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### Abstract
China's grand strategy of "peaceful development" in order to modernize as a nation has achieved incredible results economically, militarily, and politically. The growing strength and power as a nation raises fears about China's grand strategy after its modernization efforts have been met. Will China continue to prosper under the international norms characterized by western liberalism or will China assert its newfound status in traditional emerging powers roles, which could threaten national interests of the United States and change the balance of power on a global scale? Fear mongering and dire predictions about the rise of China has garnered increasing traction in recent discourse, which colors many views of China as an enemy vice partner. There are strong arguments from the realists and liberalists that attempt to predict what China will look like in the future and each presents different views on the issue. All views can be generally categorized as either optimistic or pessimistic in terms of outcomes and potential impacts on the United States hegemony. A thorough review of China’s growth in terms of economy, military modernization, and political/social changes within the country will lay the groundwork for an analysis of the competing theories in regards to China and the impacts on U.S. policy.

### Subject Terms
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CHINA EMERGING

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China’s grand strategy of “peaceful development” in order to modernize as a nation has achieved incredible results economically, militarily, and politically. The growing strength and power as a nation raises fears about China’s grand strategy after its modernization efforts have been met. Will China continue to prosper under the international norms characterized by western liberalism or will China assert its newfound status in traditional emerging powers roles, which could threaten national interests of the United States and change the balance of power on a global scale? Fear mongering and dire predictions about the rise of China has garnered increasing traction in recent discourse, which colors many views of China as an enemy vice partner.

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China’s grand strategy of “peaceful development” in order to modernize as a nation has achieved incredible results economically, militarily, and politically for the last three decades. The growing strength and power as a nation raises fears about China’s grand strategy after its modernization efforts have been met. Will China continue to prosper under the international norms characterized by western liberalism or will China assert its newfound status in traditional emerging powers roles, which could threaten national interests of the United States and change the balance of power in the region and on a global scale? Fear mongering and dire predictions about the rise of China has garnered increasing traction in recent discourse, which colors many views of China as an enemy vice partner. There are strong arguments from realists and liberalists that attempt to predict how China will behave in the future and each presents different views on the issue. All views can be generally categorized as either optimistic or pessimistic in terms of outcomes and potential impacts on the United States hegemony. A thorough review of China’s growth in terms of economy, military modernization, and political/social changes within the country will lay the groundwork for an analysis of the competing theories in regards to China and the impacts on U.S. policy.

In 1978, China began an incredible restructuring of its centrally controlled economy to an open market economy under the leadership of Deng Xiaoping. The thirty-three years since its inception have been characterized by a phenomenal 9.7% average growth rate per year making China the second largest economy in the world. China’s revolutionary improvements across the economic spectrum include growth in personal income, state revenues, earnings, technology, and infrastructure.
Commensurate with its economic development, China’s national capabilities, prestige, and standing in the world has grown and is only expected to become stronger. One aspect of China’s growth that is central to ongoing debate is the modernization of its military, which portends a more assertive China willing to use hard power to gain its national objectives. The rise of China presents a potential national security concern for the United States because it can directly influence our global and regional interests.

How China chooses to wield its burgeoning power is a fundamental question that analysts are trying to predict. Prediction of any sort is a “guessing game” and outcomes are never predetermined, but it is a useful endeavor nonetheless to prepare for possible futures. International relations theorists provide the basis for many predictions on how China will behave in the future. These theories run the full gamut of eventualities, but the prevailing schools of thought on how China will behave can generally be characterized in three ways. Realists contend that China will behave like most past rising powers and will exert more power as it realizes increasing national capabilities. Most realists see a more assertive China that will eventually compete for regional or global hegemony as a major power in a multipolar world. Liberalists are generally more optimistic and see a cooperative China that embraces the current world order and will be assimilated into the Western democratic order through inevitable change spurred by free market forces, membership and legitimacy in international institutions, and economic interdependence. Both of these assessments assume that China’s phenomenal development will continue to a point where it can directly compete with the sole remaining superpower, the United States. As stated before, the main question is how China will act as it continues to gain power through growth, but an equally
important question and the third possible scenario is what will happen if China’s growth is not sustainable? China’s central communist party has increasingly “sold its soul” per se to achieve miraculous development and has largely masked latent social ills, internal problems, and tenuous governance behind its supersonic growth. The prospects of a failed China are just as daunting from a security standpoint as a powerful China. A more detailed examination of the theories of realism and liberalism as they pertain to the three possible outcomes listed above will provide insight for determining future U.S. policy decisions.

Realism has been the dominant form of thinking about international politics since Thucydides’ epic account between Athens and Sparta nearly 2500 years ago. Realists argue that anarchy, or the lack of an international governing system, pits states in an environment where they perpetually accrue military force vis-à-vis other states to achieve security. The security dilemma that underscores international relations ensures a constant cycle of competition. As one state gains power or national capabilities, other states view this ascension with concern and in turn, attempt to counter the perceived threat by increasing its own capabilities. As Thucydides explains, “the growth of the power of Athens, and the alarm which this inspired Sparta, made war inevitable.” Realists believe Thucydides’ explanation of the motives for war are just as relevant today as they were 2500 years ago and until nation states cease to exist, these eternal truths about statecraft, power, and war will remain predominant forms of human expression in the future as they were in the past.

