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"Modernization does represent a great new revolution. The aim of our revolution is to liberate and expand the productive forces."
~ Deng Xiaoping (1979)

Perhaps only Deng Xiaoping, the architect of China’s economic reforms, could have envisioned the size and scale of the productive forces that would be unleashed by China’s economic revolution. It no longer takes a visionary, however, to understand the impact that the country’s transformation has had, not only on the Chinese but on the rest of the world as well.

In less than 30 years, China has lifted 400 million of its people out of poverty; vaulted into fourth place in the rankings of the world’s largest economies; emerged as the top trading partner for a growing list of countries; and actively sought membership in global institutions that it once shunned.

China has established itself as a significant economic force and is fast becoming a political force as well. The question is: Where does it go from here? This reality and that question have generated suspicion, concern, and even alarm in some countries, both near and far. Even those states that believe China is on the “right track” struggle to formulate trade and foreign policies that address the evolving power of the “new” China.

Despite its economic successes, China remains a poor country – its “revolution” far from complete. To date, Beijing has proved remarkably adept at identifying and responding (albeit at times rather harshly) to many of the fiscal, social, and political challenges posed by China’s rapid development.

But are these challenges more than China can handle? Are the growing social unrest; rampant corruption; widespread pollution; tainted products; increasingly disgruntled trading partners (particularly the United States); and heightened scrutiny of its human rights abuses in advance of the 2008 Olympics too much even for this impressive government to handle? Or, will China once again prove the naysayers wrong?

To begin to answer these important questions we need – like the Chinese – to look first to their history.

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**INTRODUCTION**

**THE FACES OF CHINA**

So, what do 1.3 billion people look like?

Although 90% of the population is Han Chinese, there are 55 different nationalities and ethnic groups in China.

The official language is Mandarin, but numerous minority languages are spoken as well. All of the languages share a common written form.

The bulk of the population (94%) lives in the eastern third of the country, with an increasing number of Chinese living in urban areas. As of 2005, 49 cities in China had a population of at least one million. By comparison, there were 9 cities in the United States during the same time period with at least a million inhabitants.

Males outnumber females by as much as 120 to 100, a result of China’s 1979 “one-child policy” and a cultural preference for sons.

China, like many other countries, is an aging society. By 2040, the United Nations predicts that 28% of the population (compared to 11% as of 2004) will be elderly.

Although China is officially an atheist country, an estimated 100 million Chinese practice Buddhism. Much smaller numbers of Chinese practice Taoism, Islam, Protestantism, and Catholicism.

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**AN ANCIENT CIVILIZATION**

Centuries of migration, amalgamation, and development brought about a distinctive system of writing, philosophy, art, and political organization that came to be recognizable as Chinese civilization. What makes the civilization unique in world history is its continuity through over 4,000 years....
~ Rinn-Sup Shim & Robert L. Worden

The history of China is revealed through the achievements and failures of the family dynasties that ruled the country for millennia. The first imperial dynasty – the Qin – unified the territory we now call China, and put in place the foundations for imperial rule that lasted until the 20th century.
The different nationalities and ethnic groups of the Chinese empire were unified by a common written language and adherence to Confucian principles of social order, which stressed harmony and consensus over conflict and individualism. This unity, combined with superior technology, political institutions, and intellectual thought, established China as the dominant power in East Asia for centuries.

At the same time, the Chinese viewed foreigners as inferior “barbarians,” a condescending attitude that ultimately led to the collapse of the imperial system. In the 19th century, the Chinese were conquered commercially and politically by Western powers, ushering in what the Chinese still refer to as a “century of shame and humiliation.”


The discussion that follows traces ancient China’s rise to power, its humbling collapse, and the country’s rebirth. The lessons learned along the way continue to shape and influence China’s view, not only of itself but of the rest of the world, including China’s “proper” place in that world.

Prehistoric Dynasties

Most archaeologists agree that the first prehistoric dynasty was the Xia (c. 2200–1750 BC), although signs of human activity in China date back at least 400,000 years. The Xia dynasty was followed by the Shang dynasty (c. 1750-1040 BC), which developed a writing system found on tortoise shells and cattle bones. The Zhou dynasty (c. 1040–256 BC) is remarkable for the emergence of numerous philosophies, most notably, Confucianism.

Kong Fuzi (551-479 BC), better known as Confucius, lived during a time of great civil strife. Seeking a way to restore social and political harmony, Confucius developed a philosophy based on benevolence, respect, order, and obedience. Confucius preached that citizens should know and respect their place in life. At the same time, rulers should rule by moral authority, not by force, bringing peace and prosperity to the country. Confucian thought eventually developed into a comprehensive framework that guided nearly every aspect of Chinese life.

