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Nationalism and the Market: China as a Superpower

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In 1949, in the course of proclaiming the birth of the Chinese People's Republic from the Gate of Heavenly Peace (Tiananmen), Mao Zedong said that "China has stood up." He was wrong. China had only risen off its knees. Of the two great objectives of the Chinese revolution--ending imperialistic interference in China's domestic affairs and overcoming China's economic inequality with the rest of the world--Mao and the Chinese Communists proved able to deliver only the first. The latter had to wait another forty years, until approximately 1989, when China finally discovered the market and how to use it for developmental purposes. That is to say, during the last decade of the 20th century, China discovered the secret of the enrichment of the rest of East Asia--Japanese-style state-guided capitalism--and began to act on it. China then began to grow at double digit rates and to alter the balance of power, much as the emergence earlier in the 20th century of German, American, Japanese, and Russian power had generated hot and cold wars and restructured the global economy. Without question, the most important element in the empowerment of Asia is China's belated discovery of the market and its consequent candidacy as a second superpower in East Asia, perhaps as the superpower of the world in the twenty-first century.

Andrew Janos has argued that the cardinal source of friction in world politics is the "condition of international economic inequality and attempts by the elites [of disadvantaged powers] to break out of their position of economic inferiority and to improve their status vis-a-vis the 'better positioned' nations of the world." [1] He suggests that history offers examples of two grand strategies. The first is an attempt to reconstruct the external environment in which the dependent or "late-developing" country finds itself. This strategy requires the militarization of society and the use of the mobilized social system to attack and transform the global political environment in which it is trapped.

From the time Mao discovered that it would not be easy to duplicate the Stalinist program of development in China--that is, when he discovered that his "Great Leap Forward" had resulted in the deaths by starvation of some 30 million people--he experimented with altering the external environment on the cheap. He tried to militarize (he called it "revolutionize") his own society and to reconstruct the external world through the sponsorship and endorsement of people's wars wherever they could be fomented. Even though this succeeded in denting the Americans' superpower facade in Vietnam, it did not really alter the balance of power; and the Vietnamese soon resented Mao's claims to paternity of their basically nationalistic strategy. Mao's domestic "Great Proletarian

Cultural Revolution” further discredited both him and communism in the eyes of his main supporters. After his death in 1976 and Deng Xiaoping’s return to power in 1978, the country devoted itself to reform and recovery from the Cultural Revolution.

The second strategy is a “drive to imitate the technological innovations of the advanced countries.” This strategy is internally oriented. It is the strategy of the “capitalist developmental state” and is best illustrated by Japan from 1868 to approximately the great depression and again from 1949 to the present.

By the end of the 1980s, China began seriously to accept and incorporate the lessons of high-speed economic growth from the rest of Asia. It also tacitly abandoned communism in favor of nationalism, since communism was in any case no longer viable after its collapse in Europe. And on the basis of this new nationalism, it began to reach out and accept investment and other forms of assistance from the 55 million overseas Chinese. This strategy held the promise of delivering on the second goal of the Chinese revolution--namely, China’s achievement of levels of per capita income on a par with the other major powers on earth. Since China is by far the world’s largest social system, if it succeeds it will become the world’s most powerful nation.

China’s attempt to become a version of the East Asian capitalist developmental states constitutes the most extraordinary Chinese acknowledgment of Japan’s achievements since the time of Sun Yat-sen and Chinese students’ going to Japan to study. The Chinese regime has long maintained research units on Japan, but they were primarily devoted to propaganda about an alleged revival of Japanese militarism and were havens for party hacks. By about 1989, however, major Chinese analytical units began to appear that were devoted to the unsentimental study of how Japan got rich. In one of their many reports, this one from 1989, we read,

Study and discussion of the development and present situation of Japan’s enterprise groups [keiretsu] is of very great theoretical and practical significance for the development of China’s enterprise groups. . . . The development of Japan’s enterprise groups has from beginning to end received policy and economic support and assistance from the Japanese government. . . . Now, China is facing a crucial period of economic system reform and economic takeoff, and enterprise groups should also play an enormous role in the development of China’s economy. . . . Japan’s experience in this area is worth using as a reference. There must also be [in China] specialized governmental departments to plan and formulate industrial policy, apply persuasion, and guide the industrial direction of enterprises (especially enterprise groups), as well as supervise and promote the implementation by enterprises of the state’s economic policy.[2]

In 1992, my own history of Japan’s Ministry of International Trade and Industry received its most careful and complete translation into Chinese, a much more analytical treatment than the Taiwanese translation and one executed by an unusual source--the Higher Party School of the Central Committee of the Chinese Communist Party.

China’s attempt to go the route of Japan, South Korea, Taiwan, Hong Kong, and Singapore is fraught with difficulties and its success is by no means a foregone conclusion. It is not at all clear that China will enjoy the freedom from foreign entanglements and virtually

unrestricted access to the U.S.'s market and sources of technology that the United States supplied to China's predecessors as part of its hegemonic pretensions during the Cold War. On the other hand, China has one major asset that is not available to most developing nations--namely, the overseas Chinese. This reservoir of talent, capital, and experience is open to a China driven by nationalism rather than communism, but repression and ideological exclusiveness can easily scare it off. Western business interests overstate the determinism of the global market--as Janos's model shows, the developing country's motivation for using the market is more political than economic, and it thus may include killing off now and then a few geese that lay golden eggs--but China's development strategy will not work if China isolates itself from the rest of the world, at least for now. The reversion of Hong Kong will be a much better test of China's determination and capacity to succeed economically than was the repression of protesters at Tiananmen in 1989.

In 1993 the World Bank estimated that China had the world's third largest economy but was the fastest growing of them all. The Chinese State Statistical Bureau has calculated that China's economy grew overall some 10.2 percent during 1995, down from the 11.8 percent increase of 1994 but still above the government's target growth rate of between 9 and 10 percent. The U.S. Central Intelligence Agency says that China today has the world's second largest economy and that, other things remaining equal (as the economists put it), China will surpass the United States within a generation. Some analysts see China surpassing the United States sooner than that, and certainly sooner than the 2020 target date for a Pacific free trade zone promised at the Seattle, Bogor, and Osaka summit meetings of APEC (Asia-Pacific Economic Cooperation). One analyst calculates that by 2020 China's economy will be 40 percent larger than that of the U.S. and that four of the world's five largest economies--China, Japan, India, and Indonesia--will be in Asia.[3]

China's economy doubled in size between 1985 and 1993, a truly phenomenal achievement; it took Australia, for example, 24 years (1969 to 1993) to do the same thing. Since reform began in 1978 per capita income has risen 6.7 times, but it still remains unimaginably small: \$464 in China's cities and \$186.75 in rural areas in 1995, according to official estimates. By comparison, Japan's per capita GDP in 1993 was \$31,450 and the United States's \$24,750. China's labor costs are still just 10 to 15 percent of those in Hong Kong, Taiwan, and South Korea but on a par with those in India.

Needless to say, China's emergence onto the world stage as the biggest and the fastest growing social system poses a major problem of adjustment for China's neighbors. It also poses a great need for understanding, policy, and public education in the United States, the only nation that could conceivably oppose China but that does not even want to think about it. Still fantasizing about being the "sole remaining superpower" (Clinton) and about how the "end of history" has eliminated all rivals to the American way of life (Fukuyama), the United States today does not have a national policy toward China. This means, concretely, that it has as many policies as there are pressure groups in the United States with an even passing interest in China; and no one has set any priorities among them. Some Americans berate the Chinese for not taking better care of orphaned or abandoned girls, forgetting that orphans and orphanages do not have the same connotations in a culture dominated by the

family and without any kind of social safety net as they do in the United States. Moreover, such American sermonizing is quickly undercut by other groups who deplore Chinese abortions and the one-child policy. Still other Americans want to isolate China because of its treatment of prisoners, or intellectuals. Meanwhile, spokesmen for the Department of Defense speak ambiguously of the need to confront China with something more than engagement but less than containment, whereas Ezra Vogel, one of the authors of the Pentagon's East Asian Strategy Report of February 1995, has said that "If you treat China as an enemy, China will become an enemy."

