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- 44 Suettinger, *Beyond Tiananmen* (*op. cit.*), p.405.
- 45 *Ibid.*, p.399.
- 46 See the account in International Institute of Strategic Studies, *Strategic Survey 2000/2001* (London: Oxford University Press, 2001), pp.191–199.
- 47 Bob Woodward, *Bush at War* (New York: Simon and Schuster, 2002), p.340.
- 48 John Larkin, 'New Leader New Crisis', *Far Eastern Economic Review* (9 January 2003), pp.12–16.
- 49 For analysis, which also compares this with the review that was published after 9/11, see Harry Harding, 'Asia in American Grand Strategy: The Quadrennial Defense Review and the National Security Strategy' in Robert M. Hathaway and Wilson Lee (eds), *George W. Bush and Asia: A Midterm Assessment* (Washington, DC: Woodrow Wilson International Center for Scholars, 2003), pp.43–56.
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- 53 Lieberthal, 'The United States and Asia in 2001' (*op. cit.*), pp.1–13.
- 54 For a brief background, see International Institute of Strategic Studies, *Strategic Survey 2002/2003* (London: Oxford University Press, 2003), 'The Delicate Strategic Balance in South Asia', pp.205–219. See also Jay Solomon, 'South Asia: Trade Trumps War' *Far Eastern Economic Review* (15 January 2004), pp.14–17.
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- 57 Barry Desker, 'The Jemaah Islamiya Phenomenon in Singapore', *Contemporary Southeast Asia* 25, 3 (December 2003), pp.489–507.
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10 China

China's rising power and influence

In the period since the end of the Cold War, China has gone on to recover from the stigma attached to it after the Tiananmen massacre to emerge at the outset of the twenty-first century as the rising great power in Asia. It's booming economy has placed China at the centre of the economies of the region, and its deft diplomacy has transformed China into a proactive player that is shaping the new regionalism in East Asia. At the time of writing in early 2004, China is enjoying better relations simultaneously with the United States, all the regional great powers and all its neighbours than at any other time in modern history. There have been times when it has had better relations with one or more of these countries, but not with all of them at the same time.

Of course, China's international relations are not without their problems, and some of these could well emerge to weaken the country's current impressive position. These stem in part from domestic economic and political issues associated with its rapid economic growth and in part from international issues such as the long standing difficulties in managing relations with the United States, the sole superpower, and Japan, the principal regional rival. China could also be knocked off course by the eruption of the two regional 'hot-spots', Taiwan and North Korea. In other words, China's current international well-being may be less stable than it appears at first sight.

Nevertheless, contrary to the expectations of many inside and outside of China, the CPC (Communist Party of China) has shown few signs of collapsing. As a Leninist dictatorship the CPC has nonetheless presided over the transformation of the country from a command to a semi-market economy that is in most respects integrated into the global capitalist economy. In the process the CPC rule has gradually changed from a totalitarian one dominating all aspects of economy, society and culture to an authoritarian one that allows its citizens more freedom in their daily lives. Nevertheless, the CPC remains highly effective in suppressing any

manifestation of what it regards as organized opposition. Moreover, the dictatorial communist character of its political system is a factor in limiting China's capacity to be fully integrated into the international community. It also contributes to the difficulties in accommodating China's rising power in East Asia.

The process of economic reform and opening began some ten years earlier; however, the end of the Cold War contributed significantly in facilitating China's rise. It brought to an end the lingering Soviet threat, enabling China's leaders to feel for the first time in the forty years since the establishment of the PRC and indeed for the first time since the Opium Wars more than 150 years ago that the Chinese heartland was no longer under threat of invasion by a superior modern force. That alone provided China with new strategic latitude. The dissolution of the Soviet empire left China with a weakened Russia and three fragile new Central Asian states to its north and west, instead of the still formidable might of the Soviet Union. Similarly, the end of the deployment of the Soviet Pacific fleet in East Asian waters greatly reduced Chinese security concerns in maritime Southeast Asia especially.

The ending of the Cold War provided the Chinese with the opportunity to focus more single-mindedly on economic growth, economic reform and openness. As the ideological and physical barriers of the Cold War were lifted throughout the world, the process of globalization took off, especially in the economic sense of increasing the tempo of the internationalization of the chains of production, the movement of financial capital and the rapid spread of the information revolution. The new acceleration of globalization could not have been better timed to suit the new approach of China's communist leaders.¹ The core of the legacy of Deng Xiaoping was to emphasize economic development and opening to the international economy as the means to facilitate high economic growth rates, which he saw as the key to ensuring the survival of CPC rule. Not only were Chinese rulers able to benefit from a more peaceful international environment, but also their dash for growth coincided with developments within the region and the world at large, which eased China's path. Interestingly, for a leadership that continued to be highly sensitive to challenges to what was seen as its 'sovereignty', economic globalization was not seen by the government as a threat to China's independence, even though the issue was controversial within the country.² The majority of leaders welcomed it as necessary for the country's rapid economic development and modernization. Sovereignty tended to be seen in more political and strategic terms. In the mid-1990s, before China's leaders had accommodated themselves to American global pre-eminence, they claimed that growing 'economic globalization and political multi-polarity' shaped international developments.³

China also became integrated into multilateral regional institutions. Indeed, one of the reasons for their emergence at this time was the interest of neighbours in trying to engage China and encourage it to accept the norms of cooperative behaviour that characterized relations among members of ASEAN. In this way it was hoped to mitigate the fears that some neighbours had about the possible adverse effects of a rising China. China's rulers responded positively, and before too long they became active themselves in promoting new forms of multilateralism in Central Asia and in advancing concepts of cooperative security in Southeast Asia. By the turn of the century the Chinese economy had become central to the regional economy as a whole. By this point China's rulers recognized that the world was not becoming multipolar and they accepted that the United States would remain the only global power for the foreseeable future. Official Chinese statements stopped calling for the replacement of America's alliances in the region as relics from the Cold War. That proved reassuring to neighbours who saw them as sources of stability in the region. China's rulers were then better able to translate their new found economic significance into new forms of association that had profound implications for the international relations of the region.

More broadly, from the mid-1990s onwards, China signed up to a large number of international agreements and treaties that went beyond the merely self-serving to include those that also confined its freedom of action and obliged it to bring its domestic legislation and practices into accordance with the relevant international rules. These ranged from the fields of arms control and anti-proliferation agreements to human rights conventions, as well as economic ones, for example, that arose from accession to the World Trade Organization (WTO). China was becoming a fully paid up member of the international community in terms of participation in international organizations and acceptance of international norms.⁴ In this period, China's attitude towards multilateral institutions proceeded from wariness and suspicion in the wake of Tiananmen of their being instruments of American interests to regarding them in the mid-1990s as more neutral bodies that can express international rules that could under certain circumstances constrain even the United States. Finally, by the turn of the twenty-first century, China's leaders and diplomats had begun to see multilateral institutions as offering prospects for the promotion of Chinese interests by accommodating the perspectives of others.

However, not all the new trends of the post-Cold War period worked to the advantage of China's rulers. In particular, Beijing opposed the tendency of Western countries and the United States in particular to arrogate to themselves the right to intervene in sovereign states to prevent established governments from slaughtering their citizens, or engaging in

ethnic cleansing. That tendency elevated the right of humanitarian intervention over state sovereignty and non-intervention. It also drew attention to the serial violations of human rights and the poor treatment of minorities by China's rulers. The democratization of Taiwan (which has been seen as part of an international 'third wave' of democratization) has also changed the modalities of the Taiwan problem in at least two major respects that have increased the difficulties of the PRC. First, Beijing has had to deal with a democratically elected government whose legitimacy is derived from the people, who have shown no interest in unifying with the Chinese mainland on terms acceptable to China's communist rulers. Second, Beijing has found that the democratization of Taiwan has intensified the support the island receives from within the United States – greatly complicating China's pivotal relations with the sole superpower.

The consequences of 9/11, however, may be said to have worked in China's favour, due in no small degree to the deftness of Chinese diplomacy. Since then China has been regarded as a 'partner' by the Bush administration in the war against terrorism, rather than as a potential 'strategic competitor', as had been the case earlier that year. Both sides have attested to an exchange of intelligence and China has also been credited with making effective attempts to prevent money laundering and the dispersion of funds to finance terrorists. China has also beefed up its laws to prevent the export of WMD and related technologies. For its part, the US has publicly identified by name an organization operating in Xinjiang as a terrorist outfit allegedly responsible for many deaths, thereby giving credence to Beijing's claims that its suppression of Uighurs (ethnic Muslims) is part of the struggle against international terrorism. Even though Beijing has had to acquiesce in a significant American deployment of forces in Central Asia and in a greater American activism in Southeast Asia targeted at terrorists active in the region, its leaders have been able to increase China's presence in both sub-regions. By focusing on the mutual benefits of the country's more active economic role in the region, China's leaders have been able to strengthen ties and develop something of a leadership role. It is one that no longer seeks to displace the Americans, but rather to gather strength as the US concentrates on more traditional security roles and on combating terror. Moreover, it is one that has enabled China's leaders to play the role of facilitator in encouraging multilateral talks to diffuse the problem of North Korea. It is a role much appreciated by the American side.

By the beginning of the twenty-first century China had emerged as a major driver of the East Asian economies and as a leading player in the more cooperative patterns of relations that were developing in the region as a whole. The evolution of China's role in the Asia-Pacific from being the pariah of Tiananmen to one of economic and diplomatic

leadership in the region is best followed chronologically, while not neglecting thematic questions.