The political context of war is irrevocable and a permanent feature of world order. Power, the pursuit of power, and its use are part of the human fabric from time immortal
and will continue to play a major role in future events. Carl Von Clausewitz states this succinctly when he says, “that war should never be thought of as something autonomous but always as an instrument of policy; otherwise the entire history of war would contradict us.”

Realpolitik and the attraction of military force as an instrument of policy is alive and well, albeit somewhat tempered due to the sole superpower status of the United States. However, it is improbable that the United States will maintain its hegemonic position without rival and eventually a balance of power will ensue with all the old trappings of interstate competition. Thus, although there are many “shades” of realism, from classical realists mentioned above, to neorealists who postulate structural or systemic factors as major influencers on behavior, to defensive and offensive realists who stress security and power dynamics, they all believe that states are important actors in the international system where anarchy effects behavior and power politics rule.

In relation to China’s growing power, what insights can be drawn from a realist standpoint?

Realists contend that China will behave like past rising powers and will assertively demand its rightful place in the world order. China will increasingly seek to raise their standing in the international system to secure greater material and political gains by controlling the rules and regulations that govern the distribution of resources around the world. One prominent rising power theorist, Robert Gilpin, argues the redistribution of power increases the price of the incumbent hegemon to maintain the current system, which leads to ever increasing fiscal costs and over extension. Concurrently, the rising state takes advantage of its enhanced power position to challenge the system and further its security interests. This leads to attempts to change
the international system, expand spheres of influence, increase prestige, and gain or regain territory. The existing hegemon is forced to take measures to reinstate equilibrium, which often leads to conflict. As the sole superpower and architect of the current world order, the United States will inevitably be faced with a more assertive China that challenges its hegemony. Historically, defenders of the status quo have used containment and appeasement strategies to mollify the rising power or preemptive force to destroy the rising power while a military advantage still exists. Unfortunately, history shows limited success with these strategies and often results in hegemonic war as seen by the Thirty Years’ War, the wars of the French Revolution and Napoleon, World Wars I and II to name a few. Even if one disagrees with Gilpin’s rising power and hegemonic war theory, it is not a far stretch to conclude that the likely future interaction between China and the U.S. will be tenuous at best. In fact, China’s military buildup, recent incidents in the South China Sea and the Taiwan dilemma have galvanized the rhetoric supporting many realists’ claims.

The enormous military modernization program underway in China is positive confirmation for most realists that the inevitable security dilemma is unfolding as predicted. China claims its overall grand strategy is one of active defense that emphasizes deterrence and establishing a security environment that protects its development goals. China’s Defense White Paper for 2010 also states the need to accelerate the modernization of national defense and the armed forces to achieve these goals. To this end, China has maintained aggressive growth rates averaging 12.1% annually across its defense industry for the last decade and is expected to continue this growth rate in the out years. The Department of Defense estimates China’s total
military related spending for 2010 exceeded $160 billion and is expected to grow more.\textsuperscript{10} It has focused building a defense industry base that integrates cutting edge technology to enable autonomous design, production, and equipping of its naval, land, and aviation forces. In the near term, China recognizes that its modernization goals are dependant on continued growth and that it must adhere to the global order for continued prosperity. China defines its near term objectives in the next several decades and aspires to be a global economic and military power by 2050. Chinese Minister of Defense, Liang Guanglie stated, “making the country prosperous and making the armed forces strong are two major cornerstones for realizing the great rejuvenation of the Chinese nation.”\textsuperscript{11} Clearly, China’s modernization and stated goals are reminiscent of past rising powers. Has China’s growth led to more assertive behavior? China’s territorial and jurisdiction claims in the South China Sea show a disturbing trend that may portend more assertive behavior.

The South China Sea has become an increasingly contentious geopolitical area as heightening competition between China and its neighbors over territorial sovereignty, resources, and security has led to greater instability in the region. The U.S. policy of non-interference as long as the interested states worked peacefullly to resolve their differences has maintained U.S. impartiality until recent aggressive acts by China have threatened stability and U.S. interests in the region. “As the decades-old rules-based system fostered by the United States is being called into question by a rising China, the South China Sea will be the strategic bellwether for determining the future of U.S. leadership in the Asia-Pacific region.”\textsuperscript{12} The complex situation regarding the South China Sea and China’s willingness to flex its growing military capability to assert its
claims has the potential for military conflict and future competition between powers. Ensuring freedom of navigation in one of the globe’s busiest sea-lanes while finding peaceful resolution to the issues at hand will involve all components of national power to include military, which strengthens realists’ arguments.

Six countries abut the South China Sea and each lays claims to territories based on different interpretations of the United Nations Convention of the Law of the Sea (UNCLOS), but only China claims sovereignty over the entire sea and uses the full force of its economic, political, and military strength to pursue its objectives in the region. China’s uncompromising diplomatic stance and its demonstrated assertiveness in the South China Sea makes China the largest impediment to reaching an acceptable solution in the disputed waters and points to its larger ambitions for complete control of the sea. Negotiated solutions are immediately dismissed by China as it reminds all other claimants that it has sole sovereignty (self-proclaimed) over the South China Sea and refuses to negotiate unless each country acknowledges its indisputable sovereignty. Additionally, China will only engage in bilateral negotiations and rejects efforts toward adjudication and outside help to prevent a validity test of its tenuous assertions. China’s intractable stance regarding its proclaimed territorial sovereignty, jurisdiction over critical resources, and access to the South China Sea have significantly increased the risk of confrontation with its Asian neighbors and other countries.