There is a range of specific problems and major contingencies that must be factored into any realistic policy toward China for the first quarter of the third millennium. These include an assessment of China's likely political evolution, the issue of human rights in China's development, irredentism in areas previously claimed by the Chinese empire (Hong Kong, Taiwan, the South China Sea, and Tibet), the nature of trade with and investment in China, China's willingness to accept international (i.e., Western) norms on such things as arms sales and environmental protection, and how far China wants to go (or can be limited) in attempting to recreate the Sino-centric system of intercultural relations that persisted in East Asia for centuries before the arrival of industrialized Europeans. These issues are all interconnected, but I want to discuss them separately before tying them together and suggesting an appropriate American strategy, one that seeks above all to avoid the wars that have accompanied the past emergence of new political powers.

Political Evolution

China is ostensibly ruled by the Chinese Communist Party, the world's largest political party, but which no longer has any legitimacy or moral acceptability in the eyes of the Chinese people. Although the party came to power in 1949 as the leader of the biggest and most complex revolution among all the historical cases, it squandered its great popularity first in rural China because of the famine that followed the Great Leap Forward, then among hard-core Communist revolutionaries themselves because of the Cultural Revolution (Mao's revenge against the party after he lost control of it in the wake of the Great Leap Forward), and finally among the urban intellectuals and burgeoning middle class because of the repression at Tiananmen in 1989 and the collapse of communism in Europe later that same year.

The party continues to rule through a combination of inertia, comparisons with the past, nationalism, and a complex set of inducements and penalties. There is every reason to believe that it will be able to do so for the foreseeable future, despite occasional periods of instability. Its power is based not on legitimacy but on a combination of economic progress, authoritarian rule, and a prominent role for the military. The example of Taiwan offers the strongest evidence that the mainland could evolve into a prosperous, relatively open society. The danger on the mainland is that economic development will start to cause political instability because prosperity will come first to Jiangnan, or southeastern seaboard China, followed by Jiangbei, north of the Yangtze River where national political power is located, and only finally to Neidi, the inland areas where over half the Chinese population lives but where incomes are only a quarter of those of the coastal regions. Pressure for

democratization will probably become a serious issue, if it ever does, only around the year 2010, when some thirty percent of the mainland population is likely to reach a per capita income of about \$4,000. But a great deal else could happen before then.

The Chinese leaders are firmly convinced that authoritarian rule is indispensable to the success of their market-driven economic policies, and there is some evidence that the Chinese population accepts this view because of the economic achievements that have been achieved so far. They also have before them the example of what happened in the former USSR when authoritarianism was allowed to lapse on the advice of American economists. All Chinese from the Politburo on down believe in pursuing economic reforms, even if different groups among them do so for different reasons, but they also want a powerful independent political authority to implement such reforms. In this view, without authoritarian political control, economic reform will rapidly breed new economic interests and corruption. Corruption is already a serious problem in China among elites, but long-term success requires some authority that can occasionally crack down against it, complete with public executions. If corrupt interests should become entrenched, resentment against them will generate a cycle of political protest, followed by economic instability, followed by more political instability, just as in the former USSR.

In general terms, the greatest weakness of the developmental state-type strategy for overcoming international backwardness is that it both causes and can be crippled by domestic political turmoil. In the other East Asian economic success stories, this turmoil has been mitigated through authoritarian political systems, reasonably equitable distribution of incomes, and ideologies promoting distinctive Asian values that condemn the alleged indulgence of individualism. Asian leaders such as Singapore's Lee Kwan Yew maintain that democracy undercuts development. It should be noted that Singapore today has a higher per capita income than Australia. It may not be as pleasant a place to live as Australia, but its economic record nonetheless lends credibility to what its leaders have to say.

All of the Asian capitalist developmental states have been characterized by soft authoritarian governments. Democracy--by which we mean a system in which the force of public opinion actually makes a difference, there is a balance of powers within the government (what the Americans call the "separation of powers"), and free elections are available to remove unsatisfactory officials--exists only partially in Japan, South Korea, and Taiwan. In each of them there are questions about how far public opinion is recognized and about whether the balance of powers is made moot by the existence of unelected but powerful bureaucratic organizations. In none of the three has an independent judiciary and the rule of law been adequately institutionalized.

China's government is not as totalitarian as it once was, but it is not the same as the soft authoritarianism of Japan and the NICs (newly industrialized countries). China may be an example of "soft totalitarianism"-- something considerably harder than what exists in the most advanced parts of Asia, on a par with governments in such places as Singapore and Indonesia, but considerably softer than in the truly totalitarian worlds of Hitler, Stalin, and Mao.

In soft totalitarianism, the regime directly restricts freedoms of speech and the press, thereby curbing the effect of public opinion on the government. In soft authoritarianism (as it exists in Japan, for example), such freedoms exist formally but are house-broken through such devices as cartellization of the news media (press clubs, collective liability for news that irritates the state), cartellization of access to advertising, state-owned broadcasting, and state licensing of all school textbooks. The public is better informed in soft authoritarianism because there are ways around the press clubs and cartels, and international travel is common, but public opinion remains only a mild constraint on the government. Instead of soft totalitarianism's direct suppression of offending books, imprisonment of authors, state control of Internet servers, and dismissals from employment, soft authoritarianism achieves its ends through peer pressure, bullying, fear of ostracism, priority given to group norms, and other ways in which conformity is elicited by the society rather than being a formal responsibility of the state. In both soft totalitarianism and soft authoritarianism elections are a facade behind which a permanent state officialdom actually governs.

Dong Xusheng, one of China's democratic dissidents currently living abroad, lists eight features of what he calls "rational totalitarianism." These are (1) the inter-party power struggle becomes less brutal than in hard totalitarianism; (2) the party still monopolizes major powers but disperses minor powers to the society; (3) education is now more clearly needed and the status of intellectuals is therefore raised; (4) political apathy replaces efforts to mobilize enthusiasm, with private wealth, Western music, and pornography being commonly used to divert attention from politics; (5) religious freedom is also expanded to help distract the public; (6) the Communist Youth League is transformed into a social club; (7) extreme ideological narrow-mindedness is mitigated; and (8) greater artistic freedom is tolerated so long as it addresses sentimental subjects and goes no further than "birdcage freedom."

"Dictatorship is like an iron ball," writes Dong Xusheng. "Rational dictatorship is like [wrapping] this iron ball . . . in a layer of rubber. Though it appears like a real rubber ball, it will not bounce. However, this thin layer of rubber on the outside imparts to it a tiny degree of flexibility, and herein lies the ability of rational dictatorship to absorb the energy of democratic movements. This is the unique feature of rational dictatorship."

The shift from communism to Chinese nationalism helps hold this structure together and gives it intellectual energy. One of the weaknesses of communism was its religion-like claims to scientific truth; when that was exposed, it weakened the values and the ideological cement of the regimes that had embraced it. After the collapse of communism in Europe and the USSR, the Chinese Communist Party adopted the principle of its old Nationalist rival; it now considers all people of Chinese ancestry wherever they live to be potential citizens. The strength of this intellectual claim is not rational but emotional, in contrast to the hyperrationalism of Marxism-Leninism. Nationalism is also not affected by occasional episodes of instability or succession crises.

China today is simultaneously in transition toward some new self-conception and new relationships with other countries. Even though I agree with Thomas Gold that "Chinese

political culture tends to be extremist,” meaning that it has little experience with compromise, I believe the problem for the rest of the world will not be to “contain” China but to adjust to its genuine superpower status and attempt to find and cultivate Chinese leaders who are more interested in commercial than military successes.

