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ABSTRACT: This Special Report examines both improvements and problems in China's relations with neighboring countries in different parts of Asia. John W. Garver of the Georgia Institute of Technology argues that China's core interest is to maintain the status quo of non-Islamist and non-democratic states in post-Soviet Central Asia, and to uphold the existing balance of power between India and Pakistan in South Asia. Dennis V. Hickey of Southwest Missouri State University also describes China as a "status-quo power" in East Asia—it opposes a militarized and rearmed Japan, supports the idea of a nuclear-free Korean peninsula, and seeks to avoid disruptive change in the Taiwan Strait. Michael R. Chambers of Indiana State University observes that Beijing's growing influence in Southeast Asia might present challenges, albeit not a serious threat, to the United States over the near and medium terms. While the three essayists agree that China is reluctant to rock boats in Asia, they cannot predict how long China will maintain its current "good neighbor" diplomacy, particularly in light of China's uneasy relations with Japan, India, and Taiwan.

Introduction

Gang Lin

China's new leaders emphasize the need to "oppose hegemony" in their foreign policy speeches less frequently than did their predecessors, while highlighting peaceful coexistence in a multipolar world. This change, stimulated by China's economic growth and military modernization, reveals Beijing's growing consciousness of itself as a regional power. To ensure a peaceful environment, Beijing regards relations with neighboring countries as the top priority in foreign affairs and continues to pursue a "good neighbor" diplomacy.

Will China become a more responsible regional power, as its recent cooperation with the United States on the North Korean nuclear issue suggests? To what degree will China, as a rising power, challenge the existing regional political and economic order? What will be the probable impact of China's growing power on

regional security and stability? To what extent has Beijing's good neighbor diplomacy changed China's image in the Asia-Pacific region? How can the United States better shape Beijing's foreign behavior in accordance with international norms? The following three essays discuss these and related issues.

In the first essay, **John W. Garver** of the Georgia Institute of Technology argues that China's core interest in post-Soviet Central Asia is to maintain the status quo of non-Islamist and non-democratic states. Beijing is greatly concerned with the explosive growth of U.S. military presence in Central Asia after 9/11. From the perspective of Chinese analysts who are concerned about U.S. efforts to "contain" China, the increasing U.S. presence in that region has represented a further tightening of the noose around China. Beijing's response is to seek assurances that Washington's presence is only temporary. Garver notes that China's large investment in new railways, highways, oil fields and pipelines in post-



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Soviet Central Asia have created Chinese interests in that region, which might conceivably require military protection. However, China's interests would be better served by reassuring the Central Asian states of its benign nature.

Likewise, China seeks to uphold the existing balance of power in South Asia by ensuring that India remains preoccupied with handling a strong and independent Pakistan. Garver predicts that China would almost certainly stand by Pakistan in the event of an India-Pakistan war, though Beijing's preference is to prevent military conflict between these two South Asian countries. However, China would probably enter a war only if a decisive Indian victory seemed inevitable. In addition, China could quite conceivably employ military force to protect its relations with Nepal and Myanmar against Indian dictation, Garver maintains.

The second essay by **Dennis V. Hickey** of Southwest Missouri State University examines China's relations with Japan, the two Koreas, and Taiwan. According to Hickey, Beijing has played an increasingly constructive role in East Asia over the past several years, and closer ties between China and its neighbors serve American interests in the region. In many respects, China might best be described as a "status-quo power" in that region—improving its relations with Japan and South Korea, opposing a militarized and rearmed Japan, supporting the idea of a nuclear-free Korean peninsula, and seeking to maintain the status quo in the Taiwan Strait.

However, China's improving ties with Japan and South Korea could be reversed due to territorial disputes and other sensitive issues. Despite a sharp escalation in China's commercial ties with Japan in recent years, Beijing fears a possible resurgence of Japanese militarism and deeply resents any Japanese behavior that appears to excuse Japan's aggression in World War II. On the other hand, many Japanese are annoyed by China's continual references to the past, and concerned about Chinese naval incursions into Japan's Exclusive Economic Zone (EEZ). Likewise, various problems—including the quarrel over the boundaries of an ancient Korean kingdom—could swiftly deteriorate China's relationship with South Korea. While Beijing has shown great diplomatic skill in handling the North Korean nuclear crisis, its hostile approach toward Taipei has resulted in a worsening relationship across the Taiwan Strait. Hickey cautions that Beijing's unrealistic Taiwan policies, plus provocative behavior of some Taiwanese politicians, have brought the two rivals on a collision course.

In the third essay, **Michael R. Chambers** of Indiana State University observes that China has made great efforts to demonstrate its good neighborliness to the countries of Southeast Asia. According to Chambers, Beijing's purposes are three-fold: 1) to dispel any concerns among ASEAN of a "China threat," 2) to maintain a peaceful and stable regional environment in which China can pursue its goal of economic development, and 3) to promote Chinese leadership and influence within the context of an East Asian community. Anxious that the United States might seek to constrain China's rise, Beijing regards the creation of an integrated East Asian community as a type of strategic buffer against possible pressures from the United States in the future.

Chambers recognizes that the growing Chinese influence in Southeast Asia has negative consequences for the United States, given the emerging sentiment in the region to avoid choosing sides in a potential U.S.–China military clash over Taiwan. Beyond this, China's influence in this region might present challenges, but not a serious threat, to the United States, Chambers argues. Over the near and medium terms, China will not develop into a global power to rival the United States, and it will depend on the United States to accommodate its rise.

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Moreover, while the ASEAN countries welcome China's good neighbor diplomacy, they are not appeasing this emerging dragon and are strengthening their relations with other major external powers, including the United States. Therefore, Chinese good neighbor diplomacy toward Southeast Asia does not require an immediate or a drastic reaction from the United States, Chambers concludes.

Bill Gertz of the *Washington Times* offered commentary on these three essays when they were first presented at a September 22, 2004, seminar hosted by the Woodrow Wilson Center's Asia Program. Gertz highlighted China's potential threat to the United States and Japan, which defense officials of both these countries tend to worry about. As a result of China's economic and military modernization, South Korea may be under more influence from China than from the United States, and Beijing's aggressive policies in the South China Sea will inevitably conflict with Japanese interests in that

region. Moreover, future energy shortages are likely to drive China to expand southward and/or northward. Gertz argued that whether Beijing will use force against Taiwan will serve as a test point for the reliability of China's good neighbor diplomacy.

This Special Report examines both improvements and problems in China's relations with neighboring countries in Central Asia, South Asia, Northeast Asia, and Southeast Asia. While the three essayists agree that China seeks to maintain the status quo in Asia, they cannot predict how long China will maintain its current good neighbor diplomacy, particularly in light of uneasy relations with Japan, India, and Taiwan. In addition, a serious political, economic, or social crisis in China could also alter Beijing's approach to the region, as Chambers cautions in his essay. In other words, the sustainability of China's good neighbor diplomacy is subject to contingencies, both domestic and international.

China's Probable Role in Central and South Asia

JOHN W. GARVER

Will China use its growing power to challenge the existing political and economic order in Central and South Asia? Is Beijing likely to use its burgeoning military power to direct development of these regions along lines favorable to China? If so, how? What will be the probable impact of China's rapidly growing national power and influence on the international order in Central and South Asia? Might China use that power in an attempt to establish a sphere of influence in these regions? Several caveats are necessary before answering these questions. First, the future is notoriously hard to predict. We can at best speak of probabilities, while recognizing the very large role that will be played by contingency. Second, China's future roles in Central and South Asia will be greatly influenced by scores of unforeseeable factors: social breakdown or war in these regions, the policy choices of Moscow, Washington, and Brussels in coming decades, and the relative successes and failures of various states. At best we can speak of informed guesses.

CHINA'S PROBABLE ROLE IN CENTRAL ASIA

China's interests suggest that it will use its growing power to uphold the existing order in Central Asia. The collapse of Soviet rule over Central Asia and the replacement of that imperium by five sovereign, independent states were profoundly beneficial to China's national interests. The powerful military forces that had previously stared at China from this region were withdrawn, to be replaced by the far weaker military forces of far less powerful states. The impenetrable Soviet-era boundaries that had previously severely limited Chinese influence in Central Asia suddenly became permeable, and Chinese goods, investment, people, ideas and arguments began flowing across those borders. Instead of one powerful and xenophobic state (the USSR), Beijing now found in post-Soviet Central Asia five weak states eager to expand ties with China for the sake



of economic development and to escape from a long period of Russian/Soviet domination.

