence line’, *Financial Times*, 12 May 1999. Editorial, ‘Beijing’s Military Links With Moscow Boosted’, *Reuters*, 18 January 2000.

<sup>205</sup> White House, Office of the Press Secretary, ‘Remarks by the President to Students and Community of Beijing University’, *op. cit.*, 29 June 1998.



strategic leverage. But other Asian nations do not want this bilateral relationship to sacrifice their interests in the region.<sup>206</sup>

Why do some Americans advocate a policy of engagement rather than of containment? There are several obvious reasons for example a strong, stable, open and prosperous China would benefit the stability of the region. According to Harvey J. Feldman,

The “engagement policy” of the Bush and Clinton administrations was based on two assumptions about China’s future development: (1) that as China opened its economic system and participated in international trade, it necessarily would adhere to international legal norms; and (2) that this would cause the seeds of democracy and proper (in American terms) international behaviour to become established in Chinese soil.<sup>207</sup>

In fact, to engage China in the world system such as entry the WTO would ensure the American economic interests. As James R. Sasser, former US Ambassador to China, states,

Our companies have the right to import and export and ultimately distribute and service their products and will not have to go through Chinese state-run corporations; non-tariff barriers do not deny us the opportunities that tariff schedule concessions are supposed to provide; our agricultural products - whether wheat from the Pacific northwest, citrus from California, poultry from the south, pork from the Midwest or processed foods prepared by leading companies - are not subject to unreasonable non-scientific compliance standards.<sup>208</sup>

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<sup>206</sup> Former US Admiral Prueher, ‘America’s Preventive Defense in Asia’, spoke at the *Asia Society* in Hong Kong on 4 December 1998, *Asian Wall Street Journal*, 8 December 1998, p. 12.

<sup>207</sup> Harvey J. Feldman, ‘The U.S.-PRC Relationship: Engagement vs. Containment or Engagement with Containment’, The Inaugural Conference of *Asia-Pacific Security Forum: The Impetus of Change in the Asia-Pacific Security Environment*, Taipei, September 1, 1997, p. 11.

<sup>208</sup> James R. Sasser, Address to the Asia Society, ‘Engaging China’, Washington DC, March 4, 1997. URL: <<http://www.state.gov/www/regions/eap/970304-sasser-china.html>>

Sasser shows how readily US products are accepted: 'Chinese citizens flying on Boeing aircraft, with Motorola phones in their jackets, IBM computers on their laps, watching Hollywood videos and drinking Budweiser beer and Coca Cola.'<sup>209</sup> The most visible evidence of US commercial success in China is the fast-food industry such as *McDonalds* and *Kentucky fried chicken (KFC)*. In the meantime, *CocaCola* gradually dominates Chinese soft drink market and *Budweiser* and *Pabst Blue Ribbon* beers compete with Chinese local beers.<sup>210</sup> China's vast population is one reason why many American multinationals lobby the US government to adopt a policy of engagement. To maintain a prosperous and stable Chinese society is to the advantage of American economic interests. Therefore, they are trying to promote closer relations with Beijing and ensure political frictions be kept to a minimum.<sup>211</sup> These multinationals do not want to lose commercial opportunities in China. In particular, European and Japanese enterprises export their high-value products to China. Therefore, to engage China in the world economic system without political frictions over human rights and the independence movement is an appropriate policy.

As a result of their lobby, 'America must seize the opportunity provided by the next decade of China's rise to work with Beijing to assure that China is productively and appropriately involved in regional and global economic and security structure.'<sup>212</sup> For example, following China's rapid economic growth, it needs more and more energy to support its economy. In this way, 'China sees nuclear technology as a solution to its energy and dirty-air crises.'<sup>213</sup> This demand provides a big market for the American nuclear industry and gives the best introduction for American interests in the economic sector.

If China's economy deteriorated, millions of refugees would flow to its neighbours. To prevent this from occurring and retain China's economic prosperity are also reasons for an engagement strategy. According to Anthony Lake, former National Security Adviser in the Clinton Administration, President Clinton told President Jiang in 1995 that 'a stable,

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<sup>209</sup> James R. Sasser, *op. cit.*

<sup>210</sup> Samuel S. Kim (ed.), *China and the World: Chinese Foreign Policy Faces the New Millennium*, Boulder, Colo.: Westview Press, 1998, p. 105.

<sup>211</sup> Richard McGregor, 'China returns on its own terms', *The Australian*, October 25-26, 1997, p. 16.

<sup>212</sup> Thomas A. Metzger and Ramon H. Myers, (eds.), *Greater China and US Foreign Policy: The Choice Between Confrontation and Mutual Respect*, Stanford, CA: Hoover Institution Press, 1996, p. 14.

<sup>213</sup> Cameron Forbes, 'Beijing Duck', *The Australian*, November 1-2, 1997, p. 30.

open, and prosperous China - in other words, a strong China - is in our interest.<sup>214</sup> According to Edward Friedman, 'this policy of engagement, in part, as also promoting long-term political liberalisation in China. Supposedly, rapid economic growth would foster a large middle class and a private economy that in combination would facilitate eventual democratisation.'<sup>215</sup>

A deep assumption is that if China had a large middle class and market economy, it would benefit the development of democracy to advantage regional and global stability. To engage China in the world capitalist system is necessary to achieve the process. Nazi Germany was a capitalist economy and a large middle class country but it was not a democratic state in the 1930s. In fact, 'democracy does not necessarily evolve automatically with the expansion of the market, international trade, and a middle class, as witness Germany in the 1930s. So far, there is little evidence that the development of the economic forces in China has improved the human rights situation.'<sup>216</sup> China's rapid development provides the West with an opportunity to rethink whether it should contain or engage China. It is arguable that the engagement policy is not capable of developing democracy within China and conversely, that containment is also unlikely to produce this result.

The dilemma is that American companies need Chinese markets and are unwilling to lose any commercial advantage, which they would if China were to be contained. On the other hand, if China is engaged in the world economic system, it is possible that it will become an economic giant by the middle of the twentieth-first century. As a noted economist, Angus Maddison, estimates, the total economic production of China will overtake that of the US in 2015; according to purchasing power parity analysis, China's GNP will triple during the next 18 years.<sup>217</sup> Such an economic giant would be a threat if it

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<sup>214</sup> Joseph S. Nye, 'China's Re-emergence and the Future of the Asia-Pacific', *Survival*, vol. 39, no. 4, winter 1997-98, p. 76.

<sup>215</sup> Edward Friedman, 'The Challenge of A Rising China: Another Germany?' in Robert J. Lieber, (ed.), *Eagle Adrift: American Foreign Policy at the End of the Century*, New York: Longman, 1997, pp. 220-21.

<sup>216</sup> Merle Goldman, 'The Importance of Human Rights in US Policy Toward China', in Thomas A. Metzger and Ramon H. Myers, (eds.), *Greater China and US Foreign Policy: The Choice Between Confrontation and Mutual Respect*, Stanford, California: Hoover Institution Press, 1996, p. 80. Also see Editorial, 'Retrieving the Irretrievable: The Clinton Foreign Policy Legacy', *Stratfor.com Global Intelligence Update*, 5 June 2000, URL: <<http://www.stratfor.com/SERVICES/giu2000/060500.htm>>

<sup>217</sup> *Taiwan Today News Network*, 20 October 20 1998.

were still a dictatorial or authoritarian regime. It is difficult to convince containment strategy supporters that China will become a democratic state through economic engagement and the emergence of a large middle class. In fact, many believe that an economic power with modern military forces would pose a threat to the US and the region as Wilhelminian Germany did to Europe.<sup>218</sup>

Emphasising the importance of engagement, some American scholars such as Joseph S. Nye argue that 'if China is treated as an enemy now, it is likely become one'.<sup>219</sup> Ezra Vogel expresses the same viewpoint.<sup>220</sup> According to this view it is not wise to offend China's interests, such as its sovereignty and territorial claims particularly on the Taiwan issue as cooperation on these issues lies at the centre of engagement.

### 6-4-3 Constructive Engagement

Unlike the policy of complete containment or engagement with China, some believe that conditional containment is necessary if China is a destabilising force in the Asia Pacific. As Gideon Rachman argues,

If containment means ringing China with nuclear weapons, as the West did the Soviet Union, it is certainly undesirable. If it means acknowledging openly that China is a destabilizing force in Asia and that the other powers in the Pacific need to coordinate their responses to growing Chinese power, then containment is what is needed.<sup>221</sup>

Gideon Rachman disagreed with Henry Kissinger's statement that the United States needed Chinese cooperation "on these matters". As he argues,

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<sup>218</sup> Thomas E. Ricks, 'For Pentagon, Asia Moving to Forefront' *Washington Post*, 26 May 2000, p. A01. The article reveals the final version of the document, title "Joint Vision 2020", which warns huge stakes for US foreign policy particularly dealing with a rising China.

<sup>219</sup> Joseph S. Nye, *op. cit.*, *Survival*, vol. 39, no. 4, winter 1997-98, p. 75.

<sup>220</sup> Chalmers Johnson, 'Nationalism and the Market: China as A Superpower', Japan Policy Research Institute (JPRI), *JPRI Working Paper*, no. 22, July 1996, URL: <<http://www.nwic.org/jpri/public/wp22.html>>

<sup>221</sup> Gideon Rachman, 'Containing China', *Washington Quarterly*, vol. 19, no. 1, winter 1996, p. 129.

China wants America to help balance its relationships with powerful neighbors (Japan, Russia and India) at least until it is strong enough to do so on its own. America needs Chinese cooperation on these matters as well as on a peaceful evolution of the future of Taiwan, on nuclear proliferation and on the transfer of weapons technology. If these geopolitical issues move to the center of Chinese-American relations, other issues such as human rights and nuclear proliferation will have a strategic context...What matters? On China's desire to balance the power of Japan, Russia, and India? This may be in China's interest, but why is it in the US interest? Under present circumstances, neither Japan nor India poses a threat to US security interests. Even the tensions between Russia and America over NATO actions in the Balkans seem unlikely to degenerate to the level where they threaten American security.<sup>222</sup>

Nevertheless, there is a question that if China desired to ally itself with America in order to balance the power of Japan, Russia and India, China would need the United States rather more than America needs China because in this circumstance the three powers are not threatening American interests. Hence, 'economic engagement and strategic containment should be part of a coherent whole,' as Gideon Rachman stated.<sup>223</sup>

Apparently, China is facing more internal threats than external threats to its stability. Indeed, China has had no significant threat from outside since the end of the Cold War. The major threat to China could be a move toward independence by Taiwan, Xinjiang and Tibet, which relate to China's sovereignty and territorial claims. If the argument demanding China's cooperation can be accepted, engagement could be interpreted as a means of peaceful resolution of the relations across of the Taiwan Strait. At the same time, China needs America's cooperation for degrading the relations between the US and Taiwan, particularly on the issue of arms sales. Therefore, engagement and containment are mere means, not objectives. Whether the US government adopts engagement or containment, it is impossible to sacrifice the US national interests and founding values of

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<sup>222</sup> Gideon Rachman, *op. cit.*, p. 135. Cited from Henry Kissinger, 'Four Proposals to Get the United States and China Off Their Collision Course', *International Herald Tribune*, 24 July 1995, p. 9.

<sup>223</sup> Gideon Rachman, *op. cit.*, p. 130.

stability, prosperity, freedom and democracy to exchange China's cooperation. Compared to the arguments of containment and engagement, some argue that there is no need to make concessions to China, particularly in relation to human rights issues, trade imbalance, non-proliferation, and the Taiwan issue, and to sacrifice US interests and national founding values. The US government should treat China as 'a strategic competitor rather a strategic partner', as front runner for the Republican presidential nomination George W. Bush, Jr. argues.<sup>224</sup>

## 6-5 Conclusion

Sino-American relations are moving toward an era full of uncertainties and it does not seem possible to avoid conflict. In particular, the future of Taiwan could become a flashpoint for conflict. Despite some mutual interests that both sides are pursuing, different strategic considerations, summarised in table 6-7, still exist in Sino-American relations. Through this analysis we can examine whether Sino-American relations are moving toward a situation of harmony or conflict.

In this chapter, it has been demonstrated that the current disposition of global forces and the strategic considerations undertaken by the US and China have, to date, not produced a healthy Sino-American relationship. As mentioned above, China has increased its military budget and focus on military modernisation because it considers that the US China policy is to contain China. On the other hand, the US understands China's military modernisation is to improve its abilities to challenge US dominance in the Asia-Pacific region.

Both China and the US expect a certain scale of conflict to happen, particularly the Taiwan issue. Currently, the US is trying to engage. Strategically, the US is creating a balance-of-power framework by allying with Japan and South Korea in order to prevent the US from being trapped in a war alone. China has a similar strategic objective to ally with Central Asians and Russia in order to increase its strategic superiority.

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<sup>224</sup> Jane Perlez, 'A Tightrope Act Over Taiwan', *New York Times*, 5 August 1999. Also see, Thomas W. Lippman, 'The Tables Turn as A Bush Criticizes Clinton's Policy Toward China', *Washington Post*, 20 August 1999, p. A09.

Although both have attained a “constructive strategic partnership”, their real partnership is intense. In particular, the Chinese government manipulates nationalism to consolidate its legitimacy in order to shift focus from its internal difficulties. On the US side, the argument about “containing, engaging or constructive engaging” with China is constantly ebbing and flowing.

**Table 6-7: Comparison of the Present US-China Strategic Considerations and Achievements in Sino-American Relations**

	THE UNITED STATES OF AMERICA	THE PEOPLE'S REPUBLIC OF CHINA
Basic Strategic Thoughts	Unipolarity	Multipolarity
Strategic Means	Implement containment, engagement or constructive engagement	Establishment of multi-strategic partner relationships
Strategic Guidelines and Principles	Preventive Defence	The Four Modernisations Program
Strategic Behaviours	Using various issues to balance China's challenges: the entry of the WTO, human rights, hi-tech suspension.	Claim sovereignty and nationalism, and reminding itself the historical humiliation
National Interests	Global security, stability and prosperity Emphasis on free trade and American values and living styles: Democracy and Capitalism	Territorial integration, political stability and economic prosperity. In particular, emphasis the importance of Chinese Socialism Characteristic: monopoly polity, social capitalism, and unchanged Communist ruling status.
Current Policies	<ul style="list-style-type: none"> <li>Maintaining the deployment of US troops in three major areas: the West Pacific, the Middle East and Europe.</li> <li>Claiming peaceful resolution in regional and global issues, but using force if necessary</li> <li>Arguing for free trade</li> <li>Emphasising human rights</li> </ul>	<ul style="list-style-type: none"> <li>Repeatedly announcing and insisting on a “one China” policy</li> <li>Opposing the idea of territory division.</li> <li>Implementing economic reform and moving toward a market economy, but moving slowly on political reform</li> <li>Agreeing on a free trade principle, but insisting on China's different situation.</li> </ul>
Actual deeds	<ul style="list-style-type: none"> <li>Signed the US-Japan Joint Declaration and promised that US troops would be continually deployed in the West Pacific region</li> <li>Considered building up theatre missile defence (TMD) system with Japan, South Korea and probably Taiwan</li> </ul>	<ul style="list-style-type: none"> <li>Increased military budget and expenditure on arms purchase</li> <li>Build-up of a long-range project ability</li> <li>Reduced tariffs, but asked the US to give up the ban of hi-tech export control</li> </ul>
Strategic Purpose	To assure US dominance in political, economic and military sectors	To recover national prestige and to increase well-being of the Chinese people
Strategic Abilities	<ul style="list-style-type: none"> <li>Win two and half-major wars simultaneously.</li> <li>Maintain the superiority of US forces and hi-tech (esp. information technology)</li> </ul>	<ul style="list-style-type: none"> <li>Conquer “the lost territory” but will pay at the cost of numerous casualties</li> <li>Have a medium and long-range project ability, especially in ballistic missiles, but traditional equipment is still inferior to major counterparts such as Japan and the US</li> </ul>
Strategic Achievement	<ul style="list-style-type: none"> <li>In the short term, it is not difficult to have a positive outcome because abilities are nonpareil.</li> <li>In the medium and long-term, it is uncertain because its resolution is ambiguous.</li> </ul>	<ul style="list-style-type: none"> <li>In the short-term, it is impossible to challenge US hegemony because the present relative weakness.</li> <li>In the medium and long-term, with considerable economic growth, it is possible that China will be a challenger unless political reform has happened.</li> </ul>

The different approaches of liberals and realists cannot prevent a conflict from occurring because many differences such as institutional differences, value systems, and

national interests have existed in the fragile relationship. As a result, it is still a long, stumbling, and uncertain road to a mature situation.

The US, for example, dreams of China as a democratic, prosperous, and cooperative country, but its internal development generates much concern. China, on the other hand, is wary of its sovereignty being threatened by US intervention on the Taiwan issue, particularly. Any more tension would cause the US to limit its technological transfer, which might postpone the path of China's modernisation. Overemphasising the historical humiliation in order to increase nationalism and claims of sovereignty might increase anxiety and suspicion of its neighbours, and it would lead to a tension in regional security. If this scenario eventuated, the path of China's modernisation would be affected, or even made to stagnate.

No matter what approach each government adopts, it is possible that the development of Sino-American relations will impact on China's modernisation because China still needs external capital, management know-how, and a benign environment. Strategic considerations, which pay due attention to the benefits of moderation, are necessary for China's development and American prosperity.

The next chapter will discuss US-China-Taiwan relations, which are significantly in maintaining a friendly environment in Sino-American relations and underpin China's modernisation. As mentioned in previous chapters, the Taiwan issue is a flashpoint in Sino-American relations. Any policy change occurring on one side of the triangular relationship that is crucial to all strategic and modernisation issues.



## Chapter Seven

### US-China-Taiwan Relations: The Issue of China's Reunification

*I had a chance to reiterate our Taiwan policy, which is that we don't support independence for Taiwan, or two Chinas, or one Taiwan-one China. And we don't believe that Taiwan should be a member in any organisation for which statehood is a requirement.*

Bill Clinton<sup>1</sup>

*We shall work steadfastly for the great cause, adhering to the principles of peaceful reunification and "one country, two systems"...We reiterate that the Chinese Communist Party is ready to establish contact with the Chinese Kuomintang at the earliest possible date to create conditions for talks on officially ending the state of hostility between the two sides of the Taiwan Straits and gradually realizing peaceful reunification. Representatives from other parties, mass organizations and all circles on both sides of the Taiwan Straits could be invited to join in such talks.*

Jiang Zemin<sup>2</sup>

*Vigorous economic development leads to independent thinking. People hope to be able to fully satisfy their free will and see their rights fully protected. And then demand ensues for political reform...the model of our quiet revolution will eventually take hold on the Chinese mainland.*

Lee Teng-hui<sup>3</sup>

#### 7-1 Introduction

As mentioned in chapters five and six, Sino-American relations have not been consolidated though they have established a constructive strategic partnership. In fact, China and the US consider each other as strategic competitors. China's strategic considerations, as discussed in chapter six, are to maintain its sovereignty and recover its regional influence. America's vital concerns are maintaining regional stability and prosperity, while Taiwan seeks to maintain its separation from the PRC despite the latter's attempts to incorporate it. For America, a peaceful resolution of the Taiwan Strait problem is fundamental to regional stability that, itself, is central to American interests. In such

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<sup>1</sup> White House, Office of the Press Secretary, 'President Clinton's statement was launched at a round table discussion in Shanghai', 3 July 1998.

URL: <<http://www.whitehouse.gov/WH/New/China/Speeches.html>>

<sup>2</sup> Jiang Zemin, as General Secretary of the CCP, spoke at the CPC Central Committee on 12 October 1992. Source: 'The Taiwan Question and Reunification of China', the Taiwan Affairs Office and the Information Office, State Council, The People's Republic of China, August 1993, part III, p. 2.

URL: <<http://english.peopledaily.com.cn/whitepaper/7.html>>

<sup>3</sup> Teng-hui Lee, 'Taiwan's Quiet Revolution', *Wall Street Journal*, 27 March 1996, p. A22.

circumstances, the Taiwan issue continues to test the development of Sino-American relations.

In the Cold War era, Taiwan was a strategic lever of US containment policy in East Asia. While Sino-American rapprochement obtained, Taiwan's strategic position was not as important as China's. During this period, the US did not increase the quality and quantity of arms sales to Taiwan because of the limitation of the Sino-American joint communiqué on 17 August 1982 (the so-called the 817 communiqué).

Before the Tiananmen massacre, many observers hoped democratisation would be achieved in China. Thus, the issue of China's reunification was not so significant as a topic in Sino-American relations. Since 1989, however, the Chinese government's anti-democratic development brought to many Americans a negative image of the nature of the CCP. On the other hand, Taiwan's democratisation provided a base for Americans support. This different development between two sides of the Taiwan Strait has deepened the ideological confrontation between them. While Beijing propagandises "one country, two systems" to attain the goal of reunification, Taipei emphasises the importance of reunification through China's democratisation. In the course of this century, the development of a democratic China has been a key element in attempting to reach a harmonious relationship with the US. The US had hoped the KMT and the CCP could establish a coalition government through a democratic process. But, this hope failed during the Chinese civil war, as discussed in chapter four.

Taiwan's political development from the 1980s has been in accordance with proclaimed American fundamental values – democracy and freedom. Since its democratisation, Taiwan has become something of a model of development with American assistance.<sup>4</sup>

In this chapter, the stances of each side in relation to the possibilities of reunification are examined. Also discussed are some scenarios using force or peaceful negotiation between China and Taiwan. The role of the US in Cross-Strait relations is a significant factor, particularly continuing US arms sale to Taiwan, so it also, is discussed. Currently, economic relations in the Taiwan Strait are flourishing. Both sides enjoy a trade surplus

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<sup>4</sup> Taiwan's development will be discussed in chapter nine.

with the US. Although an economic entity – Greater China – is taking shape, each side has a different understanding of the process of reunification and the definition of “one China”.

## 7-2 The Importance of China’s reunification to Sino-American Relations

Taiwanese attempts to express its pursuit of more “international space” have been interpreted as the pursuit of independence. As a result, “Taiwan has been the touchstone of improved US-China relations but Taiwan is also the flashpoint in the relationship.”<sup>5</sup> The importance of the issue is not only that the US officially recognises the People’s Republic of China (PRC) but also because it is committed to the implementation of the Taiwan Relations Act (TRA). Obviously, ‘the Taiwan Strait is one of the few places in the world where the United States could find itself involved in major conflict.’<sup>6</sup> Since 1949, more importantly, reunification with Taiwan has been ‘the highest priority of Chinese national security policy.’<sup>7</sup>

While many observers claim that Taiwan is a “problem” or an “issue”, it is more reasonably argued that, ‘Taiwan is not a problem...the problem is that the PRC claims it - and threatens to do so with increasing power.’<sup>8</sup> The claim, originates from China’s “national humiliation”<sup>9</sup> (*guochi*) which is at the forefront of China’s political and emotional agenda when they talking about Taiwan. As a result, it is always a very sensitive issue in the fragile Sino-American relationship.

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<sup>5</sup> Ashton B. Carter and William J. Perry, *Preventive Defense: A New Security Strategy for America*, Washington D.C.: Brookings Institution Press, 1999, p. 11. Also see June Teufel Dreyer, ‘Flashpoint: The Taiwan Strait’, Foreign Policy Research Institute, 30 June 2000, (Internet version).  
Source: <<http://taiwansecurity.org/IS/FPRI-063000.htm>>

<sup>6</sup> Final Report of the Taiwan Assembly, which was hold in Taipei, Taiwan (ROC), from 21 through 23 June 1999, the topic of this panel is *Taiwan and American: How to Contribute to Peace and Prosperity in Asia and the World*, preface, p. 1.  
URL: <<http://www.americanassembly.org/programs/recent/US-China/taiwan.html>>

<sup>7</sup> William Perry spoke at American Assembly in San Francisco on 11 July 1998, ‘The Future of US-China Engagement’, in the topic of *US-China Relation in the Twenty-First Century: Fostering Cooperation, Preventing Conflict*, American Assembly, 11 July 1998, p. 2.  
URL: <<http://www.americanassembly.org/programs/recent/US-China/akey.html>>

<sup>8</sup> Lynn T. White III, ‘Taiwan’s China Problem: After A Decade or Two, Can There be A Solution?’ *SAIS Policy Forum Series*, Report Number Six, December 1998, p. 7.

<sup>9</sup> David Shambaugh, ‘Growing Strong: China’s Challenge to Asian Security’, *Survival*, vol. 36, no. 2, 1994, p. 46. As he says, “The PRC perceives itself constantly as a victim of outside aggression.”

Some observers argue that the issue of China's reunification is not the most important dispute in the bilateral relations because there have been a large number of issues existing such as imbalance of trade, nuclear weapons and ballistic missile proliferation, human rights abuses and Tibet. Thus, it is not a vital American interest being involved into a war of the Taiwan Strait.<sup>10</sup> Some consider that 'the US no longer needs Taiwan to maintain its military position in Asia.'<sup>11</sup>

In reality, China's reunification probably is the most important of all US interests. There are many disputes in the world such as the nuclear race between Indians and Pakistanis and Iraq's ambitions and aggression in the Middle East and the North Koreans desperate and unscrupulous role in North East Asia. 'It is only in the case of China and Taiwan that Washington could confront directly a major power with a huge military establishment in a colossally destructive war that would have repercussions for decades.'<sup>12</sup> In particular, the stability in the Taiwan Strait is a vital factor in the US-Japan Joint Declaration on Security Alliance to secure the West Pacific region.<sup>13</sup> As Lynn T. White indicates, 'the likeliest cause of a Sino-American conflict is not hard to identify, and it would probably begin as a blockade against Taiwan.'<sup>14</sup>

In addition, there are many factors compelling US support for Taiwan. These factors include 'American values, the views of Congress, and *Realpolitik* considerations of US interests, strategy, and policy,' as Martin L. Lasater says.<sup>15</sup> These factors, indeed, have impacted on the degree of US support for Taiwan. There are many Americans who support the idea of *de facto* independence of Taiwan. There are, however, few *Realpolitik* considerations that support Taiwanese independence since the US recognises the PRC as

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<sup>10</sup> Ted Galen Carpenter, 'Let Taiwan Defend Itself', *Cato Policy Analysis*, no. 313, 24 August 1998, p. 1 of 15. Doug Bandow, 'Old Wine in New Bottles: The Pentagon's East Asia Security Strategy Report', *Cato Policy Analysis*, No. 344, 18 May 1999, pp. 1-20, esp. pp. 13-14. Chas Freeman spoke in *The Heritage Lectures: An Asian Studies Center Symposium*, 'The United States and China into the 21<sup>st</sup> Century', The Heritage Foundation, The Heritage Foundation, 21 November 1995, p 5.

<sup>11</sup> Andrew J. Nathan, 'What's Wrong with American Taiwan Policy', *Washington Quarterly*, vol. 23, no. 2, spring 2000, p. 99.

<sup>12</sup> Nancy B. Tucker, 'China-Taiwan: US Debates and Policy Choices', *Survival*, vol. 40, no. 4, winter 1998-99, p. 150.

<sup>13</sup> Chin Chu-Kwang, 'The US-Japan Joint Declaration', *World Affairs*, vol. 160, no. 3, winter 1998, pp. 152-163.

<sup>14</sup> Lynn T. White III, *op. cit.*, p. 7.

<sup>15</sup> Matine L. Lasater, 'Critical Questions in US Taiwan Policy', 28 March 1999, (Internet paper), URL: <<http://taiwansecurity.org/IS/IS-Lasater990328.html>>

the sole Chinese government although it is a dictatorship. This dilemma has shaped a complicated and subtle set of trilateral relations. As long as the reunification issue remains unsolved, it is an obstacle in Sino-American relations.<sup>16</sup>

In the Chinese government's view, as it states in its *1998 China's National Defense*, 'Taiwan is an inseparable part of Chinese territory.'<sup>17</sup> In the meantime, 'the Chinese government seeks to achieve the reunification of the country by peaceful means, but will not commit itself not to resort to force.'<sup>18</sup> China's aim is simply to prevent Taiwan's independence and all policy to promote it. For Taiwan, the issue is more complicated, involving its international survival space, preserving its prosperity and its multi-party democracy.<sup>19</sup> The US faces a dilemma as to whether it recognises China's national sovereignty or supports Taiwan's self-determination. Unlike other issues which need its allies to cooperate in order to make its policies effective, "the US can act alone"<sup>20</sup> in the China reunification issue. This interaction of US-China-Taiwan relations also reflects that the importance of China's reunification in this complex triangle relationship.

### 7-3 The Role of the US in Cross-Strait Relations

As mentioned in chapter six, one US national interest is to preserve political and economic access to East Asia.<sup>21</sup> To attain its goals in East Asia, a peaceful cross-Strait relationship is necessary and has been an unchanged US policy objective in all three US-PRC communiqués.

In particular, the US has maintained security and economic relations with both sides of the Taiwan Strait since 1979. Militarily, the US is Taiwan's biggest weapons supplier. Taiwanese main warfare systems and equipment are American made such as: main battle tanks (M-60), armed helicopters (AH-1W and OH-58D), surface-to air missiles (*Stinger*,

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<sup>16</sup> Matine L. Lasater, 'Critical Questions in US Taiwan Policy', 28 March 1999, *op. cit.*

<sup>17</sup> Information Office of the State Council of the People's Republic of China, *China's National Defense*, Beijing: Information Office of the State Council, 1999, p. 8.

<sup>18</sup> *China's National Defense*, *op. cit.*, p. 9.

<sup>19</sup> Nancy B. Tucker, 'China-Taiwan: US Debates and Policy Choices', *Survival*, vol. 40, no. 4, winter 1998-1999, p. 151.

<sup>20</sup> See Gerald Segal, 'Taiwan's Strategic Content and the Strategy of Shshhh', paper prepared for the IISS/CAPS, *Conference on Rethinking the Taiwan Problems*, Washington DC, June 1998.

<sup>21</sup> See, chapter six, footnote 39.

*Avenger*, and *Patriot*), destroyers (*Perry* and *Knox*-class), artillery (155mm M-109A5), first front fighters (F-16A/B MLU, and indigenous *Ching-Kuo* fighter technologically supported by American companies).<sup>22</sup> In April 2000, Washington promised to sell a *Pave Paws* radar, but refused to specify the exact model which could significantly affect Taiwan's ability to detect missile launches and incoming aircraft from the Mainland.<sup>23</sup> The situation demonstrates that Taiwan cannot defend itself without America's logistic and intelligence supports.

Economically, the US is major trading partner of both sides of the Taiwan Strait. Each side enjoys a huge trade surplus with the US. As the following tables reveal, the two Chinese economies have increased their trade dependency on US markets. Thus, US economic factors are of importance to both sides of the Taiwan Strait.

**Table 7-1: US Trade with Two Sides of the Taiwan Strait, 1994-1998 (US\$ million)**

	1994	1995	1996	1997	1998
Total Trade with China (PRC)	48,078.5	57,296.8	63,505.2	75,419.9	85,413.9
Import	38,786.7	45,543.2	51,512.6	62,557.6	71,155.9
Export	9,281.8	11,753.6	11,992.6	12,862.3	14,258.0
Balance	-29,504.9	-33,789.6	-39,520.0	-49,695.3	-56,897.9
Total Trade with Taiwan (ROC)	43,814.6	48,261.4	48,367.5	52,994.2	51,280.0
Import	26,705.8	28,971.8	29,907.3	32,628.5	33,122.9
Export	17,108.8	19,289.6	18,460.2	20,365.7	18,157.1
Balance	-9,597.0	-9,682.2	-11,447.1	-12,262.8	-14,965.8
Total trade with Two Sides	91,893.1	105,558.2	111,872.7	128,414.1	136,693.9
Total import from Two Sides	65,492.5	74,515.0	81,419.9	95,186.1	104,278.8
Total export from Two Sides	26,390.6	31,043.2	30,452.8	33,228.0	32,415.1
Total Balance of Trade with Two Sides	-39,101.9	-43,470.8	-50,967.1	-61,958.1	-71,863.7

Source: US Census Bureau, *Statistical Abstract of the United States: 1999*, pp. 805 and 808.

URL: <<http://www.census.gov/prod/www/statistical-abstract-us.html>>

**Table 7-1a: US Trade with the World, 1994-1998 (US\$ million)**

	1994	1995	1996	1997	1998
Total trade with world	1,175,882.2	1,308,284.8	1,420,334.3	1,559,853.1	1,596,604.9
Total import from the world	663,255.7	743,542.8	795,269.3	870,670.7	913,628.2
Total export to the world	512,626.5	564,742.0	625,075.0	689,182.4	682,976.7
Total trade balance	-150,629.2	-158,800.3	-170,214.3	-161,488.2	-230,851.5

Source: US Census Bureau, *Statistical Abstract of the United States: 1999*, pp. 805

According to tables 7-1 and 7-1a, trade relations between the US and the two Chinese economies slightly increased from 7.81 percent of 1994 to 8.56 percent of 1998 US world trade. In table 7-2, US imports from two Chinese economies increased from 9.87

<sup>22</sup> Source: IISS, *The Military Balance*, 1998-1999, pp.171-172.

<sup>23</sup> Jane Perlex, 'US with Eye on China, Settles on Weapons for Taiwan', *New York Times*, 18 April 2000, p. A3. John Godfrey, 'Taiwan's Defense Package Criticized', *Washington Times*, 19 April 2000.

percent of 1994 to 11.41 percent of 1998 in US import from the world, however, US exports to two Chinese economies decreased from 5.15 percent of 1994 to 4.77 of 1998 in US export to the world. More significantly, the US trade deficit with the two Chinese economies dramatically increased from 25.96 of 1994 to 31.13 percent of the 1998 US world trade deficit. This situation reflects a fact that US markets are of great importance to both economies. A war or armed conflict would damage the two economies as well as impact on US markets.

**Table 7-2: Percentage of Two Chinese Economies in US World Trade (%)**

	1994	1995	1996	1997	1998
Total trade	7.81	8.07	7.88	8.23	8.56
Import	9.87	9.99	10.24	10.93	11.41
Export	5.15	5.50	4.87	4.82	4.77
Total trade balance	25.96	27.37	29.94	38.37	31.13

Calculated by this research, data adopted from US Census Bureau, Statistical Abstract of the United States: 1999, p. 805

US exports may well increase significantly after the two Chinese economies enter the WTO because their domestic markets will be freer for American products, particularly the Mainland's market. A war or armed conflict inevitably would damage the prosperity of both Chinese economies and reduce the purchasing capabilities of both. In that case, US regional economic interests would be affected. Consequently, there are good reasons for the US to continue its role of brokering the issue of reunification.

With respect to the role of the US, Nancy B. Tucker suggests that there are five options, which the US government could, in theory, follow. First, the US could be an observer staying out of the China-Taiwan confrontation regardless of how it develops. Second, the US could become a mediator trying to mediate both sides of the Taiwan Strait, as it did in 1947 with the (Secretary of State) Marshall mission but failed between the KMT and the CCP. Third, the US could pressure Taipei to come to the negotiation table with Beijing. Fourth, the US could be a supporter of Taipei with strong guarantee of protecting and rescuing Taiwan when it is attacked, and fifth, to encourage dialogue without adopting a more active role.<sup>24</sup>

Harry Harding submitted five alternative scenarios to the US government. Those scenarios are: to renew strategic alignment, to control the government in Beijing if it were

<sup>24</sup> Nancy B. Tucker, 'China-Taiwan: US Debates and Policy Choices', *Survival*, vol. 40, no. 4, winter 1998-1999, pp. 152-161.

to collapse and China disintegrate, to support China's modernisation and reform, to adopt a more confrontational relationship, and to maintain the *status quo*.<sup>25</sup> There are also other voices arguing that the US should clearly assume a powerful role in this issue. As Harvey Feldman said,

We [cannot] turn our back on the government that has transformed itself into a democracy and our interest requires that there be no aggression in the Taiwan Strait. Here I have to say that deterrence is a very, very important factor, and I agree with Chas we have to tell the people on Taiwan that they cannot count on our assistance if they crudely provoke Beijing to action. But we also have to say to Beijing that we cannot conclude we would stand idly by in the event of invasion, boycott, or embargo, exactly as is stated in the Taiwan Relations Act.<sup>26</sup>

Richard Bush considers five key principles define the US role in the issue of the Taiwan Strait. First, the US insists that the Taiwan Strait issue be resolved peacefully. Second, the administration believes that constructive and meaningful dialogue is the best way to resolve cross-Strait differences. Third, the US believes that the two sides themselves should resolve these differences. Fourth, the US will remain even-handed in its approach to cross-Strait dialogue, and not apply pressure to either side. Finally, the administration believes that any arrangements concluded between Beijing and Taipei should be on a mutually acceptable basis.<sup>27</sup>

In the Taiwan Strait Missile Crisis of 1996, the US played a significant role in maintaining the stability of the Taiwan Strait and the West Asia-Pacific region. At that moment, only the US government responded with a warning of "grave consequence", which meant a military response, to the PRC government.<sup>28</sup> During that period, the US

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<sup>25</sup> Harry Harding, *op. cit.*, 1992, pp. 20-21.

<sup>26</sup> Harvey Feldman, spoke in *The Heritage Lectures: An Asian Studies Center Symposium*, 'The United States and China into the 21<sup>st</sup> Century', The Heritage Foundation, 21 November 1995, pp. 13-14.

<sup>27</sup> Richard Bush, 'The United States Role in the Taiwan Strait Issue', spoke at the University of Illinois at Carbondale on 7 December 1998. URL: <<http://www.taiwansecurity.org/IS-Bush.html>>

<sup>28</sup> Barton Gellman, 'U.S. and China Nearly Came to Blows in 1996: Tension over Taiwan Prompted Repair of Ties', *Washington Post*, 21 June 1998, p. A01.



government adopted the policy of “strategic ambiguity, tactical clarity” to deal with both sides of the Taiwan Strait.<sup>29</sup> The essence of “strategic ambiguity” means the US government maintaining deterrence without losing any freedom of manoeuvre.<sup>30</sup> Under this policy, the US government will not clearly tell either side what kind situation will prompt US interference in the Taiwan Strait conflict. The US left both sides to guess what the American intention would be. On the other hand, the US government has clearly told both sides that “Taiwan should not declare independence, the PRC should not use force to unify Taiwan.” Once Taiwan announces independence the US government will not recognise the change of situation.<sup>31</sup>

Under the policy of “ambiguity”, if Taiwan claims independence and causes the PRC to launch military actions disrupting the peace of the Asia-Pacific, the US will attempt to maintain the pre-independence situation and send force-navy, air force, or marines to the region to protect the stability of the West Pacific. The key point is the US attempts to maintain the *status quo*. As former Secretary of Defence William J. Perry states, “[t]he United States should emphasise that neither Beijing (through force) nor Taipei (through the pursuit of independence) should try to change the *status quo*.”<sup>32</sup> In this sense, both sides cannot expect a clear response from the US. Therefore, the two sides of the Taiwan Strait will prudently consider the possible results. But this policy has some dangerous connotations.<sup>33</sup>

After the Taiwan Strait Crisis of 1996, some scholars argued that the US had abandoned the previous policy of “strategic ambiguity, tactical clarity” and had moved to clarify real US interests.<sup>34</sup> Joseph S. Nye also proposed to eliminate the ambiguity in the

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<sup>29</sup> Joseph Nye, ‘A Taiwan Deal’, *Washington Post*, 8 March 1998, p. C7. Also see Chas. W. Freeman, Jr., ‘Preventing War in the Taiwan Strait: Restraining Taiwan and Beijing’, *Foreign Affairs*, vol. 77, no. 4, July/August 1998, pp. 6-11.

<sup>30</sup> Denny Roy, *China’s Foreign Relations*, London: Macmillan, 1998, p. 144.

<sup>31</sup> Ashton B. Carter and William Perry, *Preventive Defence: A New Security Strategy for America*, *op. cit.*, 1999, pp. 111-116, esp. p. 113. Also see Chas. W. Freeman, Jr. ‘Preventing War in the Taiwan Strait’, *Foreign Affairs*, vol. 77, no. 4, July/August 1998, pp. 6-11. Nancy B. Tucker, ‘China-Taiwan: U.S. Debates and Policy Choices’, *Survival*, vol. 40, no. 4, winter 1998-99, p. 161.

<sup>32</sup> Ashton B. Carter and William Perry, *Preventive Defence: A New Security Strategy for America*, *op. cit.*, 1999, p. 113.

<sup>33</sup> Hisahiko Okazaki, ‘America’s Taiwan Policy: Learn to Live with Ambiguity’, *The Japan Times*, date unknown. URL: <<http://www.glocomnet.or.jp/okazaki-inst/okazaki.ambi.html>>

<sup>34</sup> Dennis Van Vranken Hickey, ‘US-Taiwan Security Ties: Toward the next Millennium’, presented at international conference *Taiwan on the Threshold of the 21<sup>st</sup> century: A Paradigm Re-examined*, National Chengchi University, Taipei, Taiwan, 4-5 January 1999.

US position. He emphasised that ‘the US should say that if Taiwan were to declare independence, we would not recognize or defend it.’<sup>35</sup>

In the long-term, US China policy may need a clear statement rather than an ambiguous idea. As table 7-3 demonstrates, it is necessary for the US government to adopt a clear attitude in relation to reunification. According to former commander-in-chief of the US Pacific command Admiral Joseph Prucher, currently US ambassador in Beijing, the present US strategy is: ‘preventive defense, crisis management, and being able to fight and win a major conflict.’<sup>36</sup> Preventive defence, in fact, is a key idea committing the US to a role in the Asia-Pacific region particularly in the Taiwan Strait. In other words, to prevent the disruption of regional stability, the US government will strongly and clearly exhibit its resolution in the region.

**Table 7-3: US Options in the Issue of the Taiwan Strait**

OPTIONS OF THE US	POSITIVE RESULTS	NEGATIVE RESULTS
Maintain the status quo (Do nothing)	Balance two sides of the Strait	The Chinese government does not have patient
Support China’s position to unify Taiwan by force	Attainment the reunification forever	Through a bloody war and disturbing the stability of the West Pacific region
Support “Independence”	In accordance with the American founding values and spirits and the principle of “self-determination” and democracy	Evoking Chinese resolution of using force and bring the US troops in the war
Become a mediator	Maintain the peace in the region	Bring the US into the complicated issue deeply as Gen. Marshall’s example
Encourage two-ways dialogue and finally reach the goal of reunification	Increasing mutual understanding between both sides of the Strait	Bring the US into the complicated issue deeply as Gen. Marshall’s example

Source: Nancy Bernkopf Tucker, ‘China-Taiwan: US Debates and Policy Choices’, *Survival*, vol. 40 no. 4, winter 1998-1999, pp. 152-160.

Nonetheless, “ambiguity” does exist in the US-PRC-ROC triangular relationships because ‘ambiguity is inherent in US democracy’, as the former Japanese Ambassador to Thailand and Saudi Arabia, Hisahiko Okazaki indicated.<sup>37</sup> He also states that ‘American

<sup>35</sup> Joseph S. Nye, Jr., ‘A Taiwan Deal’, *Washington Post*, 8 March 1998, p. C7.

<sup>36</sup> US Admiral Joseph Prucher, ‘America’s Preventive Defense in Asia’, addressed to the Asia Society in Hong Kong on 4 December 1998, *The Asian Wall Street Journal*, 8 December 1998, p. 12.

<sup>37</sup> Hisahiko Okazaki, ‘America’s Taiwan Policy: Learn to Live with Ambiguity’, *The Japan Times*, date unknown. URL: <<http://www.glocomnet.or.jp/okazaki-inst/okazaki.ambi.html>>

intentions stem from checks and balances among the president, the administration, the Congress, mass media and, above all, public opinion; together, they render it unpredictable.<sup>38</sup> As a consequence, the ambiguity has caused other nations to misunderstand American intentions and consequently to break the peace as was the case at the outbreak of WWII, the Korean War, and the Persian Gulf War. Other nations, particularly dictatorships, misunderstood American democracy and the essence of its “ambiguity”. Okazaki suggests ‘the best way to maintain peace in the world lies in explaining the unpredictability of US public opinion and the Congress, clarifying for other nations the true nature of ambiguity in US democracy.’<sup>39</sup>

After President Clinton’s visit to Beijing, despite the fact that China and the US had attained a “strategic partner relationship” in July 1998, the US still continued arms sales to Taiwan under the Taiwan Relations Act (TRA). On the other hand, the US government began to press Taiwan to talk with China as soon as possible. In America, many notable scholars argue about the wisdom of the US interfering in the dispute between Taiwan and China. Some emphasize that the Taiwan issue will damage Sino-American relations if the US government continually sells advanced weapons to Taiwan. As S. P. Huntington, at a conference in American Enterprise Institute, Washington DC, said, the US should not continue selling arms to Taiwan which may announce independence if it gets more advanced weapons and feels more secure.<sup>40</sup> By contrast, the former US Secretary of Defence Harold Brown argued that the US should aid Taiwan if China triggered an assault. Because of an increasingly hard Chinese line, he said, ‘given its growing economic and military strength, Chinese nationalism is also playing a growing role, expressed especially in terms of an insistence on sovereignty over what China regards as its historical or traditional territorial boundaries.’<sup>41</sup>

Taiwan has a successful political lobby in the Congress. The famous public Relation Company, Carcidi, successfully lobbied in 1995 for President Lee to visit Cornell University. It is likely that the US will continue keeping the policy of arms sales to Taiwan if China does not renounce the use of force in the issue of China’s reunification. But

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<sup>38</sup> *Ibid.*

<sup>39</sup> *Ibid.*

<sup>40</sup> *Taiwan Today News Network*, 13 May 1998.

<sup>41</sup> *China Times*, 20 May 1999.

eventually Taiwan's current military and economic superiority will be overtaken by China. Long-term stable relations are assisted by a successful democracy in Taiwan, which continues to attract American sympathy and support. Although the Clinton administration denies playing the role of mediator in cross-Strait disputes,<sup>42</sup> as revealed in Reagan's six assurances,<sup>43</sup> the US cannot escape an influential role on the issue, given its hegemonic power. Further, it is possible that a war would damage the stability of the Asia Pacific region and threaten US national interests. Therefore, if China does not renounce the use of force in reunification with Taiwan then the US may face a situation where a democratic society – Taiwan – is threatened by a non-democratic one – China. It would be under great pressure in such a situation to intervene. The development by China of more advanced military technologies, some imported from Russia and some plagiarised or “illegally used”<sup>44</sup>, possibly, from US national laboratories, ensures that the outcome of a war would be unpredictable.

Significantly, the role of the US was/is a significant external factor regarding the protracted issue of China's reunification.<sup>45</sup> Since the Republic of China (ROC) lost its role as representative of China in the United Nations (UN) in 1971, the ROC has become increasingly isolated from the international community. The US now “acknowledges” the People's Republic of China (PRC) is the sole legitimate government representing all of

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<sup>42</sup> Editorial, 'US Not to Play Role of Mediator in Cross-Strait Disputes', *Central News Agency (CAN, Taipei)*, 14 May 2000. As a matter of fact, Beijing and Taipei have asked Washington to play a role of bridge in the intensive cross-Strait relations. Before the new Taiwanese government formally executes its administration, Tsai Ing-wen, the Chairperson of the Mainland Affairs Council expressed that Taiwan's new government hoped the United States would play a more active role in helping China and Taiwan improve their relations. In Beijing, a Western source said that for the first time Chinese officials in state-to-state meetings with their U.S. counterparts had asked Washington to “play a helpful role” in seeking improved relations between the two sides. John Pomfret, 'In Reversal, China And Taiwan Ask U.S. to Bridge Ties', *Washington Post*, 13 May 2000.

<sup>43</sup> The six assurances are follows: first, the US has not set a date for ending arms sales to Taiwan. Second, the US will not consult the PRC about future arms sales to Taiwan. Third, the US will not play a mediating role between Taiwan and the PRC. Fourth, the US has not agreed to revise the TRA. Fifth, the US has not recognised PRC sovereignty over Taiwan. Last, and will not pressure Taiwan into accepting the PRC reunification proposal. See Final Report of the Taiwan Assembly, *op. cit.*, p. 6.  
URL: <<http://www.americanassembly.org/programs/recent/US-China/taiwan.html>>

<sup>44</sup> See Cox Report, mentioned in chapter five. Also see Bill Gertz, 'China uses computers from US illegally', *The Washington Times*, 27 June 2000, (Internet version). According to Bill Gertz, China may have purchased as many as 603 high-speed computers between 1996-1998 those have been “using high performance computers for nuclear weapons applications.”  
URL: <<http://www.washingtontimes.com/national/default-2000627225750.htm>>

<sup>45</sup> Wu Hsing-Hsing, “chapter eight”, *Zheng He Lilun Yu Liangan Guanxi Zhi Yanjun (The Research of Integration Theory and Cross-Taiwan Strait Relations)*, Taipei: Wunan tu shu you xian gongsi, 1995.

China. Since the Tiananmen Square massacres, the ROC's diplomatic space has in some senses been extended much more than during the previous two decades. On the other hand, both sides still have uncertain diplomatic struggles: in the case of the ROC continually seeking international recognition while the PRC seeks to block such recognition and isolate the ROC further.

On 30 June 1998, President Bill Clinton repeatedly announced the 'three no's' policy. As a result, Taiwan seems not to have any opportunity to develop an international personality. If Taiwan wants to join any international organisation US support and China's permission are required. Otherwise, Taiwan must submit to the authority of the PRC government. In other words, Taiwan has no other choice but to negotiate with the PRC or to "surrender" to it as a local government under the definition of "one China". If Taiwan rejects negotiations with China and declares independence China will use force to resolve the division. This is the reason that China has never given up "the use of force to unify" Taiwan.

In 1996, one popular book in China, *Why Can China Say No*, criticised the US and fiercely condemned Taiwan as a "betrayed" because of US protection. Meanwhile, the authors mock, "Is Taiwan a fifty-first state of the US?"<sup>46</sup> After the 1996 crisis, which was resolved by a demonstration of US power and its resolve to defend Taiwan, President Jiang criticised the chauvinistic and crude bellicosity, and particularly condemned those war-prone articles, which lambasted President Lee Teng-hui. This had been a mistake and was futile in resolving the dispute across the Strait.<sup>47</sup> However, US military power deterred the PLA and was the most significant support for a peaceful resolution in the matter of China's reunification. As a result, President Lee won the presidency and the PLA backed out of the Taiwan Strait.

The PRC has never abandoned its efforts to squeeze Taiwan's international position and Taiwan is also pursuing its space for survival in the international community. In November 1999, the ROC finished the final stages of negotiation with the US and attained

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<sup>46</sup> Peng Qian, Yang Mingjie, and Xu Deren, (eds.), *Zhongguo Wei Shenmo Shuo Bu (Why Can China Say No)*, Beijing: New World Publisher, 1996, pp. 127-172.

<sup>47</sup> Zhao Guo-cai, 'Taiwan Zai Yatai Anquan Tixi Zhi Gaoose Yu Diwei (The Role and Status of Taiwan in the Asia-Pacific Security System)', *Zhonggong Yanjiu (Studies on Chinese Communism)*, vol. 30, no. 5, 1996, p. 76.

an agreement about the issue of entering the WTO. Theoretically, the ROC, in the name of “the Autonomy Customs Territory of Taiwan-Penghu-Quemoy-Matsu” should become a member of WTO as soon as does the PRC. And also, the ROC will participate fully in all WTO meetings and activities under the informal name of “Chinese Taipei”.<sup>48</sup> But the PRC insists that the PRC must enter into the WTO before the ROC although there are several disputes that have not been resolved between the PRC and other members particularly the US. Because of China’s insistence of sovereignty and national dignity, it is easy to understand the meaning of “one country, two systems”.<sup>49</sup>

Following Hong Kong’s return, the PRC is increasing the use of the slogan of “one country, two systems” to persuade Taiwan’s people to accept it. Although Hong Kong has safely experienced two years under the “one country, two systems” policy, most Taiwanese people do not agree with this policy. As the former Vice President of the Legislative Yuan, Dr. Wang Chin-ping (Wang Jinping), whose position is equal to the Deputy Speaker of the Parliament of Australia, says,

Taiwan is not as Hong Kong because every condition is different. First, the ROC is a sovereign state. She has the Constitution but Hong Kong does not have. Second, the ROC has an independent ability of self-defence and foreign policy, but Hong Kong does not have. Third, the ROC is a democratic state. The general public has rights to decide the future of Taiwan. However, Hong Kong people could not make any decision for their future. Fourth, there is no schedule of unification between Taiwan and Mainland. However, the return of Hong Kong was decided in the history.<sup>50</sup>

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<sup>48</sup> Wang Chih-Kang, ‘Taiwan Nears its Goal of Joining the World Trade Organisation’, *Heritage Lectures*, no. 609, the Heritage Foundation, 22 April 1998.

<sup>49</sup> Before his official visit to Australia in 1999, President Jiang Zemin emphasised that ‘Taiwan had an important bearing on China’s sovereignty. And both the government and people of China were rock-firm in their State sovereignty and territorial integrity’. For maintaining the goal, the Chinese government ‘does not undertake to give up the use of force’. See, Paul Kelly and David Armstrong, ‘Jiang dangles Taiwan carrot but insists on right to wield stick’, *The Australian*, 31 August 1999, p. 1.

<sup>50</sup> Translated from an interview with Dr. Wang Chin-ping (the vice Chairman of Legislative Yuan, ROC) on 15 July 1998. In 1999, the Taiwanese Legislative Yuan elected Dr. Wang as the Chairman of Legislative Yuan.

In this sense, the goal of reunification would be attained with Taiwanese willingness and a friendly Chinese attitude. At the moment, both sides as well as the US, have different perspectives. The US basically requires a peaceful resolution – an outcome which is in accordance with its regional interests - stability, prosperity, and security. The PRC, in contrast, insists reunification is its historical mission such that it will not relinquish the insistence on using force if necessary. Preventing Taiwan independence is therefore the top foreign policy objective of the PRC government. On the other hand, the ROC pursues any opportunity of international recognition because its international space has been squeezed since “expelled” from the United Nations in 1971. Hence, the issue of survival is the most important principle for the ROC government and Taiwanese people.

One objective of Clinton’s policy of “comprehensive engagement” is to integrate China into the international order. For successful engagement, the US and the PRC must not have serious conflicts, such as the missile crisis in 1995-1996. Therefore, the so-called “Taiwan issue” needs to be resolved in advance. This issue has had a serious impact on Sino-American relations for a long time since 1949. The key point is whether Taiwan can be allowed to declare independence. If Taiwan declares independence as the result of a referendum the PRC will strongly oppose it and attempt to restore its “lost province” by use of force. Table 7-4 lists six different situations that could arise in the future of the Taiwan Strait. Each option provides a dilemma because of the different perceptions of the parties. The core of these perceptions is the issue of whether Taiwan is a state. There are several arguments about the statehood of Taiwan.<sup>51</sup>

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<sup>51</sup> See Philip Yang, *Taiwan’s Legal Status: Going Beyond the Unification-Independence Dichotomy*, paper delivered at the CSIS Seminar on Cross-Strait Relations at the Turn of the Century, 21-22 September 1999, Washington DC, pp. 4-7. In his paper, Yang cited certain scholars’ views such as 1) Taiwan as a sovereign state, 2) as an entity *Sui Generis*, and 3) as a local government. Considering Taiwan as a sovereign state, Hungda Chiu, Lung-chu Chen, John Copper, William W. Bishop and Alan James claim this statement. See Hearings before the Committee on Foreign Relations, 96<sup>th</sup> Congress, 1<sup>st</sup> session, on Bill 5.245, 5-8 and 21 February 1979, Washington DC: US Government Printing Office, 1979, p. 820. Lung-chu Chen, ‘Taiwan’s Current International Legal Status’, *New England Law Review*, vol. 32, spring 1998, pp. 675-683, at p. 676. William W. Bishop, Jr., *International Law: Cases and Materials*, (3<sup>rd</sup> ed.), Boston: Little and Brown, 1971, pp. 330-331. John F. Copper, *Taiwan: Nation-State or Province?*, Boulder, Colorado: Westview Press, 1990, p. 123. Alan James, *Sovereign Statehood: The Basis of International Society*, London: Allen and Unwin Publishers Ltd., 1986, p. 138. Most of the western scholars categorise Taiwan as an “entity *sui generis*”, a non-state independent entity and subject of international law. These scholars include Louis Henkin, Ian Brownlie, D. J. Harris, J. D. B. Miller and Gerhard von Glahn. See Louis Henkin *et al.*, *International Law, Cases and Materials*, (2<sup>nd</sup> ed.), St. Paul, Minnesota: West Publishing, 1987. Ian Brownlie, *Principles of Public International Law*, (2<sup>nd</sup> ed.), London: Oxford University Press, 1973. D. J. Harris, *Case and Materials on International Law*, (4<sup>th</sup> ed.),

According to KMT high-level official statements, the ROC is a *de facto* independent state because the ROC has existed for nearly ninety years and the government has always efficiently executed its sovereignty on Taiwan. Therefore, it is unnecessary to re-declare independence. For the DPP leaders, a moderate version of this perception is adopted in order to win more electoral victories particularly in the presidential election of 2000.<sup>52</sup> However, the argument of an independent statehood seems to be more sensitive. As Lynn T. White III indicates many Taiwanese voters apparently believe the local aphorism that “independence is something you can do but cannot say, and unification is something you can say but cannot do.”<sup>53</sup> The key point is not the willingness but the possibility of independence.

If the PRC were neither a member of the Security Council in the UN nor a nuclear power nor a country with 1.2 billion people, the ROC would be recognised as a state by international society. In reality, the PRC’s size, population, its nuclear power, economic potential and its membership of the Security Council, after the Soviet Union collapsed, have contributed to it playing an influential role in international affairs. The US attempts to keep a good and harmonious relationship with the PRC. Meanwhile, continually to maintain an unofficial relationship with democratic Taiwan is in accordance with American’s values as well as stabilising the Asia Pacific region. Further, to avoid the Taiwan issue to become a stumbling block between Washington and Beijing is a given policy. According to table 7-4, the possibilities of Taiwan’s independence seem to be impossible.

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London: Sweet and Maxwell, 1991. J. D. B. Miller, ‘Sovereignty as a Source of Vitality for the State’, *Review of International Studies*, vol. 12, 1986, pp. 79-89. Gerhard von Glahn, *The Law Among Nations, An Introduction to Public International Law*, (7<sup>th</sup> ed.), New York: MacMillan Publishing Co., 1996, p. 63. The third opinions about Taiwan’s status as a local government have different cognisance such as “Taiwan’s status is that of a consolidated local *de facto* government in a civil war situation” and “Taiwan as a non-state territorial entity which is *de jure* part of China, but under separate administration”. Most countries, at the moment, adopt this cognisance. See, James Crawford, *The Creation of States in International Law*, Oxford: Clarendon Press, 1979, p. 151. Malcolm N. Shaw, *International Law*, (2<sup>nd</sup> ed.), Cambridge: Grotius Publications Ltd., 1986, p. 149.

<sup>52</sup> More information refers to the stance of the ROC in the section of 7-5-3.

<sup>53</sup> Lynn T. White III, ‘Taiwan’s China Problem: After A Decade or Two, Can there be a solution?’, *SAIS Policy Forum Series*, Report Number Six, December 1998, p. 19.



**Table 7-4: Six Different Definitions, Attitudes, and Possibilities of Development in the Future of the Relations between China (the PRC) and Taiwan (the ROC)** <sup>54</sup>

Definition	Meaning of Duration	Attitude of the ROC	Attitude of the PRC	Future Development (Scenario)
One China: the PRC	Forever	Unacceptable	Strong Claim	One country, two systems (Peace)
One cultural and historical China (as one country, two governments, two areas, or two seats)	Historical evidence	Recognition and claim	No comments	Confederacy (Negotiation)
Two Chinas – emphasis on the reality of separated situation	Real situation	Claim	Unacceptable	Confederacy (Negotiation)
Two Chinas-the PRC and the ROC have an equal international status	Real situation	Substantive Claim	Unacceptable	Confederacy or Independency (Negotiation)
One China and one Taiwan-the PRC vs. the ROC on Taiwan or the PRC vs. the Republic of Taiwan (ROT)	Reality or forever	Most of KMT's members claim the ROC on Taiwan; most of DPP's members claim ROT	Strong objection	Independent state (War)
Independence of Taiwan-newly found a state - the Republic of Taiwan (ROT)	Forever	Most of DPP's members strong claim	Strong objection	Independent state (War)

Basically, all three parties are in favour of “a peaceful resolution”, but the PRC has ‘not only conducted smear campaigns and sabre-rattling against us, but has also refused to renounce the use of force against Taiwan,’ as President Lee Teng-hui said.<sup>55</sup> Within the ROC, there are three major voices advocating respectively moving towards independence, moving towards reunification, and maintaining the *status quo*. On the US side, the government has adopted a clearer attitude that relies upon reiterating the three US-PRC Joint Communiqués and the Taiwan Relations Act. In the US Congress, there are stronger supports for the ROC on Taiwan. On the PRC side, the government repeatedly claims the necessity of reunification and condemns independence as “separatist”. The key problem involves the concept of “one China”.

<sup>54</sup> Quote and translate from the Association of PRC Research, author unknown, *The Regime of Jiang Zemin and Cross-Strait Relations*, (in Chinese), 1995, Taipei: the Association PRC Research Press, p. 287.

<sup>55</sup> President Lee Teng-hui responded the interview by *Deutsche Welle* (Voice of Germany) on 9 July 1999. URL: <<http://www.gio.gov.tw/info/99html/99lee/070999.html>>

#### 7-4 The Stances of the US, China and Taiwan in Relation to Reunification

In regards to the issue of China's reunification, there is a major argument existing in cross-strait relations concerning the principle of "one China". The arguable term of "one China" originated from Mao Zedong when the PLA engaged in the battle to bombard Quemoy (Jinmen) in October 1958. He declared to the KMT government that 'There is only one China, not two, in the world. You agree with us on this point, as indicated in your leaders' proclamations.'<sup>56</sup> After that, the three US-China Joint Communiqués confirmed the term of "one China". First, according to the US-China Joint Communiqué in 1972, the Chinese reaffirmed its position 'the Government of the People's Republic of China is the sole legal government of China; Taiwan is a province of China which has long been returned to the motherland.'<sup>57</sup> On the other hand, the US declared that 'the United States *acknowledges* that all Chinese on either side of the Taiwan Strait maintain there is but one China and that Taiwan is a part of China.'<sup>58</sup> Secondly, according to the Joint Communiqué on the Establishment of Diplomatic relations between the US and the PRC in 1979, 'the Government of the United States of America *acknowledges* the Chinese position that there is but one China and that Taiwan is part of China.'<sup>59</sup> Third, according to the US-PRC Joint Communiqué in 1982, the US government '*acknowledged* the Chinese position that there is but one China and Taiwan is part of China.'<sup>60</sup> Each side has interpreted the term "acknowledge" differently. It left considerable ambiguity.<sup>61</sup>

The historical argument has never been resolved. When President Nixon signed the Joint US-China Communiqué in Shanghai, the ROC government had diplomatic relations with the US government. The US left the meaning of "one China" unresolved. Taiwan's position was determined by these non-treaty agreements which shrank its international

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<sup>56</sup> The PRC's White Paper of the One-China Principle and the Taiwan Issue, released by the Taiwan Affairs Office and the Information Office of the State Council on 21 February 2000, p. 3.

URL: <<http://www.peopledaily.com.cn/english/features/taiwanpaper/taiwanb.html>>

<sup>57</sup> See Appendix B, *The Joint US-China Communiqué, Shanghai*, on 27 February 1972.

<sup>58</sup> *Ibid.*

<sup>59</sup> See Appendix C, *Joint Communiqué on the Establishment of Diplomatic Relations between the United States of America and the People's Republic of China*, 1 January 1979.

<sup>60</sup> See Appendix D, *US-PRC Joint Communiqué*, 17 August 1982.

<sup>61</sup> Dennis Van Vranken Hickey, *Taiwan's Security in the Changing International System*, Boulder, London: Lynne Rienner, 1997, p. 143.

space. For the sake of its survival, the ROC government eventually developed the term into “one dividing China” in 1993 and again in 1998. Although Lee announced “state-to-state or at least special state-to-state (*liangguo lun*)” relations with the PRC in July 1999, the ROC government still adheres to the “one China” principle.<sup>62</sup> It reveals that the Taiwanese government attempts to obtain international recognition through integrity with international society. As a Taiwanese scholar indicates,

In regard to China’s reunification, Beijing and Taipei have quite different perceptions. In Taipei, the KMT authorities pursue “international integration” while Beijing emphasises “domestic integration”.<sup>63</sup>

The two sides’ different insistences have suspended the formal negotiation that generates tensions in the cross-Straits relations as well as impacts the regional security. The following section of the thesis analyses the perceptions and stances of each of the three parties in relation to the issue of reunification. Each side, it will be noted, defines the term ‘one China’ in accordance with its own interests.

#### **7-4-1 The Stance of the PRC**

The view of the PRC has been centered on its “one-China” proposal as spelled out in the three Sino-American communiqués. Accordingly, Beijing’s viewpoint of the Taiwan issue revolves around three specific propositions, which are: 1) Taiwan is a province of China,<sup>64</sup> 2) The Taiwan question is purely one of internal affairs,<sup>65</sup> 3) China has

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<sup>62</sup> See Appendix G, *Guidelines for National Unification*. On the other hand, the Chinese government reiterated its principle of “one China” argument and emphasised its sovereignty over Taiwan through official mouthpiece. See *Xinhua News Agency*, 11 July, 13 July, 16 July, 27 July, 4 August, 12 August, and 20 August 1999.

<sup>63</sup> Wu Hsing-Hsing, *Zheng He Lilun Yu Liangan Guanxi Zhi Yanjun (The Research of Integration Theory and Cross-Taiwan Strait Relations)*, Taipei: Wnnan tu shu you xian gongsi, 1995, pp. 348-349. Also see, Lee Teng-hui, *The Road to Democracy: Taiwan’s Pursuit of Identity*, Tokyo: PHP Institute, 1999. The Chinese version is *Taiwan De Zhu Zhang (Taiwan’s Claim)*, Taipei: Yuan-Liou Publishing, 1999.