To be sure, there are some factors that could derail China’s emergence as a major power. I believe they are essentially three--inadequate education, uneven development, and miscalculations in international relations. In the government of the Republic of China on Taiwan, the president, the premier, and half the cabinet have Ph.D. degrees. That is without doubt one of the reasons for Taiwan’s increasingly successful transition to democracy in a context of high and equitable per capita income and huge reserves of foreign currency, and despite formidable defense requirements and a legacy of ethnic confrontation. Such educational achievements are almost unimaginable on the mainland. China has only about 7 million college graduates, and only about a third of them belong to the party, which has a total of about 50 million members. “This means,” in David Bachman’s words, “that there is not enough sophisticated knowledge within the CCP for it to engage in technocratic development.” Despite its efforts to learn from Japan, China does not have the meritocratic officialdom of Japan, Korea, and Taiwan with which to manage privately owned but publicly guided enterprises. There are a total of 1,053 institutions of higher learning in China with about 2.5 million students enrolled, but that is insignificant for a society of 1.2 billion people. China has sent thousands of students abroad for education, but many of those do not come home. It can compensate for this weakness to some extent by tapping the talents of the overseas Chinese and of foreign investors, but lack of technical competence is a serious and potentially catastrophic constraint.

Uneven development is also a potentially explosive problem. None of the members of the Politburo appointed at the 14th Party Congress in October 1992--the last one held--represents the interior, where the economy is stagnating rather than growing at double-digit rates. The potential danger is not a desire for independence on the part of the wealthy provinces--Guangdong adjacent to Hong Kong has nothing to gain and much to lose, including civil war, in any attempt to separate itself from the rest of the country. The issue is keeping the poor provinces quiet and working with not much more by way of compensation than promises of trickle down.

Some hundred million people, equivalent to the entire population of Mexico, are adrift in China at any given time, migrants from the interior looking for work in the rich coastal areas. They do remit part of their earnings to the interior, and they are as nationalistic as any other Chinese. Moreover, the Three Rivers Dam on the Yangtze, still under construction, would aid the interior more than any other part of the country. But for the time being the migrants also evade taxes and the one-child policy, and there is the danger that they might organize. This would not only reduce their value as ultra-cheap labor, but migrant groups could grow into a Chinese version of Solidarity in Poland, one of the regime’s worst nightmares. Part of the unholy alliance in China between domestic autocrats and foreign businessmen is that both hate unions and any movement toward workers’ rights, but for different reasons. The critical issues for the regime are managing

the unemployment that is created as China shifts from state-owned to private enterprises and compensating the interior for its poverty.

China's economy is well on its way to being the world's largest but, as Alan Tonelson observes, it "will long remain heavily dependent on foreign technology, capital, and markets--if it can hold together politically." These dependencies offer numerous opportunities for arrogance and insensitivity on the part of foreigners, particularly Americans and Japanese, and for paranoid fears of hostility and subversion on the part of Chinese. Japanese newspapers have published reports of party documents warning of a Washington-Tokyo-Taipei entente to carry out a "neocontainment" policy against China, including a plan to declare Taiwan independent. The March 1996 exercises in the Taiwan Straits, while probably designed to help elect President Lee Teng-hui rather than the genuinely pro-independence Democratic Progressive Party (DPP), certainly revealed China's concern. There are also just enough old Cold Warriors in the United States looking for ways to reenergize the military-industrial complex to make China's fears plausible. Even an attempt to replicate the Cold War in East Asia would radicalize China and bankrupt the U.S.

Human Rights

Irving Louis Horowitz has written that "Politics is a game of vulnerabilities, and the human rights issue is clearly where the 'socialist' world has proven most vulnerable, just as the economic rights issue is where the 'capitalist' world is most open to criticism. . . . The debate on human rights can be conceptualized in part as a struggle between eighteenth century libertarian persuasions and nineteenth century egalitarian beliefs--that is, from a vision of human rights having to do with the right of individual justice before the law to a recognition of the rights of individuals to social security and equitable conditions of work and standards of living." When during the 1992 presidential election campaign, Bill Clinton tried to score against George Bush by referring to the Chinese "butchers of Beijing" for their suppression of the Tiananmen demonstrators and to Bush's "coddling dictators" in his China diplomacy, Clinton was referring to human rights in its eighteenth century sense. The United States itself is far from being in full compliance with the U.N.'s Universal Declaration of Human Rights (1948) with regard to such issues as homelessness, inadequate health care, and a widening gap between the rich and poor--but these issues belong to the nineteenth century definition of human rights, which China prefers.

The West consistently used the issue of human rights as a weapon against the Communists during the Cold War--but always in the first sense. The Communists consistently used the issue of human rights as a weapon against the West during the Cold War--but always in the second sense. Since the Communists "lost" the Cold War, China remains vulnerable on this score, but it is fighting back; and Americans in particular need always to be forewarned that this is one issue that can easily boomerang. Bill Clinton may have won the 1992 election, but his rhetoric greatly advanced the belief among Asian leaders that Americans are hypocrites, particularly after May 1994, when President Clinton nonetheless "delinked" China's Most Favored Nation trade status from his annual review of its human rights record.

The continuous wrangling among American and Chinese leaders over alleged human rights abuses also reflects other American misunderstandings. One is the old conception of a Cold War confrontation between democracy and Communist totalitarianism, which never really fit Asia. In Asia, communism was largely a vehicle for wars of national liberation in China, Malaya, Indonesia, Vietnam, and North Korea against Western and Japanese imperialism, and the Cold War was essentially an overlay, affecting regional conditions and events but never becoming the main driving force behind them. The West's eighteenth century rhetoric of individual political rights has never had much resonance in Asia, particularly during the Cold War itself, when the United States often favored right-wing dictators in Asia so long as they were anti-Communist. Human rights in the sense of economic security, where the Communists claimed to offer leadership, were also not delivered by either the Communists or the West in Asia but by economic growth on the Japanese model.

A second American misunderstanding is their tendency to misapply general principles to unique situations. The linking of Most Favored Nation (MFN) trade status (i.e., treating all competitors alike) with human rights is a prime example. Congress attached the Jackson-Vanik amendment of December 1974 to Nixon's 1972 trade agreement with the USSR (which granted the USSR Most Favored Nation trade status, as well as U.S. Export-Import Bank financing) in order to help Jews emigrate from the USSR. The amendment merely specified that the President had to certify annually that trade with Communist countries was consistent with freedom of emigration. In 1979, China was also granted MFN status.

In the autumn of 1989, after Tiananmen, Congresswoman Nancy Pelosi of California sponsored legislation giving thousands of Chinese students in the United States permission to extend their stays and to work. Congress later amended these provisions to require annual presidential certification, backed by a threat of the withdrawal of MFN, that China was making "overall significant progress" in human rights, trade practices, and weapons nonproliferation. But the threat was never credible. As Wendell L. Willkie II has noted, "It is clear that MFN for China would not be debated today but for the requirements of Jackson-Vanik, which requires annual renewal of MFN for any present or former Communist country. Withdrawal of MFN from China, a major U.S. trading partner, would constitute an unprecedented and radical departure from what are now viewed as fundamental, universally accepted principles of international commerce. It would also be viewed as an unjustified and counterproductive act by the governments of every other major nation in the world." [4] The president of course backed down and the threat to withdraw MFN remains primarily a rhetorical device for members of Congress. But it has greatly complicated American business and trade activities with China and puts American businessmen in the position of continuously apologizing at home for making deals that Japanese, Germans, and Canadians would be only too glad to duplicate. The issue of human rights has also inhibited development of a serious U.S. economic strategy for dealing with China, a subject to which I shall return below.

Clinton's use of the human rights weapon had another unintended consequence. It stimulated Asians of many different persuasions to begin to develop a so-called "Asian

concept of human rights” and to attack the U.N.’s Universal Declaration as not “universal” at all but merely another manifestation of Western cultural imperialism. As so often whenever invidious comparisons between Asia and the West are involved, Lee Kwan Yew became the most prominent spokesman: “Americans believe their ideas are universal--the supremacy of the individual and free, unfettered expression. But they are not. Never were. . . The ideas of individual supremacy and the right to free expression, when carried to excess, have not worked. They have made it difficult to keep American society cohesive. Asia can see it is not working.” This viewpoint has become the new battleground for human rights in Asia, and it is one where the Americans often seem to be out of their depth.