Recovery from the Tiananmen disaster, 1989–1993

The Chinese authorities recovered from the Tiananmen disaster and the subsequent unexpected collapse of the communist regimes in Eastern Europe and the demise of the motherland of communism, the Soviet Union, by focusing on economic development at home and by cultivating ties with Asian neighbours as they waited for the tide of Western ostracism to retreat. But they did so over a two to three year period, and not without heated debate at home. The initial reaction of the majority of the communist leaders was to draw down the shutters against what was depicted as a Western campaign to undermine the communist system by a process of what was called 'peaceful evolution'. That was traced way back to the avowedly anti-communist secretary of state of the 1950s, John Foster Dulles. The Western emphasis on human rights was seen very much as part of that campaign. It may be recalled that China's leaders (unlike their Soviet counterparts) had been spared such criticism during the 1960s and 1970s, when the most egregious violations of human rights took place. Only towards the end of the 1980s did Western human rights organizations begin to target China. The initial reaction of China's leaders was to see the raising of human rights issues as unwarranted interference in China's domestic affairs. After Tiananmen the human rights question was seen as part of alleged attempts by Westerners to undermine communist rule. The more conservative or leftist leaders who were now in the majority held Deng Xiaoping personally responsible for the Tiananmen disaster, for having pressed the reforms too fast and for having chosen unreliable successors in the persons of Hu Yaobang and Zhao Ziyang. As Deng lost some of his political standing the conservative/leftist leaders sought to slow down the reforms and reduce the opening to the outside. Matters were only settled in the early spring of 1992 when Deng Xiaoping made a 'southern tour', in which he made a series of speeches that had the effect of swinging the country away from leftist conservatism and towards rapid economic growth and deeper integration with the international (capitalist) economy.⁵

Deng, who had ostensibly stepped down from all his formal posts in 1989, after Tiananmen, used his informal position as core leader to ram home the message that the real danger to Communist Party rule would be a failure to deliver on the economy. It was simply unacceptable to return to Soviet-style economics (even of a reformed kind) and blame the disorders of Tiananmen on 'bourgeois liberalization' as a product of the reform

process and the opening to the West. One of the major reasons for the collapse of the Soviet Union, he and his supporters argued, was the failure of its economy to respond to the needs of its people. The 88-year-old Deng argued that the principal danger to China came not from economic reformers, but from the leftists and their ideological conservatism. Thereafter, Deng's agenda of economic reform and opening was not seriously challenged again. With careful management by his successors, that agenda provided the avenue through which China was to emerge into a position of respect and leadership in the region a decade later. There was, however, a third item on his agenda, the insistence on 'stability' as provided by the Communist Party's retention of the monopoly of power. This effectively put an end to any further serious consideration being given to political as opposed to economic reform. Arguably, the preservation of party power was the core of his legacy and Jiang Zemin linked support for the party and its leaders to the upholding of patriotism. The legitimacy of party rule became based on the provision of economic growth and patriotism. Monopolistic rule by the Communist Party ostensibly provided the platform on which the country could focus on economic goals, and it also prevented the many new sources of social conflict that were being generated by the rapid pace of economic and social changes from overwhelming public order. But at the same time the refusal to engage in serious political reform obstructed the emergence of a civil society with a plurality of groups and organizations that would facilitate tackling many of the new problems arising from economic disparities, corruption, etc., and would also help in holding officials to account. The lack of political reform increased the difficulties of integrating China into a world where human rights issues and transparency about communicable diseases and other matters were becoming more important.

The Tiananmen massacre, however, gave China's rulers the opportunity to take greater note of the significant roles their neighbours could play in China's foreign relations. As China became an international pariah and the object of sanctions by the United States, the European Union and the Group of Seven (as it then was), it was noticeable that China's Asian neighbours refrained from joining the chorus of condemnation. Not only were they wary of Western-led 'interference' in the internal affairs of third world countries, but they were especially concerned about the consequences of isolating China. They did not wish to see China once again withdraw into itself, with its leaders fearful and suspicious of the outside world and its people shut off from the world. Having seen the benefits to their own security and well-being of a more outwardly engaged China in the 1980s, they had much to fear from a return to the containment of the 1950s and 1960s. Additionally, whatever the views of Western countries

about the benefits of the possible collapse of China's communist regime, China's neighbours knew that the possible breakdown of the Chinese state and the attendant chaos and misery would bring those living within reach of China nothing but trouble and economic hardship. This has long been the view in Japan, and it became evident after Tiananmen that most of China's Asian neighbours took the same view as they sought to develop relations with the giant country rather than join the Western countries in imposing sanctions.

Furthermore, China had become a key player in the resolution of the Cambodian conflict, and it was this that prompted President Suharto of Indonesia to recognize China in 1990 (having long refused to do so because of China's alleged involvement in the failed 1965 coup). Singapore soon followed suit. Japan also made it clear in the G-7 that it was reluctant to impose sanctions in the first place, and it was instrumental in lifting the embargo on loans soon after. For their part China's leaders, perhaps for the first time, recognized the contribution that the region could make to China's diplomacy and economy. Foreign Minister Qian Qichen began to reach out to neighbouring countries on the ostensible grounds of 'China's traditional friendship'.

The new approach had its origins in diplomacy towards the countries to the north. Beijing confined its misgivings about Gorbachev and subsequently Yeltsin for their part in the collapse of communism and the Soviet Union to domestic audiences only. Externally, China's leaders pursued a diplomatically 'correct' course towards Russia and the other (new) members of the Commonwealth of Independent States (CIS), especially in Central Asia. They showed their new sense of 'responsibility' by not trying to take immediate advantage of their unexpected strategic opportunities. Far from seeing an exposed and vulnerable Mongolia as ripe for a revision of the past wrong, when according to official Chinese histories it was unjustly separated from China by traitorous monks and by foreign interference at the end of the Qing Empire, China's leaders immediately reaffirmed their recognition of its independence and territorial integrity. China's top state leaders visited the bereft Republic of Mongolia in quick succession within a month of the demise of its great protector, the Soviet Union. The border negotiations, which had begun with Gorbachev's Soviet Union, were continued with Russia and the three adjacent Central Asian states in a multilateral setting, as Moscow still had the key documents and the foreign ministries of the new states were staffed with former diplomats of the Soviet Union. It made sense to work collectively. Meanwhile, China worked assiduously to resolve problems left over from the previous relationship with the Soviet Union in an effort to smooth relations and open borders for trade, and to get the agreement of the adjacent

states to clamp down on Uighurs from Xinjiang engaged in separatist activities. Flexibility was also displayed by the Chinese in the management of border matters with India and Vietnam. Without their Soviet ally, each now sought better relations with China. The Chinese adopted a more neutral position on Kashmir and it no longer openly challenged Indian dominance of South Asia.⁶

China's leaders proved adept at using their country's standing as a great power to break through the isolation imposed by sanctions. In 1990 the British prime minister, John Major, had to go to Beijing and meet with Premier Li Peng (who had declared martial law prior to the massacre in Tiananmen Square), in order to reach an agreement on Hong Kong's new airport that was deemed essential for the future of the territory prior to its return to Chinese sovereignty in 1997. In November 1990, in return for not vetoing a UN resolution authorizing an attack on Iraq for annexing Kuwait by force, China's foreign minister, Qian Qichen, was invited to the White House in November 1990 to meet President Bush, who in any event was only too pleased to note a strategic rationale for improving relations.⁷ South Korea also sought to reach across to China in the hope of breaking the impasse imposed by the legacy of the Cold War and of bringing more pressure to bear on North Korea to be more accommodating to the South. Unofficial economic relations were established, building on the informal economic links established in the late 1980s between ethnic Koreans in China's northeast and South Korea. A breakthrough was reached in 1992, when China recognized South Korea and indicated that it would not try to block its entry into the United Nations, thus forcing the hand of the North, who had no other supporter.⁸ China was not going to allow supposed ideological affinities to stand in the way of the pursuit of its national interests. That also signalled to the rest of the region that China did not see itself as the leader of the remnant communist world and that it had no intention of establishing a fraternal entity of communist states in the region.

Most of the East Asian countries were seeking to draw China into the pattern of multilateral relations of the region so as to socialize the country into accepting a pattern of relations that had helped the diverse countries to avoid conflict, respect each others interests and contribute to shoring up their respective statehoods. ASEAN in particular was keen to establish what was called a pattern of 'constructive engagement', so as to inculcate in its leaders something of the 'ASEAN Way'. Despite the fact that (or perhaps because) China had passed a law in 1992 defining its sovereign territory as all of its maritime claims, including the Spratly Islands (claimed or in whole or in part by five others, including Taiwan), ASEAN was keen to develop consultative relations with the giant country.⁹ Efforts in that regard were begun between the two sides in 1993, and in July that

year the Chinese foreign minister joined with those of ASEAN, its seven dialogue partners, its three who enjoyed observer status and Russia in agreeing to inaugurate the ASEAN Regional Forum as a vehicle for addressing regional security issues.¹⁰ Earlier, in August 1991, China had been admitted into APEC alongside Hong Kong (which technically was still under British authority) and Taiwan (under the name of Chinese Taipei). This was indicative of Beijing's readiness to present a soft and responsible image abroad, despite the hardness of domestic politics in the aftermath of Tiananmen.

