

The Crises and Risks of the Rise of China

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- The so-called “Rise of China” originally refers to the increasing influence and status of China’s economy in the international arena. However, the current perception of the “Rise of China” has clearly become synonymous with the concept of the “Chinese threat.”
- The U.S., Japan, and other countries believe that the “Rise of China” has gradually created a cross-strait military imbalance. It has become a threat to the security and stability in the East Asian region.
- The Taiwanese people must recognize that the so-called “Rise of China” is rooted in the hidden anxieties arising from unbalanced development and social turmoil in China.
- We must continue to strengthen and reinforce our self-defense capabilities to discourage China from taking any military liberties. Maintaining military balance across the Strait is the only to guarantee the preservation of peace across the Strait.
- Uniting global force of “democratic communities,” to make joint efforts in promoting democratization in China. Taiwan can use its accomplishments in consolidating and deepening its democracy in recent years as a paradigm for China’s “peaceful awakening” and “democratic development.”
- When facing China’s tactics of attaining its political motives through exchanges, the Taiwanese government must implement necessary management policies to regulate present cross-strait exchanges in consideration of social stability and national security.

1. The Emergence and Development of the “Rise of China”

In the late 1970s, China began to implement reforms and opening policy. As of the late 1980s, China’s economy started to grow significantly. In the initial stage, it attracted several labor-intensive industries from other countries because of its low cost of labor, and it gradually became the “world’s factory.” Thereafter, China’s increasing ability to consume has gradually attracted the international community to focus on the Chinese market. China’s economic development became the focus of the world. In the

early 1990s, the notion of the “Rise of China” emerged in the international arena.

The so-called “Rise of China” originally referred to the increasing influence and status of China’s economy in international trade. Nevertheless, with increasing economic strengths, China has gradually exerted influence in international politics, military affairs, and regional security. For the international community, the so-called “Rise of China” is no longer a simple concept referring to the assessment and expectations of China’s economic achievements. The concept also refers to international concerns of the negative influence that China may have on the preservation of global and regional order.

The following examples fully explain that international concerns over the “Rise of China” are not without evidence.

- Despite the absence of any external threat, China’s military budget has increased by ten percent annually since 1996. By 2005, its budget has reached US\$30 billion. However, it has been speculated internationally that the actual military budget is two to three times higher than the figure released (U.S. Defense Ministry’s 2005 Report on the Military Power of the People’s Republic of China).
- China is vigorously conducting research and development, as well as deployment of its strategic weapons. For example, the DF-31 and the JL-2 intercontinental-range ballistic missiles and new nuclear-propelled submarines have a force-projection capability that covers India, Russia, Australia, New Zealand, and the entire U.S. (U.S. Defense Ministry’s 2005 Report on the Military Power of the People’s Republic of China).
- In October 2002, the People’s Liberation Army conducted unprecedented joint military exercises with other countries. In less than three years, the number of various forms of international combined military exercises has reached nearly ten.
- In July 2005, Major General Zhu Chenghu, Dean of the Defense College of Chinese National Defense University, told Hong Kong media that if the U.S. launched its missiles to attack Chinese territory, China would retaliate using its nuclear weapons. Although Zhu and the Chinese authorities indicated that it was only “a personal opinion,” Zhu’s remarks have caused strong response in the international community. It is believed that such remarks have revealed the Chinese military’s preparation for a nuclear war.
- In July 2005, China placed adjacent areas and exclusive economic zones (EEZs) in neighboring waters under its regular control and surveillance to enhance patrol

and surveillance operations in these areas.

- In international disputes, China has often taken advantage of the nationalist sentiments of the Chinese people to generate pressure on the opposition. For example, after a U.S. and a Chinese military aircraft collided in 2001 over the South China Sea, with the authorization and tacit consent of the Chinese authorities, tens of thousands of people held grand-scale anti-American demonstrations in major cities in China. Even the U.S. Embassy in Beijing was surrounded and vandalized. Since April 2005, Japanese Prime Minister's visit to the Yasukuni Shrine, Japan's revision of its textbooks, and its efforts to win a seat as a permanent member of the U.N. Security Council, have resulted in a wave of anti-Japanese protests in China. The Chinese authorities have encouraged and taken advantage its people's nationalist sentiments to achieve its diplomatic ends. This has caused concern to other countries in the world.
- In 2004, China imported 122.72 million tons of crude oil, posting an increase of 34.8 percent. It was the first time that annual crude oil imports broke the 100-million-ton mark, making China the second largest importer of crude oil in the world. In 2005, crude oil demands in China reached 310 million tons, of which 130 million tons had to be imported from other countries. To maintain its supply of energy and raw materials, China has been vigorously engaged in merging and acquiring activities, becoming stockholders of multi-national companies and investing and developing mining industries overseas. This has caught the attention of other countries and the fluctuation of prices in the international market.
- Pan Yue, Deputy Director of China's State Environmental Protection Administration, has admitted publicly that: China's daily water consumption and waste water discharge are the highest in the world; energy consumption and carbon dioxide emission is the second highest in the world; its energy consumption in GDP terms is seven times higher than Japan, six times higher than the U.S., and 2.8 times higher than India; and its pollution emission per GDP is more than ten times higher than the average figure for developing countries. During the fifty years of administration, China's population has increased from 600 million to 1.3 billion. However, habitable land has diminished from more than six million sq. km. to only three million sq. km. due to water and soil erosion. Acid rains, sand storms, and depleted ozone layer created by environmental pollution and considerable waste of resources in China have become hazards to the world's