<sup>64</sup> Beijing Claims “Taiwan is a province of China”, Mainland Affairs Council, Taipei, ROC, 10 September 1999. URL: <<http://www.mac.gov.tw/english/MacPolicy/880910-2.htm>>

<sup>65</sup> Beijing Claims “The Taiwan Question is Purely An Internal Affairs”, Mainland Affairs Council, Taipei, ROC, 10 September 1999. URL: <<http://www.mac.gov.tw/english/MacPolicy/880910-3.htm>>

sovereignty over Taiwan.<sup>66</sup> By implication, “one China” is the People’s Republic of China and Taiwan is a part of it. In particular, the government of the PRC is the sole and central government whereas the “government of the Republic of China” on Taiwan is only a local authority in Chinese territory.<sup>67</sup>

The PRC’s position has been recognised by many foreign governments. For example, the Australian government announced,

The one-China policy will continue to be a fundamental element of the bilateral relationship. Australia has an important economic and trade relationship with Taiwan which will be pursued within the framework of the one-China policy.<sup>68</sup>

In 1999, a senior adviser of President Jiang Zemin, Wang Daohan repeatedly expressed the same idea with eight-six Chinese characters:

There is only *one China* in the world. Taiwan is part of China. At present, it has yet unified so that both sides should make efforts mutually, under the principle of *one China*, equally to negotiate and mutually to discuss the issue of reunification. The sovereignty and territory of a state are inseparable. The political status of Taiwan should be discussed under the precondition of one China. (*Shijieshang zhiyou yige zhongguo, Taiwan shi zhongguo de yi bufen, muqian shangwei tongyi, shuangfan ying gongtong nuli, zaiyige zhongguo de yuanzhexia, pingdeng xieshang,*

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<sup>66</sup> Beijing Claims “China Has Sovereignty Over Taiwan”, Mainland Affairs Council, Taipei, ROC, 10 September 1999. URL: <<http://www.mac.gov.tw/english/MacPolicy/880910-1.htm>>

<sup>67</sup> See the PRC’s White Paper of the One-China Principle and the Taiwan Issue, *op. cit.*, p. 1. The meaning of “one China” is a fundamental principle. In this White Paper, the PRC government claims,

Since the KMT ruling clique retreated to Taiwan, although its regime has continued to use the designations “Republic of China” and “government of the Republic of China”, it has long since completely forfeited its right to exercise state sovereignty on behalf of China, in reality, has always remained only *a local authority in Chinese territory* [emphasis added]. The fundamental of the one-China principle and its meaning [*sic*]. On the day of its founding, the Central People’s Government of the PRC declared to governments of all countries in the world, “*This government is the sole legitimate government representing the entire people of the People’s Republic of China*”. [emphasis added]

<sup>68</sup> Department of Foreign Affairs and Trade, *In the National Interest: Australia’s Foreign and Trade Policy - White Paper*, Canberra: National Capital Printing, 1997, p. 63

*gongyi tongyi. Yige guojia de zhuquan he lingtu shibuke fengede, Taiwan de zhengzhi dewei yinggaizai yige zhongguo de qiantixia jinxing taolun.*)<sup>69</sup>

According to Wang Daohan, the PRC is pursuing reunification under the principle of “one China”. The PRC calls for negotiations through two parties (the CCP and the KMT) which may include representatives from all parties and mass organisations of Taiwan and emphasises that “we have never spoken of negotiations between the “central and local authorities”.<sup>70</sup> Clearly, it seems to treat Taiwan as being in an equal position in negotiations with Taiwan’s parties and representatives of mass organisation but not in a process of government – to - government talks.<sup>71</sup> Only when Taiwan recognises its subordinate role can peaceful negotiation begin. In regard to Taiwan’s position, if Taiwan claims government to government negotiations that symbolises Taiwan’s independence, the PRC has clearly indicated that the use of force remains an option.<sup>72</sup> Significantly, the PRC bases its position on its sole sovereignty and “inalienable” territory.

<sup>69</sup> *China Times*, 01 December 1999.

<sup>70</sup> See The PRC’s White Paper of the one-China Principle and the Taiwan Issue, *op. cit.*, p. 5.

<sup>71</sup> To echo Taipei’s claim of equal position of talks, the PLA’s Daily criticises that is the substantive theory of two states. *PLA’s Daily (Jiefangjun Bao)*, 19 May 2000, (Internet version).  
URL: <[http://www.pladaily.com.cn/html/2000/05/19/a20000519\\_06](http://www.pladaily.com.cn/html/2000/05/19/a20000519_06)>

<sup>72</sup> There are five conditions that China will certainly attack Taiwan. According to ROC National Defence Report (Defence White Paper), those five conditions are: 1) if Taiwan declares independence, 2) if Taiwan experiences large-scale unrest, 3) if Taiwan develops nuclear weapons, 4) if a foreign power intervenes in Taiwanese internal affairs, and 5) if Taiwan continues rejecting to negotiate with Mainland China. Ministry of Defence, *ROC National Defence Report*, Taipei: Li Min Publisher, 1994-1995. According to the PRC’s White Paper, ‘the Chinese government adheres to its stand for solving the issue of Taiwan according to the basic principle of “peaceful reunification, and one country, two systems”, and resolutely opposes any attempt, by words or deeds, to split the country by creating an “independent Taiwan”, “two Chinas”, or “one China, one Taiwan”...The Chinese government seeks to achieve the reunification of the country by peaceful means, but will not commit itself not to resort to force.’ *China’s National Defense*, Information Office of the State Council, the People’s Republic of China, Beijing, 1998, pp. 8-9. Consistently, Beijing’s position has been confirmed in the *Taiwan White Paper*. Beijing reiterates “peaceful reunification” and “one country, two systems”, but warns three ifs, which are:

If a grave turn of events occurs leading to the separation of Taiwan from China in any name, or if Taiwan is invaded and occupied by foreign countries, or if the Taiwan authorities refuse, sine die, the peaceful settlement of cross-Strait reunification through negotiations, then the Chinese government will only be forced to adopt all drastic measures possible, including the use of force, to safeguard China’s sovereignty and territorial integrity and fulfill the great cause of reunification.

*Taiwan White Paper: The One-China Principle and the Taiwan Issue*, the Taiwan Affairs Office and the Information Office of the State Council, 21 February 2000, part III, pp.1-2.

URL: <<http://www.peopledaily.com.cn/english/features/taiwanpaper/taiwand.html>>

#### 7-4-2 The Stance of the ROC

Reunification has been a complicated issue for the ROC government for a long time. After it lost the civil war, the ROC government retained the “one China” policy to defend its position in the United Nations and to deal with the PRC. Initially, Taipei’s stance was that ‘one China’ means the Republic of China’.<sup>73</sup> In July 2000, Taiwan’s Premier Tang Fei suggested that Taipei discard the idea of “one China” being the Republic of China and that Beijing discard the idea “one China” being the People’s Republic of China. He said instead that the two sides should work toward a mutually acceptable “future new China”. Tang also said he favoroured eventual reunification, with conditions.<sup>74</sup>

This policy was revealed in the *Guidelines for National Unification* since 1991. The main theme of the guidelines was to pursue a united China. The *Guidelines* state that China’s unification should be achieved through three stages: (1) a short-term phase of exchanges and reciprocity; (2) a medium-term phase of mutual trust and cooperation; and (3) a long-term phase of consultation and unification.<sup>75</sup> Every action attempting to obtain support and recognition using the title of Republic of China, however, has been interpreted as moving toward independence, thus reducing the international space of the ROC and Taiwanese. Taipei realises the situation is gradually disadvantageous to its position of negotiation with Beijing. To counterattack Beijing’s diplomatic pressures, Lee Teng-hui

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<sup>73</sup> The Meaning of “One China”, adopted by the National Unification Council, Taipei, 1 August 1992. The KMT government ‘considers “one China” to mean the Republic of China, found in 1912 and with *de jure* sovereignty over all of China. The ROC, however, currently has jurisdiction only over Taiwan, Penghu, Kinmen [Jinmen], and Matsu. Taiwan is part of China, and the Chinese mainland is part of China as well.’ URL: <<http://www.mac.gov.tw/english/MacPolicy/policy3/chinae.htm>>

<sup>74</sup> ‘Premier Proposes a “Future New China”,’ *Taiwan News*, 5 July 2000. Taiwan’s Premier Tang Fei of Chen Shui-bian administration fist interpellation to Legislative Yuan about the new government’s mainland policy. He illuminates the new government’s policy as following,

Is it possible that the mainland doesn’t insist that “one China” is the People’s Republic of China and we don’t insist that it’s the Republic of China, and both sides consider a future new China that we both can accept...I am a “Republic of China” Chinese person. If in the future there is a “new China” which both sides recognize, then I will be that China’s Chinese person.’ In regard to his stance on reunification, the he supported it, but only with conditions. He expanded on which conditions the island might be able to accept in a unified “new China.” As he said, ‘We must have our own conditions that *this new China is democratic, free and unified peacefully* [emphasis added]. If China feels that this can be a starting point for talks, then they should respond.

<sup>75</sup> Government Information Office, *The Republic of China Yearbook, 1993*, Taipei: Government Information Office, 1993, p. 149. Also see Mainland Affairs Council, *The Guidelines for National Unification*, Taipei: Mainland Affairs Council. URL: <<http://www.mac.gov.tw/english/MacPolicy/gnueng.htm>>

announced that Taiwan would now handle relations with China on a “state-to-state or at least special state-to-state” level on 10 July 1999.<sup>76</sup> Under such special relations, ‘there is no longer any need to declare Taiwanese independence.’<sup>77</sup> Although Lee Teng-hui’s statement has increased tension in the Taiwan Strait with his pronouncement and posed problems for the US, the move was ‘logical if seen in terms of domestic Taiwan politics.’<sup>78</sup> As result of breaking the premise of “one China”, the Chinese official mouthpieces vehemently criticised Lee Teng-hui as a “sinner”, “splittist” and “playing with fire”.<sup>79</sup>

In fact, Lee’s statement was not a new idea. The same viewpoint had already been expressed in the *Wall Street Journal* on 3 August 1998. In his article, President Lee Teng-hui clearly wrote,

What we on Taiwan have done all along is preserve, for China, a piece of land that is free from communist rule.

We have developed the economy and have embraced democracy, becoming *the model for a future reunified China* [emphasis added].

We believe that the very existence of a democratic and prosperous Taiwan gives the people in mainland China and Hong Kong greater hope for a democratic way of life. We also believe that China must reunify in the future, but that it must be reunified under a democratic system.

Only with democracy and transparency will Chinese unification not arouse the fears of neighboring countries, thereby threatening peace in the Asia-Pacific region.

The path to a democratic China must begin with a recognition of the present reality by both sides of the Taiwan Strait...that China is divided, just as Germany and Vietnam were in the past and as Korea is today.

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<sup>76</sup> President Lee Teng-hui accepted an interview on Germany’s *Deutsche Welle* Radio Station on 9 July 1999. See *Central News Agency (CNA)*, 10 July 1999. *Associated Press*, 10 July 1999.

<sup>77</sup> Editorial, ‘Taiwan Redefines China Relations’, *Associated Press*, 10 July 1999. The same claim also reveals in Lee Tang-hui’s book, *Taiwan De Zu Zhang (Taiwan’s Claim)*, Taipei: Yuan-Liou Publishing, 1999.

<sup>78</sup> Gerald Segal, ‘The Logic of Taiwan Points Toward Independence’, *International Herald Tribune*, 20 July 1999.

<sup>79</sup> See *People’s Daily*, 14 and 15 July 1999. *Wen Hui Pao*, 14 July 1999. *Da Gong Pao*, 14 July 1999.

Hence, *there is no "one China" now* [emphasis added]. We hope for this outcome in the future, but presently it does not exist.

Today, *there is only "one divided China"* [emphasis added] with Taiwan and the mainland each being part of China. Because neither has jurisdiction over the other, neither can represent the other, much less all of China.<sup>80</sup>

Lee's view, was simply a frank statement of the present situation, but most countries accept the PRC's view lest they incur a negative response from it. While Sino-American relations were made more difficult by the NATO bombing of the Chinese embassy in Belgrade and the US Congress Cox Report, the PRC responded by stopping a series of dialogues and high-level military official exchanges, taking the Sino-US relationship to a new low. Beijing's response to Lee's "state-to-state" statement became more antagonistic. President Clinton contacted President Jiang in order to ameliorate the conflict. Lee's statement, in fact, provided the US and China with a reason to restart their dialogue and also to prevent another Straits crisis. But for Taiwan, its survival space seemed to be an offering in exchange for the restoration of normal relations between the US and the PRC.

The center of Lee's view is that a reunification can be fulfilled only through China's democratic development. As he says, "The ROC is pursuing a "one China" policy but not now ... There is a possibility of one China only after future democratic unification."<sup>81</sup> Only the people of Taiwan elected the ROC government. It is consequently, in formal terms, neither a local government of the PRC nor a renegade province as the PRC claims. In reality, the ROC government was established through a democratic process and claims the right to have interactions with the PRC on an equal basis with an equal attitude.<sup>82</sup>

In Lee's Voice of Germany interview, he did not say that Taiwan was declaring independence. He stated,

I have already explained very clearly that the Republic of China has been a sovereign state since it was founded in 1912. *Moreover, in 1991,*

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<sup>80</sup> Lee Teng-hui, 'US Can't Ignore Taiwan', *Wall Street Journal*, 3 August 1998.

<sup>81</sup> Editorial, 'Taiwan sees "one China" as democratic ideal', *Reuters*, 20 July 1999.

<sup>82</sup> *Ibid.*



*amendments to the Constitution designated cross-strait relations as a special state-to-state relationship. Consequently, there is no need to declare independence [emphasis mine].* The resolution of cross-strait issues hinges on the issue of different systems. We cannot look at issue related to the two sides simply from the perspective of unification or independence. Progression from an integration of systems to a gradual political integration is the most natural and most suitable choice to guarantee the welfare of all Chinese people. At present, the ROC has become the first democracy in the Chinese community. We would like to take a more active role in the Chinese mainland's modernisation process; therefore, we hope that the authorities there can proceed with democratic reform to create favorable conditions for democratic unification. This is the direction of our efforts. *We want to maintain the status quo, and maintain peace with Beijing on this foundation [emphasis mine].*<sup>83</sup>

Reports in the *Wall Street Journal* on 3 August 1998 and an interview in *Deutsche Welle (Voice of Germany)* on 9 July 1999 were similar in terms of logic and policy. The intensification of hostilities began with the response of the PRC. The US government was unconcerned until the PRC's fierce response

According to Su Chi - Chairman of the Mainland Affairs Council (MAC), there are three obstacles to attaining reunification: 'an imbalance in mainland China's internal structure; the backward access to information on the mainland; and less importance the mainland has attached to cross-strait relations.'<sup>84</sup> At the moment, China is riding a bicycle supported only by the two wheels of economic growth and nationalism. Once China's economic growth slows social unrest will follow, according to Su.<sup>85</sup> The intensification of nationalism has allowed shifting pressure from its regime. If Taiwan were to declare independence or provoke China it is possible that China would launch a similar military

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<sup>83</sup> Lee Teng-hui, Responses to Questions Submitted by *Deutsche Welle (Voice of Germany)*, 9 July 1999. URL: <<http://www.gio.gov.tw/info/99html/99lee/070999.html>>

<sup>84</sup> Su Chi, 'Cross-Strait Relations Depends on Mainland Democratisation: MAC Head', *Central News Agency (CNA)*, 7 June 1999.

<sup>85</sup> *Ibid.*

action as it did in 1995-96. Taiwan and regional security would be threatened and most powers in the Asia-Pacific would be ill affected. Hence, a declaration of independence seems not to be a wise choice for Taiwanese in the short run.

To eliminate Beijing's increasing pressures for negotiation, Taipei's strategic perspective consists of several elements. First, to provide for its own defence. Second, to mature the close ties with its friends in the global community and to extend and upgrade its formal bilateral relationships with other countries. Third, to join into the international community and to be an active participant like to join international organisations such as the United Nations (UN), the World Bank, the International Monetary Fund (IMF), and the World Health Organisation (WHO) and to take an active role in security agreements in the East Asian region. Fourth, to promote economic and political accommodation with the PRC. Fifth, the long-term goal is to bring about unification with a prosperous and democratic China.<sup>86</sup> These efforts do not necessarily infringe upon the meaning of "one China".

Internally, the DPP passed a resolution in which it indirectly recognised the nation's official name as "the Republic of China" rather than claiming direct independence.<sup>87</sup> The main strategy is to survive in the international community with dignity. Whether to join international organisations or to adopt "pragmatic diplomacy", the goal is to protect the welfare of Taiwan's people. On 29 August 1999, the Kuomintang (KMT) formally endorsed as a policy President Lee's "state-to-state relations" statement. In doing so, it enraged China by defining the relationship between the rivals as that between two separate states.<sup>88</sup>

Inevitably, the shift of policy symbolised a more liberal and flexible Taiwanese foreign and mainland policy. Similarly, it renounced its declaration of sovereignty in Mainland China that it had retained for fifty years. However, it does not mean that the KMT was determined to move towards independence. Rather, the KMT still insisted on

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<sup>86</sup> Wei-jen Hu, 'View from Taiwan in Search of National Security: Strategic Concepts of the Republic of China at the Crossroads', *Comparative Strategy*, vol. 14, 1995, pp. 195-203.

<sup>87</sup> Editorial, 'DPP National Congress Passes Resolution on Taiwan Future', *Central News Agency (CNA)*, 8 May 1999.

<sup>88</sup> Shu-ching Lean Chen and James Kynge, 'Taiwan party endorses policy shift on Beijing', *Financial Times*, 30 August 1999, p. 4.

Chinese reunification by peace. The final destination of the guidelines established in 1991 is to establish a *democratic, free, and equal China* [emphasis added].<sup>89</sup>

Before President Lee announced the “special state-to-state relationship” statement, the National Congress of the Democratic Progressive Party (DPP) on 8 May 1999 had passed a resolution in which had seven key points:

1. Taiwan is a country with sovereignty independence. Any change of its current status must be decided through popular vote by all Taiwan’s inhabitants.
2. Taiwan does not belong to the People’s Republic of China. The “one China principle” and “one country, two systems” concept unilaterally adopted by mainland China are totally inapplicable to Taiwan.
3. Taiwan should participate in the international community broadly, and should strive to seek international recognition and to join the United Nations and other international organisations.
4. Taiwan should renounce the “one China” principle, so as to prevent confusion from being spread in the international community and to avoid providing Mainland China an excuse to annex Taiwan.
5. Taiwan should enact a plebiscite law at an early date so that civil rights are fully represented.
6. All echelons of Taiwan society, regardless of party or faction, should build up a common consensus on Taiwan’s foreign affairs policies to counter Mainland Chinese oppression and ambition.
7. Taiwan and Mainland China should seek to deepen mutual understanding and cooperation in economy and trade through comprehensive dialogues, so as to build a peaceful framework to ensure long-term stability and peace between the two sides.<sup>90</sup>

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<sup>89</sup> See Appendix G, *Guidelines for National Unification*, Source: Mainland Affairs Council, Executive Yuan, ROC, URL: <<http://www.mac.gov.tw/english/MacPolicy/gnueng.htm>>

<sup>90</sup> Editorial, ‘DPP National Congress Passes Resolution on Taiwan’s Future’, *Central News Agency (CNA)*, 8 May 1999.

In this resolution, the DPP gave up the declaration of pursuing independence immediately. It seeks a relationship of equality, not subordination, with the PRC. Although the first declaration of the National Congress of the DPP claims “Taiwan is a country with sovereignty independence”, it continues that “any change of its current status must be decided through popular vote by all Taiwan’s inhabitants”.

In addition, the new Taiwanese president Chen Shui-bian, former pro-independent, has already showed his willingness to embrace a “one China” policy but that China is not tantamount to the People’s Republic government in Beijing.<sup>91</sup> The main theme – peaceful relations between the mainland and the island has presented in his presidential inauguration,

I fully understand that as the popularly elected 10<sup>th</sup> term President of the Republic of China, I must abide by the Constitution, maintain the sovereignty, dignity and security of our country, and ensure the well-being of all citizens. Therefore, as long as the CCP regime has no intention to use military force against Taiwan, I pledge that during my term in office, I will not declare independence, I will not change the national title, I will not push forth the inclusion of the so-called “state-to-state” description in the Constitution, and I will not promote a referendum to change the status quo in regards to the question of independence or unification. Furthermore, the abolition of the National Unification Council or the Guideline for National Unification will not be as issue.<sup>92</sup>

Examining the stance of the ROC, the key points are the concepts of democracy and self-determination and peaceful reunification, which are in accordance with the founding spirit and present interests of America. In this resolution, Taipei claims that equality, democracy and peaceful interaction are the principle frameworks of cross-Strait relations.

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<sup>91</sup> Editorial, ‘Taiwan’s Chen Embraces “one China” Consensus’, *Reuters*, 28 June 2000.

<sup>92</sup> Chen Shui-bian, ‘Taiwan Stands Up: Toward the Dawn of A Rising Era’, Presidential Inauguration Speech, Office of the President, Republic of China, p. 5.  
URL: <[http://th.gio.gov.tw/pi2000/dow\\_1.html](http://th.gio.gov.tw/pi2000/dow_1.html)>

As a democratic society, the concept of independence is freely discussed in Taiwan but it does not mean that Taiwan is definitely moving toward independence. But Beijing and Washington are both wary of this discussion lest it generate demands for the reality. For example, Joseph Nye called for Taipei to “explicitly express its decision to forswear any steps toward independence,”<sup>93</sup> Dennis van Vranken Hickey, goes further asking whether: ‘Taiwan’s chief opposition party - an organisation that supports independence – (should) be banned? Should independence activists be exiled or returned to the prison cells they occupied when Taiwan was under martial law?’<sup>94</sup>

There is a cognitive gap between the perceptions of Taipei and Beijing. On Beijing’s side, Taipei’s international contacts at “government level” or the use of its ROC title has been interpreted as discarding the principle of “one China”. On Taipei’s side, Beijing’s commitment to democracy and equal treatment are preconditions of reunification. Consequently, there are few opportunities to reach an agreement about peaceful reunification unless both concede their stances simultaneously.

#### **7-4-3 The Stance of the US**

The stance of the US has been clearly presented in the three US-PRC Joint communiqués and the Taiwan Relations Act (TRA). In general terms, one China means the People’s Republic of China and Taiwan is part of China. But, the US also insists on peaceful resolution between the two sides of the Taiwan Strait. The three elements are equivalently important in US China-Taiwan policy.

As a member of the Security Council, China’s importance and influence cannot be neglected. Taiwan’s strategic position and economic achievement also are important for US regional interests. Most importantly, Taiwan’s democratic performance has impressed many Americans, particularly the Congress and mass media.

Nevertheless, stability is a higher priority than China’s influence and Taiwan’s democratic performance in Clinton’s regional policy. Clinton was quick to reiterate the US government’s “strong commitment” to adhering to “one China” policy when he called

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<sup>93</sup> Joseph S. Nye Jr., ‘A Taiwan Deal’, *Washington Post*, 8 March 1998, p. C07.

<sup>94</sup> Dennis Van Vranken Hickey, ‘US-Taiwan Security Ties: Toward the Next Millennium’, presented at an international conference on Taiwan on *the Threshold of the 21<sup>st</sup> Century: A Paradigm Reexamined*, National Chengchi University, Taipei, Taiwan, 4-5 January 1999, p. 9.

President Jiang Zemin after Lee's 'special state-to-state relations' statement, stating, 'I want to assure you that the policy will not change, you should have full confidence in the statements I have made to you in our previous meetings.'<sup>95</sup>

The US is acting to contain escalating tensions between two sides by defining its position of strategic clarity and attempting to calm any potential conflict in advance. Two high-level US officials - Kenneth Lieberthal, who oversees Asian affairs for the US National Security Council, and Stanley Roth, who is Assistant Secretary of State for East Asia - arrived in Beijing on 22 July 1999 when the US government realised the situation was deteriorating. In addition, another US official - Richard Bush, who heads the American Institute in Taiwan (AIT) - was also to travel to Taipei.<sup>96</sup> The cross-Strait dispute provided an opportunity for the US to repair its fragile relations with Beijing. The ROC government welcomed the US response, seeing it as confirmation of US support. The US, therefore, has been playing a beneficial role for both sides of the Taiwan Strait.

In the interests of maintaining regional security and stability, United States policy in relation to the dispute between the PRC and Taiwan has become complex. First, the United States seems to tilt toward support for Taiwan, as a counter to the PRC. Second, the United States will continue to sell weapons to Taiwan in order to maintain a strong and free Taiwan in the Pacific in accordance with American strategic interests. Third, the Taiwan Relations Act is the basis for United States-Taiwan relations. Fourth, the United States and Taiwan still share common strategic and economic interests. The role of Taiwan is to counterbalance and neutralise communist China, and to transform communism. Therefore, the United States has interests in supporting a strong and confident Taiwan rather than permitting Taiwan to weaken and evoke any adventurous behaviour from the PLA. Finally, the United States prefers to maintain the present ambiguous policy rather than to provoke Beijing.<sup>97</sup> The main purpose of the US government is to maintain regional peace and stability. By this logic, the US government is pursuing the idea of the "military balance of power"<sup>98</sup> in its China policy in East Asia. Taiwan is still a strategic chip in

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URL: <<http://www.taiwansecurity.org/IS/IS-Hickey.html>>

<sup>95</sup> Editorial, 'Chinese, US Presidents Confer over Phone on Taiwan Issue', *People's Daily*, 19 July 1999.

<sup>96</sup> Lynne O'Donnell, 'US moves to ease Taiwan dispute', *The Australian*, 22 July 1999, p. 6.

<sup>97</sup> Gary Klintworth, *op. cit.*, 1995, pp. 71-72.

<sup>98</sup> Avery Goldstein, 'Great Expectations: Interpreting China's Arrival', *International Security*, vol. 22, no. 3, winter 1997-98, p. 52.

America's regional strategic planning. But, the US will neither formally recognise Taiwan's statehood in the international community and nor encourage other powers. A significant strategy as Harvey J. Feldman indicated that the US engages two sides in order to maintain the regional peace but does not interfere disputes between them in order to avoid the US to be involved deeply.<sup>99</sup> While Taiwan's new government asked the US to play a mediate role in the cross-Strait dialogues,<sup>100</sup> the US government responded that it would not mediate the cross-Strait affairs.<sup>101</sup>

### 7-5 Comparison of Military Capabilities across the Taiwan Strait

Central to any discussion of the outcome of cross-Strait tensions is the current balance of military capabilities of the parties involved. A brief discussion of their relative strengths follows.

On 2 September 1992, President Bush formally announced American approval for the sale of 150 F-16A/BMLUs fighter aircraft<sup>102</sup> to Taiwan for an amount estimated at US\$ 6 billion.<sup>103</sup> In September 1992, Washington announced the sale of twelve SH2F light airborne multi-purpose helicopters to Taiwan worth US\$161 million.<sup>104</sup> In the same time, the US government approved Taiwan's request including 48 anti-submarine rockets (ASROC), 2796 rounds of 5 in/54 cal gun ammunition and 83,700 rounds of 20 mm tungsten cartridges for the Phalanx closing weapons systems valued \$212 million.<sup>105</sup> Subsequently, the US government announced that it would sell Taiwan 41 *Harpoon* anti-ship missiles (range 128km) for US\$68 million. Also, the US has sold to Taiwan four

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<sup>99</sup> Harvey J. Feldman, 'America's Response to the China-Taiwan Talks: Encourage but Don't Interfere', The Heritage Foundation, *Backgrounders*, no. 1230, 28 October 1998.

<sup>100</sup> *Washington Post*, 12 May 2000 and 6 June 2000.

<sup>101</sup> *Washington Post*, 12 May 2000.

<sup>102</sup> 'The MLU includes a cockpit similar to the F-16 C/D Block 50's with wide angle head-up display, night vision goggle compatibility, modular mission computer, digital terrain navigation system, AN/APG 66 (V2A) radar upgrade, GPS navigation system, improved data modem and provision for a microwave landing system.' Source: *Jane's Defence Weekly*, 14 November 1992, p. 8.

<sup>103</sup> *Washington Post*, 2 September 1992, p. A25, and 4 September 1992, p. A1.

<sup>104</sup> *Keesing's Record of World Event*, London: Longman, 1992, p. 39095.

<sup>105</sup> Headline News, 'USA Reconsiders F-16 Sale Ban', *Jane's Defence Weekly*, 8 August 1992, p. 5.

Grumman E-2T (Hawkeye) air-borne early warning aircraft that are capable of monitoring six million square miles of air space and 150,000 square miles of the sea surface.<sup>106</sup>

On 27 August 1998, the Pentagon announced it would sell 61 more advanced Stinger air defence missile launchers and 728 missile rounds, along with other weapons for anti-submarine and anti-ship defence. The sale, including support equipment, is estimated US\$180 million<sup>107</sup> and clearly improves Taiwan's defence capability.

In August 1998, Taiwan received a separate notice that the arms sales included 131 Mk46 Mod 5-A anti-submarine torpedoes and support equipment at an estimated cost of US\$69million.<sup>108</sup> At the same time, the military sale included 58 *Harpoon* anti-ship missiles that can be used for F-16 fighter jets plus their logistic equipment, with costs estimated at US\$101million.<sup>109</sup> In October 1998, the US government approved the purchase of nine Boeing CH-47SD *Chinook* helicopters and other equipment under a \$486 million deal.<sup>110</sup>

These military sales symbolise that the US is maintaining its arms sale policy to Taiwan without being affected by Bill Clinton's China visit in 1998. Some analysts thought that these deals were a response to China's acquisition of sophisticated SU-27 aircraft from Russia and its failure to renounce the use of force in reunifying Taiwan.<sup>111</sup>

To respond to China's increasing ballistic missile threat, the US government further strengthened Taiwan's military capability. In 1999, it approved the sale of a long-range radar system to Taiwan. In early 2000, the Pentagon decided to make the conversion of TPS-43F air surveillance radar to the TPS-75V configuration worth of \$96 million<sup>112</sup> and 162 HAWK Intercept Aerial guided missiles worth of \$106 million.<sup>113</sup> Further, more advanced logistic equipment such as 39 sets of Pathfinder/Sharpshooter (Lantirn derivation) pots, flight testing, support equipment, spare and repair parts, technical data for

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<sup>106</sup> Gary Klintworth, *New Taiwan, New China: Taiwan's changing role in the Asia-Pacific region*, New York: St. Martin's Press, 1995, p. 212.

<sup>107</sup> *Washington Post*, 27 August 1998.

<sup>108</sup> Memorandum for Correspondents, No. 138-98, *Defense News*, 27 August 1998.

<sup>109</sup> Memorandum for Correspondents, No. 137-98, *Defense News*, 27 August 1998.

<sup>110</sup> Source: *Jane's Defence Weekly*, 21 October 1998, p. 21.

<sup>111</sup> Gary Klintworth, *op. cit.*, pp. 69-70.

<sup>112</sup> Editorial, 'Possible Foreign Military Sale of Radar Conversions to TECRO Announced', *Defense News*, no. 113-00, 7 March 2000.

<sup>113</sup> Editorial, 'Possible Foreign Military Sale of HAWK Missiles to TECRO Announced', *Defense News*, no. 114-00, 7 March 2000.



F-16 training, with estimated cost \$234 million, was sent to Taiwan.<sup>114</sup> It appears that the US has firmly supported Taiwan's defensive build up in the recent years.<sup>115</sup> Since 1993, Taiwan has received more advanced military equipment through foreign military sales (FMS), commercial sales (DCS) and excess defence assistance (EDA, including leases of equipment or reduce price or free give). (See table 7-5)

In spite of improving its military strength in recent years, Taiwan cannot adequately defend itself against massive attack including such actions as continuous bombing, surgical operations or naval blockades. Theoretically, Taiwan has superior quality but inferior quantity. In particular, the PLA is superior to Taiwan's forces in strategic missiles. According to table 7-5a, the PLA is strengthening the quality and quantity of submarines, ballistic missiles and air-superiority fighters.

In addition, the PLA realises the importance of information warfare in an asymmetrical warfare. Thus, it has formed a branch of information warfare to win the war of the future, particularly by damaging opposition's Communication, Control, Command, and Intelligence (C<sup>3</sup>I) systems through computer viruses, directed energy weapons and electromagnetic pulse bombs.<sup>116</sup>

Since 1991, the People's Liberation Army (PLA) has devoted considerable resources to the development of special operation forces (SOFs). These units have been assigned 'specific missions and tasks including locating or destroying C<sup>4</sup>I assets, transportation nodes, and logistic depots; capturing or destroying airfields, destroying air defence assets, and conducting reconnaissance operations.'<sup>117</sup>

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<sup>114</sup> Editorial, 'Proposed Foreign Military Sale to the Taipei Economic and Cultural Representative Office Announced', No. 312-00, 7 June 2000.

<sup>115</sup> Bill Gertz, 'Pentagon Wants to Deal Arms to Taiwan', *Washington Times*, 21 January 2000. Also see *China Times*, 09 January 2000. According to these sources, Taiwan could have four advanced missile destroyers – *Ageis*-class destroyer, which could cost some 4.8 billion US dollars. However, the amount of purchase would not be fulfilled because the amount of arms sale was beyond the annual military budget of the ROC. In June 2000, the US-Taiwan military purchase meeting cancelled this plan.

<sup>116</sup> Lin Chong-pin, *Heba: Toushi Kua Shiji Zhong Guong Zhanlue Wuli (Nuclear Hegemony: Exploring the PLA's Strategic Forces Moving into the Next Century)*, Taipei: Xuesheng chubashe, 1999, pp. 3-9.

<sup>117</sup> US Department of Defence, 'Annual Report on the Military Power of the People's Republic China', *Report to Congress Pursuant to the FY2000 National Defense Authorization Act*, 26 June 2000, pp. 18-19 of 21.

**Table 7-5: US Arms Transfer to Taiwan: December 1993 to March 2000 (US\$)**

DATE	DESCRIPTION OF EQUIPMENT	TYPE	PRICE
2/3/2000	Air surveillance radar (TPS-75V)	FMS	96 million
2/3/2000	162 HAWK Intercept Aerial Guided Missiles	FMS	106 million
23/2/2000	18 engines for CH-47D transport helicopters	FMS	23.4 million
16/2/2000	20 Portable Search and Target Acquisition Radar (PSTARs)	FMS	18 million
19/1/2000	Nine CH-47SD transport helicopters	FMS	>300 million
31/7/1999	Two E-2T Hawkeye 2000E aircraft, Two AN/APS-145 radars, Two T56-A-427 engines, Two OE-335/A antenna groups	FMS	400 million
30/7/1999	Spare parts for F-5E/F, C-130H, IDF (Indigenous Defence Fighter), and F-16 A/B	FMS	150 million
28/5/1999	Five exportable AN/VRC-92E SINGARS radio systems, 5 commercial Off-the Shelf/Non-Developmental Item (COTS/NDI) warfare system and relative equipment	FMS/DCS	64 million
26/5/1999	240 AGM-114K3 air-to-surface Anti-Armour missiles	FMS	23 million
17/5/1999	Air Combat Maneuvering Instrumentation System	FMS	28 million
18/12/1998	Six Knox-Class Frigates	EDA	17 million
18/12/1998	Two Newport-Class LST, One Anchorage-Class LSD	EDA	13 million
9/10/1998	Three CH-47SD and logistics equipment	FMS	235 million
22/9/1998	One Knox-Class Frigate and associated equipment	Lease	8 million
15/9/1998	58 Harpoon missiles with training and logistics equipment	FMS	101 million
27/8/1998	61 Dual Mount STINGER missiles systems with relative equipment	FMS	180 million
27/8/1998	131 MK-46 MOD 5 (A)S Torpedoes and logistics support	FMS	69 million
1/6/1998	28 sets of Pathfinder/Sharpshooter navigation system for F-16 A/B aircraft	FMS	160 million
13/4/1998	One Knox-Class Frigate	Lease	?
5/3/1998	100 SM-1 "Standard" anti-aircraft missiles	EDA	?
18/2/1998	4 S-70A helicopters	DCS	>14 million
10/11/1997	Logistical equipment for F-16 including training support	FMS	280 million
10/11/1997	Spare parts for maintaining F-5, F-104, F-16, C-130, C-119, C-47, T-38 and IDF	FMS	140 million
28/10/1997	2.75 inch Rockets	FMS	>1 million
3/9/1997	13 OH-58D "Kiowa Warrior" helicopters	FMS	172 million
24/7/1997	21 AH-1W "Super Cobra" attack helicopters	FMS	479 million
23/5/1997	1786 TOW anti-armour guided missiles	FMS	80 million
14/2/1997	54 Harpoon anti-ship missiles	FMS	95 million
5/9/1996	110 Mk-46 MOD 5 torpedoes	FMS	66 million
23/8/1996	1299 Stinger missiles with associated equipment	FMS	420 million
24/6/1996	300 M-60 A3 main battle tanks, associated equipment and logistics support	EDA/FMS	223 million
23/5/1996	465 Stinger missiles and associated support	FMS	84 million
10/5/1996	GTM tactical communication system	FMS	188 million
5/3/1996	8 M-48 A2 Chaparral anti-aircraft missile launchers and 148 Chaparral missiles	EDA	2.5 million
9/2/1996	3 Knox-Class Frigates	EDA	8.3 million
13/7/1995	21 T-38B trainer aircraft	2 year lease	Free
24/3/1995	6 OTO Melara Mk-75 76mm guns, 6 Phalanx 20mm guns, ammunition and support	FMS	75 million
13/9/1995	1 FMC Mk-45 5 inch gun, spares and support	FMS	21 million
1/8/1994	80 AN/ALQ-184 ECM pods, spares and support	FMS	150 million
18/5/1994	3 Newport-Class LST	2 year lease	4.7 million
10/12/1993	65 20mm M61A1E2 cannon for IDF	DCS	>14 million
1/12/1993	1 Mk-41 Vertical Launch System, equipment and support	DCS	103 million

FMS: Foreign Military Sales

DCS: Direct Commercial Sales

EDA: Excess Defence Arms (including leases of equipment, and reduce price or free give)

Source: Federation of American Scientists, Arms Sales Monitoring Project, April 2000.

URL: <[http://www.fas.org/asmp/profiles/taiwan\\_armstable.html](http://www.fas.org/asmp/profiles/taiwan_armstable.html)>

**Table 7-5a: The Comparison of Military Capabilities between the Taiwan Strait, 1997-1999**

Content	PRC (PRC)		Taiwan (ROC)	
	1997	1999	1997	1999
<b>Strategic Missile Forces</b>	125,000 troops	100,000 troops	NIL	NIL
ICBM	17+	15-20	NIL	NIL
IRBM	46+	66+	NIL	NIL
SLBM	1 <i>Xia</i> SSBN with 12 CSS-N-3	1 <i>Xia</i> SSBN	NIL	NIL
SSM	4 DF-15 (CSS-6/M9), DF-11 (CSS-7/M11)	150 DF-15 (CSS-6/M-9), DF-11 (CSS-7/M11)	NIL	NIL
<b>Army</b>	2,090,000	Est. 1,830,000	240,000	240,000
MBT	8,500	8,300	720+	720
AIFV/APC	5,500	5,500	225	225
TOWED ARTY	14,500	14,500	1,010	1,010+
SAM	HN-5A/C (SA-7), QW-1, HQ-61A	HN-5A/C (SA-7), QW-1, HQ-61A, HQ-7, PL-9C	100 HAWK, some <i>Tien Kung</i> ( <i>Sky Bow</i> ) I/II, 6 <i>Patriot</i>	100 HAWK, some <i>Tien Kung</i> ( <i>Sky Bow</i> ) I/II, 6 <i>Patriot</i>
Helicopter	101	143+	205	240+
<b>Navy</b>	280,000 troops (incl. 29,000 Coastal Regional Defence Forces, 27,000 Naval Air Force, 5,000 Marines)	230,000 troops (incl. 26,000 Coastal Regional Defence Forces, 26,000 Naval Air Force, 5,000 Marines)	68,000 (incl. 30,000 Marines)	68,000 (incl. 30,000 Marines)
Submarines	61 (incl. 1 SSBN)	71 (incl. 1 SSBN)	4	4
Destroyers	18	18	18	16
Frigates	36	35	18	21
Missile Craft	188	92	53	59
Amphibious	71	70	23	18
Naval Air Forces	535 shore-based combat aircraft (incl. BBR H-6, FGA 40 Q-5, FTR 295 J-6, 66 J-7, 30 J-8/II, and ASW 4 ex-Soviet, Be-6 <i>Madge</i> and 4 PS-5), 25 armed helicopters.	541 shore-based combat aircraft (incl. BBR H-6, FGA 40 Q-5, FTR 295 J-6, 66 J-7, 18 J-8/8I, 12 J-8II, 24 J-8III, and ASW 4 ex-Soviet Be-6 <i>Madge</i> and 4 PS-5), 25 armed helicopters.	31 combat aircraft (ASW S-2E/T), 21 armed helicopters.	31 combat aircraft (ASW S-2E/T), 21 armed helicopters.
<b>Air Force</b>	470,000	420,000	68,000	68,000
Flying hours	80 hours for H-6, 110 hours for J-7 and J-8, 110+hours for Su-27	80 hours for H-6, J-7 and J-8: <100, Su-27: <100	180 hours for combat fighters	180 hours for combat fighters
BBR	100 H-6 (some may be nuclear-capable) , 200 H-5	120 H-6, 200+ H-5	NIL	NIL
FGA/FTR	FGA: 400+ Q-5, FTR: 2,748+ (2,000 J-6/B/D/E, 500 J-7, 200 J-8, 40 Su-27, 8 Su-27B)	FGA: Q-5 <400, FTR: 3,000 (1,500 J-6/B/D/E, 700 J-7II/III/M/E, 50 Su-27 K/UBK, 2 J-11 (Su-27 licensed production), 250 J-8/8I/8II	274 F-5: 7 F-5B, 214 F-5E, 53 F-5F, 70 <i>Ching-Kuo</i> plus 10 test; In May 1997, some <i>Mirage</i> 2000-5 and F-16 A/B/MLU have been delivered)	200 F-5: 7 F-5B, 213 F-5E, 52 F-5F, (est. 70 in store) 130 <i>Ching-Kuo</i> , 60 <i>Mirage</i> 2000-5 150 F-16 A/B
AEW	Purchasing	4 IL-76 (Israel design software)	4 E-2T	4 E-2T
Missiles	AAM: PL-2/2A, PL-5B, PL-7, PL-8, PL-9 ASM: YJ-1/2, C-801802, YJ-6/C-601 (anti-ship), YJ-8 surface skimmer.		ASM: AGM-65A <i>Maverick</i> AAM: AIM-4D <i>Falcon</i> , AIM-9J/P <i>Sidewinder</i> , <i>Shafir</i> , <i>Sky Sword</i> I and II (Domestic Production), R550 <i>Magic</i> and <i>Mica</i> (Fr.)	

Source: *The Military Balance*, 1997-1998 and 1999-2000.

Significantly, Beijing's military modernisation targets Taiwan and missile technology development in order to dominate the Taiwan Strait situation with a view to rapidly reach the goal of reunification. While the PLA's military capability is many inferiors to that of the US, its ballistic missiles and submarine ascendancy over Taiwan are formidable.

Compared with Beijing's self-supplied and multi-suppliers military system, Taiwan depends heavily on the support of American logistics. Without American's support, defence against a PRC attack would be difficult, if not impossible. Further, Taiwan's morale is vulnerable. If the PLA were to launch a massive attack, it is questionable how long and how strong Taiwan's resistance would be.

To prevent or reduce the Chinese missile threat, psychologically and physically, Taiwan has been considering the establishment of a Theatre Missile Defence (TMD) system with US assistance.<sup>118</sup> Beijing has, imaginably, responded that such a development would harm the Sino-American relations.<sup>119</sup> Further, on 26 February 1999, the US Department of Defence reported to the Congress, on *The Security Situation in the Taiwan Strait*, mentioning that

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<sup>118</sup> There are many reports about the Taiwanese government revealing its interest in establishing a missile defence system through US assistance and indigenous development since 1990. For example, Editorial, 'Taiwan Pursues Western Missile Acumen', *Defense News*, 1 June 1992, p. 1. Editorial, 'Taiwan Deploys Domestically-Built Missile', *Reuter*, 19 October 1993. Benjamin Yeh, 'Defense Minister Says Taipei To But US Patriot Missile', *Central Agency News (CAN, Taipei)*, 13 May 1994. Editorial, 'Taiwan Orders Modified Patriot', *International Defense Review*, September 1994, pp. 13-14. Benjamin Yeh, 'Taiwan: US Move To Speed Missile Delivery Welcomed', *Central Agency News (CAN, Taipei)*, 27 January 1996. Benjamin Yeh, 'Taiwan: US Said to Keep Taipei Updated on Antimissile System', *Central Agency News (CAN, Taipei)*, 17 June 1996. Editorial, 'Taiwan to Complete Missile Deployment in 98', *Reuter*, 2 January 1998. John Pomfret, 'Taiwanese Seek US Destroyers', *Washington Post*, 2 December 1998, p. 6. Editorial, 'TMD System Meets Taiwan Need: President Lee', *China News Agency*, 18 August 1999. Editorial, 'DPP's Chen Shui-bian Favors Taiwan Joining TMD', *Central News Agency* (online), 3 November 1999.

<sup>119</sup> Gao Junmin and Lu Dehong, 'A Dangerous Move', *Jiefangjun Bao (PLA Daily)*, 24 January 1999, p. 4. Chen Yali, 'TMD Issue Detrimental to Sino-US Relations', *China Daily* (online), 27 January 1999. John Pomfret, 'Chinese Official Warns US on Missile Defense', *Washington Post*, 11 November 1999, p. A01. 'Beijing Slams as "Anti-China" US-Japan Plan for Missile Defense in Asia', *Inside China Today*, 7 October 1997. URL: <[www.insidechina.com](http://www.insidechina.com)>

The People's Liberation Army (PLA) will possess the capability to attack Taiwan with air and missile strikes which would degrade key military facilities and damage the island's economic infrastructure.<sup>120</sup>

According to this report, the Clinton administration decided to sell a long-range early warning radar system to strengthen Taiwan's AEW (airborne early warning) capability.<sup>121</sup> The key purpose of this sale is to guard Taiwan against Chinese medium and long-range missile attack. In this report, the US Department of Defence concludes,

Its [Taiwan] success in deterring potential Chinese aggression will be dependent on its continued acquisition of modern arms, technology and equipment and its ability to deal with a number of systemic problems -- primarily the recruitment and retention of technology - qualified personnel and the maintenance of an effective logistics system -- lest Taipei once again risk losing its qualitative edge.<sup>122</sup>

Nevertheless, the report suggests Taiwan should make every effort to 'expand political, cultural and economic ties' with China in order to reduce 'tensions and lessen the prospects of military conflict in the Taiwan Strait.'<sup>123</sup> There is no doubt that maintaining a peaceful Taiwan situation is beneficial for China and Taiwan, and is also in accordance with US interests. Hence, the US will continually endeavour to balance the military capability across the Taiwan Strait in order to maintain a peaceful situation.

As mentioned in chapter six, the PRC has purchased more advanced weapons from Russia and attained a relationship of "strategic partnership" with it. Nevertheless, in the Chinese perspective, the US is still trying to contain Chinese power and keep it within the west pacific. The US, however, needs China's cooperation to resolve several global issues. Therefore, the US will not allow "the Taiwan question" to become an obstacle in the Sino-

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<sup>120</sup> US Department of Defence, 'The Security Situation in the Taiwan Strait', *Report to Congress Pursuant to the FY99 Appropriations Bill, op. cit.*, 26 February 1999, p. 16.

<sup>121</sup> *Taiwan Today News Network*, 29 April 1999.

<sup>122</sup> US Department of Defence, 'The Security Situation in the Taiwan Strait', *Report to Congress Pursuant to the FY99 Appropriations Bill, op. cit.*, 26 February 1999, p. 17.

<sup>123</sup> *Ibid.*

American relationship in order to placate the PRC, the US will press Taiwan to talk with the PRC as soon as possible. As Robert A. Manning and Ronald N. Montaperto said:

The CCP's present strategy is not to compel reunification in the near term. Rather it is pre-emptive. Beijing believes - and assesses that Taipei and the US also believe - that the longer run will see China's national power increase to a point at which will be able to achieve reunification essentially on its own terms. In the long run, time is on the side of China. However, the CCP leaders are concerned that Taipei might declare independence before Chinese strength finally forecloses that option. Mao Zedong's assertion that China "can wait a hundred years" holds, but the formulation is now provisos: first, China wants Taiwan to halt activities it sees as designed to encourage independence; and, second, Beijing wants Taipei to join a process designed to achieve eventual reunification. If Beijing were to be reassured on these two points, cross-strait ties would likely become more stable.<sup>124</sup>

The passage of time would seem to be an advantage to the CCP; but its leaders progressively apply more pressure as time passes. Hong Kong has inevitably become a model in Beijing's eyes for Taiwan's future. There is a statement in Beijing, that 'the Hong Kong issue can be settled down after thirteen years' negotiation, why can not the Taiwan issue be resolved through negotiation?'<sup>125</sup> Compared with Beijing's urgent attitude, Taipei attempts to develop an equal and reasonable position before negotiation with Beijing. As former vice President Lien Chan said, 'We hope that before reunification is achieved, that both sides will make use of joint participation in international events and increase the opportunities for mutual interaction to further mutual understanding and build mutual trust.'<sup>126</sup>

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<sup>124</sup> Robert A. Manning and Ronald N. Montaperto, 'The People's Republic and Taiwan: Time for a New Cross-Strait Bargain', *Strategic Forum*, Number 103, Institute for National Strategic Studies, National Defence University, February 1997, p. 3. URL: <<http://www.ndu.edu/inss/strforum/forum103.html>>

<sup>125</sup> *Taiwan Today News Network*, 22 December 1997.

<sup>126</sup> Government Information Office, Executive Yuan, Taipei, Taiwan, ROC, 16 October 1997. URL: <<http://www.gio.gov.tw/info/news/feer.html>>

## 7-6 Resolutions of “China’s Reunification”

Nevertheless, the issue of China’s reunification remains unsettled. There are several possible resolutions that may help the two sides of the Taiwan Strait and the US would be involved in all of them. Such resolutions might, include the implementation of the Taiwan Relations Act (TRA), maintenance of the status quo, increasing mutual trust and understanding, and integrating Taiwan into international organisations.

### 7-6-1 Implementation of the Taiwan Relations Act (TRA)

The Taiwan Relations Act has played an indispensable role in shaping American policy toward Taiwan, China and US strategy in Asia. ‘It represents America’s best ideals and safeguards fundamental security and commercial interest. The TRA is unique in purpose and form. *It is the only law to govern nearly every aspect of US relations with a foreign government in the absence of diplomatic relations* [emphasis mine].’<sup>127</sup> Chas. W. Freeman, Jr., the US former Assistance Secretary of Defence, argues that ‘[t]he rising military tensions in the Taiwan Strait also call for a re-evaluation of arms sales to Taiwan.’<sup>128</sup> According to this view, the US should stop arms sales to Taiwan because the more it receives advanced weapons the more likely it is to consider independence a realistic possibility.

Based on the Taiwan Relations Act (TRA), which ‘is in the area of the actual arms sales, there is nothing to say that arms sales to Taiwan will be steadily reduced in quantity or not exceed a certain quality, until eventually all sales cease.’<sup>129</sup> China has always insisted that the US should stop arms sales based on the US-PRC joint communiqué of 17 August 1982. However, ‘the 1982 communiqué was never ratified by Congress, leaving the TRA as the “law of the land”. In following this policy...the President must be in

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<sup>127</sup> Stephen J. Yates, ‘The Taiwan Relations Act after 20 Years: Keys to Past and Future Success’, The Heritage Foundation, *Asian Studies Centre Backgrounder*, no. 1272, 16 April 1999, p. 1.

<sup>128</sup> Chas. W. Freeman, Jr. ‘Preventing War in the Taiwan Strait’, *Foreign Affairs*, vol. 77, no. 4, July/August 1998, p. 11.

<sup>129</sup> Mark S. Adleman, ‘Research Note on the Taiwan Relations Act: executive and legislative differences’, *Journal of Contemporary China*, vol. 6, no. 14, 1997, p. 133.

compliance with all related laws. The most important and relevant law in this case is the TRA.<sup>130</sup> In the PRC's view, stopping arms sales is the best way to achieve the goal of the US-PRC joint communiqué of 17 August 1982, but it is unacceptable to Taiwan. According to the TRA, the US has an "obligation" to protect the security of Taiwan.<sup>131</sup> The TRA symbolises a substantive and ongoing relationship between the US and Taiwan. The essence of the TRA is,

To help maintain peace, security, and stability in the Western Pacific and to promote the foreign policy of the United States by authorising the continuation of commercial, cultural, and other relations between the people of the United States and the people on Taiwan, and for other purpose.<sup>132</sup>

Taiwan's security requires the receipt of a sufficient amount of defensive weapons, as Ted Galen Carpenter argues.<sup>133</sup> Moreover, the Reagan administration made public "six-assurances" to the ROC government after the 1982 US-China communiqué was announced. The six assurances, indeed, have become an extended version of the TRA. Further, President Reagan's one-page memorandum is an important guideline for US arms sales policy to Taiwan.<sup>134</sup>

From the Carter to Bush administrations, the US government always ignored the TRA because Beijing threatened to freeze its relations with the US and thaw its relationship with Moscow.<sup>135</sup> Owing to the change in the international situation, this leverage is no longer available to China. The Bush administration started to implement the TRA more forcefully, largely because of the Tiananmen Square massacre and China's

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<sup>130</sup> Mark S. Adelman, *op cit.*, p. 130.

<sup>131</sup> See the *Taiwan Relations Act* (TRA), Sec. 2, (b) 5 provision. Full context lists on Appendix E.

<sup>132</sup> See the *Taiwan Relations Act* (TRA), Sec. 2, (a) 1 and 2 provisions. Full context lists on Appendix E.

<sup>133</sup> Ted Galen Carpenter, 'Let Taiwan Defend Itself', *Cato Policy Analysis*, no. 313, 24 August 1998, p. 13. Also see Lynn T. White III, 'Taiwan's China Problem: After A Decade or Two, Can There Be A Solution?', *SAIS Policy Forum Series*, Report Number Six, December 1998, p. 2.

<sup>134</sup> James Mann, *About Face*, *op. cit.*, pp. 126-127. The importance of Reagan's memo is 'whenever any question arose about arms sales to Taiwan, the presidential memo would be pulled out of the safe. Here is how Reagan believed his deal with China should be interpreted.'

<sup>135</sup> Mark S. Adelman, *op cit.*, p. 133.



expanding role as a regional power impacting on the security and stability of the West Pacific.

Both the US and Taiwan are reluctant to end arms sales but the PRC is reluctant to renounce the use of force. To declare independence is a provocation to the PRC impacts on the stability of the Asia-Pacific region. Maintaining the arms sales policy clearly benefits Taiwan's security and also deters any aggressive intentions on the part of the PRC. As Ted Galen Carpenter argues, what is involved is 'a "porcupine" strategy - raising the probable costs to a worldwide conqueror so high that no rational policymaker would contemplate launching a military strike.'<sup>136</sup>

Although Clinton informally announced a new "three no's" policy in Shanghai, the policy of arms sales will be maintained. When the *Australian* newspaper interviewed William Cohen, the United States Defence Secretary, in 30 July 1998, he said that 'President Bill Clinton had told China's President Jiang Zemin directly that the US remained committed to the Taiwan Relations Act, which obliges Washington to provide for Taiwan's security.'<sup>137</sup> If the US continually provides more advanced military equipment to Taiwan, Taiwan would feel much securer. Then, Taiwan won't develop nuclear weapons that will cause an insecurity of the Asia-Pacific region. Also, this development will damage US national interests. Therefore, maintaining arms sales seems to be a "multi-win" policy. In particular, many advanced weapons are defensive weapons that would not threaten the security of China. However, China might not realise the resolve of the US government and the peaceful intention of the Taiwan government. The US government will continue to supply military weapons to Taiwan under the Taiwan Relations Act (TRA). As Dennis Van Vranken Hickey argues, a failure to do so 'would undermine America's credibility as a friend and ally' in the West Pacific.<sup>138</sup>

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<sup>136</sup> Ted Galen Carpenter, 'Let Taiwan Defense Itself', *Cato Policy Analysis*, no.313, 24 August 1998, p 11.

<sup>137</sup> *The Australian*, 31 July 1998, p. 1.

<sup>138</sup> Dennis Van Vranken Hickey, 'The US and Cross Strait Rivalry: Strategic Partnership and Strategic Ambiguity', at the conference *War and Peace in the Taiwan Strait*, Program in Asian Security Studies, Duke University, 26-27 February 1999, p. 12. URL: <<http://taiwansecurity.org/IS/IS-Hickey-2.html>>

## 7-6-2 Maintenance of the status quo

To attain peaceful reunification, some officials in the Clinton administration suggested both sides of the Taiwan Strait commit to an “interim agreement”,<sup>139</sup> under which mutual foundations for negotiating are determined prior to any final comprehensive agreement. To reach the stage of signing an interim agreement, the *status quo* would need to be maintained.

Despite the percentage of people supporting the idea of independence after Beijing tried to intimidate Taiwan in response of Lee Teng-hui's statement of “special state-to-state relations”, most Taiwanese are still in favour of maintaining the *status quo*.<sup>140</sup> Most observers also believe that to be the best solution. Chas. W. Freeman Jr. suggests,

The best short-term solution to the Taiwan question may be no solution at all: no change in the “one China, but not now” status quo, no reunification, no assertions of independent sovereignty by Taipei. Thus the United States should encourage Beijing and Taipei to discuss deferring negotiations about their long-term relationship for a special period—say 50 years. In the interim, neither side would attempt unilaterally to alter the status quo. Neither side would threaten or use force against the other.<sup>141</sup>

According to Bruce Jacobs' analysis, the *status quo* has several advantages for Taiwan when compared to independence. First, it does not antagonise China (also it does not give any excuse for using force to attack Taiwan). Second, it does not threaten the portion of the population in Taiwan that has come from the mainland and it helps to

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<sup>139</sup> Editorial, ‘Interim Agreement Concept Has Been Exaggerate: Winston Lord’, *Central News Agency* (Taipei), 19 May 1999. Former Secretary of Defence William Perry emphasises establishing a “Second Track” dialogue between two sides of the Taiwan Strait. See, *Agency France Press*, 21 February 1999. Also see Ashton B. Carter and William J. Perry, *Preventive Defense: A New Security Strategy for America*, Washington D.C.: Brookings Institutions Press, 1999, p. 116.

<sup>140</sup> *Central News Agency*, 31 January 2000.

<sup>141</sup> Chas. W. Freeman, Jr. ‘Preventing War in the Taiwan Strait’, *Foreign Affairs*, vol. 77, no. 4, July/August 1998, p. 10.

promote unity among the island's population. Third, it enables Taiwan to retain some support from overseas Chinese. Finally, an independent Republic of Taiwan would probably not gain international recognition and so foreign relations would prove more difficult than at present.<sup>142</sup>

Economically, after Lee Teng-hui announced the "special state-to-state" relationship between China and Taiwan, Taiwan's stock index dropped fourteen percent. It rose 5.7 percent again when the situation cooled,<sup>143</sup> demonstrating that Taiwanese confidence is based on a friendly and peaceful cross-Strait relation. In this sense, maintaining the *status quo* seems to be an appropriate solution in the immediate future.

Nevertheless, Henry Kissinger lambasted Lee's statement of "special state-to-state relations" because he considered that Taipei has challenged the existing political understanding.<sup>144</sup> Changes to Taiwan's society suggest, however, that the situation has changed from that Kissinger was addressing. Hisahiko Okazaki argues that Kissinger's proposal could be too tilted toward a Beijing-based interpretation of events.<sup>145</sup> According to Okazaki's analysis, 'for China, maintenance of the *status quo* means things may remain unchanged until Beijing is able to conquer Taiwan by force.'<sup>146</sup> By this logic, the maintenance of the *status quo* involves China becoming stronger than in the past. As a result of its economic growth, for example, China has purchased several Russian advanced weapons as well as developed its domestic military-industry complex. If the maintenance of the *status quo* tolerates the development of China's military capability but not Taiwan's, there is hypocrisy and double standards involved. China can buy advanced weapons from

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<sup>142</sup> Bruce Jacobs, 'The Future of China-Taiwan Relations', *Harvard Asia Pacific Review*, vol. 2, no. 1, winter 1997/1998, p. 48. Bruce Jacobs also took the same opinion in a speech of *Global Forum* 'Peaceful Co-existence between Taiwan and China: Strategies and Approaches' in Taipei, Taiwan, 11-12 July 1998.

<sup>143</sup> Editorial, 'Taiwan sees "one China" as democratic ideal', *Reuters*, 20 July 1999. Other information has different figure that Taipei stock index fell 6.4 percent or 506 point while the rumours of Chinese military action against Taiwan. The jitters spread across the region, with stock markets dropping in Tokyo, Hong Kong and Singapore. See Mark Landler, 'Rise in China-Taiwan Tension Leads to Taipei Market Jitters', *New York Times*, 16 July 1999.

<sup>144</sup> Henry Kissinger criticised Taiwan's sudden and unilateral action on 25 October 1999. See *The Yomiuri Shimbun* and *The Daily Yomiuri*. In his article, Kissinger argues, 'For 30 years, China while insisting on ultimate unification, nevertheless on several occasions expressed its willingness to defer a final resolution... It did so provided Taiwan did not stake a formal claim to sovereignty.'

<sup>145</sup> Hisahiko Okazaki, 'Status Quo Approach to Taiwan Needs Review', *Daily Yomiuri*, 24 January 2000.

<sup>146</sup> *Ibid.*

Russia, Israel and the European Union but continue to warn the US about arms sales to Taiwan.

The *status quo* is not equal to appeasement. Initially, the maintenance of the *status quo* is to maintain stability of the Taiwan Strait. It is a means to an end. As Tom Plate argues,

Just as the US economy has been called a “Goldilocks” economy - not so overheated as to generate inflation, not so cool as to sink into recession - America needs something like a Goldilocks Policy for relating to China: *neither too chummy nor too aloof but just right.* [emphasis added]<sup>147</sup>

By maintaining the *status quo*, the real goal - regional stability – might be achieved. According to this logic, the maintenance of the *status quo* is a not bad solution in the short term. Since retreating from the United Nations, Taiwan has really enjoyed *de facto* independence. Taiwan still maintains the formal title - the Republic of China. For example, Taiwanese have passports registering “the Republic of China” enabling them to travel the world without too much trouble except in China, where Taiwanese must apply for a document specifying their Taiwanese identity. More importantly, according to table 7-6, more than 50 percent of Taiwanese interviewees want to maintain the *status quo*.

**Table 7-6: Public Opinion Survey about the Attitude of Reunification or Independence, 1994-1999**

	4/94	2/95	8/95	3/96	4/98	5/98	7/98	8/98	9/98	10/98	4/99
SQ	55.9	56.1	46.5	50.7	55.2	52.6	50.7	45.8	50.4	53.1	54.5
PR	20.8	24.6	25.5	20.5	20.9	21.1	18.4	20.3	19.5	19.0	17.3
PI	12.3	14.2	15.8	18.8	19.1	18.3	17.8	18.3	16.8	15.9	15.5
DK	11.0	9.5	11.7	10.0	4.6	8.0	13.1	15.7	13.3	12.0	12.7
ESS	870	1067	1621	1067	1067	1112	1098	1097	1078	1107	1112

**SQ:** Status Quo, **PR:** Pro-reunification, **PI:** Pro-independence, **DK:** Don't Know

Source: Mainland Affairs Council, Executive Yuan, ROC, May 1999. URL: <<http://www.mac.gov.tw>>

Major events related to public opinion:

April 1994, Qiando Lake murder of 24 Taiwanese tourists.

February 1995, Jiang Zemin's "eight-point Proposal".

August 1995, PLA twice launches missile and combined arms exercises in the Taiwan Strait.

March 1996, PLA lobs missile at Taiwan's ports during the president election.

April 1998, ARATS sends SEF letter indicating willingness to resume talks

May 1998, SEF Deputy Secretary General Jan Jyh-horng meets ARATS counterpart in Beijing.

July 1998, US President Clinton enunciates the "three no's" policy in Shanghai.

August 1998, DPP Counciller Lin Tichuan murdered on Mainland.

September 1998, ARATS approves SEF Secretary General Shi Hwei-yow's visit.

October 1998, SEF Chairman Koo Chen-fu visits mainland.

<sup>147</sup> Tom Plate, 'A Goldilocks Policy for China', *LA Times*, 26 January 2000.

Although over 50 percent of Taiwanese supported maintaining the *status quo* between 1994 and 1999, the increasing pro-independence percentage is related to several major events such as PLA's missile manoeuvre in March 1996 and the murder of a Taiwanese councillor in August 1998. On the other hand, while Taipei's representatives visited Beijing, revealing its willingness to talk with Taipei, the vote independence decreased.

**Table 7-7: Public Opinion on the Issue of "Reunification or Independence" in Taiwan, September 1995- April 1999**

	09/95	03/96	02/97	08/97	11/97	07/98	08/98	09/98	04/99
SQ (a)	42.8	33.9	24.8	35.4	42.0	34.9	30.5	36.0	34.8
SQ (b)	24.2	17.3	21.7	21.6	18.5	16.5	15.3	14.4	19.4
SQ (c)	12.2	16.8	21.0	13.9	15.7	15.8	14.9	13.3	14.8
ID	8.0	12.7	12.6	11.2	9.5	12.9	12.9	12.2	11.3
RU	3.7	7.8	8.7	10.0	6.7	4.9	7.1	7.3	4.2
DK	3.3	1.5	5.0	5.1	3.8	1.9	0.8	3.5	2.5
ESS	1067	1067	1231	1067	1067	1098	1097	1078	1112

Source: Mainland Affairs Council, Executive Yuan, ROC, May 1999.

**SQ (a):** Status quo now/decision later, **SO (b):** Status quo now/reunification later, **SQ (c):** Status Quo now/independence later, **ID:** Independence as soon as possible, **RU:** Reunification as soon as possible **DK:** Don't Know, **ESS:** effective sample size

The survey also shows that Taiwanese express their opinion about "reunification or independence" differently. As table 7-7 reveals, more than 80 percent of interviewees supports the *status quo* and over 30 percent of interviewees claims conditional *status quo*.

The message reflects that most Taiwanese want to maintain the *status quo*, and that the resolution of reunification or independence issues will depend on the development of cross-Strait relations. As the DPP national congress claims, Taiwanese themselves will determine their future.<sup>148</sup> The key point is that Taiwan is a complete democratic society. Under the circumstance of democracy, Taiwanese have the rights to determine their future by themselves without external unfriendly pressures. If the PRC really wants to unify Taiwan by peaceful means rather by force, Beijing should consider how to create an advantageous situation in order to win Taiwanese respect. As a Confucian maxim has it "be benevolent when engaged in administration (*yi de fu ren*)". If it becomes a good administration and demonstrates benevolence by respecting human rights, allowing freedom of speech, freedom of publication, and freedom to organise opposition parties,

<sup>148</sup> Editorial, 'DPP National Congress Passes Resolution on Taiwan's Future', *Central News Agency (CNA)*, 8 May 1999.

then it could well encourage dialogue and eventually attain reunification. Despite maintenance of the *status quo* seems a reasonable choice, it requires mutual trust and understanding. Should one side lack it, the *status quo* is vulnerable.

### 7-6-3 Increasing mutual trust and understanding

The purposes of increasing mutual trust and understanding are to eliminate conflict and to develop a focus for negotiations. After fifty years' estrangement, there is much distrust existing on both sides. The longer their existence, the more difficult it is to attain the goal of reunification. As Lee Kuan Yew says, 'this process [eventual reunification] will take many years, but if separation continues year after year, there'll be an alternative way to settle the "one China" issue [by which he means war].'<sup>149</sup>

In August 1997, before his visit to the US, Chinese President Jiang Zemin preferred sixteen Chinese characters as a guide to the development of relations. They are, *kuoda gongshi* (enlarging common understanding), *zhenjia xinren* (increasing trust), *fazhan hezuo* (developing cooperation), and *gongchuang weilai* (co-creating perspective).<sup>150</sup> The main purpose was to resolve disputes in Sino-American relations. It also provides a good example for each side adopting on the issue of reunification. In addition, PRC Deputy Premier Qian Qichen provided sixteen guidelines, which include 'strengthening comprehension, increasing emotion, fostering mutual trust, enlarging common conscience (*jiaqiang liaojie, zengjin ganqing, peiyang huxin, kuoda guogshi*).'<sup>151</sup> These guidelines could increase the trust between both sides and to reduce the conflict of the Taiwan Strait.

Lynn T. White III suggests that the US should encourage a mainland-island agreement which involves both sides agreeing to soften their current positions. Beijing

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<sup>149</sup> Editorial, 'Lee Kuan Yew's Cross-Strait Advice', *China Post* (Taipei), 19 June 2000.