Within two to three years of the Tiananmen disaster China had established good working relations with nearly all its neighbours. As seen from China, these relations were valuable in themselves for stabilizing the immediate external environment at a time of internal political vulnerability, and they were also useful as a counter to what was seen as the American-led campaign to contain and punish the Chinese regime. China's neighbours, in turn, were keen to engage their giant neighbour in constructive relations, given the uncertainties of the years immediately following the end of the Cold War. These developments proved to be the genesis of a concerted regional policy by China.

From enmity to 'partnership': relations with the US during the Clinton administration, 1992–2000

Notwithstanding the gains the Chinese had achieved in relations with their neighbours, the relationship with the United States was the principal issue in China's foreign policy. From a geopolitical perspective the United States was by far the dominant player in China's region and, now that the Soviet Union had dissolved, it was evident that China could not develop what was in effect an export-led economic strategy in the teeth of American opposition. Yet it was difficult to cultivate cooperative relations with a country that seemed bent on challenging China's political system. Additionally, many of China's elite were convinced that the United States was opposed to the rise of China because it threatened to reduce or even displace American power and influence in the region. This view was reinforced by the perceptions that, despite its absolute strength, the US was in relative decline as a superpower and that it was being restrained by the emergence of a more multipolar world. It was generally thought that the American interest in preventing Beijing from unifying Taiwan was to keep China divided and hence limit its capacity to emerge as a truly great power.¹¹ Most Chinese entertained ambivalent attitudes towards America: the United States was admired as providing the yardstick against which to measure China's progress and relative power, but it was also feared for allegedly blocking

China's rise and for seeking to impose its own political values on China. As far as the military were concerned, their ability to bring credible coercive power to bear on Taiwan to prevent it from declaring independence required the capacity to inflict sufficient damage on any American naval forces that might intervene so as to keep them at bay. Likewise, the only country that could degrade the deterrent capabilities of China's nuclear forces was the United States. Finally, it was the United States that dominated the sea lanes and key trade routes, on which the Chinese economy increasingly depended. Yet, from an economic perspective, it was essential to retain cooperative relations with the US. Not only was it China's largest market and source of advanced technology, but it also provided the public goods in the region and more broadly in the wider world, from which China's economy benefited. This was well understood by Deng Xiaoping, who famously cautioned his successors against openly challenging the US and charged them in foreign affairs: 'Observe the development soberly, maintain our position, meet the challenge, hide our capacities, bide our time, remain free of ambitions, and never claim leadership.'¹²

Tiananmen continued to cast a long shadow over China's relations with the United States, even as a slow recovery from the nadir of 4 June 1989 took place during the Bush administration. Although it helped that Bush himself sought to restore amicable relations, it did not alter the fact that most of China's leaders regarded the US as an ideological adversary, whose general policy in the world was inimical to the interests of China (as these were understood by China's communist leaders). They regarded the American policy of criticizing the pursuit of its Tiananmen enemies as a human rights issue as a continuing attempt to destabilize Communist Party rule and to undermine the stability of the country. Similarly, they characterized the economic sanctions endorsed by the president in the same vein – even though these were considerably milder than what Congress had had in mind. The Chinese abstention on the UN vote on Iraq was less an endorsement of the American position than an unwillingness to stand alone in blocking action against Iraq at the UN Security Council. In fact, the Chinese came closer to the Russian position of seeking to find a negotiated settlement. In the event, the Chinese were taken aback by the display of awesome American power and the ease with which its revolution in military affairs enabled the US to achieve a rapid victory. The Iraqi armed forces were in many ways equipped with more advanced Soviet weapons than those available to the Chinese themselves. The Gulf War revealed to China's leaders how far behind they were and how vulnerable they had become to American power. The Chinese military changed their whole concept of modern warfare as a result and they began to conduct new types of military exercises, with the US regarded by most as the expected enemy.¹³

By 1992, however, the Chinese felt surer about their domestic political recovery and, as was noted previously, Deng Xiaoping had swung the main driver of Chinese politics early that year away from a leftist preoccupation with the threat of 'peaceful evolution' from the West towards a policy of going all out for economic growth and opening to the outside. The US too had begun to shift away from the shocked reaction to Tiananmen. The agenda of Sino-American relations began to be dictated by battles over the question of tying in the annual extension of normal trade conditions (technically known as Most Favoured Nation treatment – MFN) to China's human rights performance. Congress determined that, in the event of Beijing's failure to satisfy the US on specific matters of human rights, it would revoke MFN. President Bush was able to veto the proposed bill every year, as there was not a sufficient majority to override the veto. But it meant that every year the Chinese government found what it saw as its legitimate domestic security concerns subject to political battles in Washington, with the threat of what it saw as economic blackmail. Additionally, the US also objected to China's sales of missiles and its proliferation of weapons of mass destruction (WMD) to Pakistan and to what later were termed 'rogue states'. Another issue was the growing American concern about the infringement of intellectual property rights. From the perspective of China's rulers, most of the American concerns focused on China's internal affairs, and the human rights question in particular related to issues that went to the heart of the preservation of the Chinese communist system itself. The final year of the Bush administration also raised afresh the problem of Taiwan. For reasons of domestic electoral politics, President Bush announced in August 1992 that he would sanction the sale of 150 F-16 military aircraft to Taiwan. In China this was seen as a violation of the 17 August 1982 agreement that limited the quality of arms sales that the US could sell to Taiwan. More significantly, the sale of the F-16s coupled with the agreement of the US to press for Taiwan's admission to the GATT and the increased seniority of the Taiwanese allowed to visit the US, persuaded China's leaders that the US had shifted its policy toward Taiwan. 'Henceforward, no arms sales would go untested, no visit unprotested, no hint of change in the procedures for US-Taiwan relations unchallenged.'¹⁴

With the advent of the Clinton administration, from a Chinese perspective things went from bad to worse. First, President Clinton endorsed the approach by Congress of making the granting of MFN in 1994 conditional on China's performance in a number of areas, including human rights. Second, Anthony Lake, Clinton's national security adviser, declared that the broad objective for the foreign policy of the new administration was to be the 'enlargement of democracy and of free trade'.¹⁵

That could only bring more pressure to bear on China's communist rulers. Although they might have been expected to have fewer misgivings about the enlargement of free trade, they were less pleased that free trade was presented as an instrument for promoting democracy. The Chinese reaction was to stonewall on the demands of the White House and the State Department, while seeking to cultivate American economic interests, including major corporations, business groups and even the Department of Commerce. As the Chinese government dug in its heels and pressure mounted from business interests, coupled with arguments that overall relations with China should not be held hostage to a single issue such as human rights, Clinton gave way and formally de-linked MFN from other matters.¹⁶

Although China's economic relations with the United States were expanding rapidly, these too raised many problems. There was a growing American deficit in trade with China, which climbed from US\$13 billion in 1992 to US\$34 billion in 1995.¹⁷ The American market was the single largest one for China's exports, and Chinese imports from America of advanced technology, including supercomputers and aircraft, were very important for upgrading China's technological capacities. Americans complained about problems of access to the Chinese market and China's failure to implement its own laws on safeguarding intellectual property rights. The US Congress complained about the growing trade deficit as supposedly based on unfair Chinese trading practices and the use of prison labour. Meanwhile, the administration placed restrictions on the sale of military sensitive technology to China and threatened economic sanctions because of Chinese proliferation of missiles and nuclear technology which it sold to Pakistan and certain countries in the Middle East. The Chinese, for their part, complained of these American restrictions and tended to claim that they could look to the Europeans to supply much of the technology and equipment being denied to them by the American government, while also pointing out to American business corporations their intention to provide better access to their European competitors to the potentialities of China's huge domestic market. These disputes might have mattered less had there been leadership on both sides of the Pacific that was attentive to the broader significance of Sino-American relations.

It took the crisis over Taiwan of 1995–1996 to concentrate the attention of both sets of leaders. The Taiwan question had become even more important to Beijing in the wake of Tiananmen when so much emphasis was placed on patriotism to bolster the legitimacy of communist rule. Not only had the issue of unification acquired greater salience, but the American attitude had become more suspect, as it was thought to have a stronger motive in maintaining Taiwan's separation from the mainland so

as to keep China divided. Beijing had reacted warily to the beginnings of democratization in Taiwan in the late 1980s and early 1990s, but not with undue alarm as, for example, it did not attempt to prevent Taiwan's accession to APEC, insisting only on the nomenclature of 'Chinese Taipei'. There was even a point at which Beijing's 'unofficial' representative met Taipei's equivalent in Singapore in 1993. But increasingly Lee Teng-hui, the leader of Taiwan, was seen as moving Taiwan away from China and towards independence, both in domestic and external policies. As Jiang Zemin consolidated his position as successor to Deng Xiaoping, who by this time was incapacitated by advanced age, he issued an eight point statement on Taiwan in January 1994 that expressed concern at what were seen as growing separatist tendencies, emphasized the centrality of the 'One China Principle', called for broader economic and other exchanges and asserted that Beijing sought peaceful reunification, reserving the use of force to prevent the separation of the island from the mainland and against foreign interference. The eight points were designed ostensibly to open the way to talks and to show that he was investing his prestige and personal political capital in the exercise. But Lee Teng-hui in effect rebuffed him three months later. That rebuff and Lee's whole position in widening the distance from the mainland were made possible, in the view of Beijing, only because of the connivance of the Americans, who were seen as not living up to their commitments on the 'One China policy'.¹⁸ The American neglect of China's commitment to Taiwan may also be seen as a consequence of the ending of the Cold War, after which the US no longer needed China as a strategic ally against the Soviet Union.