environment.

- In a report released by the National Bureau of Statistics of China, ten percent of the wealthiest population in China owns forty-five percent of the wealth in the country. In contrast, ten percent of the poorest population owns only 1.4 percent of the nation's wealth. The gap between the rich and the poor will also continue to widen in the next ten years. To observe income distribution in China, we can use the Gini coefficient, which is used to measure the inequality in income distribution among a group of people. According to the Gini index, zero "0", represents perfect equality and one "1", corresponds with perfect inequality. The Chinese media have reported that the Gini coefficient in China has exceeded 0.48 and is closing in at 0.5. A coefficient reaching more than 0.6 would signify a huge disparity in income distribution which might trigger social turmoil.
- An analysis in an article, *A Report on Global Economic Trends in 2006*, published in the leading international economics journal, *The Economist*, indicated that there has been a bubble phenomenon in the investment environment in China. If investment growth continues to accelerate, excess production in major industries would probably lead to the accumulation of a large number of bad debts, which would ultimately result in economic recession. On the other hand, an overly-efficient macro-control policy would probably lead to a sluggish economy. Both conditions would be detrimental to China's economy and would affect not only China's businesses, but also neighboring countries and business enterprises operating in other parts of Asia. It will be difficult to escape from an impending economic crisis.
- According to official statistics in China, the unemployment rate in towns and cities in China in the first three quarters in 2005 is 4.2 percent, which economists estimate to total 13 million people. However, it is widely believed that the actual unemployment rate is much higher than the official figure since 70 percent of the population in agricultural villages was not included. Therefore, the actual number of people unemployed or people without any fixed income would probably be close to 100 million. Furthermore, there are also more than 100 million farmers who have left their villages to work in other places. These drifting unemployed workforces who are in their prime are a concern to China's society.
- According to a report by the official Chinese media, incidents of social unrest have become the most serious problem that affects social stability in China. The number

of cases has increased from 10,000 in 1993 to 60,000 in 2003 and 74,000 in 2004. The number of people involved has also skyrocketed to more than three million people. Also, social unrests in recent years have been mostly unpredictable. They have rapidly expanded into grand-scale demonstrations where thousands and even tens of thousands of people are mobilized within a few hours and days. They are tightly organized and could be very violent. This reveals that grievances among the Chinese public have accumulated over the years. There is a possibility that a small incident could ignite social unrest within China's society and cause overall disturbance. This has become a threat to regional security.

2. The international society's viewpoint: Is the "Rise of China" equivalent to the "Chinese Threat?"

The international perception of the "Rise of China" is clearly synonymous with the notion of the "Chinese Threat." The wishful thinking that the "Rise of China" could bring about economic benefits has clearly been transformed into concerns that China's political, military, and economic expansions would probably disrupt international peace and order.

Although Chinese leaders have emphasized that China pursues a "peaceful rise," recent developments illustrate that the international community has shown additional concerns with regard this trend.

- In February 2005, the U.S.-Japan 2 Plus 2 Security Consultative Conference made an unprecedented inclusion of the Taiwan Strait issue as a part of their "common strategic objectives," encouraging the peaceful resolution of cross-strait disputes through dialogue.
- In June 2005, after a series of discussions, the European Union resolved to maintain its arms embargo against China which has been imposed following the Tiananmen Square incident in 1989.
- In June 2005, U.S. Defense Secretary Rumsfeld attended the Asia-Pacific Security Conference held in Singapore. Rumsfeld indicated during a special talk to defense leaders from several Asian countries that the ballistic missiles deployed by China all over its territory are not aimed only at the Asia-Pacific region, but at several points around the world. Rumsfeld bluntly stated, "what is perplexing is that, in the absence of any external threat, why would China continue to expand its military deployment?"