<sup>150</sup> David Shambaugh, '1997 Sino-American Summit', *Asia Society*, October 1997, (Internet version), p. 4. According to Shambaugh's translation, the meanings of sixteen Chinese characters are: strengthen communication, increase contact, enhance consensus, and develop cooperation'.  
URL: <<http://www.asiasociety.org>>

<sup>151</sup> Qian Qichen visited Shanghai in April 1998. He provided these working guideline for strengthening the work to Taiwan. See *Taiwan Today News Network*, April 20, 1998.

could forswear the use of military force against Taiwan and Taipei forswears the pursuit of independence from China for a specified time (perhaps fifty years).<sup>152</sup>

Bruce Jacobs contributes five policies as his suggestion, which, he considers, would benefit the PRC and the ROC. He claims that the PRC should renounce the use of military force. Both sides should emphasise their economic and cultural ties. Both sides should attempt to establish a more equal relationship. Finally, the PRC may re-consider the international space it allows Taiwan.<sup>153</sup>

At present, both sides lack sincere trust and self-confidence. The PRC should understand that there is no threat from its neighbours whether from Taiwan or Russia. Maintaining economic ties with Taiwan benefits its domestic economy and also helps the stability of the CCP regime. Taiwan, for the same reason, needs to open its mind and have more confidences to accelerate the 'three links'. In doing so, the two sides of the Taiwan Strait can increase understanding and eliminate misunderstandings. At the moment, however, many Taiwanese doubt the Chinese leaders' sincerity. On the other hand, the Chinese authorities distrust Taipei's credibility. For example, while the new Taiwanese President Chen Shui-bian demonstrated goodwill in his inauguration speech regarding a proposed visit to Beijing to continue cross-Strait negotiation.<sup>154</sup> Beijing, however, emphasised that his visit should fall under the principle of "one China" – knowing that both sides interpret this differently. Later, however, Chen Taiwan's new president Chen Shui-bian, under pressure from pro-independence diehards in his party, flatly rejected on Friday the "one China" principle that Beijing insists must form the basis of any talks. An uncompromising statement from the presidential office followed criticism from within his Democratic Progressive Party that he was drifting toward an unacceptable compromise on the all-important "one China" issue.<sup>155</sup> At the time of writing, the two sides have not

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<sup>152</sup> Lynn T. White III, 'Taiwan's China Problem: After A Decade or Two, Can there be a solution?' *SAIS Policy Forum Series*, Report Number Six, December 1998, p. 26.

<sup>153</sup> Bruce Jacobs, *op cit.*, pp. 47-49.

<sup>154</sup> Chen Shui-bian, 'Taiwan Stands Up: Toward the Dawn of A Rising Era', Presidential Inauguration Speech, Office of the President, Republic of China. URL: <[http://th.gio.gov.tw/pi2000/dow\\_1.html](http://th.gio.gov.tw/pi2000/dow_1.html)>

<sup>155</sup> Editorial, 'Taiwan's Chen talks tough on one China', *Reuters*, 30 June 2000. Reflecting Chen's shifting his statement, Beijing strong criticises his hedged endorsement of the "one China" principle lacks sincerity. The Beijing government's frosty reaction, two days after Chen unexpectedly accepted the idea that there is only "one China", appeared to dash hopes of an immediate thaw in relations between Taiwan and the mainland. Clay Chandler, 'Beijing Rejects Overture By Taiwan Reaction Chills Hopes For Renewal of Talks', *Washington Post*, 30 June 2000.

reached a common starting point. The gap is based on a lack of mutual trust and reciprocal understanding.

#### **7-6-4 Integrating Taiwan into the International Community**

With a population of over twenty-one million, Taiwan is larger than two-thirds of states. Taiwan held \$84 billion in foreign exchange reserves in 1997. It was the third largest in the world and its per capita GDP was US\$13,130 in the same year.<sup>156</sup> Meanwhile, it has strengthened its economic structure, developed a mature democracy, has high quality human capital, and a stable society. As the Economist comments, '[I]t is hypocritical for the west to applaud Taiwan's democratic transformation while complaining about inevitable consequence of that transformation - that the island's status has become a central issue of its politics.'<sup>157</sup>

Although the ROC is a member of eight inter-governmental organisations (IGO) in the name of "Chinese Taipei or Taipei, China", the ROC is not a member of the IMF or World Bank or WHO or IAEA. Those organisations are important for the development and prosperity of Taiwanese society. During the period of the Asia Currency Crisis from 1997 to 1998, the ROC wanted to contribute financial support to its neighbours such as South Korea, Malaysia, Thailand, the Philippines and Indonesia. Beijing's opposition prevented it from doing so. During May and July of 1998, Taiwanese children faced the type-71 intestinal virus, which caused over sixty of them to die. However, the ROC government could not contact the WHO to ask for any help because of China's blockade. These cases have caused many Taiwanese people to regard China with disgust. If the Chinese authorities are really concerned with the feelings of the Taiwanese, it should allow Taiwan to be integrated into the international community rather to isolate it. As William Perry suggests,

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<sup>156</sup> US Department of State, 1998 Country Reports Economic Policy and Trade Practices.

URL: <[http://www.state.gov/www/issues/economic/trade-reports/98\\_toc](http://www.state.gov/www/issues/economic/trade-reports/98_toc)> In this report, Taiwan's per capita of GDP slightly declined from US\$ 13,130 in 1997 to US\$ 11,976 in 1998. This decline was due to the impact of Asian Currency Crisis that caused Taiwan currency devaluated nearly 25% in 1997.

<sup>157</sup> Editorial, 'The Truth about Taiwan', *The Economist*, 24 July 1999, p. 16.



The United States should encourage an agenda that can lead to early and special agreements. The agenda should be concrete and focus initially on three topics: 1) increase in Cross-Strait contact, 2) agreement on degree of “international space” for Taiwan, and 3) development of confidence building measures.<sup>158</sup>

With a high level of economic, political, and educational achievement, Taiwan people should live with dignity and be respected. The support of the US as a superpower, is an important factor in Taiwan’s pursuit of international space. As Hisahiko Okazaki believes,

If the United States made its attitude clear, however, Japan would have a free hand to support the decision on legal grounds, although it would face a number of problems, politically and diplomatically, as would the United States...China would react adversely to the United States, and US-China relations would cool temporarily. China, however, would not find it beneficial for such a situation to continue for years. Therefore, things would soon return to business as usual if the United States firmly maintained the stance.<sup>159</sup>

Integrating Taiwan into the international community does not mean that Taiwan will be independent or damage regional stability.

Politically, however, both sides have a serious dispute about the definition and reality of “one China” that seems to defy resolution in the short run. In particular, the PRC holds what has been referred to as a strong ‘nativistic revanchism’<sup>160</sup>. The PRC blockades

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<sup>158</sup> William Perry spoke at American Assembly in San Francisco on 11 July 1998, *American Assembly*, 11 July 1998, pp. 2-3. In the second topic of the agenda, William Perry indicates,

A reasonable beginning would be for Beijing to relax its opposition to financial contribution by Taiwan to the Korean Economic Development Organisation (KEDO). Participation in KEDO would not constitute diplomatic recognition, but it would give Taiwan an opportunity to play a role as an economy in a regional non-proliferation effort.

URL: <<http://www.americanassembly.org/programs/recent/US-China/akey.html>>

<sup>159</sup> Hisahiko Okazaki, *Daily Yomiuri*, 24 January 2000.

<sup>160</sup> Edward Friedman, ‘Chinese Nationalism, Taiwan Autonomy and the Prospects of a Larger War’, *Journal of Contemporary China*, vol. 6, no. 14, 1997, p. 6.

Taiwanese membership of most international organisations. In the issue of entrance of the WTO, for example, the relevant Chinese official argued that 'all members of the WTO will adopt a pragmatic approach and consider economic and trade factors rather than political and ideological factors with regard to China's entry into the WTO.'<sup>161</sup> Chinese Ambassador to the US, Li Zhaoxing, however, said:

China should be allowed to join the WTO before Taiwan gains membership. The regulation of the principle of the WTO is explicit itself, only when the sovereign state becomes a member of the WTO. Taiwan as part of China, should not be given the access first.<sup>162</sup>

The PRC is thus adopting a hypocritical attitude, on the one hand arguing that the West must abandon political and ideological factors in order to allow the PRC's entrance, while also insisting on statehood as a prerequisite for membership to prevent Taiwan from entering. Most Taiwanese strongly oppose the PRC's position, eighty-nine percent of interviewees in a poll disagreeing with the statement that "Taiwan is a province of the PRC".<sup>163</sup>

According to a poll in July 1999 by the Association for Euro-Asian Studies, there were seventy-three percent of interviewees who agreed with Lee's "special state-to-state relationship" statement. In the meantime, there were seventy-four percent of interviewees thinking that the PRC and the ROC are two different states (*gougjia*). Further, there were ninety-four percent of interviewees who do not believe that the PRC can attain "one China" by using force. Also, nearly eighty percent of interviewees considered that the

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<sup>161</sup> China Embassy in Washington, Official press, 12 December 1996.

URL: <<http://www.china-embassy.org/Cgi-Bin/Press.p1?pol.htm>>

<sup>162</sup> Chinese Ambassador to the US Li Zhaoxing said in Washington on 12 August 1998.

URL: <[www.china-embassy.org/Cgi-Bin/Press.p1?member.htm](http://www.china-embassy.org/Cgi-Bin/Press.p1?member.htm)>

<sup>163</sup> See *Taiwan Today News Network*, 3 May 1999.

According to the poll in May 1999 by the Association for Euro-Asian Studies, seventy-seven percent of interviewees agree with the statement - the People's Republic of China (PRC) is a state. On the other hand, eighty-nine percent of interviewees disagree with the statement - Taiwan is a province of the PRC. More importantly, ninety-four percent of interviewees agree to the statement - the Republic of China (ROC) is a state, but eighty-nine percent of interviewees disagree with the statement of Beijing's allegation - the ROC no longer exists. In addition, there were ninety-five percent interviewees thought they could not accept Beijing's claim that it is entitled to use force to resolve the goal of unify China. Also see *Central News Agency (CAN)*, 'Poll Finds Low Trust in Beijing', 2 May 1999.

ROC should continually develop foreign relations even if doing so damages cross-Strait relations.<sup>164</sup>

Basically, the Taiwanese people accept the idea of 'one China', but that is a cultural China<sup>165</sup> rather a political China. Fifty years of separation have generated separate governments with separate jurisdictions. The ROC government has already renounced the mission of recovering Mainland China because of the reality of political separation.

For Taiwanese, there is an underlying question as to how the international community can allow a dictatorial regime to control a democratic and prosperous society?<sup>166</sup> In April 1998, a public opinion survey was conducted by the National Chengchi University, Burke Marketing Research Ltd., China Credit Information Service Ltd., and National Sun Yat-sen University. As in previous polls, it shows that nearly eighty percent of Taiwanese prefer the *status quo* rather than unification with the PRC or claiming immediate independence.<sup>167</sup> In addition, over seventy percent of Taiwanese thought that "one country, two systems" is not suitable for Taiwan.<sup>168</sup> The key point is that the Taiwanese people do not trust the Chinese proposal and favour reunification only after economic and political liberalisation takes root in the mainland.<sup>169</sup> Once China's economic and political development can reduce the gap between the living standards across the Strait, peaceful reunification is more feasible. In the opinion of some, as Manning and Montaperto suggest,

If mutually acceptable terms can be reached, Taiwan could join the United Nations - with a UN seat or observer status - and could be permitted full membership in such UN institutions as the World Bank, International Monetary Fund, World Health Organisation, International Atomic Energy Agency, and other technical agencies.<sup>170</sup>

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<sup>164</sup> See *Taiwan Today News Network*, 19 July 1999.

<sup>165</sup> The same idea is held in many Arabic countries. Despite the clear stipulation that "Arabs are one" in many Arabic countries' constitutions, most are members of the UN in their own right. See Hisahiko Okazaki, 'Status Quo Approach to Taiwan Needs Review', *Daily Yomiuri*, 24 January 2000.

<sup>166</sup> An informal interview with a Taiwanese journalist held on a fieldwork in Taiwan during 21-25 June 1998.

<sup>167</sup> Source: Mainland Affairs Council, Executive Yuan, ROC, April 1998.

<sup>168</sup> Interviewing with Dr. Wang Chin-ping (he was the former Vice Chairman of Legislative Yuan, ROC. In 2000, he is the Chairman of Legislative Yuan), July 15, 1998.

<sup>169</sup> Dennis Van Vranken Hickey, *op. cit.*, 4-5 January 1999, p. 9.

<sup>170</sup> Robert A. Manning and Ronald N. Montaperto, *op. cit.*, 1997, p. 3.

It may be that the formula adopted in relation to WTO entrance, *ie* the “Autonomous Customs Territory of Taiwan-Ponghu-Quemoy-Matsu”, could be an appropriate model to join various international organisations in the short-term. In the longer term, as Kenneth Lieberthal suggests,

Both sides attain an agreement to further reduce tension by changing the name of the People’s Republic of China to “China” and changing the name of the Republic of China to “Taiwan, China”. There may be merit in trying to develop some names, such as *da Zhongguo* (The Great China), to refer to the two parts of China together.<sup>171</sup>

#### **7-6-5 Fulfilling China’s Democracy and Establishing A Chinese Confederation**

As discussed above, democracy is a necessary condition for peaceful reunification in Taiwan’s perspective. In 1999, there were 49 percent of Taiwanese respondents who approved of reunification with the mainland if it became fully democratic, 33 percent opposed reunification and 17 percent expressed no opinion.<sup>172</sup>

Reviewing Chinese history, China had several states in the Yellow River and Yangtze River basins two thousand years ago. Since Shi Huang ti (the first emperor of Qin Dynasty) unified China, China has kept the concept of “one China”. However, ‘in the 3,097 years of its recorded history, [China] has experienced 1,963 years of unity and 1,134 years of division.’<sup>173</sup> According to these perspectives, unity is far from pre-ordained.

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<sup>171</sup> Kenneth Lieberthal, ‘Cross-Strait Relations’, presented at an International Conference on *The PRC after the Fifteenth Party Congress: Reassessing the Post-Deng Political and Economic Prospects*, Taipei, Taipei, 19-20 February 1998, translated from a summary of Chinese version. Source: <[http://www.future-china.org/spcl\\_rpt/unty\\_tm/c88120601.html](http://www.future-china.org/spcl_rpt/unty_tm/c88120601.html)> The same viewpoint is revealed in William Perry’s speech at American Assembly in San Francisco on 11 July 1998.

URL: <<http://www.americanassembly.org/programs/recent/US-China/akey.html>>

<sup>172</sup> According to a *United Daily* poll, 33 percent of Taiwan residents believe that the island and the mainland will unify in the next 50 years. In the meantime, 38 percent do not believe that reunification will occur in that time frame. ‘One of the ROC’s main conditions for unification is that it must be based on democratic principle.’ *United Daily*, 5 November 1999. \*This poll interviewed 1185 adults in Taiwan area during 26-28 October 1999 by telephone. It has a confidence level of 95% and a margin of error of 2.8%.

<sup>173</sup> Willem van Kemenade, (translated from the Dutch by Diane Webb), *China, Hong Kong, Taiwan, Inc.: The Dynamic of A New Empire*, New York: Alfred A. Knopf, 1997, p. 143.

Some Chinese scholars and most officials of the Chinese government take it for granted. On the other hand, division is a kind of unchanging trend in Chinese history.

Jien Chi explains in his book, *The Confederation: The Best Way for China*, that unity in China has resulted from every emperor wanting to expand his power as much as he could. Most of them could not endure division or dissidence in their empires. To maintain the stability of empire and to solidify sovereignty, the best way was to extinguish “rebellion and division”. As a result, China did not develop the idea of a “nation-state”. Consequently, Chinese leaders have inherited a strong ideology of “big and united – *da yi tong*”. To eliminate continuous civil wars, Jien Chi suggests that China could generate six major republican states such as: “the Republic of Federal *Hua Xia* including Mainland China, Taiwan, Hong Kong, Marcau. The others would be Tibet, Xinjiang, Inner Mongolia, Manchuria, and Guangxi where other republics would be established.”<sup>174</sup> Lee Tang-hui has the same idea of Confederation to establish seven regions with high-levels of autonomy.<sup>175</sup> Some scholars also submit that the idea of a Commonwealth could provide a proper way to resolve the issue of reunification.<sup>176</sup>

Unlike Lee Teng-hui’s “special state-to-state relationship” and Chen Shui-bian’s “two states’ special relationship”<sup>177</sup>, James Soong, an independent Taiwanese presidential candidate who was a former Taiwan governor and the KMT party’s former Secretary General, suggested the idea of “quasi-international relations of corresponding sovereignty”.<sup>178</sup> In his proposal, James Soong suggests that the two sides of the Taiwan Strait ‘sign a non-aggression peace agreement with the participation of international witnesses.’<sup>179</sup> Then, both sides should seek to find a mutually beneficial model such as the

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<sup>174</sup> Jien Chi, *Banglianzhi: Zhongguo Zui Jia De Chulu (The Confederation: The Best Way for China)*, Hong Kong: Pai Shing Cultural Enterprise, Ltd., 1992, pp. 116-128.

<sup>175</sup> Lee Tang-hui, *Taiwan De Zhu Zhang (Taiwan’s Claim)*, Taipei: Yuan-Liou Publishing, 1999, p. 241.

<sup>176</sup> Tzong-Ho Bau, ‘Beijing-Taipai Interaction As A Two-Person Conflict, 1949-1988’, in Denis Fred Simon and Michael Y. M. Kau, (eds.), *Taiwan: Beyond the Economic Miracle*, New York: M. E. Sharpe, 1992, pp. 315-317. Wei Yong, ‘Liangyan bu fang kao lu zhinhua xietong tizhi (Why do the two sides not consider the system of Chinese Commonwealth)’, *China Times*, 11 July 2000. Chiu Hongda (Hongda Chiu), ‘Cong Banlian moshi kan liangan guanxi he qianjing (The Prospect and Relations of cross-Strait: From the Model of Confederation)’, *Taiwan Today News Network*, 16 May 2000.

<sup>177</sup> Chen Shui-bian, the opposition Democratic Progressive Party (DPP) presidential candidate, whose position is to declare a referendum that should be held to determine if Taiwan’s independence should be stated in the Constitution. See *China Times*, 6 February 2000.

<sup>178</sup> Editorial, ‘Soong Suggests EU Model as Guideline’, *China Times*, 6 January 2000.

<sup>179</sup> Editorial, ‘Taipei-Beijing Ties “Quasi-International”’, *Agence France Presse*, 2 January 2000.

European Union, to move towards a unified future. Eventually, reunification would be in accordance with the needs of people.<sup>180</sup> Accordingly, this thesis argues that the goal of Chinese reunification can be reached on the basis of democratic institutions and creating a confederation or commonwealth system.

## 7-7 Conclusion

The difficulties involved in China's reunification discussed in this chapter suggest it will not be attained in the short term. The major difficulty in the issue of China's reunification is the principle of "one China". Beijing insists that state sovereignty is the basis of all negotiation. Taipei, however, considers the legitimacy of the ROC has not disappeared. Following Taiwan's democratisation, it has held firmly that the PRC's "one country, two systems" is not acceptable. America recognises the PRC represents of the whole of China but sympathises with Taiwan because its democratisation is in accordance with American's fundamental values of democracy and freedom. Central to the issue is the fact that China has not developed democratic politics yet whereas Taiwan's democratisation provides it with more alternatives for the future. If China can speed up its democratisation it is possible that the tense cross-strait relations will be mitigated. To improve China's democracy, the ROC government is adopting an engagement strategy with the international community and with China in the economic, cultural, and educational sectors. As a result, the issue of China's reunification depends on Taiwanese themselves and the Mainland's goodwill as well as America's resolution in maintaining peaceful processes and means.

Although Sino-American relations are currently at a low-ebb, dialogue continues. Although Taiwan still obtains US arms, the Taiwan-US relationship is still an unofficial one. The process of reunification remains uncertain such that the US government maintains a complex policy of "parallel engagement", "preventive reaction", and "peaceful integration". This position provides an external pressure for the parties directly concerned and helps to maintain the peace. It also supports China's modernisation. If this process can

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<sup>180</sup> Editorial, *Yazhou Zhoukan (Asian Weekly)*, 10-16 January 2000, p. 5.

be maintained until the economic and political gap between the parties can be reduced, than a stable intra-regional integration should result with benefits for the US as well.

In the post-Cold war era, China's rise has been of profound global significance. The US needs China's cooperation to maintain world order, particularly in East Asia. Although China is a developing country, its emerging economy and military have begun to threaten US interests. To avoid a potential conflict, the US is engaging rather than containing China. Politically, however, a game of balance of power has never stopped. The Taiwan issue became a "flashpoint" for potential conflict between the US and the PRC. The PRC promotes nationalism as a means of resisting US pressure to conform to international norms and create advantageous conditions to protect its regime.

Maintaining the status quo, continuing arms sales to Taiwan, integrating Taiwan into the international community, and increasing mutual trust and understanding are four vital methods to develop preconditions for peaceful reunification. As mentioned above, a peaceful reunification contributes to a healthy Sino-American relationship that is fundamental to China's modernisation.

China's modernisation will be discussed in the next chapter. Several deficiencies in its current pattern of development are also explored as well as the possibilities of China's democratisation. In particular, US engagement policy has provided China a friendly external environment. Under this circumstance, China can focus on its internal development. Economically, Chinese living standards have been improved through increasing bilateral economic relations. As in Taiwan, a middle class is forming following two decades of increasing prosperity in China. Following this development, China's democratisation is a realistic possibility. Once China develops its democracy Taiwanese cannot object to the legitimacy of the authorities in Beijing and negotiations should be possible without fear or excuses.

## Chapter Eight: China's Modernisation

*In the Soviet Union and Eastern Europe, communism fell with a bang and the economies were opened with a "big bang". But the economies of these countries stagnated and their re-entry into the world economy proceeded at a snail's pace. In China, the Communist Party did not fall at all; the economy has been remade not with a "big bang" but step by step. But its economy grew like wildfire and it has been reintegrated into the world economy with a bang.*

Ezra F. Vogel <sup>1</sup>

### 8-1 Introduction

As mentioned in chapter six, strategic considerations between the US and China have been central to their relations. Significantly, China opened its doors and implemented the reform policy that has facilitated the improvement of Sino-American relations. China's rapid economic growth and the large numbers of Chinese students studying abroad have been particularly advantageous in this regard. Inevitably, these developments have accelerated the path of China's modernisation. Associated with these developments, however, China's military capability has been dramatically upgraded. As examined in chapter seven, the issue of China's reunification is one of the important issues in Sino-American relations. China's rapid growth has provided a significant influence to improve its military capability with respect to reunification. As long as its ambition to use force to resolve this issue remains, nervousness from its neighbours, particularly the US, Japan, and Taiwan, cannot be eliminated. As a result, China's modernisation has been seen as a rising dragon threatening the region and even the world. China's modernisation, however, is concerned not only with its economic and military growth but also its democratisation. As discussed in chapter seven, democracy is the key method to fulfil its goal of reunification by peace.

While there is a considerable literature discussing the success of China's reform and Deng's achievements, this chapter will focus on particular limitations in the reform process

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<sup>1</sup> Ezra F. Vogel, 'Introduction', in William H. Overholt, *The Rise of China: How Economic Reform is Creating a New Superpower*, New York: W. W. Norton and Company, 1993, p. 19.



to highlight both the connections with previous modernising efforts and the need for a broader social vision on the part of Chinese reformers.<sup>2</sup>

In dealing with issues of modernisation, security concerns have always been a central consideration of the Chinese authorities.<sup>3</sup> Further, the importance of security to China's modernisation is such that the two have become an inseparable objective, because, as Deng Xiaoping said, 'backwardness will leave us vulnerable to bullying.'<sup>4</sup> Security concerns are also relevant to the economic growth resulting from China's export-oriented policy. As the US market is the world's largest, it is an inescapable factor in China's modernisation. Trade relations with the US consequently became a high priority for Chinese reformers. Most importantly, a sustained peaceful Sino-US relationship would not only benefit China's relations with the US but would be vital in maintaining good relations with many other western states. The maintenance of benign international relations also provided an advantageous environment for consolidating China's internal development. As the ancient Chinese proverb says, the purpose of nation building is to enrich national economic power (*fuguo*) and to strengthen military power (*qiangbin*).

When the CCP endorsed the 'Four Modernisations Program' in agriculture, industry, science and technology, and national defence at the Third Plenary Session of the Eleventh Party Congress on 13 December 1978,<sup>5</sup> however, the basic consideration was to stabilise the regime.<sup>6</sup> At the outset of CCP rule in the 1940s, huge numbers of peasants had

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<sup>2</sup> There is a vast literature on this subject. The following works are particularly useful: Wang Shan, *The Fourth Eye Watches China (Di Si Zhi Yan Jing Kan Zhongguo)*, Hong Kong: Ming Bao Publisher, 1995. Hsu Ming (ed.), *Guanjian shike: Dangdai Zhongguo Jidai Jiejue De Er Shi Qi Ge Wenti (The Critical Moment: 27 Problems of Extremely Waiting for Resolving in Contemporary China)*, Beijing: Jinri Zhongguo Chubanshe, 1997. He Qingliang, *The Trap of Modernisation: Contemporary Social and Economic Problems in China (Xiandaihua de xianjin: dangdai zhongguo de jingji shehui wenti)*, Beijing: Jinri Zhongguo chubanshe, 1998. Gordon White, *Riding the Tiger: the Politics of Economic Reform in Post-Mao China*, London: Macmillan Press, 1993. Jonathan S. Spence, *The Search for Modern China*, New York: W. W. Norton, 1990. Andrew J. Nathan, *China's Transition*, New York: Columbia University Press, 1997.

<sup>3</sup> Michael Yahuda, 'Defence modernisation and Sino-American relations', in Gerald Segal and Richard H. Yang, (eds.), *Chinese Economic Reform: The Impact on Security*, New York: Routledge, 1996, pp. 111-127.

<sup>4</sup> Deng Xiaoping, 'China's goal is to achieve comparative prosperity the end of the century', 6 December 1979, *Deng Xiaoping Selected Writings (Deng Xiaoping Wen Xuan)*, vol II, Beijing: People's Daily on Line, URL: <<http://www.peopledaily.com.cn/english/dengxp/vol2/textb1380.html>>

<sup>5</sup> Deng Xiaoping, *Deng Xiaoping Selected Writings (Deng Xiaoping Wen Xuan)*, vol II, Beijing: People's Publisher, 1993, p. 140.

<sup>6</sup> Deng Xiaoping addressed on 30 March 1979, 'Insistence on Four Basic Principles', *Deng Xiaoping Selected Writings (Deng Xiaoping Wen Xuan)*, vol II, Beijing: People's Publisher, 1993, pp. 156-184.

created the revolution and formed its support base. There remained a continuing need for peasant support. Therefore, the first priority was agricultural modernisation. Following that, it was important to increase China's industry in order to strengthen its productive potential. This was the CCP's second stage. Then, it was necessary to develop science and technology in order to improve its low levels of technology. Finally, to consolidate and integrate the previous results and defend the state, it was necessary to upgrade the PLA's military capability. Considerably, China's "four modernisation program" has reached a significant achievement after two decades' reform.

The primary focus of this chapter, however, is to summarise the strategy and achievements of China's modernisation process since the outset of Deng's reform. It will be argued that this process has significant inadequacies and dilemmas associated with it and that these deficiencies mirror those of previous modernising attempts - notably in their failure to achieve political reform. The role of education and academic exchange between China and the US will be reviewed to examine its potential to alleviate such deficiencies.

Finally, the process of reform in China has been subject to considerable debate, both within and outside China. In this chapter, those debates are summarised with a particular emphasis on the political reforms deemed necessary for modernisation. In the next chapter, similar issues are examined in relation to Taiwan's alternative path to modernisation.

## 8-2 Development and Growth

In 1978, Deng Xiaoping announced the beginning of the "Four Modernisations Program". Its main purpose was to increase people's living standards to 'comfortable' GDP per capita levels of US\$1,000. Deng Xiaoping explained this in term with a rich historical resonance, using the term *xiaokang shi* or the Age of Small Peace.<sup>7</sup> The CCP

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<sup>7</sup> Deng Xiaoping, "The goal of Twenty Century of China is to Implement Comfortable Era (*Xiaokang*)", *Deng Xiaoping Selected Writings*, (*Deng Xiaoping Wen Xuan*), vol. II, Beijing: People's Publisher, 1993, p. 237. The term of *Xiaokang* originated from *Kung Yang Zhuan* (one of three commentary) of *the Spring and Autumn Annals*. In *Kung Yang Zhuan*, there are three stages of peace era: the Comfortable Era or Age of Small Peace (*Xiaokang Shi*), the Tranquil Era or Age of Approaching Peace (*Shengping Shi*), and the Peaceful Era or Age of Universal Peace (*Taiping Shi*). A brief discussion of the three stages of peace era see Yuan Chih-shen, *Cong Kung Yang Xue Lun Chun Chiu de Xingzhi* (*On the Nature of the "Chun Chiu": A Study Based on Kung-Yang Learning*), Master Thesis of National Taiwan University, Taipei,

Twelfth Congress adopted as a goal of development the quadrupling of the annual gross value of industrial and agricultural output by the end of twenty century.<sup>8</sup> In particular, Deng announced the “reform and opening” policy, which has significantly affected Chinese society. ‘Reform meant changes in the domestic economy and administrative systems; opening meant changes in economic relations with the rest of the world.’<sup>9</sup>

According to the World Bank, China’s gross domestic product (GDP) in 1993 (US\$425.6billion) had already quadrupled that of 1970 (US\$93.24 billion).<sup>10</sup> According to the *China Statistical Yearbook 1997*, moreover, China’s GDP in 1990 was 1854.8 billion *yuan* which was quadruple that of the GDP in 1980 (451.7 billion *yuan*).<sup>11</sup> China’s reform policy has reached a point that China with a self-confident nuclear armed and raises the possibility of the biggest economy on earth.<sup>12</sup> As the International Monetary Fund (IMF) measuring China’s economy in terms of “purchasing-power-parity” in 1993, concluded China’s economy is the third in the world and it will be the world’s largest by 2010 ‘if current growth continues.’<sup>13</sup> On the other hand, China’s economic performance seems not to move a full market economy that reveals its reform has remained some deficiencies. As the World Bank’s analysis, ‘China includes 40 % of all the inhabitants of low-income countries in the world, has had remarkable economic success with a development strategy that involves only a limited dose of market liberalization and privatization.’<sup>14</sup>

Nevertheless, the modernisation sought by Deng Xiaoping has been achieved as a result of the reform and opening policy. It was the first time that China successfully reached its goals of modernisation without external intervention. In fact, China brought to

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National Taiwan University, 1969, pp. 66-77. In Deng’s term, *Xiaokang* seems not to be a situation of the Age of Small Peace as Kung Yang Chuan said. Rather, it closely reaches a situation of offering sufficient food and armament in order to win the confidence of the people as good governance.

<sup>8</sup> Deng Xiaoping, *Deng Xiaoping Selected Writings (Deng Xiaoping Wen Xuan)*, vol. III, Beijing: People’s Publisher, 1993, p. 9.

<sup>9</sup> Andrew J. Nathan and Robert S. Ross, *The Great Wall and the Empty Fortress: China’s Search for Security*, New York: W. W. Norton and Company, 1997, p. 28.

<sup>10</sup> The World Bank, *World Development Report 1995*, New York: Oxford University Press, 1995, p. 166.

<sup>11</sup> State Statistical Bureau, *1997 Zhongguo Tongji Nian Jian, ZTJNJ (China Statistical Yearbook 1997)*, Beijing: China Statistical Publishing, 1997, p. 42.

<sup>12</sup> Editorial, ‘The Titan Stars: A Survey of China’, *The Economist*, 28 November - 4 December 1992, p. 3.

<sup>13</sup> Gerrit W. Gong, ‘China’s Fourth Revolution’, *Washington Quarterly*, vol. 17, no. 1, 1993, p. 29. Also see Steven Greenhouse, ‘New Tally of World’s Economies Catapults China into Third Place’, *New York Times*, 20 May 1993, p. 1.

<sup>14</sup> The World Bank, *World Bank 2000: Entering the 21<sup>st</sup> Century World Development Report, 1999/2000*, New York: Oxford University Press, 2000, p. 2.

a close its revolutionary strategy and adopted a method of modernisation completely different from that of the Maoist era. In China's recent history, modernisation has involved the interaction between internal drives and external pressures. Some observers argue that external influences have dominated China's modernisation processes. Christopher Hughes, for example, states:

From the nineteenth century, when China learned about western technology, through the nationalist May 4 Movement of 1919 with its calls to learn from "Mr. Democracy" and "Mr. Science", down to the present policy of opening and reforming, the problem is not one of the Chinese being unwilling to learn from outside, but of the west not being prepared to let them do so. When opposition to the west does arise, it is not due to anti-Westernism *per se*, but because Western states promote values, such as human rights, for the sake of pursuing their own national interests.<sup>15</sup>

In this period, from the 1870s to the 1950s, China's modernisation was a response to external stimuli just as the first modernisation was in 1875 when the Qing government realised that it was hard to defend itself against foreign imperialists' invasion without improving its military power. This was the first wave of modernisation (self-strengthening movement, *zhiqiang yundong* or *yangwu yundong*) in Chinese modern history.<sup>16</sup> The Qing government, despite its superior arms, was politically and managerially incapable of using its military advantage. As a consequence, they lost the Sino-Japanese War in 1894-95.<sup>17</sup>

A second wave of modernisation followed in 1898, concentrating mainly on political and educational reform. Men of insight and elites realised that merely adopting technology and science was not enough to restore China's international prestige. Larger

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<sup>15</sup> Christopher Hughes, 'Globalism and Nationalism: Squaring the Circle in Chinese International Relations Theory', *Journals of International Studies*, vol. 26, no. 1, 1997, p. 111.

<sup>16</sup> Su Yun-feng, 'From Theory to Practice: Reviewing Phenomena of the modernisation in Qing Dynasty (*cang lilun dao shijian: qingji xiandaihua yundong de mian mian guan*)', *Chinese Modernisation Symposium (Zhongguo xiandaihua lunwenji)*, Taipei: Institute of Modern History, Academia Sinica, March 1994, pp. 31-42.

<sup>17</sup> Immanuel C. Y. Hsu, *The Rise of Modern China*, (5<sup>th</sup> edition), New York: Oxford University Press, 1995, pp. 332-341.

scale reform including the development of a monarchic constitution and a modern education system was pursued. Internal political power struggles, however, prevented the completion of this reform. External pressures, nevertheless, were significant in the Qing modernisation.<sup>18</sup>

In the beginning of the Republican era, China's internal instability and decentralisation made the development and modernisation of Chinese society difficult. Although the Nationalist government unified China in 1928, regional divisions and communist forces blocked the development process pursued by the KMT. From the 1940s to 1950s, China was embroiled in the Asia-Pacific War and its own civil war preventing further modernisation. After the foundation of the PRC in 1949, the CCP pursued its idiosyncratic style of modernisation, which it referred to as "socialist construction". This was, in fact, imported from the Soviet Union. This model proved incapable of significantly raising living standards, despite high economic growth rates in the 1950s.

The development model resulted from institutional and ideological choices. For example, the planned economy established many state-owned factories, which by the 1980s and 90s had become uncompetitive, inefficient and in the case of some 50% of them, loss-making. The state-owned enterprises have also become the site of significant corruption. According to a Chinese newspaper, there was a total of 500 billion yuan (*Reminbi*) worth of state property lost as a result of corruption, including 220 billion yuan (*Reminbi*) by state-owned enterprises.<sup>19</sup>

After Mao's death, a degree of political reform was undertaken with Deng Xiaoping coming to power in the politburo. Externally, the international environment also became more favourable for China as the US changed its global and regional strategy.

Reviewing the course of China's modernisation, Su Yunfeng categorises four period of modernisation in recent Chinese history: the pre-modern period, the transformation period, the modern period, and the post-modern period.<sup>20</sup> Adopting this framework, Gilbert Rozeman thinks China's development from the Qing period's *yanwu*

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<sup>18</sup> Su Yun-feng, *op. cit.*, p. 36.

<sup>19</sup> Hsu Ming (ed.), *Guanjian shike: Dangdai Zhongguo Jidai Jiejue De Ershiqi Ge Wenti (The Critical Moment: 27 Problems of Extremely Waiting for Resolving in Contemporary China)*, Beijing: Jinri Zhongguo Chubanshe, 1997, p. 207.

<sup>20</sup> Su Yun-feng, *op. cit.*, p. 41.

*yundong* to the current period can all be seen as part of the second period - that of transformation. He considers that China remains some fifty years behind Russia and Japan in the development of urbanisation, education and industrial growth.<sup>21</sup>

Compared with Mainland China, Taiwan (Nationalist China) has attained the third stage and is in the process of entering the fourth. Taiwan is emerging as a rational society with genuine social diversity, with toleration of a variety of social values and which tolerates dissent. In the 1990s, Taiwanese became concerned with environmental issues, with developing hi-tech industry and with improving culture and ethics. These developments place it on the verge of the fourth period.<sup>22</sup> They were possible because Taiwan experienced a long period of external pressure and internal drive for reform. Having a cultural similarity, China is moving the same path of modernisation as Taiwan experienced though the Chinese official denied.<sup>23</sup> The next section will discuss internal and external factors, which have had an impact on Chinese society. In chapter eight, Taiwan's development will be discussed.

### **8-2-1 Internal Factors**

For China, as for any other state, peaceful foreign relations provide the international environment necessary for concentration on domestic development. Since the 1860s, however, as China has tried to move towards modernisation programs it has been beset by a series of battles in which it was beaten by Western imperialism. These include the Anglo-France Joint Invasion of Peking in 1860, the two Sino-Japanese Wars in 1895 and 1937-1945 and the Eight Countries Joint Invasion of Peking in 1900. All of these created sufficient instability to place in jeopardy China's modernisation plans. Internally generated disruptions such as, the Taiping Rebellion in the 1850s, the Nian Rebellion during 1865 and 1868, warlordism in the 1920s, the Chinese civil war from 1935 to 1949, power struggles in the CCP during the 1950s and 1970s, and the Great Proletarian Cultural

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<sup>21</sup> Gilbert Rozeman, *The Modernisation of China*, New York: The Free Press, 1981, p. 461.

<sup>22</sup> Su Yun-feng, *op. cit.*, pp. 41-42.

<sup>23</sup> For example, Chinese former foreign minister Qian Qichen said "China had nothing to learn from the Taiwan experience" in Seattle in 1993. *The Economist*, 27 November 1993, p. 28.

Revolution in 1966 and 1969 extending to 1974 played a major part in retarding modernisation.

Throughout the last hundred years, China has struggled with what it regards as its national humiliation in which its backward technology and science has resulted in defeat by foreign powers. To redress this situation, Chinese leaders have at various times, emphasised the development of science and technology, believing it to be a critical method for strengthening national power and recovering national status. In the 1920s, for example, Sun Yen-Sat emphasised that

China must recover and use the best in her past (such) as China's ancient morality and inventions...China must also learn the strong points of the West - scientific knowledge and methods.<sup>24</sup>

Deng Xiaoping's views were similar in that he claimed China should retain socialism but with Chinese characteristics.<sup>25</sup> Deng emphasised that China must 'train workers with high levels of scientific and general knowledge and build a vast army of working class intellectuals who are who are both "red and expert".'<sup>26</sup> As he said,

For the modernisation of science and technology, we must have a mighty scientific and technical force serving the working class, a force which is both "red and expert" and includes a large number of scientists, engineers and technicians who are first rate by world standards.<sup>27</sup>

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<sup>24</sup> Sun Yat-sen, *San Min Chu I (The Three Principles of the People)*, translated by Frank W. Price, Shanghai, China: The Commercial Press, 1932, p. 122. In his term, the ancient morality as: Loyalty, Filial Devotion, kindness, Love, Faithfulness, Justice, Harmony, and Peace; the ancient inventions as: compass, printing, porcelain, and gunpower. The reason of adopting this viewpoint was to improve China's international privilege because China was suffering the situation of "a hypo-colony not a semi-colony". See Frank W. Price, *op. cit.*, pp. 29-39. Regarding Dr. Sun Yat-sen's political philosophy, see Paul Myron Anthony Linebarger, *The Political Doctrines of Sun Yat-sen: An Exposition of the San Min Chu I*, Baltimore: The Johns Hopkins Press, 1937, pp. 74-82.

<sup>25</sup> Deng Xiaoping, *Deng Xiaoping Selected Writings (Deng Xiaoping Wen Xuan)*, vol. III, Beijing: People's Publisher, 1993, p. 63.

<sup>26</sup> Deng Xiaoping, 'Speech at the National Conference on Education', 22 April 1978, *Deng Xiaoping Selected Writings*, vol. II (in English, Internet version), Beijing: People's Daily.

<sup>27</sup> Robert Maxwell (introduction and interviews with Deng Xiaoping), *Deng Xiaoping: Speeches and Writings*, New York: Pergamon Press, 1984, p. 45.

The observation by Deng suggests that the communist perspectives of the Chinese leadership remain unchanged. Whether China's scientists, engineers and technicians remain both "red and expert" is a moot point but China is facing a critical turning point in its process of modernisation. Pervasive western culture, particularly American culture, is having a large impact on Chinese society. More and more Chinese students choose the West to finish their postgraduate study. From the 1980s onwards, both external and internal forces are affecting Chinese society and its people. External pressures such as the human rights issue and China's entry into the WTO are forcing the Chinese authorities to modify their ideological stance. On the other hand, internal forces, such as rising unemployment and an emerging movement of organised opposition parties and groups, could challenge the CCP's monopoly on political and social authority.

Although China under Mao's rule had developed atomic weaponry and satellite capability, twenty six percent of the rural population lived under the poverty line in the late 1970s.<sup>28</sup> The death of Mao in 1976 and the prior downfall of the "Gang of Four" became a turning point in the post-1949 history of China. At the CCP Central Working Meeting before the Third Plenary Session of Eleventh Party Congress in December 1978, Deng Xiaoping announced a strategy that would allow some sections of the population and some regions and industries to prosper before others.<sup>29</sup> That announcement signalled a significant shift from complete central planning towards a market economy. In the 1990s, after adopting the market system domestically and engaging in far greater international economic activity, China became the world's fastest growing country and established substantial commercial interaction with the US.<sup>30</sup>

Significantly, Deng's strategy of development involved different priorities from those of Gorbachev, which were 'international politics first, domestic politics second, heavy industry third, and light industry and agriculture last.'<sup>31</sup> Deng's priorities were

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<sup>28</sup> Ru Xin, Lu Xueyi, and Chan Tianlun, eds., *The Analysis and Prediction of China's Social Situation, 1998 (1998 nian: zhongguo shehui xingshi fenxi yu yuce)*, Beijing: Shehui Kexue wenyi xubanshe, 1998, p. 91. According to Chinese Social Science Academy, the rate of poverty had decreased from 26% of 1979 to 4.7% of 1997.

<sup>29</sup> See *Deng Xiaoping Selected Writings, (Deng Xiaoping Wen Xuan)*, vol. II, *op. cit.*, p. 152.

<sup>30</sup> Michael Yahuda, *op. cit.*, in Segal and Yang (eds.), 1996, pp. 115-118.

<sup>31</sup> William H. Overholt, *China: the Next Economic Superpower*, London: Weidenfeld and Nicolson, 1993, p. 214.



agriculture first, industry (light industry) second, science and technology third, and military last. At the end of the 1970s, Deng effectively allowed private farming while maintaining state-guaranteed price supports for essential products.

He then opened four Special Economic Zones (SEZs) in the coastal provinces. Three of them were in Gangdong (Shenzhen, Zhuhai and Shantou) and the fourth was in Fujian (Xiamen). Their aim was to attract overseas investment largely from Hong Kong and Taiwan in order to increase China's exports. In the meanwhile, he decided to send scholars and students to study abroad, particularly to the US. Following the collapse of the Soviet Union, however, China has recruited Russian engineers and technicians into the military industry sector who have improved China's military strength rapidly. In practice, the essence of the "Four Modernisations Program" was the use of "science and technology, as well as educational improvement in order to strengthen national capability" (*ke jiao xing guo*), as Deng Xiaoping's slogan of "science and technology are the chief forces (*keji shi di yi shengchanli*)."<sup>32</sup>

The strategy of *ke jiao xing guo* was adopted as the basic strategy for this period of China's rapid growth. According to the Chinese National Science and Technology Conference in 1995, the strategy combines developing education with adopting science and fostering human capital at the same time.<sup>33</sup> It is similar to the self-strengthening movement in the 1870s.

The major decision-making of opening and reform policy was based on the consideration of the need for internal development after compared the world's development with China's backwardness. Deng set up the export-oriented economic policy, which adopted Taiwan's successful experience in the 1960s and 1980s. The other major consideration was its cheap labours<sup>34</sup> that were advantageous in attracting labour intensive industry. Further, China experienced the "Great Leap Forward" and the "Great Proletarian Cultural Revolution" those had caused a long-term unstable development in

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<sup>32</sup> See *Deng Xiaoping Selected Writings*, (*Deng Xiaoping Wen Xuan*), vol. III, *op. cit.*, pp. 274-275.

<sup>33</sup> Ke Huan, 'Xian Jie Duan Zhonggong Ke Jiao Xiang Guo Celue yu Yunyong (The Strategy and Operation in the Current Chinese Communist Science and Education Strengthening National Power)', *Zhonggong Yanjiu (Studies on Chinese Communism)*, vol. 33, no. 3, March 1999, p. 53.

<sup>34</sup> Andrew J. Nathan and Robert S. Ross, *The Great Wall and the Empty Fortress: China's Search for Security*, New York: W. W. Norton and Company, 1997, p. 17. Also, see Samuel P. S. Ho and Ralph W. Huenemann, *China's Open Door Policy: The Quest for Foreign Technology and Capital - A Study of China's Special Trade*, Vancouver: University of British Columbia Press, 1984, p. 176.

Mao's era. During the period, most policies were focus on heavy and military industry because of security considerations.

The post-Mao era provided a suitable time for reform, particularly as the political chaos has disappeared. In practice, Deng Xiaoping controlled the Communist Party, the PLA, and the bureaucratic system although he was only titled as Chairman of the Central Military Committee (CMC). The political integrity was an advantage for economic reform. Hence, Deng allowed the establishment of Special Economic Zones (SEZs) in specific areas where were the previous ports of entry for foreigners at the end of nineteenth century and the early of this century. In SEZs, the Chinese government offered cheap labour, tax concessions and ready-made and subsidised infrastructure to overseas investors.<sup>35</sup> The essence of launching a systemic economic reform was to preserve the CCP's political power.<sup>36</sup>

### 8-2-2 External Factors

There have been several external factors that have assisted in China's development. Firstly, advantageous external circumstances provided China with a peaceful environment to stabilise internal security. During the Cold War era, China played an asymmetric role - a weak angle - in the triangular strategic relationships. Because of détente between the two superpowers, China's limited nuclear strike capability became a balancing force. The US sold China some military equipment and know-how but did not develop a military relationship. Politically, the US government did not press China to change or to reform in relation to human rights.<sup>37</sup>

Secondly, international competitive pressures had gradually increased, such that the Chinese authorities had to abandon their insistence on a centrally planned economy. The trend made China move forward into an "economically soft, politically hard" society.

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<sup>35</sup> Colin Mackerras, Pradeep Taneja, and Graham Young, (2nd eds.), *China Since 1978: Reform, Modernisation and 'Socialism with Chinese Characteristics'*, Melbourne: Longman, 1998, p. 88.

<sup>36</sup> Jan S. Prybyla, 'China as an Asian Economic Power', *Issues and Studies*, vol. 33, no. 1, 1997, p. 3.

<sup>37</sup> Patrick Tyler, *A Great Wall: Six Presidents and China - An Investigative History*, New York: Public Affairs, 1999, pp. 282-285.

China allied with the Soviet Union and was hostile to the West in the 1950s. In the 1960s, it was hostile to both the US and the Soviet Union. In the 1970s, it started to reconcile with the West, particularly after it replaced Taiwan in the UN. In the 1980s, China effectively allied with the US to contain the Soviet Union. During that period, with US assistance, China's economy grew rapidly. The Soviet's pressures on China's northern border and Japanese economic growth provided powerful external stimuli to Chinese policy making during the period.

Thirdly, the Chinese authorities were influenced by the extraordinary success of three booming Chinese societies - Taiwan, Hong Kong, and Singapore - which suggested that China reform or lose its international competitiveness. Moreover, a failure to reform would damage the regime. In particular, Taiwan set up an Export Processing Zone (EPZ) in Kaoshiung in 1966.<sup>38</sup> As a result of Taiwan's success with this venture,<sup>39</sup> the Chinese authorities expanded the EPZ system in its coastal provinces in the early of 1980s.<sup>40</sup>

Fourthly, the US benefited from export growth to China after 1978. Also, foreign investment and lending promoted rapid Chinese development. According to the *China Statistical Yearbook 1997*, China received around US\$104.11 billion in foreign loans between 1979 and 1996. During the same period, foreign investment reached US\$179.84 billion. Total foreign capital invested in China reached US\$283.94 billion in 1996.<sup>41</sup> Although the US is not the largest investor in China,<sup>42</sup> the US market is the biggest for China's products.<sup>43</sup> In 1978, the amount of US trade with China was US\$11.45 billion (US had US\$497 million surplus). After twenty years, the two sides' trade increased eight times (US\$85.41 billion) of 1978 and the US had a US\$56.93 billion deficit in 1998. 'Indeed, foreign trade and investment have been a key propellant of China's economic take-off

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<sup>38</sup> Colin Mackerras, Pradeep Taneja, and Graham Young, (2<sup>nd</sup> eds.), *China Since 1978: Reform, Modernisation and 'Socialism with Chinese Characteristics'*, Melbourne: Longman, 1998, p. 88

<sup>39</sup> The relevance of China's reform and the experience of Taiwan's success will be discussed in chapter nine.

<sup>40</sup> Colin Mackerras, Pradeep Taneja, and Graham Young, *op. cit.*, p. 88.

<sup>41</sup> State Statistical Bureau, *1997 Zhongguo Tongji Nianjian (China Statistical Yearbook 1997)*, Beijing: People's Publisher, 1997, p. 605.

<sup>42</sup> In fact, US provided foreign loan to China that has increased 30.54 times from US\$ 50.93 million of 1995 to US\$ 1606.53 million of 1996. Compared with other countries, the American loan was the most significant growth. Source: State Statistical Bureau, *China Statistical Yearbook 1997*, pp. 606-607.

<sup>43</sup> US Department of Commerce, Census Bureau, 1996, 1997, and 1998.  
URL: <<http://www.census.gov/foreign-trade/sitc1/>>

under the reform.’<sup>44</sup> Undoubtedly, the US market is a critical factor in China’s economical development.

According to table 8-1, the amount of US-China trade was merely 5.36 percent of US world trade in 1998. Even including Taiwan and Hong Kong (Greater China), the amount of Greater China-US trade was 10.06 percent of US world trade. It was still less than the trade of the US and Canada (20.70 percent) and US-Japan (11.28 percent). In relation to China’s world trade, US-China trade is of greater significance. According to China’s data, China was the second largest trade surplus one with the US behind of Japan. In this sense, China needs US market more than that the US needs China’s market.

**Table 8-1: Comparison of US and China Foreign Trade with Both Major Partners, 1998 (US\$ billion)**

TRADE PARTNERS	USA					PRC				
	Import	Export	Balance	Total	% of world trade	Import	Export	Balance	Total	% of world trade
USA	-	-	-			16.96	37.98	21.02	54.94	16.96%
China (PRC)	71.17	14.24	-56.93	85.41	5.36%	-	-			-
Canada	173.26	156.60	-11.86	329.86	20.70%	2.24	2.13	-0.11	4.37	1.35%
Japan	121.85	57.83	-64.02	179.68	11.28%	28.21	29.69	-1.48	57.90	17.87%
Germany	49.84	26.66	-23.18	76.50	4.80%	6.99	7.35	0.36	14.34	4.42%
UK	34.84	39.06	+4.22	73.90	4.64%	1.95	4.63	2.68	6.58	2.03%
France	24.02	17.73	-6.29	41.75	2.62%	3.20	2.82	-0.38	6.02	1.86%
Hong Kong	10.54	12.93	+2.39	23.47	1.48%	6.66	38.75	32.09	45.41	14.02%
South Korea	23.94	16.49	-7.45	40.43	2.54%	14.99	6.27	-8.72	21.26	6.56%
Taiwan (ROC)	33.12	18.16	-14.96	51.28	3.22%	16.63	3.87	-12.76	20.50	6.33%

Source: US Department of Commerce, Census Bureau, 1999. URL: <<http://www.census.gov/foreign-trade/sitcl>>  
National Bureau of Statistics, *China Statistical Yearbook*, 1999, pp. 583-585.

Note: The PRC and the US have different measurements about bilateral trade.

The post-Cold War environment, particularly the absence of the Soviet’s threat, provided China a benign environment to access Western technology and to accelerate its foreign trade. In addition, the imperative of avoiding regional conflict in favour of pursuing its own modernisation programs challenged Beijing’s emerging political elite to forge a coherent and enduring foreign policy.<sup>45</sup>

<sup>44</sup> Jan S. Prybyla, ‘China as an Economic Power’, *Issues and Studies*, vol. 33, no.1, January 1997, p. 7.

<sup>45</sup> William T. Tow, ‘China and the International Strategic System’, in Thomas W. Robinson and David Shambaugh, (eds.), *Chinese Foreign Policy: Theory and Practice*, Oxford: Clarendon Press, 1994, p. 115.

### 8-3 China's Difficulties on Its Processes of Modernisation

Following two decades of economic reform and opening policy, China had accumulated over US\$122 billion dollars in international reserves by 1997 (the second largest holdings of any country behind Japan).<sup>46</sup>

To cope with its economic transformation and to maintain its economic prosperity, the tertiary sector - the service and commercial economy - has increased in significance. China's relative lack of qualified and capable financial experts and accountants compared with the US, Japan, HK, Singapore, and Taiwan is a problem in this regard. China has consequently relied heavily on external experts to operate its tertiary sector. As Jan S. Prybyla indicates, 'China has significantly depended on Hong Kong providing China's external trade with entrepot services (particularly resales to the American market), financial and commercial know-how, and "foreign" investment.'<sup>47</sup>

To continue succeeding in the modernisation process, China will need to further increase investment in education of the service sector workforce. At present, the Chinese government mainly focuses on developing its technology in order to leap forward rapidly. As one Chinese journal, *Outlook Weekly (Liao Wang Zhoukan)*, comments, to fulfil technological and scientific jump over, China needs to overcome six blockades, which are: inadequate invention ability, unequal market competition mechanism, lacking sufficient human capital, insufficient scientific and technological infrastructure, lacking macro-integration and control ability, and lower investment of science and technology.<sup>48</sup> These difficulties existing in Chinese society are major restrictions on its development. This section will summarise these major restrictions. They include the deficiencies of the SOEs and unemployment, infrastructural inadequacies, bureaucratic corruption, the lack of management manpower, and an incomplete civil society.

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<sup>46</sup> Editorial, 'Prices and Trends', *Far Eastern Economic Review*, 25 September 1997, p. 164. According to Taiwan's source, China has US\$152.8 billion in foreign reserve. See *China Times*, 1 December 1999.

<sup>47</sup> Jan S. Prybyla, 'China as an Asian Economic Power', *op. cit.*, p. 17.

<sup>48</sup> 'To fulfil and speed up scientific and technological transition, China must overcome six obstacles (*wo guo shixian keji kuoyue bixuyao kefu liu ge zhangai*)', *Outlook Weekly (Liao Wang Zhoukan)*, vol. 846 (Internet version), 24 April 2000, URL: <<http://202.84.17.24/17.htm>>

### 8-3-1 The Deficits of SOEs and An Unwieldy Bureaucratic System

#### A. The Deficits of SOEs: Increasing Unemployment

Jan S. Prybyla categorises China's domestic problems as interregional conflict (South and East vs. the rest), inter-sectoral unbalanced development (urban vs. rural), and interpersonal difference (the well connected vs. others).<sup>49</sup> The domestic problems, such as inequality, imbalance between rural and urban areas, the increasing rate of crime, unemployment, weapon smuggling, inadequate infrastructure, and the labour issue, cannot be resolved in the short term.

State-owned enterprises are facing financial and market problems that have led to 'economic fluctuations and pressures on enterprises to shed surplus labour and have created a stratum of urban unemployed or semi-employed.'<sup>50</sup> Officially, the Chinese government had an unemployment rate of 3 percent in 1996.<sup>51</sup> As it faced the currency crisis in Asia, the unemployment rate rose to 4.2 percent by the end of 1997.<sup>52</sup> These figures are not an accurate reflection of the reality.<sup>53</sup>

Through twenty years of development, the biggest concern of the Chinese leaders is not a rising class-middle class seeking more democracy; but a new lower class working in the state-owned enterprises (SOEs). This class is facing rapid economic transformation and rising unemployment.<sup>54</sup> According to the *China Statistical Yearbook 1997*, state-owned enterprises received the largest portion of total investment in fixed capital stock in 1995 and 1998 (54.44% and 54.10%), but the relative output of SOE's is considerably less than their ratio of these assets (from 33.97% in 1995 down to 28.24% in 1998.<sup>55</sup> Two-thirds of

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<sup>49</sup> Jan S. Pybyla, *op. cit.*, pp. 18-19.

<sup>50</sup> Gordon White, *Riding the Tiger: The Politics of Economic Reform in Post-Mao China*, London: Macmillan Press, 1993, p. 210.

<sup>51</sup> State Statistical Bureau, *1997 Zhongguo Tongji Naian Jian (China Statistical Yearbook 1997)*, p. 291.

<sup>52</sup> Ru Xin, Lu Xueyi, and Chan Tianlun, eds., *The Analysis and Prediction of China's Social Situation, 1998 (1998 nian: zhongguo shehui xingshi fenxi yu yuce)*, Beijing: Shehui Kexue wenyi xubanshe, 1998, p. 41.

<sup>53</sup> He Qingliang, *op. cit.*, p. 236. He cited government official's analysis - Zhen Jiaheng, *Transformation Economy and unrealistic problems of statistical Data (zhuanquiqi jingji yu tongji shuju shizhen wenti)*, publisher, date and p. unknown.

<sup>54</sup> Editorial, 'China's Next Steps: The Long March to Capitalism', *The Economist*, 13 September 1997, p. 22.

<sup>55</sup> State Statistical Bureau, *1997 Zhongguo Tongji Naian Jian (China Statistical Yearbook 1997)*, p. 24. *1999 Zhongguo Tongji Naian Jian (China Statistical Yearbook 1999)*, p. 183 and p. 421.

them are facing bankruptcy.<sup>56</sup> Compared with the investment in collectively owned units (COUs) and individually owned enterprises (IOEs), state-owned enterprises had approximately 1205.6 billion *yuan* invested in fixed assets in 1996, over 50 percent of total investment in fixed assets (2297.4 billion *yuan*).<sup>57</sup> On the other hand, collectively owned units had around 366.06 billion dollars *yuan* invested in fixed assets (16%), but the output of collectively owned units was 39.4 percent of total value. As tables 8-2 and 8-2a show, SOEs are facing a serious challenge. They still have huge deficits that need to be addressed. According to the World Bank, the share of loss-makers has grown from 26 percent of total China's 118,000 state-owned industrial enterprises in 1992 to 50 percent in 1996 equivalent to 1 percent of GDP.<sup>58</sup>

China currently faces a classic no-win situation, as an economist at Shanghai's Academy of Social Sciences said: 'if we don't allow companies to go bankrupt we will face difficulties but if we do allow them to go bankrupt we will face even more difficulties.'<sup>59</sup> The Chinese government constituted the law of enterprise bankruptcy in 1986, and between 1988 and 1994, there were 3,010 cases of bankruptcy.<sup>60</sup> Most bankruptcy cases were actually collective-owned units not state-owned enterprises. This anomaly is explained by governmental reluctance to allow the latter to declare bankruptcy while allowing, or even encouraging, the less profitable COUs to do so. In practice the law remains difficult to implement. One of the reasons is the degree of enterprise control still exercised by the party secretary. The net result is widespread worker dissatisfaction with frequent protests by workers in various parts of the country seeking wage improvements.<sup>61</sup> It reveals that the SOEs have lost the competition. On the other hand, successful performances of COUs and IEs have great potential for development in the future.

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<sup>56</sup> Chen Yong-fa, *Zhongguo Gongchan Gemin Qishi Nian (The Seventy Years of the Chinese Communist Revolution)*, Taipei: Lian Jin Publisher, 1998, p. 932.

<sup>57</sup> State Statistical Bureau, *1997 Zhongguo Tongji Naian Jian (China Statistical Yearbook 1997)*, p. 25.

<sup>58</sup> The World Bank, *China 2020: Development Challenges in the New Century*, Washington DC: The World Bank, 1997, p. 28.

<sup>59</sup> Daniel Burstein and Arne de Keijzer, *Big Dragon - China's Future: What It Means for Business, The Economy, and The Global Order*, New York: Simon and Schuster, 1998, p. 201.

<sup>60</sup> Chen Yong-fa, *op. cit.*, p. 933.

<sup>61</sup> Chen Yong-fa, *op. cit.*, pp. 930-931.

**Table 8-2: Comparison of Different Type of Industry in Fixed Investment and Output**

Type of enterprise	FIXED ASSESTS (BILLION YUAN)				OUTPUT VALUE BY OWNERSHIP			
	1995	1996	1997	1998	1995	1996	1997	1998
Total Investment in Fixed Assets	2,001.93	2,2913.5 (2,297.4)	2,494.11	2,840.62	9,189.4	9,959.5	11,373.3	11,904.8
State-owned enterprises (SOEs)	1,089.82	1,089.92 (1205.6)	1,309.17	1,536.93	3,122.0	3,617.3	3,596.8	3,362.1
Collective-owned Units (COUs)	328.94	328.94 (366.06)	385.08	323.33	3,362.3	3,923.2	4,334.7	4,573.0
Individuals Enterprises (IEs)	256.02	256.02 (321.12)	342.94	419.24	1,182.1	1,542.0	2,037.6	2,037.2
Share-holding Corporations	86.40	103.51	138.72	194.70	275.0	330.2	497.6	926.2
Foreigners enterprises (including investments form Hong Kong, Macao and Taiwan)	222.89	291.17	289.31	297.38	1,072.2	1,211.7	1,439.9	1,775.0

Source: State Statistical Bureau, *1997 Zhongguo Tongji Nian Jian (China Statistical Yearbook 1997)*, p. 24, 33, and 149. *1999 Zhongguo Tongji Nian Jian (China Statistical Yearbook 1999)*, p. 183 and p. 421.

Note: According to Chinese official statement, relevant data of 1996 are adjusted accordingly, the figures in brackets are compiled on the basis of the old coverage. Therefore, the data reveals that the total is less than the sum of these parts. No explanation is provided for this description in the following years of 1996.

**Table 8-2a: Percentage of Comparison Different Type of Industry in Fixed Investment and Output**

Type of enterprise	FIXED ASSESTS				OUTPUT VALUE BY OWNERSHIP			
	1995	1996	1997	1998	1995	1996	1997	1998
Total Investment in Fixed Assets*	100%	90.27% (99.55%)	100%	100%	98.07%	106.68%	104.68%	106.45%
State-owned enterprises (SOEs)	54.44%	47.57% (52.47%)	52.49%	54.10%	33.97%	36.32%	31.62%	28.24%
Collective-owned Units (COUs)	16.44%	14.36% (15.93%)	15.44%	11.38%	36.59%	39.39%	38.11%	38.41%
Individuals Enterprises (IEs)	12.79%	11.17% (13.98%)	13.75%	13.18%	12.86%	15.48%	17.92%	17.11%
Share-holding Corporations	4.31%	4.50%	5.56%	5.27%	2.99%	3.32%	4.37%	7.78%
Foreigners enterprises (including investments form Hong Kong, Macao and Taiwan)	11.13%	12.67%	11.60%	10.47%	11.66%	12.17%	12.66%	14.91%

The percentage is calculated by this research. Source: State Statistical Bureau, *China Statistical Yearbook 1997 (1997 Zhongguo Tongji Nian Jian)*, p. 24, 33, and 149. *China Statistical Yearbook 1999 (1999 Zhongguo Tongji Nian Jian)*, p. 183 and p. 421.

Note: According to Chinese official statement, relevant data of 1996 are adjusted accordingly, the figures in brackets are compiled on the basis of the old coverage. In the meantime, this contradiction causes the total percentage over 100 percentage. This description does not, however, access the point being made.

Even though the reform policy gave people hopes, the gap between expectation and practice has caused a feeling of relative deprivation. The Communist Party attempts self-supervision to resolve this problem but it 'may be ineffective and its power will diminish over time.'<sup>62</sup> As a retired Beijing University professor, Shang Dwen, says: 'We cannot deal with corruption unless we have adequate methods to supervise the bureaucracy; we cannot have adequate supervision unless we have democracy.'<sup>63</sup> Although Beijing

<sup>62</sup> James Kynge, 'Corruption Still Spreading in China', *Financial Times*, 4 June 1999.

<sup>63</sup> *Ibid.*



launched a forceful crackdown on corruption, and it seems to have had some success in persuading the PLA to separate its activities from business. But to many of China's independent thinkers, the problem cannot be dealt with thoroughly unless deep political reforms are implemented.<sup>64</sup>

#### **B. An Unwieldy Bureaucratic System: the Outcome of Socialism**

From the outcome of reform, China has faced an argument about socialism and capitalism, which is related to China's basic economic and political structure.<sup>65</sup> For example, In 1997, 118,000 state-owned enterprises were facing a doom of reorganisation. But Beijing still insists that 512 of the biggest and most efficient state-owned enterprises will remain entirely state-owned.<sup>66</sup> This policy had aroused extensive arguing in the fifteenth Party Congress but following Jiang's status had been confirmed there was no serious argument. The goals of the Fifteenth Party Congress were to resolve the issues of rising inequality, political legitimacy, and the issue between socialism and free market capitalism.<sup>67</sup> It sent the clear message that 'the cradle-to-coffin security of the socialist Welfare State is gone forever.'<sup>68</sup>

As a result of socialism, the Chinese bureaucracy became a huge and inefficient apparatus. 'In 1958, communist China employed almost 8 million state functionaries; in 1948, nationalist China around 2 million; in the nineteenth century, however, the Ch'ing (Qing) dynasty only about forty thousand.'<sup>69</sup> Unfortunately, over-employment has created an economic burden, which retards development and adversely affects efficiency.

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<sup>64</sup> *Ibid.*

<sup>65</sup> There is a large Chinese literature discussing the ways of socialism or capitalism. For example, see Hsu Ming (ed.), *Guanjian Shike: Dangdai Zhongguo Jidai Jiejue De Er Shi Qi Ge Wenti (The Critical Moment: 27 Problems of Extremely Waiting for Resolving in Contemporary China)*, Beijing: Jinri Zhongguo Chubanshe, 1997. Wang Shan, *The Fourth Eye Watches China (Di Si Zhi Yan Jing Kan Zhongguo)*, Hong Kong: Ming Bao Publisher, 1995.

<sup>66</sup> Matt Forney, 'Jiang' Big Bet', *Far Eastern Economic Review*, 25 September 1997, p. 15.

<sup>67</sup> 'Zhonggong zhongyang guanyu guoyou qiye gaige he fazhan ruoganzhongda wenti de jue ding' (The Decisions of Fifteenth Central Committee of the Chinese Communist Party about some vital issues of the reform and development of state-owned enterprises), *Xinhua News Agency*, 26 September 1999.

<sup>68</sup> Matt Forney and Pamela Yatsko, 'No More Free Lunch', *Far Eastern Economic Review*, 16 October 1997, p. 62.

<sup>69</sup> Shaohua Hu, 'Confucianism and Western Democracy', *Journal of Contemporary China*, 6(15), 1997, p. 356. Hu cited from Barrington Moore, Jr., *Authority and Inequality under Capitalism and Socialism*, Oxford: Clarendon Press, 1987, pp. 78-79.