China’s rapid economic and military growth is perceived by many Asian neighbors as a threat and a source of instability in the South China Sea region. A spate of maritime and air incidents over the last couple of years suggest that China is beginning to translate its growth into hard power to force its claims of sovereignty and
jurisdiction in the area. Tensions in the region have flared up many times over the past several decades with notable incidents over sovereignty occurring with Chinese attacks on Vietnamese forces in the Parcel Islands (1974) and near Fiery Cross Reef (1988). In 1992, China enacted an internal law on territorial sea and contiguous zone, which claims Chinese sovereignty over all islands that fell within a “U” shaped zone encompassing most of the South China Sea, (See Figure 1).

Figure 1: South China Sea

These incidents and China’s removal of Philippine forces from Mischief Reef in 1995 resulted in the formation of the Association of Southeast Asian Nations (ASEAN) political association to hedge against China’s power. In 1998, China exacerbated the situation by enacting the Exclusive Economic Zone (EEZ) and Continental Shelf Law that claims an EEZ emanates from all islands, not the continental shelf. Normally, an
EEZ is a 200-mile area that starts from the continental shelf of the mainland. In effect, this law states that China’s 200-mile area starts from the outer islands in the South China Sea, which basically gives them full jurisdiction of the sea. The international community does not recognize China’s self-benefiting interpretations of UNCLOS and the laws it passed, but China stands fast to their validity and uses them to frame its arguments in the region.\textsuperscript{16}

The politically powerful ASEAN association persuaded China to accept the 2002 ASEAN Declaration on the Conduct of Parties in the South China Sea. The declaration includes an agreement by all parties to resolve territorial and jurisdiction disputes through peaceful means without the use of force.\textsuperscript{17} The declaration formed the basis of a decade of fairly stable relations where China held to its “peaceful rise” strategy and improved regional integration through extensive economic, commercial, infrastructural and cultural programs in the region. The mutual cooperation between China and the ASEAN countries bolstered China’s influence in the area, but this was not perceived as a threat due to China’s benevolent actions leading up to 2007.

This abruptly changed in 2007 when China pressured Vietnamese and U.S. oil companies to stop oil exploration in the region or face economic consequences in their business dealings with China. In 2009, China went beyond rhetoric and harassed a U.S. naval research vessel, the \textit{Impeccable}, with Chinese law-enforcement vessels under the watch of a Chinese Navy Intelligence ship.\textsuperscript{18} Additionally, harassment continued against the U.S. naval ship \textit{Victorious} in the spring of 2009 and culminated with a collision of a Chinese submarine with the \textit{USS John McCain}'s sonar array in June 2009. Later in 2010, China’s intimidation continued with two separate naval
flotillas conducting live fire exercises off the coast of Vietnam as a visual warning that it is willing to use military force to back its claims. These show of force incidents are not isolated and clearly show China’s willingness to use its military to assert its sovereignty over the area. The United States sent a clear message to China during the July 2010 ASEAN forum when U.S. Secretary of State Hillary Clinton stated that freedom of navigation is a national interest of ours and the U.S. supports the 2002 ASEAN-China declaration on the conduct of parties in the South China Sea.

In addition to the incidents listed above, there are deep cultural and historical components to the disputes in the South China Sea that have bearing on the issue. China, Taiwan, Vietnam, Malaysia, the Philippines, and Brunei all claim portions of the South China Sea based on cultural artifacts, historical documents, and physical occupation. The centuries-long relationships each of these coastal countries has had with the sea only serves to entrench their respective claims and justify their actions. The historical basis of their claims coupled with each nation’s rise in prosperity has generated nationalistic notions that fuel the debate and ultimately could lead to conflict as “heated” rhetoric translates to action. Indeed, China’s stated “century of humiliation” at the hands of western influence is always in the back of its national conscience as it finds confidence in its burgeoning military and maneuvers to gain sovereignty and influence over the region.

Finally, the rich resources of the South China Sea are the crown jewel and arguably, the most important economic feature of each claimant. One of the world’s busiest shipping routes and home to a large percentage of the world’s fisheries and vast deposits of oil and natural gas, the strategic significance of the sea cannot be
overstated. “The South China Sea functions as the throat of the Western Pacific and Indian Oceans – a mass of connective economic tissue where global sea routes coalesce, accounting for $1.2 trillion in U.S. trade annually. It is the demographic hub of the 21st-century global economy, where 1.5 billion Chinese, nearly 600 million Southeast Asians and 1.3 billion inhabitants of the Indian subcontinent move vital resources and exchange goods across the region and around the globe.”22 The implications of Chinese sovereignty over the South China Sea and its potential ability to deny shipping, control resources, and impact the livelihood of those nations dependant on the sea is immense.