China's core national interests also comport with the existing secular (i.e., non-Islamist) nature of the five Central Asian states. The post-Soviet period has seen an explosive renaissance of Islam across Central Asia, and some of the political movements emerging from this renaissance have favored Taliban and/or Iran-style Islamic states. China fears that the establishment of Islamic states in Central Asia would exacerbate its own problems of internal security in Xinjiang, and has therefore supported the existing secular Central Asian governments against the forces of Islamicization. This was one of the core, if unspoken, purposes behind the Shanghai Five/Shanghai Cooperation Organization supported by China in the 1990s. Secular, non-Islamicist governments constitute the status quo in Central Asia, and China is likely to continue supporting that status quo.

Democratization of governmental systems in Central Asia would constitute a change from the status quo. Would Beijing oppose movement toward democratization of Central Asian governments? Beijing probably would fear that democratization would draw the Central Asian states further into the Western orbit, thereby further tightening the circle of

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"U.S. containment" around China perceived by many Chinese analysts. It would probably make a major difference to Beijing, too, whether or not those increasingly democratic Central Asian states have military and/or strategic links with the United States, the European Union, India, or other democratic states not allied with the United States. European states (especially Germany) are already economically dominant in several of the Central Asian states. If the trans-Atlantic relation deteriorates, Beijing might not be particularly concerned by a growing association of Europe and the Central Asian states, especially if Europe and America continue to drift apart.

From the perspective of Chinese analysts who are concerned about U.S. efforts to "contain" China, the establishment of a U.S. military presence in Central Asian countries has represented a further tightening of the noose around China.

Beijing, or at least some circles in China, are greatly concerned with the explosive growth of U.S. military presence in Central Asia after 9/11. From the perspective of Chinese analysts who are concerned about U.S. efforts to "contain" China, the establishment of a U.S. military presence in, and links with, Central Asian countries has represented a further tightening of the noose around China; U.S. forces are situated uncomfortably close to ethnically sensitive Xinjiang and Tibet. Some Chinese analysts also believe that the U.S. military presence will stimulate, rather than help staunch, Islamic fundamentalism in these regions. Anti-subversive activities are best preformed, in the view of some Chinese analysts, by the Central Asian countries themselves, perhaps in cooperation with their Chinese and Russian neighbors.

Beijing responded to the post-9/11 growth of U.S. military presence in Central Asia by seeking and securing assurances from Washington that its presence was temporary and associated with ongoing operations in Afghanistan—operations with which China cooperates. Once Afghanistan is sta-

bilized, Beijing would certainly like for U.S. forces to leave Central Asia.

But it is difficult to imagine how China might be able to use military forces to thwart a drift of the Central Asia states toward military association with the West, either Europe or the United States. Intimidation by military threat would be counterproductive and push the Central Asian states into deeper alignment against China. Of greater utility to China's interests would be attempts to reassure the Central Asian states of China's benign and non-threatening nature. A strong "good neighbor" policy would be more effective than military threat in dissuading Central Asian states from associating too closely or permanently with the United States.

China's large investment in new railways, highways, and pipelines in post-Soviet Central Asia, along with the acquisition of several oil fields on the east shore of the Caspian Sea and in Azerbaijan, have created Chinese interests in Central Asia that might conceivably require military protection. Were the new and important rail lines linking Xinjiang to Europe and ocean ports, or the Kazakh-Xinjiang pipeline being built to carry Caspian crude to Xinjiang to become a target of Islamic terrorist attacks, China could well offer military cooperation to Central Asian governments in response. This is perhaps not too far-fetched. In this event, however, China's strategists would probably be well aware that the presence of Chinese military forces in Central Asia could easily cause a negative local backlash. More likely, perhaps, the People's Liberation Army (PLA) would provide training, intelligence, and logistic assistance to Central Asian military forces. Without too much difficulty one can imagine a rivalry between China and the United States for military cooperation with Central Asian states. It is difficult to imagine this going very far, however, unless one envisions a Central Asian theater evolving out of escalation of a U.S.-PRC war over Taiwan.

CHINA'S GROWING POWER AND SOUTH ASIA

In South Asia, too, China is a status-quo power, at least in one fundamental sense—China benefits from, and therefore seeks to uphold, the existing fractured structure of power between India and Pakistan. By ensuring that India remains preoccupied with political conflict with a strong, in-dependent-

minded Pakistan over Kashmir, China gains a number of regional and even global advantages. It is this geopolitical fact that underlies China's unprecedentedly long, stable, "multifaceted," "all-weather," and "tested-by-adversity" relations with Pakistan. It is this primal geopolitical fact that underlies China's assistance to Pakistan's nuclear weapons programs in the 1970s and 1980s, Beijing's 1997 refusal to accede to U.S. pressure to cease nuclear cooperation with Pakistan, and China's large and ongoing aid to Pakistan's national development efforts.

In the event of an India-Pakistan war, China would almost certainly stand by Pakistan. There are 30 or so levels of Chinese support for Pakistan short of belligerency—levels ranging from biased media coverage, governmental statements, U.N. diplomacy, to concentration of Chinese forces on India's northern borders. A Chinese decision regarding belligerency in an India-Pakistan war would be influenced by a series of contingent factors, probably starting with the positions of the United States, Russia, and Europe on the conflict. Actual Chinese entry into the war would be likely only in the event that a decisive Indian victory, and therefore subordination of Pakistan, seemed likely.

History is replete with examples of wars launched for essentially defensive purposes that resulted in revolutionary transformations of international systems.

A Chinese decision to enter an India-Pakistan war would be predicated on preventing the overturning of the structure of power that has existed in South Asia since 1947. Beijing's objective would not be to overturn the South Asian balance, but to maintain it. Overturning the long-existing balance could, nonetheless, result from an India-Pakistan-China war. History is replete with examples of wars launched for essentially defensive purposes that nonetheless resulted in revolutionary transformations of international systems (e.g., the U.S. 1940–41 decision to intervene in Europe and Asia, and China's 1962 decision for war with India). If, as a result of such a war, India were gravely weakened by a nuclear exchange with Pakistan, China's relative power position in South Asia could be greatly strengthened.

I am not suggesting that China believes it would benefit from a war between India and Pakistan. This is not the case. Such a war would confront China with a Hobson's choice between alienating India and abandoning Pakistan. Beijing would be certain to seek to avert such a war and would work in tandem with the peace diplomacy of other powers in this regard. But if such efforts failed and Beijing were forced to choose between Pakistan and India, China would come down on Pakistan's side. The only question would be how far China would go in supporting Pakistan.

There could be two types of revolutionary outcomes of a China-supported Pakistan-India war. One would be a decisive Indian victory over Pakistan, resulting in the denuclearization, partial demilitarization, and perhaps even partition of defeated Pakistan. This would represent the end of the balance of power that was established with the 1947 Partition. This outcome would be profoundly adverse to China's geopolitical interests and China would seek to prevent it.

The second type of revolutionary outcome would be a substantial reduction in India's national power. The most probable path leading to such an outcome would be a general nuclear exchange between India and Pakistan. Nuclear obliteration of a number of Indian population and economic centers would impose astronomical costs of relief and rehabilitation. This would be a devastating blow to the development of India's national capabilities. Since 1978 China has gained a very large lead over India in terms of the World Development Indicators calculated by the World Bank. In terms of a whole series of standard development indicators such as rates of Gross Domestic Product (GDP) growth, domestic and foreign investment, expansion of foreign trade, adult literacy and infant mortality, China has pulled far ahead of India since 1978. An India devastated by nuclear exchange with Pakistan would fall further behind China. Were China's explosive growth to continue while India struggled to recuperate from nuclear devastation, the overall balance of power between the two countries could fundamentally shift. The protracted struggle India has waged since 1949 to limit China's advances in South Asia could thus come to an end, with all countries of the South Asian region, perhaps including devastated India itself, coming to terms with Asia's new preeminent power, China.