- In July 2005, the U.S. Department of Defense issued its 2005 Annual Report to Congress on the Military Power of the People's Republic of China, which clearly pointed out that China is facing a strategic crossroads in its gradual development into a regional power. In addition to the annual double-digit increase of its military budget, China has deployed between 650 and 730 missiles targeted at Taiwan, creating a cross-strait military imbalance in favor of Beijing.
- In August 2005, Japan's Defense Agency released its white paper on defense, indicating that China's military expansion has exceeded beyond the necessary scope for defense. The paper also reported and expressed concern over the fact that starting in 2006, China would gradually gain an edge in defense capabilities over Taiwan.
- China-made products are dumped into every part of the world at low prices affecting the markets and labor unemployment in many countries, which has led to constant trade conflicts. Since the establishment of the World Trade Organization (WTO) in 1995, China has become the most targeted country for anti-dumping investigations for the ninth consecutive year. In 2004 alone, there were 68 anti-dumping investigations against China-made products, involving an amount of US\$3 billion. In January 2005, many countries abolished quota restrictions on imported products in accordance with the WTO agreement. However, due to China's dumping of low-cost China-made products, the U.S. and the European Union acted in concert by setting restrictions against textile products and shoes from China.
- In July 2005, The U.S. House of Representatives voted 398-15 in a resolution urging the U.S. government to block China National Offshore Oil Corporation's purchase of the U.S. Unocal Corporation. Although the resolution did not have any binding force, it clearly reflected the U.S. people's concern over China's expansion.
- In July 2005, China announced a two-percent revaluation of the renminbi, which was far lower than the actual value assessed by the international monetary market. China's political intervention in the exchange rate was very obvious. Products exported from China are highly competitive in the international market due to the under-estimation of the Chinese currency. This has seriously challenged the survival of related industries in other countries. It is supposed to be a basic principle in the operations of the international financial market that the exchange

rate of the renminbi reflects its actual value. However, when facing the voices and expectations of the international community, China has refuted by saying that other countries “are interfering in its internal affairs and encroaching on its sovereignty.” This has provoked the nationalistic and discriminatory sentiments of the Chinese people.

3. The Threats and Risks of the “Rise of China” on the Security across the Taiwan Strait and in the Asia-Pacific Region

The development of the cross-strait situation is closely linked to the security in the Asia-Pacific region and also serves as an index for the international community in measuring regional stability. Over the past decade, in response to Taiwan's democratic accomplishments, China has taken advantage of the political differences across the Strait to wantonly impose its assertions on Taiwan's sovereignty in the international arena, deliberately suppress Taiwan's participation in international activities, and continue to threaten Taiwan with the use of force. At the same time, China has also stepped up its military deployment against Taiwan. Such actions have not only prevented the development of a long-term and stable cross-strait relation, but have also become the greatest uncertainty in regional security.

In the past few years, China has long insisted that it will “never renounce the use of force in solving the Taiwan issue.” After its economic development boosted its national strength, China intensified its efforts in military preparation targeting at Taiwan. According to the latest U.S. Defense Ministry's 2005 Report on the Military Power of the People's Republic of China, the number of China's mid- and short-range ballistic missiles currently deployed against Taiwan has reached 650-730, and is increasing at a rate of 100 per year. At the same time, continued military expansion has already affected the maintenance of the cross-strait status quo. Over the last decade, the People's Liberation Army has ceased to stop conducting military exercises that simulate an invasion of Taiwan, including rehearsals of traditional landing exercises and high-tech networking and information warfare. The “Rise of China” has caused a military imbalance across the Strait. It has become very apparent that neighboring countries have become incapable of functioning as the guiding force in the preservation of regional stability.

The U.S. 2005 Report also indicated that aside from using military methods, China also resorts to other means to instill fear and impose pressure on Taiwan. From the

political aspect, China has long determined that the “one country, two systems” is the only option in solving the Taiwan issue. It has insisted that Taiwan accept the so-called “one China” principle before cross-strait dialogues can resume. On the other hand, it has also increased contacts with individuals in Taiwan that uphold similar viewpoints. This is aimed at successfully promoting “reunification” propaganda. From the diplomatic aspect, it has continued to suppress Taiwan’s activities in the international arena and further restricted other countries from developing any form of relations with Taiwan. From the economic aspect, China has taken advantage of close bilateral trading and economic exchanges in strengthening its influence over Taiwan’s political and social quarters. On the one hand, it has intensified its campaign to attract China-bound investments of Taiwanese capital and technology; on the other hand, it has also taken advantage of every opportunity to suppress or support certain political parties in Taiwan and individual Taiwanese businessman.