The South China Sea disputes are complex and require patience, understanding, and strong leadership from all parties. More importantly, they require flexibility and a willingness to work jointly toward acceptable solutions that recognize the common usage of the South China Sea. The past decade of mutual respect, cooperation, and investment by China led to amazing prosperity for all Southeast Asian states and is a blueprint for future growth and settlement of disputes. However, China’s new strategy to influence smaller states such as Vietnam through intimidation and coercion has undermined the excellent relations it had built in the region and has increased tensions in the area. Long-term ambitions for exclusive rights of sovereignty and jurisdiction over resources are counterproductive to regional security and fraught with contention. China’s “might makes right” attitude has had the predictable outcomes of focusing the international spotlight on the region and coalescing smaller state’s agendas to hedge against China. This coalescence of attitudes has taken the form of increased military spending by Southeast Asian states and a realization that China’s assertiveness in the
region will continue to grow proportionally with its military modernization. “The South China Sea has also become the epicenter of what appears to be a long-term geopolitical struggle in which classical power politics and nationalism are intensifying alongside the rise of China.”23 This has compelled the U.S. to reexamine its policy in the region and to pursue actions to build and expand security and economic partnerships. The recent posting of U.S. Marines to Australia in 2011 and President Obama’s strategic guidance highlight the concerns for the region. “Indeed, as we end today’s wars, we will focus on a broader range of challenges and opportunities, including the security and prosperity of the Asia Pacific.”24

Security in the region is also complicated by the precarious relationship between the United States, China, and Taiwan. Historically, the Taiwan dilemma has been the most contentious and complex issue surrounding the U.S.-China relationship dating back decades. Both countries have deep historical ties that are grounded in legitimacy, prestige, reputation, and loyalty. China views Taiwan as the last vestige of its “century of humiliation” when it was colonized and divided by outside powers. Reunification of Taiwan with Mainland China is an overriding goal of China and a focal point for its military modernization efforts. The People’s Liberation Army continues to plan and build capabilities aimed at Taiwan and also to deter, delay, or deny possible U.S. intervention in a cross-strait conflict. China has invested heavily in anti-access weaponry to include anti-ship ballistic missiles, conventional and nuclear powered attack submarines, destroyers, and maritime strike aircraft.25 These factors coupled with the United States’ delicate policy that honors and defends its special relationship with a democratic Taiwan while acknowledging a “one China” end state is problematic at best. The proverbial
“tightrope” the U.S. must walk that mandates a peaceful existence predicated on maintaining the status quo becomes increasingly difficult to achieve as China continues to grow in power. Taiwan’s past actions that attempt to downplay its connection with China and hint at independence only exacerbate the situation. For example, the government sponsored a ballot referendum during the 2008 Taiwan presidential election that asked if Taiwan should seek membership in the United Nations under the name Taiwan. The repeated government references to Taiwan as a sovereign country and the removal of the name “China” from all state operated companies not only antagonizes China, but also puts the U.S. between a rock and a hard place.26 Undoubtedly, the Taiwan situation will remain a contentious aspect of U.S.-China relationships and has the potential to erupt in conflict.

China’s peaceful development model has yielded tremendous growth and opportunity for the nation and points to an even stronger future. Economic growth has fueled huge modernization efforts across Chinese industry as well as its military. As China grapples with its newfound standing in the world, it has been willing to use intimidation and coercive tactics backed by an ever-stronger military. Realists quickly point to these actions as proof of an evolving security dilemma that indicates rising power politics and balance of power maneuvering. Although these indicators can be construed as dire warnings for an assertive China, there are many countervailing forces that could lead China down a path of cooperation, integration, and stability. Many liberals tout a more cooperative China as the likely scenario describing its continued growth and development as a global power. Liberal theories are more optimistic and counter many of the realists’ arguments with three lines of reasoning that temper the
espoused rising power theories. The influence of economic interdependence, acculturation, and institutional norms are powerful factors that may attenuate the assertive tendencies of a rising power and lay the groundwork for the peaceful assimilation into the existing world order.

Economic interdependence is at the forefront of liberal theorists’ predictions for a cooperative China. The intricate economic relationships that provide the foundation for wealth, prosperity, and progress have inexorably and irrevocably linked China with other countries around the world. Globalization has not only forged new relationships, but also required a more open flow of information and adherence to international norms. The symbiotic economic relationships make the cost of war and the use of power more difficult in the ideal liberal world order. While liberal theorists acknowledge that trade is not the panacea to prevent war, it does allow states to define their interests in a way that makes war less likely. Joseph Nye, an expert on international relations, goes on to say that economic growth offers states a way to transform their status through growth rather than military conquest. Without a doubt, China’s status as an economic giant has accrued on the “coattails” of the current international system and follows the stated grand strategy of peaceful development. Many liberal theorists believe that China’s continued economic growth is so intertwined and reliant on external forces that it will continue to abide by international norms to ensure future growth. The argument states that since China’s growth in capabilities was a product of its participation in a liberal economic order, where interdependence allowed trade-driven growth of huge proportions, there is little reason for China to abandon this strategy even after it acquires true great power status. In fact, as China’s general population becomes
wealthier; the demand created by their needs will force China to pursue economic growth to fulfill rising expectations and standards of living. China will avoid alienating trading partners and disrupting the very economic system that is fueling their development. The costs associated with assertive and militaristic behaviors are counterproductive to stability and continued growth and therefore will be eschewed as viable options. Under the liberal view, China recognizes that traditional rising power behavior undermines its grand strategy of peaceful development and hurts its long-term goals as a legitimate superpower.

Economic interdependence theory has been reinforced by China’s near-term adherence to the current international order and by vocal support of “soft power” in its grand strategy. China’s peaceful development strategy is a byproduct of its concerted effort to not make the same mistakes other rising powers have throughout history and to reassure nations of its benign nature as it rises. China realizes it must accept the status quo, for now, and not challenge the integrity of the system in order to achieve its development goals. China is very conscious of its image as a threat to the international order and tries to reassure nations as to its friendly ambitions. Much of China’s rhetoric showcases this sentiment and it has explicitly promoted concepts such as “peaceful development,” “harmonious world,” harmonious society,” “win-win solutions,” and “strategic partnerships” in its formal dialogue to show its commitment to a peaceful rise. How well its rhetoric will stand the test of time as its conventional hard power capabilities continue to grow is the question at hand. However, liberal theorists maintain their optimism about a peaceful rise not only due to economic
interdependence, but also due to acculturation within the social and political framework of a more open and interdependent China.