Imperial Dynasties

In 221 BC, the State of Qin (pronounced “Ch’in,” from which the English word “China” is derived) defeated several rival states and claimed power over China. The king of Qin took the title, “Shi Huangdi,” or “First Emperor,” ushering in the era of imperial dynasties that would last for the next 2,000 years.

Qin consolidated his new empire by imposing a centralized bureaucratic system of government on the rival states and by standardizing legal codes, administrative procedures, writing, weights and measures, and coinage. Qin expanded the empire’s territory, connecting the fortification walls that had been built during the Zhou dynasty to form a “Great Wall of China.”

An enduring legacy of the Han dynasty was its system of government. The Han ruled through a combination of Confucian principles and Legalism, a belief in absolute authority, strict laws, and harsh punishment.

The collapse of the Han dynasty plunged China into four centuries of rule by competing warlords. The country was reunified by the Sui dynasty in 589, but it was the Tang dynasty (618 – 907) that restored China to its former glory. Military exploits extended China’s borders; art and literature flourished; and trade between China and other countries increased significantly, with thousands of foreign merchants migrating to Guangzhou.

A much less benevolent foreign invasion took place in 1211, when the Mongolian leader Genghis Khan invaded China. By 1279, all of China was under Mongolian rule, bringing with it a rich cultural diversity. The Mongols’ extensive contacts with West Asia and Europe facilitated the exchange of Western and Chinese ideas and technology. It was during this time period that the famous Venetian traveler Marco Polo visited Beijing.
The Chinese returned to power in 1368, establishing the Ming dynasty (1368 – 1644). The Ming reached the height of their power in the early 15th century, during which time the emperors launched seven naval expeditions. Chinese fleets sailed the China Seas and the Indian Ocean for 28 years, reaching as far as the coast of Africa and – if you believe one recent account – America (decades before Columbus). Despite their naval prowess, the Chinese abruptly ended these maritime expeditions in 1433. Many historians believe that Confucian scholars in the imperial court were philosophically opposed to Chinese expansion, commercial or otherwise. China was also increasingly preoccupied at this time defending its northern borders.

The stability and prosperity that China enjoyed during the Ming dynasty “promoted a belief among the Chinese,” note historians Rinn-Sup Shim and Robert L. Worden, “that they had achieved the most satisfactory civilization on earth and that nothing foreign was needed or welcome.” This superior attitude had disastrous repercussions for the next and last dynastic power, the Qing.

 Collapse of the Imperial System

The Qing dynasty (1644 – 1911) was established by the Manchu, foreign invaders from the North. By the 19th century, the Qing were losing control of their empire. Social unrest, caused by overpopulation, high unemployment, poverty, and corruption was widespread. In 1851, the government faced a massive uprising, known as the Taiping Rebellion, which took 14 years to quash and resulted in the deaths of at least 20 million Chinese.

Qing power was further weakened when Western countries began demanding expanded trading access to China. The Qing had strictly limited European trade since the mid-1700’s, confining it to a single port (Guangzhou) and allowing only a dozen merchant companies to operate. In addition, the balance of trade was completely lop-sided. The West could not get enough of Chinese silk, tea and porcelain. Demand for “inferior” Western goods, however, was low – that is, until Britain began exporting opium in the early 19th century.

In 1839, alarmed by the effect that the wildly popular narcotic was having on Chinese society, the Qing government ordered British stockpiles of opium destroyed. The British retaliated militarily in what has come to be known as the Opium War (1839-42). The vastly superior British forces routed the Chinese, humiliating the government and forcing the country to painfully reassess its presumed superiority.

In 1842, the British and the Chinese signed the Treaty of Nanjing. Under the terms of the treaty, China was required to allow foreign trade in more ports and by more companies; lower its tariffs; and grant British citizens immunity from Chinese laws. China was also forced to cede Hong Kong to the British. Over the next 70 years, China would be coerced into signing additional “unequal treaties” with the Western Powers, enduring the “national humiliation” of having foreign powers establish sovereign enclaves on Chinese soil and dictate to them the terms of trade.

The Qing’s half-hearted and short-lived social and political reforms in the waning years of their rule set the stage for revolution. On October 10, 1911, a coalition of military officers, government officials, and students led by Sun Yat-sen toppled the Qing dynasty.

 The Republic of China

The new republican government struggled to hold China together as the country rapidly fell under the control of regional warlords. In 1927, Chiang Kai-shek, leader of the Nationalists, reunified most of the country.

In 1931, Japan invaded China, where it remained as an occupying force until 1945. At the end of World War II, civil war broke out in China between the Nationalists and the Chinese Communist Party led by Mao Zedong. The Communists prevailed and the Nationalists, still led by Chiang Kai-shek, fled to the island of Taiwan.