It is of course true that Chinese leaders and foreign investors would like to ignore human rights in their mutual exploitation of cheap labor. One of their prime ways of doing so and of justifying what they are doing to themselves and others is to spread the idea inside and outside of China that human rights are unimportant within Chinese culture. This is similar to the propaganda that Japan used in the 1930s to justify its militaristic expansion in Asia--“Asia for the Asiatics,” liberation from white colonialism, and so forth. This kind of rhetoric, which is very common throughout Asian ruling circles today, rings hollow when one considers that the Burmese military keeps Aung San Suu Kyi under house-arrest even though she won an election; the Singaporeans executed Filipina maid Flor Contemplacion after probably framing her for a crime her Chinese employer committed; and the Chinese put Wei Jingsheng in prison for a second fifteen-year term for merely suggesting that there might be a fifth modernization (democracy) in addition to the four favored by Deng Xiaoping.

The protection of human rights is a problem in Asia, but the United States is not in a position to champion that issue because it has other, seemingly more important interests. As Owen Harries points out, “In the case of China, a self-indulgent and discriminatory human rights policy (much harsher than that adopted toward, say, Saudi Arabia or Syria) has not in the last resort been allowed to disrupt a full, normal relationship and rapidly expanding trade.” In a larger sense, the United States does not have a successful human rights policy in East Asia because it is not clear who won the Cold War in Asia. Normally victors in struggles as monumental and long-lasting as the Cold War impose their own values in creating a new world order; this is what Francis Fukuyama was claiming in his notorious article about “The End of History.” But in Asia, as I noted earlier, the Cold War dichotomy was never really applicable. If Richard Madsen is correct (see JPRI Working Paper 14), an economically vibrant Asia may well make its moral vision predominate in the 21st century, as Spain did when it was the dominant power in the 17th century, and as Western Europe did when it rose to power after the Industrial Revolution.

This does not mean that there is no need for a policy on human rights vis-a-vis China and other countries in Asia. However, in most cases, such a policy should not be directed at trying to change foreign practices. Instead, the U.S. should concentrate on policies it can implement in its own country. Two areas are particularly important. First, the United States must retain the respect of the relatively small group of Chinese elites who will eventually come to have influence in the country in the next century. Second, the U. S. must ensure

that the denial of human rights to cheap foreign labor does not simultaneously destroy the livelihood of American workers.

On the first point, Tibet's exiled leader, the Dalai Lama, divides Chinese into three broad groups in terms of their attitudes toward politics. The first group is made up of the leaders of the Communist Party. "Their main concern is keeping power in their hands," says the Dalai Lama, and they are in that sense no different from other preservative leaders in Asia, such as the Liberal Democratic Party in Japan, Marcos in the Philippines, and Suharto in Indonesia. The second group is made up of intellectuals, thinkers, and students. "This is the group which ultimately will bring democracy in China. . . . No outsider, not the United States, nobody, can bring democracy to China, except those people." A sound human rights policy will attempt to maintain the respect of these people through appropriate activities in our own country and in international organizations, but it will not continuously pretend that something is being accomplished by "constructive engagement," the current euphemism for ineffective sermonizing used by the State Department and others. The third group is made up of the masses. They are concerned with "daily livelihood," and "democracy is not much relevant in their day-to-day life." A positive human rights policy toward China will seek advice from the second group on what ought to be done, since it is the best informed and most profoundly affected by official abuses of human rights.

Without question the most important human rights policy the United States could implement would be to deny access to the American market for the products of multinational companies that abandon American workers and seek out cheap foreign workers who have no economic or political rights at all, not to speak of human rights. This is, however, less a matter of human rights policy than of trade, technology transfer, and foreign investment policy. The economics profession may attack such policies as "protectionism," but the time is long past when the United States should allow corporations to use the bottom line, "globalization," or the pressures of competition--"Adam Smith made me do it"--as excuses for their indifference to human rights.

Chinese Irredentism

The term irredentism refers to an Italian political party of 1878 that sought to recover for Italy adjacent regions inhabited largely by Italians but under foreign control and, by extension, to any policy aimed at trying to recover territories that have been lost to foreigners. In the Chinese context it refers to places claimed by the Chinese empire, which ended in 1912, and which were lost allegedly because of foreign activity. Without regard to their relative importance, these are primarily (1) Hong Kong, (2) Taiwan, (3) the South China Sea, and (4) Tibet. The complications revolve around whether these territories are actually occupied by Chinese, as well as the costs today of pursuing old claims, no matter how well founded. All of these issues are exacerbated by the contemporary Chinese regime's commitment to nationalism, in the name of which it claims to right old wrongs even as it violates other nations' sovereignty or tramples on the human rights of peoples who were in no sense governed by the Chinese empire. They are also complicated by China's stated willingness to use military means to realize its irredentist aims.

Hong Kong is no longer at issue. It was seized from China in 1842 in a war to protect the English opium cartel, and it will be returned to China on June 30, 1997. The problem is that two-thirds of foreign direct investment in China comes from Hong Kong, and some 25 to 30 percent of all Chinese foreign exchange earnings come through Hong Kong. Britain, at the last moment before giving up its colonial rule over a place whose per capita income is now substantially higher than its own, has begun to introduce a limited measure of democracy. In elections held in 1995, democrats led by Martin Lee swept the polls. China has denounced Martin Lee as a “counter-revolutionary” and has declared its intention to abolish the Legislative Council when it takes over. But, as George Hicks observes, the lobby of the Peninsula Hotel in Hong Kong is not the same thing as Tiananmen square. “Even modest turmoil in Hong Kong would send a tidal wave of fear and destabilizing uncertainty along the entire rim of the Pacific. Hong Kong, unlike Rangoon or Beijing, lies astride the economic fault line which holds the Asian economic ‘miracle’ together. A destabilized Hong Kong would cost China dearly, and the cost would be measured in dollars.”

Taiwan is similar to Hong Kong in one respect--the cultural gap between citizens of the mainland and of either Hong Kong or Taiwan is much larger today than it was forty years ago. Taiwan was settled by immigrants from Fujian province in the 17th century and then ruled as a Japanese colony from 1895 to 1945. The chief issue today is not so much irredentism as a growing desire on the part of the inhabitants of Taiwan to be independent of the mainland. When the United States recognized the government in Beijing in the 1970s, it accepted the position of the governments in both Beijing and Taipei that there was only one China, of which Taiwan was a part. In retrospect, that was almost surely a mistake. There were always two governments, and slowly but surely Taiwanese public opinion is coming into the open, bolstered by much firmer democratic foundations than in Hong Kong, and entrusting to the government of Taiwan a greater legitimacy than that enjoyed by Beijing.

The “liberation” of Taiwan is still a fundamental goal of Chinese foreign policy, a final task left over from the revolution that Mao led in the 1930s and 1940s against Chiang Kai-shek. However, the Nationalist exiles who evacuated to Taiwan in 1949 have slowly died off or been assimilated into the preexisting Chinese population of Taiwan. Today the old Nationalist Party (Kuomintang) is led by a native Taiwanese, who must compete for power against other Taiwanese not hobbled by old Nationalist affiliations. The hostility that existed after World War II between the Nationalist exiles from the mainland and the long resident Taiwanese has been slowly ameliorated by the deaths of first generation exiles, by the growing wealth of both groups, and by a gradual democratization that has also had important elements of decolonization in it. The emergence of Taiwanese-led political parties has meant the end of a mainland monopoly over politics, with the result that today few Taiwanese particularly want to rejoin the mainland. They do not dare declare their independence, however, because they fear that would cause the mainland to resort to military force in order to “liberate” the island. On the other hand, political instability on the mainland (especially after the reversion of Hong Kong) might well prompt the Taiwanese into a unilateral declaration of independence.

