

China in the New Millenium - Asian Great Power between Integration and Hegemonic Ambitions

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What is China's proper place in international politics? What role does China want to play in the world and how do its power aspirations translate into actual policies? What can we learn from China's policies regarding Taiwan, non-proliferation and international trade, about its commitment to play a greater, but responsible role in international politics?

These questions constituted the centre of a roundtable workshop jointly organised by the Herbert-Quandt-Foundation of the BMW AG of Munich and the Department of Political Science of the Albert-Ludwigs-University Freiburg held on October 13th, 2000 in Munich. The roundtable workshop brought together German specialists on China from academia, government, business and media. The workshop was divided into two major panels entitled "China in international politics", and "China as economic power". Given the variety of professional backgrounds of the participants, the assessments of China's actual policies and future policy options were quite diverse, thus stimulating lively debates.

Karl-Gottfried Kindermann of the Ludwig-Maximilians-University Munich focused his presentation on China's historical background and its experiences with Western powers to gain a better understanding of Peking's current policies in the international realm. The Chinese leadership had learned an important lesson from its historical experience: That it needed to maintain its autonomy and sovereignty and that playing a greater international role was a key instrument to realise this goal. According to Kindermann, China's

foreign policy, which often enough appeared quite contradictory to many observers, was shaped by the Chinese leadership's perception that its current political weight in international politics did not equal its cultural significance.

These perceptions found their expression in a propensity for "Realpolitik" and explicit activities to change the global power balance in its favour, while at the same time maintain the maximum level of autonomy. China was trying to shift the international system toward a multi-polar one, it tried to demonstrate strength in the United Nations' security council and to forge an anti-Western alliance with Russia to counterbalance the US. Its successes in pursuing these goals have, according to Kindermann, intensified China's self-perception and have led to an ever more self-conscious approach.

Although less historically oriented, the subsequent presentation by Frank Umbach of the Deutsche Gesellschaft für Auswärtige Politik in Berlin (German Society for Foreign Policy) seemed to confirm this assessment. Umbach dealt with China's security policy and its role in multilateral security regimes. He expressed his concern over the marked increase in China's military expenditures and its plans to modernise the armed forces – an issue that has become more important with the recently announced drastic rises in defense expenditures. China's foreign policy has to be seen as a result of the increased influence of the military leadership in the political realm. A series of domestic problems, most importantly related to its political transformation, has ultimately strengthened the military's role in the

domestic political process and has sped up China's modernisation of military equipment and an expansion of its nuclear weapons arsenal. These developments provide a background to China's aspirations for a greater role in the international community. Given the military's larger influence in the decision making process and the civilian leadership's inability to consolidate its position in the domestic power struggle, Umbach saw a pattern of non-cooperation in China's foreign policy emerging, which made it extremely difficult for China's neighbours to assess the motivation behind many activities, such as in the Spratly Islands. While Umbach regarded perspectives for China's compliance with international security regimes as rather bleak, most importantly the Non-Proliferation Treaty, its membership and integration in international and regional institutions such as the Asian Regional Forum, and the Missile Technology Control Regime (MTCR), would ultimately provide the necessary domestic political space to pursue badly needed domestic reforms. Umbach's point of departure were the hard facts of China's armament policies. Compared to the 1999 budget, the defence budget had increased remarkably, by 12,7 percent. The military leadership envisioned a complete modernisation of the Chinese military equipment: It would upgrade air force capabilities by purchasing Russian air fighters to achieve and maintain a strategic superiority in the sky. Such a move has been regarded by observers as a continued commitment to the invasion of Taiwan. The Chinese leadership has also developed plans to increase its

nuclear power arsenal and develop a strategic parity with Russia, reflecting its willingness to change the global military strategic balance. Unlike France and Britain, China has not voluntarily restricted its nuclear arsenal. Nor is it bound by an international treaty to limit its nuclear weapons. China's defence activities had hence given rise to security concerns on the part of China's neighbours India and Russia and induced a new round of military competition.

Kay Möller of the Stiftung Wissenschaft und Politik in Berlin focused on the question of political legitimacy to explain the Chinese leadership's difficulties in contributing to a solution of long-standing conflicts, especially the one with and over Taiwan, and analysed the likelihood of an internationally mediated solution. Möller argued that a solution of the Taiwan problem was not in sight: for both countries the conflict has features of a zero sum game. Key to any understanding of the nature of the problem is political legitimacy. The Chinese government's political legitimacy is deeply challenged by the democratic Taiwanese political regime. Any integration of China and Taiwan and be it in a loose political framework would ultimately bring to the fore the many political contradictions in China, while the very survival of the Taiwanese government depends on its autonomy. Faced with hardened positions of the Taiwanese government (the two states policy), China has begun a power play by consciously linking the Taiwan question to political questions in its bilateral relations with the US, especially in the area of non-proliferation and disarmament.

While China was far from realising its power aspirations with regard to Taiwan in a military way – it would take at least ten years to modernise the Chinese army – the unresolved China-Taiwan conflict continues to pose a security threat in Northeast Asia. Some of China's

neighbours are aligned to the US and would ultimately become involved in a military conflict. Moreover, an armed conflict would definitely threaten the regional status quo and the fragile regional power balance. Despite these common perceptions of China's immediate neighbours, neither Western states (the US and the EU) nor Asian states (Japan, South Korea, Southeast Asian) agree on a collective approach toward China and Taiwan, as their threat perceptions and economic interests vary widely.