Are there other interests the pursuit of which might cause China to decide to resort to military force in South Asia? Tibet remains extremely sensitive for Beijing, and any attempt to undermine Chinese rule there by actions arising from South Asia (i.e., India) would certainly invite punishment. Beyond that, might China use military forces to “recover” “lost territory” corresponding to the Indian state of Arunchal Pradesh? This seems highly unlikely, except perhaps in association with a decisive Indian-Pakistan war in which Beijing decided to support Pakistan. If this was the case, “recovering” Arunchal Pradesh would be a convenient target and pretext. In the event of ultra-nationalist and militarist forces gaining decisive influence in Beijing and launching China on an expansionist course, a number of other “lost territories” would offer more probable targets: Taiwan, the South China Sea islands, the Sengakus, or even the Russian Far East and Mongolia.

China could quite conceivably employ military forces (either actively or passively) to protect its relations with South Asian countries—especially Nepal and Myanmar—against disruption by India. By “passively,” I mean the merely threatened use of military forces (as opposed to actual use) to influence the behavior of another state actor. Chinese analysts tend to believe that the development of cooperative relations between China and countries such as Nepal and Myanmar are normal and non-objectionable manifestations of the sovereign independence of the states entering into those relations. They are not directed against and do not threaten any other power, and are thus protected by the Five Principles of Peaceful Coexistence. This includes a full range of possible cooperation: economic exchange, development of transport links, and political, diplomatic, military and security cooperation. Governments of the smaller South Asian countries have often found useful and advantageous various sorts of cooperation with China, and China has sometimes responded positively and in a spirit of friendship to these proposals for cooperation. Indian analysts, on the other hand, tend to view with concern the advance of Chinese influence along India’s flanks and within what they view as India’s natural security zone of South Asia. From Beijing’s perspective this Indian attitude is a completely unacceptable manifestation of India’s “hegemonistic” mentality.

Principle aside, Beijing has been extremely pragmatic and realistic in challenging India’s authority over the foreign relations of other smaller South Asian countries. For example, in 1989 when Nepal went too far for India by concluding an intelligence exchange agreement with Beijing and then purchasing arms from China, New Delhi responded by imposing a virtual economic blockade on Nepal. China responded with only weak support for beleaguered Nepal. Beijing’s low-key response to Indian bludgeoning of Nepal was predicated on several contingent but important factors. China’s relations with the United States and other Western countries were deteriorating rapidly in the aftermath of the Beijing massacre of June 1989. Moreover, given the weakness of transportation links between Nepal and China, there was simply no way China could have stepped in to meet Nepal’s pressing economic needs.

But what if those contingent factors were more favorable to China? What if China’s relations with Europe and/or the United States were good, and what if a smaller South Asian country targeted by Indian policy enjoyed broad international sympathy for its resistance to Indian “bullying” and “domination”? What if the Xining-Lhasa railway (currently scheduled for completion in 2007) had been completed, with a spur pushed further south to Kathmandu? What if China’s military forces enjoyed a considerable margin of superiority over those of India? What if Nepal’s government (for example) requested Chinese support in resisting Indian domination? It is possible China might choose to employ military forces—again either passively or actively.

A Maoist victory in Nepal could well lead to a decision by the new government to uproot old patterns of international economic cooperation as part of an effort at revolutionary restructuring of Nepali society—perhaps rather like the Chinese Communist Party’s expropriation of Western property in China after 1949, or Castro’s decision to break with the United States around 1960. Costs of such drastic reorientations are heavy, but the logic of revolution has sometimes made those costs acceptable to unelected revolutionary elites. Were a Maoist revolutionary regime in Nepal to seek greatly expanded cooperation with China, and were China’s leaders to conclude that calculations of China’s interests required acceptance of the opportunity being presented by Nepal’s invitations, India



might respond quite forcefully. A shift of Nepal from India's security system, where it has been since 1950, to China's, would constitute a dramatic breaching of India's "Himalayan barrier." India has devoted large resources since 1950 to establishing and maintaining this barrier; it holds a status in Indian thinking roughly comparable to that of the Monroe Doctrine in U.S. strategic thought. India might go to some lengths to prevent Nepal from changing sides, while China considered such actions as hegemonist bullying and power politics antithetical to the Five Principles of Peaceful Coexistence. If events proceeded along such a path, Chinese resort to military force could not be excluded.

Myanmar offers a second case where Chinese ties are of considerable concern to India, and where China could conceivably resort to military force to protect those ties against Indian disruption. The first observation must be that such Indian disruption appears highly unlikely. New Delhi did not rouse itself to counter-measures during the 15 years after 1988 when the now existing Sino-Myanmar entente developed, and there is little reason for assuming that India will become more vigorous in attempting to undo that now solid relation. India

seems to have adjusted to the new fait accompli, rather like the United States adjusted to the Soviet position in Cuba. But supposing that India did begin adopting more vigorous counter-measures to undo the Sino-Myanmar entente, might China respond with force? My hunch is that Beijing's perception of the U.S. role in instigating India's new course would play an important role in determining China's response. If Beijing concluded there was an American hand in India's anti-China policies, it would be inclined toward more forceful measures to "smash" the India-U.S. anti-China cabal. Again, the quality of Beijing's, and India's, ties with the United States, Europe and Russia, as well as the military balance between India and China at the time Beijing had to make its decision, would be important to Beijing's calculations.

Local, seemingly parochial concerns such as the status of Nepal or Myanmar are linked to the broader structure of power in South Asia. If Beijing resorted to force to uphold the sovereign rights of China, Nepal and Myanmar to determine relations among themselves against Indian dictation, it would not do so as part of an effort to overturn the existing structure of power. This might, however, be the result.



China's Relations with Japan, the Koreas, and Taiwan: Progress with Problems

DENNIS V. HICKEY

This essay examines relations between the People's Republic of China (PRC) and several major powers in Northeast Asia—Japan, the Republic of Korea (ROK or South Korea), the Democratic People's Republic of Korea (DPRK or North Korea), and the Republic of China (ROC or Taiwan). It shows how, in many respects, Beijing now plays a much more active, constructive and practical role in regional affairs. However, China's relations with its neighbors are not without their complexities and problems. Perhaps most worrisome is Beijing's deteriorating relationship with Taipei. As observed by Jia Qingguo, an international relations analyst at China's prestigious Beijing University, the two sides of the Taiwan Strait are moving closer and closer to war.¹

CHINA'S RELATIONS WITH JAPAN

Recent years have witnessed a sharp escalation in China's commercial ties with Japan. Japanese exports to China are setting new records. In 2003, Japan exported almost seven trillion yen in products to the PRC.² China's demand for steel is benefiting Japan's steel industry, and the Chinese people's seemingly insatiable demand for cell phones (almost 300 million are now in use) is providing a real boost to corporations such as Sanyo and Matsushita. In fact, according to some studies, Japanese exports to China are largely responsible for Japan's economic recovery. Japan's imports from China are growing steadily, too. In 2003, Chinese exports to Japan exceeded nine trillion yen, surpassing American exports to Japan for the second consecutive year.³

In addition to the explosion in bilateral trade, it is noteworthy that Japanese direct investment in China is accelerating rapidly. Many corporations are relocating production lines to China, resulting in the loss of over two million manufacturing jobs in Japan. Although numerous Japanese companies are using China as an export-platform, an increasing number of businesses are manufacturing products for China's



growing middle class. In other words, China is viewed as a lucrative domestic market by some Japanese firms. As evidence of this trend, Japanese department stores and convenience stores, businesses that already enjoy a strong presence in Taiwan and Hong Kong, now are setting up shops in the mainland.

Despite a robust and growing economic relationship, China's ties with Japan remain somewhat precarious. To be sure, there are some very positive trends in political relations. For example, both Beijing and Tokyo agree on the need for a non-nuclear Korean peninsula and a peaceful resolution to the North Korea nuclear crisis. They have also cooperated in regional forums such as the ASEAN + 3 (China, Japan and South Korea) talks. Moreover, Japan provided China with significant emergency assistance during the 2003 SARS crisis, and roughly 50,000 Chinese students now study in Japan. To a significant extent, however, there is a shadow that hangs over China-Japan relations.