On October 1, 1949, Mao proclaimed the establishment of the People’s Republic of China.

**THE ASIAN DRAGON**

“China is in the midst of a strong and steady economic expansion unprecedented in scale, directly affecting the lives of one-fifth of the earth’s population.”


When the Chinese Communist Party came to power in 1949, they inherited a country devastated by decades of civil war and foreign occupation. The task confronting...
party leaders was daunting: transform China into a modern, powerful, socialist nation. For nearly 60 years that goal has not changed; the means of achieving it, however, have changed dramatically.

During the Mao era, revolutionary ideology guided economic decisions, often with disastrous results. In the late 1970’s, however, a new generation of leaders adopted a more pragmatic approach to the economy. The new approach produced astounding results.

In just a single generation, China was transformed from a socialist, centrally planned economy to a “market economy with socialist characteristics.” China’s economy has averaged an incredible 10% rate of growth (or better) in each of the last 15 years, becoming the fourth largest economy in the world. Once an isolated country, China now ranks as the world’s third largest trading power, behind only the United States and Germany.

Experts question, however, whether China can sustain such a rapid pace of development. China’s leaders, who have acknowledged that the country’s economic growth has been “unbalanced” and “unstable,” have decades of work ahead of them.

Before getting to the future, however, we need to take a look back at how the Asian Dragon sprang to life.

**Communism and Communes**

The first task confronting the Chinese Communist Party (CCP) in 1949 was to stabilize China’s economy. The government did this by nationalizing the banking system, bringing the majority of private enterprise under state control, and redistributing rural land from landlords and wealthy farmers to the peasants.

In 1953, the CCP introduced the first Five Year Plan. Patterned after the Soviet economic model, it emphasized rapid industrial development, centralized economic planning, and the abolition of private ownership. In agriculture, the Party urged farmers to form large “collectives” where the land would be owned by the village, and farmers would receive a share of the collective’s income based on the amount of labor they contributed.

Although the Plan produced some economic growth, Mao was convinced that the country could do better. Thus was born the “Great Leap Forward,” a radical restructuring of China’s economic framework based upon a belief that “heroic efforts” by the population would produce rapid development.

At the heart of the new program was the establishment of “people’s communes.” Each commune, composed of roughly 5,000 households, was to serve as a self-supporting community, responsible for agriculture, small scale industry, planning, and decision-making. In the space of just six months in 1958, 98% of the rural population was organized into communes.

In the industrial sector, central planning was all but abandoned; production decisions were left to local political units, which lacked both capital and technical expertise.

The Great Leap Forward was a disaster. Agricultural and industrial outputs plummeted. Widespread famine (caused in part by the weather) swept the rural areas, resulting in the deaths of a reported 14 million people in just three years.

With the country on the verge of economic collapse, the Party, now led by Liu Shaoqi and Deng Xiaoping, took action. Priority was given to increasing agricultural output; key industries were returned to the control of the State; and pragmatic planning replaced political zeal in the industrial sector.

The country had just recovered its economic vitality when, in 1966, Mao launched an unprecedented attack against Liu, Deng and other party officials, accusing them of being capitalist traitors. The “Great Proletarian Cultural Revolution” devastated China’s economy. Radical youth organizations, known as Red Guards, disrupted bureaucratic operations around the country; revolutionary committees assumed control of the industrial sector; universities were closed, and engineers, scientists, and other professionals were sent to farms or jailed. China was left impoverished and isolated.

**Reform and Opening Up**

Mao died in 1976, opening the door for less extreme party officials to take the helm. China’s new leaders, guided by pragmatism rather than ideology, launched the “Four Modernizations,” a far-reaching plan to reform China’s agriculture, industry, science and technology, and defense sectors, and to create a “modern, powerful socialist country by the end of the twentieth century.” Key reforms included reducing central planning in favor of market forces; abolishing communes; encouraging competition; and allowing private ownership of certain assets.

The second aspect of China’s transformation involved opening up to the world, a marked departure from earlier Communist philosophy. China sent thousands of people overseas to be educated and trained in Western technology. Foreign investment flooded into special economic zones created in coastal cities. China joined regional trade organizations and signed numerous trading agreements. In 2001, in a move that would have been unthinkable just a decade ago, China joined the World Trade Organization.
Unstable Growth

Despite the country’s impressive track record, China’s economic future is far from assured. In remarkably candid remarks at this year’s National People’s Congress, Premier Wen Jiabao described the growth of China’s economy as “unstable, imbalanced, uncoordinated, and unsustainable.” Many outside observers would agree with his assessment.

The threats to China’s continued economic prosperity include: a fragile banking system weighed down by billions of dollars worth of bad loans; rampant corruption; growing numbers of unemployed and underemployed workers; incomplete reforms related to direct foreign investment; and inefficient state-owned enterprises.