In March 2005, China enacted the “anti-separation law” (the so-called anti-secession law), which formally codifies the use of “non-peaceful means” to resolve the Taiwan issue. The enactment of the law exposed the “non-peaceful” nature of the “Rise of China,” and reinforced the international perception of the “Chinese Threat.” The U.S., Japan, and Southeast Asian countries have expressed serious concerns over the enactment of the “anti-separation law,” which has escalated tension across the Strait and added uncertain factors affecting regional security.

4. Taiwan’s Countermeasures

When facing the realities and challenges of the “Rise of China,” Taiwan must pursue peace and development in cross-strait relations. Taiwan must emphasize cooperation and stability in maintaining regional security, and work hard to build reasonable and normal space for its participation in the international activities. Taiwan should deal with the new circumstances and developments through the following aspects:

(1) Reinforce understanding of the threat arising from the “Rise of China” on cross-strait relations

The so-called “Rise of China” is actually built on many complex factors, such as China’s economic appeal, increasingly booming trade and economic capabilities, expanding military strength, potential for social turmoil, autocratic governing system,

and a widening gap between the rich and poor and between town and country. Its future development is filled with too many uncertainties. When examining cross-strait relations, we cannot simply focus on the surface of China's rapid economic development and ignore China's serious internal problems. We must not be deceived by economic gains to an extent that we fail to see China's ultimate goal of annexing Taiwan.

As a democratic and open society, Taiwan implements a political party system and a free economy system. We have an open mass media and the Taiwanese people possess democratic values. In contrast, since China implemented reform and opening policy 25 years ago, the quality of life of the Chinese people has improved. However, China remains to be ruled under an autocratic regime that is founded on a communist totalitarianism ideology. In the course of cross-strait exchanges, due to the fact that people on both sides speak the same language and belong to the same ethnic race, people are prone to ignore the essential differences in the political systems and the ways of thinking on both sides of the Strait. In addition, cross-strait trade and economic relations have become closer and social, educational, and cultural exchanges have become more frequent, leading the Taiwanese people to let their guards down against China. China's political intentions toward Taiwan have never changed. Its increasing economic strength and political influence in the international arena have become powerful bargaining chips for "reunifying" Taiwan, and have thus threaten the peace and stability in cross-strait relations. These actual situations must be explained and communicated through diverse channels so that proper understanding and consensus can be established within Taiwan.

(2) Establish an awareness that Taiwan must participate in the International "Community of Democracies"

To produce positive significance to peace in the East Asian region and in the international community, The "Rise of China" must be accompanied by both "peaceful awakening" and "democratic development." in order to have a positive significance to peace in the East Asian region and globally. The so-called "peaceful rise" claimed by Chinese leaders merely represents that China's communist autocracy is flourishing and formidable. The international community still views China as a major threat. We must make every country in the world understand the critical role that Taiwan can play in the course of China's rise. This is because Taiwan provides first-line defense against

China's irrational military actions. More importantly, Taiwan's democratic development can also provide an ideal reference and model for China in its path to modernization.

Recently, President Chen Shui-bian has publicly urged the international community to engage in active cooperation in establishing a new balance of power in the Taiwan Strait. This new balance of power in the Taiwan Strait is to ensure that the democracy of Taiwan—a core member of the world's community of democracies—is not threatened or destroyed by China through “non-peaceful means.” At the same time, Taiwan must cooperate with other members of the global “community of democracies” to assist China in developing democratically, and explore ways to normalize relations and resume dialogue with China under a “Peace and Stability Framework for Cross-Strait interactions,” thereby promoting stability and prosperity in the Asia-Pacific region.

(3) Reinforce self-defense capabilities and be on guard against China's military attack

China has actively promoted the modernization of its military by conducting massive research and development, purchasing the newest weapons, and restructuring its military organization. China is now a military superpower in East Asia. It is to everybody's knowledge that China's military preparation is targeted at Taiwan. In an attempt to attain its political purposes, China seeks to “use force to hasten reunification” by exerting military pressure on Taiwan. China would even resort to the use of force to attack Taiwan to achieve the so-called “unification of the motherland.”

When comparing China's defense budget with its economic growth, we find that its military budget in recent years has increased at a much higher rate than its annual economic growth. Since 1996, China's annual defense budget has grown at double-digit rate, even reaching as high as 17~18 percent annually from 1998 to 2001. At this increasing rate, China's defense budget is already three times that of Taiwan. The most probable time when a war could break out across the Taiwan Strait is when China deems its military capabilities sufficient enough to launch an attack against Taiwan before international rescue forces can arrive.