China deeply resents any behavior that appears to glorify or excuse Japan's aggression in World War II and is concerned about a possible resurgence of Japanese militarism. Prime Minister Koizumi Junichiro's repeated visits to the Yasukuni Shrine, a site where the remains of certain war criminals

rest, have infuriated many Chinese. Tokyo's enormous military outlays (now the fourth largest in the world after the United States, China and France) and defense modernization programs are also causes for concern. Not surprisingly, any talk of revising the country's so-called "Peace Constitution" and/or scrapping Article Nine of that document sets off alarm bells in Beijing. Moreover, the terms of the revised U.S.-Japan Defense Guidelines irritate Chinese defense-planners—especially those involved in planning for possible military actions against Taiwan.⁴

For their part, many Japanese are annoyed by what they consider China's incessant whining about issues related to unfortunate historical events that occurred a long time ago. After all, most Chinese and Japanese were born after the close of World War II, and Tokyo is taking steps to destroy dangerous materials abandoned by imperial troops deployed in the mainland at the close of the conflict.⁵

On a more substantive level, there is increasing concern in Tokyo about Chinese naval incursions into Japan's Exclusive Economic Zone (EEZ) and Beijing's vociferous claims to the Senkaku Islands (designated as the Diaoyu Islands). Much to Tokyo's chagrin, Beijing maintains the position that Chinese ships have never violated Japan's EEZ because jurisdiction over these waters is "disputed." Beijing also contends that the Senkaku Islands have belonged to China "since ancient times." The PRC even passed a law reaffirming its claims in 1992.

Public opinion polls reveal that many Japanese view the rise of China with concern and consider the country as a possible threat.

Another territorial dispute involves China's claims to the entire South China Sea and Taiwan. Although Japan is not directly involved in these quarrels, it fears that a conflict over Taiwan could destabilize the whole region. Furthermore, a majority of Japan's petroleum imports pass through waterways located in or near the South China Sea areas, and Japanese firms have expressed an interest in joint development of any energy resources discovered beneath it.

The quarrels between China and Japan should not be exaggerated. After all, the two Asian giants share many interests and most Japanese officials emphasize that China does not represent an immediate threat to their country. Nevertheless, public opinion polls reveal that many Japanese view the rise of China with concern and consider the country as a possible threat. Moreover, Japan's 2004 Defense White Paper describes China as a "potential threat" to the country. Incidents such as those that occurred at the 2004 Asian Cup Soccer Final in Beijing, a contest in which many Chinese spectators shouted "Kill! Kill! Kill!" at the Japanese team, serve to reinforce the popular view that the PRC may evolve into an ultra-nationalistic, anti-Japanese power.⁶

CHINA'S RELATIONS WITH SOUTH KOREA

China and South Korea, once bitter enemies, normalized relations in August 1992. Since that time, economic relations between the two countries have become highly successful and helped pave the way for an expansion in political and cultural ties.

Some describe the bond between Beijing and Seoul as one of East Asia's "most friction-free relationships."⁷ In terms of economic ties, the relationship is especially robust. As Andy Rothman, an analyst at Credit Lyonnais Securities Asia, observed, "the growth of South Korea's [economic] relationship with China over the past decade has been astonishing."⁸

China has become South Korea's largest trading partner (it surpassed the United States in 2003) and is now the top investment destination for South Korean corporations. ROK officials boast that the country will become the largest foreign investor in China within several years.⁹ Unlike the export-oriented investors from other countries, South Korean firms in the PRC focus primarily upon China's domestic market. Consequently, few South Koreans have lost jobs as a result of businesses investing in the PRC.

Like Japan, South Korea's economic recovery may be attributed largely to its growing economic ties with China. Almost 20 percent of the ROK's total overseas shipments are destined for the PRC. Moreover, most of the overall trade surplus that the ROK enjoys may be traced to exports to China.¹⁰ In short, the South Korean economy is increasingly dependent upon China.



The strengthened PRC-ROK economic relationship has helped foster enhanced political and cultural ties. It is estimated that two million South Koreans travel to China annually and more than 200,000 South Koreans now live and work in the PRC (almost 40,000 South Korean students study in China). But far more significant, political bonds between the two governments (and societies) have grown much closer as a result of Beijing's constructive efforts to peacefully defuse the North Korean nuclear crisis and act as an "honest broker" between Pyongyang and Washington. As a nuclear-armed North Korea, a collapsing North Korea and/or another conflict on the Korean peninsula could spell disaster for both the PRC and the ROK, the two countries have a strong shared-interest in engineering a "soft landing" for the DPRK. The popular perception that Korea is historically and culturally close to China has also helped bolster a favorable opinion of China.

As described, PRC-ROK relations are relatively good. Yet the relationship may be more fragile than it appears. Recent months have witnessed a steady escalation in bilateral tensions. For example, South Korea has complained that most of its air pollution comes from China and that many imported Chinese food products are tainted and unsafe for human consumption. South Korean lawmakers also chafe at restrictions placed on their linkages with Taiwan. Beijing places stricter limits on South Korea's ties with Taiwan than it does on Japanese or American relations with the island. Perhaps most significant, however, is the much-publicized quarrel over the boundaries of the ancient kingdom of Koguryo, a state that reportedly evolved into modern day Korea.

At first blush, the Koguryo quarrel may appear ludicrous to outside observers. But its resolution holds important implications for China and the Koreans. Some South Korean scholars and politicians claim that the kingdom extended into northeastern China, suggesting that a number of Chinese provinces should be returned to Korea. As might be expected, China refutes all such claims and argues that Koguryo was little more than a vassal state of imperial China—a position that infuriates Koreans. The dispute has led to a sharp decline in favorable impressions of the PRC. As the ROK's Foreign Minister observed, "the anti-U.S., pro-China atmosphere has changed recently as we saw the hegemonic side of China."¹¹

In sum, China and South Korea enjoy an expanding economic, cultural and political relationship. Like China's relations with Japan, however, there is a possibility that various problems, both old and new, could lead to a rapid and sharp escalation in tensions. Despite these problems, however, the risk of a major break between Beijing and Seoul seems relatively slight.

CHINA'S RELATIONS WITH NORTH KOREA

There was a time when relations between China and North Korea were as close as "lips and teeth." The PRC even went to war with America in 1950 to ensure North Korea's continued survival. But those days are over. Although the PRC-DPRK security pact remains intact, the two allies have followed different trajectories for many years. Bilateral relations cooled perceptibly after Beijing recognized Seoul in 1992. As one Chinese scholar explained, "they believe we betrayed them. We embraced the United States and their enemy in the south."¹²

The DPRK and its nuclear weapons program represent one of China's most imminent and complex security challenges. Today's North Korea is a failed state that possesses few, if any, diplomatic allies. During the 1990s, a conjunction of factors—including centralized planning, excessive military spending, natural disasters and reduced foreign aid—brought the country to the brink of total starvation. Pyongyang's stubborn resistance to Chinese-style economic reforms only aggravated these problems. These developments led some analysts to speculate that a collapse of the North Korean regime was imminent.

As the DPRK grew weaker economically and politically, it grew more belligerent. In 1994, a crisis over North Korea's nuclear program was defused only after a summit meeting between former U.S. President Jimmy Carter and Kim Il-sung. At the time, China did not get directly involved in the negotiations. It declined to participate in the Agreed Framework—an accord in which Pyongyang agreed to "freeze" its nuclear program in exchange for assistance—or participate as a member of the Korean Energy Development Organization (the organization established to channel aid to the DPRK).

China's policy toward the DPRK and its nuclear weapons program began to change after Pyongyang announced that it was withdrawing from the

Nuclear Non-Proliferation Treaty (NPT). In 2003, Beijing stated publicly that it supports the idea of a nuclear-free Korean peninsula and it has employed both carrots and sticks to convince the DPRK to negotiate an end to the crisis.

Although China's economic relations with North Korea are minuscule when compared to its massive trade with South Korea, it provides a substantial amount of energy and food assistance to the DPRK on very favorable terms. As a consequence, Beijing still exercises some influence, albeit limited, over Pyongyang's behavior. As a reminder of the significance of this aid, China temporarily closed an important oil pipeline to North Korea for "technical reasons" in 2003. Several months later, the PRC replaced the Public Security Police on the PRC-DPRK border with elements of the People's Liberation Army (PLA). Finally, Beijing broke with long-standing policy and became an active participant in the nuclear dispute by hosting a three-way meeting among itself, the United States and the DPRK in April 2003. These talks ultimately led to the ongoing six-party talks that include China, the DPRK, the ROK, Japan, the United States, and Russia.