The United States has so far bungled this issue rather badly. In the spring of 1995, the U.S. permitted the president of the Republic of China on Taiwan, Lee Teng-hui, who is himself a native Taiwanese, to visit the U.S., ostensibly to attend an alumni gathering at his university. Although this was billed as a private visit, Congress had voted 396-0 in the House and 97-1 in the Senate calling on the U.S. President to admit Lee; and the People's Republic of China first heard the news on the Cable News Network (CNN). The danger of such U.S. actions is that, in addition to insulting the Chinese government, it may mislead the Taiwanese into thinking that the U.S. will come to their aid if they are attacked by the mainland. China has a legal claim to Taiwan that is older than the United States's existence as a nation. If the two territories are to be reunited or go their separate ways, it will have to be the result of their own actions and not those of Americans affecting a concern for one side or the other. Ezra Vogel is almost certainly wrong to believe that we have a "constructive, creative ambiguity" in our relations with both sides and that this keeps them off balance. I believe that Evan Feigenbaum of RAND has it right: "The primary danger to the present status quo is . . . that either Beijing or Taipei will miscalculate or misread the other's moves. . . . Mixed statements of U.S. policy contribute to the possibility of miscalculation."

The American error is the superpower's mistaken belief that its role is crucial to any change in the situation. Taiwan has been actively complicating the PRC's decision-making in ways that are more effective than bluster from Washington. Taiwan is, for example, by far the largest investor in Vietnam and has risked more than \$15 billion on southeast Asian projects. Vietnam, a member of the Association of Southeast Asian Nations (ASEAN), has the longest and the best record when it comes to balancing Chinese pressures on its southern neighbors. Any Chinese attack on Taiwan would involve the region as a whole, including ASEAN, which is slowly emerging together with Japan and China as one of the three major poles of the East Asian balance of power.

During July 1995, the Chinese ostentatiously tested some six different types of guided missiles in the waters around Taiwan. This caused a capital flight of perhaps \$10 billion from Taiwan to overseas Chinese banks in Southern California. It demonstrated both the extraordinary financial links that exist within the Chinese community and the leverage Taiwan can bring to bear on the mainland economically. Taiwan has a per capita income of around \$12,000 and \$90 billion in foreign exchange reserves. During 1995, simultaneously with China's threatening gestures, trade across the Taiwan Straits set a record high of \$20 billion, which represented a 21 percent annual growth rate. Taiwan is also well defended, and it is unclear whether the mainland could seize the island by force. What is clear is that an attempt to do so would be extremely costly to the mainland.

The role of the United States is to guarantee freedom of the seas in East Asia through deployment of credible naval deterrent forces. It demonstrated this rather effectively during March of this year when it sent two aircraft carriers to the area as the Chinese conducted "military exercises" leading up to Taiwan's first popular presidential election. This reaffirmed our interest in seeing that the problem is resolved only through peaceful means. Closely related to the Taiwan problem is that of the South China Sea. Through this waterway passes virtually all of the oil from the Middle East for Japan, South Korea, and

Taiwan. There are also two sets of about a thousand islands, reefs, and rocks in the South China Sea, the Spratlys (Nansha in Chinese) and the Paracels (Xisha), that are claimed in part or in whole by seven different governments--those of China, Vietnam, Taiwan, the Philippines, Malaysia, Brunei, and Indonesia. Most of these places are unoccupied, but as of late 1995, in pursuit of their various claims, China had occupied six reefs, Vietnam twenty-one, the Philippines six, Malaysia three, and Taiwan one. It was only in late 1987 that sovereignty over the Spratlys first became an issue in Chinese foreign policy, probably reflecting the shift to nationalism as the main legitimating principle of the regime. "It is embedded in the Chinese national psyche," writes Chen Jie, "that the Spratly archipelago has been part of the motherland's territory since ancient times." But it has certainly not been embedded for much longer than a decade, and this is not a helpful claim for those seeking a solution. However, China's assertion of sovereignty over all of the territory is now a fact of life; and Chinese nationalism makes it harder for China to back down or to compromise.

In March 1988 China occupied six reefs; later that same year it separated Hainan Island from Guangdong Province and made it a Special Economic Zone and a major Chinese military base; and in February 1992 it passed its "Law of the People's Republic of China on the Territorial Sea and the Contiguous Zone." This law lays down an exclusive Chinese claim to the entire Spratly archipelago, about 340,000 square miles of ocean, and authorizes the Chinese Navy to evict "trespassers" by force. In February 1995, China built a structure on a place claimed by the Philippines about 135 miles west of Palowan (in the Philippines) but at that time unoccupied by anyone and aptly named "Mischief Reef." Although China is being verbally belligerent it has also been careful not to attempt to seize a rock or reef already occupied by some other nation.

China and Vietnam have already clashed twice in the South China Sea, over the Paracel Islands in 1974 and, in a short but bloody naval battle, over the Spratlys in 1988. Vietnam is now a member of ASEAN, and all of the ASEAN nations have urged the United States to maintain a naval presence in the area because of this issue. ASEAN has also drawn noticeably closer to Taiwan while these events were unfolding. China opposes ASEAN on this issue, which may have long-term consequences for all of East Asia, and it denies that there are any questions of sovereignty involved. Vietnam has replied that even if China has a claim going back to the voyages of the Ming Dynasty's Admiral Cheng Ho in the 15th century, China was even then infringing on Vietnamese territory. Meanwhile, Malaysia is building a tourist resort on its island, known as Terumbu Layang-Layang; and all the nations of the area have increased their defense budgets significantly.

There are several possible reasons for China's policies regarding the Spratlys.[5] The first revolves around domestic politics in China. Admiral Liu Huaqing is currently the vice-chairman of the Central Military Commission (CMC) of the Party, under the chairmanship of Party Secretary General Jiang Zemin. The CMC is something like the U.S. Joint Chiefs of Staff plus the President. Admiral Liu is the former head of the Navy and the first vice-chairman of the CMC in the history of the People's Liberation Army (PLA) not to come from the Army. He has been one of the leaders of the Chinese military modernization effort since 1985, during which China has shifted from an essentially defensive, army-first

strategy to one that emphasizes the navy, air force, artillery, and the likelihood not of a world war but of increasing regional conflicts. Admiral Liu is said to be an advocate of seizing the South China Sea.

Other reasons for China's stance include the force of nationalism, meaning in this context a commitment to defend all claims to Chinese territory as a way of dramatizing its humiliation at the hands of imperialists over the past century and a half. It is possible that China's claim to the Spratlys will ultimately be seen as a serious blunder, but it still cannot be easily reversed. The policy may reflect incipient Chinese hegemonism, a way of saying that outsiders should keep out and insiders should start cultivating China in response to the break-up of the former USSR and the United States's growing inability to afford its foreign policy (as, for example, in the Persian Gulf War, which the Japanese paid for). Chinese hegemonic claims may also be intended to forestall and balance Japanese hegemonism, which Japan's status as the world's richest big nation in per capita terms makes increasingly probable. Finally, there may be oil under the Spratlys. China is now a net oil importer, reflecting the advance of its industrialization and motorization, and it is interested in any and all new sources. At the same time, many analysts doubt that these possible reserves will ever materialize, and they note that the waters separating the Spratlys are about 2,000 meters deep. The deepest water in which oil production is currently occurring is 872 meters, in the Gulf of Mexico.

Like the Taiwan Straits, the South China Sea offers the most compelling argument for a continued American military presence in East Asia. The U.S. Seventh Fleet needs to be strengthened sufficiently to guarantee continued access to the South China Sea and to all Southeast Asian sea lanes of communication. It is more than likely that the issues surrounding the South China Sea will emerge in on-going negotiations between China and ASEAN, focusing above all not on sovereignty but on so-called "confidence building measures." To date this dispute is a classic example of the dangers of worst case analysis--that is, refusing to balance capabilities and past behaviors with an assessment of intentions and treating possibilities as probabilities or inevitabilities, particularly when doing so enlarges one's military budget. Nonetheless, naval protection is needed in this part of East Asia.