According to Chinese statistics, the Chinese government had 4.3 million employees (including workers and staff, which was 4.52 percent of the total number of staff and workers) in 1978. This has dramatically increased to 10.75 million (7.24 percent) in 1996.<sup>70</sup> Interestingly, the number of SOE fell to 1.27 million in June 1997, however, the number of State-owned Institutes (SOI) increased to 1.08 million, while the number of government agencies and organisations relatively increased to 0.273 million.<sup>71</sup>

In the Qing dynasty, Chang Chih-tung (Zhen Zhidong) emphasised China's modernisation on the base of traditional culture and developing capitalism on the base of privatisation and a free market economy. By contrast, Deng Xiaoping emphasised China's development socialist on the basis of Marxism-Leninism-Mao Zedong thoughts and the four basic principles.<sup>72</sup> The insistence of Marxism-Leninism-Mao Zedong thought inevitably confuses the Chinese leadership as well as Chinese political elites because to be free market economy is totally different from a centrally planned economy. There is no doubt that two contradictory ideologies cannot coexist. Unless the Chinese authorities clearly redefine their political position from a one-party polity to a free competitive polity, it is difficult to solve this issue in the short term.

### 8-3-2 Infrastructural Inadequacy

To modernise China's industry, it needs to improve its infrastructure particularly its communication, transportation and electricity systems. According to the Chinese Foreign Trade Minister Shi Guangsheng, China's priority import items include drinking-water systems, energy facilities and equipment, communication, transportation equipment, basic materials, environmental facilities, and hi-tech products, which will reach a total value of US\$1.5 trillion between 1999 and 2005.<sup>73</sup> To consider just one example, China's civil aircraft capability is still backward compared with other advanced countries. As table 8-3 shows, the current civil aircraft market in China has a huge potential.

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<sup>70</sup> State Statistical Bureau, *1997 Zhongguo Tongji Naian Jian (China Statistical Yearbook 1997)*, pp. 100-101.

<sup>71</sup> Ru Xin, Lu Xueyi, and Chan Tianlun, (eds.), *op. cit.*, p. 16.

<sup>72</sup> Su Yun-feng, *op. cit.*, p. 39.

<sup>73</sup> *China Daily*, 1 December 1999.

**Table 8-3: Number of Civil Aircraft in China**

Type	1985	1990	1994	1995	1996	1997	1998	2020*
Boeing 747	6	11	15	16	16	18	20	+100
Boeing 737	15	21	108	115	130	141	161	+900**
Boeing 707	10	9	5	1	NA	1	NA	+200
Boeing 767	2	6	16	17	17			
Boeing 777	-	-	-	-	-	17	15	+400***
Boeing 757	NA	9	40	44	45	46	48	
MD-82	5	25	38	39	39	39	39	
Airbus A-310	2	2	3	3	3	3	3	
Tu-154	2	20	35	33	32	32	35	
B-146	NA	10	14	14	14	14	14	
An-12	2	2	1	1	2	1	NA	
An-24	28	23	6	5	3	2	2	
Yun-7	13	45	67	67	64	58	46	
Short-360	7	7	3	2	NA	NA	NA	
<hr/>								
Numbers of Boeing Aircraft In Total Quantity	33	56	184	193	208	223	244	+1,600
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Percentage of Boeing Aircraft In Total Quantity	35.9%	29.5%	52.4%	54.1%	57.0%	59.9%	65.4%	
<hr/>								
Total	92 (404)	190 (421)	351 (681)	357 (720)	365 (750)	372 (770)	373 (801)	

Source: State Statistical Bureau, *China Statistical Yearbook 1997 (1997 Zhongguo Tongji Nian Jian)*, p. 531. *China Statistical Yearbook 1999 (1999 Zhongguo Tongji Nian Jian)*, p. 572.

\* ITAR/TASS News Agency, Oct 8, 1999. \*\* Including Boeing 757. \*\*\* Including 767

In parentheses, the number is according to 1997 and 1999 *ZTJNJ*. There is difference between the data of official statistics and the measurement of this research. As the data shows, the number in the table only includes long and middle range aircraft. In parentheses, the number includes the whole numbers of civil aircraft in China.

Significantly, China has a large number of Boeing aircraft. The percentage of Boeing aircraft has dramatically increased from 29.5 percent of 1990 to 57.0 percent of 1996. The data shows that the demand for aircraft grew rapidly in the last five years. The average growth rate of total aircraft was 4.16 percent. As table 8-3 shows, on the other hand, the average growth rate of Boeing aircraft was 8.55 percent per year, which was nearly the growth rate of GNP. According to the Boeing Aircraft Company, the growth rate of China's demand for civil aircraft would be 7.5 percent per year in the next two decades. Further, Boeing predicts China needs 1,600 aircraft worth some \$120 billion dollars in the next 20 years, according to Boeing Vice President for marketing Randolph Buzaler. He said at the 8th international air show in Beijing that, 'the Chinese aviation market will be growing at a rate of approximately 9.3 percent a year to become the world's second largest market in the next twenty years.'<sup>74</sup> There is no doubt that China is a big market for Boeing aircraft. To develop its infrastructure in the civil aviation sector, China will become

<sup>74</sup> ITAR/TASS News Agency, 8 Oct 1999.

heavily dependent on American aviation products if China decides to purchase Boeing's products.

### 8-3-3 Bureaucratic Corruption

Before reform, 'China had a well-deserved reputation as substantially free of corruption'<sup>75</sup> because 'the top Chinese leaders are not in it for the money. They want power, prestige, and distinguished roles in the history books.'<sup>76</sup> Since the reform, rapid economic growth brought many opportunities for increasing income as the same opportunities did for the people in Taiwan, South Korea, and Hong Kong have during the period of economic take-off. As a consequence, the Chinese bureaucrats have increased their income through rent-seeking activities, bribery, and interest differentials. Relationship networks, in Chinese, *guanxi* (personal connections) have been broadly used in both public affairs and private business, leading to high levels of corruption.<sup>77</sup> He Qinglian indicates that there are individuals with control of resource distribution, such as managers of SOEs. Others benefit from the lack of a clear boundary between public and private property.<sup>78</sup>

In the late 1980s, more and more people, particularly intellectuals and students, sought democratic processes to counter the worsening corruption. The crackdown on the democratic movement prevented progress in this area leaving corruption as one of the most serious social problems in China.<sup>79</sup>

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<sup>75</sup> William H. Overholt, *China: The Next Economic Superpower*, London: Weidenfeld and Nicolson, 1993, p. 70.

<sup>76</sup> *Ibid.*

<sup>77</sup> Daniel Burstein and Arne De Keijzer, *Big Dragon, China's Future: What It Means for Business, the Economy, and the Global Order*, New York: Simon and Schuster, 1998, p. 204. Also see, He Qingliang, *Xiandaihua de xianjin: dangdai zhongguo de jingji shehui wenti (The Trap of Modernisation: Contemporary Social and Economic Problems in China)*, Beijing: Jinri Zhongguo Chubanshe, 1998, pp. 168-217.

<sup>78</sup> He Qinglian, *op. cit.*, 1998, p. 199.

<sup>79</sup> See, for example, Richard Levy, 'Corruption, Economic Crime and Social Transformation Since the Reforms: the Debate in China', *The Australian Journal of Chinese Affairs*, Issue 23, January 1995, pp. 1-28. Jonathan Unger and Anita Chan, 'China, Corruptionism, and the East Asian Model', *The Australian Journal of Chinese Affairs*, Issue 23, January 1995, pp. 29-54. David Wank, 'Private Business, Bureaucracy, and Political Alliance in a Chinese City', *The Australian Journal of Chinese Affairs*, Issue 23, January 1995, pp. 55-74. Robert P. Weller, 'Matricidal Magistrates and Gambling Gods: Weak States and Strong Spirits in China', *The Australian Journal of Chinese Affairs*, Issue 23, January 1995, pp. 107-126. Lynn T. White III, 'Changing Concepts of Corruption in Communist China: Early 1950s vs. Early 1980s', *Issues and Studies*, vol. 24, no. 1, January 1988, pp. 49-95. Yufan Hao, 'From Rule of Man to

In 1982, the Standing Committee of the National People's Congress defined economic crime as: smuggling, illicit currency exchange, seeking exorbitant profits, stealing public property, speculation and profiteering, stealing valuable cultural relics, and demanding receiving bribes.<sup>80</sup> Further, in 1985, the Chinese Supreme People's Court defined corruption as 'activities by state personal who use their position to acquire public property by misappropriation, embezzlement, theft, fraud or other illegal methods.'<sup>81</sup>

According to the above definition, corruption is widespread, particularly in state-owned enterprises. Many administrative units have used state-owned land, building, and equipment to engage in profit-making activities, including the PLA's enterprises.<sup>82</sup> About 90 percent of land used by enterprises and individuals is allocated administratively rather than sold in the market. Many units sell land illegally resulting in losses to the state of over 20 billion *yuan*.<sup>83</sup> More seriously, some government officials have used public funds to pay for personal telephone bills, to buy concert tickets, even to pay children's tuition fees. In the 1989 Tiananmen demonstrations, for example, there was a popular slogan: "Sell the Benzes to Pay the National Debt."<sup>84</sup> In spite of mounting an anti-corruption campaign since 1983, the situation has become worse.

In 1993, a total of 100 billion *yuan* (12 billion US dollars at current exchange rates) was spent by the staff of government departments and state-owned enterprises on travel abroad.<sup>85</sup> These phenomena are the tip of an iceberg. The authorities prior to the 15th Party Congress had made little progress in 1997.

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Rule of Law: An Unintended Consequence of Corruption in China in the 1990s', *Journal of Contemporary China*, vol. 8, no. 22, 1999, pp. 405-423.

<sup>80</sup> Richard Levy, 'Corruption, Economic Crime and Social Transformation Since the Reforms: The Debate in China', *The Australian Journal of Chinese Affairs*, Issue 23, January 1995, p. 4. He quoted from *Xinbian qiye falu (New Version of Entrepreneur Law)*, 'Quanguo remin daibiao guanyu yanzhong zuifan' (NPC on Punishing Crimes), 8 March 1982, p. 155.

<sup>81</sup> Richard Levy, *op. cit.*, He quoted from *Xinbian qiye falu (New Version of Entrepreneur Law)*, 'Quanguo remin daibiao guanyu yanzhong zuifan' (NPC on Punishing Crimes), 8 March 1982, p. 156.

<sup>82</sup> Ricky Tung, 'The Depletion of State Assets in Mainland China', *Issues and Studies*, vol. 32, no. 1, January 1996, p. 10. Also see, David S. G. Godman, 'Corruption in the PLA', in Gerald Segal and Richard H. Yang, (eds.), *Chinese Economic Reform: The Impact on Security*, New York: Routledge, 1996.

<sup>83</sup> Ricky Tung, *op. cit.*, p. 11. He quoted from Yu Tianxin and Jia Kang, 'Question Concerning the Decrease in the Amount of State-owned Urban Land', *Caizheng (Finance)*, Beijing, 1994, no. 12, p. 47.

<sup>84</sup> Perry Link, 'China's Core Problem', in Tu Wei-ming (ed.), *China in Transformation*, Cambridge, Massachusetts: Harvard University Press, 1996, p. 192.

<sup>85</sup> Ricky Tung, *op. cit.*, p. 12.

The 15th Party Congress confirmed Jiang Zemin's leadership. With the removal of Qiao Shi from the politburo, Jiang had no serious challengers. It is arguable that he has enough power to resolve the most serious political problem - that of bureaucratic corruption. His efforts, however, are challenged by interest groups ("*guan dao*") drawn from those most affected.<sup>86</sup>

Although President Jiang Zemin has apparently endorsed the anti-corruption movement, the tradition of bureaucratic culture prevents its success in the short-term or by executive order. The fact is that members of the CCP control most resources in China's society. The CCP monopolises all things such as state-owned enterprises, mass media, financial systems, and political power. The economic system cannot operate in a normal way because of a lack of transparency and an independent supervision mechanism.<sup>87</sup> These phenomena have been well summarised in a local saying:

If you have power but no money, use your influence to obtain wealth; If you have money but no power, use your wealth money to obtain power...in this way we can all be rich and powerful.<sup>88</sup>

Political reform and the implementation of democracy would reduce the power of the current monopoly leadership and make it subject to an objective mechanism. Hence, democratisation would seem to be a necessary step in China's modernisation process.

#### **8-3-4 Incomplete Civil Society**

While China is a modernising society it, as yet, has few elements of a civil society. Some analysts believe that 'Deng's economic policies have put China on the right track, and in more than just an economic sense.' They predict that 'wealth in China will lead, as in other societies, to the creation of a middle class, a modern "civil society", and hence to political liberation as well.'<sup>89</sup> According to John A. Hall,

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<sup>86</sup> Chen Yong-fa, *op. cit.*, pp. 904-906.

<sup>87</sup> He Qinglian, *op. cit.*, pp. 191-197.

<sup>88</sup> He Qinglian, *op. cit.*, p. 205.

<sup>89</sup> Perry Link, *op. cit.*, p. 190.

Civil society was seen as the opposite of despotism, a space in which social groups could exist and move - something which exemplified and would ensure softer, more tolerable conditions of existence.<sup>90</sup>

The concept of civil society refers to 'a realm of autonomous organisations outside the state...whose members organise themselves, define their group boundaries, administer their own affairs, and engage in relations of many types with other similarly constituted groups and with the state.'<sup>91</sup> David Wank indicates, 'civil society is market-based and horizontally organized voluntary associations such as political parties, schools, professional and religious groups and the media - all of which have some autonomy from the state.'<sup>92</sup> Edward Shih thinks, 'civil society is one in which individuals pursue ends in the public or civic sphere which they themselves choose and it is the obligation of the government to maintain such a situation.'<sup>93</sup>

Chinese citizens cannot organise political groups as they wish. They cannot administer their own religious affairs or engage with foreign religious organisations. The case of the *Falun Gong* illustrates both the sensitivity of the government to independent activity and the limitations of civil society currently.

The heavy industrial focus of the PRC's development programs from the 1950s laid the basis for reasonable economic growth, but was not matched by corresponding development in other areas of the economy and society. China did not possess to a sufficient extent some of the more important prerequisites for industrialisation. These include: the availability of capital for investment in manufacturing from the sale of commercially marketable agricultural surpluses; legal codes to protect business and their

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<sup>90</sup> John A. Hall, 'In Search of Civil Society', in John A. Hall, (ed.), *Civil Society: Theory, History, Comparison*, Cambridge, UK: Polity Press, 1995, p. 1.

<sup>91</sup> Thomas B. Gold, 'Civil Society in Taiwan: The Confucian Dimension', in Tu Wei-Ming, (ed.), *Confucian Traditions in East Asian Modernity: Moral Education and Economic Culture in Japan and the Four Mini-Dragons*, Cambridge, Massachusetts: Harvard University Press, 1996, p. 246.

<sup>92</sup> David L. Wank, 'Civil Society in Communist China? Private Business and Political Alliance', 1989, in John A. Hall, (ed.), *Civil Society: Theory, History, Comparison*, Cambridge, UK: Polity Press, 1995, p. 56.

<sup>93</sup> Edward Shih, 'Reflections on Civil Society and Civility in the Chinese Intellectual Tradition', in Tu Wei-ming, (ed.), *Confucian Traditions in East Asian Modernity: Moral Education and Economic Culture in Japan and the Four Mini-Dragons*, Cambridge, Massachusetts: Harvard University Press, 1996, p. 47.

personnel; a clear concept of progress and a positive attitude toward science. Finally, industrialisation requires geographic mobility to take advantage of manufacturing and other opportunities.<sup>94</sup>

In China, the path of industrialisation was not in accordance with the above process and it was not preceded by political reform. But, as Fukuyama argues, China's recent growth creates the basis for developing some of these features of an industrialised society retrospectively. In this sense, a civil society would be established following China's economic reform. As he says,

Economic modernisation required an opening of Chinese society to foreign ideas and influences; it devolved power from the state to civil society; it offered opportunities for corruption and other social abuses that are difficult to correct in one-party political systems; and it created an increasingly well-educated and cosmopolitan elite in the large cities that served as the functional equivalent of a middle class.<sup>95</sup>

China's economic development may well create a middle class. In particular, following the reform, the growth rate of private business has been rapid. According to *China Statistical Yearbook 1997*, the number of private businesses such as individual family businesses (*getihu* - less than 10 employed) grew from 150,000 in 1978 to 14 million in 1988. In total, the number employed in private enterprises had grown from 1.7 million in 1990 to 11.71 million in 1996. On the other hand, in urban areas, *getihu* had grown from 6.14 million in 1990 to 17.09 million in 1996.<sup>96</sup> The growth rate of *getihu* nearly tripled from 1990 to 1996. These private enterprises grew much more rapidly than the economy, increasing tenfold during the same period. The continued expansion of the privatised economy, nonetheless remains an increasingly strong pressure for political reform. The demand for autonomy arising from these developments will have a major impact on China's political, economic and social structure.

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<sup>94</sup> June Teufel Dreyer, *China's Political System: Modernisation and Tradition and Asia-Pacific Regional Security*, (2nd ed.), London: Macmillan, 1996, pp. 39-40.

<sup>95</sup> Francis Fukuyama, *The End of History and the Last Man*, New York: Penguin, 1992, pp. 33-34.

<sup>96</sup> State Statistical Bureau, *1997 Zhongguo Tongji Nianjian Jian (China Statistical Yearbook 1997)*, p. 97.



During the 1980s, 'China was widely held to be at the forefront of the waves of liberalisation sweeping the communist world.'<sup>97</sup> At that moment, China's re-emerging market economy and private businesses were flourishing. It was a possibility to develop a civil society. But there are some disadvantageous conditions existing in the Chinese society, as John A. Hall indicates, which are despotism, traditional civic virtue, nationalism, Marxism, and traditional culture.<sup>98</sup> These negative elements impact on the development of civil society. Currently, the communist regime is using these, particularly nationalism, as the weapons to prevent the Chinese society from changing.

### 8-3-5 Lack of Management

To accelerate its economic growth, inevitably, China requires high quality human capital. The higher educational system provides a useful mechanism for developing it. The development of China's higher education is the greatest stimulus to modernisation as Japan found in the 1870s. In Japan's case, a fifth of annual expenditure on education went on sending students overseas.<sup>99</sup> Historically, China adopted the same strategy from the 1870s, but in the 1950s, Chinese students went to the Soviet Union and domestically it adopted a Soviet style education system. In the 1950s, the strategy of studying abroad 'was geared to serve the technical needs of the economy, with emphasis on technical training, engineering, natural sciences, planning and accounting, with more limited opportunities in social sciences and the arts.'<sup>100</sup>

Despite China's integration into the world economy, there are shortages of skilled manpower in the areas of financial market management, international trade, stock markets and enterprise management. Chinese scholars have argued that China needs twenty million more personnel with higher education training in professional fields by the beginning of

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<sup>97</sup> David L. Wank, 'Civil Society in Communist China? Private Business and Political Alliance, 1989', in John A. Hall, (ed.), 1995, p. 56.

<sup>98</sup> John A. Hall, *op. cit.*, pp. 7-15.

<sup>99</sup> M. D. Shipman, *Education and Modernisation*, London: Faber and Faber, 1971, p. 208.

<sup>100</sup> Gur Ofer, 'The Modernisation of Russia and China', in S. N. Eisenstadt, (ed.), *Patterns of Modernity, Vol. II: Beyond the West*, London: Frances Pinter, 1987, p. 47.

the twenty-first century.<sup>101</sup> China's education institutes, however, cannot educate sufficient human capital. In 1995, there were 3,021,079 tertiary students (including 1,794,630 taking normal courses and 1,226,449 taking short-cycle courses). In addition, there were 838,638 graduate students.<sup>102</sup> Although the number of enrolments significantly increased to 965,812 in 1996, China was not able to educate more than five million people through its higher education system by the year 2000. It is claimed, for example, that China needs eight million professionally trained people in the finance, management, and economics sectors by the year of 2000 but can only supply three million.<sup>103</sup> Educational training from abroad provides a rapid way of meeting the shortfall. As the World Bank claimed, 'overseas training and international cooperation could help China to break into the frontier of scientific knowledge, thereby opening the way to new research possibilities, and to promote cost-sharing of expensive facilities.'<sup>104</sup> Between 1978 and 1993, approximately 220,000 Chinese students went abroad to study. By far the largest number went to the United States, over half the total, but 'only about 2 per cent of the privately funded students had returned to China.'<sup>105</sup> This situation is similar with the trend of development in Taiwan and South Korea during the 1970s and 1980s. It is possible that Chinese society, like those of Taiwan and South Korea before it, may benefit from the return of these students if it is willing to reward them financially and allow them freedoms equivalent to those they might experience elsewhere.

Since the advent of China's reform program, its educational achievement has significantly improved. As table 8-4 shows, the proportion of school age children attending school has increased from the 7th Five-Year Plan (FYP) to the 8th. The number of tertiary students increased from 609,000 at the end of the 7th FYP to 900,000 at the end of 8th. The proportion at each level also increased.

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<sup>101</sup> Zhen Sheng, 'Dalu Jiayu Gaige Xianzhuang Yu Wenti (The Current Situation and Problems of China's Educational Reform)', *Zhonggong Yanjiu (Studies on Chinese Communism)*, vol. 32, no. 7, July 1998, p. 70.

<sup>102</sup> Department of Planning and Construction, State Education Commission, *Educational Statistics Yearbook of China 1996*, Beijing: People's Education Press, 1996, pp. 20-21.

<sup>103</sup> Zhen Sheng, *op. cit.*, p. 70.

<sup>104</sup> The World Bank, *A World Bank Country Study, China: Higher Education Reform*, 1997, p. 110.

<sup>105</sup> Colin Mackerras, Pradeep Taneja and Graham Young, *op. cit.*, p. 172.

**Table 8-4: Educational Achievement during the Eighth Five-Year Plan**

	7FYP (1986-1990)	8FYP (1991-1995)
Proportion of School Age Children Attending School	97.8%	98.4%
Proportion of Primary School Graduates Moving to Higher School	74.6%	86.6%
Proportion of Middle School Graduates Moving to Higher School	40.6%	46.4%
Number of Students Recruited To Colleges and Universities	609,000 (End of 7FYP)	900,000 (End of 8 FYP)

Source: *The China Quarterly*, No. 145, March 1996, p. 247.

In the 1990s, China's education system, while improved, continues to have serious difficulties. Despite Deng Xiaoping's emphasis on primary and secondary education as well as tertiary,<sup>106</sup> China currently has a smaller proportion of college-educated people than other developing countries in Asia (see table 8-5).

**Table 8-5: Percentage of Age (16-25) Group Students Enrolled in Tertiary Education System in Developing Countries in Asia, (Percentage of Tertiary Students in 1992)**

China	2%
Indonesia	10%
Philippines	28%
Thailand	19%
South Korea	42%

Source: The World Bank, *World Development Report 1995*, pp. 216-217.

China's modernisation will require a higher percentage of university enrolments and improved academic standards. According to the *China Statistical Yearbook 1997*, there were 3,739 Chinese articles in technical and scientific fields published at international conferences.<sup>107</sup> Compared with the four East Asian tigers' academic performance in the science and engineering fields, however, China's research output would seem to be inadequate. In 1993, there were 15,344 science and technical publications presented at international conferences and published in refereed journals by scholars from the four tigers'.<sup>108</sup>

<sup>106</sup> Deng Xiaoping, *Speeches and Writings*, New York: Pergamon, 1984, p. 55.

<sup>107</sup> State Statistical Bureau, *1997 Zhongguo Tongji Nainian Jian (China Statistical Yearbook 1997)*, p. 676.

<sup>108</sup> Otto C. C. Lin, 'Science and Technology Policy in Taiwan', in Henry S. Rowen, (ed.), *Behind East Asian Growth: The Political and Social Foundations of Prosperity*, New York: Routledge, 1998, pp. 190-191.

Furthermore, China's research and development budget expenditure was smaller than other major countries despite its higher growth rate. As table 8-6 shows, the proportion of research and development expenditure relative to GNP has been maintained at the low level of 0.5 percent since 1994.

**Table 8-6: The Portion of Research and Development Expenditure in Major Countries**

Country or Territory	Year	R & D as % of GNP
United States	1988	2.9
Japan	1991	3.0
Germany	1991	2.6
United Kingdom	1993	2.2
France	1993	2.5
Canada	1994	1.6
Australia	1990	1.4
Singapore	1994	1.1
South Korea	1994	2.8
Taiwan	1994	1.7
China	1996	0.5

Source: State Statistical Bureau, *China Statistical Yearbook*, 1997, pp. 817 and 850.

**Table 8-7: Comparison of Major Countries in Science and Education Investment**

Country	Tertiary Student Enroll Natural And Applied Science (as % of Total Tertiary students) 1995	R and D Scientist and Technicians (per 1,000 people) 1990-1996	Public Expend on Education (as % of GNP)		Total Gov. Expend (as % of GNP) 1993-95	Higher Education Expend (as % of all level education expend) 1990-95
			1985	1995		
China	37	0.55	2.5	2.3	12.2	16.5
India	NA	0.25	3.4	3.5	12.1	13.6
HK	36	0.19	2.8	2.8	17.0	37.1
South Korea	39	2.93	4.5	3.7	17.4	7.9
Thailand	19	0.16	3.8	4.2	20.1	16.5
Malaysia	NA	0.16	6.6	5.3	15.3	16.8
Canada	NA	3.66	6.6	7.3	13.7	34.6
USA	NA	3.6	4.9	5.3	14.1	23.3
Australia	29	3.95	5.6	5.6	13.6	29.5
Germany	35	4.28	NA	4.7	9.4	21.8
Japan	23	7.12	NA	3.8	10.8	13.5
OECD Countries	27.8	5.7	6.8	8.0	12.5	25.4
All Developing	NA	0.4	4.1	3.8	15.8	18.1
Industries	32.5	3.8	5.1	5.2	12.3	20.7
World	NA	1.3	4.9	4.9	12.9	20.5

Source: *United Nation Development Programme Annual Report*, 1997. URL: <<http://www.undp.org/ieduc.htm>>

According to table 8-7, the percentage of China's higher education expenditure at all levels (16.5%) is lower than international levels, even lower than that of all developing countries (18.1%). China's public expenditure on education as a percentage of GNP (2.3%

in 1995) is also lower than that of the world (4.9%) as well as that of the developing countries (3.8%).

Most of China's experts trained in the Soviet Union in the 1950s studied in the fields of science and engineering. China's expertise in management is less developed and its need at this time is great.

Political considerations constrain the development of China's management expertise, as John Lewis Gaddis indicates:

Authoritarian government might indeed set industrialisation in motion, as the Soviet Union's experience under Stalin had shown. But the effective management of an industrial economy would require mass education; peasants do not automatically become technocrats. Education, though, would raise political consciousness, thereby creating the risk that a politically aware population would not indefinitely accept political repression. The choice Marxism-Leninism would eventually face, then, would be a bleak one: either dismantle authoritarianism in order to save the economy, or ruin the economy in order to save authoritarianism.<sup>109</sup>

China's modernisation, however, will require a great deal of expertise in financial and enterprises management. The Chinese leaders view their situation in a more technocratic sense, seeing science and technology as easily adaptable to China's developmental needs. This idea has a long history. As former Prime Minister Zhao Ziyang said, 'the new technological revolution or information revolution may help China skip over some of the stages which have been experienced by other developing countries.'<sup>110</sup>

China has long had the attitude that developing science and technology with rapid speed will enable it to overtake developed countries. The development of a civil society, however, involves more than science and technology.

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<sup>109</sup>John Lewis Gaddis, 'International Relations Theory and the End of the Cold War', *International Security*, vol. 17, no. 3, winter 1992/93, p. 41.

<sup>110</sup>Carol Lee Hamrin, *China and the Challenge of the Future: Changing Political Patterns*, London: Westview, 1990, p. 213.

China's higher education teachers are poorly qualified by international standards. According to *Education Statistics Yearbook of China 1996*, there were only 3.11 percent of teachers with doctoral degree in higher education, including universities and colleges (see table 8-8).

**Table 8-8: Full Time Teachers by Academic Qualification in Regular Higher Education in China, 1996**

TOTAL	WITH DOCTOR'S DEGREE	WITH MASTER'S DEGREE	WITHOUT ADVANCED HIGH DEGREES	WITH BACHELOR'S DEGREE	SOME HAVING SOME POSTGRADE TRAINING	WITHOUT BACHELOR'S DEGREE	OTHER
402,469	12,532	85,775	8,316	196,357	584	74,594	24,311
Percentage (%)	3.11	21.31	2.06	48.79	0.15	18.53	6.04

Source: Department of Planning and Construction, State Education Commission, *Educational Statistics Yearbook of China, 1996*, Beijing: People's Publisher, 1996, pp. 28-29.

**Table 8-9: Full Time Teachers by Academic Qualification in Regular High Education in Taiwan (Universities and colleges), 1997**

TOTAL	WITH DOCTOR'S DEGREE	WITH MASTER'S DEGREE	WITH BACHELOR'S DEGREE	WITH DIPLOMA	OTHER
26,563	12,518	8,713	4,866	334	132
Percentage (%)	47.13	32.80	18.32	1.26	0.49

Source: Ministry of Education, *Education Statistics of the Republic of China*, Taipei: Ministry of Education, 1998, p. 103.

Taiwan, for example, had 47.13 percent of its university teachers with doctoral degrees in 1997 (see table 8-9 and 8-10). China continues to encourage its overseas students to return to China but low wages and conditions and political constraints continue to deter them.

**Table 8-10: Full Time Teachers by Academic Qualification in Regular High Education in Taiwan (Junior Colleges only), 1997**

TOTAL	WITH DOCTOR'S DEGREE	WITH MASTER'S DEGREE	WITH BACHELOR'S DEGREE	WITH DIPLOMA	OTHER
12,243	1,143	7,839	2,615	569	77
Percentage (100%)	9.36	64.03	21.36	4.65	0.63

Source: Ministry of Education, *Education Statistics of the Republic of China*, Taipei: Ministry of Education, 1998, p. 105.

China has a total of 1,032 universities and colleges. Taiwan, on the other hand, has 78 universities and colleges.<sup>111</sup> China has 1.2 billion people with 1,032 universities – or one university for every 1.16 million people. Taiwan, on the other hand, has 22 million

<sup>111</sup> Department of Planning and Construction, State Education Commission, *Educational Statistics Yearbook of China 1996*, Beijing: People's Education Press, 1996, p. 16. Ministry of Education, *Education Statistics of the Republic of China*, Taipei: Ministry of Education, 1998, p. 100.

people with 78 universities – or one university for every 0.28 million people. Obviously, there is much space for improving China's higher educational system. Compared to China's situation, Taiwan's modernisation is associated with higher education levels, boosted by the overseas study of its postgraduate students, particularly in the US, UK, Canada and Australia. As a result, these graduates provide Taiwan's society with a significant resource to develop its economic and political situation. For example, the outcome of economic growth increases the demand for education. Relatively, the larger the number of educated people existing in China's society, the greater the diversity of society. Therefore, while more and more young Chinese have higher educational degrees, Chinese society is moving toward one with a rising middle-class that will be a social force pushing for China's democratisation. The next section will discuss the patterns of modernisation. There is a large literature discussing the patterns of China's modernisation that deal with internal arguments such as socialism or capitalism, centralism or decentralism, westernisation or Chinese characteristics and external stimulants such as overseas students and foreign relations. This thesis mainly focuses on the argument concerning western democracy and Chinese characteristics, which is related to the process of China's modernisation.

#### **8-4 Western Democracy vs. "Chinese Characteristics"**

Following China's reform, the process of China's modernisation has been characterised by rapid economic growth, industrialisation, and urbanisation. Despite a significant achievement in the economic sector, Chinese society is facing a dilemma: the dichotomy of economic reform and political conservatism. In the process of negotiating with China's representatives, for example, the West always faces an argument that the so-called "sovereignty cannot be interfered with". Meanwhile, many Chinese often argue that western values and norms such as democracy and human rights are not suitable for China 'because the country is poor, and its people lack sufficient knowledge of democracy, and do not want democracy anyway.'<sup>112</sup>

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<sup>112</sup> Baogang He, *The Democratization of China*, New York: Routledge, 1996, p. 63.

In this sense, '[t]here is a broad consensus in China about which policies were crucial to the rise of the people from hunger and the nation from humiliation.'<sup>113</sup> The Chinese government and many intellectuals claim that every country has its specific condition (*guoqing*) that precludes foreign governments from interfering China's domestic affairs because it relates with its sovereignty.<sup>114</sup> On the other hand, while China is moving toward the path of modernisation, it is an inevitable result that the economic structure is changing from socialism to capitalism. China insists on constructing a socialist democracy.<sup>115</sup> Deng's intention was clear: 'economic reform, yes; political reform, no.'<sup>116</sup>

Since the reform process began, the overwhelming priority given to economic development has gradually moved China toward a market economy. According to Francis Fukuyama, the relationship between economic development, education levels and democracy is highly correlated.<sup>117</sup> In regard to developing democracy, there are two different views arguing the path of democratisation in China. 'Conservatives advocate reform, but at a measured pace, because they worry about social stability and inflation. Liberals want to move forward briskly with less concerns about inflation and social tremors.'<sup>118</sup> In general, the Chinese government and the Communist Party are facing precisely this dilemma - which reform path should be followed and what methods should be used and to what extent.

Discussing the preconditions of democracy, Samuel P. Huntington says, 'In terms of explaining different patterns of political and economic development, ... a central

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<sup>113</sup>William H. Overholt, 'China After Deng', *Foreign Affairs*, vol. 75, no. 3, May/June 1996, p. 66.

<sup>114</sup>Suisheng Zhao, 'Chinese Intellectuals' Quest for National Greatness and Nationalistic Writing in the 1990s', *The China Quarterly*, no. 152, December 1997, p. 743. Also see China's President Jiang Zemin spoke at the Joint Press Conference when he visited Washington in October 1997.

URL: <<http://www.whitehouse.gov/WH/New/html/19971029>>

China's Premier Zhu Rongji spoke at the Joint Press Conference when he visited Washington in April 1999. URL: <<http://www.whitehouse.gov/WH/New/html/19990408-1109>>

Also see David M. Lampton and Gregory C. May, *Managing US-China Relations in the Twenty-First Century*, Washington DC: The Nixon Center, Internet version, p. 36.

URL: <<http://www.nixoncenter.org>>

<sup>115</sup>See Deng Xiaoping's speech at a forum on the principles for the Party's theoretical work, 'Uphold the Four Cardinal Principles', *Deng Xiaoping Selected Writings*, vol. II, *People's Daily* on line.

URL: <<http://202.99.239/english/dengxp/vol2/text/b1290.htm>>

<sup>116</sup>Perry Link, *op. cit.*, p. 189.

<sup>117</sup>Francis Fukuyama, *The End of History and the Last Man*, New York: Penguin, 1992, pp. 109-125.

<sup>118</sup>William H. Overholt, 'China After Deng', *Foreign Affairs*, vol. 75, no. 3, May/June 1996, p. 66.



independent variable is culture.<sup>119</sup> In his definition of democracy, Huntington indicates, 'elections, open, free, and fair, are the essence of democracy'.<sup>120</sup> He also indicates China has three obstacles to developing democracy: political, economic, and cultural.<sup>121</sup> There are few relationships between economic development and democracy. Will democracy occur following economic growth? Is the economic development a necessary condition for democracy? Without a rapid economic growth, will the society automatically move toward a democracy? The US developed democracy in the eighteenth century before its industrialisation and economic growth. Middle East countries economic growth resulted from oil export, which brought huge wealth to these countries in the 1970s but there was no full-scale democracy. In East Asia, the four tigers had rapid economic growth but only South Korea and Taiwan developed democracy. China, in the 1980s and 1990s, has significant economic growth but it does not have democracy.

Following its rapid economic growth and the collapse of Soviet Union, many believe that China could have had an opportunity to establish a democratic polity. After the Tiananmen crackdown, the hope of democracy seemed to disappear. The Chinese authorities clearly states that 'the party needs absolute control over the media to prevent unrest - that dissonant voice will only encourage chaos.'<sup>122</sup> Because they fear the demand of democracy will bring political chaos, they have not allowed the democracy movement to occur again. Although in Jiang's speech there was talk of "democracy", he claimed democracy can grow only 'under the rubric of the "People's Democratic Dictatorship".'<sup>123</sup>

The same attitude appears in the dialogue of the Chinese authorities, particularly Jiang's spokesman who emphasise that 'democratic supervision of government bears no resemblance to Western-style democracy.'<sup>124</sup> In this logic, with what kind of values and norms are suitable for China's democratisation? If it is the indigenous and traditional culture, then what is it?

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<sup>119</sup> Samuel P. Huntington, 'The Goal of Development', in Myron Weiner and Samuel P. Huntington, (eds.), *Understanding Political Development: An Analytic Study*, Boston: Little and Brown, 1987, p. 22.

<sup>120</sup> Samuel P. Huntington, *The Third Wave: Democratization in the Late Twentieth Century*, Oklahoma: University of Oklahoma Press, 1991, p. 9.

<sup>121</sup> Samuel P. Huntington, *The Third Wave*, *op. cit.*, pp. 295-315.

<sup>122</sup> Matt Forney, 'Jiang's Big Bet', *Far Eastern Economic Review*, 25 September 1997, p. 15.

<sup>123</sup> *Ibid.*

<sup>124</sup> *Ibid.*

If the CCP claimed it should maintain traditional culture, there is no space for the CCP to survive because neither communism nor democracy is Chinese traditional culture. Chinese society is facing a vacuum of values and institutions, which can help restructure a civil society.<sup>125</sup> The CCP claims new China was born on 1 October 1949. It means that there was neither old China nor old culture. So, what is the essence of Chinese political culture? In short, the CCP has ruled China for fifty years and has developed values and norms based on the ideology of communism. The so-called “democracy is not suitable for China” appears merely as an excuse to protect the CCP’s survival.

There is a wide belief among Chinese elites and intellectuals that China’s low education level rule out the rapid introduction of broad democracy. As Liu Ji, a vice president of the Chinese Academy of Social Sciences, interviewed by the *Far Eastern Economic Review*:

We now have about 200 million illiterates. A lot of people only have a primary-school education. Do you give such a person the right to vote? Of course you should. But is his vote worth as much as the veto of a PhD who has returned from America? Or of a university professor? Or of a government official? *They are not equal. Someone who is illiterate does not have the ability to choose* [emphasis added]...If we gave everybody a vote, when their votes are of different value, then a lot of good resolutions put forward by intellectuals would never pass, because *intellectuals are in the minority* [emphasis added].<sup>126</sup>

According to Liu’s explanations, the Chinese authorities cannot allow democracy until the Chinese people are educated. In particular, they think that intellectuals’ votes are more valuable than that of others’. Further, they consider that illiterates do not have the ability to choose a government. Interestingly, by the end of 1998, 60 percent of China’s 900,000 villages had held village chief election.<sup>127</sup> This phenomenon reveals that the

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<sup>125</sup> Perry Link, *op. cit.*, p. 191.

<sup>126</sup> Susan V. Lawrence, ‘False Dawn’, *Far Eastern Economic Review*, 1 October 1998, pp. 26-28.

<sup>127</sup> Editorial, ‘Chinese Farmers Savor Sweetness of Democracy’, *Xinhua News Agency*, 17 May 1999.

Chinese people do not need to be intellectual before they can vote. In fact, the Chinese authorities do not want democracy as a democracy may endanger the regime. Moreover, if the regime becomes a democratic then intellectuals could freely criticise the ruling party. 'As Mao feared, the technological intelligentsia became the principal bearer of "bourgeois liberalism", and played a key role in the subsequent economic reform process.'<sup>128</sup>

Democracy provides the kind of mechanisms necessary to stabilise political situations.<sup>129</sup> China's politics emphasises individual politics - rule by leaders - (*renzhi*) rather than institutional politics - rule by law - (*fazhi*).<sup>130</sup> This political concept originated from Chinese traditional culture - the so-called Confucianism as a state ideology.<sup>131</sup> To compare Confucianism with Western democracy, Shaohua Hu indicates the similarities and differences between them. Both believe the interests of rulers and people to be closely related and mutually beneficial; both oppose despotism but defend people's rights and interests; both advocate active participation in politics; both place a premium on civic virtue; and both have strong egalitarian tendencies.<sup>132</sup>

But Confucianism does not automatically develop democracy. Shaohua Hu further indicates that Confucianism has a different view of human nature, places a premium on family that regards filial piety as the uttermost virtue in Chinese society and makes a value of respecting or obeying authority, accepts hierarchy, and strongly relies on morality, and is not concerned with the process of selecting rulers.<sup>133</sup> As a result, China did not develop democratic values because political elites and rulers misconstrued Confucianism. They narrowly emphasised obedience and filial piety and neglected the traditions of political culture/philosophy.

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<sup>128</sup> Francis Fukuyama, *The End of History and the Last Man*, New York: Penguin, 1992, p. 96.

<sup>129</sup> Francis Fukuyama, *op. cit.*, pp. 115-119.

<sup>130</sup> In Chinese, *renzhi* has two meanings. One means that statecraft depends on the characters of the ruler. The other means policy decisions made by leaders' wills rather than by the institutional process. For example, Law is constituted through institutional process that is a common sense in many countries. But, in China, the representatives are selected by the leader or the party's decisions rather than elected by the general public through a democratic process. In this case, the authority indirectly makes the Law and is beyond the Law. As an example, the PRC's Constitution provides the freedom of speech and religions to all Chinese. But the CCP leaders have the authority to restrain which religions are legal. In this case, the essence of *renzhi* means that the leaders significantly control law. Law, indeed, becomes a political tool for the leaders to control and to protect the CCP regime.

<sup>131</sup> Shaohua Hu, 'Confucianism and Western Democracy', *Journal of Contemporary China*, vol. 6, no. 15, 1997, pp. 347-363.

<sup>132</sup> Shaohua Hu, *op. cit.*, pp. 351-353.

<sup>133</sup> Shaohua Hu, *op. cit.*, pp. 353-355.

As a result, Confucianism became the people obeying the ruler(s), particularly the emperor because the emperor symbolised the greatest father or the *Son of Heaven (Tianzi)*. For two thousand years *after Confucianism*, China did not have democracy because its authoritarian “political culture” emphasised the importance of “loyalty”. In this system, which lasted for a thousand years, intellectuals and officials had to obey the emperor's will in order to prove their loyalty. If this was judged to be lacking, they would lose their jobs, lives, and properties because the royal family controlled various resources in the feudal age. Hence, the “loyalty” was emphasised and superior to other essences of Confucianism. As Shaohua Hu argues, ‘Confucianism did not create, but was created by, authoritarianism. In fact, Legalism played a very important role in Chinese politics its Machiavellian tradition.’<sup>134</sup> Essentially, ‘Confucianism is neither democratic nor anti-democratic; it is appropriate to call it a-democratic.’<sup>135</sup>

In retrospect, Confucius emphasised the only persons who can be called “gentlemen” are those who serve their lord according to the Way (*dao*) and who, when this is no longer possible, relinquish office. As he said, ‘[I]et yourself be seen when the Way prevails in the Empire, but keep out of sight when it does not.’<sup>136</sup> In other word, to serve the ruler is a duty of “gentleman”, but once the ruler parts from the Way, to resign is also a duty of gentleman. In this logic, “loyalty” is a priority. It is not blind obedience. If the ruler parts from the Way, a gentleman should choose the Way rather than the ruler.

Inheriting Confucius’ ideas, Mencius (Meng Ke) defended the people’s rights to rebellion.<sup>137</sup> He further explained the idea that the ruler is set up by Heaven for the benefit of the people. Thus, a ruler deserves to keep his power only if he carries out his duty. ‘If a ruler does not, he should be removed.’<sup>138</sup> Therefore, Mencius believes that ‘the people are of supreme importance; the altars to the gods of earth and grain come next; last comes the ruler.’<sup>139</sup> In other words, if a ruler endangers the state of which the altars to the gods of

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<sup>134</sup>Shaohua Hu, *op. cit.* p. 358.

<sup>135</sup>Shaohua Hu, *op. cit.*, p. 355.

<sup>136</sup>D. C. Lau, *The Analects: Confucius*, Book 8: 13, 1992, p. 73.

<sup>137</sup>Shaohua Hu, *op. cit.*, p. 352.

<sup>138</sup>D. C. Lau (translated with an introduction), *Mencius*, New York: Penguin, 1970, p. 37.

<sup>139</sup>Shaouha Hu, *op. cit.*, p. 352. He cited from *Mencius* with unknown publisher, date and page. According to his quotation ‘the people are the most important element in a nation; the spirits of the land and grain are the next; the sovereignty is the lightest.’ This meaning is subtly different from other translation. See D. C. Lau’s translation, *op. cit.*, p. 37.

earth and grain are the symbol, so does he endanger the people and he ought to be replaced. Even the gods of earth and grain are not above replacement if, in spite of the fact that sacrifices are duly offered to them, they fail to prevent floods and droughts from occurring, which harm the people.<sup>140</sup>

Mencius emphasises the importance of the people above the sovereignty of state and the ruler. Observing Mencius' political theory, which looks upon politics as a branch of morals, it emphasises the relationship between the ruler and the people as a special case of the moral relations between individuals. Once the relationship deteriorates, the ruler has to take all responsibilities. As a result, the ruler must be concerned with the needs of the people rather than himself. Most importantly, authority and power originally came from the people because of the needs of people. In Mencius' theory, political stability is not secured by mere authoritarian maintenance of the regime but by satisfying the needs of the people.

In the feudal age, individualism was prohibited. On the other hand, collectiveness was emphasised. After liberation, traditional feudalism went but collectiveness has still been emphasised by the CCP regime. The Chinese government continually twists the essence of Confucianism. They insist there is no democratic element in Chinese culture because maintenance of social order and respect for hierarchy are central values of Confucianism.<sup>141</sup>

Their main purpose is to prevent ruling party from being overthrown, particularly, as China moves along the path of reform. *Stability* is the most important element, as Deng Xiaoping emphasised.<sup>142</sup> Therefore, to maintain stability (social and political order) and to prevent a dictatorship from changing into a democracy is a political issue not merely a cultural issue. There is a wide belief that democracy is a political system of general public voting, two party politics, and adopting of a Constitution. But the essence of democracy is not only a principle of equal voting but also a system of independent supervision.

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<sup>140</sup>D. C. Lau, *op. cit.*, pp. 37-38. Mencius further developed this statement as: 'when a feudal lord endangers the altars to the gods of earth and grain he should be replaced. When the sacrificial animals are sleek, the offerings are clean and the sacrifices are observed at due times, and yet floods and droughts come, then the altars should be replaced.'

<sup>141</sup>Samuel P. Huntington, *The Third Wave, op. cit.*, pp. 300-311.

<sup>142</sup>Deng Xiaoping spoke to President George Bush on 26 February 1989 before the Tiananmen Square massacre occurred. He said, 'China must reform but must have a stable political environment.' See *Deng Xiaoping Selected Writings (Deng Xiaoping Wen Xuan)*, vol. III, p. 284.

Democracy is not only an institution but also a fair operating system - transparency of decision-making and good governance.

Western democracy has often been related to the values of Christianity. But western democracy does not automatically follow since Christianity also emphasises the importance of obedience.<sup>143</sup> In this sense, democracy should not have occurred in Europe, the US, and other democratic nations. In fact, democracy occurred through political struggle. People were dissatisfied with rulers who neglected their needs and interests, therefore, people demanded more autonomy from the ruler. If people argue that democracy is a cultural phenomenon, there should not be a republican America nor France. Democracy is not an issue of culture but a political one. In the fifteenth century, European rulers defended a “state ruled by divine right”, which was defending their ruling status according to the tradition of Christianity. If we examine the history of Christianity, which extended from the legacy of Israel, however, it too did not have a king in the period of Judges but the people, according to the Bible, asked for a king and God obliged with, King Saul, thus giving rising to the birth of the monarchy.<sup>144</sup> Accordingly, democracy is the outcome of choosing governing authority through a legitimate process, which has been accepted by the people rather than by the rulers. It is not related to traditional culture nor is it consistent with morality.

Today, the Chinese are free enough to travel, to emigrate, and to communicate. People make no moves that could threaten the leadership of the Chinese Communist Party and are free to make money.<sup>145</sup> It is difficult to blockade outside information flowing into China although the Chinese government strictly controls the web site host service. China is not a totally totalitarian state because economic openness has accelerated societal change. The idea of democracy has been suppressed but will arise again if China faces proper external pressures and internal driving forces. As Fukuyama says, ‘totalitarianism was not sufficient to kill the democratic idea in these societies (the Soviet and East Europe), but its legacy constrained their ability to democratise subsequently.’<sup>146</sup> Although the traditions of

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<sup>143</sup>The Book of Romans, 13:1 ‘Everyone must submit himself to the governing authorities, for there is no authority except that which God has established. The authorities that exist have been established by God.’ See *The NIV Study Bible*, Grand Rapids, MI: Zondervan Publishing House, 1995, p. 1728.

<sup>144</sup>The Book of 1 Samuel, 8: 1-9, *The NIV Study Bible*, *op. cit.*, p. 382.

<sup>145</sup>Perry Link, *op. cit.*, p. 189.

<sup>146</sup>Francis Fukuyama, *The End of History and the Last Man*, *op. cit.*, p. 33.

Confucianism affect Chinese democratisation, the success of democracy in Taiwan provides a convincing example: 'Confucianism has received much better treatment in Taiwan than it has in Mainland China, but it is Taiwan which has succeeded in establishing a democratic system.'<sup>147</sup>

## 8-5 Conclusion

This chapter demonstrates that China's modernisation has not yet been fulfilled because internal weaknesses, such as huge SOEs deficits and increasing unemployment, inadequacy of infrastructure, incomplete civil society, and lack of management manpower and educational difficulties. These internal weaknesses retard the process of China's modernisation. The key point is that China has not developed a full democracy. Without democracy, China's politics lacks of a supervisory system to balance its monopoly party. As a result, corruption impacts on the equality of resource distribution restraining China's modernisation. Throughout China's history, every dynasty collapsed because of bureaucratic corruption, civil war, fiscal deterioration, economic backwardness, and political disintegration. External invasion also caused dynastic collapse. Initially, every new dynasty was based on good governance, strengthened political structures, a strong military force, an integrated society and an efficient bureaucracy. Some dynasties expanded Chinese territory. Some created a magnificent culture. While the speed of historical evolution has accelerated, the above patterns are still in evidence. The CCP regime has often been considered in this historical context and its current dilemmas are similar in important ways to the final periods of the dynasties that preceded it.

Internal regime collapse in China has frequently given rise to external intervention, which, in turn, has promoted regime change. Such was the case in the Qing, Ming, Yuan, Song, Tang and Han dynasties. While the CCP regime has been responsible for major improvements in living standards, it is not a regime of good governance. Widespread corruption, inadequate fiscal systems, backwardness of infrastructure in most rural and some urban areas, and ossified political structures are commonly noted. Inequality has become a major source of internal conflict. China's military, while increasing its power,

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<sup>147</sup>Shaohua Hu, *op. cit.*, p. 363.

has become involved in business management and is linked with smuggling, corruption and crime.

Without a further political reform - democracy, China's internal difficulties will be exacerbated and it will run the risk of dynastic collapse. The increasing exposure of Chinese students and officials to western societies and the increasing involvement of China in world forums such as the WTO will continue to generate a drive for political reform.<sup>148</sup>

Taiwan's experience of modernisation bears consideration when examining China's current efforts to achieve similar outcomes. As Willem Van Kemenade says 'Deng Xiaoping had a great deal of respect for Chiang Ching-Kuo, the President of Taiwan at that time, and that he considered Taiwan to be a model for Chinese development.'<sup>149</sup> Historically, many Taiwanese elites got postgraduate degrees from the US but few people returned until the end of 1980s when political authoritarianism was fading away. In particular, political space became freer after martial law was abolished in 1987. The same thing is happening to the Chinese students. For the time being, 'they do not wish to return to China, not trusting the government's promise to let them travel in and out freely.'<sup>150</sup> In Chinese, "*liu xue*" means study abroad but also carries the informal meaning of staying in a foreign country studying. The trend may have declined slightly because the Chinese government offers better conditions for them now and maybe 'due in part to the rise in nationalist feeling.'<sup>151</sup>

The rapid increase in living standards that has resulted from the reforms has produced a number of outcomes. One of the more notable of these is that more and more Chinese students have chosen to study abroad, bringing to life the dream of many Chinese throughout the last century - "a dream of studying abroad" (*liuxue meng*). Many such students have been able fulfil their dreams but not all return to China. Will they affect Chinese society after they complete their study if they return to China? What are the factors that influence Chinese students to return or to stay abroad? In next chapter, the nature and relevance of the Taiwan model will be discussed. In particular, the relationship

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<sup>148</sup>This phenomenon will be discussed in chapter 10.

<sup>149</sup> Willem van Kemenade, (translated from the Dutch by Diane Webb), *China, Hong Kong, Taiwan, Inc.: The Dynamic of a New Empire*, New York: Alfred A. Knopf, 1997, p. 152.

<sup>150</sup> Willem van Kemenade, *op. cit.*, p. 153.

<sup>151</sup> Colin Mackerras, Pradeep Taneja and Graham Young, (eds.), *op. cit.*, p. 172.



between Taiwanese modernisation and the development of democratic institutions will be examined in the context of China's attempt to achieve modernisation with democracy.

## Chapter Nine: The Taiwan Model

*A twentieth century political system is democratic to the extent that its most powerful collective decision makers are selected through fair, honest, and period elections in which candidates freely compete for votes and in which virtually all the adult population is eligible to vote.*

Samuel P. Huntington <sup>1</sup>

### 9-1 Introduction

In more than 5,000 years of Chinese civilisation, Taiwan is one of the most successful Chinese societies (including Hong Kong, Macau, and Singapore).<sup>2</sup> Through its economic development in the 1970s and political reform in the 1990s, Taiwan has successfully negotiated the process of democratisation and modernisation. Its democracy is, arguably, a good example for developing countries and, not least, for Mainland China. Samuel Huntington argues,

If popular election of the top decision makers is the essence of democracy, then the critical point in the process of democratization is the replacement of a government that was not chosen this way by one that is selected in a free, open, and fair election.<sup>3</sup>

According to the above, Taiwan has succeeded as a democracy in the 1990s. In this chapter, Taiwan, which experienced rapid economic growth, educational development, and peaceful political transformation, will be discussed as a model for the PRC. As Baogang He indicates, in the case of the KMT, political liberalism has been an important influence

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<sup>1</sup> Samuel P. Huntington, *The Third Wave: Democratization in the Late Twentieth Century*, Norman and London: University of Oklahoma Press, 1991, p. 7.

<sup>2</sup> Dennis Van Vranken Hickey, *Taiwan's Security in the Changing International System*, Boulder, London: Lynne Rienner, 1997, p. 93.

<sup>3</sup> Samuel P. Huntington, *op. cit.*, 1991, p. 9.

in shaping its political philosophy whereas for the CCP, Leninist influences have dominated.<sup>4</sup> As William Overholt says,

[t]he experience of the Kuomintang (KMT) in Taiwan, originally a Leninist party like the Chinese Communist Party (CCP), shows that some internal pressure such as the demand for democracy can be accommodated and made compatible with exceptional economic growth. Such pacing is much different given the enormous complexity of a country of 1.2 billion people like China, compared with Taiwan's 20 million.<sup>5</sup>

In addition, external pressures and the regime's survival considerations provided a driving force to accelerate the speed of democratisation. These similar backgrounds of the parties provide a possibility that the model of development in China's modernisation, particularly in political transformation will follow Taiwan's.

## 9-2 The Model of Economic Development

In the view of neo-classicalism, the success of Taiwan is as a result of adapting a market economy.<sup>6</sup> Through the revolution in information technology, however, Taiwan was involved in the rapid transition of new technological innovation with governmental investment. In this chapter, the discussion of Taiwan's development focuses on the intervention of the authoritarian government, US aid, and the evolution of strategic calculations.<sup>7</sup>

In 1949, when the KMT regime retreated from the Mainland, Taiwan's society and economy were in a precarious state. Everyone lived a hard life, and the island's future was

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<sup>4</sup> Baogang He categorised three models of China's democracy, which have been discussed in China, are: the radical model of populist democracy, the official model of paternalistic democracy, and the liberal model of democracy. See *The Democratization of China*, New York: Routledge, 1996, pp. 17-73.

<sup>5</sup> William H. Overholt, 'China After Deng', *Foreign Affairs*, vol. 75, no. 3, May/June 1996, p. 71.

<sup>6</sup> Sameul P. S. Ho, *Economic Development of Taiwan, 1860-1970*, New Haven: Yale University Press, 1978, pp. 247-259.

<sup>7</sup> Tse-Kang Leng, 'chapter Two: Democratic Transition in Taiwan', *The Taiwan-China Connection: Democracy and Development Across the Taiwan Strait*, Taipei: SMC Publishing, 1997, pp. 17-36. Also see Gary Klintonworth, *New Taiwan, New China: Taiwan's Changing Role in the Asia-Pacific Region*, New York: St. Martine's Press, 1995. Kwang Yeong Shin, 'The Political Economy of Economic Growth in East Asia: South Korea and Taiwan', in Eun Mee Kim (ed.), *The Four Asian Tigers: Economic Development and the Global Political Economy*, San Diego, CA: Academic Press, 1998, pp. 6-31, esp. p 25.

bleak and uncertain. In that period, Taiwan's survival was in question. Most observers believed that Taiwan would be "liberated" by the Chinese Communists.<sup>8</sup> Lacking sufficient foreign exchange reserves, Taiwan could neither develop its economy nor maintain its defensive abilities and the Communists continued to threaten its existence.<sup>9</sup> The US embassy remained at Nanjing but the KMT was isolated and there was a feeling of hopelessness. After all, Taiwan survived under US protection and aid.<sup>10</sup> Three major events dramatically altered the context and improved Taiwan's development.

One was the Korean War. The US adopted its containment policy against the spread of Communist power over East Asia<sup>11</sup> and Taiwan became an important strategic consideration; an "unsinkable aircraft carrier" - as General MacArthur said.<sup>12</sup> Taiwan controls the key point to enter the Pacific Ocean from the East China Sea and the South China Sea. When the Korean War occurred, President Truman deployed the Seventh Fleet in the Taiwan Strait to protect Taiwan and to prevent Taiwan from counter-attacking the Mainland. The US-ROC Mutual Defence Treaty (US-ROC MDT) was signed in 1954. With US protection and aid, the KMT eventually stabilised the security crisis.

The other factor was the role of the KMT government in guiding the economy.<sup>13</sup> The KMT government adopted an Asian-style Keynesian economic policy, particularly in the 1950s. Taiwan emerged as a regime of "military Keynesianism"<sup>14</sup> that emphasised the intervention of government in finance and the market through the strong control held by the party and military apparatus. State-led development combined with US trade and aid secured Taiwan's growth and modernisation. With well-educated human capital and adequate financial capital, Taiwanese society moved from poverty to prosperity, from

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<sup>8</sup> J. Bruce Jacobs, 'Chinese Nationalistic Politics in Taiwan under The Two Chiangs', in Gary Klintworth, (ed.), *Modern Taiwan in the 1990s*, Canberra: Strategic and Defence Study Centre, Australian National University, 1991, p. 12.

<sup>9</sup> Editorial, 'Eyes on Formosa', *Current Affairs Bulletin*, vol. 7, no. 7, 18 December 1950, p. 107.

<sup>10</sup> Gary Klintworth, *New Taiwan, New China: Taiwan's Changing Role in the Asia-Pacific Region*, New York: St. Martine's Press, 1995, p. 56.

<sup>11</sup> June M. Grasso, *Truman's Two-China Policy, 1948-1950*, Armonk, New York: M. E. Sharpe, 1987, p. 173.

<sup>12</sup> Gary Klintworth, *op. cit.*, 1995, p. 56. He cited from *Current Notes on International Affairs*, vol. 22, no. 7, 1951, p. 375. For General Douglas MacArthur, Taiwan was 'an unsinkable aircraft carrier and submarine tender ideally located for offensive or defensive operations.' He also said: Formosa's [Taiwan's] geographical location was such that in the hands of a power unfriendly to the United States, it constituted a salient in the very centre of America's strategic frontier and to abandon Formosa would completely expose friends in the Philippines, Australia, New Zealand, Indonesia and in Japan and other areas.'

<sup>13</sup> Ezra F. Vogel, *The Four Little Dragons: The Spread of Industrialization in East Asia*, Cambridge, Massachusetts: Harvard University Press, 1991, pp. 29-32.

<sup>14</sup> Nick Cullather, 'Fuel for the Good Dragon: The United States and Industrial Policy in Taiwan, 1950-1965', *Diplomatic History*, vol. 20, no. 1, winter 1996, p. 11.

labour-intensive to capital and technology intensive industry and eventually became an economic power.

There are five periods that describe Taiwan's experience: the period of survival, the period of recovery, the period of take-off, the period of adjustment, and the period of maturity.<sup>15</sup> Through all these the US market played a critical role. The government developed a vast infrastructure program while private enterprise which had good political contacts, such as automobile industries, banks and financial institutes, mass media and transportation, and insurance companies, profited. On the other hand, government strictly controlled imports but subsidised exports. It was standard "mercantilism".<sup>16</sup> Aided by governmental protection, crony enterprises monopolised major industries and made huge surpluses. Hence, they were not interested in export business. This provided small-and-medium scale business with opportunities, and the necessity, to develop export-oriented industries.<sup>17</sup> Through the monopoly of state-owned enterprises and governmental protection, capitalists supported the regime that provided a basis of political stability. Positive effects were to develop basic industries through national capital and to reduce imports in order to balance international debts, to reduce the pressure of inflation. Meanwhile, the government also encouraged the growth of private enterprises.<sup>18</sup> The situation of monopoly was due to the political means rather than the market operation. Since China's reform, its economic policy is similar to Taiwan's. Significantly, China is adopting a dichotomous policy in its developmental strategy.

Another reason for Taiwan's development was the US market and aid. As table 9-1 shows, for example, Taiwan-US trade increased from US\$90 million in 1952 to US\$46,838 million in 1996 and US\$49,055 million in 1998. Taiwan-US trade was 29.5 percent of Taiwan's total trade amount in 1952, but it increased to 38.40 percent in 1985. After the peak, trade declined slightly to 21.4 percent in 1996 and 22.3 percent in 1997 and 22.8 percent in 1998. The two major reasons are: first, Taiwan was pressed by the US government to open its market to US goods and services under Section 301 of the 1974

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<sup>15</sup> Sebastien Dessus, Jia-Dong Shea, and Mau-Shan Shi, (eds.), *Chinese Taipei: The Origins of the Economic "Miracle"*, Paris: OECD, 1995, pp. 14-17.

<sup>16</sup> Xiao Quanzhen, *New Mercantilism in Taiwan (Taiwan di qu xing zhong shang zhuyi)*, Taipei: National Policy Research Centre, 1989, pp. 74-75.

<sup>17</sup> Zhou Tiancheng, *Medium-Small Enterprises of Peripheral Power (quanli bianchui de zhong xiao qiye)*, Taipei: Taiwan Research Foundation, 1989, p. 107.

<sup>18</sup> Hwei En Peng, *The Political Economy of Taiwan's Development*, Taipei: Fang Yun Publisher, 1995, pp. 249-252.

Trade Act and Super 301 of the 1988 Trade Act.<sup>19</sup> In 1987, Taiwan's trade surplus with the US reached its peak (US\$16 billion). At that time, Taiwan was facing the pressure of currency appreciation and the monetary authorities increased their reserve holding.<sup>20</sup>

This situation is similar to China-US trade relations. While China's trade surplus with the US reached a peak in 1997, Beijing adjusted its currency exchange rate to cope with the impact of the Asian Currency Crisis. Secondly, China's reform and opening policy provided advantageous conditions for Taiwan's small and medium scale enterprises. These enterprises used to export their products to the US market. Now, Taiwanese investments in the Mainland's market contribute to them in order to eliminate pressure from the "Super 301". Because of China's cheaper labour and lower cost of land and China's Most-Favoured-Nation (MFN), many of Taiwan's export-oriented enterprises shifted their assembly plants to China in order to maintain their profitability. This trend reduced the percentage of US-Taiwan trade in Taiwan's total trade since 1989. This transition also reduced the risk of trade sanctions from the Super 301 as well as enhancing the success of negotiations on entry to the WTO. Taiwan-US bilateral trade relations reveal an asymmetrical dependency in which exports were about 52 percent and imports were about 43 percent of Taiwan's GNP in the 1980s.<sup>21</sup> In 1986, for example the total bilateral trade between the US and Taiwan of US\$24.4 billion amounted to less than 1 percent of the US GNP, but it was 34 percent of Taiwan's GNP.<sup>22</sup> Further, about 22-23 percent of Taiwan's imports came from the US and over 45 percent its exports went to the US during 1983 and 1986 (see table 9-1). Whereas Taiwan's share of US imports and exports was only 2 percent and 5 percent in that period.

As a result, the imbalance caused Taiwan to concede to US political and economic pressures. Consequently, the KMT government softened its stances on reducing tariffs, strengthened its commitment to protect intellectual property rights, and liberalised domestic markets.<sup>23</sup> Democratisation has also strengthened the government's position in its negotiations with the US. In this regard, domestic pressures have come from legislators who represent local interest groups. The US has tolerated Taiwan's position because

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<sup>19</sup> Robert E. Baldwin, Tain-Jy Chen, and Douglas Nelson, *Political Economy of US-Taiwan Trade*, Ann Arbor, Michigan: University of Michigan, 1995, pp. 55-56.

<sup>20</sup> *Ibid.*, p. 185.

<sup>21</sup> The amount of percentage of Taiwan's trade relations with the US is according to *Taiwan Statistical Data Book 1997*, see Council for Economic Planning and Development, Republic of China, *Taiwan Statistical Data Book 1997*, Taipei: Council for Economic Planning and Development Publishing, 1998.

<sup>22</sup> Robert E. Baldwin, Tain-Jy Chen, and Douglas Nelson, *op. cit.*, 1995, p. 83.

<sup>23</sup> Robert E. Baldwin, Tain-Jy Chen, and Douglas Nelson, *op. cit.*, pp. 93-122.

Taiwan has advocated democracy for the world.<sup>24</sup> As mentioned in chapter five, the same process of Sino-American trade relations has occurred since China's reform. The difference was/is that China's democratisation and human rights issues became a major negative influence in attaining a common focus. In this chapter, the thesis will analyse the similarity of Taiwan and China's development experience.