Eberhard Sandschneider of the Centre for East Asian and China Studies of the Free University of Berlin presented his assessment of China's foreign policy in a paper entitled 'Chinese power play in the South China Sea: Peking on an expansion course?'. He saw clear indications that China aspires for greater political influence in the region and wants to become a regional power. He chose three areas to illustrate this argument: military policies, especially armament, the Spratly island conflict and the Taiwan question. The rise of Chinese military expenditures, its White Book on defence policy, the greater autonomy of action of the Chinese military in domestic politics, and China's test of nuclear weapons in May 1998 are all indicative of a China, which wants to demonstrate its political power ambitions. With regard to its military policy, China's security policy poses the question whether it would accept confidence and security building measures. Such a perspective gives rise to the question to what degree the Asian Regional Forum will be able to influence China's security policy.

In the case of the Spratly islands, the Chinese leadership has renewed its claims to the islands. Its policy has prompted reactions by the US government and neighbouring countries and has made a military escalation more likely. In the Taiwan conflict, where

China has acted more self-consciously in the past months, as well, a military escalation seems to have equally become more likely. Since the Taiwanese leadership has just changed, however, there were chances that the new leadership would try to pursue a diplomatic solution to the problem. Sandschneider expressed his general impression that economic globalisation creates a kind of adaptational pressure on the Chinese leadership leading to a slow but continuous move toward democratisation.

Rolf J. Langhammer of the Institute for World Economy at the Christian-Albrechts-University Kiel opened the second panel on China's economic potential. Departing from a very informative description of the preparations for China's WTO accession, Langhammer focused on the consequences and perspectives of China's membership to the World Trade Organization. Langhammer called China's WTO accession a 'quantum leap' for the international community, given the economic benefits and its significance for strengthening the WTO as such. As a consequence of China's WTO entry, Langhammer predicted great increases in China's exports (to 600 billion US\$ per year until 2005), an expansion of foreign direct investment to approximately 100 billion US\$, and a rise in productivity as a result of the better allocation of labour and capital. Langhammer also provided a differentiated picture of the benefits for China's trading partners. Industrialised countries would profit foremostly from lower tariff structures, which would lower the prices for imported Chinese products and increase the prices of industrialised countries' own export products. Developing countries' balance sheet would look less positive, as a greater share of Chinese products on the world market will ultimately compete with their products and exert some adaptational pressure on countries like

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India and Thailand to lower their prices (especially in the textile industry). These countries will, however, also benefit from a greater domestic demand in China.

The WTO, finally, would be strengthened, if other states insisted on a full implementation of WTO rules and used the arbitration mechanism of the organization. The WTO's monitoring and control mechanisms can stimulate reforms in the Chinese legal structure and lead to reforms with regard to state owned enterprises. Summing up his presentation, Langhammer argued that China's WTO accession ultimately strengthens China's role as an economic great power in East Asia. He predicted a shift in economic growth from Southeast Asia to Northeast Asia. Conflicts will primarily arise due to China's predictable adaptation problems in the legal area, which will ultimately provide a test for WTO arbitration mechanisms.

In his presentation, Markus Taube of the Gerhard-Mercator University Duisburg focused on the impact of the Asian crisis on China's economy ('After the Asian crisis: China's economy between boom and crisis'). He argued that China has escaped the disastrous effects of the Asian financial crises because one central transmission mechanism was missing: currency convertibility. Yet, the crisis affected the Chinese economy primarily via two ways: cross-border exchange of goods and direct investments. According to Taube, the Asian crisis led to a decrease in the capital stocks and assets, it had led to shift in relative price structures and intensified problems related to over

capacities. There is, however, a domestic reason for China's rapid deterioration in economic growth, especially the low level of domestic consumption. Despite this economic down turn, the latest economic data on China shows that the economy is in a rehabilitation phase. Gross domestic product increased by almost 1 percent in the first quarter of the year 2000, exports significantly rose from 16.2 percent (4th quarter 1999) to almost 40 percent (1st quarter 2000), and with the exception of mineral oil, prices declined.

Taube was sceptical, however, that China's economy would experience another 'boom'. First, investment activities are largely stimulated by governmental programs and have not developed an independent force and, second, the sharp increase in prices for mineral oil are likely to lead to rising price levels, too. Third, the flow of foreign direct investment is still below the level of previous years. Finally, China's WTO accession creates insecurities, which will equally affect economic growth. Taube's assessment of China's future development in the economic realm was ambivalent. On the one hand, he predicted that China's sensitivity concerning external shocks would rise due to the WTO accession. On the other hand, the Asian financial crisis has forged a remedy of 'weak points' enhancing the Chinese economies' ability to deal with external shocks in the future.

Despite the variety of issues discussed, and individual differences in viewpoints, the participants overwhelmingly agreed, that China's policies hint at a process in

which it has started to actively shape its international environment. The key variables, which ultimately seem to determine whether or not China will play a constructive and cooperative role in the future, appear to be domestic ones, especially the distribution of power among civilian and military policy-makers. One constant topic shaping debates in both panels was the Taiwan question. It turned out to be a prominent issue, because participants regard it as key to domestic reforms linked to China's democratic transformation and because the WTO accession of China poses new challenges to the status quo. The workshop benefited immensely from the ability of the two conveyors, Dr. Horst Teltschik, member of the board of directors of the Herbert-Quandt-Foundation, and Prof. Dr. Jürgen Rüländ of the University of Freiburg to moderate the workshop, structure the debates and shift the focus on those issues which were of central concern for all participants.