Not all observers are pessimistic about China’s economic future. They point to the fact that the government recognizes these problems and has pledged continued reforms. They also note that China has put in place foundations that will serve the country well in the future, such as: investment in infrastructure; creation of incentives that reward hard-work and risk-taking; and the development of policies that will create a stable middle class.

A One-Party State

“Democracy of a country is generated internally, not imposed by external forces.”

China’s economic reforms have significantly improved the lives of hundreds of millions of Chinese – and, not just in a financial sense. Economic liberalization has brought expanded personal freedoms. A growing number of Chinese now have the right to choose where they will study, live, work, shop, and travel – choices that were not available to their parents and grandparents.

There remains one area of life, however, where the Chinese continue to have no choice: who will govern their country. Since 1949, the Chinese Communist Party has maintained a monopoly on political power. Although Party leaders increasingly use the word “democracy” when speaking of China and have recently tolerated some public discussion of political reform, Beijing has made it clear that Western-style (i.e., multi-party) democracy will not be coming to China any time soon.

To date, Beijing’s strategy of economic reform without political reform has worked remarkably well. Its success has surprised and confounded those who claimed that democracy was inevitable in China, or who predicted the government’s collapse at the first sign of popular unrest.

The question remains, however, whether the Party can maintain its monopoly on power if it loses its primary source of legitimacy – a booming economy.

Governing China

It is impossible to separate the government of China from the Chinese Communist Party (CCP), as the role of the government is simply to implement the policies of the CCP. With a membership of 70 million, the CCP is the largest political party in the world. Although Chinese citizens are not required to join the party, doing so confers numerous perks and privileges.

The Chinese government is led by Hu Jintao, who serves as head of state (president), general secretary of the CCP, and commander of the Chinese military. The executive branch is also composed of a State Council, headed by Premier Wen Jiabao. The country is run from the top down, with decision-making concentrated among a small group of party elites, the most powerful of whom form the nine-member Politburo Standing Committee.

China’s legislature is known as the National People’s Congress (NPC). It has nearly 3,000 delegates elected by the country’s provinces, municipalities, autonomous regions, and the armed forces. The NPC meets once a year to review and approve (many would say rubber-stamp) the budget, new policies, and laws proposed by the State Council after being endorsed by the CCP.

An Iron Grip

Organized political opposition is banned in China. Efforts by Chinese activists to organize independent political parties have been dealt with severely by the government. Although restrictions on free speech have loosened in recent years, the government will not tolerate free speech that questions the legitimacy of the CCP.

Who is Hu

Chinese President Hu Jintao was born in Anhui Province in eastern China in 1942. He studied hydraulic engineering at Tsinghua University in Beijing, graduating in 1964. He joined the CCP that same year.

In 1992, Hu was elevated to the Politburo Standing Committee, the most powerful body in the CCP. A decade later, he was appointed head of the CCP and in 2003 became president of China.

Hu’s leadership has been marked by a crackdown on liberal intellectuals, political dissidents, and the media. He has also, however, repeatedly expressed his desire to build a “harmonious society,” and introduced a number of social reforms aimed at alleviating the growing gap between the haves and the have-nots.
Many China observers were convinced that once China opened its doors and began engaging with the world, its political system would open up as well. That has not happened, at least not yet.

The CCP maintains a firm grip on power through a variety of means. First and foremost, it has shown a consistent ability to deliver economic growth. The increasing numbers of Chinese who benefit from that growth are willing to accept the legitimacy of the government in exchange for economic and social liberalization. In this respect, the Chinese are determined not to repeat the “mistakes” made by the former Soviet Union, where political liberalization brought about chaos and economic collapse. Moreover, the idea of challenging the legitimacy of the central authority does not come easily to a country that for centuries believed in the absolute authority of the ruler and valued social harmony over the rights of individuals.

In addition, the government co-opts potential opponents by doling out lucrative government positions and other financial perks, and wins over the general populace by appealing to nationalist sentiments. Although the country has experienced a growing number of protests, the government is quick to arrest the leaders and equally quick to assure the masses that their concerns will be (and sometimes, actually are) addressed.

Is Beijing’s policy of economic liberalization without political reform sustainable? Expert opinion on this issue is, not surprisingly, divided. Minxin Pei, Director of the China Program at Carnegie Endowment for International Peace, believes that China’s current system has “huge delayed costs.” According to Pei, the CCP “has boosted economic growth [but] it also has stunted the growth of the rule of law, press freedom and civil society....” As a result, Pei says, “the government’s capacity to regulate a far more dynamic, diverse and complex economy [has been] significantly weakened.”