Thus far, China has hosted three rounds of six-party talks. Some complain that the results of the discussions thus far are inconclusive. However, after the third round of negotiations concluded in 2004, Wang Yi, head of the Chinese delegation, declared that "the goal of a denuclearized Korean peninsula is irreversible, the process of the six-party talks is irreversible, and the historic trend of maintaining peace and stability on the peninsula is irreversible."¹³ Beijing appears to believe that both Pyongyang and Washington have accepted the necessity of resolving the crisis peacefully.

It is likely that a variety of considerations led China to break with long-standing policy and become deeply involved in a contentious regional dispute. These motivations include:

- Preservation of peace and stability on the Korean peninsula. Another Korean conflict could lead to devastating consequences for the entire region.
- If the DPRK loses a conflict with the United States (and the ROK), China will lose an important buffer state if the U.S.-ROK alliance remains intact.

- If the DPRK acquires nuclear weapons, other countries—such as Japan—might be compelled to follow suit and "go nuclear."
- If the DPRK does not dismantle its nuclear program, U.S. plans to deploy a theater missile defense system in East Asia will accelerate.
- Given the nature of the DPRK regime, there exists the possibility that Pyongyang might export WMD to non-state actors in the Middle East—perhaps including groups seeking to dismember parts of China in order to carve an Eastern Turkestan Republic out of Xinjiang.
- Opposing the DPRK's nuclear weapons program might help the PRC win some concessions from the United States on the Taiwan issue.

Most observers concede that the PRC has shown great diplomatic skill in handling the North Korean nuclear crisis. It has won the praise of the United States and all other participants in the six-party talks and enhanced its reputation as a responsible power in the international system. Given its relatively limited influence over the principal parties to the conflict (the DPRK and the United States), however, it still remains to be seen whether China will actually succeed in defusing the crisis.

CHINA'S RELATIONS WITH TAIWAN

In 1949, Generalissimo Chiang Kai-shek and the government of the ROC retreated to Taiwan—a territory that had been "stolen" by Japan in 1895 and "restored" to the ROC after World War II. For decades, the PRC threatened to liberate the island and from time to time even attempted to seize territory (the offshore islands) under Taipei's control. But a lot has changed since the 1950s.

Although the PRC will not rule out the use of force to take Taiwan, Beijing began to call for the "peaceful" unification of China under the so-called "one country, two systems" reunification formula in the end of the 1970s. According to this arrangement, Taiwan would become a special administrative region of China, but enjoy a much greater degree of autonomy than that granted to Hong Kong.

For its own part, things have changed in Taiwan. In 1987, the government lifted the ban on trade, travel and investment in the PRC. Not surprisingly, economic exchanges have soared. By 2003, China had replaced the United States as Taiwan's biggest



export market and Taiwanese firms had invested over U.S. \$100 billion in the mainland. Moreover, it is estimated that several hundred thousand Taiwanese now reside in China. But as China and Taiwan have grown closer and closer economically, they've moved further and further apart politically. Indeed, Annette Lu, Taiwan's feisty vice president, claimed in August 2004 that "cross-Strait relations have already entered a state of quasi-war."¹⁴

In 1987, Chiang Ching-kuo, the late president of the ROC, lifted martial law in Taiwan. Since that time, numerous opposition parties have formed, restrictions on the press have been lifted, the provincial government has been "downsized" and the nation's legislative bodies have been revitalized.¹⁵ Perhaps most significant, Chen Shui-bian, a member of the Democratic Progressive Party (DPP), a party that favors independence from China, now occupies the office of the presidency. In short, Taiwan has evolved peacefully into what the U.S. Department of State describes officially as a "multi-party democracy."

Public opinion polls in Taiwan reveal that almost no one supports China's "one country, two systems" reunification scheme. They also reveal that support for independence or unification is largely conditional.¹⁶ In other words, public opinion towards this thorny issue can be influenced by other actors and events. If China undertakes political and economic reforms and adopts a conciliatory attitude toward Taiwan, support for unification will rise. But if China engages in hostile and antagonistic behavior, it succeeds only in provoking the Taiwanese and helps stir up passions that could lead to a potentially disastrous confrontation between the two sides of the Taiwan Strait.

Unfortunately, China continues to make the mistake of embracing the hostile approach. For more than five decades, Beijing has adopted the absurd position that the government in Taipei does not exist and has done everything possible to strip Taiwan of any vestiges of statehood. For example, China insists that nations cannot recognize both the Beijing and Taipei governments—they must choose between them. In an effort to lure Taiwan's few remaining diplomatic allies into its camp, China engages in "dollar diplomacy."¹⁷ In March 2004, the tiny Caribbean nation of Dominica severed relations with Taiwan after reportedly accepting an offer of U.S. \$117 million in "assistance" from

Beijing. At the time, Taiwan's foreign minister observed that Beijing's actions will "only make the cross-strait relations worse, not better."

In addition to stealing Taiwan's allies, Beijing aggressively seeks to block the island's participation in most international organizations. The Taiwanese realize that only Beijing stands in the way of Taiwan's membership in the United Nations, the World Health Organization, the International Monetary Fund, the World Bank, and a host of other global institutions. They also realize that it was China's intransigence that prevented the island from receiving much-needed international medical assistance during the 1999 earthquake and 2003 SARS crisis—conduct that contributed to the deaths of hundreds of Taiwanese. Not surprisingly, public opinion polls show that roughly half of the island's population believes that China is unfriendly toward the Taiwanese people, while a solid majority agree that China is unfriendly toward their government.

The hundreds of missiles that Beijing has deployed directly opposite Taiwan and its refusal to renounce the use of force to take the island reinforce the view that China is an unfriendly and threatening power. In order to counter Beijing's military buildup and its increasingly intimidating posture, Taiwan's taxpayers must spend billions on defense instead of using the money to bolster education, health care or other social services. After all, no other power threatens Taiwan.

To be sure, China is responsible for many of the problems that plague cross-strait relations. But some of the troubles must be traced to Taiwan—especially President Chen's Shui-bian's fiery rhetoric and support for controversial initiatives. For example, during the 2004 presidential campaign, Chen declared that "we should be very confident in saying very loudly to the world that Taiwan is an independent, sovereign country. There is no need to be ambiguous."¹⁸ It is noteworthy that Chen also champions a plan to adopt a new constitution for Taiwan by 2008. Moreover, despite the defeat of his so-called "peace referendum" in the 2004 presidential election, a scheme guaranteed to provoke Beijing, the president supports the idea of holding additional referendums as a means to settle controversial political and social questions. China views all of these moves—President Chen's independence rhetoric,

the plans to adopt a new constitution and the proposals for more referendums—as steps toward a formal declaration of independence.

When one combines China's inflexible, unrealistic and anachronistic policies with the irresponsible behavior of some Taiwanese politicians, the end result is a recipe for disaster. It should come as little surprise that PRC threats to use force against Taiwan are accelerating. In August 2004, Cao Gangchuan, the PRC's defense minister, warned, "if the Taiwan-independence separatist forces obstinately persist on this course, the Chinese People's Liberation Army has the determination and ability to resolutely smash any Taiwan-independence separatist plot."¹⁹ In short, despite the explosion in cross-Strait economic, social and cultural ties, it now appears that the two archrivals are on a collision course.

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CONCLUSION

The traditional goals of U.S. security strategy in East Asia include political stability, access to regional markets, freedom of navigation, promotion of democracy, and preventing the rise of a hegemonic power. More recently, Washington has also sought to fight terrorism in its various forms. Despite the much-publicized discussion of a "China-threat" and pessimistic assessments pointing to a coming U.S. conflict with the PRC, Washington and Beijing share common interests in fighting terrorism, preserving stability, promoting peace, and ensuring nuclear non-proliferation in the region. Moreover, Washington needs Beijing's cooperation to cope with a wide range of pressing global problems, including environmental degradation, health issues and dwindling energy supplies, to name just a few. Finally, there is no inherent danger associated with China's expanding relations with its neighbors. In fact, closer PRC ties with Japan, the Koreas and Taiwan serve American interests in the region.