China’s desire to be accepted as a modern and powerful superpower has increasingly opened it up to influences from the outside world. Day-to-day contacts between businesses, statesmen, scholars, professionals, students, tourists, social media, and more will have continued profound effects on China’s long-term domestic and international standing. Repeated interactions will cause the beliefs of Chinese leaders and its population as a whole to evolve in ways that are more conducive to existing international norms. More trust and cooperation will arise because of the common understanding between countries. In turn, China will be more prone to embrace the existing world order and standards of behavior because it does not want to be seen as an impediment to international harmony.

Without a doubt, China’s increasingly open society with access to real-time information through media, social networking, and the Internet have improved its overall understanding of the larger world and will impact the behaviors, perceptions, and choices of future Chinese leaders and the population writ large. The Chinese public is connected across its vast regions, sprawling cities, and provinces like never before. Newsworthy events are no longer isolated occurrences and are now transmitted across the breadth of the country in near real-time, which poses serious challenges for a government that attempts to restrict the flow of information or contain popular movements. The proliferation of phones, computers, and access to media sources will inevitably produce a more informed society that can coalesce around important issues. Over time, interactions and information sharing between China and other countries will
not only produce positive and mutually beneficial relationships, but will shape the culture of China. To what extent and how long before these outside influences fundamentally change China’s society is the big question, but dramatic changes have already occurred and will only intensify as interdependence strengthens over time.

Many liberal theorists believe economic interdependence sets the conditions for the liberalization of the political structure of a country. The opening up of China’s economy to technological innovation, international trade, and investment has forced internal institutional changes, developed new power brokers, created competitive business policies, and inspired new leadership to keep pace with the phenomenal growth. Leading and managing this huge growth while embracing market-driven economics has forced concessions by the central government for needed efficiency. It becomes more and more untenable for an authoritative government to enforce censorship, political repression, state-run monopolies, and heavy-handed governance while courting an open market economic model. Thus, the argument states that authoritative governments will undergo a process of democratization as their interdependence, openness, and growth spurs decentralization to capitalize on the complexity of the economic model. “Over time, if it wishes even to approach the levels of well-being already attained by its advanced industrial counterparts (all of which are democracies), China too must become democratic.”

The hope among liberals is that China’s current communist regime will eventually transform to a more liberal and democratic China because of forces brought about by economic interdependence. A transformed China would be less inclined to wage war. This notion stems from the school of thought that says liberal democracies may act
belligerently toward each other, but rarely, if ever, goes to war with each other. As the number of democracies in the world increases, the propensity for war decreases and islands of peace are established, much like Europe after WWII. Although contested, historical records seem to reinforce this premise and lend credence to the argument while providing hope for a peaceful future. Democratic peace theory portends a less antagonistic China characterized by friendly competitive relations with other democracies in the region. Affiliation with international institutions and abiding by international norms has a mollifying effect on a country’s military options while strengthening liberal tendencies.

Neoliberalists acknowledge the influence of interdependence and acculturation, but they believe affiliation with international institutions reduces the effects of anarchy and provides structure that shapes expectations of behavior. International institutions provide continuity, reciprocity, transparency, and a platform for resolving conflicts. Participation in these institutions promotes norms of behavior that reduce uncertainty and improves communications between countries. This facilitates decision-making, legitimacy, trust, and the ability of countries to cooperate with one another. China’s participation in international institutions has grown substantially over the last decades and it is compelled for the time being, to work within this framework to further its development goals. China’s entry into the World Trade Organization, the Nuclear Nonproliferation Pact, and its growing role in the United Nations are examples of its membership. “Participation and norm change are thus mutually reinforcing mechanisms: the more deeply embedded China becomes in the web of regional and
global institutions, the more the beliefs and expectations of its leaders will come to conform to the emerging universal consensus that those institutions embody.”

The combination of economic interdependence, acculturation, and the binding influence of international institutions provide the basis for liberal optimism in regards to China’s rise. China is immersed in an inescapable and thickening web of interdependence and acceptance of outside influences that will continue to shape its development.