On the other hand, Azar Gat, Professor of National Security at Tel Aviv University, believes that, “[b]y shifting from communism to capitalism, China has switched to a far more efficient brand of authoritarianism.” According to Gat, “[a]s China rapidly narrows the economic gap with the developed world, the possibility looms that it will become a true authoritarian superpower.”

**Tiananmen Square Protests**

On June 3-4, 1989, tanks, armored personnel carriers and soldiers from the People’s Liberation Army converged on Tiananmen Square in the heart of Beijing to quash student-led pro-democracy demonstrations. The students had occupied the Square since April 15 in what had originally been intended as a memorial service for CCP General Secretary Hu Yaobang, a popular political figure and noted reformer. On May 20, the government imposed martial law and ordered the students, who had now gained the support of workers and large numbers of the general public, to disperse. They refused. Two weeks later, following an internal Party debate between the hard-liners and those advocating a more conciliatory approach, the military was called in to clear the Square.

The crackdown resulted in hundreds, perhaps thousands, of deaths — official numbers have never been released — and prompted swift condemnation of Beijing by the international community. The government’s show of force had its intended effect, however: there have been no large scale pro-democracy demonstrations in China for the last 18 years.
**THE PRICE OF MODERNIZATION**

“Progress must be made in building a moderately prosperous society...everyone should be provided for and people should live together in harmony.”

~ CPC Resolution on Building a Harmonious Society (2006)

The economic reforms of the past 30 years have lifted hundreds of millions of Chinese out of poverty, spurred the development of modern cities, and created a growing middle class. The push toward modernization, however, has come at a price: growing inequality and widespread pollution.

To address these issues, in 2004 the government launched a nationwide initiative to create a “harmonious society” by 2020. The goals of this ambitious plan include narrowing the income gap between the haves and the have-nots; geographically balancing the country’s economic development; and vastly improving China’s “ecological environment.” This policy is in essence an acknowledgement that there are social costs to China’s rapid economic growth.

Commitment to reform is only half the issue though; the bigger challenge may lie in enforcement.

**Growing Inequality**

China’s economic reforms sparked one of the largest reductions of poverty in history and raised income levels at an almost unprecedented rate. Not all segments of the population, however, and not all regions of the country have benefited equally from China’s phenomenal economic development.

Rural areas lag considerably behind urban areas. Poverty, high unemployment, lack of healthcare, and subpar schools remain the norm in much of rural China. Living conditions are so dire that nearly 150 million rural Chinese have migrated to urban areas in search of jobs and a better way of life – a situation that is creating significant problems for city planners.

Likewise, there is a growing disparity between the coastal and in-land regions of China. Early reforms targeted coastal regions as centers of economic development, which quickly flourished amidst a massive infusion of foreign investment and technology. For every Shanghai, however, there are dozens, if not hundreds, of Shenyangs – inland cities struggling to cope with outdated industries, antiquated infrastructure, and insufficient investment capital.

Beijing is well aware of the inequalities that economic development has produced in China. It is also keenly aware of the threat that such inequality – and the growing number of social protests – pose to the country’s and the CCP’s stability.

In recent years, the central government – as part of its plan to create a “harmonious society” – has pledged to increase spending on social welfare programs, particularly in rural areas, and to make large-scale investments in underdeveloped inland regions.

While acknowledging Beijing’s efforts to address China’s domestic problems, many observers question the likelihood of their success. New policies are easy to announce, but difficult to implement, particularly in China where enforcement depends on local officials who are often corrupt and more concerned with meeting economic quotas than creating a harmonious society.

**Environmental Disaster**

China’s rapid industrial development has brought with it widespread pollution and deterioration of natural resources. According to the World Bank, 16 of the world’s 20 most polluted cities are in China. The leading causes of death for the Chinese are heart and respiratory diseases related to air pollution.

The water situation is no better. Half the population lacks access to clean water. Ninety percent of urban water resources are severely polluted. Water scarcity is also an issue, particularly in the north. Soil erosion and deforestation are also serious problems.

The primary culprit behind China’s environmental crisis is coal, the engine that is powering much of China’s red-hot economy. Nearly every week, another coal-fired power plant comes on line somewhere in China. The country’s coal usage has vaulted China into first place on the list of the world’s largest emitters of the greenhouse gas carbon dioxide.

China’s pollution is hurting more than just the environment; it is affecting the country’s bottom line. The World Bank recently estimated that pollution is costing the country as much as 5.8% of its gross domestic product, or $160 billion a year.
The enormity of China’s pollution problem cannot be overstated. A recent article in The New York Times noted that, “[e]nvironmental degradation is now so severe, with such stark domestic and international repercussions, that pollution poses not only a major long-term burden on the Chinese public but also an acute political challenge to the ruling Communist Party.”