Objecting to a visit made in June 1995 by President Lee Teng-hui of Taiwan to his *alma mater*, Cornell University, where he made a highly political speech, the Chinese decided that they had to show both Clinton and Lee that matters had gone too far and that they could bring pressure to bear on both. They responded the following month by conducting military exercises opposite Taiwan that simulated an invasion, and by firing some six missiles into the sea some eighty-five miles north of Taiwan. Notwithstanding a working summit between presidents Clinton and Jiang in New York in October, Sino-American relations did not greatly improve and in late November – one week before parliamentary elections in Taiwan – the Chinese launched even more intensive military exercises opposite Taiwan, coupled with a propaganda barrage to ram home the message that the People's Liberation Army was capable and prepared to prevent Taiwan from moving towards independence. The PLA threats arguably (at least as seen in Beijing) influenced the results of the elections, as the pro-unification New Party gained marginally and the pro-independence Democratic Progressive Party did not make as many

gains as expected. Emboldened by the effect on Taiwan and by America's less than robust response, the PLA, whose influence on decision making on Taiwan appeared to have grown, went even further in seeking to intimidate Taiwan in the lead-up to the first ever presidential elections on 23 March 1996. Three missiles were launched within thirty miles of the island's main ports in the north and the south on 8 March. Washington responded by announcing the dispatch of two nuclear aircraft carrier-led battle groups, one to be located off the east coast of Taiwan and the other off the Philippines. Together they constituted the largest deployment of naval forces in the Pacific since the Vietnam War. The PLA, as scheduled, continued its large military exercises off the coast opposite Taiwan, but launched only one more missile. This time, however, the Taiwan electorate responded adversely to Beijing's attempted intimidation: the defiant Lee Teng-hui won with a majority larger than expected and the two candidates favouring closer ties with the PRC polled only 25 percent between them.¹⁹

Beijing, of course, claimed success for its tactics, suggesting that they had also persuaded Washington to cut back its alleged support for Lee's drive towards independence. But the PLA military exercises had ended ingloriously and Lee had gained strength from them. Tellingly, Beijing has not repeated such direct attempts at intimidation. While Washington may have been made more attentive to the importance of the Taiwan issue for Beijing, it was also true that the US had been drawn into demonstrating an explicit and effective commitment to defend Taiwan with a capacity to operate off China's shores with impunity. Additionally, China's bellicosity gave credence to more people in the US and even among China's neighbours to the idea that China could be a 'threat'. This was also the year (1995) in which the Philippines found that China had secretly established installations on Mischief Reef, barely 120 miles from the Filipino coast, giving rise to accusations of creeping assertiveness by the Chinese. Being unable to afford the loss of support of neighbours, the Chinese government for the first time agreed that the question of the South China Sea could be discussed collectively with ASEAN. Even though the Chinese insisted that they would only deal with disputed claims over sovereignty on a bilateral basis, this was a significant breakthrough for ASEAN. Although Beijing agreed to treat the smaller neighbours collectively at this juncture from a position of relative diplomatic weakness, this was in the end to pay dividends. At this point, however, Beijing found once again that by making procedural concessions to its neighbours it could draw on them as a kind of balance against the US.

Stemming from the new strategic review (the Nye Review) of January 1995 and independently of the Taiwan crisis, the United States and Japan

had agreed to upgrade their alliance to ensure that Japan would not find itself unprepared to help its US ally as it was in the Gulf War. The agreement to do so, in the form of new guidelines that allowed Japan to provide logistic support for American forces engaged in combat, was announced by the leaders of the two sides in April. China's firing of missiles in the seas near Taiwan only a month earlier in particular, as those in the north were not too far from the most southerly of Japan's islands, created an adverse reaction in Japan that helped smooth the way for the signing of the accord in 1996 with the US. The Chinese reaction was predictably critical, especially as the Japanese would not exclude Taiwan from the area in which potential logistic support might be granted. Thus the regional consequences of China's attempt to intimidate Taiwan were largely adverse, at least in the short term.²⁰

One favourable consequence of the Taiwan crisis from Beijing's point of view was that it encouraged both America and China to develop regular lines of communication at the highest levels. This did not mean that their long standing disputes over intellectual property rights, proliferation, human rights, trade, etc. did not continue to affect relations, but the stage was set for the holding of reciprocal state visits between Presidents Jiang and Clinton, which duly took place in October 1997 in the US and the following year in China. They took place amid the pomp and splendour favoured by the Chinese president. Clinton's visit to China in June 1998 in particular marked a highpoint in the relationship. It was the first time that an American president had gone there without taking the opportunity to stop over in any other country, and it was the longest overseas trip by Clinton during his presidency (nine days). China's leaders were highly praised for not having devalued their currency during the Asian financial crisis. This was seen as a major contribution to helping to stabilize matters. In truth the Chinese had simply followed their own economic and trading interests in not devaluing. China's leader was delighted to be treated as a partner by Clinton, not only in being praised over the financial crisis while the Japanese (hitherto America's mainstay ally in Asia) were openly disparaged, but also as a fellow guardian of the world's nuclear safety when they issued a joint condemnation of the Indian nuclear tests. Indeed, the joint Sino-American communique spoke of the two as 'working toward a strategic partnership' – repeating the phrase first made in their summit the previous year. Clinton also became the first president to say publicly that America did not support Taiwanese membership of international organizations for which sovereignty was a requisite for membership. This had been stated before, but what drew the ire of the Taiwanese was that he said it in the PRC and that he seemed to be drawing unduly close to Beijing.²¹

This high point of Sino-American concord had hardly survived the drying of the ink of the communique when domestic developments in the two countries showed that there was insufficient depth of support to sustain such a lofty characterization of the relationship. China's rulers moved systematically to crush the fledgling China Democracy Party, which they regarded as an unacceptable organized challenge to communist party rule that had been encouraged if not instigated by Clinton's visit. This outraged human rights groups and their supporters in Congress and embarrassed the White House. Meanwhile, reports emerged in the US of illegal Chinese contributions to the electoral funds of the Democratic Party, and Congressman Cox began a formal investigation into allegations of Chinese spying in the US. The idea of China as a strategic partner came in for much criticism.

To correct what appeared to be a downward spiral in their relations, the Clinton administration pressed the Chinese side to make a special effort to join the WTO in the interests of enhancing their relations. The newly appointed Premier Zhu Rongji was receptive to this, partly in order to provide a lift to the economy in the wake of the Asian financial crisis and, more importantly, as a measure to enhance the reform process in China. The premier visited the US in April 1999, and he brought a package deal with him including nearly all the concessions the American side had hoped for. But once again the domestic problems on each side that have continually got in the way of attempts by the two sets of leaders to consolidate good relations came into play. President Clinton was worried that Congress would block the agreement because of its failure to provide protection for labour unions and manufacturers.

Although Premier Zhu had the support of President Jiang, antipathy towards America was growing in the leadership because of the American-led NATO intervention in former Yugoslavia that lacked a UN mandate and was based on the post-Cold War view in the West that 'human rights trump state sovereignty' and involved NATO in 'out of area' action. The concern was that China itself might one day become a target in, say, Tibet or Xinjiang. Clinton's rejection of Zhu's offer and the publication of it on the internet (showing which sectors in China would be vulnerable) made Zhu 'lose face' and, even worse, exposed him to criticism back home. Public sentiment had also turned against the US. Two years earlier a highly popular book, *The China That Can Say No*, gave expression to this and it was followed up by more considered 'New Left' publications that objected to globalization as Americanization. Although Clinton reversed his position before Zhu's departure, letting it be known that he would accept after all, the damage had been done and it was too late.²²

At this sensitive juncture in the relationship, the US Air Force, which had been bombing selected targets in Serbia as part of the NATO strategy of compelling its government to stop its ethnic cleansing in Kosovo, accidentally bombed the Chinese embassy in Belgrade in May. This provided a turning point as much nationalist anger was turned against the American embassy in Beijing and American consulates elsewhere. Li Peng and the then-minister of defence, Chi Haotian, publicly called on people to vent their ire against 'the common enemy' (the US). Tempers had barely cooled before Lee Teng-hui claimed in an interview broadcast internationally that Taiwan was already in effect independent and that therefore cross-strait relations were in a position of being 'a state-to-state relationship, or at least a special state-to-state relationship'. Beijing reacted with strident military rhetoric and looked to Washington to bring pressure to bear on Lee, which it duly did, while still stressing its 'One China policy'.²³

A difficult summer then ensued in China, involving divisions among intellectuals and the public at large as well as the top leadership on how to treat the US and how to engage the broader world. What has been called the liberal view, which sought to enhance China's great power status through improved economic performance, reform and engagement with the international economy, prevailed. But it was a kind of 'liberalism with Chinese characteristics', as it entailed the suppression of all perceived organized opposition to Communist Party rule from religious groups, to democrats, trade unionists and even leftist publications. By the autumn Jiang had restored his authority and, recognizing entry into the WTO as an opportunity to enhance China's standing as a great power as well as to promote the reform process at home, Jiang was receptive to a Clinton request to resume negotiations. On 15 November an agreement was reached on the terms by which America would support China's entry to the WTO. That was the major hurdle to joining, although there still remained tough negotiations with the EU before the final obstacles were cleared, so that China and Taiwan (as a customs territory) became members at the end of the year.