**Table 9-1: Taiwan-US Trade, 1952-1999 (US\$ million)**

Year	Exports to US	% of Total Export	Imports from US	% of Total Imports	Balance with US Trade	Total Exports	Total Imports	Total Trade with the World	Trade Balance
1952	4.06	3	85.56	45.7	-81.5	116.47	187.21	303.68	-70.74
1955	5.40	4	95.54	47.5	-90.14	123.27	201.02	324.29	-77.74
1960	18.85	11.5	113.11	38.1	-94.25	163.98	296.78	460.76	-132.80
1965	95.68	21.3	176.37	38.1	-80.69	449.68	556.01	1005.69	-106.33
1968	278.19	35.3	239.49	26.5	38.70	789.19	903.28	1692.47	-114.09
1969	399.05	38.0	291.75	24.0	107.3	1049.37	1212.70	2262.07	-163.33
1970	564.17	38.1	363.84	23.9	200.33	1481.44	1523.95	3005.39	-42.51
1971	859.20	41.7	408.16	22.1	451.04	2060.39	1843.94	3904.33	216.45
1972	1251.32	41.9	543.42	21.6	707.90	2988.12	2513.50	5501.62	474.62
1973	1677.11	37.4	952.53	25.1	724.57	4483.37	3792.5	8275.87	690.87
1974	2036.64	36.1	1679.91	24.1	356.73	5638.99	6965.75	12604.74	-1326.76
1975	1822.74	34.3	1652.13	27.8	170.61	5308.77	5951.65	11260.42	-642.88
1976	3038.70	37.2	1797.54	23.7	1241.16	8166.34	7598.93	15765.27	567.41
1977	3636.25	38.8	1963.85	23.1	1672.40	9360.71	8510.89	17871.60	849.82
1978	5010.38	39.5	2376.06	21.5	2634.32	12687.14	11026.93	23714.07	1160.21
1979	5652.24	35.1	3380.80	22.9	2271.44	16103.42	14773.70	30877.12	1329.72
1980	6760.30	36.1	4673.49	23.7	2086.81	19810.62	19733.14	39543.76	77.48
1981	8163.09	36.1	4765.76	22.5	3397.33	22611.20	21199.55	43810.75	1411.65
1982	8758.92	39.4	4563.27	24.1	4195.65	22204.27	18888.38	41092.65	3315.89
1983	11333.71	45.1	4646.43	22.9	6687.28	25122.75	20287.08	45409.83	4835.67
1984	14867.72	48.8	5041.65	22.9	9826.07	30456.39	21959.09	52415.48	8497.30
1985	14773.37	48.1	4746.27	23.6	10027.10	30725.66	20102.05	50827.71	10623.61
1986	19013.88	47.7	5432.59	22.5	13581.29	39861.50	24181.46	64042.96	15680.04
1987	23684.79	44.1	7647.96	21.9	16036.83	53678.75	34983.38	88662.13	18695.37
1988	23467.17	38.7	13006.73	26.2	10460.44	60667.36	49672.80	110340.16	10994.56
1989	24036.21	36.3	12002.79	22.9	12033.42	66303.95	52265.33	118569.28	14038.02
1990	21745.85	32.4	12611.83	23.0	9134.02	67214.45	54716.00	121930.45	12498.45
1991	22320.84	29.3	14113.79	22.4	8207.05	76178.30	62860.54	139038.84	13317.76
1992	23571.60	28.9	15771.03	21.9	7800.57	81470.25	72006.79	153477.05	9463.46
1993	23587.32	27.7	16722.62	21.7	6864.70	85091.46	77061.20	162152.66	8030.26
1994	24336.76	26.2	18042.64	21.1	6294.12	93048.78	85349.19	178397.97	7699.59
1995	26407.39	23.7	20771.39	20.0	5636.00	111658.80	103550.04	215208.84	8108.76
1996	26866.36	23.2	19971.85	19.5	6894.51	115942.06	102370.02	218312.08	13572.04
1997	29551.76	24.2	23233.85	20.3	6317.91	122080.67	114424.66	236505.33	7656.00
*1998	29376.36	26.6	19678.88	18.8	9697.48	110582.29	104665.31	215247.60	5916.98

Source: Council for Economic Planning and Development, Republic of China, *Taiwan Statistical Data Book 1999*, p. 212

\* In 1998, Taiwan's foreign trade was reduced by the Asian currency crisis.

In regard to Taiwan's experience, the following section will discuss the process of Taiwan's economic development in general terms examining both internal and external factors.

<sup>24</sup> Robert E. Baldwin, Tain-Jy Chen, and Douglas Nelson, *op. cit.*, 1995, p. 122.

### 9-2-1 Period of Survival - The 1950s

After World War II, Taiwanese GDP per capita was one of the lowest - US\$526 (in 1980 US dollars price) less than most countries in East Asia including the Philippines (US\$898), South Korea (US\$564), and Thailand (US\$653).<sup>25</sup> In this period, US aid was a significant factor in reviving Taiwan's economy and security. The US provided an economic aid-program amount of US\$1.547billion (1951-65)<sup>26</sup> including military aid-US\$909million (1951-1968).<sup>27</sup> The US aid helped Taiwan to overcome the worst period and thwarted the threat from Communist China. Most importantly, US economic aid balanced the deficit of governmental finance,<sup>28</sup> stabilised prices and helped control soaring inflation.<sup>29</sup>

In this period, the KMT regime completed a successful land reform: a "land-to-the-tiller" program was implemented in 1953.<sup>30</sup> This policy eliminated the economic base of the Taiwanese political elite and reduced the threat of opposition to the KMT.<sup>31</sup> It was implemented under the tight control of the Joint Taiwan-American Commission on Rural Reconstruction (JCRR) and successfully fulfilled because the KMT was not beholden to local landlords. The policy did not, then, encounter severe political resistance.<sup>32</sup> With the assistance of US experts, many Taiwanese landlords received shares in state-owned enterprises. Then, some of them became owners of private enterprises later. Land reform benefited landlords and tillers and was helpful for social stability. Most importantly, the land reform policy consolidated the KMT regime and restored its confidence since it had

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<sup>25</sup> Sebastien Dessus, Jia-Dong Shea, and Mau-Shan Shi, (eds.), *Chinese Taipei: The Origins of the Economic "Miracle"*, Paris: OECD, 1995, p. 15, (table 1.1).

<sup>26</sup> Sebastien Dessus, Jia-Dong Shea, and Mau-Shan Shi, (eds.), *op. cit.*, p. 15.

<sup>27</sup> Council for Economic Planning and Development, *Taiwan Statistical Data Book 1997*, Taipei: Council for Economic Planning and Development Publisher, June 1997, pp. 226-227

<sup>28</sup> Council for Economic Planning and Development, *Taiwan Statistical Data Book 1997*, Taipei: Council for Economic Planning and Development Publisher, June 1997, p. 151.

<sup>29</sup> See Government of Information Office, *The Story of Taiwan*, 1997.

URL: <[http://www.gio.gov.tw/info/ecobook\\_e/epost3.htm](http://www.gio.gov.tw/info/ecobook_e/epost3.htm)>

<sup>30</sup> Neil H. Jacoby, *op. cit.*, pp. 81-82. The land-reform program was carried out in three stages during 1949-1953. First, it was to reduce all rentals of farm land to a maximum of 37.5 percent of the value of the main crops. This was a material reduction from the 50 to 60 percent levels formerly in effect. Second, was sale, in 1951, of the public lands to the tillers at reasonable prices, with payment to be made in 20 semiannual installments over a ten-year period. Third, the requirement in 1953 owners to sell all of their land over 3 hectares to the government. The government, in turn, sold these lands in small parcels to those tenants on ten-year installment terms.

<sup>31</sup> J. Bruce Jacobs, in Gray Klintworth (ed.), *op. cit.*, 1991, p. 13.

<sup>32</sup> Ezra F. Vogel, *op. cit.*, p. 19.



failed on the Chinese Mainland.<sup>33</sup> This policy benefited Taiwan's agricultural modernisation and generated two economic effects.

First, it made most farmers own the land they worked. Second, it supported industrialisation with funding in industrial and urban development.<sup>34</sup> In this period, agricultural improvement was the vital task, which was an important push for Taiwan's industrialisation. The successful land reform and modernisation of agriculture enhanced productivity. This development not only provided an exportable surplus, which generated necessary investment funds, but also provided labour for industrialisation.<sup>35</sup>

Furthermore, Japan's legacy was a significant factor contributing to Taiwan's development. This legacy consisted of human attitudes, skills and institutions that were favourable to receive US assistance begun in 1951.<sup>36</sup>

Compared with Taiwan's successful process of development, Mainland China launched the reform and opening policy in 1978, which was similar to Taiwan's developmental stages: agricultural modernisation was the first, then industrial improvement.

### **9-2-2 The Period of Recovery - The 1960s**

Owing to international economic prosperity, rapid US economic growth, Taiwan's society started to transfer from an agricultural society to an industrial society. The KMT government implemented a law to encourage investment for foreigners, launched income tax reform, adapted export-orientated policy, and extended compulsory education from six years to nine years in 1968. These programs improved the ability of Taiwanese labour. Also, it attracted a great deal of capital from abroad. Most importantly, foreign direct

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<sup>33</sup> Some argue that Taiwan could have a successful land reform in the 1950s because the KMT regime was strongly held by mainlanders. Further, the members of party had never involved local interests, it could execute the land policy equally and justly. Meanwhile, American experts provided some advice of the land reform policy to the KMT government. See, Thomas Gold, *The State and Society of Taiwan Miracle*, New York: Sharpe, 1986, chapter 5. Also see, Huei En Peng, *The Political Economy of Taiwan Development*, Taipei: Fang Yun Publisher, 1995, p. 185 and 305.

<sup>34</sup> Neil H. Jacoby, *op. cit.*, p. 82.

<sup>35</sup> Cheng Chu-yuan (Zheng Zhuyuan), 'Taiwan: A Model for Third World Economies', *The Asian Wall Street Journal*, 22 August 1981, p. 4.

<sup>36</sup> Neil H. Jacoby, *op. cit.*, pp. 83-84. The importance of Japan's legacy was because 'the Japanese left hard work, discipline, and social order as a legacy to the Taiwanese people. They left a receptivity to technological change, and an appetite for progress. They left an agricultural population schooled in fairly advanced techniques of intensive farming, and a small group of Taiwanese with technical training in education, medicine, engineering, construction, and skilled trades. Japan also left Taiwan institutions that were useful to its further development. These were the farmers' associations, agricultural experiment

investment (FDI) accelerated Taiwan's exports. In attracting FDI, Taiwan has been proactive and provided incentive to selected strategic industries.<sup>37</sup>

On the other hand, the Vietnam War brought Taiwan an opportunity for increasing its foreign remittance as Japan had in the Korean War. In this era, Taiwan provided a military logistical base for US troops but was not completely involved in the war. This trend gave Taiwan a good chance to strengthen its economic capacity. In addition, Japan was at a disadvantaged condition given demands for increasing wage. Hence, Japanese enterprises considered a nearby location, which would benefit Japanese outward investment.<sup>38</sup> Taiwan was a natural consideration because the legacy of Japanese colonialism such as skilled labour and proficient languages provided advantageous conditions to rapidly operate Japanese capital and know-how. Taiwan was in a position to attract foreign investment and export to the US market to benefit its economic growth. In this period, 'promoting economic ties under the umbrella of the security alliance thus became an even more prominent objective of the ROC.'<sup>39</sup>

### 9-2-3 The Period of Take-Off - The 1970s

After the two oil crises adjusted industry structure, the KMT government invested more than US\$ 5 billion in infrastructure construction with the Ten Major Construction Projects launched in 1973. They included one modern international airport, two deep-water international harbours, one large integrated steel mill, electrification of the trunk line railroad, two petrochemical plants, a North-South highway, one shipyard with million tons capacity, three nuclear power plants, and North-Link railroad. These infrastructure constructions as a locomotive accelerated Taiwan's economic growth.<sup>40</sup>

During this period, the economic growth rate was over 10% per year.<sup>41</sup> As table 9-2 shows, compared with Taiwan's economic growth rate in this period, China had a similar performance in the 1990s through adoption of the same strategy of economic development

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stations, credit unions, government enterprises and monopolies-including a food bureau and banking and marketing organizations.'

<sup>37</sup> Edward K. Y. Chen, 'Foreign Direct Investment in East Asia', *Asian Development Review*, vol. 11, no. 1, 1993, p. 30.

<sup>38</sup> Ezra F. Vogel, *op. cit.*, p. 91.

<sup>39</sup> Steven M. Goldsyein, 'The United States and the Republic of China, 1949-1978: Suspicious Allies', *A/PARC Paper*, Stanford University, February 2000, p. 27.

<sup>40</sup> Cheng Chu-yuan (Zheng Zhuyuan), 'Taiwan: A Model for Third World Economies', *Asian Wall Street Journal*, 22 August 1981, p. 4.

<sup>41</sup> Council for Economic Planning and Development, Taiwan, ROC, *Taiwan Statistics Data Book 1997*, Taipei: Council for Economic Planning and Development Publisher, 1997, p. 1.

- export-oriented policy and state-intervention to determine the prices of vital material and controlling monetary policy. Both China and Taiwan have been major trade partners of the US and both of them have huge trade surpluses with the US. In addition, both governments have invested huge capital in infrastructure development. Taiwan's economic performance successfully allowed more students to study in US universities in various fields. The improved human capital assisted Taiwan in developing its economy as well as political democratisation in the following decades.

In this period, the KMT elites played a vital role in Taiwan's development. In particular, most of the Mainlander technical bureaucratic class had American university backgrounds and provided a pillar for constituting economic policy and national development strategy.<sup>42</sup> In addition, the KMT government encouraged medium-small enterprises into export-orientated industries such as textiles, footwear, toys, and downstream petroleum industries. Besides, the US market became the best-sale place of Taiwan's products.

According to table 9-2, China has had a similar trend of development to Taiwan. Both governments focus on export-oriented policy, emphasise governmental macro-control on economic growth and investment in public constructions, and maintenance of political stability. In particular, both governments are dominated by one party.<sup>43</sup> Politically, the character of the two parties is a Leninist-style that is basically authoritarian. For the Chinese Communists, they claim "a democracy of people's dictatorship", which means the Communists' position cannot be challenged internally and externally. For the Nationalists, they emphasise the ideology of "the Three Principles of the People", the fundamental principle of founding the ROC, which institutionally allows a democracy but practically the KMT leaders feared an opposition party would challenge its legitimacy. Thus, the KMT disallowed political dissidents to organise new parties under the restrictions of martial law.

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<sup>42</sup> Bruce J. Dickson, *Democratization in China and Taiwan: The Adaptability of Leninist Parties*, Oxford: Clarendon, 1997, pp. 111-130.

<sup>43</sup> Since 1949, the KMT (Nationalist Party) maintained dominance in Taiwan's political structure including the Legislative Yuan and the National Assembly. From 1949 to 1987, to organise a political party was banned because martial law limited any anti-governmental organisation. After 1987, the KMT government abolished martial law under internal and external pressures. As a result, many political parties started to form. Since the 1990s, Taiwan has moved toward multiparty politics. There are three major parties in the Legislative Yuan and the National Assembly (Parliament or Congress) but the KMT remains its majority. Since the DPP won the presidential election in March 2000, however, the KMT ended its rule for fifty-four years on Taiwan. There is no one party dominating at all.

**Table 9-2: Comparison of Real GDP Growth Rate between Taiwan (1955-1979) and China (1978-1996)**

YEAR	TAIWAN'S REAL GDP GROWTH RATE (%)	YEAR	CHINA'S REAL GDP GROWTH RATE (%)
1955	8.1	1978	11.7
1960	6.3	1980	7.8
1965	*11.1	1985	13.5
1970	11.4	1987	11.6
1971	12.9	1988	11.3
1972	13.3	1989	4.1
1973	12.8	1990	3.8
1974	**1.2	1991	9.2
1975	**4.9	1992	14.2
1976	13.9	1993	13.5
1977	10.2	1994	12.6
1978	13.6	1995	10.5
1979	8.2	1996	9.6

Source: Council for Economic Planning and Development, Taiwan, ROC, *Taiwan Statistics Data Book 1997*, page 1. State Statistical Bureau, PRC, *China Statistical Yearbook 1997*, page 42.

\*US aids stopped in 1965. \*\*The first oil crisis.

During this period, the KMT government adopted a dichotomous economic policy, one aim being to establish major infrastructure by national capital; the other to encourage private enterprises, particularly rewarding medium-small scale enterprises.<sup>44</sup> John C. H. Fei called this period, partial liberalization, also described as “fostering external sale by internal selling”.<sup>45</sup> Under this policy, Taiwan’s domestic market was highly protected by high tariffs and restrictions on foreign investment.

This policy indirectly increased the position of the middle-class, fundamentally creating a good condition for peacefully political reform. In particular, Taiwan utilised US and international markets, well-educated manpower, a high quality bureaucracy, national and private capital to maintain a high economic growth.

#### **9-2-4 The Period of Adjustment - the 1980s**

Because of high economic growth - over 10 percent per annum, Taiwan has accumulated nearly US\$ 70 billion in foreign reserves. Taiwan’s currency appreciated from NT\$40 against US\$1 in 1972 to NT\$27 against US\$1 in 1989.<sup>46</sup> It was a disadvantage for Taiwan’s competitiveness in the export sector.

Further, a number of internal problems and trade imbalance began to confront Taiwan as it tried to deal with the growth in protectionism, rising wage rates, and

<sup>44</sup> See Xiao Quanzhen, *Taiwan di qu xing zhong shang zhuyi (New Mercantilism of Taiwan)*, Taipei: National Policy Research Centre, 1989.

<sup>45</sup> John C. H. Fei, ‘A Historical Perspective on Economic Modernization in the ROC’, in Ramon H. Myers (ed.), *Two Societies in Opposition: The Republic of China and the People’s Republic of China after Forty Years*, Stanford, California: Stanford University Hoover Institution Press, 1991, p. 105.

<sup>46</sup> Council for Economic Planning and Development, ROC, *Taiwan Statistical Data Book 1997*, *op. cit.*, p. 4.

increasing competition from other countries, particularly South Korea. Diversification of export markets and movement into higher value segments of manufacturing have become essential policy in order to maintain Taiwan's economic prosperity.<sup>47</sup> To resolve this problem, the KMT government adopted two strategies: first, to increase its import market by purchasing more advanced equipment and raw material particularly from the US.<sup>48</sup> Second, gradually to shift "sunset industries" such as textiles, footwear, leather, toys, and various labour-intensive industries to South Eastern Asia - Malaysia, Philippine, Thailand, Vietnam and Indonesia.

The former strategy was related to reducing tariff levels and eliminating the monopoly of state-owned enterprises under the pressure from the US government.<sup>49</sup> The latter strategy reflected the policy of "South Forward or Look South" in the early of 1990s. In the meantime, to increase its competitiveness, the KMT government undertook the effort of investment in research and development sectors mainly focused on electronic and computer industries.<sup>50</sup> In addition, multinational corporations (MNCs) contributed an important role in transferring advanced technology to Taiwan's domestic industries.<sup>51</sup> As a result, Taiwan's industrial structure began to move towards a hi-tech export oriented one. Both strategies were responses to external pressures. Mainland China is adopting the same strategy while it is facing US economic pressure.

On the other hand, the external environment changed as more and more states recognised Mainland China. For reasons of survival, the KMT started to adopt a flexible policy. Following the political reforms - abolition of martial law in 1986, then, increased investment and trade relations with China. The Chinese market has provided a new export

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<sup>47</sup> Chi Schive, 'Taiwan's Emerging Position in the International Division of Labor', in Denis Fred Simon and Michael Y. M. Kau (eds.), *Taiwan: Beyond the Economic Miracle*, Armonk, NY: M. E. Sharpe, 1992, pp. 101-122.

<sup>48</sup> This policy also was made under the pressure of the US government. See Robert E. Baldwin, Tain-Jy Chen and Douglas Nelson, *Political Economy of US-Taiwan Trade*, Ann Arbor, Michigan: The University of Michigan Press, 1995, pp. 81-92, especially p. 87. A typical example was Taiwan's mission of purchasing American, which issued by the KMT government as a means of maximising political support from many states and congressmen.

<sup>49</sup> Robert E. Baldwin, Tain-Jy Chen, and Douglas Nelson, *op. cit.*, p. 46. The average tariff level was around 20 percent in 1958. Under strong external pressure of US, the tariff level dropped to below the 10 percent and further reduced to 5.12 percent in 1992. Further, the Taiwan Tobacco and Wine Monopoly Bureau's exclusive right to import tobacco and wine was gradually eliminated as a result of US. The situation is similar to the Chinese government insisting its tariff level during the period of US-China WTO entry negotiations.

<sup>50</sup> Denis Fred Simon, 'Taiwan's Strategy for Creating Competition advantage: The Role of the State in Managing Foreign Technology', in N. T. Wang (ed.), *Taiwan's Enterprises in Global Perspective*, Armonk, NY: M. E. Sharpe, 1992, pp. 97-122.

<sup>51</sup> Chi Schive, *The Foreign Factor: The Multinational Corporation's Contribution to the Economic Modernization of the Republic of China*, Stanford, California: Hoover Institution Press, 1990.

market for Taiwanese sunset industries but also has deepened the dependency of Taiwan on the Chinese market.

#### 9-2-4 The Period of Maturity - The 1990s

In 1991, Taiwan joined APEC along with China and Hong Kong. The KMT government adopted the “Look South” policy, which focused on improving its economic relations with ASEAN, applied for membership of GATT/WTO, and acted to strengthen high-tech industries such as computers, semi-conductors, and aviation components, and sought to improve the capacity of its financial services sector. As tables 9-3 shows, Taiwan’s structure of domestic production has significantly changed since the end of 1980s.

**Table 9-3: Structure of Domestic Production (proportion to GDP, unit: %)**

YEAR	AGRIUCLTURE	INDUSTRY	MANUFACTURING	SERVICES	COMMERCE
1982	7.74	44.34	35.21	47.92	13.31
1983	7.30	44.95	35.94	47.75	13.03
1984	6.34	46.15	37.53	47.51	13.16
1985	5.79	46.27	37.56	47.94	13.26
1986	5.55	47.11	39.35	47.34	12.96
1987	5.30	46.67	38.89	48.03	12.90
1988	5.03	44.84	37.15	50.13	13.26
1989	4.90	42.30	34.55	52.80	13.51
1990	4.18	41.22	33.31	54.60	14.21
1991	3.79	41.07	33.34	55.14	14.61
1992	3.60	40.08	31.82	56.32	15.10
1993	3.64	39.35	30.56	57.01	15.30
1994	3.51	37.71	28.99	58.78	15.61
1995	3.48	36.37	27.92	60.15	16.35
1996	3.19	35.72	27.92	61.09	16.80
1997	2.55	35.31	27.80	62.14	17.23
1998	2.47	34.56	27.39	62.97	17.77
1999	2.60	33.09	26.44	64.31	18.36

Source: Ministry of Economic Affairs, ROC, Taiwan, 28 June 2000.

URL: <<http://www.moea.gov.tw/~moea/stst/four/english/a3.htm>>

In particular, Taiwan’s information and electronic industry has maintained high growth compared with other sectors. As table 9-4 shows, Taiwan’s industrial structure has moved from light and basic manufacturing to hi-tech and capital intensive industry. For example, Taiwan’s industry focuses on information products. It produced US\$39.8billion worth of computer-related items in 1999. Among these products, motherboards grabbed 72 percent of the global market in 1998. Moreover, Taiwan’s OEM production accounted for 96.7 percent of global market in 1999.<sup>52</sup>

<sup>52</sup> Editorial, ‘Taiwan aims for 90% of world supply’, *Taipei Journals*, 24 March 2000.

**Table 9-4: Annual Change in Indexes of Principal Manufacturing Production  
(Change from the same period of last year)**

YEAR	MANUFACTURING	METAIL & MACHINERY	INFORMATION & ELECTRON	CHEMISTRY	FOOD, TEXTILE & OTHER
1986	15.28	16.87	27.04	15.47	9.58
1987	11.09	13.53	23.36	9.19	5.98
1988	3.61	8.68	9.57	4.84	-4.21
1989	3.62	8.36	4.19	3.26	-0.09
1990	-0.73	1.77	2.66	-1.30	-3.80
1991	7.42	10.85	9.93	5.42	4.93
1992	3.89	7.76	4.85	3.78	-0.20
1993	2.51	2.46	9.80	2.35	-3.26
1994	5.72	4.81	11.54	6.67	1.31
1995	5.20	3.97	15.68	3.03	-1.71
1996	2.91	1.85	7.08	4.04	-2.10
1997	8.69	10.90	18.47	4.58	-1.94
1998	2.36	0.02	9.57	0.70	-3.59
1999	8.13	2.14	19.60	6.52	-1.47

Source: Ministry of Economic Affairs, ROC, Taiwan, 28 June 2000.

URL: <<http://www.moea.gov.tw/~moea/stst/four/english/c2.htm>>

As mentioned above, Taiwanese investors chose the Mainland as a major destination. According to Taiwan's data, approved investment in the Mainland has been 39.85 percent of the total investment.<sup>53</sup> It reveals that the dependency on the Mainland gradually has become significant. In particular, Taiwan's investment in electronic and electric appliances is a significant phenomenon that follows the same trend as Japan and the US transferring their electronic industry to Taiwan in the 1980s (see table 9-5).

**Table 9-5: Approved Indirect Mainland Investment (US\$10,000)**

	TOTAL	FOOD & BEVERAGE	PLASTIC PROCESSING	BASIC METALS	ELECTRON & ELECTRIC APPLIANCES	PRECISION INSTRUMENTS	OTHERS
1991	17,416	1,931	2,249	932	3,157	398	8,749
1992	24,699	4,642	4,496	1,066	3,784	1,802	8,909
1993	316,841	32,456	37,592	25,650	44,351	28,649	148,143
1994	96,221	14,585	7,330	9,033	15,701	4,416	45,156
1995	109,271	11,745	6,274	11,681	21,480	2,945	55,146
1996	122,924	12,170	6,365	12,812	27,686	3,990	59,901
1997	433,431	33,307	34,912	39,597	87,504	24,725	213,386
1998	203,462	7,005	6,418	12,685	75,898	7,462	93,994
1999	125,278	5,825	9,907	10,449	53,775	2,807	42,515
Total	1,449,543	123,666	115,543	123,905	333,336	77,194	675,899
%	100.00	8.53	7.97	8.55	23.00	5.32	46.63

Note: The percentage of every sector is calculated by this research according to the source.

Source: Ministry of Economic Affairs, ROC, Taiwan, 28 June 2000.

URL: <<http://www.moea.gov.tw/~moea/stst/four/english/d6.htm>>

<sup>53</sup> Taiwan's approved outward investment reached US\$ 36.37 billion in 1999. The amount of investment in Mainland China has been 39.85% of the total from 1991 to 1999. Investment in British Central America was 19.09% during 1988 and 1999. Investment in the US totally was 12.56% since 1969. On the other hand, Taiwanese invested in other areas such as Malaysia 3.85% (1959-1999), Singapore 3.22% (1964-1999), Vietnam and Indonesia and Europe totally were 21.43%. Source: Mainland Affairs Council, ROC, Taiwan, January 2000. URL: <[www.mac.gov.tw/english/CSExchan.invest.gif](http://www.mac.gov.tw/english/CSExchan.invest.gif)>

Following its reform and engagement, China provided cheaper labour, lower land cost, and abundant nature resources to many foreign investors. Taiwan was, and is, concerned about losing out to its competitor, South Korea, in the Chinese market because of adherence to an ideological position. As a result, this policy orientation shifted and many Taiwanese enterprises indirectly-via Hong Kong - invested in China during 1992 and 1997. Unofficial statistics shows that Taiwan has invested nearly US\$ 20 billion in China since the KMT government abolished the Martial Law in 1987 and lifted the economic ban.<sup>54</sup> As a result, Taiwan's investors continually obtain their entry into the US market via China. Owing to US economic restraint and an import quota, Taiwanese businessmen have learned to use China's market to avoid US economic sanctions, such as "Super 301", in order to continue maintaining a trade surplus with the US. This situation has ensured that two Chinese economies rely on the US market and has expanded China-Taiwan economic relations.

The triangular trade shapes an economic zone that benefits the three economies. There is no doubt that the US provides the major market for the two Chinese societies' economic prosperity. Since its reform started in 1978, China has adopted a similar strategy to that of the Taiwanese economic model. Deng Xiaoping borrowed Taiwan's export-oriented economic policy and set up four Economic Special Zones (ESZs) as Taiwan did in the 1960s. Owing to the export-oriented policy leading to a huge trade surplus with the US, Taiwan faced strong pressures from the US government. The same situation is occurring in trade relations between China and the US at the end of 1990s.

According to statistical data,<sup>55</sup> Taiwan progressively depends more on Mainland China rather than Mainland China depends on Taiwan. In other words, Taiwan is moving towards dependence on Mainland China's market instead of dependence on the American market. In 1997, the Cross-Strait trade via Hong Kong was greater for the first time than the trade between Taiwan and America. As a result, Taiwan has a greater surplus with Mainland China than with the US (compare with table 9-1 and 9-6).

Since the Asian currency crisis of 1997, most countries apart from Mainland China were unable to escape economic recession. Owing to a strictly controlled monetary policy,

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<sup>54</sup> According to the Mainland's source, Taiwanese investment totally is over US\$44 billion, of which US\$24billion has been actually used, in the end of 1999. The Taiwan Affairs Office and the Information Office of the State Council, 'The One-China Principle and the Taiwan Issue', Beijing, 21 February 2000, at <<http://www.peopledaily.com.cn/english/features/taiwanpaper/taiwan.html>>

<sup>55</sup> See Table 9-6 and Table 9-7.



the Chinese currency (RMB) has retained a fixed rate with the pre-crisis US dollar. Nevertheless, Mainland China's economy has been affected. It has been under greater challenge in its export markets from countries whose currencies were depreciated.

China has also been affected by natural calamities such as serious floods in North Eastern China and the Yangtze River Valley of China that caused damage to Mainland China's economy in 1998. Conservatively estimated, it was assessed at over US\$24 billion and would be responsible for a decline of 0.5 percent in the annual growth rate.<sup>56</sup> Some Taiwanese investors were also suffering from the flood. This situation reveals that Taiwan's economy is becoming more and more vulnerable because through its - *Taiwan-China and Hong Kong-America* - trade.

**Table 9-6: Bilateral Trade between Taiwan and China (US\$ million)**

YEAR	EXPORT TO CHINA	IMPORTS FROM CHINA	TOTAL OF TRADE	BALANCE OF TRADE
1979	22	56	78	-34
1981	384	75	459	311
1987	1,227	289	1,516	938
1988	2,242	479	2,721	1,763
1989	2,896	587	3,483	2,309
1990	3,278	765	4,043	2,510
1991	4,667	1,126	5,793	3,541
1992	6,288	1,119	7,407	5,169
1993	7,585	1,104	8,689	6,481
1994	8,517	1,292	9,809	7,225
1995	9,883	1,574	11,457	8,309
1996	9,718	1,582	11,300	8,136
*1997	16,441	3,396	19,837	13,045
*1998	16,629	3,869	20,499	12,760

Source: Council for Economic Planning and Development, *Taiwan Statistics Data Book 1997*.

\* Source: National Bureau of Statistic, *Zhongguo Tongji Nain Jian, ZTNJ (China Statistical Yearbook 1999)*, Beijing: China Statistical Press, 1999, p. 583.

In fact, the trade surplus of Taiwan-China trade has exceeded the surplus of Taiwan-World trade. As table 9-7 shows, Taiwan's trade dependency is larger than China's after 1994.

**Table 9-7: Mutual Trade Dependence, Taiwan and China (%)**

YEAR	TAIWAN ON CHINA	CHINA ON TAIWAN
1981	1.05	1.04
1987	1.71	2.06
1990	4.23	4.47
1991	6.20	6.35
1992	7.60	7.05
1993	9.32	7.71
1994	10.02	7.55
1995	10.46	8.02
1996	10.95	8.21

Source: Mainland Affairs Council, Taipei, Taiwan (ROC), 1997.

The higher the export level from Mainland China to the US, the deeper the interdependent relationship between Mainland China and Taiwan. Therefore, the economic

<sup>56</sup> Joshua Cooper Ramo, 'When Currencies Collide', *Time*, 24 August 1998, p. 51.

relationship of the Strait is like “a relationship of lips and teeth”, which cannot be separated. In other words, the prosperity of Taiwan’s economy is based on Mainland China’s economic stability and development. On the other side, the development of China’s economy relies on Taiwanese investments including capital, management skills, and technology. This development has, however, been far from smooth. At each new critical point in the relations between the PRC, Taiwan and the US, the economic relationship between Taiwan and the mainland is challenged.

According to the Mainland’s source, Taiwanese direct investment increased from US\$3.1 billion in 1995 to US\$3.4 billion in 1996, but decreased to US\$3.2 billion in 1997 and to US\$2.9 billion in 1998.<sup>57</sup> This situation reflects the wariness of Taiwanese investors in light of Beijing’s hard-line attitude on the issue of reunification.

Although Taiwan continually invests in the Mainland, the growth rate dropped rapidly in 1998 and 1999. According to Taiwan, the growth rate of investment in the Mainland dropped from +253% of 1997 down to -53.02% in 1998 and -38.43% in 1999, as table 9-8 shows.

**Table 9-8: Comparison between Approved Outward Investment and Indirect Mainland Investment (US\$ 10,000 and %)**

YEAR	TOTAL OUTWARD INVESTMENT (EXCLUDE MAINLAND INVESTMENT)	ANNUAL RATE OF CHANGE (%)	TOTAL INDIRECT MAINLAND INVESTMENT	ANNUAL RATE OF CHANGE (%)
1991	165,603	6.69	17,416	-
1992	88,726	-46.42	24,699	41.82
1993	166,093	87.20	31,6841	128.28
1994	161,676	-2.66	96,221	-69.63
1995	135,688	-16.07	109,271	13.56
1996	216,540	59.59	122,924	12.49
1997	289,383	33.64	433,431	252.60
1998	329,630	13.91	203,462	-53.06
1999	326,901	-0.83	125,278	-38.43

Note: The percentage of annual rate of change is calculated by this research according to the source.

Source: Ministry of Economic Affairs, ROC, Taiwan, 28 June 2000.

URL: <<http://www.moea.gov.tw/~moea/stst/four/english/d5.htm>>

This has been particularly obvious in recent years, especially since Clinton’s promulgation of the ‘Three No’s’ policy in 1998. Numerous Taiwanese businessmen withdrew their money because of uncertainty in the political relations between Mainland China and Taiwan.

According to Taiwan’s Ministry of Finance, increased numbers of Taiwanese businessmen are remitting their money to Taiwan. During the first half of 1998, Taiwanese

<sup>57</sup> 1997 *Zhongguo Tongji Nain Jian*, ZTNJ (*China Statistical Yearbook 1997*), 1997, p. 606. 1999 *Zhongguo Tongji Nain Jian*, ZTNJ (*China Statistical Yearbook 1999*), 1999, p. 596.

investing money in the Mainland decreased 3.6 percent, compared with the first half of 1997. The capital was flowing back into Taiwan rather than being invested in the Mainland. There is a challenge for Taiwanese businessmen to retain their trust and faith in the worth of investing in the Mainland largely because of the crisis-prone cross-Strait relationship (see table 9-9). The situation may well impact on the development of Taiwan's economy as well as the process of China's modernisation.

**Table 9-9: Capital Flowing between Mainland and Taiwan of Taiwanese Businessmen**  
(US\$ million; comparing with the previous year, the growth rate %)

Year	Taiwan to Mainland (%)	Mainland to Taiwan (%)
Full year of 1996	600 (+25%)	90 (+23%)
Full year of 1997	700 (+13%)	210 (+117%)
Jan.-Jun. 1998	300 (-3.6%)	120 (+18%)

Source: Ministry of Finance, Taiwan, ROC, 1998. *Taiwan Today News Network*, August 26, 1998.  
URL: <<http://w3.ttnn.com/can/980826/b03.html>>

In retrospect, the evolution of Taiwan's economic development reveals a state-controlled economy that was liberalised and moved towards a free economy through external pressures. Having a similar process of development, Mainland China more or less will be involved with both internal changes and external pressures. In particular, China and the US have attained an agreement on entrance into the WTO that will have a large impact on the Chinese economic structure as well as Taiwan's economy. Through the global organisation – the WTO, both sides of the Taiwan Strait will increase their economic interaction and deepen the liberalisation of their economies.

### 9-3 The Model of Education

Some quantitative economic studies recognise education's determining role for growth in productivity.<sup>58</sup> For instance, skilled labour is more productive than unskilled labour. Well-educated labour would have better payment than uneducated labour. Further, education can help reduce disparities in labour incomes and increase social and political stability.<sup>59</sup> Besides, higher education builds human capital, acquire and operate technology from other countries, create indigenous technology and scientific capacities, and convert

<sup>58</sup> See R. J. Barro, 'Economic Growth in a Cross Section of Countries', *Quarterly Journal of Economics*, vol. 106, issue 2, 1991, pp. 407-443. G. Mankiw, D. Romer, and D. Weil, 'A Contribution to the Empirics of Economic Growth', *Quarterly Journal of Economics*, vol. 107, issue 2, 1992, pp. 407-437.

<sup>59</sup> Sebastien Dessus, Jia-Dong Shea, and Mau-Shan Shi, *op. cit.*, Paris: OECD, 1995, p. 35.

research results to commercial products.<sup>60</sup> The Taiwan miracle was established on the improvement of education since the late of 1960s.

Taiwan improved the primary education level to junior-high level from six years compulsory education to nine years in 1969. Then, the government focused on the improvement of senior high and higher education. Following these step-by-step improvements of the education system, Taiwan's economic structure was consistent with structural change from labour-intensive to capital-intensive, then to hi-technology intensive industry. There is no doubt that education is a crucial factor in the economic development. As a result, there was an emerging middle class that became a pillar of social stability and later promoted political reform.

In the 1990s, Taiwan has one of the highest educational levels of achievement in Asia. Institutionally, 'the Constitution of the Republic of China, Article 164, which proclaims that no less than 15 percent of the national budget shall be appropriated for education, culture and science; and so shall be 20 percent of the provincial budget and 25 percent of the county budget.'<sup>61</sup> Culturally, Taiwanese-Chinese emphasise the importance of education, resulting in many parents forcing and supporting their children to improve their educational level as far as they can.

**Table 9-10: Percentage of Taiwanese Graduates Enrolled in Next Higher Level of School, 1952-1997**

YEAR	% OF SCHOOL-AGED CHILDREN ENROLLED IN PRIMARY SCHOOLS	% OF PRIMARY SCHOOL GRADUATES ENROLLED IN JUNIOR HIGH SCHOOLS	% OF JUNIOR HIGH SCHOOL GRADUATES ENROLLED IN SENIOR HIGH SCHOOLS	% OF SENIOR SCHOOL GRADUATES ENROLLED IN HIGHER EDUCATION
1952-53	84.00	34.85	56.96	26.27
1960-61	95.59	52.24	75.88	43.41
*1968-69	97.67	*74.17	83.95	38.95
1974-75	98.46	88.03	67.57	39.68
1979-80	99.68	95.58	62.75	43.96
1984-85	99.82	98.70	70.54	44.36
1990-91	99.89	99.77	84.70	48.58
1996-97	99.94	98.89	90.70	58.88

Source: Council for Economic Planning and Development, ROC, *Taiwan Statistical Data Book 1997*, page 266.

\* In 1968-69, the percentage of primary school graduates enrolled in junior high schools was rapidly increased because the compulsive education expended from six years to nine years.

<sup>60</sup> Otto C. C. Lin, 'Science and Technology Policy in Taiwan', in Henry S. Rowen, ed., *Behind East Asian Growth: The Political and Social Foundations of Prosperity*, New York: Routledge, 1998, p. 188.

<sup>61</sup> Otto C. C. Lin, *op. cit.*, p. 188.

According to table 9-10, over 99 percent of students graduate from primary school and 98 percent of students graduate from junior high schools. Over 90 percent of the graduates of junior high schools attend academic or vocational high schools, and 58.8 percent of high school students go on to colleges or universities in the school year of 1996-97.

Structurally, Taiwan's higher education system has improved greatly since 1952. According to the *Taiwan Statistical Data Book 1997*, Taiwan's students took various disciplines that gave economic and political sectors sufficient human capital. On the other hand, science and technology training were also emphasised by the government.

As table 9-11 and 9-12 show, the percentage of students taking humanities and social science was 59.18 percent in 1952-53, the percentage of taking natural science and engineering was 32.71 percent in the same year.

**Table 9-11: Number of Students Receiving Education by Discipline, 1952-1997**

YEAR	TOTAL	HUMANITIES AND SOCIAL SCIENCE†	NATURAL SCIENCE AND ENGINEERING	MEDICAL SCIENCE	FINE ARTS
1952-53	10,037	5,940	3,283	325	489
1960-61	35,060	21,033	10,201	2,725	1,101
1966-67	113,855	73,358	26,850	10,173	3,474
1972-73	251,058	141,904	79,268	21,626	8,260
1978-79	317,188	166,105	118,168	23,316	9,599
1984-85	322,269	*78,241	102,271	23,567	6,352
1990-91	462,492	*101,389	154,549	37,182	9,006
1996-97	678,553	*127,217	217,933	59,331	11,850

Source: Council for Economic Planning and Development, ROC, *Taiwan Statistical Data Book 1997*, pages 263-264.

† In this table, the field of humanities and social science includes Humanities, Education Science, Agriculture and Forestry and Fishery, Law and Jurisprudence, and Social and Behavioural Science.

\* Since 1984-85 many specific subjects were separated from the field of Humanities and Social Science. More detail information will be shown on the following table.

**Table 9-12: Number of Taiwanese Students Receiving Specific Subjects Separated from the Field of Humanities and Social Science**

SPECIFIC DISCIPLINES	1984-85	1990-91	1996-97
Mass Communications	7,336	9,260	10,716
Service Trade	2,314	3,395	6,758
Transportation & Communications	3,641	5,190	8,237
Home Economics	4,918	8,534	17,156
Agricultural & Town Planning	4,203	6,173	11,901
Craft and Industry	824	1,537	1,080
Mathematics and Computer	11,340	22,716	46,244
Commerce and Business	70,493	100,370	155,535
Others	2,381	3,191	4,595

Source: Council for Economic Planning and Development, ROC, *Taiwan Statistical Data Book 1997*, page 264.

Note: In this table, the specific disciplines those were accounted in the field of humanities and social science by the early of 1980s.

Following economic growth, the proportion taking social science and humanities slightly changed from 59.18 percent in 1952-53 to 52.37 percent in 1978-79. On the other hand, the percentage of students taking natural science and engineering increased from 32.7 percent in 1952-53 to 37.25 percent in 1978-79. More interestingly, from 1984-85 to 1996-97, more and more students took computer science and commerce. As the data shows, the percentage taking computer science and commerce increased from 25.39 percent in 1984-85 to 26.61 percent in 1990-91 and 29.74 percent in 1996-97.

By contrast, China's higher education statistics reveal a different phenomenon. As table 9-13 indicates, the percentage of Chinese students taking natural sciences and engineering was higher than those taking humanities and social science. According to the data, the total percentage of those enrolled in the field of humanities and social science was 44.01 percent in 1995 and that of in the fields of natural science and engineering was 48.90 percent in 1995 and up to 48.98 percent in 1996. China's different balance of human capital development may not be advantageous to its overall development.

**Table 9-13: Chinese Students' Enrolment in Institution of Higher Education by Field of Study, 1995-96 (%)**

	1995		1996	
	925,940		965,812	
Total				
Philosophy	1,747	0.18	1,589	0.16
Economics	152,694	16.49	153,915	15.94
Law	31,939	3.45	36,687	3.80
Education	41,258	4.46	45,232	4.68
Literature	131,587	14.21	138,205	14.31
History	15,672	1.69	15,866	1.64
Natural Science	100,295	10.83	106,236	11.00
Engineering	352,463	38.01	366,816	37.98
Agriculture	32,590	3.52	32,690	3.76
Medicine	65,695	7.09	68,576	7.10
Humanities & Social Science	407,487	44.01	424,184	43.92
Natural Science	452,758	48.90	473,052	48.98

Source: State Statistical Bureau, *China Statistical Yearbook 1997*, page 642.

Although China had a large number of natural science and engineering graduates, its productivity was still low. As table 9-14 shows, China had 1.30 engineering graduates per ten thousand population in 1989.

**Table 9-14: Engineering Graduates Per 10,000 Population (bachelor degree level) 1989**

Selected Country	Engineering graduates per 10,000 people ( BA degree, 1989)
South Korea	6.70
Japan	6.62
Singapore	4.84
Taiwan	4.00
Mexico	3.32
France	2.97
USA	2.70
West Germany	1.55
China	1.30
India	0.34

Source: *UNESCO Statistical Yearbook, 1994*.

This constitutes a considerable difference from its neighbours. Compared with China, Taiwan had four engineering graduates per ten thousands population in 1989. There is no doubt that education is an important factor supporting Taiwan's economic growth. In contrast, without sufficient and well-trained human capital, China cannot reach its goals of modernisation. Significantly, the success of Taiwan's modernisation resulted from its high economic growth and educated people. As table 9-14a shows, Taiwan's educational performance underpins its economic growth through high ratio of scientists and engineers.

**Table 9-14a: Scientists & Engineers in R&D Per Million People, 1985-1995**

COUNTRY	SCIENTIST & ENGINEERS	COUNTRY	SCIENTIST & ENGINEERS
Japan	6,309	Germany	2,843
United States	3,732	Singapore	2,728
Russia Federation	3,520	Canada	2,656
Australia	3,166	South Korea	2,636
Taiwan	3,120	France	2,584
China	350	India	149

Source: The World Bank, *World Development Report 1999/2000*, pp. 266-267. Council for Economic Planning and Development, ROC, *Taiwan Statistical Data Book 1999*, p. 10.

The "flying geese" model<sup>62</sup> is one that has received much comment as an explanation of regional development. Taiwan's technology originally came mostly from Japan and the US. At the end of 1960s, Japan transferred its sunset industries to Taiwan - its former colony - because many Taiwanese workers undertook Japanese education in the colonial era. With language skills and skilled labour, Taiwan succeeded in developing a strong position in consumer electronics, small machineries, footwear and textiles, bicycles and sporting goods. Some scholars explain the technological transfer as a relation of dependency because Taiwan imported semi-finished products from Japan, reprocessing them and exported them to the US market.<sup>63</sup> This trend led Taiwan to have a huge trade deficit with Japan, but a trade surplus with the US.

<sup>62</sup> The economist Katane Akamatsu created the "flying geese" model of regional development before the Pacific War. 'In the 1960s, Minister of Foreign Affairs Saburo Okita would popularize it and forge the basis for comprehensive security policies with the region.' In the prewar era, Japan propogamandised regional harmony under the flying geese pattern of economic development under Japanese leaderships. Francois Godement, *The Downsizing of Asia*, New York: Routledge, 1999, p. 112, footnote 34. As a result of adopting the "flying geese" model, Taiwan and other Asian economies -South Korea, Hong Kong, and Singapore have followed this pattern to develop their industry through Japanese technological transfer and investment. During this transfer, many labour intensive industries such as textiles, toys, kitchen utensils, footwear, were set up in these countries. Japan led more advanced technologies and kept its leaderships in the region.

<sup>63</sup> Hwei En Peng, *The Political Economy of Taiwan's Development*, Taipei: Fang Yun Publisher, 1995, pp. 233-237.

With huge foreign exchange reserves, the Taiwanese currency was forced to appreciate considerably. This appreciation caused Taiwan to move its disadvantageous industries to Southeast Asia and Mainland China. The second wave of technology transfer also brought an opportunity to improve the technology of Taiwan's indigenous industry. Thus Taiwan gradually developed its own technology through research and development projects.

Although the ratio of engineering graduates of Taiwan was less than that of South Korea and Singapore, Taiwan's scientific publications were more than that of South Korea and Singapore (see, Table 9-15a and 9-15b).

**Table 9-15a: Number of Academic Papers from Leading Nations Cited in SCI and National Rankings (Comparison majors countries, 1991-1995)**

Country	1995		1994		1993		1992		1991	
	No. of Papers	Rank	No. of Papers	Rank	No. of Papers	Rank	No. of Papers	Rank	No. of Papers	Rank
USA	248493	1	238172	1	232089	1	233815	1	224455	1
U.K.	61645	2	58434	2	53824	2	53767	2	49273	2
Japan	58840	3	55944	3	51942	3	52354	3	46334	3
Germany	53167	4	50298	4	46311	4	47315	4	44382	4
France	40956	5	38913	5	35778	5	35705	6	32099	6
Canada	33343	6	32435	6	31064	6	31444	7	29212	7
Netherlands	16674	10	15832	10	14771	10	14501	11	12843	11
China	11355	15	9450	15	8793	15	8394	15	7288	15
Israel	8232	16	7653	16	7520	16	7013	16	6434	16
Taiwan, ROC	6550	19	5801	20	4767	22	4359	23	3247	25
South Korea	5277	23	3977	24	3015	28	2501	30	1961	33
Hong Kong	2379	35	1762	38	1516	38	1257	38	1100	40
Singapore	1900	37	1552	39	1309	39	1167	41	830	43

Source: National Science Council, ROC, Taiwan, *White Paper on Science and Technology*, 1998, p. 5, at <http://www.nsc.gov.tw/whitepaper/eng/ch2.htm>

Cited from, National Science Indicators on Diskette 1981-1995, ISI Co., USA.

**Table 9-15b: Number of US Patent Points Awarded to Major Countries (Comparison majors countries, 1991-1995)**

Country	1995		1994		1993		1992		1991	
	Points	Rank	Points	Rank	Points	Rank	Points	Rank	Points	Rank
USA	55586.2	1	55940.7	1	55172.1	1	52158.1	1	51135.1	1
Japan	21794.7	2	22379.6	2	20946.1	2	21917.6	2	21027.3	2
Germany	6609.8	3	6729.2	3	6591.7	3	7314.6	3	7669.8	3
France	2820.8	4	2777.5	4	2809.2	4	3023.9	4	3039.9	4
U.K.	2502.5	5	2250.0	5	2264.0	5	2424.6	5	2800.3	5
Canada	2097.6	6	2022.4	6	1907.4	6	1974.4	6	2029.4	6
Taiwan, ROC	1625.8	7	1441.0	7	1185.3	8	998.6	9	908.4	10
South Korea	1166.2	8	950.8	10	764.9	11	536.7	12	402.5	13
Hong Kong	92.1	23	63.5	23	61.2	23	62.9	24	51.3	27
Singapore	53.4	27	54.2	26	39.2	29	32.2	31	15.0	37

Source: National Science Council, ROC, Taiwan, *White Paper on Science and Technology* 1998, p. 6, at <http://www.nsc.gov.tw/whitepaper/eng/ch2.htm>

Cited from, International Technology Indicators Database, March 1996, CHI Research Inc., USA.

Respectively, Taiwanese technical presentation at international conferences and publications in refereed journals numbered nearly six thousand in 1993. At that time, its contributions from research were listed in the top twenty countries in the world ahead of



other Asian tigers.<sup>64</sup> In other words, many science and engineering graduates, particularly some with doctorates, frequently contributed their scientific knowledge to the international scientific community. Their contributions, one would assume, were of greater value than those from less qualified personnel. Hence, the importance of quality is much more than that of quantity in developing indigenous technology. Through its educational efforts, Taiwan built up its human resources. As table 9-15a reveals, Taiwan's scientific performances have improved following its educational achievements.

The improved human capital led to technological innovation and improved Taiwan's economic structure from labour-intensive industries to technology-intensive industries such as computers, semi-conductors, biochemistry, and communications. As table 9-15b shows, Taiwan's patent of new inventions has reached a considerable level.

As mentioned previously, the government played a key role in this period. "The government set up a "key research institute" and "centre of excellence" at each of the four national universities: National Taiwan, National Tsing-Hua, National Chiao-Tung, and National Cheng-Kung, in the fields of applied mechanics, materials science, information technology, and aviation and aerospace technology.'<sup>65</sup> This trend resulted in many overseas scholars returning.

**Table 9-16: Number of Taiwanese Students Study Abroad, (1950-1997)**

YEAR	STUDY ABROAD	STUDY IN THE USA	RETURN FROM ABROAD	RETURN FROM THE USA★
1950	216	213	6	NA
1955	760	626	34	NA
1960	643	531	47	NA
1965	2339	1843	120	NA
1969*	3444	3015	226	NA
1970*	2056	1825	407	NA
1975	2301	1824	569	NA
1979	5801	5463	478	359
1980	5933	5572	640	455
1985	5979	5532	1350	1133
1988	7122	6382	2296	1977
(Jan-Jun) 1989	3900	3513	2462	2147
★★1990			2863	2570
1991			3264	2888
1992			5157	4681
1993			6172	5472
1994			6510	5716
1995			6272	5262
1996			2760	2200
1997			2526	2526

Source: Ministry of Education, *Education Statistics of the Republic of China*, 1998, pp. 54-59.

★ From 1950 to 1975, lacking of sufficient data, we cannot find the exact number of returned students from the US.

★★ Since 1990, the Taiwanese government has not list the number of student studying abroad because many students were spoused by themselves rather than by government.

<sup>64</sup> Otto C. C. Lin, *op. cit.*, p. 190.

According to table 9-16, many Taiwanese students initially found jobs abroad, mostly in the US after they completed post-graduate studies during 1950 and 1985. Since the KMT government decided to relinquish Martial Law in 1986, the trend of graduates returning from overseas on completion of their studies started to increase from nearly 2,000 in 1987 to over 5,000 in 1992 and peaked at over 6,000 in 1993.<sup>66</sup> In regard to Taiwanese students studying in the US, according to *Education Statistics of the Republic of China*, Taiwanese students studying abroad sponsored by the KMT government or American universities or institutions' scholarships, totalled 103,887 in the US from 1950 and 1997, largely in engineering and sciences.<sup>67</sup> The number of returned students has increased from 1,079 in 1983 to 2,888 in 1991 and peaked at 5,716 in 1994.<sup>68</sup> The thesis has not been able to find conclusive evidence in relation to the reasons for return but it is likely that the change in political climate and increasing living standards have encouraged many Taiwanese overseas students to return.

The increasing numbers of returned scholars and students directly and indirectly have improved the level of technology. At the same time, these former expatriate scholars contributing to Taiwan's development are a unique factor, unmatched in most other developing countries. For example, '[b]y 1994, Taiwan's Industry Technological Research Institution (ITRI) had about 6,000 employees, of whom 4,250 had bachelor's or higher degrees, and 560 held doctorates.'<sup>69</sup> These returned scholars inevitably brought Western values of politics, experience of management, and technological knowledge mostly led by the US. These returned scholars contributed their professional know-how in economic, technological and academic sectors and also stimulated political reform successfully.

#### 9-4 The Model of Political Democratisation

Two approaches to democratic transition have been adopted to explain the development of Taiwan's democracy. One is the structure-oriented perspective of

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<sup>65</sup> Otto C. C. Lin, *op. cit.*, p. 190.

<sup>66</sup> Otto C. C. Lin, *op. cit.* The number of Taiwanese students studying abroad was much more than the number of students who returned. From 1952 to 1981, the number of students studying overseas was over 2,000 per year (from 2,000 in 1963 to 6,000 in 1980). During the same period, the number of returned students was less than 1,000 per year. Since 1981, the number of returning students started to increase but was still much less than the number of students studying abroad. When the political problem - Martial Law - was resolved, the gap was reducing. By 1993, the gap was nearly eliminated.

<sup>67</sup> Ministry of Education, *Education Statistics of the Republic of China, 1998*, Taipei: Ministry of Education, 1998, pp. 58-61.

<sup>68</sup> Ministry of Education, *op. cit.*, 1998, pp. 56-57.

<sup>69</sup> Otto C. C. Lin, *op. cit.*, p. 193.

comparative politics and social change, which ‘focuses on the driving forces behind or the “preconditions” for democracy’.<sup>70</sup> The other is process-oriented perspective that considers ‘the strategic calculations of the actors in democratic transition.’<sup>71</sup>

In this section, the structure-oriented perspective, which is related to the interaction of external pressures and internal driving forces, is consistent with the methodology mentioned in chapter three. Externally, the US, as a result of strategic considerations, supported the authoritarian party. In the early period of the Cold War, the US neglected the situation of its allies’ human rights and tolerated military dictatorships in return for their military cooperation to strengthen containment. Taiwan’s strategic position and the KMT’s anti-Communism underpinned its authoritarian politics. While the ideological confrontation gradually disappeared, the US used human right diplomacy as an instrument in its foreign relations. As a result, Taiwan’s authoritarian politics faced challenges from the US administration, the Congress and the media. These external challenges drove the KMT to loosen its political control.

Internally, economic growth gradually improved living standards of the Taiwanese people. As a consequence, Taiwan’s society shaped a middle-class, with good education and professional skills that asked for more freedom in managing business but remained politically conservative. By the 1980s, many in the middle class realised the importance of reform. As a result a series of social movements through diverse organisations, urged the KMT government to pay attention to their special interests.<sup>72</sup>

These internal demands caused the KMT government to consider political reform, but external pressures, such as declining international recognition, being isolated from various international organisations, and the importance of democratisation made the KMT leaders consider the issue more substantively. Through these internal demands and external pressures, Taiwan moved toward a democratic and civil society. During the transition, the KMT government recognised that the path of democratisation was a better way to resolve its isolation and to earn more international supports and respects. Taiwan eventually developed its democracy without paying a painful price in what some scholars called a “quiet revolution”.<sup>73</sup> In this section, the thesis focuses on Taiwan’s security considerations

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<sup>70</sup> Tse-Kang Leng, *op. cit.*, p. 17.

<sup>71</sup> *Ibid.*

<sup>72</sup> Michael Hsiao Hsin-huang, ‘The Changing State-Society Relation in the ROC: Economic Change, the Transformation of the Class Structure, and the Rise of Social Movements’, in Ramon H. Myers, (ed.), *op. cit.*, 1991, pp. 131-135.

<sup>73</sup> See Wang Gungwu, ‘To Reform A Revolution: Under the Righteous Mandate’, in Tu Wei-ming, (ed.), *China in Transformation*, Cambridge, Massachusetts: Harvard University Press, 1993, pp. 71-94. In this

and the changes to its internal political structure that forced the KMT leaders to adopt further political reform.

### 9-4-1 External Pressures

#### A. Security Considerations

In the Cold-War era, Taiwan was a long-term ally of the US against the Communist bloc. During this period, Taiwan faced the Chinese Communist threat, which was a major security calculation.<sup>74</sup> The moderation of the Chinese communist threat was a necessary precondition for the KMT to enact widespread political reforms, such as abolishing martial law in 1987.<sup>75</sup> Taiwanese society had evolved under military dictatorship because of the external threat to the security of the KMT regime. In the period of alliance, the US government had not seriously criticised the political dictatorship before the end of the 1970s. After the 1970s, it was advantageous for the KMT's survival to develop democracy in order to win US support. The KMT government under this external pressure moved toward political reform.<sup>76</sup>

From 1949, the ROC fought for its "China seat" in the UN, but lacked enough international support, except from the US. Eventually, the ROC lost its international recognition in 1971. The loss of UN membership had an impact on Taiwanese society, particularly the KMT regime that realised its regime would be challenged if its political power could not be projected internationally. Owing to the changing international environment, the KMT strengthened its organisational and personnel reforms. These reforms "allowed the party to focus more attention on the domestic environment, which it had not given priority to in the past."<sup>77</sup> Through ingenious arrangements and periodical elections - such as central legislators, provincial assemblies, and magistrates who had been nominated by the KMT leaders - the party gradually promoted more of the local elite into its core decision making group.

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article, Wang Gungwu distinguishes the terms of "revolution" and "reform" in Chinese meaning, which reveals a different interpretation.

<sup>74</sup> Bruce J. Dickson, 'Leninist Adaptability in China and Taiwan', in Edwin A. Winckler, *Transition from Communism in China: Institutional and Comparative Analyses*, Boulder, Colorado: Lynne Rienner, 1999, p. 77, footnote 4. Dickson interviewed the KMT leaders who admitted that refusing to adapt political democracy was due to the communist threat.

<sup>75</sup> Bruce J. Dickson, *op. cit.*, 1999, p. 62.

<sup>76</sup> Bruce J. Dickson, *op. cit.*, 1999, pp. 56-63.

<sup>77</sup> Bruce J. Dickson, *op. cit.*, 1997, p. 117.

From 1949 to 1971, there was a series of diplomatic struggles over the “China seat” in the UN. The main issue concerned legal government of China. The ROC was a foundation member of the UN. But the Soviet Union, India, Britain and the PRC claimed that the PRC should replace the ROC. Major members in the Security Council recognised the PRC. Only the US recognised the ROC government.<sup>78</sup> Although Japan and the US tried to suggest Chiang adopt a “two Chinas” policy in the UN, Chiang insisted there be only one China seat.<sup>79</sup> Chiang believed that there could be ‘no coexistence between the Han and the Bandits (*hanzei buliangli*).’<sup>80</sup> Hence, the idea of two Chinas could not be implemented. As a result, Taiwan began to be isolated from the international community.

To protect its seat in the UN, the KMT government provided huge money in aid to developing countries to persuade them to support its membership. However, the international circumstances changed from bipolarity to tripolarity, from containment to détente and China became a power with US leverage. Taiwan gradually lost its political influence in international society. Taipei kept diplomatic relations with 54 states in 1971, but the number slumped in 1972. Only 39 states maintained their recognition of the ROC government. The effect of withdrawing from the UN was such that the number quickly reduced from 31 in 1973 to 26 in 1975. In 1978, the worst period, there were only 21 countries recognised the ROC. At the end of 1978, the US government crudely announced that the US-ROC relations would end on 1 January 1979. This message sent a shock wave through the ROC and Taiwanese society. In 1992, although the shadow of Tiananmen Square massacre was still fresh, South Korea decided to recognise the PRC for economic interests and strategic considerations. In 1997, the long-term “ally” - South Africa - cut off formal relationship from the ROC. Nevertheless, the ROC still seeks any opportunity to breakthrough its isolation. In 1999, there were 29 countries, which still recognise the ROC as the only legal government of China. Mostly, they are middle-small countries in Central Africa, Latin America, the Southern-Pacific Ocean and two of them are in Europe.<sup>81</sup>

As a result of international isolation, the KMT government realised that it would lose out in the long-term ideological competition against the Chinese Communist Party without

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<sup>78</sup> Editor, ‘Eye on Formosa’, *Current Affairs Bulletin*, vol. 7, no. 7, 18 December 1950, p. 106.

<sup>79</sup> Nancy B. Tucker, *Taiwan, Hong Kong, and the United States, 1945-1992: Uncertain Friendship*, New York: Twayne, 1994, pp. 101-106.

<sup>80</sup> Richard C. Bush III, ‘Role of the US in Taiwan-PRC Relations’, in Denis F. Simon and Michael Y. M. Kau, (eds.), *Taiwan: Beyond the Economic Miracle*, Armonk, NY: M. E. Sharpe, 1992, p. 357.

<sup>81</sup> In Europe, there are still two countries that recognise the ROC as the legal government of China. One is the Vatican and the other is Macedonia. At the end of 1999, the ROC established diplomatic relation with Palau (a small West-Pacific state).

further political reforms. The best way to attract US support was to mature the process of democratisation.

## B. US Pressures

The United States played a “paramount” role in Taiwan’s political reform. As John F. Copper indicates,

The American Congress, the administration, the media and scholars have supported Taiwan’s democratisation. Sometimes they have used pressure and coercion. Clearly, the US role has been a paramount one.<sup>82</sup>

James R. Lilley, former US ambassador to China and unofficial director of AIT to Taipei, agrees with Copper’s view. He thinks that Taiwan’s example of respecting human rights and committing democratisation has ‘evolved from a long-term US military and economic presence.’<sup>83</sup> In particular, US direct political influence has been exercised through official, private, and media channels such as,

...the report of the US State Department on the ROC’s human rights record; the personal concern expressed by US Congressmen, the views expressed by certain US media; and open hearing held in the US Congress in connection with the sale of arms to the ROC.<sup>84</sup>

All these external pressures pushed the KMT government to relax its political authority move towards democratisation.

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<sup>82</sup> John F. Copper, *China Diplomacy: The Washington-Taipei-Beijing Triangle*, Boulder, Colorado: Westview Press, 1992, p. 129.

<sup>83</sup> James R. Lilley, ‘Trade and the Waking Giant-China, Asia and American Engagement’, in James R. Lilley and Wendell L. Willkie II (eds.), *Beyond MFN: Trade with China and American Interests*, Washington DC: AEI Press, 1994, p. 37.

<sup>84</sup> Lu Ya-li, ‘Political Modernization in the ROC’, in Ramon H. Myers (ed.), *Two Societies in Opposition: The Republic of China and the People’s Republic of China after Forty Years*, Stanford, California: Hoover Institution Press, 1991, p. 123.

## 9-4-2 Internal Driving Forces

There were two major changes pushing Taiwanese society towards political reform. Structurally, the KMT's recruitment policy caused the character of political elites to change. Many new generations joined the party with liberal and American educational backgrounds such that a movement towards democracy occurred. Many in the party's political elite claimed the KMT must change. Taiwanese journal recorded a comment made by Wang Jiping (Wang Chin-ping, former vice-president of the Legislative Yuan),

The KMT is a party for the people and not just its own members. The KMT must change from a control oriented party of past concepts and traditions and organized mobilization to a competitive oriented party that strives to win the support of the people. The leadership echelon no longer can refuse to accept the participation of the people's representatives.<sup>85</sup>

More significantly, the KMT's party-executive-legislative leaders gradually were replaced the Central Standing Committee (CSC) as the most influential policy-making pivot.<sup>86</sup>

Economically, there were growing pressures from Taiwan's emerging environmental lobby that were disadvantageous for Taiwan's economic growth and stimulated the KMT government to release the bans on trading and investing in Mainland China.

There were a number of factors that made these changes possible. First of all, the Mainland responded by placing much greater emphasis on economic reform. Second, Taiwan began to participate in international events (which it had been precluded from since 1971). Taiwan's international prestige improved when it engaged in political reform and moved toward democracy. Third, in Taiwan, a growing middle class challenged the authoritarian rulers. Fourth, a generation change was needed in the Legislative Yuan (Parliament), made up of many of those who had come with Chiang Kai-Shek from the Mainland in 1949. Fifth, therefore, there was a need to incorporate more local Taiwanese

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<sup>85</sup> Bruce J. Dickson, *op. cit.*, 1997, p. 116. Quoted from Editorial, 'Zhuliu Pai Juece Zao Ding, Fai Zhuliu Fangong Wuwang' (The Mainstream Strategy was Formulated Early: The Anti-Mainstream Counter Attack was Hopeless), *XinXinwen Zhoukan (New News Weekly)*, 9 May 1993, p. 13.

<sup>86</sup> Shao-chuan Leng and Cheng-yi Lin, 'Political Change on Taiwan: Transition to Democracy?', *China Quarterly*, no. 136, December 1994, pp. 819-820.

in the KMT. Sixth, perhaps most importantly, a fear that Taiwan would miss out on the opportunities provided by China's opening up to the world. Seventh, President Chiang Ching-Kuo (Chiang Kai-shek's elder son), who had considerable respect from most Taiwanese, was still in power and could initiate the changes. Finally, Chiang Ching-Kuo decided to abolish martial law in 1986. As a result, Taiwan began to move toward democracy. In 1992, when the DPP won 31 percent of the vote and seats in the Legislative Yuan, demonstrated Taiwan's political development started to a true two-party politics.<sup>87</sup>

Although there were some inadequacies such as violent behaviour occasionally occurring in the Legislative Yuan, gradually a mature democracy has formed. The opposition Democratic Progressive Party (DPP) won 21.13 percent of the vote in the presidential election of 1996.<sup>88</sup> Citizens of Taiwan were actively involved in the two elections in 1995 and 1996.<sup>89</sup> By then, a structure of three-party politics was already in place.

Taiwan's political transition was not so much from a military authoritarian regime but from a one-party authoritarianism.<sup>90</sup> During the political transfer, Taiwan's politics reflected two paradoxes. As J. Bruce Jacobs indicates:

First, despite its projection of a strong conservative anti-Communist image externally, the Nationalist system has implemented progressive social politics. Second, the Nationalist system has simultaneously incorporated elements of "liberal democracy", and "Leninist authoritarianism".<sup>91</sup>

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<sup>87</sup> J. Bruce Jacobs, 'Democratisation in Taiwan', Occasional Papers, Centre of East Asian Studies, Monash University, Clayton, Victoria, Australia, 1998, p. 5.

<sup>88</sup> In the presidential election of 1996, the KMT won 54 % of the vote; the DPP captured 21.13%; the New Party received 14.9% of the vote. In the election for national assemblyman held the same year, the KMT, DPP, and New Party gathered 49.68%, 29.85%, and 13.67% of the vote. In 1995 election for the third Legislative Yuan, the KMT captured 85 seats with 46.06% of vote; the DPP won 54 seats with 33.17% of the vote; and the New Party captured 21 seats with 12.95% of the vote. Source: Government Information Office, *The Story of Taiwan*, 1997. URL: <<http://www.gio.gov.tw/info/epolbook/ptakeof5.htm>>

<sup>89</sup> Eric P. Moon, 'Single Non-Transferable vote Methods in Taiwan in 1996', *Asian Survey*, vol. 32, no. 7, July 1997, p. 653.