The two rising China scenarios depicted from the realist and liberalist viewpoints show stark differences in potential outcomes for China as a world power. One wields its newfound power in ways similar to past rising powers while the other integrates and assimilates into the liberal western democratic world order. While both outcomes are plausible, there are many factors that could stall or destabilize China’s rise. These destabilizing factors will play a major role in tempering the options and choices China can make in the future. Recognizing the volatile, uncertain, complex, and ambiguous environment that surrounds China’s growth, the more probable scenario for China’s growth will combine aspects from both theories. But what if China cannot sustain its economic growth and development? Will it be able to overcome latent internal problems that have been masked behind high growth rates and how will a stalled China continue domestic development under this scenario? China’s internal challenges to sustained growth include economic, social, and political obstacles that directly impact stability in the country. Pessimistic assertions paint China as a “house of cards” built on shaky foundations and that the U.S. efforts should prepare for the day China fizzles as opposed to worrying about its possible supremacy.
Perhaps the largest argument against China’s ability to sustain its impressive growth is its current economic imbalance. China’s enormous economic growth depends almost exclusively on export-driven demand and reliance on external factor inputs to fuel its economy. This reliance places China in a precarious position and ties its economic health almost entirely to the ebb and flows of the external market. Chinese Premier Wen Jiabao said in March 2007, “China’s economic growth is unsteady, unbalanced, uncoordinated, and unsustainable.”35 China realizes that it must reduce its reliance on external factors and refocus its efforts on a self-sustaining domestic growth agenda fueled by internal demand. China’s twelfth five-year plan (2011-2015) articulates this dilemma and charts a course to reduce the focus on industry and investment and to emphasize domestic consumption and services. Capitalizing on the needs and consumer demands of its immense population, it is entirely feasible for China to stimulate and maintain economic prosperity by harnessing its internal demand. Achieving a balanced economic model is easier said than done and will require significant restructuring initiatives and fiscal prudence. “China must move from being the world’s largest factory to being one of its largest consumers.”36 Success will depend on its ability to implement policy reforms that funnel resources into the private sector, service sector, smaller non-state owned firms, and households. Opening up aspects of the private and service sector will require massive deregulation and a shift from the past focus of unfettered growth.

The plan makes sense, but shifting its economic engine toward a consumer and service-based economy is a daunting prospect that is fraught with uncertainty. China’s emphasis on capital-intensive building projects has created jobs and generated
incredible wealth, but the easy money flowing to state-owned enterprises will be a hard umbilical cord to cut. State bank loans to fuel the build-at-all-cost growth model have resulted in enormous bad debt and underperforming projects. “Everywhere you go in China, you see new airports and high-speed-train lines under construction; glass-fronted apartment buildings whose empty units loom unilluminated in the night; underutilized roads, bridges and tunnels; and entire towns waiting for occupants.”37 The government has been forced to write-off or bailout these bad loans on several occasions using its people’s savings, which are conveniently housed in state run banks that provide one of the few venues where people can “invest”. Imposing the costs of these bailouts on its citizens will only force them to save more and defeats the goal of increasing consumer demand. Also, local and provincial governments have reaped huge profits and been rewarded on a model that depends on real estate revenue from land sales. Weaning them off a model that has endured for three decades and one that was built on cheap labor, cheap land, and seemingly unlimited capital will be difficult and contentious. If these warnings are not enough, other equally pressing byproducts of China’s growth include corruption and environmental degradation that are lending to social unrest.

Corruption in China is notoriously prevalent at all levels of government, but the economic boom has intensified the pervasiveness of corruption. This is a huge source of discontent among the population as they bear the brunt of illicit practices that take advantage of their vulnerability. The central government had to reduce control of certain aspects of the market in order to usher in investment and growth. The decentralization of authority, control of resources, and budgetary decision-making at the
local level coupled with few internal checks and balances has created an environment where lack of oversight has allowed corruption to flourish.\textsuperscript{38} Corruption is rampant at the local level and the central government understands that its legitimacy and reputation can be damaged if corruption is not addressed. “Some observers suggest that the Chinese state is degenerating into a maze of local “mafia states,” as corrupt officials form alliances with criminal networks and use public authority for private plunder.”\textsuperscript{39}

Huge growth has masked much of the costs of corruption, but a slowed economy will reveal these costs and possibly lead to more social unrest. It is estimated that skimming, taking a cut from profits, illegal lending, and other illegal activities represents 3-4\% of GDP, which is a significant amount.\textsuperscript{40}

China’s government has increasingly had to deal with mass gatherings and large-scale protests as a result of grievances over local governmental corruption. Many of these protests have led to violence and brutal crackdowns by police. Although the government has been able to quell these uprisings, it realizes that substantial change must occur or it could lose its legitimacy. Much of the unrest has stemmed from expropriation of farmland by local officials and developers. “In January 2008, it was reported that 2,700 officials had been referred for prosecution on land use violation charges and that over 31,000 cases were under investigation.”\textsuperscript{41} The central party’s ability to enact reforms to regain control of vital aspects of its “fiscal house” and establish institutions required to reign in corruption will determine its long-term viability. Unfortunately, corruption is not the only issue the government has to deal with as it faces epic environmental degradation.
China’s miraculous growth has accrued at the expense of the environment with severe ramifications for its inhabitants and the rest of the world. China’s insatiable need for resources and its unregulated development model has decimated the environment and is another source of unrest amongst the population. To support its energy production needs, China relies heavily on coal-based factories that emit nearly twice the pollution of the United States. Ninety percent of the river-ways are polluted and the use of heavy metals and toxins in its production processes are of great concern for cancer, complications during pregnancy, bone deformity, and neurological disorders.\textsuperscript{42} China’s energy demands have increased proportionally with its industry-based development and are another reason the central government wants to shift focus to a more domestically driven economy. Not only would this shift create more jobs, it would reduce China’s reliance on factory based growth that has been the leading cause of environmental degradation. China’s heavy reliance on international markets for oil, gas, and coal to fuel its industry has not only made it the second largest consumer of energy, but questions its ability to sustain this growth. Industry is capital intensive, not labor, which has led to higher unemployment, reduced per capita income, and the reduction of the agricultural base of the economy. The economic and social issues discussed are serious impediments to China’s ability to revamp its economic model to a domestic focus. The political pressures are huge and it is questionable if the central government is capable of weathering the storm without further adaptation.