Despite China's entry to the WTO and the burgeoning economic, educational and social ties between China and the United States, relations between the two countries continued to be subject to rapid fluctuations of amity and enmity. In part this related to the differences between their political systems and to clashes of values. For example, Beijing's vicious suppression of the semi-Buddhist sect, the Falun Gong, which attracted a large following for many who had lost out in the reform process and for whom the sect provided succour, raised the ire of both the human rights section of the Democratic Party and the Christian fundamentalist wing of the Republican Party in joint opposition. But as seen by Jiang Zemin, the

Falun Gong was a pernicious religious cult led by a dangerous man who resided in the US, whose followers had penetrated into the Communist Party and which constituted a threat to political and social order. But problems also arose because of disagreements over Taiwan, especially now that it had become a democracy, and, more broadly, because of differences in the respective national interests between China and the US.

These problems reflected not only differences of interest between the two sides, but also the persistence of divergent opinions among their respective elites about their relations and the lack of solid support for consolidating the relationship within their respective societies. On the American side, Jim Mann has argued that relations have been conducted by a relatively small elite without the backing (and sometimes without the knowledge) of the broader public.²⁴ Put differently, successive presidents have failed to explain their China policies in ways that have captured the public imagination. On the Chinese side, as we have seen, there is a long standing mixture of admiration and resentment of America as the world's leading power that stands at the forefront of modernity, which can be a positive force for China's own modernization, while simultaneously being the main obstacle to China's rise as a great power. The relationship with the US is frequently a part of domestic political arguments and conflicts of interest over the character and pace of reform. So that in China too, attitudes and policies towards the United States are subject to swings and fluctuations.

China's regional multilateral diplomacy, 1995–2003

Although China had become a member of several regional multilateral organizations before this date, 1995 may be seen as an important turning point marking the time when Chinese diplomacy became more active, as opposed to being for the most part reactive to the initiatives of others. Although China had become a member of APEC in 1991 and was a founder member of the ASEAN Regional Forum in 1994, it was only in 1995 that the Chinese formally agreed that issues of the South China Sea could be discussed on a collective basis with ASEAN. This was also the year in which the Philippines discovered that the Chinese had been secretly building structures on Mischief Reef, an atoll only some 120 miles from the Filipino coast. The significance of the meeting with the ASEAN group as a whole is that China gave up its relative advantage as the regional great power of dealing with these smaller states separately one by one. Undoubtedly, the Chinese did so because they did not want their south-eastern neighbours to line up with the US against them in view of the

Taiwan crisis. But the critical point was that, as a result, the Chinese began to pay more attention to their views and the Chinese have been careful since then not to repeat the Mischief Reef land grab elsewhere in the Spratly Islands chain. Moreover the Chinese Ministry of Foreign Affairs began to use the multilateral institutions of the region to diffuse the fear of China as a threat, to consolidate friendly relations, and to strengthen China's role as a leading economic power in the region.

To be sure, China had joined a great number of international organizations and signed up to a number of important binding international agreements since the new policies began in 1978. In the 1980s these were primarily key economic organizations from whose membership China benefited greatly at minimal cost to itself. But they had the effect of bringing many of China's domestic economic practices into greater conformity with current international custom.²⁵ China also signed up to several arms control agreements and treaties in the early 1990s that imposed restrictions upon its behaviour, such as the Nuclear Proliferation Treaty (1992) and the Comprehensive Test Ban Treaty (1996); more generally, with the exception of transfers to Pakistan, China's observance of norms regarding arms control and proliferation has been 'no worse than that of other major powers [since the early 1990s]'.²⁶ Later in the 1990s China also signed the two main UN conventions on human rights.²⁷ China also began to send personnel to participate in UN peace keeping operations.²⁸ In short China was becoming a participant in many of the international institutions and practices, as befitted a country that sought recognition as a responsible great power.

However, China's new activism in regional institutions was of a more significant character. It constituted an attempt to shape a regional order in accordance with China's interests and interestingly, for a country with little experience of multilateral diplomacy in institutional settings, it was an attempt to do so with due regard to the interests of the smaller countries of the region. Even more interestingly, it was an attempt to do so while simultaneously seeking accommodations with the great powers of the region, Japan, India and Russia.

As ever, the question of the United States loomed large. For a good part of the 1990s the Chinese appeared to think that the world was tending towards a multipolar structure that would act as a counter-balance to the power of the United States (the sole surviving superpower). But by 1999, after heated debates within the country, the Chinese had reconciled themselves to the fact that a multipolar system was not going to emerge anytime soon and that, far from sinking into relative decline, the US had actually gained in comprehensive strength compared to the rest of the world and the gap between the US and the rest of the world was growing still wider.²⁹

They also found that they could not rely on the various partnerships that they had established with other big powers to help them manoeuvre against the United States. As a result China's leaders moved from trying to use regional multilateralism as a means of reducing American influence to using it as a means to strengthen the Chinese presence, not in overt competition with the United States, but rather as a growing influence alongside that of the Americans.³⁰

In 1997 China's leaders had articulated what they regarded as a 'New Security Concept' based on cooperative and coordinated security. This is a pattern of security appropriate for countries that are neither allies nor adversaries. Indeed, it is part of the agreed objective of the ARF itself, as spelt out in 1995, that this would be achieved in three stages, beginning with CBMs before moving on to preventive diplomacy and concluding with conflict resolution – or as the Chinese insisted it be formulated, 'approaches to solving conflict'. However, such an ordered approach was not part of the new Chinese proposal, the details of which were left rather vague beyond the encouragement of more CBMs. Indeed, it is widely held within the ARF that the reason that the Forum has not proceeded from the first stage of CBMs to the second stage of preventive diplomacy is due to the Chinese dragging their feet. But the Chinese initially insisted that their new concept, unlike the American military alliances, was well suited to what they said was the new post-Cold War environment, characterized by 'peace and development'. The American alliances were said to be remnants from a previous era and indicative of a Cold War mentality. These views were put to the Southeast Asians in particular. In Northeast Asia too, the Chinese looked forward to the removal of American forces in South Korea. They expected that they would end up exercising predominant influence on the Korean peninsula in due course. Meanwhile they encouraged negotiations between the North and the US in the expectation that these would result in the acceptance of the coexistence of both Koreas, with Chinese influence growing in both.³¹ The US–Japan alliance was in some respects more troubling, because it had been re-invigorated so as to allow the Japanese to play a more active role in the region. Nevertheless, the alliance was still preferable to the alternative of a Japan that was let loose to develop independent security policies. But once the Chinese accepted that they were stuck with a unipolar United States for the foreseeable future, they stopped harassing the Southeast Asians on this issue, recognizing that they had found ways of securing various arrangements with the US as a means of hedging against China. Indeed, the Chinese accepted that the Southeast Asians preferred to engage all the great powers, including also Japan, Russia and India, so as to maximize the manoeuvrability against each. One advantage to the Chinese was that they

were less feared under such circumstances, making their growing influence in the region more acceptable.

China's leaders skilfully improved their position and their reception by the Southeast Asians by focusing on the economic dimensions of regionalism. Building on the framework of the ASEAN Plus Three (APT), involving the ten ASEAN countries plus China, South Korea and Japan, the Chinese presented their booming economy that was attracting more imports from the other twelve as an opportunity for their economies rather than as a threat. The fear in Southeast Asia was that by attracting foreign investment away from ASEAN countries and by making substantial inroads into their key foreign markets, such as the EU and the US, China posed too strong a challenge to their well-being. But Chinese diplomacy dwelt on the positive dimensions of their economic relations. In 2001 Premier Zhu Rongji proposed that a China–ASEAN free trade agreement be reached over a ten year period. As far as South Korea and Japan were concerned, the Chinese side was able to point out that by 2001/2002 China had become a bigger market for South Korea than the US and that the Chinese economic locomotive was providing a boost for even the sluggish Japanese economy. It mattered little at this stage that the magnitude of Chinese investment in and total trade with most of these countries was way below that of the United States and Japan. It spurred Japan to respond with its own (bilateral) free trade agreements (FTAs) and to develop its own institutionalized relationship with ASEAN. What mattered from a Chinese perspective was that the country had largely shed its previous image as a vaguely threatening outsider and had assumed that of an active and fast growing partner.³² After negotiations that lasted more than three years, the Chinese also agreed with the ASEAN countries the Declaration on the Conduct of Parties in the South China Sea, by which the resident states undertook to resolve territorial and jurisdictional disputes by peaceful means and to refrain from inhabiting presently uninhabited islands. They also agreed to develop more CBMs and to explore further possibilities for cooperative activities, bilaterally or multilaterally. China, which was already a signatory to the Southeast Asia Nuclear Free Zone, took an additional step in demonstrating its commitment to meeting the interests of its ASEAN partners by formally adhering to ASEAN's 1976 Treaty of Amity and Concord that set out a code of conduct for the region based on the sanctity of national sovereignty.³³ If the Chinese had formally acceded to all the norms of regional inter-state conduct that the Southeast Asians claimed determined their relations, the Chinese in turn could now claim that they had been fully accepted as partners. Clearly, they had less to fear of ASEAN countries adopting

measures with others that would be detrimental to Chinese interests. China had gained by cooperation far more than it could have expected to from its previous policy of open hostility to the US. It was far less likely, for example, that ASEAN states would provide assistance to the US in the event of Sino-American conflict over Taiwan.