<sup>90</sup> Edwin A. Winkler, 'Institutionalization and Participation on Taiwan: from Hard to Soft Authoritarianism?', *China Quarterly*, vol. 99, September 1984, pp. 481-499. Hu Fu and Yun-Han Chu, 'Neo-Authoritarianism, Polarized Conflict and Populism in a Newly Democratizing Regime: Taiwan's Emerging Mass Politics', *Journal of Contemporary China*, 5 (11), 1996, p. 24.

<sup>91</sup> J. Bruce Jacobs, *op. cit.*, in Gary Klintworth, (ed.), 1991, p. 17.



In retrospect, Taiwan's political development can be divided into five periods, which are similar to that of its economic development. First, in the 1950s, under the martial law, opposition parties were banned, no strikes or protests were allowed. From 1950 to 1952, the KMT realised its failure on the Mainland was due to its corruption and the disloyalty of its membership. Therefore, the KMT purged corrupt and uncommitted party members then tightened its organisation considerably through conducting a complete re-registration membership policy, which rebuilt the party.<sup>92</sup> Second, in the 1960s, Taiwan was in the authoritarian period (some describe this period as the so-called "white terror period"). Many dissidents were jailed or exiled until the beginning of 1990s when they were released from jail or allowed to return. Then, they organised an opposition party – the DPP (Democratic Progressive Party). Third, in the 1970s, the KMT started promoting the "local elite" which meant "Taiwanisation". Many of the Taiwanese political elite entered the Legislative Yuan and government. President Chiang started his "localisation policy". He promoted many of the Taiwanese elite including Lee Tang-hui, but deliberately oppressed the second generation of mainlanders. Fourth, in the 1980s, the Democratic Progressive Party - (DPP) was established in 1986 before the KMT officially renounced the Martial Law. In 1988, the first Taiwanese President, Lee Teng-hui succeeded Chiang Ching-Kou. In 1992, the election of national legislators demonstrated a remarkably peaceful transition to two-party electoral politics.<sup>93</sup> Finally, political reform was completed - "Taiwanisation" - President Lee Teng-hui winning the first presidential election under the threat of Chinese Communist missiles in 1996.

One significant factor is that more and more of the younger Taiwanese generation are highly educated individuals, with advanced degrees from foreign universities (particularly US universities), in the top ranks of party work and the government apparatus.<sup>94</sup> In particular, the majority of the Central Standing Committee (CSC) members have degrees in the social sciences and humanities, not the natural science and engineering backgrounds that the name "technocratic" implied in the past.<sup>95</sup>

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<sup>92</sup> J. Bruce Jacobs, *op. cit.*, in Gary Klintworth, (ed.), 1991, p. 13.

<sup>93</sup> Andrew J. Nathan, 'Electing Taiwan's Legislature', in Andrew J. Nathan, *China's Transition*, New York: Columbia University Press, 1997, pp. 112-126.

<sup>94</sup> Bruce J. Dickson, *op. cit.*, 1997, p. 119. Also see James Fallows, *Looking at the Sun: the Rise of the New East Asian Economic and Political system*, New York: Pantheon, 1994, p. 396. The author interviewed Shaw Yu-ming, who was director of the ROC's Government Information Office, in 1991. Shaw indicated that 'Counting our cabinet members and even the president, 70 percent were educated in America. More than one third have their PhDs from the United States.'

<sup>95</sup> Bruce J. Dickson, *op. cit.*, 1997, p. 119.

The other factor is the party recruitment policy that emphasised the recruitment of the young generation in universities, colleges and government. From 1969 to 1976, 'over 57 percent of all new recruits were students, which means that one-third of college students were recruited into the (KMT) party. Another 6 percent were recruited from among public servants and teachers.'<sup>96</sup> As a result, the KMT accumulated more intellectuals in its apparatus especially those involved the process of decision-making. They provided freer viewpoints for the leaders than the ideologies of the past. In contrast to the KMT, 12 percent of the Central Committee of the Chinese Communist Party had these kinds of degrees in 1992.<sup>97</sup>

There are three important dimensions of democracy in Taiwan, which are: first, the consolidation of a competitive party system, the Democratic Progressive Party and the New Party, which are challenging the ruling position of the KMT. Second, an open and inclusive political system without constitutional restraint is in operation. Third, many former political dissidents, who had been expelled or imprisoned during the 1960s and the 1980s, have been empowered; more importantly, Taiwanese elites are fuelling the central and local apparatus (including parties, governments, and parliaments).<sup>98</sup> These dimensions provided a foundation for the stable development of democracy.

Table 9-17 and 9-18 show that the characteristics of decision-makers between the KMT and the CCP have followed the same trend but with several important differences. First, the average age of decision-makers was young when the parties started to rule. Following the long-term rule, however, both parties had aged leaders in the decision-making apparatus, the average age peaked at 68.3 in the KMT-CSC in 1981 and 72.1 in the CCP's politburo in 1982. Both parties, however, have reduced the average age of leaders in the 1980s. In other words, the parties started to shift power from the aged to youth from the time both sides launched political reform.

Apparently, the KMT has a high rate of post-graduate members particularly those with foreign education with social science and humanities backgrounds. According to Bruce J. Dickson, of twenty members of the CSC with post-graduate degrees in 1993, only three of them were in science or engineering and two were from the military academy.<sup>99</sup>

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<sup>96</sup> Bruce J. Dickson, *op. cit.*, 1997, p. 126.

<sup>97</sup> Bruce J. Dickson, *op. cit.*, 1997, p. 134.

<sup>98</sup> Hu Fu and Yun-Han Chu, 'Neo-Authoritarianism, Polarized Conflict and Populism in a Newly Democratizing Regime: Taiwan's Emerging Mass Politics', *Journal of Contemporary China*, 5 (11), 1996, pp. 25-26.

<sup>99</sup> Bruce J. Dickson, *op. cit.*, 1997, p. 115.

Those with social science and humanities backgrounds are more likely to lean towards democracy. In particular, many of them studied in the US and that tended to give the KMT leaders a liberal approach towards political reforms.

According to table 9-17, the CSC members had over 50 percent with post-graduate degrees in the decision-making group after the KMT government retreated from Mainland China.

Because the recruitment policy of the KMT gained more Taiwanese members for the party the new politicians had power voters rather the party's apparatus.<sup>100</sup> Therefore, as more young Taiwanese elite members became involved in the CSC, their political influence on the decision-making process significantly increased.<sup>101</sup> Owing to civilian officers controlling the party's power over the military and security agencies, the KMT gradually eliminated its authoritarian style.<sup>102</sup> The model of Taiwan may well provide an example for China's political reforms in the post-Deng era.

**Table 9-17: Characteristics of KMT Central Standing Committee (CSC) members, 1952-1993**

	1952	1957	1963	1969	1976	1981	1988	1993
Average age	50.8	54.6	60.9	62.4	67.6	68.7	63.2	60.9
Taiwanese	0	1	1	2	5	9	16	18
Mainlander	10	12	14	19	17	18	15	13
Education in Post-grad	3	3	3	5	7	7	13	20
Collage	4	4	6	9	10	13	12	8
Military Academy	3	4	5	6	4	6	4	2
NA		2	1	1				1
Foreign Education	7	8	8	10	13	14	17	19
Ratio of post-graduate in the CSC member*	70.0%	53.8%	60.0%	66.7%	77.2%	74.1%	80.6%	90.3%
Ratio of Foreign Education in the CSC member*	70.0%	61.5%	53.3%	47.6%	59.1%	51.8%	54.8%	61.3%

Source: Bruce J. Dickson, *Democratization in China and Taiwan: The Adaptability of Leninist Parties*, Oxford: Clarendon, 1997, page 114, Table 4.1.

\*The ratio is accounted by this research accordance to the source.

On the other hand, the CCP has a lower rate of higher education among its members, especially foreign education compared to that of the KMT. According to table 9-18, only 5 members had foreign education degrees of twenty-one members of Politburo in 1977. The KMT, in contrast, had thirteen foreign educated members in its twenty-one members of the CSC in 1976. Furthermore, the CCP Politburo still had 5 foreign educated members in its twenty members in 1992. However, the KMT Central Standing Committee had nineteen foreign educated members in its thirty members in 1993 (See table 9-18). Apparently, foreign educated members played an important role in the process of decision-making

<sup>100</sup> *Ibid.*

<sup>101</sup> Bruce J. Dickson, *op. cit.*, 1997, pp. 115-116.

<sup>102</sup> J. Bruce Jacobs, 'Democratisation in Taiwan', Occasional Paper, Centre of East Asian Studies, Monash University, Clayton, Victoria, Australia, 1998, p. 15.

because they brought more liberal political and social values and ideas from abroad into the CSC. In particular, the members of the CSC came not from science and engineering but from social sciences, humanities, and law.<sup>103</sup>

Their presence provided the basis for a beneficial and peaceful transition to the subsequent political reform in the 1980s which meant the KMT started to practice democracy.<sup>104</sup> This situation generated a certain influence on policy-making through those technical experts with extensive experience in western countries where they were exposed to new political ideas and institutions.<sup>105</sup> As a result, the KMT adopted the principle of ‘efficient and responsive forms of adaptation’<sup>106</sup> to undertake political reform.

On the other hand, ‘the CCP targeted a slightly older cohort for recruitment and promotion and excluded some key social groups rather than coopt them into the party.’<sup>107</sup> Emphasising on the principle of “red and expert”, meant the CCP excluded intellectuals from the party and prevented them from having a legitimate forum to press for change.<sup>108</sup>

**Table 9-18: Characteristics of CCP Politburo Members, 1956-1992**

	1956	1969	1973	1977	1982	1987	1992
Average age	58	63.5	64	65.7	72.1	64.4	62.3
Total of Members	17	21	19	21	25	17	20
Education in Collage	6	5	5	4	5	8	12
High School	7	3	2	4	8	2	3
Military Academy	1	4	2	3	3	2	2
NA or Not Known	3	9	12	10	9	5	3
Foreign Education	9	7	7	5	7	4	5
Ratio of Collage Education in the Politburo*	35.2%	23.8%	26.3%	19.0%	20.0%	47.1%	60.0%
Ratio of Foreign Education in the Politburo*	52.9%	33.3%	36.8%	23.8%	28.0%	23.5%	25.0%

Source: Bruce J. Dickson, *Democratization in China and Taiwan: The Adaptability of Leninist Parties*, Oxford: Clarendon, 1997, page 131, Table 4.7.

\* The ratio is accounted by this research in accordance with the source.

After twenty years of successful education, Taiwan has a high rate of higher educated political elite with social science and humanities backgrounds, especially in the decision-making group - the KMT Central Standing Committee. American democratic values, norms, and ideas thus had a large impact on the KMT leaders and Taiwan society.

<sup>103</sup> Bruce J. Dickson, *op. cit.*, 1997, pp. 113-114.

<sup>104</sup> Nancy B. Tucker, *op. cit.*, 1994, pp. 118-124.

<sup>105</sup> Bruce J. Dickson, ‘Leninist Adaptability in China and Taiwan’, in Edwin A. Winckler, *Transition from Communism in China: Institutional and Comparative Analysis*, New York: Lynne Rienner, 1999, pp. 74-76.

<sup>106</sup> Bruce J. Dickson, *Democratization in China and Taiwan: The Adaptability of Leninist Parties*, Oxford: Clarendon, 1997, p. 154.

<sup>107</sup> Bruce J. Dickson, *op. cit.*, 1997, p. 130.

<sup>108</sup> Bruce J. Dickson, *op. cit.*, 1997, p. 154.

Although external and internal conditions pushed the KMT leaders to enact political reform, the characteristics of leaders played a key role in leading Taiwanese society towards democracy. As Samuel P. Huntington says,

The emergence of social, economic, and external conditions favorable to democracy is never enough to produce democracy. Whatever their motives, some political leaders have to want it to happen or be willing to take steps, such as partial liberalization, that may lead to it happening.<sup>109</sup>

Without instigating the policy of Taiwanisation in the 1970s, the KMT party apparatus could not recruit the new generation. Without recruiting the new generation in the party, the KMT could not change its nature from a revolutionary party of Leninist style to a democratic party. Strong pressures outside the party were also felt as the US human rights agenda and local dissidents challenged the ruling party. In March 2000, the result of the Taiwanese presidential election revealed the outcome of democratisation. The opposition party's presidential candidate – Chen Shuibian – won with 39.3 percent of the vote, as table 9-19 shows.

**Table 9-19: Share of the Vote Obtained by the Candidates of the Tenth Presidential Election on Taiwan, ROC, March 2000**

PARTY	CANDIDATES' NAMES	SHARE OF VOTE
DPP (Democratic Progressive Party)	Chen Shui-bien & Annette Lu	39.3%
Independent candidate	James Soong & Chang Chau-hsiung	36.8%
MKT (Kuomintang or Nationalist)	Lien Chan & Vincent Siew	23.1%
Independent candidate	Hsu Hsin-liang & Chu Hui-liang	0.62%
New Party	Li Ao & Elmer Feng	0.13%

Number of eligible voters: 15,462,625, voter turnout: 82.69%. Source: Government Information Office, ROC, Taipei, 19 March 2000. URL: <<http://www.taiwanheadlines.gov.tw/20000319/20000319np.htm>>

This is the first opposition party that peacefully and legally became the ruling party in modern Chinese history. Although the new government has adopted some different political ideas from the KMT, it has remained pro-American. For example, the new government combines members of the DPP and the KMT as a coalition government. In the new cabinet, there are 27 of 35 ministers with a Western education. In particular, twenty-four have American PhDs, one has an American Master's degree, one obtained a German PhD and one owned a French PhD.<sup>110</sup> In this sense, US influence will continue to impact

<sup>109</sup> Samuel P. Huntington, *The Third Wave: Democratization in the Late Twentieth Century*, Norman and London: University of Oklahoma, 1991, p. 108.

<sup>110</sup> Editorial, 'The list of new cabinet in the A-Bien government', *China Times*, 26 April 2000.

on the decision-making processes of the new government as it did in the KMT administrations. With an American-style democracy, Taiwanese society is moving towards a two-party alternative period that reveals a maturity of democratic development in Taiwanese politics.

Despite various concerns raised about Chen's independent ambitions, maintaining regional peace and communications with the Mainland are central to his foreign policy. There is no necessity to announce an independence immediately, nor a plebiscite, nor change to the national title, nor to amend the Constitution. According to Chen's victory speech and inaugural address,

From now on, Taiwan will continue to enhance the exchange and interaction between the government and people of the western Pacific regions. We will dedicate ourselves toward preserving the peace and stability of the Taiwan Strait and Asia-Pacific regions...Peace and stability in the Taiwan Strait is the common hope of people on both sides. In the future, we are willing to conduct extensive, constructive communication and dialogue with the utmost virtuousness and determination...Under the priority of ensuring national security and social benefits, we are willing to negotiate in various issues, including direct transportation links, business links, investments, peace agreement and a confidence building mechanism for military affairs.<sup>111</sup>

Democratisation clearly indicates that 'democracy in Confucian society, is not only possible but also practicable.'<sup>112</sup>

## **9-5 Taiwan's Experience as A Model for China's Modernisation**

Since the late 1980s, both sides of the Taiwan Strait started to lift the economic bans. Economic interaction increased rapidly but not substantial political engagement. Nevertheless, Taiwan's economic miracle gave many overseas Chinese students a vision

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<sup>111</sup> Chen Shui-bian's victory speech after the 10th Republic of China Presidential and Vice Presidential Election, 18 March 2000. URL: <<http://www.taiwanheadlines.gov.tw/chen/chen01.htm>>

<sup>112</sup> Tu Wei-ming, (ed.), *China in Transformation*, Cambridge, Massachusetts: Harvard University Press, 1993, p. XII.

that China could copy Taiwan's economic modernisation and its process of democratisation.<sup>113</sup>

Culturally, Taiwan and China share the same traditional background. Politically, Taiwan's authoritarian rule moved toward a democratic polity. China was a strict ideological dictatorship that after economic reform, is moving toward a softened authoritarian government. The evolution is similar to that of Taiwan. Economically, China's economic reform adopted the same strategy as Taiwan did in the 1960s.

Agriculturally, for example, China's reform began with agricultural modernisation. Deng's policy of farmland privatisation stimulated agricultural productivity.<sup>114</sup> As a result, the yield of major farm crops per hectare has increased during the past two decades, as table 9-20 shows. Compared with other major grain producers in the world, China's cereals per sown hectare are considerably above the world average.<sup>115</sup>

**Table 9-20: China's Role in the World Wheat Trade, (million tons and %)**

YEAR	WORLD WHEAT PRODUCT	WHEAT PRODUCTION IN CHINA	WORLD TRADE IN WHEAT	CHINA'S WHEAT IMPORT	APPARENT WHEAT CONSUM IN CHINA	CHINA'S SHARE OF WORLD WHEAT TRADE	CHINA'S IMPORTS AS A SHARE OF WORLD OUTPUT	THE RATIO OF IMPORTS TO WHEAT IN CHINA
1987-88	505	85.5	107	15.4	101.2	14.4	3.7	15.2
1988-89	500	85.4	98	15.9	101.3	16.2	3.8	15.7
1989-90	537	90.8	95	12.9	103.7	13.6	2.9	12.4
1990-91	592	98.2	92	9.4	107.6	10.2	1.9	8.7
1991-92	543	96.0	108	15.9	111.9	14.7	3.6	14.2
1992-93	561	100.5	105	6.7	107.2	6.4	1.5	6.3
1993-94	558	106.4	93	4.5	110.9	4.8	1.0	4.1
1994-95	527	102.0	95	10.2	112.2	10.7	2.4	9.1

Source: Christopher Findlay and Andrew Watson, 'Economic Growth and Trade Dependency in China', in David S. G. Goodman and Gerald Segal, (eds.), *China Rising: Nationalism and Interdependence*, New York: Routledge, 1997, p. 118

Economically, During World War II, the Allies destroyed most of Taiwan's industry and infrastructure. 'The island was in a state of devastation as destruction from the war

<sup>113</sup> There were different views regarding the Taiwan experience as a modernisation model for the rest of China. According to Thomas A. Metzger, 'the massive student movement sparked on the mainland in early 1989 by the death of Hu Yaopang called for "democracy" as an ideal based on the May Fourth Movement, instead of turning to the Taiwan model as a concrete alternative to Marxism. Thomas A. Metzger, 'The Chinese Reconciliation of Moral-Scared Values with Modern Pluralism', in Ramon H. Myers (ed.), *Two Societies in Opposition: The Republic of China and The People's Republic of China After Forty Years*, Stanford, California: Stanford University, Hoover Institution Press, 1991, p. 5. On the other hand, Li Shao-min, a Princeton educated economist born and raised on Mainland China, presented survey evidence that an increasing number of mainland intellectuals studying in the US believed that "China ought to learn from Taiwan". See Shaomin Li 'What China Can Learn from Taiwan', *Orbis*, vol. 33, no. 3, summer 1989, pp. 327-340.

<sup>114</sup> Nicholas R. Lardy, 'Economic Development in the PRC', in Ramon H. Myers (ed.), *Two Societies in Opposition: The Republic of China and The People's Republic of China After Forty Years*, Stanford, California: Stanford University, Hoover Institution Press, 1991, pp. 191-195.

<sup>115</sup> Peter Nolan, *China's Rise, Russia's Fall: Politics, Economic and Planning in the Transition from Stalinism*, London: Macmillan, 1995, page 137.

could be seen everywhere. Railways, roads, and harbours were basically operating at half-capacity.<sup>116</sup> Mainland China was in the same situation after eight years of the anti-Japanese war and four years of civil war. Major cities had been destroyed.<sup>117</sup> Following the KMT government's retreat from Mainland China, both sides of the Taiwan Strait began an ideological competition. Taiwan's per capita income was less than US\$50 in 1949 as was that of Mainland China. In 1970, however, Taiwanese annual income was about US\$350, and reached US\$2,500 in 1984.<sup>118</sup> In 1997, Taiwan's GDP per capita was US\$13,130. The Asian currency crisis, however, affected the New Taiwan (NT) Dollar and Taiwanese GDP per capita (at current prices) dropped to a low of US\$11,976 in 1998.<sup>119</sup> Compared with Taiwan's development, Mainland China has gone through a turbulent process. The annual per capita income of urban residents in Mainland China was 439 yuan in 1980 and 4,377 yuan (equal to US\$534) in 1996.<sup>120</sup>

In the process Taiwan's development, the KMT government played a critical role.<sup>121</sup> But some argue that 'Taiwan succeeded by devising a type of political economy unlike the liberal developmentalist ideal, one in which the state-not markets-governed the use of private resources of industrial growth.'<sup>122</sup> Obviously, cultural factors enabled Taiwan to adopt a form of "guided capitalism"<sup>123</sup> in its process of development because the KMT insisted on the idea of "the Three Principles of the People (*San Min Zhu Yi*)", which emphasise government investment in monopoly industries such as electricity, railroad,

<sup>116</sup> Nick Cullather, 'Fuel for the Good Dragon: The United States and Industrial Policy in Taiwan', *Diplomatic History*, vol. 20, no. 1, winter 1996, p. 1. Also see General Information Office, ROC, Taipei, *The Story of Taiwan*, p. 1. URL: <<http://www.gio.gov.tw/info/ecobook-e/epost3.htm>>

<sup>117</sup> Roy Rowan, 'Mao to Now: Fifty years after China's civil war ended', *Fortune*, vol. 140, issue 7, 11 October 1999, p. 250. The author witnessed four cities, which are Shenyang (also known as Mukden), Xuzhou, Taiyuan, and Nanjing, conquered by Mao's peasant army. (Electronic Journal in the Library of Adelaide University)

<sup>118</sup> Marco Orru, Nicole Woolsey Biggart, and Gary G. Hamilton, *The Economic Organisation of East Asian Capitalism*, London: SAGE Publications, 1997, p. 115.

<sup>119</sup> US Department of State, *1998 Country Reports Economic Policy and Trade Practices: Taiwan*, p. 1.

<sup>120</sup> According to Chinese official information, the average exchange rate of RMB against US dollar was 1.7:1 in 1981 and 8.3:1 in 1996. Therefore, the income per head was US\$258.24 in 1980 and US\$527.34 in 1996. See *China Statistical Yearbook 1997*, pp. 291 and 588.

<sup>121</sup> Ezra F. Vogel, *The Four Little Dragons: The Spread of Industrialization in East Asia*, Cambridge, Massachusetts: Harvard University Press, 1991, pp. 24-35.

<sup>122</sup> *Ibid.*

<sup>123</sup> Chalmers Johnson used the term "guild capitalism". See Chalmers Johnson, 'Political Institutions and Economic Performance The Government-Business Relationship in Japan, South Korea, and Taiwan', in Frederic C. Deyo (ed.), *The Political Economy of the New Asian Industrialism*, New York: Ithaca, 1987, pp. 136-164. Alice H. Amsden, 'Taiwan's Economic History: A Case of Etatism and a challenge to Dependency Theory', *Modern China*, vol. 5, July 1979, pp. 341-380. James Fallows, *Looking at the Sun: The Rise of the New East Asian Economic and Political System*, New York: Pantheon, 1994, p. 397. James Fallows thinks that Taiwan's economy as a model of government-business interaction, which is similar to Japan.



fertiliser, and vital infrastructures. The “economically free but politically conservative” policy was similar to that of the CCP regime.

Although the KMT adopted “guided capitalism”, the US aid program from 1951-1965 played a significant role in providing industrial goods, plant, and equipment and order material aid.<sup>124</sup> As a result, US aid was the most important influence in creating a booming private enterprise system in Taiwan.<sup>125</sup> It is also happening on the mainland. After Deng announced the opening policy, foreign investment began to flow into the mainland.<sup>126</sup> The US also provided various programs of training for Taiwanese political leaders and government officials.<sup>127</sup>

During this period, the KMT authorities realised that security was the key element for its development because the Communists threat could endanger its regime.<sup>128</sup> In June 1965, US aid ceased because the Taiwanese economy had graduated from ‘deep dependence to self-sustained rapid growth’.<sup>129</sup> Dependence on the US was not a serious issue in Taiwan.<sup>130</sup> Taiwan’s experience is not a model of the traditional dependency theory. By contrast, through four decades of development, Taiwan has the third biggest foreign reserves in the world, low foreign debts, high quality human capital, and a good financial system, which successfully survived the Asian Currency Crisis in 1997-1998. Dependency, as Latin American states experienced it in the 1970s, did not occur in Taiwan.<sup>131</sup>

Taiwan’s development can be categorised into four elements, ‘land reform peacefully implemented, large-scale investment in education, a flexible, well-balanced developmental strategy and a free enterprises system.’<sup>132</sup> Further, US aid mission and the KMT officials together ‘invented institutions and patterns of government activity that some analysts today

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<sup>124</sup> Ezra F. Vogel, *op. cit.*, p. 21.

<sup>125</sup> Neil Jacoby, *US Aid to Taiwan: A Study of Foreign Aid, Self-Help, and Development*, New York: Praeger, 1966, p. 138.

<sup>126</sup> Yoichi Funabashi, Michel Oksenberg, and Heinrich Weiss, *An Emerging China in a World of Interdependence*, A Report to the Trilateral Commission, no. 45, New York: The Trilateral Commission, May 1994, p. 35. According to this report, forty percent of China’s exports came from enterprises established through foreign investment in 1992.

<sup>127</sup> Ezra F. Vogel, *op. cit.*, p. 21

<sup>128</sup> Huei En Peng, *The Political Economy of Taiwan’s Development*, (in Chinese), Taipei: Feng Yun Publisher, 1995, pp. 111-176.

<sup>129</sup> Neil H. Jacoby, *op. cit.*, pp. 84 and 157.

<sup>130</sup> Fernands H. Cardoso, ‘Dependency and Development in Latin America’, *New Left Review*, vol. 74, July/August, 1972, pp. 83-95.

<sup>131</sup> Gary Klintworth, *New Taiwan, New China: Taiwan’s Changing Role in the Asia-Pacific Region*, Melbourne: Longman, 1995, p. 61.

<sup>132</sup> Cheng chu-yuan (Zheng Zhuyuan), ‘Taiwan A Model for Third World Economies’, *Asian Wall Street Journal*, 22 August 1981, p. 4.

identify as ingredients of Taiwan's success.<sup>133</sup> 'Unlike China, which followed a lopsided developmental policy by concentrating on heavy industrial development, Taiwan pursued a more balanced strategy of simultaneously developing agriculture and industry.'<sup>134</sup>

Since it established a diplomatic relationship with the US and adopted the opening policy, China has been following a similar pattern of development. As mentioned in chapter eight, US-China economic relations become significant factors in the process of China's modernisation. The US government, universities, enterprises, and foundations provide many scholarships and research grants to Chinese government officials, students, and scholars to study in the US.<sup>135</sup> This situation is similar to the early of 1960s in the relationship between the US and Taiwan. During that period, western-trained experts were working in the KMT government.<sup>136</sup>

## 9-6 Conclusion

This chapter has discussed Taiwan's successful economic and democratic development in terms of internal and external factors. Externally, there was some significant assistance, including efficient US aid and investment, technological transformation, as well as effective pressures including the US economic sanctions, the human rights pressures, and the PRC military threat. Internally, the recruitment policy of the KMT and strong government guidance, the improvement of the education system and high quality human capital and a mature middle class creating a civil society provided Taiwanese society with sufficient conditions to modernise.

As mentioned the above, US aid provided Taiwan a vital sources to recover its economy from ruin and revived its confidence. Furthermore, technological transfer, particularly in the computer and semi-conductor industries, and US investments improved Taiwan's economic structure. The US market allowed the Taiwanese export-oriented economy to enjoy a long-term trade surplus in bilateral trade. US-Taiwan economic relations were similar to current Sino-American economic relations. Owing to many Taiwanese business and enterprises shifting their sunset industries to the mainland, the

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<sup>133</sup> Nick Cullather, *op. cit.*, p. 24.

<sup>134</sup> Cheng chu-yuan (Zheng Zhuyuan), *ibid.*

<sup>135</sup> See Chapter ten in detail.

<sup>136</sup> In the 1950s and 1960s, forty-three of Taiwan's top forty-four economic planners were university graduates; 52 percent had advanced degrees from the United States and 9 percent advanced degrees from Europe. Ezra F. Vogel, *op. cit.*, p. 26.

latter's economy is experiencing a similar process – utilising US investment, trade and credit - and outcome – a trade surplus.

Many Taiwanese have foreign education backgrounds but inherit Chinese traditions have no difficulties in adopting western values. Chinese characteristics clearly do not conflict with western democratic values. Taiwan experienced a “quiet and peaceful” governmental transfer from the KMT to the DDP. This provides a paradigm for the mainland to develop democratically.

The KMT, like the CCP, had insisted that the stability and security of their regime relied on their own authority remaining unchallenged. Following the emergence of a technocratic-bureaucratic elite with a liberal philosophy and agenda and their assumption of decision-making roles, the KMT leaders started to liberalise their rigid political structure.

Currently, many foreign-trained intellectuals (especially with US graduate degrees) have begun to play important roles within the CCP. It is arguable, consequently, that engagements such as those China has begun to have with the rest of the world will have a similar effect on Chinese society and result in similar pressures to democratise.

While the US made no serious criticism the KMT's authoritarian politics during the Cold War, its behaviour towards Taiwan underwent rapid change thereafter. When the close diplomatic relationship finished in the 1980s, the US started to press the KMT regime to improve its human rights behaviour and to democratise its political institutions. It also argued that the large Taiwan surpluses in US-Taiwan trade relations should be reduced. Although Taiwan and the US do not have diplomatic relations, Taiwan still needs US protection and support. As a result, the KMT regime is keen to move towards more democratic politics in order to earn US acceptance and to prevent its own isolation.

Taiwan's experience, as this chapter has demonstrated, has given hope for China's modernisation. It also provides a strong signal to rebuke the old *ti-yong* philosophy despite the Chinese government clinging to this as an excuse. As discussed in this chapter, Taiwan's democratisation is related to the influence of the US. In the next chapter, the thesis will discuss the importance of the US role in Chinese modernisation.

## Chapter Ten: The Role of the US

*...Democracy is the hard rock upon which America's world leadership is built. It is why our land has attracted to its shores a steady stream of the worlds boldest and most creative women and men. It is why our predecessors had the courage and faith to triumph in two global conflicts. It is why we were able to stand tall during the decades of the Cold War. And it is at the heard of what Joe Nye has called America's "soft power" in the current era....We must begin by affirming our faith in democratic principles and values, understanding that however difficult the path, there is no real progress without liberty. We must work within global and regional institutions to strengthen that practice them. We must use our assistance to foster vibrant civil societies, and economic reforms that reward the hardworking many, not just the privileged few. And we must use the tools of public diplomacy, including modern technologies such as the Internet, to spread indispensable ideas such as freedom.*

Madeleine K. Albright<sup>1</sup>

### 10-1 Introduction

As noted in chapter nine, Taiwan achieved its modernisation with considerable external assistance, much of it American. This possibility, despite the difficulties in the Sino-American relationship, remains open to China.

US-PRC normalisation and the elimination of the Soviet threat provided the PRC with a friendly external environment for the first time and an opportunity for China to engage in a development program untroubled by the possibility of external aggression. Deng Xiaoping argued that 'our foreign policy is to seek a peaceful environment in order to implement the "four modernisations program".'<sup>2</sup> The turning point reached in the economic development of the PRC was not simply a change in the nature of its external environment, but, more importantly, a change in the way in which China was able to engage with its external environment, especially in economic terms.

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<sup>1</sup> Madeleine K. Albright, spoke at The Rostov Lecture Series, School of Advanced International Studies, Johns Hopkins University, Washington DC, 18 January 2000.  
URL: <<http://secretary.state.gov/www/statements/2000/000118.html>>

<sup>2</sup> Deng Xiaoping, *Deng Xiaoping Selected Writings*, (in Chinese), vol. II, Beijing: People Publisher, 1993, p. 241.

China's development since the inception of the PRC to the late 1970s had been characterised by slow and faltering growth that was unable to keep pace with that of its East Asian neighbours from the 1960s. Part of its difficulty during that period was the severe limits, some domestic and some externally imposed, on its economic interaction with the rest of the world. As mentioned in chapter eight, Deng's reform and opening policy provided a significant opportunity to improve China's development. The timing was to catch the opportunity of Sino-American *rapprochement*.

While China's economic progress has been considerable since that time as detailed in chapter seven, there also, as is noted there difficult and profound issues requiring resolution for it to continue its modernising drive. It is difficult to imagine, in light of the Taiwan experience in particular, that the present internal problems can be dealt with without substantive external assistance.

As the lone superpower dominating many regional and most global affairs, the US is inescapably, a factor in China's modernisation and is in a position to affect every aspect of it.<sup>3</sup> Although many argue that US dominance is declining, America's booming economy, military strength, and cultural influences still dominate the world affairs.

In this chapter, the thesis focuses on the importance of US influence on the process of China's modernisation, particularly economic and cultural relations. Through these relations, inevitably, China's political, economic and social structures are facing dramatic changes.

## **10-2 The Influence of US Hegemony**

The US is the largest economy in the world. Its military capacity is far superior to that of other powers. The US economic system and political institutions have been a model for many developing countries through educational and cultural exchange. Its influences reflect the essence of the term of "hegemony". Joshua Goldstein defines it as

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<sup>3</sup> Wu Xiubo, 'Integration on the Business of Strength: China's Impact on East Asian Security', *A/PARC Paper*, Stanford University, February 1998, p. 5.

[b]eing able to dictate, or at least dominate, the rules and arrangements by which international relations, political and economic, are conducted...Economic hegemony implies the ability to center the world economy around itself. Political hegemony means being able to dominate the world military.<sup>4</sup>

Charles F. Doran focuses on military power and ‘conflict precipitated by the military effort of one dominant actor to expand well beyond the arbitrary security confines set by tradition, historical accident, or coercive pressures.’<sup>5</sup> Robert Gilpin uses the term “imperial” and “hegemony” interchangeably to refer to a situation in which ‘a single powerful state controls or dominates the lesser states in the system.’<sup>6</sup> Joseph S. Nye focuses on general hegemony more than on regional or issue hegemony. Thus, Nye analyses ‘the extent to which the US was able to use its preponderant military or economic resources to maintain the essential rules and norms governing interstate relations in the postwar period.’<sup>7</sup>

Although many observers believe that the US will maintain its pre-eminence in the twenty-first century, Nye argues that ‘the US hegemony is not likely’.<sup>8</sup> He believes that the US and other countries will realise the difficulties in attaining their goals because of the sources and spheres of political power changing. These changes, according to Nye’s analysis, include external challenges and domestic changes.<sup>9</sup>

External changes generate from economic interdependence that changes the nature of world politics. As a result, the great powers are less able to pursue their purposes by traditional means than the past.<sup>10</sup> Furthermore, ‘power is becoming less fungible, less coercive, and less tangible.’<sup>11</sup> Therefore, economic globalisation makes many countries

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<sup>4</sup> Joshua Goldstein, *Long Cycles: Prosperity and War in the Modern Age*, New Haven, Conn.: Yale University Press, 1988, p. 281.

<sup>5</sup> Charles F. Doran, *The Politics of Assimilation: Hegemony and Its Aftermath*, Baltimore: Johns Hopkins University Press, 1971, p. 15.

<sup>6</sup> Robert Gilpin, *War and Change in World Politics*, New York: Cambridge University Press, 1981, p. 21.

<sup>7</sup> Joseph S. Nye, Jr., *Bound to Lead: The Changing Nature of American Power*, New York: Basic Books, 1991, p. 40.

<sup>8</sup> Joseph S. Nye, Jr., *op. cit.*, p. 174.

<sup>9</sup> Joseph S. Nye, Jr., *op. cit.*, pp. 173-230.

<sup>10</sup> Joseph S. Nye, Jr., *op. cit.*, p. 182.

<sup>11</sup> Joseph S. Nye, Jr., *op. cit.*, p. 188.

involve in the world economic affairs and deepens the situation of interdependence, which increases cooperation and eliminates conflict.<sup>12</sup>

Domestic changes include economic competitiveness, productivity, research and development, education, savings and debt, political cultural and power conversion, governmental effectiveness, and presidential leadership.<sup>13</sup>

According to this logic, America needs transnational cooperation in order to deal with several global issues such as global ecological issues (acid rain and the green house effect), AIDS, illicit trade in drugs, and control of terrorism.<sup>14</sup> US “intangible power” remained preeminent in the 1990s. In particular, the brain drain into US research and academic institutions and enterprises continues and in so doing helps maintaining the competitiveness of US products. US institutions provide higher pay, freer working conditions, good facilities and sizeable research funds to attract these intellectual resources.

For example, there has been a brain drain from China to the US as from so many other nations. While the wealth and freedom of the US attracts Chinese scholars, poverty and social control helps push them away from China. Gutta L. Roa’s research found the “pull” and “push” factors critical to the decision of the potential migrant.<sup>15</sup>

As a superpower, America also has a considerable influence on multilateral economic organisations (the World Trade Organisation, International Monetary Fund, and the World Bank), international diplomacy, military outcomes, technological innovations, educational systems and cultural media (including instant food, Hollywood movies, popular music, and sports). American multinational corporations, missionaries and investment are widespread internationally, including in China and Russia. Its influences include ‘intangible power resources such as culture, ideology, and institutions’, which can be thought of as “soft power”.<sup>16</sup> Its influence through hi technology industries alone, is vast. As Moises Naim, editor of the American Journal Foreign Policy, comments: ‘The

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<sup>12</sup> Joseph S. Nye, Jr., *op. cit.*, pp. 179-182.

<sup>13</sup> Joseph S. Nye, Jr., *op. cit.*, pp. 202-230.

<sup>14</sup> Joseph S. Nye, Jr., *op. cit.*, pp. 187-188.

<sup>15</sup> Gutta Lakshmana Rao, *Brain Drain and Foreign Students: A Study of the Attitudes and Intentions of Foreign Students in Australia, the USA, Canada, and France*, Queensland, Australia: University of Queensland Press, 1979, p. 5.

<sup>16</sup> Joseph S. Nye, Jr., *Bound to Lead: The Changing Nature of American Power*, New York: Basic Books, 1991, p. 32.

main industries driving globalization - computer software, aerospace, financial services and entertainment - are dominated by the US.'<sup>17</sup>

Thus while, the US is involved in transnational cooperation in dealing with some global issues such as acid rain and the greenhouse effect, health epidemics (AIDS), drugs, and anti-terrorism,<sup>18</sup> it also influences world affairs through its intangible power. In other words, America continues to play a hegemonic role in world affairs through its educational, technological and cultural exchanges.

Economically, US economic power is reflected in its low tariffs (among the world's lowest, averaging only 2.8 percent) and its economic strength in goods and services (accounting for about 14 percent of world exports and about 16 percent of world imports). America benefits directly from its open markets.<sup>19</sup> American workers enjoy high paying jobs<sup>20</sup> and American consumers enjoy lower prices and more product variety. For example, in 1999, more than 60 percent of the value of personal computer is made up of floppy discs, hard disc drivers, power supplies, and random access memory (RAM) imported from Asia.<sup>21</sup> These information technology products support the booming American information industries. According to the *New York Times*, 'Asia and Latin America have become growing sources of manufactured goods, a new supply line that was particularly noticeable during the Asia financial crisis.'<sup>22</sup> Developing countries, including China, contribute to the low prices of manufactured goods in the US economy. Thus, maintaining the present US China policy - the engagement policy - would seem to be a wise decision. James A. Dorn claims that revoking China's most-favoured-nation status would increase American

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<sup>17</sup> James Walsh, 'America: the Brazen', *Time*, 11 August 1997, p. 57.

<sup>18</sup> Joseph S. Nye, Jr., *op. cit.*, pp. 182-188.

<sup>19</sup> A Report by the Council of Economic Advisers, *American's Interest in the World Trade Organization: An Economic Assessment*, Washington DC.16 November 1999, p. 1.  
URL: <<http://www.state.gov>>

<sup>20</sup> In the 1990s, US economic expansion has hold 107 months. The expansion clearly shows in family income. See, Louis Uchitelle, '107 Months, and Counting', *New York Times*, 30 January 2000, On-line paper, p. 2.

<sup>21</sup> A Report by the Council of Economic Advisers, *American's Interest in the World Trade Organization: An Economic Assessment*, Washington DC.16 November 1999, pp. 8-9.  
Source: <<http://www.state.gov>>. Data quoted from US Department of Commerce, International Trade Administration, *US Industry and Trade Outlook 1999*, p. 27-50.

<sup>22</sup> Louis Uchitelle, *op. cit.*, p. 6.



consumer prices by between US\$16 billion and US\$29 billion and lead to the loss of 200,000 American jobs.<sup>23</sup>

In the initial period after World War II, the US was the only superpower because only it owned nuclear weapons and only it had undamaged industries, infrastructure, and a prosperous economy. There were no other powers that could challenge US strength. In 1949, the gross national product of the USSR was US\$65 billion while the gross national product of the US was US\$250 billion.<sup>24</sup> As table 10-1 shows, American productivity was the highest in the world in 1949. During the Cold War era, the US dominated world affairs with the Soviet Union. America's gross national product declined from over 50 percent of world output during World War II to 25.9 percent in 1960, to 23.0 percent in 1970 and to 21.5 percent in 1980.<sup>25</sup> After the Soviet Union and East European Communist states collapsed, no other power challenges US dominance. Interestingly, it increased its share of world output to 27 percent in 1993.<sup>26</sup>

**Table 10-1: Comparison of Key Products between the US and USSR and European Satellites in 1949**<sup>27</sup>

	US	USSR	USSR and its European Sphere Combined
Ingot steel (million metric tons)	80.4	21.5	28.0
Primary aluminium (thousands metric tons)	617.6	130-135	140-145
Electric power (billion kw/h)	410	72	112
Crude oil (million metric tons)	276.5	33.0	38.9

The strength of the US economy was demonstrated during the Asian currency crisis of 1997, when the value of the dollar was maintained. Although many countries of the world do not want the United States to be its policeman, the US is in a position to exercise hegemonic power. The United States is the most powerful political agency in the world, supported by the strongest economy, largest educated population, and the most lethal

<sup>23</sup> James A. Dorn, Trade and Human Rights: The Case of China, *Freedom to Trade: Refuting the New Protectionism*, Cato Institution, 1997, p. 4.

URL: <<http://www.freetrade.org/pubs/freedotrade/chap8.htm>>

<sup>24</sup> Ernest R. May (ed.), *American Cold War Strategy: Interpreting NSC 68*, A report to the President Pursuant to the President's Directive of 31 January 1950, *NSC 68: United States Objectives and Programs for National Security*, New York: St. Martin's Press, 1993, p. 36.

<sup>25</sup> Paul Kennedy, *op. cit.*, p. 563.

<sup>26</sup> The World Bank, *World Development Report 1995*, New York: Oxford University Press, 1995, p. 167 (Table 3: Structure of Production).

<sup>27</sup> Ernest R. May (ed.), *op. cit.*, 1993, p. 37.

military machine. But it supports the ideals of liberalism and is using its power to try to create a liberal world order. No other state can presently resist this process.<sup>28</sup> As Joseph S. Nye indicates, the United States remains the only superpower with global assets in all dimensions of power - military, economic and political.<sup>29</sup> In other respects also, as Nye notes in his book, the resources of America are stronger than other powers in the 1990s (see table 10-2).<sup>30</sup>

**Table 10-2: Power Resources of the Major Contenders, 1990**

Source of Power		United States	Soviet Union	Europe	Japan	China
Tangible						
	Basic resources	Strong	Strong	Strong	Medium	Strong
	Military	Strong	Strong	Medium	Weak	Medium
	Economic	Strong	Medium	Strong	Strong	Medium
	Science/technology	Strong	Medium	Strong	Strong	Weak
Intangible						
	National cohesion	Strong	Medium	Weak	Strong	Strong
	Universalistic culture	Strong	Medium	Strong	Medium	Medium
	International institutions	Strong	Medium	Strong	Medium	Medium

According to Nye, with its strong tangible and intangible power, the US plays a critical role in various regional affairs, particularly in dealing with regional powers. In the Asia Pacific region, US power has been evident since the end of World War II. During the 1950s, 60s and 70s, the US helped most nations in the East Asian region develop their economies, withstand Communist, upgrade their educational systems and develop democracy. In particular, the Congress and the Pentagon strongly support Taiwan - the Republic of China, an erstwhile ally in World War II. Even after diplomatic relations had been cut in 1979, the US continually provides defensive weapons to Taiwan according to the Taiwan Relations Act (TRA).

The US was in a critical position to influence Chinese affairs. As previous chapters have mentioned, US interests require a stable East Asia and to achieve them, they require a cooperative or non-problematic China. Accordingly, the US encourages China to integrate into the international community in order to satisfy both nations' interests. As former Secretary of State Warren Christopher noted at Shanghai's Fudan University in 1996,

<sup>28</sup> See David Mosler and Bob Catley, *Global America: Imposing Liberalism on a Recalcitrant World*, Greenwood, New York: Praeger, (draft version), July 2000 (forthcoming).

<sup>29</sup> Joseph S. Nye, Jr., 'US Security Policy: Challenges for the 21<sup>st</sup> Century', US Foreign Policy Agenda, *USIA Electronic Journal*, vol. 3, no. 3, July 1998.  
URL: <<http://www.usia.gov/journals/itps/0798/ijpe/pj38ny.html>>

<sup>30</sup> Joseph S. Nye, Jr., *Bound to Lead: The Changing Nature of American Power*, New York: Basic Books, 1991, p. 174, table 6.1.

The United States strongly supports China's development as a secure, open, and successful nation. We welcome its emergence as a strong and responsible member of the international community. Now, on the brink of a new century, our nations have a chance to establish a broad and durable set of ties for the new era.<sup>31</sup>

Fundamentally, US regional interests require the security and prosperity of Japan, the Korean Peninsula and the Taiwan Strait. Any dispute affecting the stability of these areas will attract US attention. Although US "hard power" declining, its "soft power" relatively maintains its significant influence in the world.

In regard to China's affairs, Washington is greatly concerned that China's economic and military power grows in ways that may threaten this stability. The US government would prefer a democratic and free non-communist Chinese society. The US played the role of sympathiser, helper and protector for Nationalist China. After 1949, the US became a critical ally of Taiwan – "Free China" - but contained Communist China. Until the 1970s when a change of global strategy led the US to abandon its previous China policy and adopt a "realist" approach. In the Cold War era, the US concentrated on security while it was facing ideological confrontation. In the post-Cold War era, the US has emphasised political stability and economic prosperity. To reach these goals, the present US foreign policy stresses "democracy" as an objective for developing countries. It wishes each of them to establish a civil society, to reform their economies and to spread ideas of freedom through modern technologies such as the Internet.<sup>32</sup>

US Far East policy, 'from the Open Door notes of John Hay to Bill Clinton's pursuit of a world of free trading democracies, has never fundamentally changed.'<sup>33</sup> Through the

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<sup>31</sup> Warren Christopher, 'The United States and China: Building a New Era of Cooperation for A New Century', *US Department of State Dispatch*, 25 November 1996, vol.7 no. 48.

URL: <<http://dosfan.lib.uic.edu/ERC/briefing/dispatch/1996/html/Dispatchv7no48.html>>

<sup>32</sup> Secretary of State Madeleine K. Albright's speech at the Rostov Lecture Series, in the School of Advanced International Studies, Johns Hopkins University, 'Sustaining Democracy in the twenty-first Century', 18 January 2000. In her speech, Albright mentioned 'our identification with democracy is vital to the pursuit of our interests.' URL: <<http://secretary.state.gov/www/statements/2000/000118.html>>

<sup>33</sup> David Mosler and Bob Catley, *Global America: Imposing Liberalism on A Recalcitrant World*, Greenwood, New York: Praeger, July 2000, (forthcoming), p. 206 (draft version).

influence of its hegemony, the US government did what it wanted without too strong opposition, particularly in the 1990s. For example, there was little dissent from the rest of the world while President Bush launched the Persian Gulf War in 1991. In 1996, although few countries criticised China's military manoeuvres in the Taiwan Strait, most Asian countries welcomed US intervention in the form of two aircraft carriers as a demonstration of US reliability.<sup>34</sup>

China's rapid growth and huge population provide a great opportunity for the US to pursue its commercial interests. American interest groups<sup>35</sup> lobbied Congress and the White House to incorporate China into the WTO. China also saw entry into the WTO as a means of strengthening its economy. The fragile US-China relationship was not helped by NATO's bombing of the Chinese embassy in Belgrade and *the Cox Report*, which revealed that China stole US nuclear and missile secrets.

Some US scholars warn that a new Cold War between Washington and Beijing is developing as a result of the above events. Richard D. Fisher, Jr. clearly stated that the Clinton administration 'should heed the warning of the Cox Commission and undertake urgent initiatives to safeguard US military secrets and protect US security.'<sup>36</sup> Fisher suggests four approaches different from the current US China policy. These are: 1) abandoning the notion that China is the "strategic partner" of the US, 2) a crash program to improve counterintelligence, 3) reviving multilateral high-technology export controls, and 4) accelerating the development of missile defences.<sup>37</sup> If his policy were implemented, it would clearly damage the already fragile Sino-American relations.

After the Chinese Embassy was bombed and the Cox report released, Stephen J. Yates claimed: 'the US relationship with China needs to be placed on firmer ground with more realistic expectations and a greater appreciation of US long-range interests in Asia.'<sup>38</sup>

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<sup>34</sup> Nancy B. Tucker, 'China-Taiwan: US Debates and Policy Choices', *Survival*, vol. 40, no. 4, winter 1998-99, p. 153.

<sup>35</sup> For example, 'Coco-Cola company cares about the Sino-American relationship as well as the continued expansion of economic and cultural relations', as the Director of Operations of the Coca-Cola company Dr. Fenton-May says. He spoke at the conference of *US-China Relations on the Eve of the 21<sup>st</sup> Century* on 14 September 1999, CSIS, Washington D.C., p. 44.

<sup>36</sup> Richard D. Fisher, Jr. 'Time to Heed the Cox Commission's Wake-up Call', *The Heritage Foundation Executive Memorandum*, no. 602, 3 June 1999, p. 2.

<sup>37</sup> *Ibid.*

<sup>38</sup> Stephen J. Yates, 'No Concessions to China After the Mistaken Embassy Bombing', *The Heritage Foundation Executive Memorandum*, no. 600, 28 May 1999, p. 1 of 2.

The Clinton administration responded to the above events by apologising for its error sufficiently to calm Chinese emotions.

The US government has had to adjust to China's rise and Russia's decline, to take account of China as a major power in world affairs. China, however, is seldom satisfied with US dominance. For example, China is opposing NATO's military resolution of the Kosovo crisis. At same time, it is engaged in an argument about human rights in Tibet issue; it is opposing the deployment of Theatre Missile Defence (TMD) by the US in North East Asia and criticising American standards of unbalanced trade.

At the core of China's position is its insistence, in accordance with Chinese international relations theory,<sup>39</sup> that its sovereignty should not be interfered with.

Despite having established a strategic partnership, the above disputes are more intense because China is not a democracy. Many issues are politicised by the Chinese authorities and the media dutifully projects their views. The government objects to US discussions of human rights,<sup>40</sup> claiming they damage Sino-American relations.<sup>41</sup> But while China is adopting a free market economy, its political hard-line approach still remains non-negotiable.

A growing nationalism is used to counterbalance the West's human rights pressure, the issue of arms control and non-proliferation, and the issue of China's unification. The Chinese government faces a dilemma in that it eagerly needs American and Western investment but rejects their cultural influence over other sectors. As engagement with the international community increases, the stronger Western and American influence China will experience.

Unlike the Soviet Union, the US helped its allies to develop their economies. With US assistance and aid, many allies have created remarkable achievements. Japan's success provided a model to lead other East Asian developing countries. America helped Japan resurrect from ruins in the Korean War and the years following. Then, US aid helped the KMT develop Taiwan in the 1950s. During the Vietnam War, the US allied with ASEAN

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<sup>39</sup> Gerald Chan, 'Toward An International Relations Theory with Chinese Characteristics?', *Issues and Studies*, vol. 34, no. 6, June 1998, pp. 1-28.

<sup>40</sup> Sophie Beach, 'Tiananmen Plus Ten', *The Nation*, 14 June 1999, p. 7. Beach thinks 'the Chinese government-controlled press has caused many Chinese to equate Western ideals like human rights and democracy with Western hegemony.'

<sup>41</sup> Melvin Goodman, 'Failure!', *Interectualcapital.com*, 13 May 1999.

and Australia and New Zealand to prevent the spread of Communism. The US provided its domestic market for the products of its allies. Currently, foreign investments and loans to China and the opening of American markets to its products have been responsible for China's rapid growth.

In the education sector, the US higher education system is one of the best education systems in the world. It is the source of much advanced technology and management know-how. A large proportion of academic output is published from American universities. The Fulbright foundation provides many grants to the scholars of other countries in the interests of cultural exchange. Unsurprisingly, American universities are the final destination for many Chinese students. If China merely borrows science and technology but rejects American political values including democracy, it will become a rival rather than competitor and ally.

China welcomes American capital and technology but maintains its traditional doctrine of Chinese essence (*ti*) and Western practice (*yong*) - to defend the legitimacy of its regime. The Chinese leadership considers this approach will maintain internal stability, prevent social disorder and political division.

In its current determination to maintain control, the Chinese government has set up a special police force to monitor the Internet and has in criminal trials accused political dissents and leaders of *Falun Gong* of disseminating anti-government views and state secrets on the web. Beijing now orders foreign companies to register software used to transmit sensitive data and threatens punishment for letting government secrets slip onto the web. This policy reflects 'the Chinese government fears about the use of encrypted communications by political dissidents and the banned *Falun Gong* spiritual movement.'<sup>42</sup> It is a classic dilemma in which the Chinese government is faced with absorbing Western technology while preventing Chinese society from its undesirable effects.<sup>43</sup>

To attain the goal of modernisation, there are three options. First, China maintains its communist ideology and the Dictatorship of the Proletariat that is present official policy. Second, China moves toward a dictatorship of bureaucracy and establishes a neo-authoritarian system including Confucianism. Third, it could establish a "dictatorship of

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<sup>42</sup> Editorial, 'The Chinese government tightens the control on Internet', *Associated Press*, 26 January 2000.

<sup>43</sup> Greg May, 'The Internet: Friend and Foe of the Chinese Regime', *Foresight* (Japan), 17 July 1999, pp. 78-81.

the civil class” which is based on intellectuals, and to adopt a capitalist system for China's development.<sup>44</sup> These options, except the first one, are similar to the development of East Asian Newly Industrialising Countries (NICs). In the process of NICs' development, US influence was a key factor and it may well be in China's.

### 10-3 The Influence on Economic Sectors

Since the Tiananmen Square massacre, the US government has adopted a series of economic sanctions to put pressure on the Chinese government's human rights stance. Although President Clinton delinked the issue of human rights from economic issues in 1994, Beijing still remains a harsh political dictatorship and has arguably even strengthened its internal control. Economic sanctions have little chance of success in pushing China to improve the situation of human rights and some argue that economic sanctions are themselves violating human rights. In accordance with its engagement strategy, the US maintains 'free trade with China, in spite of its record on democracy and human rights.'<sup>45</sup> Basically, the political intention of trade with China is to influence the attitudes of the Chinese hard-liners. Accession to the WTO should advance this process. As James A. Dorn argues,

The right of trade is a basic human right...American trade barriers are unlikely to change the policies of China's communist leaders...Trade liberalization itself is a powerful weapon to push a country toward respect for life, and property, and ultimately toward a democratic regime.<sup>46</sup>

The two major aspects of US economic influence are discussed in the sections below.

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<sup>44</sup> Wang Shan, *op. cit.*, 1995, p. 96.

<sup>45</sup> James A. Dorn, 'Trade and Human Rights: The Case of China', *Freedom to Trade: Refuting the New Protectionism*, Cato Institute, 1997, p. 5. URL: <<http://www.freetrade.org/pubs/freetotrade/chap8.htm>>

<sup>46</sup> James A. Dorn, *op. cit.*

### 10-3-1 Entry to the WTO

Since the 1980s, China's attempts to return to the General Agreement on Tariffs and Trade (GATT) and its successor, the World Trade Organisation, (WTO) have been in order to gain greater access to export markets. WTO entry has required China to improve the transparency of policy decision-making, the deregulation of market operation and bureaucratic improvements and overcoming some internal problems such as corruption, protectionism, and reform of the bureaucracy.<sup>47</sup> Once China enters the WTO, it will be engaged in further economic reform and its political consequences. Furthermore, the level of Chinese tariffs will be reduced.

Essentially, entrance to the WTO is related to free trade, which has the effect of "incubating freedom and democracy".<sup>48</sup> Through freer trade, China will experience several impacts such as a sense of freedom, the operation of a market economy, democratisation, the institution of new laws, and the creation of a market-based economy. As James A. Dorn states,

As markets spread, people acquire greater wealth and have a stronger interest in participating in the political process and protecting their property through the rule of law and an objective, nonpoliticized judicial system.<sup>49</sup>

A Chinese state-owned financial company estimates the effect of entrance to the WTO can be categorised as follows.<sup>50</sup> First, it will advance China's economy to a new stage – as evidenced by the auto industry. Since China's reform began, the Chinese State

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<sup>47</sup> Michael E. Burke IV, 'China's Stock Markets and the WTO', *Law and Policy in International Business*, winter 1999, vol. 30, no. 2, p. 321.

<sup>48</sup> James A. Dorn, 'Trade and Human Rights: The Case of China', *Freedom to Trade: Refuting the New Protectionism*, Cato Institute, 1997, pp. 6-10.  
Source: <<http://www.freetrade.org/pubs/freetotrade/chap8.htm>>

<sup>49</sup> James A. Dorn, *op. cit.*, p. 6.

<sup>50</sup> Editorial, 'The effect of Chinese Microeconomy After Joining the WTO' (*Jia ru WTO dui Zhongguo hongguan jingji de yingxiang*), *Chinese Economy Review (Zhongjing Pinglun)*, Beijing, 26 January 2000, pp. 1-3. URL: <<http://203.207.228.17/hot/wto/Analysis/ai2000012604.htm>>



Development Planning Council has made many efforts to reorganise the automobile industry. In 1998, China had 157 motor manufacturers making the industry fragmented and inefficient. Most of them were sheltered by high tariffs and local-government protection. As a result, their productivity was only one-sixth of that of General Motors.<sup>51</sup> 'Under the WTO, though, tariffs on imported cars are to fall from 80-100 percent down to 25 percent. And foreign car makers are to be allowed to supply financing for buyers.'<sup>52</sup> The Chinese car industry will consequently face a turning point, which means the structure of state-owned enterprises will readjust in order to survive under the impact of American competition.

Second, the flow of capital and transnational trade and the redistribution of resources will improve the efficiency of resource use in China.

Third, the operation of China's economy will be regulated, to some extent, by international regulations. The operation of international contracts, in particular, will be improved by the greater institutional oversight. Systems of banking and commercial law should benefit.

Fourth, the new arrangements should deepen the reform of state-owned enterprises. China will, in all likelihood, promote privatisation and the greater contact with multinationals will bring the management know-how, values, technologies, and human capital into Chinese enterprises. As a result, many dying state-owned enterprises might be revived.

Last, the process of urbanisation will be accelerated following the adjustment of enterprise structures and resource redistribution. Through such urbanisation, the current Chinese unequal income distribution between city and countryside will be reduced.

According to a notable Chinese economist's analysis, China will face three dimensions of pressure - human resource competition, enterprise competition, and pressure of employment. Once China enters the WTO foreign enterprises will use higher salary to attract many human resources that will increase labour flexibility. State-owned enterprises,

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<sup>51</sup> *Ibid.*

<sup>52</sup> Editorial, 'China and the WTO: The Real Leap Forward', *The Economist*, 20 November 1999, p. 27.

being unable to compete in these terms, will be privatised in order to compete with foreign or cooperated enterprises.<sup>53</sup>

The WTO will require Beijing to phase out subsidies to most industries, which will cut out the party's control over economic sectors and millions of workers. Thus, joining the WTO will help reformists in the Communist Party 'break down resistance to market changes by entrenched, conservative interests.'<sup>54</sup> In so doing, economically, it is possible that Chinese society will change from socialist to capitalist.

Significantly, the US-China agreement on accession to the WTO will benefit US commercial interests by expanding China's private sector, implementing the Trade Related Investment Measures (TRIMs) Agreement, and moderating China's external behaviour.<sup>55</sup> More significantly, some highlight the benefit of the agreement between the US and China as follows,

Telecommunications: phone companies will be able to own up to 49 percent of all telecommunications service ventures upon China's entering WTO and up to 50 percent two years later.

Internet: foreign firms will be allowed to invest in Internet content providers such as Sohu, the Chinese equivalent of and Yahoo. Companies will be allowed to buy 49 percent of Chinese Internet firms starting when China enters the WTO then 50 percent in two years.

Movies: China will import 40 foreign films a year, double the current number and 50 by the third year of the agreement. It will allow foreign film and music companies to share in distribution revenues on 20 of the films.

Finance: US banks can offer services in local currency, the *renminbi*, to Chinese enterprises, two years after China joins WTO, and to individual

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<sup>53</sup> Li Yining spoke at Conference of "WTO and Chinese Lawyers" in Beijing on 3 February 2000. URL: <<http://203.207.228.17/hot/wto/Analysis/11306.TXT>>

<sup>54</sup> Kevin Platt, 'A Deal That May Transform China', *Christian Science Monitor*, 16 November 1999, quoted from an interview with a Chinese economist Hu Angang.

<sup>55</sup> Stephen J. Yates, 'US to China: Join the WTO, but Real Work Lies Ahead', *The Heritage Foundation Executive Memorandum*, no. 638, 9 December 1999, pp. 1-2.

Chinese, five years after. Insurance companies can offer property and casualty nationwide.

Agriculture: companies can sell China large amounts of wheat, corn, rice, cotton and other commodities. A substantial share of these goods can be imported by private companies rather than the inefficient state-run operations.

Cars: Auto companies will have full distribution and trading rights. By 2006, China will reduce tariffs on automobiles to 25 percent from the current 80 to 100 percent. China also will allow foreign financing of car purchases.

Manufacturing: companies will have the right to sell, distribute and market industrial goods, including steel and chemicals, without going through a Chinese middleman as is now necessary.

Textiles: US quotas on Chinese goods will disappear in 2005. But China agreed to four years of protections after the quotas are lifted to protect American textile manufactures from massive influxes of low-cost Chinese apparel and other products.<sup>56</sup>

Further, the entrance to the WTO will benefit trade relations between the US and China. At present, the US trade deficit with China has reached \$60 billion - imports from China being about five times those of US exports to China.<sup>57</sup> US exports to China should increase after China enters the WTO. But it 'may eliminate more than 10 million jobs on China's farms.'<sup>58</sup> Although unemployment could increase, '1.25 billion Chinese consumers will have access to cheaper cars, telecommunications services, and electronics, and that will build support for the move,' says an economist at the Chinese Academy of Sciences.<sup>59</sup>

Institutionally, the US government is playing a gatekeeper role in the issue of WTO entrance. It maintained its positive position through the turmoil that followed the bombing

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<sup>56</sup> Steven Mufson and Helen Dewar, staff writers of Washington Post, highlight the US-China agreement. John Burgess, 'U.S., China Agree on Trade: Pact on Entry into WTO Climaxes 13 Years of Talks', *Washington Post*, 16 November 1999, p. A01.

<sup>57</sup> Gordon G. Chang, 'Why Trade Will Win?', *New York Times*, 15 November 1999.

<sup>58</sup> *Washington Post*, 16 November 1999, p. A01.

<sup>59</sup> Kevin Platt, 'A Deal That May Transform China', *Christian Science Monitor*, 16 November 1999.

of the Chinese Embassy in Belgrade in May 1999. On the other hand, Congress has consistently been a negative influence on trade relations with China, particularly from the viewpoint of the Chinese leaders.<sup>60</sup> For example, the most-favoured-nation tariff treatment for China is maintained by annual Congress vote. In 1997, for example, the House of Representatives voted (by 259 to 173) to sustain the most-favoured-nation tariff treatment for the PRC.<sup>61</sup> In 1999, The gap between pros and cons could shrink, particularly after the *Cox Report* published information about Chinese spies stealing US top nuclear secrets. Although the US and China attained an agreement of accession to the WTO on 16 November 1999, in the period writing, the Senate of US Congress has not decided to discuss the bill on concerning normal trading relations until Taiwan's presidential election. Significantly, US Congress has been a key element in China's entrance to the WTO. As such, it has an impact on the process of China's modernisation.

### **10-3-2 Access to the US Market, Investment, and Credit**

Currently, the US is not the biggest investor in China, but it is the biggest export market for China's products. US foreign loans are, on the other hand, increasing significantly. As table 10-3 shows, American lending in China has been rapidly growing compared with other investors. This trend will significantly increase after China enters the WTO, according to the US-China agreement on the subject.

According to table 10-3, US loans grew dramatically, by some thirty fold, from US\$ 50.93 million in 1995 to US\$ 1.6 billion in 1996. In spite of Japan's heavy investment in China, American investment is growing most rapidly. Further, the World Bank, IMF and the Asia Development Bank, led by the US, also lent large amounts to China. American

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<sup>60</sup> Chinese President Jiang Zemin expounded China's principled stance on its access to the WTO when his visit to Canberra in September 1999. He said, 'During his visit to the US in 1997 and Clinton's visit to China in 1998, the two countries had originally planned to solve the question concerning China's entry into the WTO...However, the issue was not discussed, because of the reasons reportedly lying with the US Congress.' See *Xinhua News Agency*, 8 September 1999, p1008251h0117.

<sup>61</sup> David M. Lampton, 'China and Clinton's America: Have They Learned Anything?', *Asian Survey*, December 1997, vol. 37, no. 12, p. 1099.

provides about 18 percent of the IMF total funding.<sup>62</sup> The influence of the US on China will be more significant than other creditors.

**Table 10-3: Amount of Foreign Capital Actually Used By Country or Territory in China (US\$ million)**

	1995			1996		
	Total	Foreign Loan	Direct Investment	Total	Foreign Loan	Direct Investment
Hong Kong	20,401.83	216.72	20,185.11	20,873.01	21.41	20,851.60
Japan	5,113.32	1,900.85	3,212.47	6,096.95	2,404.81	3,692.14
Singapore	1,860.61	0	1,860.61	2,247.16	0	2,247.16
Taiwan	3,165.16	0	3,165.16	3,482.02	0	3,482.02
South Korea	1,190.53	143.43	1,047.10	1,566.12	61.96	1,504.16
United States	3,134.66	50.93	3,083.73	5,050.70	1,606.53	3,444.17
World Bank (WB)	2,149.45	2,149.45	0	1,880.00	1,880.00	0
Asia Development Bank (ADB)	541.42	541.42	0	1,102.00	1,102.00	0
<b>Total</b>	<b>48,132.69</b>	<b>10,327.00</b>	<b>37,805.69</b>	<b>54,804.16</b>	<b>12,669.00</b>	<b>42,135.16</b>

Source: State Statistical Bureau, *China Statistical Yearbook 1997*, pp. 606-607.