Tibet is another matter. The United States has been more deeply concerned about the ancient Tantric Buddhist theocracy than the South China Sea, but with the end of the Cold War it no longer has any strategic interest in Tibet. During the 1950s, when the Tibetans were revolting against Chinese colonizers of their country, the CIA provided extensive support to them. More recently some Americans have expressed concern for Tibetan human rights. On April 28, 1994, Vice President Gore met with the exiled leader of Tibet, the Dalai Lama, in Washington; and the following month, even though backing down from his threat to withdraw Most Favored Nation trade status if China did not respect human rights, President Clinton made his action contingent on China's safeguarding Tibet's culture and religion.

The Tibetans, any more than the Taiwanese, should have no illusions about the likelihood that the United States will ever act upon its politicians' rhetoric. Tibet as an independent

state and culture is probably doomed. China is currently implementing what the Dalai Lama calls its “final solution” for Tibet--its openly racist policy of killing off, outbreeding, and “assimilating” (in the standard Chinese press *hanhua*, literally “to make Chinese”) what is left of the Tibetan people. Tibet’s only hope is that the extraordinary efforts of the Dalai Lama and his followers in exile at Dharamsala, India, to internationalize their struggle, combined with continuing Chinese blunders, will mobilize global concern and raise the costs to China of its obstinate behavior. This is possible but not likely. Meanwhile, the Sinophiles of most foreign academic institutions and ministries of foreign affairs will continue to advise their political leaders that Tibet was always a part of China, which is not so.

The concept of irredentism does not apply to Tibet. It was never a province of China, nor was it involved in the tributary relationships that vassal states of the Chinese Empire traditionally maintained with Beijing. It was heavily influenced in the 12th and 13th centuries by Buddhists fleeing India before the Moslem invasion. It was also influenced by the Mongols--Kublai Khan was actually converted to Lamaism by the abbot of the Sakya lamasery--and in 1720 the Manchu dynasty replaced Mongol rule in Lhasa. From that time on China claimed suzerainty over Tibet--actually a loose arrangement in which Beijing was responsible for foreign relations and defense while Lhasa was left entirely in charge of domestic affairs. All this changed with the Chinese Communist invasion of Tibet in 1950. The legal status of Tibet today is clear but quite similar to the colonialism Japan imposed on Korea in 1910. The 17-point agreement of 1950, signed by both Beijing and the Dalai Lama (but with the PLA actually in charge on the ground) incorporates Tibet into the Chinese state. But, again, this status was unprecedented. The Tibetans never expected the Chinese to interfere in the running of their own country. Low-level revolt began in the mid-1950s in reaction to brutal Chinese rule and then exploded in March 1959 into open rebellion. The Dalai Lama was forced into exile, from which he has devoted himself ever since to an increasingly successful campaign to publicize and internationalize the Tibetans’ plight. He was 60 years old in 1996.

China will probably succeed in maintaining its imperium over Tibet and in ultimately assimilating both the Tibetan people and their culture. There are no powerful interests to save them--their position is similar to that of the pre-Columbian inhabitants of north and south America. There is also a strong and continuing propaganda barrage aimed against the Tibetans from both Beijing and Taipei, arguing that they are “feudal” and do not deserve to be saved. But the Chinese are very nervous about what they are doing and regularly make stupid mistakes. The latest example was the spectacle of officially atheist China choosing a pro-Chinese Panchen Lama, the second holiest lama in the Tibetan hierarchy, in order to compete with one of whom the Dalai Lama had earlier approved. On May 15, 1995, in Dharamsala, the Dalai Lama announced that a six-year-old shepherd boy was a “living Buddha” and the successor to the Panchen Lama, who had died in China in January 1989. The Chinese government responded that the Dalai Lama was interfering in China’s domestic affairs and staged elaborate ceremonies in Beijing and Lhasa to anoint a different six-year-old. They formally installed him on December 9, 1995 as the Eleventh Panchen Lama; he was quoted in the newspapers as having said, “Thank you Jiang Zemin. Thank you, government of China. I will study hard and love the motherland.”

It is possible that once Deng Xiaoping finally passes from the scene the Chinese will invite the Dalai Lama to return and allow him to recreate something like the relationship that existed in the past between Lhasa and Beijing. This would be clever of them. As matters stand now, they gain nothing from their conquest of Tibet, and there are quite a few Tibetans in exile who are keeping a version of the old culture alive. People in Buddhist countries like Japan and Korea could well become as emotionally involved with the fate of Tibet as others have been with pandas, whose fate seems destined to be similar. The most likely scenario is that Tibet will become Sinified and the lamaseries nothing more than crumbling museums, as most already are.

Trade and Investment

The fundamental problem of the United States in its economic relations with China is a severe case of ideological myopia. The United States is formally, emotionally, and intellectually committed to an academic textbook definition of “free trade,” which it believes (or pretends to believe) was the foundation of the General Agreement on Tariffs and Trade (GATT). In this view, during the era of the Cold War, the GATT governed trade among the so-called “free market economies” until it was replaced on January 1, 1995, by the World Trade Organization (WTO). Actually, for most of the Cold War, GATT was part of an American grand strategy against the USSR in which the U.S. traded access to its market and technologies in return for the support of nations such as Japan, South Korea, and Taiwan against Communism. WTO has no similar strategic purpose; it must either deliver the allegedly mutual benefits of free trade or else it is a menace to the livelihoods of all working Americans.

China’s primary trade-diplomacy goal is to gain admission to the WTO with the status of a developing country. As a developing country, China would not have to open its markets to foreign competitors on an equitable basis, and it would be exempt from the provisions of the WTO treaty concerning subsidies, investments in China, and intellectual property rights. If it achieves that--which the ideological myopia of American trade negotiators of both political parties and the economists who advise them makes likely--its mercantilism will ultimately destroy the American economy, not to speak of the WTO system. China’s greatest threat to the United States is not military, environmental, or ideological but its determination like Japan before it to run up trade surpluses rather than generating a balanced and mutually beneficial trade. The specific antidote, without hampering China’s economic development in any way, is managed trade--but that is anathema to the economic ideologists of the United States. Management of trade with China would also require political leadership and a governmental capability that the United States may simply not be able to muster in the post-Cold War world. If that proves to be the case, then trade and investment is the arena in which China’s ascendancy and the United States’s decline will be most pronounced.

There is no question that China will soon have the world’s largest economy. At a growth rate of 9 percent per annum, this goal will be achieved by 2010. When and if China ever achieves a per capita income of \$10,000--roughly that of South Korea today--its economy

will be three times as big as that of the U.S. These prospects are all desirable politically. China is most likely to become a force for stability and peace when its people will have a substantial stake in economic prosperity. The problem lies in the nature of trade with China and the possibility that for the next two to three decades the United States could come to suffer annual trade deficits with China in the \$200 billion range.

The United States already absorbs about 25 percent of all exports from Asia and runs \$100 billion annual trade deficits with the area. China's trade surplus with the United States, \$35 billion in 1995, is second only to Japan's but growing much faster. When China began economic reform in 1978, its foreign trade totaled \$20.64 billion. By 1993 it had increased 950 percent to \$195.8 billion. The Europeans and Japanese also run trade deficits with China, but the U.S. trade deficit is approximately two to three times those of the other major trading powers. Some 80 percent of China's exports are manufactured goods. China is the world's largest textile exporter and the largest source of American textile and apparel imports. International agreements are supposed to control the international textile trade, but China gets around them by trans-shipping through third countries and often by attaching false labels to avoid exceeding the quotas to which it has agreed. "Made in Turkey" labels are common in Chinese leather jackets.