Perhaps the most notable multilateral initiative undertaken by the Chinese government was in Central Asia. The Chinese were able to build on the previous experience of the incremental process of accommodation over force reductions and border agreements, begun in the last years of the Soviet Union and completed in the early to mid-1990s with the successor states, Russia and the three Central Asian states that bordered China. They first formed an arrangement with those four countries in 1994 that was to become, seven years later, the Shanghai Cooperation Organisation (SCO). Embodying elements of cooperative security, the SCO went beyond these to include a joint pledge to oppose 'the three evils' of separatism, terrorism and Islamic extremism. In this way Chinese security interests in Xinjiang were linked with an endorsement together with Russia of the regimes and the territorial integrity of Kazakhstan, Kyrgyzstan and Tajikistan.³⁴ This was a region in which Chinese influence had been minimal in modern times and where Russian residual power was still very great. Indeed, the Russians have established a security mechanism of their own involving CIS states, by which they are committed to come to the defence of whoever among them has been subject to attack. That may be seen as a genuine provision for security, unlike China's more nebulous concept of cooperative security. Most of the railway networks and lines of communication linked up with Russia and, even as the Russian economic capabilities decayed, the greatest economic beneficiaries were the Europeans. Moreover, it was far from certain that China would be able to negotiate and to build pipelines anytime soon that would give it access to oil or gas from Central Asia. Distances were great, the costs and difficulties were enormous and the Chinese were competing against stronger pressures from the West and elsewhere to build other pipelines.³⁵ Nevertheless, the Chinese attached much of their prestige to the SCO, which was named after a Chinese city, had headquarters located in China and was mainly staffed by Chinese. Several military exercises have been held under its auspices. As the most successful economy of the region, China is hoping to use its local economy there to good advantage. The SCO is China's principal point of entry into Central Asia and China is keen to build on it, despite China's relative lack of power and influence in the region.

The effects of 9/11

The Bush administration came into office determined to take a tougher line on China, which it saw as a rising peer competitor. But even before 9/11, it had modified its approach somewhat as a result of the so-called 'EP-3 incident' off the coast of southern China in April, involving a lumbering propeller-driven intelligence-gathering American plane and a Chinese jet that was buzzing it. The American crew were detained for eleven days and the ensuing diplomatic exchanges resulted in a muted American apology that led to their release. Paradoxically, the incident increased the respect that each side had for the other. Nevertheless, the following month the Bush administration announced a substantial increase in the quantity and quality of the weapons systems it intended to sell to Taiwan for its self-defence. President Bush added for good measure a major shift in US doctrine in an interview, saying that he would do 'whatever it takes' to help Taiwan defend itself. Hitherto the US position of 'strategic ambiguity' had left open the degree of support that would be rendered to Taiwan so as to prevent that from being tested by either side.

The eleventh of September was immediately seen as a catalyst for change by both sides. The immediacy of the Chinese response by which President Jiang telephoned his sympathy and support to President Bush that very day was unprecedented. Similarly, his willingness to give way on his right as host to turn over much of the agenda of the APEC meeting in Shanghai in October to meet Bush's anti-terrorist purposes was also much appreciated by the American side. The Chinese were seen as partners in the war against terrorism as they helped persuade the president of Pakistan to accede to the American demands for assistance in the war against the Taliban and Al Qaeda in Afghanistan. They also began to share intelligence. The Chinese found a wider audience beyond the members of the SCO for their claim that the opposition to their rule in Xinjiang was also terroristic and was linked with external terrorist groups. The following year the State Department declared that the East Turkistan Islamic Movement was indeed a terrorist group. The announcement coincided with the promulgation in Beijing of detailed laws prohibiting proliferation of WMD and related technology. Both may be seen as signifying the closeness that had developed between the two sides.

The Chinese authorities seemed to acquiesce as American forces established a significant presence in Central Asia and strengthened their ties in Southeast Asia, notably in combating terrorism in Indonesia and the Philippines. Indeed, the Chinese side went so far as to offer to rescue American pilots downed in the South China Sea. Although it may have seemed that China's strategic situation had worsened, China's leaders

appeared to calculate that their interests had not been greatly damaged. The bases used by the Americans in Central Asia were not near China's borders, and in any case the Russians, who were more immediately affected, did not contest them. It was not felt in Beijing that the SCO had been rendered ineffective. Its organization was strengthened and a number of joint military exercises were conducted with adjoining countries. The Chinese also found their commitment to stability in the region, as registered in their sponsorship of the SCO, useful in persuading the Asia Development Bank to provide loans for extending railway lines and upgrading roads to link Xinjiang with Central Asia. The Chinese side was also active in promoting cross-border economic relations. As for Southeast Asia, the Chinese appeared satisfied that the increased American involvement was confined largely to the question of opposing terror and that it was not an obstacle to China's enhancement of its relations with ASEAN.

The one country with whom there was a degree of competition and rivalry was Japan rather than the United States. The Chinese official press duly noted adversely the dispatch of Japanese naval ships for the first time into the Indian Ocean to provide logistic support for the United States in the war against Afghanistan in 2001/2002 and then in the war against Iraq in 2003. There was also a considerable sense of rivalry with Japan in the Chinese courtship of ASEAN. The Chinese objected to Japanese proposals to assist with its coastguard in combating piracy and in carrying out joint rescue operations in the South China Sea. Similarly, new Chinese arrangements with ASEAN over economics and aspects of cooperative security were countered by Japanese attempts to establish free trade agreements with select ASEAN countries and by an agreement to establish a security community with ASEAN. The Chinese did little to discourage the perception in the region that Japan was a waning economic power whose regional significance was being replaced by China.³⁶ However, both sets of leaders expended much effort into damage limitation in their bilateral relations so as to minimize the adverse effects of the various damaging incidents that seemed continually to arise. Perceptions of the other in their two societies tended to become increasingly adverse. Opinion polls in Japan showed a rising concern about China, while popular nationalism in China was ever ready to express virulent opposition to apparent Japanese misdeeds.³⁷

Yet even the Japanese government expressed appreciation for the way that the Chinese government used its new found influence to help diffuse an increasingly dangerous situation through its active diplomacy over North Korea. The Clinton administration had claimed that Beijing had played a useful role behind the scenes in pressing Pyongyang to negotiate the 1994 Framework Agreement that brought to an end the first nuclear crisis over North Korea. As that agreement broke down amid

mutual recriminations between the North Korean regime and the Bush administration in 2001/2002, the North admitted in October 2002 that it had been working for some time on a nuclear programme based on enriched uranium in addition to the one based on plutonium, which had been the only one known to the world outside. That admission, which was soon withdrawn, at once heightened tensions and brought the Chinese more openly into the picture. The impasse that had developed meanwhile between North Korea and the United States over procedural as well as substantive matters was broken with the intercession of the Chinese. First they brought the two protagonists together in Beijing in April 2003. Then at the insistence of the Americans, the Chinese widened the negotiations to include Russia, South Korea and Japan for the next stage of the negotiations chaired by the Chinese in Beijing in October that year. The Chinese, who were the main suppliers of Pyongyang's energy needs, persuaded the North to attend and they acted as unofficial intermediaries between the North and the US in seeking to determine the terms under which the six would meet again under China's auspices in Beijing.³⁸

China's interests, of course, were by no means altruistic, but there was enough of an overlap with those of the United States and of the other regional states to enable it to play its role with some effectiveness. In particular, all were agreed on the desirability of a denuclearized Korean peninsula and China's interests in stabilizing North-South relations were acceptable to the other parties, even though there was an element in the Bush administration that favoured regime change on the grounds that it did not believe that the North would ever give up its nuclear weapons or its nuclear programme. But the Bush administration was already over-committed elsewhere, notably in Iraq, to the extent that it did not want another armed conflict, especially in Korea, where the costs and uncertainties could be extraordinarily high. Hence it welcomed the intercession of the Chinese.

China's peaceful rise?

Following the relatively smooth and untroubled succession from the third to the fourth generation of leaders that took place at the Sixteenth Party Congress in November 2002 and was confirmed at the National People's Congress in March 2003, a school of thought began to develop in China that the country's rise as a great power could be peaceful. Indeed it was a theme explicitly endorsed by the Chinese prime minister, Wen Jiabao, during his visit to the United States in December 2003.³⁹ It was claimed that China's emergence as a great power within its region and as an important player on the world stage need not repeat the historical pattern where

such developments have led to major wars. Now that China's leaders have accommodated themselves to American pre-eminence as the sole super-power and they recognize that far from declining, the gap between it and a potential competitor or coalition of competitors is growing, they are said to be learning to live within a unipolar system. It is a system that has allowed and facilitated China's economic growth and rising power. It is also one that has allowed China 'space' to become an economic locomotive for its region and to become a regional leader. American dominance also ensures that there will be no wars between the great powers of the region. In short, China has what has been called a period of a strategic opportunity in which it can focus on the domestic tasks of economic growth and transformation, while being assured of a peaceful international environment that is conducive to its growing economic significance in the world.