To its credit, the Chinese Communist Party (CCP) has made significant reforms to ensure its development model was unencumbered and postured to better address the needs of the population, but its efforts are not based on grand ideals of democracy,
but on survival of the CCP. The CCP has been forced to pursue “democracy with Chinese characteristics” that combines authoritative leadership and limited popular participation in the political process as a way to address the socioeconomic challenges that modernization has incurred. The widening income gap, rising unemployment, regional disparities, corruption, and environmental degradation have spurred social unrest and the CCP finds it increasingly more difficult to mask these issues behind a façade of nationalistic development. “These challenges threaten the realization of China’s development goals upon which the CCP’s legitimacy now largely rests, and as such, political reforms are ultimately aimed at retaining the Party’s ruling status.” The pressures will continue to mount for China’s leadership to increase the essential services the government provides to the population and to address the issues discussed above. Everything from improved healthcare, better education, environmental stewardship, and more voice in the political process are inevitable demands China’s growing middle class will pursue. The evolution of China’s political party falls in line with liberal theories of democratization but to what extent and how fast the political structure in China changes is the question. China’s central control is not in jeopardy of waning anytime soon and the CCP will continue to reform incrementally to accommodate certain levels of dissatisfaction, but not at the cost of losing power. The latent social ills detailed above could rise to the forefront under a failed economic scenario, which would exert tremendous pressure on the central party and potentially result in aggressive crackdowns to maintain order.

Even if China slowly democratizes and the communist regime is replaced with a Chinese version of democracy, this may not result in a peaceful China. In fact, one
theory argues that young democracies undergo very turbulent transitions and have a higher propensity for war than established democracies. According to acclaimed political scientists, Edward Mansfield and Jack Snyder, those states that make the most aggressive leaps from total autocracy to democracy are about twice as likely to fight wars in the decade after democratization. China has learned from other countries that have undergone traumatic conversions to tenuous democratic systems, such as Russia and Iraq. Accordingly, China has become an example of an alternative model for success that incorporates market access with central control while eliminating the potential downsides of rapid democratization. Additionally, China’s central party will not jeopardize or relinquish its control without a fight. Either way, China will be faced with possible discord that could affect stability or result in violence.

Regardless of the rising China scenario that unfolds; whether it’s a more aggressive China that wields its military forces in classic rising power ways, or an assimilated China that continues to capitalize on the existing international order, or a stalled China that fails to achieve and sustain its economic growth, the policy implications for the U.S. are complex. Each scenario has friction points that could potentially embroil the U.S. in conflict, lead to instability around the world, and even threaten U.S. hegemony. What is the best policy that safeguards U.S. interests while accommodating a rising China and will the current policy of engagement remain the overarching policy?

Of the three scenarios discussed, the U.S. has “hung its hat” on liberal ideals of a peaceful China that works as a viable member of the existing order. It has maintained a cautious policy of engagement that has tried to steer China toward the liberal realization
of interdependence and democratization. In fact, past U.S. presidents have touted this policy as the best way to deal with China. Most notably, President Clinton and President George W. Bush espoused the democratic peace theory on several occasions such as Clinton’s State of the Union address in 1994 where he stated, “the best strategy to ensure our security and stability and build a durable peace is to advance the spread of democracy because democracies don’t attack each other.”\textsuperscript{45} Or President Bush’s remarks in 2005 where he stated, “history has proven that free nations are peaceful nations, that democracies do not fight their neighbors.”\textsuperscript{46} President Obama is no exception and he stated similar views in his Nobel Peace Prize acceptance speech. However, President Obama’s 2012 National Security Strategy shows a shift in focus to the Asia/Pacific region. The “hands off” approach by the U.S. this past decade while the nation fought two simultaneous wars in Iraq and Afghanistan allowed China to pursue its goals virtually uncontested. With combat operations winding down in Iraq and Afghanistan, and a renewed focus by the U.S. in the region, the laissez-faire engagement policy may be coming to an end.

From China’s viewpoint, the benevolent rise and democratic peace narrative by the U.S. rings somewhat hollow when backed up by strategic shifts in military focus, forces, and resources. With limited policy options available, the U.S. is hoping for the best outcome as its strategic messaging has maintained (optimistic peaceful rise), but is also preparing for a more aggressive China. The strategic shift in focus is meant to not only protect our national interests in the region, but to bolster our economic and security presence with allies. The shift in focus sends a clear message that the U.S. is serious about protecting access to the global commons and a reinvigorated presence in the
region will help balance China’s economic and newfound military capabilities while hedging against further Chinese aspirations. Undoubtedly, China will react defensively to these measures and will express virulent disdain to what it perceives as “containment” efforts and meddling by the U.S. To some extent, the U.S. has boxed itself into a corner and any actions it takes to strengthen ties with democratic Japan, India, or other countries in the Asia/Pacific region will come at a cost with China.