Facing the military imbalance across the Strait, We should continue to reinforce and strengthen our self-defense capabilities when facing military imbalance across the Strait. We must purchase defense weaponry that meets our needs in defending Taiwan

and to discourage China from taking any military risks against Taiwan. The best way to guarantee cross-strait peace is through maintaining military balance between both sides of the Strait and discouraging China from using force against Taiwan.

(4) Take necessary measures to manage cross-strait exchanges

In the past ten years of cross-strait exchanges, both sides on the Strait have conducted frequent trading and social interaction. It has resulted in several problems that need to be resolved. However, in the past few years, certain disorders have occurred in some of the relaxation measures taken by Taiwan. A considerable amount of Taiwanese resources has been transferred to China and contributed to the so-called "Rise of China." Moreover, this has also indirectly intensified China's grip on Taiwan. Faced with such a situation, the Taiwanese government has made necessary reviews and examinations and reinforced its management measures. Trade and investments constitute the largest scale and exert the greatest influence on cross-strait relations. The government implemented the cross-strait trade and economic policy under the principle of "proactive liberalization with effective management" based on the developmental strategy of "richly cultivating Taiwan while reaching out to the world." It is hoped that cross-strait trading will be conducted in an orderly manner that is conducive to Taiwan's development.

Facing China's exploitation of cross-strait exchanges to attain its political goals, the government must make a comprehensive consideration of the scope and rate of opening up of cross-strait exchanges with a view to preserve social stability and national security. Therefore, it must cautiously devise a plan to manage current cross-strait exchanges.

New relaxation policies to be implemented in future cross-strait exchanges must be able to create more positive effects on cross-strait relations and guarantee Taiwan's identity. We will never allow the Beijing authorities to succeed in denying Taiwan's sovereignty, dividing Taiwan, and distorting the facts for the international community. Moreover, political parties and individuals in Taiwan must have the conviction that the people on the island face the same fate, and that the welfare of the nation and its people is more important than any personal or political party interests. The government's policy of "proactive liberalization with effective management" has not changed, but management must not be sacrificed for liberalization. Only when the government can effectively manage will there be effective guidance and efficient

services.

(5) Actively engage in dialogues on regional security and strategic cooperation

In order to maintain regional stability and security, neighboring countries have been alerted of China's rapid development in political, economic, and military strengths, and have gradually reinforced mutual strategic cooperation and existing mechanisms for dialogue. This is aimed at enabling themselves to jointly take measures that best conform to the interests of regional development and meet the new challenges created by the "Rise of China." As a member of the Asia-Pacific community, Taiwan is also an important supporter in the efforts to maintain the peaceful and stable status quo in the region. We should not only enhance contact and dialogue with other countries in the region, but should also further establish strategic cooperative relations at a time when the "Rise of China" has led to uncertainties in regional security. This is aimed at enabling each country to make in-depth exchanges regarding their assessment of the Chinese situation and serving as a platform for extensive discussions on the preservation of regional security and prosperity.

(6) Cooperate with the international community in assisting China's path to democracy

It is the common international expectation that there will be a "rise of democracy" in China rather than the "hegemonic rise of China." Therefore, the international community must not only be on guard against the threats posed by an increasingly powerful China, but should also actively assist China in its path to democracy. Since World War II, democratic countries and communist totalitarian countries have pitted against each other for sixty years. Facts have proven that democracy remains the historical trend. However, communism has remained the ideological foundation of China's rule. China's governance still relies on totalitarianism and despotism. In contrast, Taiwan's achievements in its efforts to consolidate and strengthen its democratic development in recent years have become a paradigm for China's "peaceful awakening" and "democratic development." In the ethnically Chinese communities worldwide, Taiwan has the most comprehensive and successful experience in achieving democracy. It is also the common asset of the 23 million

Taiwanese people. We are willing to share Taiwan's democratic experience and extend it as a model to the world's ethnically Chinese communities.

Aside from continually enhancing its democratic development, Taiwan must also form an "Alliance for Democratic Value" with other countries and actively cooperate with other advanced democratic countries in the promotion and establishment of an "Asia-Pacific Democratic Alliance," to jointly promote democratization in the Asia-Pacific region. Taiwan will cooperate with the international community to help China understand that only through the expansion and solidification of democracy can there be actual peace and possible long-term development. This is not only aimed at encouraging and assisting China in its path to democracy,, but also jointly facilitate the emergence of a democratic community in the Asia-Pacific region and in the world. Not only can democracy become a universal value, but it can also become a part of daily life for people worldwide.