The problems have not gone unnoticed by China’s leaders. Although the government has set goals for improving energy efficiency and reducing emissions, it has yet to meet any of those goals. The passage of more stringent environmental protection laws has likewise had little effect because the local officials charged with enforcing those laws are more concerned with economic growth than reducing pollution.

Diplomacy Chinese Style

“Even if commercial and diplomatic tentacles stretch increasingly round the world, the main site of China’s power, for decades to come, will be in its Asian backyard.”

~ The Economist (2007)

Just as China has replaced ideology with pragmatism in its economic policy, so too has it shifted its foreign policy from dogmatic pronouncements to practicality. Since opening up to the world in the early 1980’s, the single most important objective of Beijing’s foreign policy has been to create an international environment conducive to China’s continued economic growth.

Pursuit of this objective has contributed to peace and stability in the region; strengthened economic integration and prosperity in East and Southeast Asia; and greatly increased China’s influence, not only in Asia, but in Africa and Latin America as well, where China has committed billions of dollars to secure access to raw materials and sources of energy.

Beijing is keenly aware of the apprehensions being generated by its expanding economic reach. Since 2004, Chinese President Hu Jintao has repeatedly assured the world that China’s development is “peaceful.”

To date, that has been true. As China’s political influence and military capabilities continue to grow, however, many of its neighbors are expanding ties with the United States as an insurance marker against Chinese hegemony in Asia.

Southeast Asia

In keeping with its new emphasis on economic development, China has completely revamped its foreign policy in dealing with its Southeast Asian neighbors. Just ten years ago, ties with the region were limited and often hostile, consisting of border disputes and claims to the South China Sea. China was suspicious of multilateral forums, such as the Association of Southeast Asian Nations (ASEAN), believing that participating in these organizations would weaken China’s power. For their part, ASEAN member states feared that China’s booming economy would draw much needed foreign investment away from their region.

China’s leaders began to realize, however, that the key to increasing China’s influence in the region lay in persuasion, rather than coercion. Thus was born what has been dubbed China’s “charm offensive.” In just a few years, China has ended nearly all of its border disputes; become a dialogue partner of ASEAN; negotiated numerous bilateral and multilateral trade agreements; doled out enormous aid packages; and encouraged cross-cultural exchanges.

The “charm offensive” is working. “China’s neighbors are pragmatically reorienting their political and economic networks to accommodate and benefit from China’s rise,” explain Lael Brainard and Wing Thye Woo of the Brookings Institution. “As China’s influence continues to grow,” notes David Shambaugh, Professor of Political Science at George Washington University, “some of these countries are looking to Beijing for regional leadership or, at a minimum, are taking China’s views and sensitivities more into account.”

In an effort to balance China’s expanding grip on the region, some countries – most notably, Singapore, Vietnam, and India – are strengthening ties with the U.S.

Japan

There is one Asian country which has not been charmed by China – Japan. Although the two countries enjoy a mutually beneficial trading relationship – China is Japan’s second largest trading partner, and Japan is China’s third largest trading partner – diplomatic relations remain strained.

The Sino-Japanese relationship is complicated by a number of factors, most notably an unpleasant history. The Japanese invaded China in 1931, occupying the country for 14 years. China does not believe that Japan has sufficiently acknowledged or atoned for atrocities committed by the Japanese during its occupation of China. Nationalism runs high in both countries and is often exploited by both Chinese and Japanese leaders in times of domestic crisis.
Japan and China have lingering territorial disputes in the East China Sea (involving all-important natural gas fields) and compete with each other for influence and power in the region. Japan is concerned about China’s increased military spending; China is suspicious of Japan’s expanding security cooperation with the United States.

Good relations between China and Japan are crucial to the peace and stability of East Asia. The status of the Sino-Japanese relationship is also of considerable interest to the United States. Japan has long been a strategic regional ally of the U.S. The ability of the United States to strengthen relations with both Japan and China may well depend on how things are going between Tokyo and Beijing.

"China’s rise may pose the most important foreign policy challenge to the United States in the 21st century. Chinese economic expansion…offers exciting export and import opportunities – accompanied by profound economic, military, and political risks.”

~ Jeffrey A. Bader & Richard C. Bush III

In February 1972, President Nixon made an historic trip to China, marking the first time a U.S. president had visited the People’s Republic of China since its founding in 1949. Relations between the two countries had been strained from the start, with the U.S. recognizing Taipei, Taiwan, rather than Beijing, as the sole legal government of China. The situation deteriorated even further when Chinese forces joined with North Korea to fight the U.S.-led coalition during the Korean War (1950-53).

By the late 1960’s, however, Beijing and Washington had concluded that improved relations would be in both countries’ best interests. On January 1, 1979, formal diplomatic relations were established between China and the United States.