Other Chinese trade practices also make a future crisis almost inevitable. These include forced technology transfers, export of goods made with prison labor, refusal to honor agreements concerning piracy of products such as compact discs and computer software, dumping, trade barriers, extensive subsidies to state industries, and, as Greg Mastel of the Economic Strategy Institute puts it, "some merger of the teachings of Chairman Mao with the economic experience of Japan." On technology transfer, for example, during 1995 China very successfully played off General Motors against Mercedes Benz on who would give China the most technology in return for the right to manufacture and sell in China for fixed periods of time. Both ended up giving to China sophisticated technology to design and build new models. Only Japan has been largely cut out of the growth of the Chinese automotive industry because it will not give away its proprietary manufacturing methods. Instead of doing business on China's terms, even though it is still one of China's leading trade and investment partners, Japan has parlayed the neighborhood effects of China's discovery of the market in order to expand its market share in countries like Indonesia and India. Because China is currently attracting so much foreign investment, countries like Indonesia have liberalized their economies in order to grab a share of the available investment funds and not be left behind. As of mid-1995, Japan had invested \$8,729 million in China, but that was less than it had invested in the city state of Singapore (\$9,535 million) and half of its investment in Indonesia (\$16,981 million).

On October 16, 1995, *Business Week* noted that "China may already have eclipsed Japan as America's number one trade headache." In a sense, the China trade problem is not a trade problem at all but one of "systems friction," the clash of different forms of capitalism. This is exactly what one should expect from the strategy of the capitalist developmental state. One of the secrets of this strategy is to bend the rules and norms of capitalism in order to achieve national wealth and power. In this view, economics is inevitably a zero-sum game, in which some nations win and others lose. China has never aimed at becoming a "market

economy” but rather at engaging and exploiting other market economies to become a great power. It undertook economic reform in order to preserve the Communist Party’s political control and to achieve through other means what it had failed to achieve through Leninism. The U.S. response to this challenge has been primarily to try to induce or cajole China into reforming itself to look more like the American form of capitalism. Thus, on November 10, 1994, the *Washington Post* editorialized that in order to get into the WTO, China would have to (1) publish its trade regulations in a transparent form accessible to importers, (2) ensure that all foreign and domestic companies receive the same treatment from the legal system, and (3) stop using artificially low exchange rates to boost exports and impede imports. The problem is that these proposals conflict with China’s strategy of economic development. They are, moreover, all culture bound. Even if China abandons its strategy of economic development, it is never going to do business the way the United States does.

In a speech to businessmen in Tokyo, the vice-president and senior economist for J.P. Morgan in Asia, Huan Guocang, advised that “It is extremely important for . . . investors to develop solid working relations with local authorities in the regions where they have committed capital investment, as such working relations can enhance their operations and hedge against potential economic and political risk.” This is a polite way to stress the importance of *guanxi* in all Chinese trade dealings and helps explain why the overseas Chinese have been so far ahead of everyone else in trade and investment in China. Maria Hsia Chang explains:

Quite apart from their complementary interdependencies, the economic integration of Hong Kong-Taiwan-Guangdong-Fujian is fueled by the ability of the overseas Chinese to understand, utilize, and exploit guanxi (connections or networks), the predominant mode of getting anything done in mainland China. More often than not, guanxi includes bribery, backroom and insider dealings, and other forms of corruption that have become pandemic in China. Because of their language and cultural affinities, not to mention kinship ties, ethnic Chinese are better able than non-Chinese to develop guanxi--and thus to do business in China.[6]

At the 1995 Asia-Pacific economic summit, China stole the limelight by agreeing to cut its tariffs 30 percent starting in 1996. This was good propaganda but essentially meaningless. Japan has consistently had the lowest level of tariffs among all the advanced industrial economies. China was merely playing to Anglo-American economic preoccupations. It knows that the English-speaking foreigners have not yet understood how *guanxi* works in China and that promises of tariff reductions will have no impact. For those who want to do business in China, there is no other way than to get a Chinese partner.

The answer to these problems, in the sense of helping to promote China’s economic development and yet preventing China’s predatory trade from provoking international conflict, is managed trade. All this means is the use of public policy to manage outcomes rather than procedures. It assumes that when private companies in different economic systems trade with and invest in each others economies, a mutually beneficial outcome cannot be assured merely through an agreement on rules. Managed trade is not nearly as uncommon as professional economists imply. In 1960, at the height of the Cold War, when

the United States began to trade with Poland, Romania, and Hungary, it set goals that these Leninist countries had to meet. The U.S. required that Polish imports from GATT countries rise 7 percent per year or else trade would be cut off. As Greg Mastel puts it,

The parallels between the challenges the GATT faced thirty-five years ago with Poland and the current challenge of integrating China are compelling. Both cases involve an apparent desire on the part of a non-market economy to move toward becoming a market economy, but with central planning systems still in place and functioning. . . . If China's accession agreement [to WTO] were to include both targets for increased imports from WTO members into China--perhaps tied to growth rates or other relevant economic factors--and also special safeguards, many potential economic problems could be addressed.[7]

The economic challenge of China will be the most difficult test not just for American foreign economic policy but for American foreign policy in general in the first quarter of the 21st century. Unfortunately, Americans still remain confused by the shift in the nature of power from military strength to economic and industrial strength. They tolerate and even applaud bloated, irrational defense budgets while doing nothing to rebuild and defend the industrial foundations of national security. It is not that the Americans are incapable of competing on this front. They actually have a good record of institutional innovation when they recognize that this is where the plane of competition lies. The problem is one of political leadership, mobilization of the country, appropriate staffing of the government, and redirection of the foreign affairs, defense, technological, and intelligence agencies to pay attention to Asia in general and to China in particular. Unfortunately, there is absolutely no sign that this is actually happening.

Sinocentrism

In the final analysis, we must look at China as a whole, rather than dwelling on its innumerable but hardly unprecedented problems of governance, territorial disputes, and economic development. We must remember that for at least two millennia China was the most advanced civilization in Asia, the source of writing, literature, religion, moral philosophy, aesthetics, and statecraft for places as diverse as Japan, Korea, and Vietnam. The Western concept of "international relations" was then and may once again be irrelevant for East Asia. Just as there is only one sun in the heavens, there was only one emperor on earth, or so the pre-modern Chinese supposed. The concept of a "community of nations" in which states at least attempt to treat each other as equals is utterly alien to the Chinese world view.

In imperial times, the Chinese expected their surrounding satellites to pay homage to their cultural achievements and continuity, in return for which these lesser entities were allowed to govern themselves more or less in accordance with their own derivations of Chinese precepts. Contact between China and its vassals took the form of missions or pilgrimages in which foreign emissaries came to China to acknowledge its centrality and politely listen to Chinese advice about how to manage their affairs. The most recent model of such a visit, from a Chinese point of view, was surely the mission of President Richard Nixon in 1972,

who conceded that there was only one China and that the United States had mistaken its revolution as being part of an expanding Soviet empire. The Sino-Soviet dispute of the 1950s through the 1980s, by contrast, arose above all because the USSR refused to play this Chinese game and insisted that China make pilgrimages to Moscow. Again, from a Chinese point of view, the fate of the USSR today is only just deserts for such “outer barbarians” who failed to listen to the wisdom of China and rashly acted on foreign ideas that undermined their society.

From approximately 1840 to 1940 China was almost completely removed from Asian intercultural relations, but from almost any historical perspective, this period was an aberration. China today is truly reentering the world scene. One of the major questions, perhaps the single most important question, of post-Cold War international relations is whether China contemplates a recreation of the old Sino-centric world in East Asia or whether it is willing to participate in international relations in accordance with concepts the Europeans first invented to govern their own relations. It is precisely this issue that lies at the heart of Samuel Huntington’s prediction that “international” relations after the Cold War will involve a clash of “civilizations.”

However, this is not just an abstract puzzle for historians and political scientists. It involves practical problems such as common efforts to control environmental degradation, the effects on oil prices of China’s industrialization, the maximum sustainable population in China and what might happen if China ever lost control over its people, and whether foreigners should help or boycott Chinese projects like the Three Gorges Dam on the Yangtze River. It is inevitable that the rest of the world will be negotiating with the Chinese over many future issues where values are likely to differ and where new strategies will be pursued by both sides. With China’s entering the automobile age, its demand for oil is soaring, which will put strong upward pressure on petroleum prices for everyone. At present China gets about 70 percent of its energy from coal, which the Chinese burn in huge power--generating furnaces that spew 15 million tons of sulfur dioxide into the atmosphere every year. At least half of the acid rain that falls on Japan is caused by Chinese industrial pollution. China needs to double its electric power generation in the next five years, and most of this will come from coal.