There are of course many domestic economic, social and political developments that could de-rail the seemingly inexorable growth of the Chinese economy. These include, for example, a possible financial crisis and a possibility that social discontent with the huge inequities and corruption inherent in the system could reach levels that could no longer be contained. Similarly, there is rigidity in the communist system of rule that erodes its capacity to govern this fast changing society.⁴⁰ However, to explore China's domestic problems is to go beyond the scope of this book. Similarly, there may be sudden changes in the international system that could upset the benign character of the international setting in which the Chinese now find themselves. But to speculate about these would also be inappropriate here.

There are, however, at least two dimensions of China's present stance towards the outside world that could dramatically damage the benign prognosis that many foresee for China in the years immediately ahead. The first concerns Taiwan and the second, the character of China's communist system. Of these Taiwan is the most significant, as China's leaders have raised the stakes so high as to place their entire enterprise in jeopardy.

Put succinctly, the insistence by China's rulers that Taiwan should have no other future except to unite with the mainland and their determination to use force to prevent it from becoming formally independent are detrimental to their stated objectives of stressing the economy and openness. Taiwan exercises *de facto* independence and as a result of democratization it is increasingly asserting its own political identity. Its people have no desire to unite with a Chinese mainland that is ruled by a communist dictatorship and the time is long gone when their fate could be decided without their consent. In this regard they are protected by the United States. The protection of the United States is conditional, rather than

absolute. Essentially the American position is that it looks forward to a peaceful settlement between the two sides and that until such time it does not support formal independence for Taiwan and it also opposes the use of force by the Chinese mainland. This situation, of neither independence nor forced unification, has been described by President Bush (the younger) as the *status quo*.

China's leaders claim that China is incomplete without Taiwan. It is seen as the final reminder of the century of shame and humiliation when bits of China's periphery were detached by aggressive foreigners, and their recovery is essential for the restitution of China's dignity and standing as a great power. Indeed it is sometimes claimed that if Taiwan were not united with the mainland, others with separatist claims in Tibet, Xinjiang and possibly elsewhere would be emboldened to break up the Chinese state. Some leaders suspect that the United States stands in the way of unification precisely to keep China disunited and in an inferior position. The main focus for the modernization of China's armed forces is the task of recovering Taiwan. That is the rationale for spending so much money on buying advanced Russian arms. The Chinese military is the main domestic beneficiary of China's Taiwan policy, as it is argued that without a credible military threat there would be nothing to stop the forces promoting independence on Taiwan from succeeding. The military, therefore, has become the principal institution that consistently demands taking a tough stand on Taiwan, and it also insists on the need to prepare to overcome American naval forces that may come to the aid of Taiwan.

That has various adverse consequences for the domestic and foreign policies that China's leaders are pledged to pursue. The readiness to use force (albeit in what the Chinese consider to be a domestic matter) creates apprehension elsewhere in the region. The targeting of the US by the Chinese military necessarily complicates relations with America. The interdependence of the Chinese and Taiwan economies means that China would incur enormous costs if it were to resort to the use of force, and the effect in the region as a whole would be very great too. Meanwhile China pays a heavy diplomatic price internationally for its single-minded focus on continually insisting that others deny Taiwan and its leaders what might be called normal courtesies. Finally, China has lost control over the conduct of cross-Strait relations. It is left in the position of having to react to the dynamics of domestic Taiwanese politics and of having to rely upon the United States to curb what Beijing chooses to regard as unacceptable provocations. Each time a leader on Taiwan is perceived by Beijing to be making changes in Taiwanese politics that portend a movement away from unification and towards independence, China's leaders react adversely. But to be effective in gaining the attention

of Washington they have to raise the prospect of a military attack on the island. Similarly, if they were to try to persuade the people of Taiwan that their leaders were taking them in too dangerous a direction, they would have to truly frighten them. So far their attempts to do so have had the contrary effect of increasing the support for those local leaders, while giving the impression that the leaders in Beijing are nothing but bullies. The position of Beijing might be improved if it was able to offer the people of Taiwan a concept of a 'One China' that they might find attractive. But so far China's leaders have failed to do so. The best that China's leaders can hope for is that events may allow them to keep the Taiwan issue low on their agenda. After all, a self-governing Taiwan has not prevented China from all the successes it has achieved since embarking on the road of economic modernization in 1978.⁴¹

China's communist system also acts as an obstacle to completing China's successful integration as a leading power in the region. As President Clinton famously told President Jiang Zemin at their summit meeting in 1998, he was on the 'wrong side of history'.⁴² In other words, in a more globalized and globalizing world, the trend was towards democracy and respect for human rights had become a universal concern that transcended state boundaries. Because of their country's size and power, China's rulers may well continue to be in a position where they can deny their workers trade union rights, suppress ruthlessly any perceived organized opposition from avowed democrats to religious groups of various kinds, suffocate their ethnic and religious minorities and place themselves above the law, but they can hardly claim the international leadership and respect they desire. Even within the region where China is accorded respect because of its weight, history and growing economic significance, its dictatorial communist system counts against it. A reminder of the communist regime's cavalier disregard for legal norms even of its own making was provided in April 2004, when it used its so-called 'right of re-interpretation' of the Basic Law (Hong Kong's mini-constitution) to change the process of broadening democracy in the Special Administrative Region so as to allow Beijing to determine in advance whether there is 'a need' for change. The actual text of the Basic Law allowed for Beijing to have a say in the matter only at the end of the process, after the Region had itself proposed change and the resulting measures had been debated and passed through the proper institutions of the Region. Evidently, its fear of democratization is so great that Beijing has been willing to weaken the 'high autonomy' promised to Hong Kong, despite its clear understanding that its actions could damage its standing with Western countries and weaken still further the already low appeal that its proposed formula of 'one country, two systems' enjoys in Taiwan. Actions of this sort only serve

to raise still higher the barrier for achieving reconciliation with Japan and to reduce still further the minority of people in Taiwan attracted to the idea of unification.⁴³

Furthermore it militates against deepening cooperation with others in line with what the Chinese have proposed as their 'New Security Concept'. It is one thing to carry out a variety of confidence building measures, but it is quite another to take that further towards a pattern in which governments work together to achieve certain goals and to overcome problems in common. Cooperation of a more enduring kind 'occurs when actors adjust their behaviour to the actual or anticipated preferences of others, through a process of policy coordination. Policy coordination in turn implies that the policies of each state have been adjusted to reduce their negative consequences for others.'⁴⁴ A similar point is made differently in the observation that 'intergovernmental cooperation takes place when the policies actually followed by one government are regarded by its partners as facilitating the realization of their own objectives, as the result of a process of policy coordination'.⁴⁵ The secrecy inherent in a communist system precludes that.

However, these systemic problems do not mean that conflict and problematic relations within the Asia-Pacific region need necessarily attend China's rise. China has established a workable relationship with the United States based on the recognition that, despite their differences and occasional conflicts of interest, the two states share a common commitment to preserving the international order in this region from which they both benefit greatly. China has also developed non-adversarial relations with the other regional great powers, including Japan, Russia and India. Economic exchanges are growing, giving each an increasing stake in ensuring that their continuing competition is channelled in less belligerent ways than in the past. Efforts are also made to institutionalize exchanges of a multi-layered kind, from regular meetings of leaders, ministers and military personnel to enhancing social, cultural and educational interchange. China has also developed relations with smaller neighbours through multilateral institutions that are seen as mutually beneficial not only in economic terms, but also in terms of establishing codes of conduct in the region that do not threaten the core interests of smaller states. China's approach is seen as sustaining the sovereignty and governance of states that regard themselves as vulnerable on both counts. Now that the Chinese side has accommodated itself to continuing American pre-eminence in the region, China's neighbours no longer feel pressed to reduce their security links with the US. Beyond that American global pre-eminence has provided a context in which the major powers of Asia (China, Japan, Russia and India) can engage each other in complex

patterns of cooperation and conflict without fear of major war. Thus it seems that China's rulers see the region as multi-tiered and multi-layered so that a number of economic, political and security relationships can coexist without necessarily threatening each other. In other words, China's rise need not necessarily be at the expense of others, and the American hegemon can accommodate that rise.

Now that China has established workable and cooperative relations with its neighbours (even including the difficult one with Japan) there is little in its international environment (other than the question of Taiwan) that could obstruct its 'peaceful rise'. The main obstacle is domestic rather than external. The legitimacy of the regime and its capacity to sustain social order depends on the country's economic performance. China's leaders claim that they need a continual rise of the GNP by around 7 percent a year to meet the country's needs and sustain social stability. However, there is no economy in history that has enjoyed uninterrupted growth over the long term. The question as to how the regime would survive any significant economic setback remains to be answered. The country faces deep fault lines in the economy and society, and so far the regime has not yet addressed the need for significant reforms of the ruling communist party to be responsive to the more complex society that has emerged.⁴⁶ The danger is that, faced with the prospect of domestic discontent, China's rulers might turn to nationalism or 'patriotism' to meet its legitimacy deficits. That would then increase the likelihood of the use of force across the Taiwan Strait that would be highly damaging not only to Taiwan, but also to the US and China itself. It would risk unsettling China's neighbours and dissipating all the advances made in the ten years since 1995.

A more positive vision of China's rise, therefore, is conditional on there not being a major disruption within China and on Chinese nationalism (or 'patriotism') being held in check. A self-confident nationalism would be one that did not dwell on China's victimization by others in modern history and that would recognize that achieving a reconciliation with Japan was not just a question of requiring the Japanese to admit their guilt for past brutalities and aggression; it would also be one that finally would recognize the need to find ways of making unification attractive to the people of Taiwan. That would also make for a more benign relationship with the United States, which would not then regard the continuing rise of China as a challenge to its own pre-eminence.