Walking a fine line between realist and liberal theories is the best course of action for the U.S. to follow. Espousing an optimistic outcome with liberal trappings while ardently preparing to protect our interests against a more assertive China defines our current policy. Putting too much faith into either theory is unrealistic and counterproductive to maintaining cooperative and beneficial relations. Whether it’s following offensive realists like John Mearsheimer, who believe strong containment policies should be our goal to thwart China’s development or supporting appeasement strategies to accommodate China’s power, both fail as effective policy options to enhance overall security.\(^{47}\) Although containment worked against the Soviet Union where stark ideological divides, imminent and constant threat, and physical barriers defined our relationship with the Soviet Union, the same cannot be said about China. Economic interdependence is a vivid difference between the Soviet analogy and our China options today. This fact alone would make a containment policy unaffordable in terms of real dollars, stability, and political fallout between the two nations. The U.S. could not contain China without large international support from allies and it would be extremely difficult to build this consensus. In addition, containment could force the two countries into an aggressive relationship with enormous risk to both. “In general,
containment seems to accept as fated something that does not appear to be inevitable; seems unnecessarily to resign itself to an unfavorable outcome, while overlooking the possibility that Sino-U.S. relations could evolve in a more cooperative direction; and would create a confrontation where none existed.”

Similarly, appeasement policies to accommodate a rising China may seem like a good plan to maintain stability, but negotiating from a position of weakness erodes credibility and standing in the world. Historically, these methods have failed to prevent rising powers from behaving aggressively; Germany as the most notable example leading into World Wars I and II. Once ground has been acquiesced or concessions made, it can never be regained and each concession weakens the hegemon while empowering the rising state. “Thus, so long as there is some chance that Chinese assertiveness may not occur for various reasons, U.S. strategy ought neither create the preconditions for its occurrence nor retreat in the expectation that its occurrence is inevitable.” Engagement as a policy seems to be the only real option the U.S. can pursue, but what should this policy look like after a decade of being on “auto-pilot”? Understanding and accepting China as an emerging power with economic, security, and political interests commensurate with its new standing is the first step. Like other self-interested states, China will naturally compete in each of these areas as it continues to develop. How this competition is “played”, the rules by which the game is administered, and the ideas of good sportsmanship are where U.S. engagement policies can shape our future relations with China. Our engagement polices should focus on making deeper inroads across the economic, political, and military spectrum of relations with China. Not only to foster the good sportsmanship, but also to deepen our
understanding of each other, improve transparency, and increase mutual trust. Over
time, deeper engagement will help condition our relations with China and could be the
deciding factor on tempering an assertive China. Thus, U.S. engagement policy has
two equally important end states, to foster an environment that encourages a more
cooperative China while at the same time, preserving our hegemony and national
interests. Clearly articulating U.S. no-penetration lines in terms of national interests and
backing them up with appropriate diplomatic, economic, and military means under the
umbrella of engagement is essential during the transition period of China’s
development.

China’s rise is not predetermined and there are countless possible outcomes that
will shape its destiny as a potential superpower on par with the U.S. Whether China
continues to develop and accrue power commensurate with realists’ theories of great
power politics and the inevitable security dilemma that results, or if liberal theories of
interdependence, acculturation, and democratization have a pacifying effect on China
that cement its status in the western-world order, the U.S. has to be prepared to shape
the environment through effective engagement. China’s trajectory to super-power
status will undoubtedly experience some turbulence along the way. China’s sustained
economic growth is not guaranteed and its current focus on capital-intensive
manufacturing and external trade is precariously reliant on external factors. China’s
ability to rectify this imbalance and transition its economy to an internally demand driven
market will be crucial for its continued economic prosperity. Other equally pressing
concerns could affect China’s rise such as rampant corruption, environmental
degradation, and government weaknesses, which could spur social discord and
instability. While the future is uncertain, it is clear that U.S. policy has to be deeply engaged in China's development; not only from an economic standpoint, but from a security standpoint as well. The relationship, understanding, and cooperation we develop through deep engagement will reap huge dividends for the U.S. as China continues to progress, no matter which scenario unfolds. The U.S. is wise to espouse optimistic and liberal ideals for a peaceful China, but it cannot jeopardize its national interests and must prepare for an assertive China. This hopeful, yet realistic approach blends aspects from both theories discussed and postures the U.S. to shape an emerging China or to protect its interests against a “hidden dragon.”

Endnotes


2 There are countless books and journal articles that address possible outcomes of China’s growth based on existing international relations theories. While many of these assessments show subtle differences, the majority point to variations of three possible futures as discussed above. One exceptional source that thoroughly describes these variations is Michael D. Swaine and Ashley J. Tellis, Interpreting China’s Grand Strategy: Past, Present, and Future (Santa Monica: Rand, 2000), 151-229.


8 Ibid., 83.

10 Ibid., 41.
11 Ibid., 9,13.
20 Ibid., 51.
23 Ibid., 9.
26 C. Fred Bergsten et al., China’s Rise: Challenges and Opportunities (Washington, DC: Peterson, 2008), 180.


29 C. Fred Bergsten et al., China’s Rise: Challenges and Opportunities (Washington, DC: Peterson, 2008), 214.

30 Ibid., 214.


33 Ibid., 60.


35 C. Fred Bergsten et al., China’s Rise: Challenges and Opportunities (Washington, DC: Peterson, 2008), 105.


37 Ibid., 33.

38 C. Fred Bergsten et al., China’s Rise: Challenges and Opportunities (Washington, DC: Peterson, 2008), 98.

39 Ibid., 90.

40 Ibid., 95.

41 Ibid., 96.

42 Ibid., 153.

43 Ibid., 58.


46 Ibid.

48 Zalmay M. Khalilzad et al., *The United States and a Rising China: Strategic and Military Implications* (Santa Monica: Rand, 1999), XV.