Many Americans object to China’s plans to build the world’s largest dam across the Yangtze River both because it will require the relocation of millions of people, which the Chinese government cannot afford to do, and because it may have environmental consequences that are not fully understood. And yet this dam also offers a way to get cheaper, cleaner energy in China. The project will go ahead whether American firms cooperate in building it or not. Similarly, Su Xiaokang, the Chinese film director (“River Elegy”) who is now in exile, warns that China’s population pressure has not just humanitarian but also political implications. After Tiananmen, Deng Xiaoping warned pro-democracy demonstrators in Hong Kong that if the Communist Party lost control over the population, a hundred million Chinese would immediately flood into Southeast Asia, with half a million arriving in Hong Kong overnight. Su foresees a day when China might provide governmental assistance to illegal emigrants and tacit approval to pirates and private militias raiding neighboring countries.

Americans who know nothing of China or its past visit Beijing and look at the walls of the Forbidden City without ever reflecting on what kind of a political philosophy lay behind those structures. Then they return to the U.S. and endlessly harp on China's cruelty in punishing criminals, its dirty air and water, its barrenness of trees and shrubbery, its willingness to coerce family members of dissidents in order to keep both the guilty and innocent in line, and its indifference to such things as the principles behind the Anglo-American legal system. Such criticisms of China, uninformed by either priorities or policy, are irrational, particularly given China's superpower status. One mark of a superpower is that it sets the agenda for global interaction and the more dependent states. The current example in this regard is certainly the United States, which constantly badgers other nations about their international responsibilities but does not pay its United Nations dues and does not allow its own "peacekeeping forces" to be placed under international controls. China, however, is not just an emerging superpower. China's own conception of what this entails does not match that forged in the Western world or codified by the U.S. and the USSR during the Cold War. China is East Asia's natural hegemon. That is the role it traditionally played, although it was briefly upstaged by Japan in the twentieth century. China will not necessarily adjust to the hegemonism of anyone else in the future, including either Japan or the United States or both; nor has it traditionally believed that an equitable and cooperative relationship among formally sovereign powers was possible.

Fearing these emerging realities, Western economists such as Paul Krugman try to exorcise them by arguing that East Asian growth in general and Chinese growth in particular are passing phenomena. Krugman says that East Asian wealth has been based on a mere mobilization of resources and devoting of all of them to growth at the expense of other considerations, rather than on increases in productivity. In his view East Asian growth resembles nothing so much as Stalin's forced-draft development of the USSR in the 1930s. He implies that the Western world need only wait for East Asian growth to peter out, just as Russia's did. Similarly, Eric Jones writes that, "We can see high growth in East Asia as a series of unrolling carpets. Successive countries unroll rather quickly, but each eventually slows." Nonetheless, in East Asia we still have the Philippines, the interior of China, Burma, Indochina, and North Korea waiting to unroll, to say nothing of the absolute size of what is now taking place on the coast of China and in Indonesia, with India also starting its development drive. What a purely economic approach fails to consider is that even if it is proved to be correct, the U.S. and Europe might long before have been eclipsed.

Odd Arne Westad, the head of research at the Norwegian Nobel Institute, believes that a Sino-centric system in Asia is plausible in light of the many complex forces that are already at play. These include China's discovery of the market, which is producing major social dislocations and uneven development among China's provinces. These centrifugal forces in turn generate demands for a strong, centralized state, which the Chinese military is both able and willing to provide if party power breaks down. Fearing encirclement by Japan and the United States, China will seek its own alliances. One likely candidate is a unified Korea, which like China remains deeply dissatisfied by Japan's wealth and by its pretensions to have been a "liberator" of Asia from foreign colonialism.

In Westad's view, China's inevitable rivals for preeminence in Asia are Japan and Indonesia. He believes it is possible that the Japanese will acquiesce in China's ascendancy but that Indonesia and its partners in ASEAN will never go along with such an arrangement. In pursuit of its own national security (perhaps also its ultimate ascendancy), China is devoting major resources to developing its military abilities to project power into the South China Sea and to ensure that Russia is never able to reimpose its suzerainty over Kazakhstan, Tajikistan, and Uzbekistan even though it is likely to try. In this view, East Asia in about the year 2050 is likely to have either a stable balance of power among China, Japan, and ASEAN or a Sino-centric system in Northeast Asia that is in competition with a Southeast Asian and Indian center of power that cooperates more than it does today with the Islamic world.

The problem for U.S. foreign policy in this context is to adjust to the rise of Chinese power. Obviously we must do everything feasible to turn it in a peaceful, nonhegemonic direction while not provoking worst-case crises over Chinese actions that are compatible with its superpower status. In the first instance, this means giving priority to China's steady capitalist growth while retaining appropriate restrictions on China's access to American markets and technologies. In order to achieve this goal, the United States must reorganize its outdated foreign policy apparatus. At the present time China policy is divided among the State Department, Department of Defense, Central Intelligence Agency, the U.S. Trade Representative's Office, Congress, and a host of lobbyists. As Donald Hellmann puts it,

In the Asia-Pacific region during the post-Cold War interregnum, the United States has not replaced the institutions and policies of the Cold War era, despite an obvious need for change. Rather than operating within a fresh, coherent, long-term strategy (either global or regional), United States policy toward Asia has moved from one specific issue to another on an agenda set not by policy initiative emanating from Washington, but as dictated by regional crises (e.g., North Korea, the Philippine bases), America's domestic political, economic, and budgetary considerations, or initiatives by other Asian-Pacific countries to create new opportunities for international cooperation.[8]

To overcome these conditions the United States would be wise to dismantle the National Security Council, recognizing that its Cold War functions are long past and transferring its current concerns with such issues as Somalia, Haiti, Rwanda, and Bosnia to the State Department. In its place a White House Office on East Asian Affairs should be established to ensure that developments in the region receive the constant and coordinated attention they require. Such an office, Glen Fukushima suggests, "would provide the expertise, continuity, and institutional memory that are prerequisites for the formulation and implementation of a comprehensive [East Asian] policy." It could also review and establish priorities for all other governmental initiatives toward China and Japan.

The challenge for the United States is to adjust to the rise of Chinese power without repeating the mistakes it made over the preceding century in adjusting to the rise of German, Japanese, and Russian power. If we repeat those past mistakes, we are certainly likely to see another war in East Asia, and it will not be one that the U.S. can win.

NOTES

[1.] Andrew C. Janos, "Modernization or Militarization: Germany and Russia as Great Powers," *German Society and Politics*, March 1996; and "What Was Communism? A Retrospective in Comparative Analysis," *Communist and Post-Communist Studies* 29:1 (March 1996).

[2.] From *Jingji lilun yu jingji guanli* (Economic Theory and Business Management) No. 1 (January 28, 1989), pp. 44-49; trans. JPRS-CAR-89-068 (July 3, 1989), pp. 36-42. My thanks to Edward Friedman for drawing my attention to this important article.

[3.] James P. Pinkerton (George Washington University), *Los Angeles Times*, December 16, 1994.

[4.] Wendell L. Willkie, II, "Why Does MFN Dominate America's China Policy?" *Heritage Lectures*, No. 486, March 29, 1994.

[5.] I am indebted to participants in the Conference on International Issues in the South China Sea, sponsored by the Norwegian Institute of International Affairs, Oslo, September 20, 1995, for many of these points.

[6.] Maria Hsia Chang, "Greater China and the Chinese 'Global Tribe,'" *Asian Survey* 35:10 (October 1995): 965.

[7.] Greg Mastel, *Trading with the Middle Kingdom* (Washington, DC: Economic Strategy Institute, 1995), pp. 43, 44.

[8.] Donald C. Hellmann, "America, APEC, and the Road Not Taken: International Leadership in the Post-Cold War Interregnum in the Asia-Pacific," National Bureau of Asian Research, *Analysis* 6:3 (November 1995):15.

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