Since that time, the U.S. has promoted China’s integration into the global community. At the same time, however, the U.S. has continued to hedge its bets with China, concerned by Beijing’s lack of transparency and its stepped up efforts to expand China’s military capabilities.

**Trade Relations**

The Chinese and U.S. economies are becoming increasingly interdependent. The U.S. is now China’s largest trading partner. China has become America’s third largest trading partner after Canada and Mexico. Recognizing the importance of the Sino-U.S. economic relationship, in September 2006, U.S. Treasury Secretary Henry Paulson announced that the two countries would hold twice-yearly “economic dialogues” where the two countries could share their concerns.

Chief among U.S. concerns are the growing trade imbalance (which reached a record $230 billion U.S. deficit in 2006); China’s refusal to allow its currency to fully appreciate (which results in artificially low prices for Chinese exports); and China’s failure to sufficiently protect intellectual property rights.

To date, these talks have produced few results, prompting the White House and U.S. lawmakers in recent months to take a much more aggressive stance toward China, including the introduction of protectionist legislation and the filing of complaints against China with the World Trade Organization.

Despite these tensions, Sino-U.S. trade relations should not be viewed as a zero-sum game. According to a recent report by the Congressional Research Service, “the overall impact of China’s economic growth and opening up to the world appears to have been positive for both the U.S. and Chinese economies.”

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Taiwan: Little Island, Big Problem

Taiwan remains one of the most vexing problems in Sino-U.S. relations. It is seen by many in both China and the U.S. as the issue that could lead to outright conflict between them.

The Taiwan issue dates back to 1949 when Chiang Kai-shek, leader of the Nationalist Chinese government, fled mainland China and established the Republic of China (ROC) government in Taiwan. The United States (along with most other countries and the United Nations) recognized Taiwan as the only Chinese government.

During President Nixon’s historic 1972 trip to China, the two governments issued a joint statement, known as the “Shanghai Communiqué.” In this Communiqué, China asserted that Taiwan “is a province of China which has long been returned to the motherland....” For its part, the U.S. “acknowledge[d] that all Chinese on either side of the Taiwan Strait maintain there is but one China and that Taiwan is a part of China.” While acknowledging “One China,” the U.S. has not advocated that outcome.

On January 1, 1979, in a major foreign policy reversal, the U.S. severed diplomatic relations with Taiwan and established them instead with Beijing, recognizing Beijing as the sole legal government of China.

At the same time, the U.S. Congress passed the Taiwan Relations Act authorizing the continuation of non-diplomatic relations with Taiwan. Contrary to popular belief, the Act does not obligate the U.S. to respond militarily to any use of force or coercion against Taiwan. The U.S. is, required, however, to provide Taiwan with “arms of a defensive character.”

Although the U.S. strongly supports Taiwan’s democracy, it does not support Taiwanese independence. The U.S. is committed to maintaining the status quo, and is opposed to unilateral moves — by either Taipei or Beijing — that disrupt that situation.

Although non-political relations between Taiwan and China have significantly improved in recent years, tensions remain. China steadfastly refuses to renounce the use of force, and currently has more than 700 missiles trained across the straits at Taiwan. In fact, many observers believe that China’s efforts to modernize its military and increase its defense budget are directly related to a “Taiwan scenario.”

Indeed, China has shown a willingness to be a “responsible stakeholder,” at least in those situations where doing so benefits China. For example, China has actively participated in the six-party talks on North Korea because it would benefit from a stable, nuclear-free Korean peninsula.

China has also worked closely with the United States to combat terrorism. China has supported U.N. counter-terrorism resolutions, worked with the U.S. to thwart financing of terrorist organizations, and cooperated with the U.S. in increasing the security of trans-global transportation.

Conversely, China has (until very recently) refused to join the United States and other countries in pressuring the Sudanese government to end the humanitarian crisis in Darfur, or to support the deployment of UN peacekeeping troops there. Many believe that China’s reluctance to act on the Darfur issue was based, in large part, on the fact that it did not want to jeopardize its lucrative oil deal with the Sudanese government. China’s long-standing policy of not interfering in the internal affairs of another country has also played a role.

Despite their generally cooperative relationship in recent years, diplomatic tensions between the U.S. and China remain. Much of that tension stems from China’s lack of transparency, particularly with respect to its increased military spending and rapid modernization of the People’s Liberation Army.

Most experts would agree that — with the exception of Taiwan — China does not represent a threat to U.S. interests in the region for the foreseeable future. Many China observers also point out that the U.S. and China are not headed for a Cold War-esque confrontation. “China’s success is one of the most important developments of modern history, but projecting from current growth to Chinese global dominance or threats to our way of life is just wrong,” explains William H. Overholt of the RAND Corporation. “Unlike the old Soviet Union, reformist China does not seek to alter any other country’s way of life.”