On balance, the new China is more active, flexible and pragmatic in foreign affairs. It has played a very constructive role in seeking a peaceful resolution of the Korean nuclear crisis and its relations with most of the powers of East Asia appear promising. Of course, China's recent improvements in ties with its neighbors are not irreversible. As described, difficulties certainly exist in Beijing's relations with Tokyo, Seoul, Pyongyang and, especially, Taipei.

There is no happy, speedy or easy resolution to the Taiwan issue. In fact, it is important to remember that for China, this is not a matter of foreign policy. Rather, it is a domestic political problem that has been compounded by the interference of certain foreign powers—particularly the United States. From the Taiwanese perspective, however, China tends increasingly to be considered an aggressive and hostile foreign power. Consequently, new thinking may be required in Beijing, Taipei and Washington to prevent this quarrel from spinning out of control and ending in disaster.

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China and Southeast Asia: Creating a “Win-Win” Neighborhood

MICHAEL R. CHAMBERS

At the first ASEAN + 3 summit, held in Malaysia in December 1997, China and the Southeast Asian countries agreed to “promote good neighborly and friendly relations, increase high-level exchanges, [and] strengthen the mechanism of dialogue and cooperation in all areas to enhance understanding and mutual benefit.”¹ Since that time, the People’s Republic of China (PRC) has made great efforts to demonstrate its good neighborliness and friendship to the countries of Southeast Asia. These efforts have a dual purpose: to dispel any concerns among ASEAN states of a “China threat,” and to maintain a peaceful and stable regional environment in which the PRC can pursue its goal of strategic economic development.

Beneath these surface goals is an additional rationale for China’s efforts: to promote Chinese leadership and influence within the region, particularly within the context of an East Asian community. Such a community would be useful as a strategic buffer should China come under pressure from the United States at some point in the future, since the development of this community appears to be premised on the reduction of American influence in the region. Moreover, Beijing’s influence within this community would allow it to pursue its own interests within the region, particularly on sensitive and important issues such as Taiwan. Over the near and medium terms, this growth of Chinese influence will present challenges to the countries of Southeast Asia as well as to the United States, but it is unlikely (barring a major crisis or deviation from the path of current developments) that it will pose a serious threat to either ASEAN or the United States.

CHINESE THREATS, PAST AND PRESENT

Although the PRC has good relations with all of its Southeast Asian neighbors today, it has been perceived as a serious security threat by each of these countries in the past. In the 1950s to the 1970s, non-communist Southeast Asia felt the Chinese threat based on the PRC’s support for communist



insurgencies and for North Vietnamese efforts to reunify with the South. By the early 1980s, following Vietnam’s invasion of Cambodia in late 1978, China was cooperating with ASEAN against the Vietnamese expansionism. Beijing also cut its support to the communist insurgencies in those countries in an effort to demonstrate its desire for friendly cooperation with its non-communist neighbors. These overtures had more success with some Southeast Asian countries (e.g., Thailand) than with others (e.g., Indonesia), which continued to perceive a stronger threat from the PRC.

Following the resolution of the Cambodian conflict in 1991, and with more than a decade of market-oriented economic reforms in the PRC, Southeast Asian perceptions of threat from China shifted from ideological to territorial, with the Spratly Islands as the primary focus of attention. Sitting astride the major sea-lanes through the South China Sea and with possibly rich deposits of oil near them, the Spratlys are claimed in whole or in part by the PRC, Taiwan, Vietnam, the Philippines, Brunei, and Malaysia. In 1988, following a naval clash with Vietnam, China occupied several islets in the Spratlys, for the first time supporting its claim to the islands with physical occupation. Beijing’s assertions to these islands were supported in February 1992 with its

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promulgation of the PRC's Law on the Territorial Sea and Contiguous Zone. Despite Chinese offers to jointly develop the region around the Spratlys, China occupied Mischief Reef in early 1995, an island claimed by the Philippines. Chinese claims to the South China Sea, not merely the islands, seemed to indicate that it also asserted possession of maritime areas within Indonesia's exclusive economic zone near Natuna Island, thereby dragging Indonesia into the conflict despite its lack of claims to the Spratlys themselves. Southeast Asian concerns about the possibility of rising Chinese hegemonism in the region were further exacerbated by the live-fire missile tests the PRC conducted in 1996 in an effort to influence the elections in Taiwan that March.

In the late 1990s, negotiations finally began on a code of conduct to govern the actions of the various claimants in the South China Sea. Despite several years' efforts, the respective parties have yet to agree to a code of conduct, although ASEAN and China issued a Declaration on the Conduct of Parties in the South China Sea at the 2002 ASEAN + 3 summit. This declaration urges restraint by the claimants and suggests several confidence-building measures to promote a peaceful resolution through dialogue. While tensions and anxieties have been mitigated by the negotiations and the Declaration, they have not been erased, as demonstrated by Vietnam's response to the recent Sino-Philippine agreement to conduct a study of seismic data for parts of the disputed Spratly Islands that could be used for later oil exploration.²

Over the last few years, Southeast Asian countries have also come to perceive an economic threat from the PRC. This threat was first brought home during the 1997–98 financial crisis, with China's promise not to devalue the renminbi. While this was a pledge of good neighborliness, it also pointed to the PRC's ability to undermine Southeast Asian exports to world markets based on exchange rates. Since then, China has made inroads on Southeast Asian export markets as it has moved up the technology ladder, and has also attracted more foreign investment away from Southeast Asia into the PRC. Even those Southeast Asian countries, such as Thailand, that have found ways to jump on board the Chinese economic growth train by supplying industrial resources, have found that this beneficial export relationship can have its

downsides, as was evident from media stories in spring 2004 wondering how badly Thailand would be hurt by a slowing of the Chinese economy.

GOOD NEIGHBOR, NOT A THREAT

Chinese efforts to reduce Southeast Asia's perceived threat from the PRC and improve relations with these neighbors can be traced back to the 1970s, as Malaysia, the Philippines, and Thailand established diplomatic relations with Beijing in the context of the end of the Vietnam War. Relations improved further in the 1980s as ASEAN and China joined together to oppose Soviet-supported Vietnamese expansionism in the region. In particular, China formed an informal security alliance with Thailand as the "front-line state" opposing the Vietnamese forces in occupied Cambodia, leading to increasing cooperation between these two countries. From this position, Thailand played a critical role as a bridge between the rest of ASEAN and China, and worked to alleviate remaining fears of Chinese support for communist insurgencies within Southeast Asia.

With the end of the Cold War and the Cambodia conflict in the early 1990s, relations continued to improve between China and its Southeast Asian neighbors: Indonesia, Singapore, and Brunei established formal diplomatic relations with the PRC, Vietnam normalized relations with its northern neighbor, and Beijing became a consultative partner of ASEAN in its annual dialogues with friendly countries. Despite its initial anxieties about multilateral regional institutions, China joined the Indonesia-sponsored South China Sea informal workshops and became a founding member of the ASEAN Regional Forum (ARF) in 1994. Even though there were lingering Southeast Asian anxieties from Beijing's previous policies and the South China Sea territorial dispute was slowly heating up, the PRC desired to positively engage its Southeast Asian neighbors.

That engagement has intensified since 1997. Participating in the first ASEAN + 3 summit, China formally pledged to develop a "partnership of goodneighborliness and mutual trust" with ASEAN as they moved into the 21st century.³ To give substance to this pledge, Beijing promised not to devalue its currency during the financial crisis that erupted that year, and it extended U.S. \$1 billion toward the bailout of Thailand as well as other

funds to assist the afflicted Southeast Asian countries. Compared to the more reserved actions of the Japanese and Americans to assist these countries, China was seen by the regional states as behaving quite generously and responsibly.