In addition, US investment helps economic growth in the East Asian states. Some argue that the growth in the Chinese and East Asian economies benefits American domestic employment.<sup>63</sup> Richard Solomon thinks that 'China, Taiwan, Hong Kong and the US have benefited from the stability in the region that has been induced by US-China normalisation.' He further indicates:

<sup>62</sup> Edward J. Feulner, 'Challenge in US-Asian Policy', *The Heritage Foundation*, 10 February 1999, p. 5. URL: <[http://www.heritage.org/features/feulner\\_testimony/ejftest021099.html](http://www.heritage.org/features/feulner_testimony/ejftest021099.html)>

<sup>63</sup> According to John T. Dori, '20,000 American jobs are created for each US\$1 billion in exports. Thus, in 1994, more than 3 million American owned their jobs to US exports to Asia. And of these 3 million jobs, more than 428,000 were created in 1999 alone.' John T. Dori, 'As US Exports to Asia Boom, So Does Creation of American Jobs', *The Heritage Foundation, FYI 70*, 15 November 1995.

URL: <<http://www.heritage.org/library/categories/trade/fyi70.htm>>

Compared with Chinese imports, on the other hand, Taiwan's imports from the US in 1998 alone accounted for nearly 350,000 jobs created in America. In addition, if the total investment in the US by Taiwan citizens and overseas Chinese are included, and the amount they spend on tourism and study - the grand total would be over 800,000 American jobs. On the other hand, Mainland China imports from the US created approximately 300,000 jobs. Hence, Taiwan is a bigger US export market than Mainland China. According to Taiwan's statistics, Taiwan's imports from the US have exceeded those of Mainland China year after year, averaging 1.7 times those of China. Further, every week, there are over 260 flights (172 passenger flights and 88-90 cargo flights) between the US and Taiwan. US-China flights are constituted by US carriers operating 30 flights per week. In the meantime, approximately 40 to 45 percent of all Taiwanese studying abroad are in the US. In 1998, there were 30,850 Taiwanese students in the US, behind Japan, China, South Korea, and India. In 1997, Taiwanese students spent roughly US\$770 million in the US. 'The Taiwan Market: Its Importance to the US', Ministry of Foreign Affairs, ROC, August 1999. URL: <<http://www.mofa.gov.tw/data/country/trade6.htm>>

For the United States, for the first time in order a century, we've benefited from good relations with all the major players in East Asia, especially Japan and China, at the same time. And our domestic economic growth has been fueled in large measure by exports to the booming Asia-Pacific economy.<sup>64</sup>

For example, General Motors invested US\$1.52 billion in Shanghai on 12 April 1999 (the largest US-China cooperative investment) and generated over 600 million *yuan* in profits (about US\$70 million in current rates) during the past six months.<sup>65</sup>

In fact trade with the US has been more beneficial to China than the US since normalisation. According to *World Development Report 1995*, the growth of US gross domestic product was 2.8 percent in the years 1970-80. Following normalisation, the growth of US gross domestic product was 2.7 percent in the years 1980-93. By contrast, China's growth rate of GDP was 5.5 percent in 1970-80 but grew rapidly to 9.6 percent in the years 1980-93.<sup>66</sup> America's average annual growth rate of merchandise trade declined from 7 percent in 1970-80 down to 5.1 percent in 1980-93 in exports and increased from 5.8 percent in 1970-80 up to 6.0 percent in 1980-93 in imports. Significantly, China and Hong Kong had dramatic export growth during 1980 and 1993 because of the US market. (See tables 10-4 and 10-5a)

**Table 10-4: Average Annual Growth Rate of Merchandise Trade in the US and Greater China, Comparison between 1970-80 and 1980-93, (%)**

	Exports		Imports		Terms of Trade (1987=100)	
	1970-80	1980-93	1970-80	1980-93	1985	1993
China	8.7	11.5	11.1	9.7	109	101
Hong Kong	9.9	15.8	7.9	11.9	118	87
Taiwan	16.5	10.0	12.4	13.2	85	112
USA	7.0	5.1	5.8	6.0	101	101

Source: The World Bank, *World Development Report 1995*, pp. 186-187.

<sup>64</sup> The Heritage Foundation, 'The United States and China into the 21<sup>st</sup> century', *Asian Studies Center Symposium*, 21 November 1995.

URL: <<http://www.heritage.org/library/categories/forpol/lect551.html>>

<sup>65</sup> *China Times*, 24 January 2000. The General Manager of Shanghai GM Chen Hong said, 'the key of success is market oriented policy of customer priority and sincerely mutual cooperation', according to the source. URL: <<http://www.chinatimes.com/news/papers/online/china/m8912402.htm>>

<sup>66</sup> The World Bank, *World Development Report 1995*, New York: Oxford University Press, 1995, pp. 164-165.

**Table 10-5a: United States Trade Balance with Greater China, 1985-1999 (US\$ million)**

Year	Balance with China (PRC)	Balance with Taiwan (ROC)	Balance with Hong Kong	Balance with Great China
1985	-6.00	-11,696.50	-5,610.30	-17,312.30
1986	-1,664.70	-14,266.60	-5,860.50	-21,791.80
1987	-2,796.20	-17,209.10	-5,871.00	-25,876.30
1988	-3,489.50	-12,584.80	-4,550.40	-20,624.70
1989	-6,234.50	-12,978.10	-3,430.90	-22,656.50
1990	-10,430.90	-11,175.10	-2,804.90	-24,410.90
1991	-12,690.70	-9,840.60	-1,141.40	-23,672.70
1992	-18,309.20	-9,345.70	-716.00	-28,370.90
1993	-22,777.10	-8,933.70	319.40	-31,391.40
1994	-29,504.90	-9,597.00	1,745.40	-37,356.50
1995	-33,789.60	-9,682.20	3,940.20	-39,531.60
1996	-39,520.00	-11,447.10	4,101.80	-46,865.30
1997	-49,695.30	-12,262.80	4,829.30	-57,128.80
1998	-56,927.40	-14,960.30	2,387.10	-69,500.60
1999	-63,062.80	-14,829.80	1,806.60	-76,086.00

Source: US. Census Bureau, Foreign Trade Division, 20 January 2000, <<http://www.census.gov/foreign-trade/balance/>>

Significantly, the US market benefits the development of “Greater China” – the PRC, Hong Kong and Taiwan. The deficit with “Greater China” has become the US’ largest as indicated in table 10-5b.

**Table 10-5b: US Trade Balance with Major Trade Partners, 1985-1999 (US\$ Million)**

Year	Balance with “Great China”	Balance with Canada	Balance with Mexico	Balance with Japan	Balance with Germany
1985	-17,312.30	-21,755.40	-5,497.10	-46,152.10	-11,189.20
1986	-21,791.80	-22,920.20	-4,910.10	-55,029.50	-14,563.20
1987	-25,876.30	-11,270.60	-5,688.60	-56,326.40	-15,321.60
1988	-20,624.70	-9,776.00	-2,631.30	-51,793.50	-12,014.30
1989	-22,656.50	-9,144.10	-2,180.00	-49,058.70	-7,970.20
1990	-24,410.90	-7,706.30	-1,877.70	-41,104.50	-9,402.00
1991	-23,672.70	-5,914.10	2,147.70	-43,385.30	-4,834.10
1992	-28,370.90	-8,035.50	5,381.00	-49,601.00	-7,571.80
1993	-31,391.40	-10,772.10	1,663.70	-59,354.90	-9,629.90
1994	-37,356.50	-13,967.40	1,349.70	-65,668.00	-12,515.30
1995	-39,531.60	-17,143.70	-15,808.50	-59,136.50	-14,449.70
1996	-46,865.30	-21,682.30	-17,505.80	-47,580.20	-15,450.10
1997	-57,128.80	-15,467.50	-14,549.10	-56,114.70	-18,663.20
1998	-69,500.60	-16,652.60	-15,856.50	-64,014.10	-23,184.60
1999	-76,086.00	-28,910.20	-21,962.00	-66,954.60	-25,578.30

Source: US. Census Bureau, Foreign Trade Division, 20 January 2000, <<http://www.census.gov/foreign-trade/balance/>>

Since 1996, Greater China has a trade surplus with the US, which is more than the surplus of Japan and triple that of Canada, Mexico or Germany. Currently, the US market contributes to the prosperity of “Greater China” more than “Greater China’s” market benefits the US economy. The major factor is that China continues its economic growth and increases its trade surplus with the US. If China’s economic growth continues, its purchasing power parity (PPP) will increase in relation to its trading partners. China’s import market may help to resolve this imbalance, particularly after China’s WTO entry. Consequently, many companies and groups have invested heavily in lobbying efforts,

spending “millions of dollars” on persuading Congress to establish better relations with China.<sup>67</sup> They believe that the Chinese market potential will be of benefit to their own interests.<sup>68</sup> For example, there are the consumers of the 10 billion drinks per year that the Coco-Cola Company currently sells in China.<sup>69</sup> Furthermore, Boeing Company, a leader in encouraging the US to promote better relations with China, focuses on the potential market for its products. As mentioned in chapter eight, once China enters the WTO there will be a demand for 1,600 new aircraft with a value of 120 billion dollars in the next twenty years.

These current disputes and developments reveal that the US government, the Congress and interest groups play a critical role in integrating China into the international economic community. As a result, it is not only beneficial to their-own interests but also beneficial to the process of China’s modernisation.

America, as the biggest capitalist economy in the world, will certainly play a part in China’s economic modernisation. This is nowhere clearer than in the human relations sector. China needs more human resources in management and law for serving its economic development. American universities, educational institutes and research organisations provide many opportunities for Chinese students learning management know-how and technologies through exchange programs, scholarships, and visits. In the process, American values, beliefs and institutions will generate a significant force to push Chinese society towards a more liberal outcome as they did in the Taiwanese society.

#### 10-4 The Influence on Educational Sectors

Historically, the US government used “the Boxer indemnity (*Gengzi Peikuan*)” to establish Tsinghua (Qinghua) University.<sup>70</sup> Just after the end of WWII, China was among

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<sup>67</sup> *Washington Post*, 14 November 1999, p. A01.

<sup>68</sup> Jim Mann, ‘Big Business Comes to Aid of China’, *LA Times*, 10 November 1999.

<sup>69</sup> Dr. R. Fenton-May, the Director of Operations of the Coca-Cola company, spoke at the section of ‘Future US-China economic relations’ in the conference of *US-China Relations on the Eve of the 21<sup>st</sup> Century* on 14 September 1999, CSIS, Washington DC, the full record in written, p. 42.

<sup>70</sup> Tsinghua University is the top university in China in 1999, according to the evaluation of the China Youth Daily. URL: <<http://www.cyd.com.cn/zqb/19990715/GB/9560^Q813.htm>>  
It was built in 1901 and run by part of the “Boxer Indemnity” under US Congress assistance. At first, it was a preparatory school called “Tsinghua Xue Tang” for the students who were sent by the government to study in the US. See Tsinghua University, ‘History of Tsinghua University’.  
URL: <<http://www.tsinghua.edu.cn.docse/qhdxjk/xxyg.html>>



the first countries to participate in the Fulbright Program in 1947. 'By August 1949, 27 American scholars and students and 24 Chinese students and scholars had taken part in the exchange.'<sup>71</sup> However, the program was suspended in 1949 when the PRC was established.<sup>72</sup>

Since the US-PRC normalisation, the Fulbright Program has provided many opportunities for more than twenty-five institutions throughout China, most of them universities under the direct jurisdiction of the Chinese Ministry of Education. In the early years after US-PRC normalisation, the Fulbright program focused on English teaching, American literature and history at four institutions in Beijing, Tianjin and Shanghai for increasing bilateral understanding after thirty years estrangement. Then, the program aimed at the acquisition of western technology and scientific expertise in order to match the "Four Modernisations Program". In particular, 'of the first group of Chinese students, about 20 percent were in physics, 12 percent in chemistry or chemical engineering, 10 percent in computer sciences, 8 percent in biology, 7 percent in medical sciences and most of the remainders spread through other scientific disciplines.'<sup>73</sup> On the contrary, only 60 Americans were permitted to study in China mainly focusing on culture and language.

Since 1983, to balance and broaden the exchange, the American Lecturer Program and the Chinese Research Program have been established and are dedicated to advancing American Studies, as that discipline is defined by Chinese academia to include American history, literature, law, journalism, business, economics, political science, sociology, philosophy and international relations. Currently, the program supports the exchange of twenty American lectures and twenty Chinese research scholar and graduate students each year. In addition, there are two new programs supporting Chinese studies. One is the Asian Scholar-in-Residence Program, which supports Chinese lecturers invited by American universities. The other is the Recent Graduates Program and the fellowships for graduate student and faculty research.<sup>74</sup>

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<sup>71</sup> US Embassy in China, 'History of the Fulbright Program in China'.

URL: <<http://www.usembassy-china.org.cn/english/press/fulbright/history.htm>>

<sup>72</sup> The Fulbright Program, following the Nationalist China moved to Taipei, continues its academic exchange program between the US and the ROC (Taiwan) until now. See AIT information.

<sup>73</sup> James Mann, *About Face, op. cit.*, p. 104.

<sup>74</sup> US Embassy in China, 'History of the Fulbright Program in China'.

URL: <<http://www.usembassy-china.org.cn/english/press/fulbright/history.htm>>

Both governments attained reciprocal agreement but with different expectations. For the Chinese government, the goal of sending scholars and students to study in America was an important step to drive the process of modernisation in order to make China stronger that would help it to be a “partner” against the Soviet Union. For the US government, Chinese scholars and students bearing with American values would ‘steer Beijing toward policies sympathetic to America’.<sup>75</sup> These expectations, however, have ever been fulfilled because many Chinese students decided to stay in America after finished their study. The trend reflects the old *ti-yong* philosophy as the concept of modernisation has had an impact on Chinese society. After the Opium War, as mentioned in chapter four, the Chinese government sought to modernise its military and technological capacity. It was widely recognised that China’s future strength required the introduction of modern science and industry. The acquisition of scientific and technical knowledge was given high priority and many Chinese students were sent abroad, particularly to the US and UK. The first group of students went to the US. All of them returned and contributed what they had learned. They translated English scientific works and brought modern knowledge such as the theory of evolution and contemporary understandings of democracy as well as the modern sciences of physics, chemistry, mathematics and engineering into China.<sup>76</sup> Although China was still poor, compared with Japan, the Chinese who studies abroad had a substantial impact on China.<sup>77</sup> The recent wave of students to go abroad have undoubtedly also had a major impact on various aspects of contemporary Chinese society.

According to table 10-6, the Chinese postgraduate students’ enrolment rate has significantly increased since the economic reform. The return rate, however, is only 36.77% of total students studying abroad. Interestingly, according to table 10-6, after the Tiananmen Square massacre, Chinese students still returned to China without significant reduction.

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<sup>75</sup> James Mann, *About Face*, *op. cit.*, p. 104.

<sup>76</sup> Qian Ning, *Liuxue Meiguo (Study in the United States)*, Nanjing: Jiangsu wenyi chubanshe, 1996, pp. 13-29

<sup>77</sup> The detail description has mentioned in chapter four.

**Table 10-6: Number of Postgraduates, Students Studying Abroad and Returned Students  
1952-1996**

YEAR	NUMBER OF CURRENT POSTGRADUATES	NUMBER OF POSTGRADUATES NEW STUDENTS	GRADUATES	NUMBER OF STUDENTS STUDYING ABROAD	NUMBER OF RETURNED STUDENTS
1952	2,763	1,785	627	231	NA
1957	3,178	334	1,723	529	347
1962	6,130	1,287	1,019	114	980
1965	4,546	1,456	1,665	454	199
1975	NA	NA	NA	245	186
1978	10,934	10,708	9	860	248
1980	21,604	3,616	476	2,124	162
1985	87,331	46,871	17,004	4,888	1,424
1986	110,371	41,310	16,950	4,676	1,388
1987	120,191	39,017	27,603	4,703	1,605
1988	112,776	35,645	40,838	3,786	3,000
1989	101,339	28,569	37,232	3,329	1,753
1990	93,018	29,649	35,440	2,950	1,593
1991	88,128	29,679	32,537	2,900	2,069
1992	94,164	33,439	25,692	6,540	3,611
1993	106,771	42,145	28,214	10,742	5,128
1994	127,935	50,864	28,047	19,071	4,230
1995	145,443	51,053	31,877	20,381	5,750
1996	163,322	59,398	39,652	20,905	6,570
Total				109,428	40,243

Source: State Statistical Bureau, *China Statistical Yearbook*, 1997, p. 641

In the Cold War era, most Chinese students went to the Soviet Union for training, but since the economic reforms, most students have gone to the West, particularly the US. During the 1950s, some 10,000 Soviet technicians worked in China, and at least 15,000 Chinese technicians and workers were sent to Russia for training.<sup>78</sup> Many of them became leaders after they returned to China, such as President Jiang Zemin and former Premier Li Peng. For those with a Russian technical background, China's economic, social and political development was conceived in terms of a planned economy, communist dictatorship and central government control.

With the adoption of a market-oriented economy, China's economic structure now provides a basis for students returning from the west to operate successfully. The future Chinese leadership may well American-educated graduates and involve American influenced bureaucratic systems and processes. By the end of the 1990s, a higher percentage of overseas Chinese students were returning to China. They are actively

<sup>78</sup> Samuel P. S. Ho and Ralph W. Huenemann, *China's Open Door Policy: The Quest for Foreign Technology and Capital - A Study of China's Special Trade*, Vancouver: University of British Columbia Press, 1984, p. 15.

entering the leadership framework in the political and academic sectors. Meanwhile, they are playing critical roles in China's modernisation and bridging China with its external environment.<sup>79</sup> For example, the famous economist Fan Gang, who leads the Institute of Chinese Economic Reform, studied in Harvard University from 1985 to 1987. There are also ten researchers working in this Institute who graduated from American universities. Another example is the Director of the Institute of Chinese Economy at Beijing University, Lin Yifu, who is a Chicago University Economics Ph.D. graduate. In the early period of this institute, there were six researchers, two of them graduated from British Universities and the rest were American Ph.D graduates.<sup>80</sup> Two vice chancellors of Beijing University, Chen Zhangliang and Min Weifang also have PhDs from American Universities. The present Chinese Education Minister, Chen Zili, and Vice Chairman of the Academy of Social Science, Bai Chunli studied in America for at least two years.<sup>81</sup>

The values and norms of American society have thus come to influence the government and the academy of China. In the first wave of overseas Chinese students, China wanted to improve its science and technology. Its success was not sufficient to enable it to catch up in critical areas of technology or to overtake developed countries. This time, China is using the same method - learning science and technology. While the outcome of the current phase is not yet clear, it is arguable that the neglect of the social sciences may again be to China's long term detriment.

Although many Chinese students choose America to fulfil their dream of studying abroad, some of their experiences have already stimulated nationalistic feeling. There was a popular book published in 1996, *Liuxue Meiguo (Study in the United States)*, which reported more negative personal experience than positive aspects of American society in Chinese overseas students.<sup>82</sup> According to this book, the author found 'many Chinese visiting scholars were more patriotic than degree candidates, humanities students more patriotic than natural sciences, those with poor English more patriotic than those with good

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<sup>79</sup> *The Australian Chinese Times*, 12 November 1998, p. 10.

<sup>80</sup> *Ibid.*

<sup>81</sup> *Ibid.*

<sup>82</sup> Suisheng Zhao, 'Chinese Intellectuals' Quest for National Greatness and Nationalistic Writing in the 1990s', *The China Quarterly*, no. 152, December 1997, p. 742.

English, men more patriotic than women, and older students more patriotic than younger students.’<sup>83</sup>

Qian Ning, son of the former Foreign Minister Qian Qichen, merely reflected a phenomenon rather than explained the reason for these patriotic emotions. The suggestion in the above profile, is that students better able to communicate with their American environment responded more favourably to it, while those excluded by language imitations were more liable to resort to nationalism as a defence.

Currently, the influence of the US on China’s education system includes two elements: one is American corporate investment in China’s educational system, the other is Chinese students who study in American universities through government, independent organisations or foundations or at their own expense. This thesis will focus on the latter sector - the Chinese studying abroad – because of its capacity to affect Chinese intelligentsia.

Since the ninetieth century, the US and China expected a good prospect from educational exchanges. As mentioned in chapter four, subsequent Chinese governments have pursued modernisation through learning foreign science and technology since the 1870s. To adopt western science and technology was and is a major purpose of studying abroad. The key point is that the Western education system (including Japan), but particularly the US, has high performance, good research facilities, free academic interaction and many Chinese students see it as a vision of the future. Therefore, to study abroad was/is many Chinese students’ a dream. Many of them, including political elites and intellectuals have high expectations of going to America. As Harry Harding said,

Many Chinese saw in the United States a foreign benefactor that could provide material assistance and technical advice in their quest for national wealth and power. Many Americans saw in China an eager student that could be readily converted to American values and institutions.<sup>84</sup>

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<sup>83</sup> Suisheng Zhao, *op. cit.*, p. 743, cited from Qian Ning, *Liuxue Meiguo (Study in the United States)*, Nanjing: Jiangsu wenyi chubanshe, 1996, p. 247.

<sup>84</sup> Harry Harding, *A Fragile Relationship: The United States and China Since 1972*, Washington DC: The Brookings Institution, 1992, p. 299.

This kind of expectation provided both sides with a positive impulse to interact. To support its economic growth and the process of modernisation, China needs to develop its human capital. As US Secretary of Commerce William M. Daley indicates,

China has only 38,000 accountants. It has 100,000 trained attorneys, but that number will have to triple within the next 15 years to keep pace with China's growth. And the demand for MBA's in China is expected to surpass 1.4 million in the next decade...in 1996, government dollars spent on education equaled less than 2.5 percent of economic output, compared to the 4.1 percent average for developing countries.<sup>85</sup>

US education institutions have become an important channel in helping China to train its human capital, particularly in the field of management, commerce, accounting, and law. For example, in 1999, American Motorola, General Electronic, Dupont, IBM, Citibank, Kodak, and AEtina Insurance multinationals have funded scholarships in Peking University.<sup>86</sup> Moreover, the Ford Foundation, with the assistance of other American foundations, funded three key programs in economics, international relations, and international law and has a permanent well staffed office in Beijing to administer ongoing grants and select new projects for funding support.<sup>87</sup> Under these programs, many top Chinese students went to the US but few returned after finishing their study. According to Zweig and Chen, who interviewed World Bank Loan officers, in the early-to-mid-1980s, many Chinese students in PhD degree programs sponsored by World Bank loans have not returned to China.<sup>88</sup> If many of these American trained Chinese students stay in the US contributing their talent to American society, it will continue to be difficult to satisfy the

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<sup>85</sup> Remarkd by US Secretary of Commerce William M. Daley, Inauguration of Peking University's MBA Program, Beijing, People's Republic of China, 29 June 1998.

URL: <<http://www.osec.doc.gov/opa/Speeches/forham.html>>

<sup>86</sup> Paking University, *Paking University Scholarships List 1999*.

URL: <<http://www.pkuef.org/txt/award.html>>

<sup>87</sup> David Zweig and Chen Changgui, *China's Brain Drain to the United States: Views of Overseas Chinese Students and Scholars in the 1990s*, Berkeley, CA.: The University of California Press, 1995, p. 68. The other foundations included the MacArthur Foundation and the Luce Foundation.

<sup>88</sup> David Zweig and Chen Changgui, *op. cit.*, p. 68, footnote 12.

demand for human capital in China and the process of modernisation in China will be affected.

**Table 10-7: Chinese Students and Scholars Entering the US, (1979-1990)** <sup>89</sup>

CALENDAR YEAR	J-1 VIAS	F-1 VIAS	TOTAL
1979	807	523	1,330
1980	1,986	2,338	4,324
1981	3,066	2,341	5,407
1982	3,327	1,153	4,480
1983	3,328	1,003	4,331
1984	4,420	1,677	6,097
1985	6,912	3,001	9,913
1986	7,673	5,038	12,711
1987	7,930	4,533	12,438
1988	8,684	5,114	13,798
1989	7,700	6,448	14,148
1990	5,161	8,330	13,491
Total	60,967	41,501	102,468

Table 10-7 shows that the number of students with F-1 visas overtook the number with J-1 visas in 1990.<sup>90</sup> “J” visas are for exchange visitors and “F” visas are for full-time students. It means that more and more students were studying full-time in the US. It also reflects the fact that Chinese students have gradually found sufficient financial support through families, American universities, and international institutions’ without governmental approval or support. In fact, large numbers of the Chinese graduate students were privately financed. The number of state or work unit (*danwei*) supported students fell from 57 percent in 1979 to just 17 percent in 1985. By 1985, over half of the Chinese students were going to the US with assistance from US universities.<sup>91</sup> Chinese students have consequently been able to move out of Chinese government control. As a result, they

<sup>89</sup> See Harry Harding, *op. cit.*, p. 367, Table A-5. According to Harding, between calendar year 1986 and fiscal year 1987 there exists a three-month overlap, which may account for some statistically insignificant discrepancies.

<sup>90</sup> The “J-1” visa is for educational and cultural exchange programs designed by the US Information Agency (USIA). The “J” exchange visitor program is designed to promote the interchange of persons, knowledge, and skills in the fields of education, arts, and sciences. Participants in the “J” exchange visitor program must have sufficient funds to cover all expenses, or funds must be provided by the sponsoring organisation in the form of scholarship or other stipend.

Source: Tips for US Visas: Exchange Visitors, URL: <<http://travel.state.gov/visa/exchange.html>>

The “F-1” visa is for an applicant coming to the US to study in a full course of study in an educational institution approved by the Immigration and Naturalization Service (INS). Applicants of “F-1” visa must prove that sufficient funds are or will be available from an identified and reliable financial source to defray all living and school expenses during the entire period of anticipated study in the United States.

Source: Tips for US Visas: Foreign Students, URL: <<http://travel.state.gov/visa/foreignstuden.html>>

<sup>91</sup> Qing Ning, *op. cit.*, p. 77. According to Qing Ning, there were around 6,000 Chinese students privately financed (US universities) from 1979 to 1982.

have adopted a more liberal standpoint. Those who return may well have influence, which the Chinese government neither anticipates nor wants.

Large numbers of Chinese students, however, remain in the US after being awarded their degree, particularly science and engineering doctoral graduates.

**Table 10-8a: The Number of Non-US Citizens Awarded Science and Engineering (S&E) Doctorates, by Region and Year of Doctorate: 1989-1998**

REGION	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Total of Foreign Students	6,515	7,768	8,926	9,475	9,754	10,542	10,503	10,809	9,240	9,159
North America	403	446	525	515	506	547	505	530	455	527
South America	297	343	387	394	394	408	359	455	372	405
Europe	709	801	972	950	1,104	1,150	1,254	1,258	1,245	1,461
East Asia	2,563	3,604	4,486	4,865	5,010	5,484	5,487	5,594	4,421	4,455
West Asia	1,308	1,654	1,670	1,891	1,903	2,077	2,181	2,139	1,818	1,703
Pacific	166	175	216	220	227	231	231	232	190	181
Africa	446	539	500	510	474	583	423	441	322	329
Country unknown	623	206	170	130	136	62	63	160	417	98

Source: National Science Foundation, *Science and Engineering Doctorate Awards: 1998*, October 1999, table 5, p. 1

Since the end of 1980s, the percentage of Asian doctorates is a significant portion the number of non-citizens doctorates in the US. According to table 10-8a, there is a large portion of total foreign students, who came from East Asian countries. The percentage of East Asian students was 39.33 percent in 1989 and rose to 52.24 percent in 1995, dropping to 47.84 percent in 1997 (see table 10-8b).

**Table 10-8b: The Percentage of Non-US Citizens Awarded Science and Engineering (S&E) Doctorates, by Region and Year of Doctorate: 1989-1998**

REGION	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
North America	6.18	5.74	5.88	5.43	5.18	5.18	4.80	4.90	4.92	5.75
South America	4.55	4.41	4.33	4.15	4.03	3.87	3.41	4.20	4.02	4.42
Europe	10.88	10.31	10.88	10.02	11.31	10.90	11.93	11.63	13.47	15.95
East Asia	39.33	46.39	50.25	51.34	51.36	52.02	52.24	51.75	47.84	48.64
West Asia	20.07	21.29	18.70	19.95	19.50	19.70	20.76	19.78	19.67	18.59
Africa	6.84	6.93	5.60	5.38	4.85	5.53	4.02	4.07	3.48	3.59
Pacific	2.54	2.25	2.41	2.32	2.32	2.19	2.19	2.14	2.05	1.97
Country Unknown	9.56	2.65	1.90	1.37	1.39	0.58	0.59	1.48	4.51	1.06

Source: National Science Foundation, *Science and Engineering Doctorate Awards: 1998*, October 1999, table 5, p. 1

Nevertheless, the percentage of East Asian doctorates continued to be over 45 percent of total foreign doctorates in the US in the 1990s. According to tables 10-8c and 10-8d, the number and percentage of Chinese doctorates constitutes a large proportion of East Asian doctorates.



**Table 10-8c: Number of Non-US Citizens Awarded Science and Engineering (S&E) Doctorates, by Country and Year of Doctorate: 1989-1998 (East Asian Countries only)**

COUNTRY	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
East Asia Total	2,563	3,604	4,486	4,865	5,010	5,484	5,487	5,594	4,421	4,455
Taiwan	857	1,012	1,127	1,242	1,213	1,301	1,240	1,149	995	871
China	620	1,150	1,793	2,045	2,227	2,531	2,752	2,952	2,225	2,378
Hong Kong	93	94	121	109	109	95	90	109	81	81
Japan	106	147	125	132	132	182	155	167	148	149
S. Korea	753	979	1,114	1,127	1,123	1,150	1,005	979	818	780
Thailand	76	111	93	87	77	97	113	119	80	114
Others	58	111	113	123	129	128	132	119	74	82

Source: National Science Foundation, *Science and Engineering Doctorate Awards: 1998*, October 1999, table 5, p. 1

**Table 10-8d: Percentage of Non-US Citizens Awarded Science and Engineering (S&E) Doctorates, by Country and Year of Doctorate: 1989-1998 (East Asian Selected Countries only)**

COUNTRY	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
East Asia, Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
China	24.19	31.90	39.96	42.03	44.45	46.15	50.15	52.77	50.32	53.37
Taiwan	33.43	28.07	25.12	25.52	24.21	23.72	22.59	20.53	22.50	19.55
South Korea	29.37	27.16	24.83	23.16	22.41	20.97	18.31	17.50	18.50	17.50
Others	13.01	12.87	10.09	9.29	8.93	9.16	8.95	9.20	8.68	9.58

Source: National Science Foundation, *Science and Engineering Doctorate Awards: 1998*, October 1999, table 5, p. 1

The quantity and quality of American-trained doctorates are higher than those of Chinese education institutions are. According to the Chinese government's statistics, the whole Chinese education system has produced 5,430 doctorates, including science (1,400) and engineering (2,164) up to 1996.<sup>92</sup> To improve its educational performances and to achieve its goals of modernisation, China needs those American-trained doctorates to contribute their expertise in relevant fields in China rather than in the US.

Since 1977 when China restarted higher education after the Cultural Revolution, there has been a trend among Chinese undergraduate and postgraduate students to study abroad has accelerated. For example, the one-third of top students in the Physics Department of Peking University has gone to study abroad. The situation is similar in Tsinghua University.<sup>93</sup> In 1998, the number of Chinese students studying abroad reached a peak of over 25,000. During the past two decades, 293,000 Chinese students studied abroad among them were 139,000 governmental sponsored students and 154,000 self-paying students. Over one hundred thousand of these went to America but few returned China.<sup>94</sup>

<sup>92</sup> State Education Commission, *Educational Statistics Yearbook of China 1996*, Beijing: People's Education Press, 1996, p. 34.

<sup>93</sup> Ke Huan, '1998 Nian De Zhonggong Jiao Yu Gongzuo (The Educational Work of China in 1998)', *Zhonggong Yanjiu (Studies on Chinese Communism)*, vol. 33, no. 2, February 1999, p. 69.

<sup>94</sup> Ke Huan, *op. cit.*, February 1999, p. 69.

In the 1990s the annual number of Ph.D. graduates in science and engineering in American universities is higher than that of Chinese universities. Further, the number of Chinese students is the largest group of overseas students in American universities.

Thanks to the success of economic growth and US institutional scholarships, a larger portion of students in Peking University who applied for overseas study were self-supporting<sup>95</sup>. In particular, there were fifty percent of students in Physics, thirty five percent of students in Chemistry, and thirty two percent of students in Biology who applied were self-supporting.<sup>96</sup>

The studying abroad trend has become a fashion among the young generation in China. In 1999, there was a new term - *ji tuo yi zu* (a group taking GRE and TOEFL) reflecting the enthusiasm for studying abroad especially in American universities.<sup>97</sup> The same situation continues in many of Taiwan's universities. The difference between Taiwan and China is that a large portion of Chinese students' stay in the US but a large portion of Taiwanese students has returned to Taiwan. Thus, American education institutions play a very important role in Taiwan's development when Taiwanese students return to Taiwan. According to American National Science Foundation, nearly half of Chinese Science and Engineering doctoral recipients have plans to stay in America after they finish their study.<sup>98</sup>

The number of Chinese doctorates holding a permanent visa had rapidly increased during 1994 and 1996 because of the Chinese Students Protection Act. In particular, the number of the Chinese doctorates holding permanent visas was more than holding temporary visas during 1994 and 1995. Later, many of those Chinese doctorates converted their temporary visa to permanent visa because of the Bill (see table 10-9 and 10-10).

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<sup>95</sup> The term of "self-supporting" means students independently seek any financial supporting from American universities, enterprises, or organisations rather than supported by the Chinese government.

<sup>96</sup> Ke Huan, *op. cit.*, February 1999, p. 69.

<sup>97</sup> *Taiwan Today News Network*, 3 May 1999.

<sup>98</sup> Jean M. Johnson and Mark C. Regets, 'International Mobility of Scientists and Engineers to the United States - Brain Drain or Brain Circulation?' *Issue Brief*, Division of Science Resources Studies, National Science Foundation, NSF 98-316, 22 June 1998, revised on 10 November 1998, p. 2. URL: <<http://www.nsf.gov/sbe/srs/issuebrf/sib98316.htm>>

**Table 10-9: Non-US Citizens Awarded Science and Engineering (S&E) Doctorates, by Selected Country of Citizenship, Visa Type, and Year of Doctorate: 1989-1998 (with Permanent Visas)**

COUNTRY	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Total	1,124	1,197	1,285	1,383	1,641	3,021	3,509	3,007	2,277	2,016
Taiwan	142	147	160	172	155	178	165	136	147	102
China	36	54	100	162	352	1,642	2,169	1,628	952	847
Hong Kong	15	12	16	28	20	20	15	18	15	14
Japan	13	23	20	18	20	30	19	23	23	21
South Korea	52	70	91	83	91	99	87	93	80	71
Others	866	891	898	920	1,003	1,052	1,054	1,109	1,060	961

Source: Science and Engineering Doctorate Awards: 1998, National Science Foundation, October 1999, table 5, p. 4.

**Table 10-10: Non-US Citizens Awarded Science and Engineering (S&E) Doctorates, by Selected Country of Citizenship, Visa Type, and Year of Doctorate: 1989-1998 (with Temporary Visas)**

COUNTRY	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Total	5,391	6,571	7,641	8,092	8,113	7,521	6,994	7,802	6,963	7,143
Taiwan	715	865	967	1,070	1,058	1,123	1,075	1,013	848	769
China	584	1,096	1,693	1,883	1,875	889	583	1,324	1,273	1,531
Hong Kong	78	82	105	81	89	75	75	91	66	67
Japan	93	124	105	114	112	152	136	144	125	128
South Korea	701	909	1,023	1,044	1,032	1,051	918	886	738	709
Others	3,220	3,495	3,748	3,900	3,947	4,231	4,207	4,344	3,913	3,939

Source: Science and Engineering Doctorate Awards: 1998, National Science Foundation, October 1999, table 5, p. 7.

**Table 10-11: Foreign S&E Doctoral Recipients and Firm Plans to Stay in US, by Countries of Origin, 1988-1996**

COUNTRY	TOTAL S&E DEGREES (NUMBER OF FOREIGN DOCTORAL RECIPIENTS)	FIRM PLANS TO STAY
China	17,000	47.9%
Taiwan	11,000	27.5%
Korea	9,000	22.6%
India	7,000	54.7%
Greece	800	36.8%
Germany	750	40.5%
United Kingdom	600	52.6%
Canada	2,100	43.0%

Source: National Science Foundation, Division of Science Resources Studies, Survey of Earned Doctoral, special tabulations.

China is the country with most students in American universities and has a large percentage (47.9 percent) of graduated doctorates with firm plans to stay in the United States between 1988 and 1996 (see table 10-11). Asian students are also the largest section of those staying in the US or planning to do so (see tables 10-12 and 10-13).

**Table 10-12: Stay Rate of Foreign Students Earning Science and Engineering (S&E) Doctorates in US Universities, by Selected Regions, 1988-1996**

REGIONS	TOTAL PH.D. DEGREES TO FOREIGN STUDENTS	NUMBER WITH PLANS TO STAY IN US	PERCENT %	NUMBER WITH FIRM PLANS TO STAY IN US	PERCENT %
Total	55,444	34,917	63.0	21,779	39.3
Asia	43,171	28,280	65.5	16,964	39.3
Europe	8,760	4,898	55.9	3,521	40.2
North America	3,513	1,739	49.5	1,294	36.8

Source: National Science Foundation, Division of Science Resources Studies, Survey of Earned Doctoral, 1998, Special Tabulations.

**Table 10-13: Percentage of 1990-1991 Foreign S&E Doctoral Recipients from US Universities, (Working in the US in 1995, by Countries of Origin)<sup>99</sup>**

Country	Foreign S & E doctoral	Percent working in the US
China	2,779	88
India	1,235	79
Japan	227	13
South Korea	1,912	11
Taiwan	1,824	42
England	142	59
Germany	177	35
Greece	240	41
Canada	417	46
Mexico	194	30
Total	13,878	47

In terms of the reasons for staying in America, 22 percent stayed on for postdoctoral study, and 17 percent accepted employment in the US between 1988 and 1996.<sup>100</sup> Compared with different fields, the research of the National Science Foundation analyses that 'over 50 percent of all foreign students earning doctoral degrees in biological sciences remained in the United States for postdoctoral experiences; only 5 percent were offered jobs at universities or in industry. In contrast, in computer science, only 7 percent remained for postdoctoral experiences, while over 38 percent accepted employment.'<sup>101</sup>

Because of the long economic boom in the US these graduates will probably continue to stay in the US. According to Wei-chiao Huang, the correlation between the lack of political freedom and student's willingness to stay in the US was so strong that appeals to patriotism and duty, or even significant economic incentives, could be futile.

<sup>99</sup> Jean M. Johnson and Mark C. Regets, 'International Mobility of Scientists and Engineers to the United States - Brain Drain or Brain Circulation?' *Issue Brief*, Division of Science Resources Studies, National Science Foundation, NSF 98-316, 22 June 1998, revised on 10 November 1998, p. 4. The paper of Issue Brief NSF-98-316 explains that the high rate of Chinese students is attributable to a one-time granting of permanent residence status in the United States because of the Chinese Students Protection Act.

<sup>100</sup> *Ibid.*, p. 3.

<sup>101</sup> *Ibid.*, p. 4.

In addition, political freedom is a significant factor to keep foreigners in the United States.<sup>102</sup> According to one survey, many Chinese did not want to return to China largely because of political considerations and partly because of economic and family factors.<sup>103</sup>

Qing Ning has different perspectives claiming that many Chinese students eventually stay abroad not only because western “freedom and democracy” attract them but more importantly because of the “material incentives” of developed society.<sup>104</sup> But, he emphasises that ‘pursuing a significantly better physical life should not be a cause of guilt’.<sup>105</sup> It implies a fact that America’s research environment including physical and psychological life is better than China’s.

The majority of US employment offers received by foreign science and engineering doctoral recipients were from industry while a small proportion was from educational institutions. American industry provided the highest number of job offers to foreign graduate students majoring in engineering (3,256), physical sciences (713), and computer science (591). American educational institutions provided jobs for majors in psychology and social sciences (1,213), engineering (815), and mathematics (620).<sup>106</sup> Even those studying international relations, according to Harry Harding’s findings, were reluctant to return: ‘there was a 45 percent return rate but the vast majority of the returnees were visiting scholars and participants in the mid-career M.A. program as compared to M.A. and Ph.D. candidates.’<sup>107</sup>

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<sup>102</sup> Wei-Chiao Huang, ‘An Empirical Analysis of Foreign Student Brain Drain to the United States’, *Economics of Education Review*, vol. 7, no. 2, 1988, pp. 231-243.

<sup>103</sup> David Zweig and Chen Changgui, *op. cit.*, p. 119, table 3.

In this survey, 30.3 percent of interviewees thought the reason was “lack of political stability”, 12.4 percent felt it was lack of political freedom and 1.2 percent feared being arrested. 43.9 percent in all gave a political factor as the reason for not returning.

Economic considerations were lack of opportunity for career advancement (11.6%), lack of opportunities to change jobs (6.0%), poor work environment (8.4%), lack of modern equipment for research or work (5.6%), living standard too low (7.6%), lack of suitable jobs given ones education and training (1.3%), was 40.5 percent.

Third was the family factor. 7.2 percent said “family does not want to return” (0.8%), “people look on people have returned as if they have failed” (2.4%), “children education”, (4.0%). The percentage of the other considerations, such as contact with international scholars in ones field (2.4%), fear of not being able to get out a second time (3.2%), difficulty in getting out the first time (3.2%), was 5.6 percent in all.

<sup>104</sup> Qing Ning, *op. cit.*, p. 108.

<sup>105</sup> *Ibid.*

<sup>106</sup> National Science Foundation, ‘Main Activity of Foreign Doctoral Recipients with Plans to Stay in the United States’, NSF 99-304, p. 4. URL: <<http://www.nsf.gov/sbe/srs/nsf99304/main.htm>>

<sup>107</sup> Harry Harding, ‘An Evaluation of the Committee on International Relations Studies with the People’s Republic of China and of International Studies in China’, unpublished report, 23 June 1992, p. 50. Cited from David Zewig and Chen Changgui, *op. cit.*, p. 68, footnote 11.

This trend is also a reflection on Chinese employment systems. Since 1994, China started to end the job-assignment system whereby college and university students are assigned a job by the state when they graduate. The job-assignment system had given Chinese students a free education. As a result, of the 900,000 students due to graduate in 1997, more than 10,000 were self-funded.<sup>108</sup> In the absence of the traditional “iron rice bowl”, getting a job is a personal undertaking in a competitive market. Although the Chinese government instigated the “Yangzi River Project” to deploy returning overseas Chinese students, the pay is low. Understandably, economic considerations are one of the key reasons affecting the willingness to return.

Qian Ning indicates how US education is affecting China’s new elite.<sup>109</sup> Qian Ning, an up-and-comer in China, considers that Chinese graduates eventually will bring back to China ‘a new image of the United States - not an ideological concept any more, but a real country with real people.’<sup>110</sup> He also emphasised that ‘since Deng made his move, a quarter million Chinese have studied in America. Some have come home to ministerial posts; others held important jobs in academia, finance and business. I am not sure whether or not they will be the country’s next leaders, but their influence would profoundly change China.’<sup>111</sup>

In 1988, the Chinese government instigated “the Torch Plan”<sup>112</sup> to accelerate the development of high tech manufacturing technology. The plan deploys science and technology (S&T) resources to help industry commercialise on advances in S&T. The main purpose was “to raise the technological level of state enterprises”.<sup>113</sup> In 1987, the Chinese government further developed the “863 Program” to concentrate efforts in several critical fields such as biology, aeronautics, information technology, lasers, automation, energy, and new materials. If the “863 Program” is completed involving many fields in cross-disciplinary projects such as computer integrated manufacturing systems, the plan

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<sup>108</sup> ‘Pay as You Learn: China’, *The Economist*, 10 May 1997, p. 32.

<sup>109</sup> *Newsweek*, 27 October 1997, vol. 30, no. 17, p. 38.

<sup>110</sup> *Ibid.*

<sup>111</sup> *Ibid.*

<sup>112</sup> Zou Zhen ‘Zhonggong “Huoju Jihua” Fazhan Zouxian Yu Cunzai Gengzu (The Developing Approaches and Existing Obstructs of China’s “Torch Plan”)’, *Zhonggong Yanjiu (Studies on Chinese Communism)*, vol. 32, no. 12, December 1998, pp. 58-66.

<sup>113</sup> A Report from US Embassy Beijing, ‘China’s S&T Policy: A View From Within’, Beijing: US Embassy, December 1996, p. 3. URL: <<http://www.usembassy-china.gov/english/sandt/stvwin.htm>>

will reduce the technology gap between China and foreign countries.<sup>114</sup> But, this program mainly focuses on China's military modernisation.<sup>115</sup>

In the 1990s, the Chinese government created a series of projects, such as "Project 211, now generally called the "Million Qualified Personnel Project (the MQP)", provides higher pay (through special packages), stable jobs and family subsidies.<sup>116</sup> Most considerations focus on economic satisfaction. While China continues to develop methods of enticing its students home, the vast majority of Chinese students in the US, however, consider life in America as enormously more secure than life in China.<sup>117</sup> As Zweig and Chen indicates,

In the case of Taiwan, people did not return for almost two decades, and they did so only after the economy grew strong enough to offer significant financial rewards and excellent work conditions, and only after the political system liberalized. Not until people felt financially rewarded, politically secure, and intellectually free did the outward tide fall and the inward flow rise.<sup>118</sup>

Currently, the US keeps educating many of the top Chinese students for American society because the US offers higher payment, free academic environment and facilities, and psychological security. As a result, the goal of learning foreign technology and science seems to be far away from its initial goal of modernisation even though there is still a small portion of the Chinese students and scholars who return to China. If China's domestic environment were improved, more Chinese students would have returned. Their return would bring American values (including the ideas of multi-party politics, freedom of

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<sup>114</sup> *Ibid.*

<sup>115</sup> Lin Chong-pin, *Heba: Toushi Kuashiji Zhonggong Zhanlue Wuli (Nuclear Hegemony: Exploring the PLA's Strategic Forces Moving Toward the Next Century)*, Taipei: Xuesheng chubashe, 1999, p. 10. Although the Chinese government does clearly explain the detail of "863 Program", many observers believe that this program includes researches in seven fields such as: aerospace, Laser, automatic systems, biotechnology, information systems, energy, and new materials.

<sup>116</sup> Wang Jueichi "The Development of Professional Manpower in Mainland China in the 1990s", *Issues and Studies*, vol. 36, no. 2, March/April 2000, pp. 112-117.

<sup>117</sup> David Zweig and Chen Changgui, *op. cit.*, p. 82, this view is from David Zweig, see p. 82, footnote 14.

<sup>118</sup> David Zweig and Chen Changgui, *op. cit.*, p. 76.

speech and freedom of religion) not merely management know-how and science and technology back to China.

Another influence of US education is related to the study of language. According to a national survey, over seventy percent of urban Chinese have studied English, which is the first choice of foreign language students in China since 1979.<sup>119</sup> Through language learning, the more Chinese students understand English the more American culture, values, and belief internalise into young generation. This internal change can contribute China's democratisation as Taiwan experienced.

Furthermore, the population using the Internet in China has dramatically increased. According to China Internet Network Information Centre (CNNIC), the Internet users reached 8.90 million in December 1999.<sup>120</sup> As tables 10-14 and 10-15 show, in July 1999, there were 1.46 million computer hosts in China. After six months, the increase rate was 139.7 percent (compared to the situation of July 1998, the increase rate was 545.7%). CNNIC further analyses the distribution of gender, age, education, and region of users. It concludes that males (79 percent) are significantly greater users than female (21percent). Many users are under thirty years old (18-24 is 42.8 percent, 25-30 is 32.8 percent). The largest number of users is tertiary educated level (those with bachelor degrees constituting 45 percent and 2-3 years college degree 32 percent). 21.24 percent of the users are in Beijing, 12.94 percent in Gangdong, and 11.21 percent in Shanghai.<sup>121</sup>

**Table 10-14: The Statistics of Using Internet Users in China**

	JULY 1998	JANUARY 1999	JULY 1999	JANUARY 2000
Computer Hosts (PC)	542,000	747,000	1,460,000	3,500,000
Direct connections	82,000	117,000	250,000	410,000
Dial-up connections	460,000	630,000	1,210,000	3,090,000
Internet Users (person)	1,175,000	2,100,000	4,000,000	8,900,000
Direct connections	325,000	400,000	760,000	1,090,000
Dial-up connections	850,000	1,490,000	2,560,000	6,660,000
Using both connections	NA	210,000	680,000	1,150,000

Source: China Internet Network Information Center, *Statistical Report of the Development of Chinese Internet*, July 1998 to January 2000. URL: <[http://www.cnnic.net.cn/Develst\\_e/cnnic2000\\_e.htm](http://www.cnnic.net.cn/Develst_e/cnnic2000_e.htm)>

<sup>119</sup> *China Daily*, 23 February 1999. URL: <<http://www.chinadaily.net/cndy/history/d2-3eng.b23.html>>

<sup>120</sup> China National Network Information Centre (CNNIC), *Semi-Annual Survey Report on Internet Development in China*, January 2000. URL: <[http://www.cnnic.net.cn/Develst\\_e/cnnic2000\\_e.htm](http://www.cnnic.net.cn/Develst_e/cnnic2000_e.htm)>

<sup>121</sup> China National Network Information Centre (CNNIC), *op. cit.*, p. 3.



**Table 10-15: The Growth Rate of Computer Hosts and Internet Users in China (based by July 1998)**

	JULY 1998	JANUARY 1999	JULY 1999	JANUARY 2000
Computer Hosts	100.0%	37.8%	169.4%	545.7%
Direct connections	100.0%	42.7%	204.8%	400.0%
Dial-up connections	100.0%	36.9%	163.0%	571.7%
Internet Users	100.0%	78.7%	240.4%	657.4%
Direct connections	100.0%	23.1%	133.8%	235.4%
Dial-up connections	100.0%	75.3%	201.2%	683.5%
Using both connections	-	100.0%	223.8%	447.6%

Calculated by this research. Source: China Internet Network Information Center, *Statistical Report of the Development of Chinese Internet*, July 1998 to January 2000.

This situation creates a hope that the Internet is going to help China's young generation to 'understand the importance of free-flowing information in a modern society.'<sup>122</sup> In so doing, it will encourage more Chinese people to learn Western values and increase US influence in many areas. Accordingly, it is possible to say that the influence of American educational and cultural exchange is an important factor for the process of China's modernisation. In recognition of this fact, the Chinese government has placed new restrictions on Internet transmission of information.<sup>123</sup>

Combining with studying abroad and learning English and using the Internet, the Chinese young generation come to more freely recognise the outside rather than to be instructed by official propaganda. Whereas democratisation cannot occur over night, it needs driving forces or pressures to accelerate the process. A rising middle class and western-educated elites are two important internal driving forces.

Following China's accession to the WTO, the Chinese employment markets will face big competition as mentioned in section 10-3. Therefore, China needs more well-trained specialists such as lawyers, accountants, managers, computer engineers, even teachers in tertiary education. Although many Chinese students still stay in the US, eventually they will return to China if wages rise to the level of Taiwanese specialists at the end of the 1980s or match their income in the US. These returnees, to a certain extent, will bring not only technological know-how to their research institutions but also bring American life style, values and beliefs into Chinese society.

<sup>122</sup> Greg May, 'The Internet: Friend and Foe of the Chinese Regime', *Foresight (Japan)*, 17 July 1999, p. 81.

<sup>123</sup> Mark Landler, 'Investors Ask If Beijing Can Enforce All Its New Internet Rulers', *New York Times*, 31 January 2000.

## 10-5 Conclusion

This chapter has revealed that the US plays a significant role as facilitator in China's modernisation. Economically, Chinese living standards have been improved markedly through its increasing trade with the US since its economic reforms. The US market is extremely beneficial to the Chinese economy. Culturally, China's economic growth has caused a gradual diversification of Chinese perspectives through education, the Internet, and studying abroad, particularly in the US. Significantly, US markets support China's export-orientated economy and benefit China's trade surplus. US educational institutions provide Chinese students more opportunities and higher levels for studying. America's prosperous economy continues to attract Chinese experts to stay in the US. These phenomena have continued since China's reform. It is clear that China's future is related to the US.

At present, over 100,000 Chinese students are studying in the US, where the influence of American values, technological know-how, and ideas of democracy are inescapable for China's future political, economic, and academic elites. This effect benefits the process of China's modernisation.

US military, economic, and cultural powers provide an important and critical role in shaping the world order. Through their influence, many countries have moved towards modernisation. Taiwan and South Korea are two prominent cases. China is facing a similar process. Although China's strategic design is to recover its influence in East Asia, its social structure has dramatically changed and China's society is diversifying. China is concentrating its efforts and energy on internal development, which effectively contributes to the process of China's modernisation.

With assistance from a benign superpower to prevent severe disorder, there are fewer possibilities to create a hostile external environment that would disturb China's internal development. The US is playing this significant role.

As mentioned in chapter eight, China needs American technology, investments, loans, more educational opportunities and preferential access to America's import market – even as it resists western values and political philosophies. Considering the potential

Chinese market, US enterprises continually lobby the US administrative branch to adopt an engagement policy. In this sense, non-political influences play an important role in establishing moderate Sino-American relations, particularly those concerned with the economy and education.

As a result of US influence, through increasing economic, cultural and education exchanges and political dialogues, the process of China's development is being accelerated. It is, perhaps, helpful for a peaceful resolution in the Taiwan Strait. Central to all of these issues is the maintenance by the US of its clear policies in relation to China and Taiwan. In so doing, it can enforce stability in the Asia-Pacific region in accordance with its own interests as well as those of the contesting parties.

## Chapter Eleven: Conclusion

This thesis has examined China's modernisation in the context of Sino-American relations. It demonstrates that perspectives drawn from both realist and liberal thinkers have coloured the history of historical Sino-American relations. In the case of the former, concepts such as the balance of power, which in the American perspective, has been related to its regional interests, was central to the way the United States fashioned its China policy. In the case of liberal thought, the emphasis was on the development in China of a market economy and democracy, which were in accordance with American fundamental values.

On the Chinese side, successive leaderships, with perspectives more akin to those of western 'realists', also sought the consolidation and enhancement of national interests – often expressed as a concern for national dignity. In the nineteenth century, the Qing government, in particular, sought to recover its national dignity and influence in East Asia as rapidly as possible after being defeated by Great Britain. But it was America, as the strongest international power that naturally became the focus of much Chinese attention. Insofar as America had interests in China, however, they were primarily economic and religious. With its huge population, China, at least symbolically, offered the US considerable commercial benefit and opportunities for religious evangelising.

In chapter four of the thesis, it was demonstrated, however, that China's weakness was such that it was unable to meet US economic and religious expectations. The complex social and cultural difficulties faced by China in its drive for modernisation, particularly when compared to the Japanese developments during the same period, were explained here by reference to China's *ti-yong* political philosophy.

During the course of Sino-American relations, the Chinese leaders had unrealistically high expectations of assistance from America and hoped that US aid would be a major factor in China's modernisation. Many Chinese students studied in America and many more imagined doing so. China, however, was unable to translate its hopes and expectations into a form of modernisation that was rapid or sustained. For a series of

complex reasons touched on in the thesis, China remained a poor, closed and disunited country rather than the wealthy, open and integrated one that Japan became.

China's huge population, substantial natural resources and potential markets remained attractive goals, however, for US religious missions, commercial goods, industrial products and financial investments. In addition to China's strategic position, it was also useful as leverage to balance Russia and Japan. Hence, US Far East policy came to be based on its commercial interests and strategic considerations. Since 1899, when US Secretary of State John Hay elaborated the "Open Door policy", the US has continued to base its Far East policy on such 'realist' considerations and has been quite unwavering in its approach.

After the Qing dynasty, the US expected a democratic, open and stable China could contribute to the stability and prosperity of the region. China's political disintegration and economic backwardness, however, were most unhelpful to the realisation of American's expectations. The continuing strand of isolationist thought in American foreign policy was also unhelpful for the development of Sino-American relations.

In the 1940s, the relationship between China (including both the Nationalist Party and the Communist Party) and the US was constructed on the basis of mutual interest – the defeat of Japanese militarism. On the American side, there was also an expectation that China would develop a democratic political structure and possibly a coalition government that would be of benefit in fighting the Japanese. The KMT and the CCP focused, however, on the struggle for domestic political dominance rather than establishing a united force to defeat external invasion. The corruption of the KMT weakened China's capacity to defend itself against the Japanese – a factor that reduced US aid to less than that received by the Soviet Union. During the Chinese civil war, the US adopted the position that there remained the possibility of a peaceful resolution of KMT and the CCP differences. Many Americans, including some officials stationed in China, regarded the Chinese civil war as a social revolution rather than a battle in which the CCP was supported by an external power in the Soviet Union. Consequently, there were those within the US administration who sought to recognise the CCP regime as a legal government. The economic and military failures of the KMT led the US to recognise the inevitability of a communist China and at the end of the civil war had expectations that it would be in contact with Beijing. The

Korean War, however, shattered these initial expectations and prevented the possibility of normalising relations between China and the US.

In the early years of the Cold War era, the US contained the spread of Communism from East Europe to East Asia. In particular, the Korean War strengthened this containment strategy. Whereas the Soviet Union was not directly involved in the Korean War, China was very much engaged. As a result, the brief opportunity for a new starting point in Sino-American relations was lost. Instead, the US and the PRC fought on the Korean Peninsula for three years. One of the most significant strategic outcomes for the region was the continued US support and recognition for Nationalist China – an alliance that remained until 1979.

On China's side, the Maoist ideology made much of its opposition to "American imperialism" and ensured that ideological confrontation between Communism and Capitalism was central to any consideration of US – China relations. Owing to the deterioration of Sino-Soviet Union relations in the 1960s, American political elites realised the Chinese Communist regime could be a strategic partner of the US against the Soviet Union. The change of international circumstance provided an advantageous condition for reconciliation between China and the US. Nixon's détente policy and Deng's reform policy provided the two great powers with a chance to continue their historical engagement. Even though Nixon and Kissinger broke China's "iron curtain" in 1972, Sino-American relations merely focused on strategic matters rather than economic and cultural affairs. Only after the CCP government decided to implement the 'opening and reform' policy, was the Sino-American relationship moved toward economic and cultural exchange. In other words, there was no opportunity to improve Chinese economic strength by engaging with western economies until the Chinese Communist regime had some strategic interest that were compatible with those of the US.

Although various American presidents have visited China since Richard Nixon's presidency, Sino-American relations are still characterised by ongoing serious disagreements and disputes, involving such issues as human rights, Taiwan, trade imbalance, accession to the WTO and PNTR. Even though President Bill Clinton and President Jiang Zemin reached a statement of "constructive strategic partnership" in 1998, China and the US are currently engaged in several disputes resulting from their different

values, institutions and national interests, as noted in chapter five. With the disappearance of the Soviet threat, strategically, there is no longer a mutual interest in strategic cooperation between the two sides. The Tiananmen massacre interrupted the American dream of democratisation in China. Increasing trade imbalance has stimulated American efforts to open China's markets by accepting WTO and PNTR norms and heightened debates about human rights and democracy. China typically responds that issues involving internal affairs and sovereignty are non-negotiable and seeks to use its economic potentiality as a bargaining chip in challenging what it now perceives as US hegemony.

A harmonious relationship between the US and China may conceivably be an outcome of the process of Chinese modernisation. Such a development would also benefit the stability of the Taiwan Strait. This observation is based on consideration in the thesis of the interaction between the process of China's reunification and Sino-American relations. When relations between the US and China have been most cooperative, flows of foreign capital and technological transformation between the US and Taiwan have slowed. Second, when Sino-American relations were harmonious, economic behaviour and informal dialogue in the Taiwan Strait have flourished. Third, when the situation of the Taiwan Strait is stable, Taiwanese investment in China increases. Relatively, the interdependence of China and Taiwan is increasing. Taiwan needs China's cheaper labour and resources. China needs investment from overseas Chinese particularly Taiwanese capital, and more sophisticated management abilities. Therefore, both sides could create a win-win situation under the peaceful circumstance of a harmonious Sino-American relationship. Fourth, during the missile manoeuvre period in 1995-96, many East and Southeast Asian states including Australia shared a nervousness about China's role in the region. Fifth, from 1989 to 1997, the US government banned exports of hi-tech products, including peaceful nuclear plant technology to China. In 1997, when China and the US established a "constructive strategic partnership" the ban was lifted by the Clinton administration. Sixth, in 1992 during a tense period in Sino-American relations, the Bush government sold 150 F-16 fighters to Taiwan. This military procurement resulted in a decreased possibility of reunification because Taiwan's defence capability was stronger. Moreover, the cost of reunification by force is relatively increasing. Finally, a harmonious relationship between the US, China and Taiwan will accelerate the process of reunification and assist the path of

Chinese modernisation, not only in the economic field but also in political, cultural, and social sectors.

Throughout two decades of reform, China's economic growth has led the world. Chinese living standards have improved. Many young Chinese are studying abroad. But China's military capability has also grown and has generated new concerns. The evolution of a strategic philosophy along with the strong economic performance has provided major powers with a new set of strategic issues and in many quarters, a new 'China threat' has reappeared. In chapter six, the thesis compared Chinese and American strategic considerations, focussing mainly on deliberations in the US over whether to contain or engage with China. A containment policy provides for the possibility of escalating strategic hostilities towards war and reversing the current relationship back to that of the Cold War. Such an approach clearly has the potential to destabilise Sino-American relations and damage the national interests of both. An engagement policy runs the risk of 'appeasement' and conjures up images of British policy towards Germany before WWI and WWII. Both strategic approaches have their problems and neither satisfies US national interests or fundamental values.

On China's side, the recovery of national influence and integration of lost territory are two major strategic goals. Thus, American's strategic actions infringing on these two issues have been interpreted as "hegemony and interference in China's internal affairs". In this chapter, the strategic considerations of both sides are discussed in terms of *realpolitik*. China's *realpolitik* approach is more obvious than that of the US. In many official publications, the Chinese government refers to its "historical humiliation" and the importance of reunification. This kind of strategic perception provides more opportunity for conflict than cooperation with the US.

In the post-Cold War era, China does not have a serious threat to its national security. The US does not have intentions on Chinese territory. Rather, US interest groups focus on the Chinese market, which benefits US products, employees, and economic prosperity. To ensure mutual interests are satisfied, the US government is pursuing an engagement policy with China. Congress, however, has continued to raise, with the White House, issues of Chinese human rights and trade imbalances in terms of American values and national interests. The Pentagon and CIA have tended to emphasise a containment strategy in



response to perceptions of a “China threat”. Ongoing debates in the US about its grand strategy thus circle about “engagement, containment and constructive engagement”. Nevertheless, the US is unwilling to confront China because regional and global stability are of such significance for US long-term interests.

Consequently, the US will continue to maintain friendly relations with China, despite the Taiwan issue, which continues to make such a policy difficult. Any mistake in dealing with the Taiwan issue will clearly damage the fragile Sino-American relationship. This dilemma has proved difficult to resolve. The US, for its part, claims that peaceful resolution is necessary. The PRC will not renounce the use of force to achieve reunification if it thinks it necessary. As Taiwan’s democratisation has increased the possibility of independence, greater tensions have been introduced into fragile Sino-American relations.

While there is evidence that China has attempted to maintain a harmonious relationship with the US since the reform, the bad record of human rights since the Tiananmen events and bellicose missile testing in 1995 and 1996, have increased tensions in Sino-American relations. As mentioned in chapters six and ten, the US and China cannot establish a genuine “strategic partnership” because of differences values, expectations, perceptions, and institutions. To reduce these differences, the US can influence or change the perceptions of the Chinese leaders through educational and cultural exchanges as it did in Taiwan. On China’s side, a full scale Sino-American interaction is important for the process of modernisation. The Chinese leaders, however, cannot abandon their Cold War mentality, particularly their perspectives on state sovereignty, which has led to a non-negotiable attitude in relation to reunification and human rights.

These attitudes keep China and Taiwan from reaching a common view on the issue of reunification. The essential point is that the PRC government is not a democratic one. The Taiwanese leaders argue that reunification can be done only through democracy. According to this logic, if Beijing develops a democracy, including multi-party politics, respect for human rights, equal and transparent elections, freedom of speech and religion, then the people of Taiwan would be willing to unify with the mainland. The goal of peaceful reunification would then be achievable. The current situation, however, contains

many uncertainties since Beijing misunderstands the essence of democracy and Taipei may misuse democracy to worsen cross-Strait relations and bring the US into the conflict.

Chapter seven demonstrated how the issue of Taiwan's independence has generated another agenda in Sino-American relations. While Taiwan's democratisation fascinates many Americans, the possibility of reunification with the mainland contains many uncertainties. Such American values as self-determination, equality and freedom become problematic when applied to the Taiwanese situation. Should the US engage in war with China merely for the sake of Taiwan? While Beijing and Taipei argue about China's reunification, Washington is more concerned with Taiwan's democratisation since it increases the likelihood of independence and creates more chances of conflict between China and the US. While Taiwan's democratisation has impressed many, it poses a dilemma in terms of maintaining regional stability.

If peaceful reunification proves possible, China's economy should maintain its stability and growth along with that of Taiwan. On the other hand, a conflict would damage Taiwan's economy and democracy – an outcome that would be unpalatable to the US.

Triangular relations between Washington, Beijing and Taipei demonstrate that harmonious external environments contribute to internal development. While Taiwan's development is moving towards a mature stage, the mainland is moving through the early stages of the same process. It is arguable that China's modernisation can only succeed within a peaceful environment. If this is so, China needs to maintain a friendly Sino-American relationship in order to concentrate on its domestic construction. Movement towards more democratic institutions and behaviour should assist such friendly ties.

Chapter eight illuminated the difficulties in the process of China's modernisation. Although economic reform has achieved the goals of the "four modernisations", China's society still harbours many internal problems. Economic and technological development have largely been undertaken without attention to political and social reform. As a result, its economic structure is moving towards a market economy but its political structure remains an authoritarian system. Although people's living standards have dramatically improved, corruption and inefficiency, imbalances in wealth distribution, inadequacies of

human capital and infrastructure, and a failure to develop a civil society, have been recurrent problems for China's modernisation.

The socialist-style economy and monopoly politics have not improved Chinese society in the past fifty years. After thirty years of radical socialism, China initiated the process of opening and reform. It would be unhelpful if China were to wait for another fifty years before understanding the importance of democracy. While China is facing a turning point in its reform, many scholars have already suggested that China should deepen its political reform towards complete democratisation. The Chinese leaders, however, insist that present structures cannot be challenged lest the process of modernisation and the stability of the Chinese society are damaged

The US, on the other hand, emphasises that a free economy is consistent with democracy. Despite the tendency towards engagement, strong tensions therefore remain – notably in relation to WTO entry, PNTR, and trade imbalance. These issues all relate to the non-transparent nature of Chinese society under the monopoly rule of the Communist party. The bad performance of SOEs and huge unemployment demonstrate that China's basic economic problems will continue to be an issue for the foreseeable future.

For China's part, it desires foreign investment, capital, technology and management skills to speed up its modernisation. To protect the current regime, the CCP has in recent years, increased domestic feelings of nationalism to reduce the influences of the US and other powers. China strategic considerations express has also made clear its intentions to assume regional hegemonic status through its nuclear power and membership of the Security Council of the United Nations. China argues that multipolarity is the trend of the twenty-first century. There are many in the region who believe that China wants to play its ancient regional role without external interference.

Since the nineteenth century, as noted in chapters four and eight, China has debated its relations with the west in terms of *ti* and *yong* (Chinese essence, Western utility) in considering modernisation. Internal problems, such as political instability and disintegration, blocked its process towards modernisation. Although many overseas Chinese contributed their talents to Chinese society, national coherence and periods of heightened nationalism did not bring modernity to China.

The philosophy of *ti-yong*, is, in fact, the long-term strategy of the Chinese government to defend itself against outside influences. Chinese leaders have always argued that democracy and multi-party politics are not essentially Chinese. The Confucianism tolerance of authoritarianism and emphasis on obedience are discussed in this context. Such an approach, it can be argued however, misconstrues Chinese political traditions. Essentially, Confucianism referred to loyalty and filial piety as the basis of human relations rather political concepts. Political rulers, however, over-emphasised the virtues of loyalty and stability to retain their power. Hence, cultural and ethical principles become political weapons to prevent a regime from collapsing.