Notes

- 1 See Banning Garret, 'China Faces, Debates the Contradictions of Globalization', *Asian Survey* XLI, 3 (May/June 2001), pp.209–427.
- 2 See the discussion in Joseph Fewsmith, *China Since Tiananmen* (Cambridge: Cambridge University Press, 2001), ch.7, pp.190–220.
- 3 Key phrases stressed in both the Fourteenth and Fifteenth Party Congresses of October 1992 and September 1997.
- 4 For an assessment, see Evan Medeiros and M. Taylor Fravel, 'China's New Diplomacy', *Foreign Affairs* 82, 6 (November/December 2003), pp.22–35.
- 5 Fewsmith, *China Since Tiananmen* (*op. cit.*), ch.2, pp.44–71.
- 6 For accounts of Sino-Russian relations, see Watanabe Koji, *Engaging Russia in Asia Pacific* (Tokyo: Japan Center for International Exchange, 1999); and Elizabeth Wishnick, 'Russia and China, Brothers Again?', *Asian Survey*, XLI, 5 (September/October 2001), pp.797–821. On Sino-Indian relations, see John W. Garver, *Protracted Contest: Sino-Indian Rivalry in the Twentieth Century* (Seattle: University of Washington Press, 2001) and Wahegura Pal Singh Sidhu and Jing-dong Yuan, *China and India: Cooperation or Conflict?* (Boulder: Lynn Rienner, 2003). For more details of China's treatment of Mongolia in 1991, see Michael Yahuda, 'The Changing Faces of Chinese Nationalism: The Dimensions of Statehood' in Michael Leifer (ed.), *Asian Nationalism* (London: Routledge, 2000), pp.30–31.
- 7 James Mann, *About Face: A History of America's Curious Relations with China, From Nixon to Clinton* (New York: Alfred A. Kopf, 1998), pp.249–250.
- 8 See Don Oberdorfer, *The Two Koreas* (Boston: Addison Wesley, 1997), ch.10, pp.229–248.
- 9 See Jusuf Wanadi, *Asia-Pacific After the Cold War* (Jakarta: Centre for Strategic and International Studies, 1996).
- 10 For an account of its origins and early development, see Michael Leifer, *The ASEAN Regional Forum*, (London: Oxford University Press, for the International Institute of Strategic Studies, Adelphi Papers no.302, 1996).
- 11 See the discussion of China's threat perceptions in David Shambaugh, *Modernizing China's Military* (Berkeley: University of California Press, 2002), ch.7, pp.284–327.
- 12 Originally directed against challenging Gorbachev on ideological grounds in 1991, but since cited by Chinese scholars to refer to foreign affairs more generally and the handling of the US particularly. See my chapter in David Shambaugh (ed.), *Deng Xiaoping: Portrait of a Chinese Statesman* (Oxford: Clarendon Press, 1995), p.156.
- 13 Shambaugh, *Modernizing China's Military* (*op. cit.*), p.69ff.
- 14 Robert L. Suettinger, *Beyond Tiananmen: The Politics of U.S.–China Relations, 1989–2000* (Washington, DC: The Brookings Institution, 2003), p.143.
- 15 Address by W. Anthony Lake on 17 May 1994 at the School for Advanced International Studies, Johns Hopkins University, Washington DC.
- 16 For an informed account, see Mann, *About Face* (*op. cit.*), ch.16, pp.292–314.
- 17 According to American figures. By 2003 it was to reach US\$120 billion.
- 18 For a succinct account of the two statements, see Alan D. Romberg, *Rein in at the Brink of the Precipice, American Policy Toward Taiwan and US–PRC Relations* (Washington, DC: Henry L. Stimson Center, 2003), pp.163–164.

- 19 This and the following paragraph rely heavily on Suettinger, *Beyond Tiananmen* (*op. cit.*), chs 6, 7; and on Romberg, *Rein in at the Brink of the Precipice* (*op. cit.*), pp.164–176.
- 20 For a more detailed account, see Reinhard Drifte, *Japan's Security Relations with China since 1989* (London: RoutledgeCurzon, 2003), pp.91–101.
- 21 For detailed analysis on which this and the subsequent two paragraphs are based, see Nancy Berkhopf Tucker, 'The Clinton Years: The Problem of Coherence' in Michel Oksenberg, Ramon H. Myers and David Shambaugh (eds), *Making China Policy* (Lanham, MD: Rowman and Littlefield, 2001), pp.59–69. For the disparagement of Japan, see Michael Yahuda, 'China: Incomplete Reforms' in Gerald Segal and David S.G. Goodman (eds), *Towards Recovery in Pacific Asia* (London: Routledge, 2000), p.91.
- 22 This and the next paragraph draw considerably on Fewsmith, *China Since Tiananmen* (*op. cit.*), ch.7, pp.190–220.
- 23 For details, see Romberg, *Rein in at the Brink of the Precipice* (*op. cit.*), pp.180–189.
- 24 Mann, *About Face* (*op. cit.*).
- 25 See Elizabeth Economy and Michel Oksenberg (eds), *China Joins the World: Progress and Prospects* (New York: Council on Foreign Affairs, 1999). See also William R. Feeney, 'China and the Multilateral Economic Institutions' in Samuel S. Kim (ed.), *China and the World* (Boulder: Westview Press, 4th edn, 1988), pp.239–263.
- 26 Alastair Iain Johnston, 'China's International Relations: The Political and Security Dimensions' in Samuel S. Kim (ed.), *The International Relations of Northeast Asia* (Lanham, MD: Rowman and Littlefield, 2003), p.70.
- 27 For an analysis of the significance of this, see Rosemary Foot, *Rights Beyond Borders* (Oxford: Oxford University Press, 2000).
- 28 Bates Gill, in a private communication, lists at least thirteen separate Chinese contributions to UN peacekeeping operations as of February 2003, the majority of which involved the dispatch of military observers.
- 29 See the discussion in Johnston, 'China's International Relations' (*op. cit.*), pp.65–100. See also the analysis of the Chinese strategic debate, David Finkelstein, *China Reconsiders its National Security: The Great Peace and Development Debate of 1999* (Alexandria, VA: CNA Corporation, 2000).
- 30 For an account of the developments that led to this new approach, see David Shambaugh, 'Power Shift: China and Asia's New Dynamics' in David Shambaugh (ed.), *China and the New Asian Landscape* (forthcoming).
- 31 See David Shambaugh, 'China and the Korean Peninsula: Playing for the Long Term', *Washington Quarterly* (Spring 2003), pp.43–56.
- 32 See Wang Gung Wu, 'China and Southeast Asia: The Context of a New Beginning' in Shambaugh (ed.), *Power Shift* (*op. cit.*).
- 33 The texts of these and other statements may be found on the ASEAN website, online at <http://www.asean.sec.org/home.htm>
- 34 See Robert S. Ross, 'The Geography of Peace: East Asia in the 21st Century', *International Security* 23, 4 (Spring 1999).
- 35 John Garver, 'China's Influence in Central Asia: Is It Increasing?' in Shambaugh (ed.), *Power Shift* (*op. cit.*).
- 36 For further details, see 'Japan's Naval Power: Responding to New Challenges', *Strategic Comments* 6, 8 (London: International Institute of Strategic Studies, September 2000); D. Kruger and M. Heibert, 'Battered but still on Top', *Far Eastern Economic Review* (24 January 2002), pp.24–25; and Michael Richardson, 'Japan Loses Clout as China Surges', *International Herald Tribune* (19 December 2001).
- 37 Peter Gries, *China's New Nationalism* (Berkeley: California University Press, 2003).
- 38 On the first crisis, see Oberdorfer, *The Two Koreas* (*op. cit.*), ch.13. On China's role in the Bush period, see 'The Koreas: Dangerous Defiance' in International Institute of Strategic Studies, *Strategic Survey 2002/2003* (Oxford: Oxford University Press, 2003), pp.194–209.
- 39 Wen Jiabao, 'Turning Your Eyes to China', online at http://english.peopledaily.com.cn./200312/12/eng20031212_130267.shtml (accessed 31 March 2004).
- 40 See Tony Saich, *Governance and Politics of China* (Basingstoke: Palgrave, 2001), especially ch.12, 'Challenges in the Twenty-First Century', pp.294–314.
- 41 The literature on the Taiwan issue is prodigious, but two recent books may be usefully consulted: Donald S. Zagoria (ed.), *Breaking the Taiwan Impasse* (Westport: Praeger, 2003); and Romberg, *Rein in at the Brink of the Precipice* (*op. cit.*).
- 42 See Tucker, 'The Clinton Years' (*op. cit.*), pp.60–61.
- 43 For accounts, see *Far Eastern Economic Review* (8 April 2004), pp.6, 11; (15 April 2004), p.24.
- 44 Helen. Milner, 'International Theories of Cooperation Among Nations: Strengths and Weaknesses', *World Politics* 44, 3 (1992).
- 45 Robert O. Keohane, *After Hegemony: Cooperation and Discord in the World Economy* (Princeton: Princeton University Press, 1984).
- 46 See the conclusions of Tony Saich, *Governance and Politics of China* (*op. cit.*), pp.310–314.