Beijing took further steps to alleviate regional anxieties about Chinese hegemony and to bolster its partnership of good neighborliness with Southeast Asia in the following years. During 1999–2000, the PRC signed cooperation framework agreements with each of the ten ASEAN states that laid out road maps for political, economic, social, cultural, security, and diplomatic cooperation into the 21st century. In 2002, China signed agreements with ASEAN to create an ASEAN-China Free Trade Area by 2010 (with five more years for some poorer members of ASEAN to implement the necessary policies), to cooperate on non-traditional security issues, and the declaration of conduct in the South China Sea. In 2003, China became the first non-ASEAN state to accede to the Treaty of Amity and Cooperation, and the two sides agreed to form a “Strategic Partnership for Peace and Prosperity.” Beyond the agreements, the PRC has cooperated in the areas of non-traditional security issues. Beijing participated in and hosted high-level meetings to cope with illegal drug production and trafficking, and joined regional meetings to cooperate on health threats, such as SARS. Economically, Beijing has worked with the other states of the Greater Mekong Subregion to develop that river and build roads in the region in order to enhance subregional trade and commerce. Since October 2003, it has instituted an “early harvest program” in the trade of fruits and vegetables that Thailand, Cambodia, and other Southeast Asian countries have benefited from. And there has been an increase in Chinese investment in Southeast Asia since Prime Minister Wen Jiabao’s pledge to encourage it at the ASEAN Business and Investment Summit in Bali last year. Such investment helps to alleviate Southeast Asian concerns that China’s economic growth will hurt them, and gives substance to Beijing’s claims that its development will be a “win-win” proposition for itself and the region.

China’s promotion of this good neighbor diplomacy is intended at least in part to dispel Southeast Asian anxieties about a “China threat.” Repeatedly,

Beijing has asserted that it will not seek hegemony as it develops, and that it will not follow the bullying ways of other great powers that have risen in the past. By working to build a partnership with ASEAN on many issues, ranging from the creation of the free trade area to the drug trade, China can demonstrate its good intentions to these neighbors, and demonstrate that it also has a stake in the cooperative resolution of regional problems. The Chinese are aware Southeast Asia can either accommodate or balance against China’s rising economic and political influence. The preference is for accommodation (or at least acquiescence) in China’s rise; balancing would likely entail closer Southeast Asian ties to the United States, and would raise the costs to China of its rise as a regional and eventually global power. Moreover, many of the Southeast Asian countries seem willing to accommodate China’s rise, and seek to profit from it themselves. Rather than provoke balancing behavior, it is prudent policy for China to seek to reassure these neighbors, to include them in the benefits from China’s rise, and to be a good neighbor.

Besides reducing fears of a China threat, the PRC’s good neighbor diplomacy is intended to foster and maintain a peaceful and stable regional environment in which China can pursue its strategic economic development. Since the economic reforms began in 1978, the post-Mao leadership has emphasized economic development as the means to achieve domestic prosperity and as the critical engine for driving the PRC’s rise to great power status. In order to focus on this fundamental economic goal, China desires regional peace and stability, as it has said on numerous occasions. This is particularly true today, as Beijing has identified the current period as one of strategic opportunity during which it can attempt to build a moderately prosperous society by the year 2020. Toward this end, the Chinese have tried to dampen down the Spratly Islands conflict and have negotiated resolutions to land and maritime border disputes with Vietnam. More broadly, they have promoted dialogue as the correct way to manage any disputes within the region. And Beijing has been promoting strengthened economic ties, including the ASEAN-China Free Trade Area, to bring greater prosperity to the region in the hopes that shared prosperity will foster peace and stability.



STRIVING FOR REGIONAL LEADERSHIP AND INFLUENCE

Reducing fears of a China threat and maintaining a peaceful regional environment are two conspicuous goals of China's good-neighbor diplomacy toward Southeast Asia. In addition, there is a third underlying rationale: China is striving for regional leadership and influence. This leadership is being pursued through the promotion of regional integration—the creation of an East Asian community that brings together Northeast and Southeast Asia in a combination of economic, social, cultural, and political realms. There is also movement to build up from proto-regional institutions (e.g., the ASEAN + 3 summitry) to full-fledged regional institutions, such as the efforts to convert the ASEAN + 3 summit into an East Asian Summit by 2005, and the discussion of building the ASEAN-China Free Trade Area and ASEAN-Japan Free Trade Area into an East Asian Free Trade Area. Beijing has been the promoter of several functional cooperation initiatives, such as the ASEAN-China Free Trade Area and ministerial meetings on transnational crime, and it has recently proposed a new security dialogue series for senior defense officials from around the region and beyond. It also launched the Boao Forum in 2001 as an Asian version of the World Economic Forum held annually in Davos, Switzerland. It supported Thai Prime Minister Thaksin Shinawatra's initiative to launch the Asia Cooperation Dialogue (ACD) in 2002, and hosted the third foreign minister's meeting of the ACD in Qingdao in June 2004.


Based on population, size of military, and increasingly on its role as the engine of regional economic growth, China is the dominant country in Southeast Asia.

The majority of these initiatives and developments have a strong "East Asia for the East Asians" theme. As such, they leave the United States out of the equation, which is what the Chinese would prefer. Based on population, size of military, and increasingly on its role as the engine of regional economic growth, China is the dominant country in the

region, and we should expect that it would seek to play a leadership role—even as it publicly claims deference to ASEAN's leadership in regional cooperation.⁴ Anxious that the United States might seek to constrain China's rise, Beijing would like to create an integrated East Asian region that reduces American influence in the area. In April 2004, the Chinese Foreign Ministry sponsored an academic conference in Beijing to consider China's approach to regional integration. In discussions with several of the participants, it became clear that they saw the creation of an integrated East Asian Community as a type of strategic buffer against future American pressures on the PRC, a ring of friendly countries that would support China. In many ways, this strategy is reminiscent of Zhou Enlai's "zone of peace" strategy in the 1950s, with which China sought to establish a line of neutral if not friendly states stretching across China's southern periphery from Pakistan over to Vietnam. As the leader of this emerging regional community, China would be able to exert influence over its neighbors on issues of importance to the PRC.

China is also increasing its regional influence through the strengthening of bilateral relations with Southeast Asian countries, especially economic relations. Based on their informal alliance of the 1980s, China has long had strong, friendly relations with Thailand, relations that allowed Beijing to persuade Bangkok to cancel a planned Falun Gong conference there in 2001. More recently, China's agreement to major investment projects in Cambodia, Myanmar, and even the Philippines will buy it good will that it may call on later. Beijing is even helping to underwrite Laos's hosting of the ASEAN and ASEAN + 3 Summit in November, donating RMB 13 million in grants for transportation and security costs.⁵ In recent months, China has also proposed enhanced military-to-military exchanges as well as military-security dialogue mechanisms with its Asian neighbors. Tightened military relations with individual Southeast Asian countries would provide another means of influence for Beijing to advance its interests in the region.

The big question is: on what interests will China seek to influence the policies of its Southeast Asian neighbors, at least over the next several years? As noted above, Beijing has already successfully thwarted activities of Falun Gong, seen as a domestic threat in the PRC. Another obvious interest is Taiwan.



Beijing lashed out at Singapore after a private visit by that country's Deputy Prime Minister Lee Hsien Loong to Taiwan in July 2004, canceling a visit to Singapore by China's central bank governor Zhou Xiaochuan and threatening to delay discussions on their bilateral trade. Following his inauguration as prime minister in August, Lee reaffirmed Singapore's adherence to the "one China" policy, a move echoed by other Southeast Asian countries in the last few weeks. The Chinese message to Southeast Asia was clear: do not cross Beijing on this fundamental issue of national integrity.

Beyond the Taiwan issue, what others might arise? One that seems to be looming is Chinese concern with the security of shipping through the Strait of Malacca. According to a recent report, China imports about one-third of its oil consumption, with nearly 80 percent of the imports coming from the Middle East and Africa via Southeast Asian sea-lanes, particularly the straits near Malacca and Singapore.⁶ As the PRC becomes increasingly dependent on these narrow waterways for its oil imports, as well as its trade with Europe, South Asia, and Africa more generally, it becomes vulnerable to the possibility of piracy or terrorism in the Strait of Malacca, or perhaps even blockage by the U.S. navy in the event of war over Taiwan. To cope with this emerging problem, Beijing has expressed interest in pipelines that could bypass the Strait. In particular, it has expressed an interest in the strategic energy land-bridge project that would pipe oil across Thailand's Kra Isthmus, and it is considering whether to build a pipeline from Myanmar's deep-water port at Sittwe on the Bay of Bengal coast to Kunming, the capital of Yunnan province. Alternatively, China has also expressed an interest in joint efforts to secure the sea-lanes through the Strait, raising the issue with Malaysian Prime Minister Abdullah Ahmad Badawi during his late May visit to Beijing. The proposal was not received very warmly, as the Malaysians are sensitive about sovereignty issues pertaining to the Strait. Nevertheless, this is an issue on which the Chinese might bring pressure to bear on the Malaysians, Singaporeans, and Indonesians at a later date. The PRC might also seek to use its influence in the region on the terms of international trade negotiations and the provision of naval repair and other facilities to the U.S. military.