One hundred and fifty years ago, the Chinese mandarins supported the *ti-yong* philosophy to maintain the Qing government in power. They failed, partly because the adoption of western science and technology did not improve national strength. Externally, foreign imperialists did not provide China with a benign environment. Internally, China lacked an integrated and stable political apparatus that could move Chinese society towards modernisation.

In the Republican period, China had to deal with warlords and foreign imperialism making modernisation during the 1920s to 1940s difficult. Further, the Chinese civil war postponed the goal of integration. While China was united by 1950, the Korean War estranged China from western contacts. Socialist China did modernise to some extent with the assistance of the Soviet bloc but the deficiencies of central planning, communist dictatorship and internal political struggles caused Chinese society to be backward.

With the change in its external environment, China undertook the “Four Modernisations Program” to improve people’s living standards. Economically, China’s internal situation improved rapidly. Compared to the Maoist era, China moved from a dictatorship to an authoritarian polity. With more “technocrat bureaucrats” working in government, its governance seems to be more efficient though corruption remains a major problem. Although the CCP has instigated a series of anti-corruption movements, there is doubt that corruption can be resolved under a one-party system. A movement towards democracy should assist the removal of corruption.

During this period of dealing with the West, China has embraced science and technology but still insists on the principle of “Chinese essence, Western utility”.

Democracy remains a distant goal. Consequently, modernisation incorporates only economic development, scientific and technological means and military improvement. Any issue involving the idea of democracy or human rights will be interpreted as interfering with the CCP's sovereignty.

China's failure to democratise is related to the issue of non-returning students who travel abroad to study. The contribution they might otherwise make is lost to Chinese society because both the economic and political state of China. As noted in chapter eight and ten, the Chinese government has the difficult task of attracting them without changing current political life. Its current attempts to lure them back concentrate on offering guaranteed high living standards while leaving the political system unchanged.

China needs greater educational opportunities to ensure higher quality manpower and political leadership. It needs continuing trade to ensure the foreign exchange necessary to lift living standards. And it needs technological transformation, sourced from the US (or from other developed countries), to ensure an infrastructure and hi-tech industries that can underpin a modern industrial future. For all of these developments to occur, China needs a harmonious environment. From the US perspective, the benefit of engaging China in the international system is to stabilise world order.<sup>1</sup>

This thesis has emphasised that China's modernisation has remained incomplete because of its lack of democracy. The experience of Taiwan demonstrates the kind of role the US can play in democratic development and it has been suggested here that this could provide a paradigm for China's future. The development of democracy in China, it has also been argued, is of major significance to the improvement of Sino-American relations.

Chapter nine discussed in some detail the experience of Taiwan in this regard. The dominance of democratic states has never been greater than in the twenty-first century and China's prestige as a great power will almost certainly depend on adopting democratic institutions in the next decades. It will need to undertake 'the development of political institutions that can effectively mediate policy debates and coordinate the relations among contending social and economic interests.'<sup>2</sup> Through the influences of American

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<sup>1</sup> Andrew J. Nathan and Robert S. Ross, *The Great Wall and the Empty Fortress: China's Search for Security*, New York and London: W.W. Norton and Company, 1997, p. 230.

<sup>2</sup> Stephan Haggard and Robert R. Kaufman, *The Political Economy of Democratic Transitions*, Princeton, NJ: Princeton University Press, 1995, p. 335.

educational institutions, political restraints and taboos can be released as political elites adopt liberal views. Such was the experience of the KMT in the 1980s and it is quite likely that this will be the CCP's experience as well.

Both the CCP and the KMT have been Leninist-style parties with strong emphasis on strong ideological uniformity. This did not prevent the KMT from undertaking political reform that pushed Taiwan to toward democracy and greater freedom, equality and prosperity. Compared to Taiwan's conditions, Mainland China has sixty times the population, three hundred times the size, much greater natural resources and stronger heavy industries. Its living standards, however, remain far lower than those of Taiwan. The reasons for the disparity are related to Taiwan's economic system, its democratic structures and its pro-American policy. Very importantly also, many of the Taiwanese elite have experience of the American higher education system. By contrast, the CCP still has many in its upper echelons who were trained in Russia or by Russians. They learned socialism, authoritarian structures and behaviour and anti-American policy. In addition, the CCP faced a series of political struggles, which caused Chinese society to be turbulent. As a consequence, Mainland China's economic and educational development stagnated while Taiwan prospered.

Taiwan, during the KMT era, experienced rapid economical growth and peaceful political reform. The influence of the US and the role of the government were central to these developments as well as the constant security threat from the mainland. More importantly, in words of S. P. Huntington, 'the conditions for creating democracy had to exist, but only the political leaders willing to take the risk of democracy made it happen.'<sup>3</sup> Such factors compelled the KMT leaders to commit themselves to Taiwan's democratisation. Unlike the CCP, the KMT did not have a serious ideological confrontation with US governments and strategically it was an ally.

The KMT oversaw a mixed economy, which was undoubtedly capitalist but in which state-owned enterprises played a dominant role. The outcome of this mixture was beneficial. Politically, the US tolerated the KMT government's authoritarian politics because of its strategic interests in the region and the KMT was thus afforded an

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<sup>3</sup> Samuel P. Huntington, *The Third Wave: Democratisation in the Late Twentieth Century*, Norman and London: University of Oklahoma Press, 1991, p. 108.

international standing. From the 1970s onwards, the PRC has played a much larger role in international affairs and the KMT has lost much of its leverage with the US. The PRC's entry to the UN and the exclusion of Taiwan was the most dramatic institutional example of this phenomenon. The KMT undertook political reforms in a bid to regain international recognition and recapture political legitimacy. The momentum in this direction was also driven by the demands of returned scholars and dissidents and pressure from the US Congress in relation to human rights issues.

Eventually, the KMT abolished martial law, recognised the PRC's legitimacy on the Mainland, and peacefully transformed its authoritarian politics to more democratic forms. Significantly, external pressures were important for Taiwan's democratisation and also for its economic development. During this period, Taiwan experienced US protection through economic and military aid, market incentives and the pressure to improve human rights. The development of Taiwan that took place was commonly referred to as a "miracle" but was, in fact, largely the result of external pressures – most of them US in origin.

In chapter ten, the significance of US influences on China's modernisation is examined. While many consider US influence to be declining, the US continues to dominate regional and global affairs through its military, economic, political and cultural influences. Economically, China and the US need each other but China's reliance on the US market remains very high. Politically, the US government, Congress and media are still debating issues of human rights, Tibet, Taiwan, and democratisation with China. These debates are likely to continue for a considerable period, even if formal relations improve dramatically. Militarily, China has the capacity to become a respectable power in the medium term, if not one that poses a serious threat to the US. Culturally, to study in American universities is the first option for most Chinese students and, since many of them stay, this constitutes a brain-drain from China and an enrichment of US human capital.

As noted in chapter ten, American enterprises and research institutes provide higher pay, a freer research environment, and a more secure political setting than those on offer in China and other developing states. China may eventually be forced, as was Taiwan, to improve local conditions, both economic and political, to ensure the scientific know-how and technology available to its overseas students is brought home – even if ideas of democracy and human rights come with them.

China's history reveals that merely the adoption of science and technology is insufficient. Political reform would strengthen the legitimacy of the ruling party if the KMT's experience were an accurate guide. During the process of China's modernisation, the influence of the US is inescapable. Unlike Taiwan, China does not need external support for its survival or that of its leadership. The CCP retains tight internal controls, keeping pressure on the anti-Communist movement, controlling the Internet registration processes and banning new religions. The promotion of democracy within China will need internal as well as external forces – as in Taiwan.

In the most positive scenario for the future, China adopts western democracy following its economic success and the development of a maturing middle class, as well as constructing friendly Sino-American relations. In a more negative scenario, China continues to insist on its "Chinese characteristics" by emphasising nationalism to prevent western, particularly American, influences and there will remain the possibility of a new Cold War.

The increase of mutual understanding is a major priority in the complex dynamic of Sino-American relations as well as in the unresolved cross-Strait relationships. As Ezra F. Vogel claims 'misunderstanding could lead to conflict.'<sup>4</sup> Meanwhile, Chinese President Jiang Zemin has emphasised that 'further progress depends on a correct understanding of common interests and the proper handling of differences.'<sup>5</sup> To attain mutual understanding in Sino-American relations depends on full-scale exchange, particularly through educational and cultural engagement. If this is achieved, the possibilities of Sino-American conflict may be greatly reduced.

According to this research, friendly foreign relations contribute to China's economic growth and improve Chinese living standards. It is arguable that the best policy may be to maintain a position similar to the *status quo*. Under this policy, the US is not pressured to make a decision on its "contain or engage" dilemma with China. On the Taiwanese side, pro-independence elites if they arbitrarily claim *de jure* independence, may encourage Beijing aggression and increase domestic and regional instability. The most beneficial set

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<sup>4</sup> Ezra F. Vogel, 'Taking the Road to a Peaceful Asia, Step by Step', *International Herald Tribune*, 19 September 1998. URL: <<http://www.iht.com/IHT/TODAY/SAT/ED/edvogel.html>>

<sup>5</sup> Editorial, 'Jiang Expounds Principles Guiding Sino-US Relations', *Beijing Review*, 17 November 1997, p. 12.



of policies for the states concerned may consequently be to maintain peaceful interaction and create a friendly environment in which to resolve remaining disputes. It is in such a climate that China's modernisation can be achieved.

Looked at from a domestic Chinese perspective, successful modernisation, including democratisation, may greatly reduce the chance of regional and global disorder. Without such modernisation, China's foreign relations with the rest of world can scarcely be assured. It is this complex interaction between the domestically driven modernisation dynamic on the one hand and the externally generated foreign relations environment on the other that will decide China's outcome as well as that of the region.

The thesis has demonstrated that the US has played a most significant role in Taiwan's economic and political development. The logic involved in that development suggests China will be impacted in a similar way by US influences through bilateral engagement.

US leadership in world political and economic spheres remains strong. In the short term, its hegemony is incomparable. As a rapidly rising economic and political power, China has the capacity to threaten that dominance and in doing so, generate regional and global unrest. Taiwan is a rapidly maturing tiger economy, moving away from its past as a developing and authoritarian society to a developed and democratic one. While it is small in comparison to the other two, its modernisation has moved towards a mature stage and it is inescapably a model for China in many senses that have been elaborated in the thesis.

The central theme of the thesis has been to demonstrate that the maintenance of friendly Sino-American relations is a significant factor in China's modernisation. The era of the Cold War demonstrated that hostile relations are an overwhelming disadvantage to China's modernisation. The thesis has also canvassed the difficult disputes that currently make friendly relations problematic. The most serious of these is the Taiwan issue and it would seem a long-term resolution of it is only possible if China can succeed in democratising as has Taiwan.

The thesis has considered Taiwanese democratisation as the product of both internal reform and external pressure. The external pressure has been largely supplied by the US, which has contributed US military protection and economic and educational exchanges. An unusual degree of access to US markets, credit and aid, in particular, has been a major

# Appendices

## Appendix A

### Chronicle of Sino-American Relations (1784-1999)

<b>Date</b>	<b>Major Historical Events</b>
22 February 1784	the first American ship, the <i>Empress of China</i> , sailed from New York
23 August 1784	the <i>Empress of China</i> arrived at Macau
28 December 1784	the <i>Empress of China</i> departed from Whampoa, Carton (Gangdong)
1829	Elijah C. Bridgman and David Abeel, first American missionaries to China, arrived at Macau
24 February 1844	Caleb Cushing (the first American commissioner) arrived in Macau, who presented President John Tyler
3 July 1844	Caleb Cushing assisted by American missionaries Dr. Peter Parker, Elijah C. Bridgman, and Samuel Wells Williams signed Sino-American <i>Wangshia</i> Treaty that was the first Sino-American treaty of amity and commerce to open diplomatic relations with China.
1868	Anson Burlingame was appointed by Prince Kung to a diplomatic mission intended to discourage Europeans and Americans from hurrying the progress of modernisation for China.
1869	Dr. W. A. P. Martin was installed as president of the College of Foreign languages (Tung-wen Kuan) to introduce American-style college education to Chinese people.
1872	30 boys studied in Hartford, Connecticut. Till 1881, 120 boys were sent to the US to study foreign knowledge.
1876	US California Parliament passed an anti-immigration Act to prevent immigration into the US from China.
17 April 1895	China ceded to Japan the island of Formosa (Taiwan) and the Pescadores Group under the Treaty of Shimoneseki.
6 September 1899	Secretary of State John Hay circulated "Open Door" notes to powers to sustain a policy of equal trading opportunity for all nations within their spheres in China.
3 July 1900	John Hay's second "Open Door" notes that appealed for China's independence
1904	President Theodore Roosevelt openly conceded Japan's priority in Korea

July 1905	the secret Taft-Katsura memorandum, initiated at President Theodore Roosevelt's behest, reaffirmed that concession in exchange for Japan accepting American dominion over the Philippines
5 September 1905	After Russian-Japanese War, President Theodore Roosevelt mediated in the Treaty of Portsmouth (New Hampshire). He played to achieve a balance of power in Asia-Pacific region
10 October 1911	Dr. Sun Yat-sen launched the 11 <sup>th</sup> republican revolution and established the Republic of China (ROC)
1915	William Jennings Bryan, Secretary of State in Woodrow Wilson administration, protested against Japan's Twenty-one Demands
7 January 1932	Henry L. Stimson, Secretary of State in Herbert Hoover administration, delivered the "Stimson Doctrine" of non-recognition to the Japanese government for denying Japan's Kwangtung Army installed the puppet state of Manchukuo in 1931.
7 July 1937	Japan invaded China.
7 December 1941	Japan attacked Pearl Harbour.
9 December 1941	China declared war on Japan and voided the 1895 Treaty of Shimoneseiki.
1942	The US announced the abolishment of "unequal treaties" with China. Britain, Brazil, France, Denmark, and the Netherlands did the same (the latter three through governments-in-exile)
26 November 1943	US president Franklin D. Roosevelt, Chinese Generalissimo Chiang Kai-shek, and British Primer Minister Winston Churchill issued a press communiqué in Cairo declaring that Formosa and the Pescadores would be restored to China after the war.
26 July 1945	The United States, China and Great British reaffirmed the terms of the Cairo Declaration of 1943 in the new Potsdam Declaration.
2 September 1945	Japanese Emperor Hirohito issued the Instrument of Surrender and declared Japan's acceptance of the Potsdam Declaration of 26 July 1945.
12 January 1946	The Chinese government (Nationalist government) in Nanking (Nanjing) decreed the resumption of Chinese nationality for the Taiwanese people.
1949	The Truman administration published its "White Paper" on US-China Relations
1 October 1949	The People's Republic of China (PRC) established in Beijing. The US ambassador remained at Nanjing waiting for Beijing's response
27 June 1950	The Korean War occurred. President Harry S. Truman announced the Seventh Fleet cruised in the Taiwan Strait to prevent any Chinese Communist attack on Taiwan and requested that Taiwan ceased air and sea operations against the Mainland China.

- 28 June 1950 PRC foreign minister Zhou Enlai (Chou En-Lai) issued a statement criticising Taiwan declaring that the actions of the US Navy “constituted armed aggression against the territory of China” and stating that Taiwan’s status as part of China would “remain unchanged forever.”
- 28 April 1952 Taiwan signed the Treaty of Peace with Japan in Taipei in which Japan renounced all rights, title and claim to Taiwan and Penghu (the Pescadores) as well as the Spratly Islands and the Parcel Islands.
- 23 September 1954 Zhou Enlai issued a report to the First National People’s Congress in Beijing stating that “Taiwan is China’s seared and inviolable territory and that no US infringement or occupation will be tolerated.”
- 3 September 1954 The PLA bombarded Quemoy and Matsu (the first Taiwan Strait crisis)
- 2 December 1954 The US and the ROC (Taiwan) signed the Sino-US Mutual Defence Treaty
- 8 December 1954 Zhou Enlai called the US-ROC Mutual Defence Treaty an aggressive treaty of war.
- 29 January 1955 The US Congress passed House Joint Resolution 159 authorising the president to employ the armed forces to protect Taiwan, the Pescadores and related positions and territories in the area.
- 18 January 1956 The PRC Ministry of Foreign Affairs issued a statement indicating that US-PRC ambassadorial talks had been under way for more than four months at Geneva, adding that “the tension in Taiwan area is the key issue between China and the United States,” and that “root of the tension is US armed occupation of China’s territory.”
- 28 June 1956 Zhou Enlai reiterated China’s official position toward Taiwan-Mainland reunification: “The Chinese government has repeatedly pointed out that there are two ways for the Chinese people to liberate Taiwan, that is, by war or by peaceful means, and that the Chinese people would seek to liberate Taiwan by peaceful means so far as it is possible.”
- 4 October 1957 Chiang Kai-shek, in response to questions from a foreign journalist, remained firm in his opposition to the PRC, declaring that there was “absolutely no possibility of any compromise between Free China (Taiwan) and the Chinese Communists (in the Mainland).”
- 10 February 1958 Zhou Enlai reported to the Fifth Session of the First National People’s Congress that “the Chinese government and people are firmly opposed to the scheme to create “two Chinas” [the PRC and the ROC].
- 23 August 1958 The PLA bombarded Quemoy and Matsu (the second Taiwan Strait crisis)

- 4 September 1958 US Secretary of State John Foster Dulles issued a statement: "Neither Taiwan (Formosa) nor the islands of Quemoy and Matsu have ever been under the authority of the Chinese Communists."
- 6 September 1958 Zhou Enlai issued a statement: "Taiwan and the Penghu Islands have been China's territories from ancient times [and] all so-called treaties concluded...are null and void as far as the Chinese people are concerned."
- 22 October 1959 US president Dwight Eisenhower took exception to the Chinese position that the Taiwan issue was an internal matter only, when in reply to a question at a news conference he said, "Forty-two or more nations - I forget how many but a great number of nations - recognise the independence of Formosa. So I think certainly the rest world would take [the PRC's claim to Taiwan] as a threat to international peace."
- 27 June 1962 US president John F. Kennedy made a policy statement on Taiwan in which he reaffirmed Eisenhower's policy that "we would defend Quemoy and Matsu if there were an attack, which was part of an attack on Formosa and the Pescadores."
- 1964 The PRC developed the atomic bomb
- 1965 Mao Ze-Dong launched the "Great Proletarian Cultural Revolution". During this period, the Chinese foreign policy consisted of the "three anti-policies" or *sanfan*, which were anti-American imperialism, anti-Soviet revisionism, and anti-counter-revolutionary
- 3 March 1969 Sino-Soviet boundary conflict broke out in Damansky Island (*Zhenbao Dao*)
- 1971 Henry Kissinger, National Security Adviser to the Nixon administration, secretly visited Beijing.
- October 1971 The PRC replaced the ROC in the China seat as a permanent member of the Security Council of the United Nations
- 28 February 1972 President Richard Nixon informally visited Beijing (the first President of the US to do so) and later signed "US-PRC Joint Communiqué" in Shanghai.
- 1-5 December 1975 US president Gerald Ford visited China. Deng Xiaoping told him that the establishment of diplomatic ties between the US and China should be based on three principles: the US sever diplomatic relations with Taiwan, abrogate the mutual defence treaty, and withdraw US troops from Taiwan.
- 1978 Deng Xiaoping launched economic reform and formally submitted the "Four Modernisations Program"
- 16 December 1978 The United States of America and the People's Republic of China published the "Normalisation Communiqué".

1978	Deng Xiaoping announced a Chinese government program of sending 10,000 Chinese students to study sciences and technology in the US
1 January 1979	The Sino-American relationship was normalised
28 January 1979	Deng Xiaoping visited Washington and stated on 30 January 1979 that “China hope to resolve the Taiwan issue by peaceful means.”
4 April 1979	ROC president Chiang Ching-kuo issued the “three no’s” policy regarding Beijing: no direct contact, no direct trade, no direct negotiation.
10 April 1979	The US Congress passed the Taiwan Relations Act, which became Public Law 96-8.
17 August 1982	The third Sino-US Joint Communiqué (the 817 Communiqué) was signed. In this communiqué, the US would gradually reduce arms sale to Taiwan.
10-16 January 1984	PRC Premier Zhao Ziyang visited Washington
26-30 April 1984	US president Ronald Reagon visited Beijing. He expressed the US commitment to abide by the three US-PRC Joint Communiqués: the Shanghai Communiqué, the Normalisation Communiqué and the 817 Communiqué.
21-31 July 1985	Chinese president Li Xiannian visited Washington.
5 February 1987	ROC president Chiang Ching-kuo spoke on the future of a “new China”, that would realise Sun Yat-sen’s “Three People’s Principles”. He asserted that all Chinese from both sides wanted freedom, democracy, peace and prosperity.
23 June 1987	The ROC’s Legislative Yuan passed a new National Security Law to replace the old “Emergency Decree” (the martial law).
4 June 1989	The Tiananmen Square massacre occurred in Beijing
September 1992	The Bush administration announced to sell 150 F-16 A/B MLU to Taiwan
9 June 1995	President Lee Teng-hui visited Cornell University
16 June 1995	The PRC postponed the agreed-upon Koo-Wang Talks.
7 July 1995	The PRC government announced that it would conduct missile tests and fire surface-to-surface missile from 21-28 July on the East China Sea.
21-26 July 1995	China fired six missiles at an area only eighty miles north of Taiwan.
8-15 March 1996	The PLA had missile tests and military manoeuvres in the Taiwan Strait. The PLA fired surface-to-surface guided missiles into 20-40 nautical miles east of Keelung Port, and 30-50 nautical miles west of Kaohsing Port. President Bill Clinton dispatched two aircraft carrier groups that cruised near the Taiwan Strait. (The Third Taiwan Strait Crisis)
October 1997	President Jiang Zemin visited Washington officially. Both sides attained an “constructive strategic partnership”
June 1998	President Clinton visited Beijing. He clarified the strategy of the US towards China as not one of “containment”. Clinton repeated the US ‘three no’s’ policy

toward China. This aimed to positively intensify the Sino-American relationship, but left Taiwan as an ever more ambiguous entity.

- September 1998 The US government considered deploying the Theatre Missile Defence (TMD) system in North-East Asia including the ROC (Taiwan).
- April 1999 China's Premier Zhou Rongji visited the US. Negotiations on China's entrance into the WTO remained unresolved.
- 26 April 1999 The Cox Report published information about Chinese spying on the US' most advanced nuclear warhead technology.
- 8 May 1999 NATO bombed the Chinese Embassy in Belgrade causing the deaths of three Chinese journalists. Sino-American relations deteriorated.
- 9 July 1999 President Lee Teng-hui announced "special state-to-state relations" regarding the cross-Strait relationship.
- 15 November 1999 US-China signed an agreement on China's accession to the WTO.

## Appendix B

### THE JOINT U.S.-CHINA COMMUNIQUE, SHANGHAI, February 27, 1972

Source: <http://ait.org.tw/shanghai.html>

President Richard Nixon of the United States of America visited the People's Republic of China at the invitation of Premier Chou En-lai of the People's Republic of China from February 21 to February 28, 1972. Accompanying the President were Mrs. Nixon, U.S. Secretary of State William Rogers, Assistant to the President Dr. Henry Kissinger, and other American officials.

President Nixon met with Chairman Mao Tse-tung of the Communist Party of China on February 21. The two leaders had a serious and frank exchange of views on Sino-U.S. relations and world affairs.

During the visit, extensive, earnest and frank discussions were held between President Nixon and Premier Chou En-lai on the normalization of relations between the United States of America and the People's Republic of China, as well as on other matters of interest to both sides. In addition, Secretary of State William Rogers and Foreign Minister Chi Peng-fei held talks in the same spirit.

President Nixon and his party visited Peking and viewed cultural, industrial and agricultural sites, and they also toured Hangchow and Shanghai where, continuing discussions with Chinese leaders, they viewed similar places of interest.

The leaders of the People's Republic of China and the United States of America found it beneficial to have this opportunity, after so many years without contact, to present candidly to one another their views on a variety of issues. They reviewed the international situation in which important changes and great upheavals are taking place and expounded their respective positions and attitudes.

The U.S. side stated: Peace in Asia and peace in the world requires efforts both to reduce immediate tensions and to eliminate the basic causes of conflict. The United States will work for a just and secure peace: just, because it fulfills the aspirations of peoples and nations for freedom and progress; secure, because it removes the danger of foreign aggression. The United States supports individual freedom and social progress for all the peoples of the world, free of outside pressure or intervention. The United States believes that the effort to reduce tensions is served by improving communication between countries that through accident, miscalculation or misunderstanding. Countries should treat each other with mutual respect and be willing to compete peacefully, letting performance be the ultimate judge. No country should claim infallibility and each country should be prepared to re-examine its own attitudes for the common good. The United States stressed that the peoples of Indochina should be allowed to determine their destiny without outside intervention; its constant primary objective has been a negotiated solution; the eight-point proposal put forward by the Republic of Vietnam and the United States on January 27, 1972 represents a basis for the attainment of that objective; in the absence of a negotiated settlement the United States envisages the ultimate withdrawal of all U.S. forces from the region consistent with the aim of self-determination for each country of Indochina. The United States will maintain its close ties with and support for the Republic of Korea; the United States will support efforts of the Republic of Korea to seek a relaxation of tension and increased communication in the Korean peninsula. The United States places the highest value on its friendly relations with Japan; it will continue to develop the existing close bonds. Consistent with the United Nations Security Council Resolution of December 21, 1971, the United States favors the continuation of the ceasefire between India and Pakistan and the withdrawal of all military forces to within their own territories and to their own sides of the ceasefire line in Jammu and Kashmir; the United States supports the right of the peoples of South Asia to shape their own



future in peace, free of military threat, and without having the area become the subject of great power rivalry.

The Chinese side stated: Wherever there is oppression, there is resistance. Countries want independence, nations want liberation and the people want revolution--this has become the irresistible trend of history. All nations, big or small, should be equal; big nations should not bully the small and strong nations should not bully the weak. China will never be a superpower and it opposes hegemony and power politics of any kind. The Chinese side stated that it firmly supports the struggles of all the oppressed people and nations for freedom and liberation and that the people of all countries have the right to choose their social systems according to their own wishes and the right to safeguard the independence, sovereignty and territorial integrity of their own countries and oppose foreign aggression, interference, control and subversion. All foreign troops should be withdrawn to their own countries.

The Chinese side expressed its firm support to the peoples of Vietnam, Laos and Cambodia in their efforts for the attainment of their goal and its firm support to the seven-point proposal of the Provisional Revolutionary Government of the Republic of South Vietnam and the elaboration of February this year on the two key problems in the proposal, and to the Joint Declaration of the Summit Conference of the Indochinese Peoples. It firmly supports the eight-point program for the peaceful unification of Korea put forward by the Government of the Democratic People's Republic of Korea on April 12, 1971, and the stand for the abolition of the "U.N. Commission for the Unification and Rehabilitation of Korea." It firmly opposes the revival and outward expansion of Japanese militarism and firmly supports the Japanese people's desire to build an independent, democratic, peaceful and neutral Japan. It firmly maintains that India and Pakistan should, in accordance with the United Nations resolutions on the India-Pakistan question, immediately withdraw all their forces to their respective territories and to their own sides of the ceasefire line in Jammu and Kashmir and firmly supports the Pakistan Government and people in their struggle to preserve their independence and sovereignty and the people of Jammu and Kashmir in their struggle for the right of self-determination.

There are essential differences between China and the United States in their social systems and foreign policies. However, the two sides agreed that countries, regardless of their social systems, should conduct their relations on the principles of respect for the sovereignty and territorial integrity of all states, non-aggression against other states, non-interference in the internal affairs of other states, equality and mutual benefit, and peaceful coexistence.

International disputes should be settled on this basis, without resorting to the use or threat of force. The United States and the People's Republic of China are prepared to apply these principles to their mutual relations.

With these principles of international relations in mind the two sides stated that:

1. progress toward the normalization of relations between China and the United States is in the interests of all countries;
2. both wish to reduce the danger of international military conflict;
3. neither should seek hegemony in the Asia-Pacific region and each is opposed to efforts by any other country or group of countries to establish such hegemony; and
4. neither is prepared to negotiate on behalf of any third party or to enter into agreements or understandings with the other directed at other states.

Both sides are of the view that it would be against the interests of the peoples of the world for any major country to collude with another against other countries, or for major countries to divide up the world into spheres of interest.

The two sides reviewed the long-standing serious disputes between China and the United States. The Chinese reaffirmed its position: The Taiwan question is the crucial question obstructing the normalization of relations between China and the United States; the Government of the People's Republic of China is the sole legal government of China; Taiwan is a province of China which has

long been returned to the motherland; the liberation of Taiwan is China's internal affair in which no other country has the right to interfere; and all U.S. forces and military installations must be withdrawn from Taiwan. The Chinese Government firmly opposes any activities which aim at the creation of "one China, one Taiwan," "one China, two governments," "two Chinas," and "independent Taiwan" or advocate that "the status of Taiwan remains to be determined."

The U.S. side declared: The United States acknowledges that all Chinese on either side of the Taiwan Strait maintain there is but one China and that Taiwan is a part of China. The United States Government does not challenge that position. It reaffirms its interest in a peaceful settlement of the Taiwan question by the Chinese themselves. With this prospect in mind, it affirms the ultimate objective of the withdrawal of all U.S. forces and military installations from Taiwan. In the meantime, it will progressively reduce its forces and military installations on Taiwan as the tension in the area diminishes.

The two sides agreed that it is desirable to broaden the understanding between the two peoples. To this end, they discussed specific areas in such fields as science, technology, culture, sports and journalism, in which people-to-people contacts and exchanges would be mutually beneficial. Each side undertakes to facilitate the further development of such contacts and exchanges.

Both sides view bilateral trade as another area from which mutual benefit can be derived, and agreed that economic relations based on equality and mutual benefit are in the interest of the peoples of the two countries. They agree to facilitate the progressive development of trade between their two countries.

The two sides agreed that they will stay in contact through various channels, including the sending of a senior U.S. representative to Peking from time to time for concrete consultations to further the normalization of relations between the two countries and continue to exchange views on issues of common interest.

The two sides expressed the hope that the gains achieved during this visit would open up new prospects for the relations between the two countries. They believe that the normalization of relations between the two countries is not only in the interest of the Chinese and American peoples but also contributes to the relaxation of tension in Asia and the world.

President Nixon, Mrs. Nixon and the American party expressed their appreciation for the gracious hospitality shown them by the Government and people of the People's Republic of China.

## Appendix C

### JOINT COMMUNIQUE ON THE ESTABLISHMENT OF DIPLOMATIC RELATIONS BETWEEN THE UNITED STATES OF AMERICA AND THE PEOPLE'S REPUBLIC OF CHINA JANUARY 1, 1979

Source: <http://ait.org.tw/prc.html>

(The communique was released on December 15, 1978, in Washington and Peking.)

The United States of America and the People's Republic of China have agreed to recognize each other and to establish diplomatic relations as of January 1, 1979.

The United States of America recognizes the Government of the People's Republic of China as the sole legal Government of China. Within this context, the people of the United States will maintain cultural, commercial, and other unofficial relations with the people of Taiwan.

The United States of America and the People's Republic of China reaffirm the principles agreed on by the two sides in the Shanghai Communique and emphasize once again that:

1. Both wish to reduce the danger of international military conflict.
2. Neither should seek hegemony in the Asia-Pacific region or in any other region of the world and each is opposed to efforts by any other country or group of countries to establish such hegemony.
3. Neither is prepared to negotiate on behalf of any third party or to enter into agreements or understandings with the other directed at other states.
4. The Government of the United States of America acknowledges the Chinese position that there is but one China and Taiwan is part of China.

Both believe that normalization of Sino-American relations is not only in the interest of the Chinese and American peoples but also contributes to the cause of peace in Asia and the world.

The United States of America and the People's Republic of China will exchange Ambassadors and establish Embassies on March 1, 1979.

## Appendix D

### U.S.-PRC JOINT COMMUNIQUE, August 17, 1982

Source: <http://ait.org.tw/817.html>

1. In the Joint Communiqué on the Establishment of Diplomatic Relations on January 1, 1979, issued by the Government of the United States of America and the Government of the People's Republic of China, the United States of America recognized the Government of the People's Republic of China as the sole legal government of China, and it acknowledged the Chinese position that there is but one China and Taiwan is part of China. Within that context, the two sides agreed that the people of the United States would continue to maintain cultural, commercial, and other unofficial relations with the people of Taiwan. On this basis, relations between the United States and China were normalized.
2. The question of United States arms sales to Taiwan was not settled in the course of negotiations between the two countries on establishing diplomatic relations. The two sides held differing positions, and the Chinese side stated that it would raise the issue again following normalization. Recognizing that this issue would seriously hamper the development of United States-China relations, they have held further discussions on it, during and since the meetings between President Ronald Reagan and Premier Zhao Ziyang and between Secretary of State Alexander M. Haig, Jr., and Vice Premier and Foreign Minister Huang Hua in October 1981.
3. Respect for each other's sovereignty and territorial integrity and non-interference each other's internal affairs constitute the fundamental principles guiding United States-China relations. These principles were confirmed in the Shanghai Communiqué of February 28, 1972 and reaffirmed in the Joint Communiqué on the Establishment of Diplomatic Relations which came into effect on January 1, 1973. Both sides emphatically state that these principles continue to govern all aspects of their relations.
4. The Chinese government reiterates that the question of Taiwan is China's internal affair. The Message to the Compatriots in Taiwan issued by China on January 1, 1979, promulgated a fundamental policy of striving for Peaceful reunification of the Motherland. The Nine-Point Proposal put forward by China on September 30, 1981 represented a Further major effort under this fundamental policy to strive for a peaceful solution to the Taiwan question.
5. The United States Government attaches great importance to its relations with China, and reiterates that it has no intention of infringing on Chinese sovereignty and territorial integrity, or interfering in China's internal affairs, or pursuing a policy of "two Chinas" or "one China, one Taiwan." The United States Government understands and appreciates the Chinese policy of striving for a peaceful resolution of the Taiwan question as indicated in China's Message to Compatriots in Taiwan issued on January 1, 1979 and the Nine-Point Proposal put forward by China on September 30, 1981. The new situation which has emerged with regard to the Taiwan question also provides favorable conditions for the settlement of United States-China differences over the question of United States arms sales to Taiwan.
6. Having in mind the foregoing statements of both sides, the United States Government states that it does not seek to carry out a long-term policy of arms sales to Taiwan, that its arms sales to Taiwan will not exceed, either in qualitative or in quantitative terms, the level of those supplied in recent years since the establishment of diplomatic relations between the United States and China, and that it intends to reduce gradually its sales of arms to Taiwan, leading over a

period of time to a final resolution. In so stating, the United States acknowledges China's consistent position regarding the thorough settlement of this issue.

7. In order to bring about, over a period of time, a final settlement of the question of United States arms sales to Taiwan, which is an issue rooted in history, the two governments will make every effort to adopt measures and create conditions conducive to the thorough settlement of this issue.
8. The development of United States-China relations is not only in the interest of the two peoples but also conducive to peace and stability in the world. The two sides are determined, on the principle of equality and mutual benefit, to strengthen their ties to the economic, cultural, educational, scientific, technological and other fields and make strong joint efforts for the continued development of relations between the governments and peoples of the United States and China.
9. In order to bring about the healthy development of United States China relations, maintain world peace and oppose aggression and expansion, the two governments reaffirm the principles agreed on by the two sides in the Shanghai Communique and the Joint Communique on the Establishment of Diplomatic Relations. The two sides will maintain contact and hold appropriate consultations on bilateral and international issues of common interest.

## Appendix E

### TAIWAN RELATIONS ACT Public Law 96-8 96th Congress

Source: <http://ait.org.tw/ait/tra.html>

#### An Act

To help maintain peace, security, and stability in the Western Pacific and to promote the foreign policy of the United States by authorizing the continuation of commercial, cultural, and other relations between the people of the United States and the people on Taiwan, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

#### SHORT TITLE

SECTION 1. This Act may be cited as the "Taiwan Relations Act".

#### FINDINGS AND DECLARATION OF POLICY

- SEC. 2.
- (a) The President- having terminated governmental relations between the United States and the governing authorities on Taiwan recognized by the United States as the Republic of China prior to January 1, 1979, the Congress finds that the enactment of this Act is necessary--
  - (1) to help maintain peace, security, and stability in the Western Pacific; and
  - (2) to promote the foreign policy of the United States by authorizing the continuation of commercial, cultural, and other relations between the people of the United States and the people on Taiwan.
- (b) It is the policy of the United States--
  - (1) to preserve and promote extensive, close, and friendly commercial, cultural, and other relations between the people of the United States and the people on Taiwan, as well as the people on the China mainland and all other peoples of the Western Pacific area;
  - (2) to declare that peace and stability in the area are in the political, security, and economic interests of the United States, and are matters of international concern;
  - (3) to make clear that the United States decision to establish diplomatic relations with the People's Republic of China rests upon the expectation that the future of Taiwan will be determined by peaceful means;
  - (4) to consider any effort to determine the future of Taiwan by other than peaceful means, including by boycotts or embargoes, a threat to the peace and security of the Western Pacific area and of grave concern to the United States;
  - (5) to provide Taiwan with arms of a defensive character; and
  - (6) to maintain the capacity of the United States to resist any resort to force or other forms of coercion that would jeopardize the security, or the social or economic system, of the people on Taiwan.
- (c) Nothing contained in this Act shall contravene the interest of the United States in human rights, especially with respect to the human rights of all the approximately eighteen million inhabitants of Taiwan. The preservation and enhancement of the human rights of all the people on Taiwan are hereby reaffirmed as objectives of the United States.

## IMPLEMENTATION OF UNITED STATES POLICY WITH REGARD TO TAIWAN

- SEC. 3.
- (a) In furtherance of the policy set forth in section 2 of this Act, the United States will make available to Taiwan such defense articles and defense services in such quantity as may be necessary to enable Taiwan to maintain a sufficient self-defense capability.
- (b) The President and the Congress shall determine the nature and quantity of such defense articles and services based solely upon their judgment of the needs of Taiwan, in accordance with procedures established by law. Such determination of Taiwan's defense needs shall include review by United States military authorities in connection with recommendations to the President and the Congress.
- (c) The President is directed to inform the Congress promptly of any threat to the security or the social or economic system of the people on Taiwan and any danger to the interests of the United States arising therefrom. The President and the Congress shall determine, in accordance with constitutional processes, appropriate action by the United States in response to any such danger.

## APPLICATION OF LAWS; INTERNATIONAL AGREEMENTS

- SEC. 4.
- (a) The absence of diplomatic relations or recognition shall not affect the application of the laws of the United States with respect to Taiwan, and the laws of the United States shall apply with respect to Taiwan in the manner that the laws of the United States applied with respect to Taiwan prior to January 1, 1979.
- (b) The application of subsection (a) of this section shall include, but shall not be limited to, the following:
  - (1) Whenever the laws of the United States refer or relate to foreign countries, nations, states, governments, or similar entities, such terms shall include and such laws shall apply with such respect to Taiwan.
  - (2) Whenever authorized by or pursuant to the laws of the United States to conduct or carry out programs, transactions, or other relations with respect to foreign countries, nations, states, governments, or similar entities, the President or any agency of the United States Government is authorized to conduct and carry out, in accordance with section 6 of this Act, such programs, transactions, and other relations with respect to Taiwan (including, but not limited to, the performance of services for the United States through contracts with commercial entities on Taiwan), in accordance with the applicable laws of the United States.
  - (3)(A) The absence of diplomatic relations and recognition with respect to Taiwan shall not abrogate, infringe, modify, deny, or otherwise affect in any way any rights or obligations (including but not limited to those involving contracts, debts, or property interests of any kind) under the laws of the United States heretofore or hereafter acquired by or with respect to Taiwan.
  - (B) For all purposes under the laws of the United States, including actions in any court in the United States, recognition of the People's Republic of China shall not affect in any way the ownership of or other rights or interests in properties, tangible and intangible, and other things of value, owned or held on or prior to December 31, 1978, or thereafter acquired or earned by the governing authorities on Taiwan.
  - (4) Whenever the application of the laws of the United States depends upon the law that is or was applicable on Taiwan or compliance therewith, the law applied by the people on Taiwan shall be considered the applicable law for that purpose.
  - (5) Nothing in this Act, nor the facts of the President's action in extending diplomatic recognition to the People's Republic of China, the absence of diplomatic relations between the people on Taiwan and the United States, or the lack of recognition by the United States, and attendant circumstances thereto, shall be construed in any administrative or judicial proceeding as a basis for any United States Government agency, commission, or department to make a finding of fact or determination of law, under the Atomic Energy Act of 1954 and the Nuclear Non-Proliferation

Act of 1978, to deny an export license application or to revoke an existing export license for nuclear exports to Taiwan.

- (6) For purposes of the Immigration and Nationality Act, Taiwan may be treated in the manner specified in the first sentence of section 202(b) of that Act.
  - (7) The capacity of Taiwan to sue and be sued in courts in the United States, in accordance with the laws of the United States, shall not be abrogated, infringed, modified, denied, or otherwise affected in any way by the absence of diplomatic relations or recognition.
  - (8) No requirement, whether expressed or implied, under the laws of the United States with respect to maintenance of diplomatic relations or recognition shall be applicable with respect to Taiwan.
- (c) For all purposes, including actions in any court in the United States, the Congress approves the continuation in force of all treaties and other international agreements, including multilateral conventions, entered into by the United States and the governing authorities on Taiwan recognized by the United States as the Republic of China prior to January 1, 1979, and in force between them on December 31, 1978, unless and until terminated in accordance with law.
  - (d) Nothing in this Act may be construed as a basis for supporting the exclusion or expulsion of Taiwan from continued membership in any international financial institution or any other international organization.

#### **OVERSEAS PRIVATE INVESTMENT CORPORATION**

- SEC. 5.
- (a) During the three-year period beginning on the date of enactment of this Act, the \$1,000 per capita income restriction in insurance, clause (2) of the second undesignated paragraph of section 231 of the reinsurance, Foreign Assistance Act of 1961 shall not restrict the activities of the Overseas Private Investment Corporation in determining whether to provide any insurance, reinsurance, loans, or guaranties with respect to investment projects on Taiwan.
- (b) Except as provided in subsection (a) of this section, in issuing insurance, reinsurance, loans, or guaranties with respect to investment projects on Taiwan, the Overseas Private Insurance Corporation shall apply the same criteria as those applicable in other parts of the world.

#### **THE AMERICAN INSTITUTE OF TAIWAN**

- SEC. 6.
- (a) Programs, transactions, and other relations conducted or carried out by the President or any agency of the United States Government with respect to Taiwan shall, in the manner and to the extent directed by the President, be conducted and carried out by or through--
  - (1) The American Institute in Taiwan, a non-profit corporation incorporated under the laws of the District of Columbia, or
  - (2) such comparable successor non-governmental entity as the President may designate, (hereafter in this Act referred to as the "Institute").
- (b) Whenever the President or any agency of the United States Government is authorized or required by or pursuant to the laws of the United States to enter into, perform, enforce, or have in force an agreement or transaction relative to Taiwan, such agreement or transaction shall be entered into, performed, and enforced, in the manner and to the extent directed by the President, by or through the Institute.
- (c) To the extent that any law, rule, regulation, or ordinance of the District of Columbia, or of any State or political subdivision thereof in which the Institute is incorporated or doing business, impedes or otherwise interferes with the performance of the functions of the Institute pursuant to this Act; such law, rule, regulation, or ordinance shall be deemed to be pre-empted by this Act.



## **SERVICES BY THE INSTITUTE TO UNITED STATES CITIZENS ON TAIWAN**

- SEC. 7.
- (a) The Institute may authorize any of its employees on Taiwan--
  - (1) to administer to or take from any person an oath, affirmation, affidavit, or deposition, and to perform any notarial act which any notary public is required or authorized by law to perform within the United States;
  - (2) To act as provisional conservator of the personal estates of deceased United States citizens; and
  - (3) to assist and protect the interests of United States persons by performing other acts such as are authorized to be performed outside the United States for consular purposes by such laws of the United States as the President may specify.
- (b) Acts performed by authorized employees of the Institute under this section shall be valid, and of like force and effect within the United States, as if performed by any other person authorized under the laws of the United States to perform such acts.

## **TAX EXEMPT STATUS OF THE INSTITUTE**

- SEC. 8.
- (a) The Institute, its property, and its income are exempt from all taxation now or hereafter imposed by the United States (except to the extent that section 11(a)(3) of this Act requires the imposition of taxes imposed under chapter 21 of the Internal Revenue Code of 1954, relating to the Federal Insurance Contributions Act) or by State or local taxing authority of the United States.
- (b) For purposes of the Internal Revenue Code of 1954, the Institute shall be treated as an organization described in sections 170(b)(1)(A), 170(c), 2055(a), 2106(a)(2)(A), 2522(a), and 2522(b).

## **FURNISHING PROPERTY AND SERVICES TO AND OBTAINING SERVICES FROM THE INSTITUTE**

- SEC. 9.
- (a) Any agency of the United States Government is authorized to sell, loan, or lease property (including interests therein) to, and to perform administrative and technical support functions and services for the operations of, the Institute upon such terms and conditions as the President may direct. Reimbursements to agencies under this subsection shall be credited to the current applicable appropriation of the agency concerned.
- (b) Any agency of the United States Government is authorized to acquire and accept services from the Institute upon such terms and conditions as the President may direct. Whenever the President determines it to be in furtherance of the purposes of this Act, the procurement of services by such agencies from the Institute may be effected without regard to such laws of the United States normally applicable to the acquisition of services by such agencies as the President may specify by Executive order.
- (c) Any agency of the United States Government making funds available to the Institute in accordance with this Act shall make arrangements with the Institute for the Comptroller General of the United States to have access to the; books and records of the Institute and the opportunity to audit the operations of the Institute.

## **TAIWAN INSTRUMENTALITY**

- SEC. 10.

- (a) Whenever the President or any agency of the United States Government is authorized or required by or pursuant to the laws of the United States to render or provide to or to receive or accept from Taiwan, any performance, communication, assurance, undertaking, or other action, such action shall, in the manner and to the extent directed by the President, be rendered or Provided to, or received or accepted from, an instrumentality established by Taiwan which the President determines has the necessary authority under the laws applied by the people on Taiwan to provide assurances and take other actions on behalf of Taiwan in accordance with this Act.
- (b) The President is requested to extend to the instrumentality established by Taiwan the same number of offices and complement of personnel as were previously operated in the United States by the governing authorities on Taiwan recognized as the Republic of China prior to January 1, 1979.
- (c) Upon the granting by Taiwan of comparable privileges and immunities with respect to the Institute and its appropriate personnel, the President is authorized to extend with respect to the Taiwan instrumentality and its appropriate; personnel, such privileges and immunities (subject to appropriate conditions and obligations) as may be necessary for the effective performance of their functions.

#### **SEPARATION OF GOVERNMENT PERSONNEL FOR EMPLOYMENT WITH THE INSTITUTE**

- SEC. 11. (a)
  - (1) Under such terms and conditions as the President may direct, any agency of the United States Government may separate from Government service for a specified period any officer or employee of that agency who accepts employment with the Institute.
  - (2) An officer or employee separated by an agency under paragraph (1) of this subsection for employment with the Institute shall be entitled upon termination of such employment to re-employment or reinstatement with such agency (or a successor agency) in an appropriate position with the attendant rights, privileges, and benefits with the officer or employee would have had or acquired had he or she not been so separated, subject to such time period and other conditions as the President may prescribe.
  - (3) An officer or employee entitled to re-employment or reinstatement rights under paragraph (2) of this subsection shall, while continuously employed by the Institute with no break in continuity of service, continue to participate in any benefit program in which such officer or employee was participating prior to employment by the Institute, including programs for compensation for job-related death, injury, or illness; programs for health and life insurance; programs for annual, sick, and other statutory leave; and programs for retirement under any system established by the laws of the United States; except that employment with the Institute shall be the basis for participation in such programs only to the extent that employee deductions and employer contributions, as required, in payment for such participation for the period of employment with the Institute, are currently deposited in the program's or system's fund or depository. Death or retirement of any such officer or employee during approved service with the Institute and prior to re-employment or reinstatement shall be considered a death in or retirement from Government service for purposes of any employee or survivor benefits acquired by reason of service with an agency of the United States Government.
  - (4) Any officer or employee of an agency of the United States Government who entered into service with the Institute on approved leave of absence without pay prior to the enactment of this Act shall receive the benefits of this section for the period of such service.
- (b) Any agency of the United States Government employing alien personnel on Taiwan may transfer such personnel, with accrued allowances, benefits, and rights, to the Institute without a break in service for purposes of retirement and other benefits, including continued participation in any system established by the laws of the United States for the retirement of employees in which the alien was participating prior to the transfer to the Institute, except that employment with the Institute shall be creditable for retirement purposes only to the extent that employee deductions and employer contributions.. as required, in payment for such participation for the period of employment with the Institute, are currently deposited in the system's fund or depository.

- (c) Employees of the Institute shall not be employees of the United States and, in representing the Institute, shall be exempt from section 207 of title 18, United States Code.
- (d)
  - (1) For purposes of sections 911 and 913 of the Internal Revenue Code of 1954, amounts paid by the Institute to its employees shall not be treated as earned income. Amounts received by employees of the Institute shall not be: included in gross income, and shall be exempt from taxation, to the extent that they are equivalent to amounts received by civilian officers and employees of the Government of the United States as allowances and benefits which are exempt from taxation under section 912 of such Code.
  - (2) Except to the extent required by subsection (a)(3) of this section, service performed in the employ of the Institute shall not constitute employment for purposes of chapter 21 of such Code and title II of the Social Security Act.

## REPORTING REQUIREMENT

- SEC. 12.
- (a) The Secretary of State shall transmit to the Congress the text of any agreement to which the Institute is a party. However, any such agreement the immediate public disclosure of which would, in the opinion of the President, be prejudicial to the national security of the United States shall not be so transmitted to the Congress but shall be transmitted to the Committee on Foreign Relations of the Senate and the Committee on Foreign Affairs of the House of Representatives under an appropriate injunction of secrecy to be removed only upon due notice from the President.
- (b) For purposes of subsection (a), the term "agreement" includes-
  - (1) any agreement entered into between the Institute and the governing authorities on Taiwan or the instrumentality established by Taiwan; and
  - (2) any agreement entered into between the Institute and an agency of the United States Government.
- (c) Agreements and transactions made or to be made by or through the Institute shall be subject to the same congressional notification, review, and approval requirements and procedures as if such agreements and transactions were made by or through the agency of the United States Government on behalf of which the Institute is acting.
- (d) During the two-year period beginning on the effective date of this Act, the Secretary of State shall transmit to the Speaker of the House and Senate House of Representatives and the Committee on Foreign Relations of Foreign Relations the Senate, every six months, a report describing and reviewing economic relations between the United States and Taiwan, noting any interference with normal commercial relations.

## RULES AND REGULATIONS

- SEC. 13. The President is authorized to prescribe such rules and regulations as he may deem appropriate to carry out the purposes of this Act. During the three-year period beginning on the effective date speaker of this Act, such rules and regulations shall be transmitted promptly to the Speaker of the House of Representatives and to the Committee on Foreign Relations of the Senate. Such action shall not, however, relieve the Institute of the responsibilities placed upon it by this Act.'

## CONGRESSIONAL OVERSIGHT

- SEC. 14.
- (a) The Committee on Foreign Affairs of the House of Representatives, the Committee on Foreign Relations of the Senate, and other appropriate committees of the Congress shall monitor-
  - (1) the implementation of the provisions of this Act;
  - (2) the operation and procedures of the Institute;
  - (3) the legal and technical aspects of the continuing relationship between the United States and Taiwan; and

- (4) the implementation of the policies of the United States concerning security and cooperation in East Asia.
- (b) Such committees shall report, as appropriate, to their respective Houses on the results of their monitoring.

#### **DEFINITIONS**

- SEC. 15. For purposes of this Act-
  - (1) the term "laws of the United States" includes any statute, rule, regulation, ordinance, order, or judicial rule of decision of the United States or any political subdivision thereof; and
  - (2) the term "Taiwan" includes, as the context may require, the islands of Taiwan and the Pescadores, the people on those islands, corporations and other entities and associations created or organized under the laws applied on those islands, and the governing authorities on Taiwan recognized by the United States as the Republic of China prior to January 1, 1979, and any successor governing authorities (including political subdivisions, agencies, and instrumentalities thereof).

#### **AUTHORIZATION OF APPROPRIATIONS**

- SEC. 16. In addition to funds otherwise available to carry out the provisions of this Act, there are authorized to be appropriated to the Secretary of State for the fiscal year 1980 such funds as may be necessary to carry out such provisions. Such funds are authorized to remain available until expended.

#### **SEVERABILITY OF PROVISIONS**

- SEC. 17. If any provision of this Act or the application thereof to any person or circumstance is held invalid, the remainder of the Act and the application of such provision to any other person or circumstance shall not be affected thereby.

#### **EFFECTIVE DATE**

- SEC. 18. This Act shall be effective as of January 1, 1979. Approved April 10, 1979.

## Appendix F

### Taiwan Security Enhancement Act (H. R. 1838)

House International Relations Committee, October 26, 1999

Source: <http://taiwansecurity.org/IS/IS-991026-TSEA.htm>

H.R. 1838 was originally introduced on May 18, 1999, by Rep. Tom DeLay (R-Texas) and a bipartisan group of 14 co-sponsors. In the ensuing weeks, a total of 77 Members of Congress co-sponsored the bill. A substantially revised version, authored by Rep. Benjamin Gilman (R-N.Y.) and Rep. Sam Gejdensen (D-Conn.) was introduced as an amendment during the House International Relations Committee mark-up of the bill on October 26, 1999. The Committee approved the bill by a 32-6 vote, and it now awaits action by the full House of Representatives.

#### A BILL

To assist in the enhancement of the security of Taiwan, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

#### SECTION 1. SHORT TITLE.

This Act may be cited as the "Taiwan Security Enhancement Act".

#### SEC. 2. FINDINGS.

The Congress finds the following:

- (1) Since 1949, the close relationship between the United States and Taiwan has been of enormous benefit to both societies.
- (2) In recent years, Taiwan has undergone a major political transformation, and Taiwan is today a true multiparty democracy with a political system separate from and totally unlike that of the People's Republic of China.
- (3) The economy of Taiwan is based upon free market principles and is separate and distinct from the People's Republic of China.
- (4) Although on January 1, 1979, the United States Government withdrew diplomatic recognition of the government on Taiwan as the legitimate government of China, neither at that time nor since has the United States Government adopted a formal position as to the ultimate status of Taiwan other than to state that status must be decided by peaceful means. Any determination of the ultimate status of Taiwan must have the express consent of the people on Taiwan.
- (5) The People's Republic of China refused to renounce the use of force against democratic Taiwan.
- (6) The Taiwan Relations Act has been instrumental in maintaining peace, security and stability in the Taiwan Strait and the Western Pacific since its enactment in 1979.
- (7) The Taiwan Relations Act (Public Law 96-8) states that--
  - (A) peace and stability in the Taiwan Strait area are in the political, security, and economic interests of the United States and are of international concern;

(B) the decision of the United States to establish diplomatic relations with the People's Republic of China rests upon the expectation that the future of Taiwan will be determined by peaceful means;

(C) the United States would consider any effort to determine the future of Taiwan by other than peaceful means, including boycotts or embargoes, a threat to the peace and security of the Western Pacific region and of grave concern to the United States;

(D) the United States will maintain the capacity to resist any form of coercion that jeopardizes the security, or the social or the economic system, of the people on Taiwan; and

(E) the preservation and enhancement of the human rights of all people on Taiwan are objectives of the United States.

(8) The Taiwan Relations Act establishes on the part of the United States a continuing connection with and concern for Taiwan, its people. Continued adherence to the Act will help Taiwan to maintain its democracy free of coercion and to safeguard its people from the use of force against them. Furthermore, the maintenance by Taiwan of forces adequate for defense is in the interest of the United States in that it helps to maintain peace in the Western Pacific region.

(9) The military modernization and weapons procurement efforts by the People's Republic of China, as documented in the February 1, 1999, report by the Secretary of Defense on "The Security Situation in the Taiwan Strait," could threaten cross-Strait stability and United States interests in the Asia-Pacific region.

(10) The Taiwan Relations Act provides explicit guarantees that the United States will make available defense articles and services necessary in such quantity as may be necessary to enable Taiwan to maintain a sufficient self-defense capability.

(11) The Taiwan Relations Act requires timely reviews by United States military authorities of Taiwan's defense needs in connection with recommendations to the President and the Congress.

(12) Congress and the President are committed by the Taiwan Relations Act to determine the nature and quantity of Taiwan's legitimate self-defense needs.

(13) It is the policy of the United States to reject any attempt to curb the provision by the United States of defense articles and services legitimately needed for Taiwan's self-defense.

(14) In accordance with the Taiwan Relations Act, the United States has, since 1979, sold defensive weapons to Taiwan, and such sales have helped Taiwan maintain its autonomy and freedom. The Congress supports the continued provision of additional defense articles and defense services in accordance with the Taiwan Relations Act, including missile defense equipment; satellite early warning data; air defense equipment; and diesel-powered submarines, Aegis combat systems, and other naval defense systems.

(15) It is in the national interest of the United States to eliminate ambiguity and convey with clarity continued United States support for Taiwan, its people, and their ability to maintain their democracy free from coercion and their society free from the use of force against them. Lack of clarity could lead to unnecessary misunderstandings or confrontations between the United States and the People's Republic of China, with grave consequences for the security of the Western Pacific region.

(16) A consequence of such ambiguity and lack of clarity was the People's Republic of China's decision to conduct military exercises and live fire missile tests in the Taiwan Strait in March 1996, necessitating House Concurrent Resolution 148, approved by the House of Representatives by a vote of 369-14 on March 19, 1996, and by the Senate by a vote of 97-0 on March 21, 1996, which stated that "the United States, in accordance with the Taiwan Relations Act and the constitutional process of the United States, and consistent with its friendship with and commitment to the democratic government and people of Taiwan, should assist in defending them against invasion, missile attack, or blockade by the People's Republic of China".

Immediately following Congressional passage of House Concurrent Resolution 148, the United States deployed on an emergency basis two aircraft carrier battle groups to the Taiwan Strait, after which the People's Republic of China ceased further planned military exercises.

(17) An earlier consequence of such ambiguity and lack of clarity was the expressed surprise by the People's Republic of China that the United States fully support President Lee Teng-hui's private visit to his alma mater, Cornell University, necessitating House Concurrent Resolution 53, approved by the House of Representatives by a vote of 390-0 on May 2, 1995, and by the Senate by a vote of 97-1 on May 9, 1995, which stated such support explicitly.

### SEC. 3. TRAINING OF TAIWAN MILITARY OFFICERS AND SALE OF DEFENSE ARTICLES AND SERVICES TO TAIWAN.

(a) TRAINING OF TAIWAN MILITARY OFFICERS -- The Secretary of Defense and the Secretaries of the military departments shall make every effort to provide sufficient positions for all eligible and interested Taiwan military officers at the National Defense University and other professional military education schools specified in section 2162(d) of title 10, United States Code, and for prospective Taiwan military officers at the United States Military Academy, the United States Naval Academy, and the Air Force Academy.

(b) FOREIGN MILITARY SALES -- The Secretary of State shall, when considering foreign military sales to Taiwan --

(1) take into account the special status of Taiwan, including the defense needs of Taiwan in response to the military modernization and weapons procurement efforts by the People's Republic of China; and

(2) make every effort to ensure that Taiwan has full and timely access to price and availability data for defense articles and defense services.

### SEC. 4. DETERMINATIONS OF DEFENSE NEEDS OF TAIWAN.

(a) INCREASE IN TECHNICAL STAFF OF THE AMERICAN INSTITUTE IN TAIWAN -- Upon the request of the Defense Security Cooperation Agency, the President shall use funds available to the Department of Defense under the Arms Export Control Act for the employment of additional technical staff to the American Institute in Taiwan.

(b) ANNUAL REPORTS -- Beginning 60 days after the next round of arms talks between the United States and Taiwan, and annually thereafter, the President shall submit a report to Congress--

(1) detailing each of Taiwan's requests for purchase of defense articles and defense services during the one-year period ending on the date of the report;

(2) describing the defense needs asserted by Taiwan as justification for those requests; and

(3) describing the level at which any decision to reject, postpone, or modify any such request that was made.

### SEC. 5. STRENGTHENING THE DEFENSE OF TAIWAN.

(a) MAINTENANCE OF SUFFICIENT SELF-DEFENSE CAPABILITIES OF TAIWAN -- Congress finds that any determination of the nature or quantity of defense articles or defense services to be made available to Taiwan that is made on any basis other than the defense needs of Taiwan, whether pursuant to the August 17, 1982, communique signed with the People's Republic of China, or any similar executive agreement, order, or policy would violate the intent of Congress in the enactment of section 3(b) of the Taiwan Relations Act (22 U.S.C. 3302(b)).

(b) COMBINED TRAINING AND PERSONNEL EXCHANGE PROGRAMS -- Not later than 210 days after the date of enactment of this Act, and annually thereafter, the Secretary of Defense shall implement a plan for the enhancement of programs and arrangements for operational training and exchanges of senior officers between the Armed Forces of the United States and the armed forces of Taiwan for work in threat analysis, doctrine, force planning, operational methods, and other areas. At least 30 days prior to such implementation, the Secretary of Defense shall submit the plan to Congress, in classified and unclassified form.

(c) REPORT REGARDING MAINTENANCE OF SUFFICIENT SELF-DEFENSE CAPABILITIES -- Not later than 45 days after the date of enactment of this Act, and annually thereafter, the Secretary of Defense shall submit a report to Congress, in classified or unclassified form, a report on the security situation in the Taiwan Strait. Such report shall include an analysis of the military forces facing Taiwan from the People's Republic of China, evaluating recent additions to the offensive military capability of the People's Republic of China. The report shall include, but not be limited to, an analysis of the surface and subsurface naval threats, the ballistic missile threat, the air threat, and the threat to military and civilian communications links in Taiwan. The report shall include a review of the steps taken by the armed forces of Taiwan to address its security situation.

(d) COMMUNICATIONS BETWEEN UNITED STATES AND TAIWAN MILITARY COMMANDS -- Not later than 180 days after the date of enactment of this Act, the Secretary of Defense shall have established contingent secure direct communications that the armed forces of the United States may choose to rely upon to coordinate with the armed forces of Taiwan in the event of an emergency.

(e) RELATION TO ARMS EXPORT CONTROL ACT. -- Nothing in this section supersedes or modifies the application of section 36 of the Arms Export Control Act to the sale of any defense article or defense service under this section.

#### SEC. 6. REPORT REGARDING THE ABILITY OF THE UNITED STATES TO RESPOND IN ASIA-PACIFIC CONTINGENCIES THAT INCLUDE TAIWAN.

(a) REPORT. -- Not later than 180 days after the date of enactment of this Act, and updated as appropriate, the Secretary of Defense shall prepare and submit to the chairmen and ranking minority members of the Committee on Foreign Relations and the Committee on Armed Services of the Senate and the Committee on International Relations and the Committee on Armed Services of the House of Representatives a report in classified form on the ability of the United States to successfully respond to a major contingency in the Asia-Pacific region where United States interests on Taiwan are at risk.

(b) CONTENTS. -- The report described in subsection (a) shall include --

(1) a description of planning on the national, operational, and tactical levels to respond to, prosecute, and achieve United States strategic objectives with respect to a major contingency described in subsection (a); and

(2) a description of the confidence level of the Secretary of Defense in the United States military capability to successfully respond to such a contingency.

(c) PREPARATION OF REPORT. -- In preparing the report under subsection (a), the Secretary of Defense shall use the resources and the expertise of the relevant unified commands, military departments, the combat support agencies, and the defense components of the intelligence community, as required, and other such entities within the Department of Defense as the Secretary considers necessary.



## Appendix G

### Guidelines for National Unification

Source: Mainland Affairs Council, Executive Yuan, ROC

URL: <<http://www.mac.gov.tw/english/MacPolicy/gnueng.htm>>

Adopted by the National Unification Council at its third meeting on February 23, 1991, and by the Executive Yuan Council (Cabinet) at its 2223<sup>rd</sup> meeting on March 14, 1991.

#### I. Foreword

The unification of China is meant to bring about a strong and prosperous nation with a long-lasting, bright future for its people; it is the common wish of Chinese people at home and abroad. After an appropriate period of forthright exchange, cooperation, and consultation conducted under the principles of reason, peace, parity, and reciprocity, the two sides of the Taiwan Straits should foster a consensus of democracy, freedom and equal prosperity, and together build anew a unified China. Based on this understanding, these Guidelines have been specially formulated with the express hope that all Chinese throughout the world will work with one mind toward their fulfillment.

#### II. Goal

To establish a democratic, free and equitably prosperous China.

#### III. Principles

1. Both the mainland and Taiwan areas are parts of Chinese territory. Helping to bring about national unification should be the common responsibility of all Chinese people.
2. The unification of China should be for the welfare of all its people and not be subject to partisan conflict.
3. China's unification should aim at promoting Chinese culture, safeguarding human dignity, guaranteeing fundamental human rights, and practicing democracy and the rule of law.
4. The timing and manner of China's unification should first respect the rights and interests of the people in the Taiwan area, and protect their security and welfare. It should be achieved in gradual phases under the principles of reason, peace, parity, and reciprocity.

#### IV. Process

##### 1. Short term: A phase of exchanges and reciprocity.

- (1) To enhance understanding through exchanges between the two sides of the Strait and eliminate hostility through reciprocity; and to establish a mutually benign relationship by not endangering each other's security and stability while in the midst of exchanges and not denying the other's existence as a political entity while in the midst of effecting reciprocity.
- (2) To set up an order for exchanges across the Strait, to draw up regulations for such exchanges, and to establish intermediary organizations so as to protect people's rights and interests on both sides of the Strait; to gradually ease various restrictions and expand people-to-people contacts so as to promote the social prosperity of both sides.
- (3) In order to improve the people's welfare on both sides of the Strait with the ultimate objective of unifying the nation, in the mainland area economic reform should be carried out forthrightly, the expression of public opinion there should gradually be allowed, and both democracy and the rule of law should be implemented; while in the Taiwan area efforts should be made to accelerate constitutional reform and promote national development to establish a society of equitable prosperity.
- (4) The two sides of the Strait should end the state of hostility and, under the principle of one China, solve all disputes through peaceful means, and furthermore respect--not reject--each other in the international community, so as to move toward a phase of mutual trust and cooperation.

## **2. Medium term: A phase of mutual trust and cooperation.**

- (1) Both sides of the Strait should establish official communication channels on equal footing.
- (2) Direct postal, transport and commercial links should be allowed, and both sides should jointly develop the southeastern coastal area of the Chinese mainland and then gradually extend this development to other areas of the mainland in order to narrow the gap in living standards between the two sides.
- (3) Both sides of the Strait should work together and assist each other in taking part in international organizations and activities.
- (4) Mutual visits by high-ranking officials on both sides should be promoted to create favorable conditions for consultation and unification.

## **3. Long term: A phase of consultation and unification.**

A consultative organization for unification should be established through which both sides, in accordance with the will of the people in both the mainland and Taiwan areas, and while adhering to the goals of democracy, economic freedom, social justice and nationalization of the armed forces, jointly discuss the grand task of unification and map out a constitutional system to establish a democratic, free, and equitably prosperous China.

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Most of the books, articles and papers have been directly referred to in the text. Some of them have been thought useful to this thesis, however, have been instrumental in developing a background understanding of this subject although have not been referred to in the content.

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