Conclusion

“Will China have another period of opportunity in the future? My answer is yes. How long will it last? This will depend on what domestic and foreign policies we follow and on our ability to respond to new developments.”

~ Chinese Prime Minister Wen Jiabao (2007)

Truer words were never spoken.

China has made remarkable strides in the last three decades, and may yet live up to the hype that the 21st century is the “China Century.” Beijing has proven time and again that it is a force to be reckoned with, but the difficult part may just be beginning. China’s leaders have shown that they know how to build physical infrastructure; now they need to prove that they can build a social infrastructure. Managing steel and glass is relatively easy; managing 1.3 billion people is another story...one that remains to be written.
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**MORE ABOUT CHINA**

**ONE WORLD, ONE DREAM**

Next August, all eyes will be on Beijing as it hosts the 2008 Summer Olympic Games. Beijing is pulling out all the stops and sparing no expense, hoping to use its time in the Olympic spotlight to showcase the new, modern China. Part of the $60 billion budget (the largest in Olympic history) is going toward building fantastically-shaped, cutting-edge facilities by world-renowned architects. The Olympic torch will be carried by a record number of runners (nearly 22,000) and travel more than 85,000 miles, including a stop at Mount Everest. Leaving nothing to chance, Beijing has even begun experimenting with ways to control the weather. The government is also trying to control the bad habits of its citizens, launching campaigns to discourage line-jumping, spitting, and littering.

**COMMUNAL MANDARIN PHRASES**

- **Hello**  
  **Ni hao**
- **How are you?**  
  **Ni hao ma?**
- **Goodbye**  
  **Zai jian**
- **Thanks**  
  **Xie xie**
- **You’re welcome**  
  **Bu keqi**
- **My name is**  
  **Wo jiao**
- **I’m from the US**  
  **Wo shi mei guo ren**
- **Do you speak English?**  
  **Ni hui jiang yingyu ma?**

Source: [www.bbc.co.uk/dna/h2g2/A329942](http://www.bbc.co.uk/dna/h2g2/A329942)

**READING SUGGESTIONS**

- **Chronicle of the Chinese Emperors**  
  Ann Paludan
- **China Shakes the World: A Titan’s Rise and Troubled Future — and the Challenge for America**  
  James Kynge
- **Nixon and Mao: The Week that Changed the World**  
  Margaret MacMillan
- **1421: The Year China Discovered the World**  
  Gavin Menzies
- **Travelers’ Tales China**  
  Edited by Sean O’Reilly, James O’Reilly & Larry Habegger

**WUHAN — PITTSBURGH’S SISTER CITY**

Since 1982, the city of Wuhan, located in Hubei province in central China, has been a “Sister City” to Pittsburgh. Like Pittsburgh, Wuhan is situated at the intersection of two main rivers — the Han and the Yangtze. Similarly, Wuhan has shed its industrial past in recent years, investing in high tech research centers and entrepreneurial ventures. The Wuhan metropolitan area is considerably older and larger than Pittsburgh, however. First settled during the ancient Shang dynasty in 1,500 B.C., the city now boasts a population of over 7.5 million.

**CONFUCIUS SAYS**

Many of today’s “words of wisdom” actually originated with Confucius more than 2,000 years ago. Some Confucian sayings that have stood the test of time include:

- What you do not wish done to yourself, do not do to others.
- The nobler man first practices what he preaches.
- Respect yourself and others will respect you.
- I hear and I forget. I see and I remember. I do and I understand.

Source: [http://pages.prodigy.net/jmiller.cb/pra305.html](http://pages.prodigy.net/jmiller.cb/pra305.html)

**WHAT’S YOUR SIGN?**

The Chinese have been using a lunar calendar to measure time since the 2nd millennium B.C. Unlike the Western calendar which numbers the years consecutively beginning with the birth of Christ, the Chinese calendar is cyclical.

The basic cycle is 12 years long, with each year represented by a different animal: Rat, Ox, Tiger, Rabbit, Dragon, Snake, Horse, Sheep, Monkey, Rooster, Dog and Pig. 2007 is the Year of the Pig.

The Chinese believe that each zodiac animal has certain character traits that determine the personality of people born in that animal’s year.

To find your Chinese zodiac animal, go to [www.12zodiac.com](http://www.12zodiac.com).
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  [www.usip.gov](http://www.usip.gov)
- The White House  
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#### International Agencies

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- United Nations  
  [www.un.org](http://www.un.org)
- The World Bank Group  
- World Economic Forum  
  [www.weforum.org](http://www.weforum.org)
- World Trade Organization  
  [www.wto.org](http://www.wto.org)

#### Research Organizations

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