THE CHALLENGE OF HAVING A RISING CHINA AS NEIGHBOR

Over the near- to medium-term (the next five to fifteen years), China is likely to present a challenge to Southeast Asian states, rather than a true threat to their vital interests. These challenges are more likely to come in the economic and trade areas than the political and security realms. Militarily, the PRC is constrained by its limited capabilities to project power into Southeast Asia. The large ground forces but modest air and naval capabilities of the People's Liberation Army (PLA) can be used to conduct military operations against weaker adjacent neighbors (e.g., Burma, Laos, Vietnam), but are inadequate for operations against more distant maritime Southeast Asian countries. This constraint will erode as China's economic growth provides the wherewithal to continue the modernization of the PLA Navy and Air Force, particularly through the further acquisition of Russian Su-27 and Su-30 aircraft and Sovremenny-class destroyers, and perhaps—in several years—one or two aircraft carriers. Even with the acquisition of more modern, power-projection capabilities, China will still likely be restrained from threatening the members of ASEAN by its desires for a peaceful and stable regional environment in which to pursue its more fundamental goal of strategic economic development. Deviating from its good neighbor diplomacy could undermine the more positive perceptions of China among ASEAN states that have been developing over the last seven years. It could change the Southeast Asian response to China's rise from accommodation to counterbalance, with consequent increasing involvement of the United States or other outside powers in the region. The consequences for the PRC would be more negative than positive.

Likewise, China has few political incentives to threaten the core interests of its Southeast Asian neighbors. Regional integration is providing Beijing with a degree of influence and leadership that it lacked previously. The Chinese and Southeast Asians all have an interest in regional stability and mutually beneficial cooperation in which to materially improve the lives of their citizens. They all want to crack down on transnational drug rings, combat terrorism, and prevent the spread of infectious diseases such as SARS. It will



be up to China, the largest country in the region, to ensure that the cooperation remains a "win-win" proposition for the Southeast Asians, with the Southeast Asians even winning a little more benefits. If Beijing should cease being a generous neighbor, then concerns over the relative distribution of the benefits from cooperation will intensify, and some of the Southeast Asians may shift from accommodating to balancing against China's rise. China's relations with Thailand can be instructive here. Despite the great trumpeting of the benefits to the Thais of participation in the "early harvest program" for liberalization of trade in agricultural goods, Chinese exports of fruits and vegetables rose much more strongly in the first several months of the program than Thai exports of such items to China, with widely reported claims that Chinese produce was flooding Thai markets. This development angered many Thai farmers, and led to public questioning of the utility of the trade agreement. Discussions between Prime Minister Thaksin and the Chinese leadership helped to address some of the problems, but beyond that, and in a replay of the "friendship prices" for military hardware in the 1980s, Beijing agreed to accept Thailand's surplus dried longans as payment for Chinese main battle tanks.⁷ Such generosity may not have assuaged all the farmers who felt hurt by Chinese exports, but it did reaffirm to the Thai government the benefits of working with China.

As this example suggests, it is in the economic realm that we are most likely to see Chinese challenges to ASEAN. As China continues to develop and move up the technology ladder in its export goods, it will continue to eat away at the shares of the more developed Southeast Asian countries in global export markets. The PRC is also likely to continue to attract foreign investment away from the ASEAN countries toward itself. While these trends can be overcome to some extent through ASEAN countries exporting raw materials or intermediate goods to China, or by becoming a target for Chinese overseas investment, over-dependence on the Chinese economic engine can also leave Southeast Asian economies vulnerable. The challenge for them will be to profit from China's economic boom while maintaining strong relations with other trading powers in order to avoid vulnerability to the vagaries of the Chinese economy.

IMPLICATIONS FOR THE UNITED STATES

Clearly, the growth of Chinese influence in Southeast Asia has negative consequences for the United States, especially as Beijing's desires for East Asian integration are premised on the reduction of American regional influence. In particular, there seems to be a growing sentiment in the region to avoid choosing sides (China or the United States) in the event of conflict between these two countries over Taiwan. Such neutrality could hinder U.S. prosecution of such a war if it resulted in the denial of access to critical naval and air facilities in Southeast Asia.

But beyond this lack of support in a Sino-American military clash over Taiwan, it is not clear how much China's good neighbor diplomacy in Southeast Asia will undermine U.S. national interests. There are two reasons for this lack of alarm. First, over the near and medium terms, China will not develop into a global power to rival the United States. It will likely still be developing in that direction, but it will also depend on the United States to accommodate its rise. In particular, China's rise is based on its strategic economic development, which in turn is driven primarily through its exports of manufactured goods. In 2002, nearly 25 percent of Chinese manufactured exports came to the United States; should the PRC begin to aggressively challenge U.S. interests, even in Southeast Asia, it could find the critical American market closed to its exports.

Despite Beijing's efforts to convince Southeast Asia of its good neighborliness and desire for a partnership, several Southeast Asian countries still harbor lingering suspicions and anxieties about the Chinese.

Second, while the ASEAN countries are accommodating the growth of China and welcome its good neighbor diplomacy, they are not appeasing this emerging dragon. Rather, they are following a hedge strategy: the Southeast Asians are trying to accommodate China's rise and even to profit from it (if they can), but they are also maintaining and/or strengthening relations with other major external

powers, including the United States, Japan, and India. Maintaining these other relationships provide some balance for the Southeast Asians, and give them options should the relationship with China turn sour. Moreover, despite Beijing's efforts to convince Southeast Asia of its good neighborliness and desire for a partnership, several Southeast Asian countries still harbor lingering suspicions and anxieties about the Chinese. So long as these continue, ASEAN members will welcome the involvement of additional outside powers to balance Chinese influence. Based on these considerations, Washington will face many challenges in coping with Chinese good neighbor diplomacy and growing influence, and these challenges will have to be managed well. But Chinese policies toward Southeast Asia do not appear to pose a grave threat to U.S. interests that requires immediate or drastic action.

CAVEATS

Finally, as mentioned at the outset, the analysis here is premised on the assumption that the trajectory of current developments continues for the next five to fifteen years. In particular, it assumes that China will enjoy stable political rule and economic growth. A serious political, economic, or social crisis in the PRC could alter Beijing's approach to the region, thus ending the good neighbor diplomacy and increasing the Chinese threat to Southeast Asia. Similarly, war in the Taiwan Strait could drastically affect relations among ASEAN, the PRC, and the United States, in the ways suggested above. Under such circumstances, the

Chinese approach to Southeast Asia might no longer present a challenge that needs to be managed well, but a grave threat to American interests.

ENDNOTES

1. "Joint Statement of the Meeting of the Heads of State/Government of the Member States of ASEAN and the President of the People's Republic of China," December 16, 1997.

2. *Agence France-Presse*, "Vietnam angry at Sino-Philippine plan to survey Spratlys," *South China Morning Post*, September 10, 2004.

3. This pledge is included in the Joint Statement issued by the ASEAN and Chinese leaders, but is also the theme of President Jiang Zemin's speech at the summit. See "Chinese president tells ASEAN summit of hopes for 'good-neighbourly partnership,'" *Xinhua News Agency*, December 16, 1997.

4. In June, the PRC "reaffirmed" its "support for ASEAN's role as the major driving force in East Asia cooperation." See the "Joint Press Release of the ASEAN-China Foreign Ministers' Informal Meeting," Qingdao, PRC, June 21, 2004.

5. "China grants aid to ASEAN summit," *Xinhua General News Service*, August 27, 2004.

6. Michael Richardson, "Beijing's burning quest for oil security," *South China Morning Post*, August 6, 2004.

7. "China Willing to Buy Thailand's Surpluses," *Thai Press Reports*, June 24, 2004, via *Global News Wire—Asia Africa Intelligence Wire*.



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