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CHINA AND THE BALANCE OF POWER IN ASIA

Abstract

The classical theory of realism and the neo-classical theory of structural adjustment are not adequate to understand and explain the emerging multipolar balance of power. Globalisation of economy, technology and diffusion of power have made economic and other soft sources of power more important. Nation states are closer than ever. Rational efforts and social aspects of international system i.e., international law, mediation and balancing of interests tend to emerge as key factors in the balance of power politics. Consequently, the 'power equilibrium' could better be understood and explained by the neo-Grotian approach of balance of power. It has been argued that despite having a booming economy and increasing military strength, China will not emerge as a hegemon. China will be a key player and the interconnecting core of the emerging multipolar balance of power in Asia. Asian power 'equilibrium' tends to be based on parity of capabilities of the leading states without the intention of dominating each other.

INTRODUCTION

Geo-strategically China is Asia's second largest mainland state. China shares common land and maritime border with many states in Northeast, Southeast, South and Central Asia. It has the 'third largest'

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nuclear arsenal in the world and has an 'overwhelming military superiority in terms of manpower'.¹ In recent years, China has become a leading supplier of conventional, nuclear and ballistic missile technology to the developing countries. After the demise of Communism in the former USSR and Eastern Europe, China is the only major state retaining the communist ideology. With the end of the Cold War and reduction of US and former Soviet military presence in this area, Chinese actions and proclamations are closely observed in all Asian capitals as well as in Washington. Thus evaluation of future Chinese role in the balance of power in Asia is relevant in the contemporary context.

To examine China's role in Asian balance of power system, some theoretical aspects of the concept of balance of power are discussed initially in this paper. The classical theory of realism, the neo-classical theory and the neo-Grotian approach have been reviewed to examine which one could explain the balance of power in Asia at present and how China fits into it. A look back to China's history has been made to put the discussion in perspective and assess mutual threat perceptions in Asia. The present Chinese economic and military strength and growth have been discussed. The role of other dominant states viz. Japan, India, Russia, USA and some middle ranking Asian powers are discussed to show that the current Asian Security environment is poised for a multipolar balance of power system. It has been argued in this paper that China may not emerge as a hegemonic power. However, it would be a key player and the interconnecting core of the emerging multipolar balance of power system in Asia.

1 J.M. Malik, 'Conflict Patterns and Security Environment in the Asia-Pacific Region', in K Clements (ed.), *Peace And Security in the Asia Pacific Region*, (Tokyo: The United Nations University Press, 1993), p. 42

Balance of Power: A Theoretical Framework

The concept of balance of power is an ancient one. Kautilya, a minister of the ancient Indian Maurian Kingdom, is credited to have analysed the concept in the 4th century BC. The Greek city-states also practiced this concept. Balance of power has been integrated in the international system, especially in Europe in 1648, when the Treaty of Westphalia was signed. 'The sophistication of balance of power thinking developed significantly between the mid-fifteenth and mid-seventeenth centuries, but only flowered into modern concept of balance of power at the end of seventeenth century'.²

Traditionally balance of power was defined on the basis of military capabilities. In modern times, balance of power 'connotes not only military and deterrent capabilities but also the entire structure of power and influence that governs the relations of states'.³ The concept of 'Power' is the core of Balance of Power theories ranging from the traditional concept of military power and power potential to the present day concept of mixed power obtained from domestic and international sources. Jones⁴ has made a clear distinction between 'power' and 'power potential'. Potential power means integration of all the natural, societal and man-made sources of power by a state, while mobilised power means the intention of a state to use power having all these resources. The term 'power' connotes the mobilised power, not power potential. Preemptive war is the most exemplary use of active power in the traditional theory. In the present day world, power does not mean only military power. It is a mixture of capabilities derived from both domestic sources and international activities.⁵ Thus to compete in the world power system,

2 M. Sheehan, *The Balance of Power: History & Theory*, (London : Routledge 1996), p. 52

3 W. S. Jones, *The Logic of International Relations*, (New York: Addison-Wesley Inc. 1997), p. 201.

4 *Ibid.*, p. 202-203.

5 *Ibid.*, p. 186.

an aspiring state has to have strong economy, advanced defense mechanism and manpower. Whether China has all these ingredients of power will be examined in this paper.

Theories of balance of power are based on some crucial assumptions. These are; (i) ability of states to dominate each other i.e. stronger states tend to expand until they are met by the equal or superior power and (ii) Potential for conflict is permanent. Consequently, balance aims at not to eliminate power but to control and manage. In the present day world, it is further assumed that (i) power is not absolute but relative and (ii) it can be attainable by integration of natural, societal and man-made resources. In the light of these assumptions, balance of power became an analytical mechanism for finding real effects of equilibrium, disequilibrium and shifts of power in world politics.

The classical theory of realism is based on the historical experiences of the seventeenth century Europe. According to Morgenthau⁶ the balance of power model consists of two scales and a third component. In each scale there are states with identical policy and the third component is the balancer. The balancer would be powerful and neutral having the only objective of maintaining the balance. The balancer throws weights to the lighter scale when an imbalance occurs. Thus the classical theory emphasises the pivotal role of a balancer to influence the entire system. During the 19th century balance of power system each state placed importance on equilibrium and tended to change alliance for adjusting disequilibrium. Britain was then recognised as the balancer. Asia has never had such balancing system due to the ideological, religious, territorial and cultural differences among the states of the region.

6 H. J. Morgenthau, *Politics Among Nations: The Struggle for Power and Peace*, (New York : Alfred A. Knopf Inc., 1967), p. 246.

The Neo-classical Theory of Kenneth Waltz accepts the historical aspect of classical realist theory but emphasises that the world order needs to be understood from the structural point of view i.e. the structural constraints in the contemporary world system. Waltz⁷ argues that balance of power emerges from structural constraints and held that :

in an international system characterised by self-help, the units are compelled to be functionally alike, that is, alike in the task they pursue. They differ in their capabilities, but as certain states pursue successful foreign policy strategies, the other states that comprise the system will emulate them or fall by the wayside.

He assumed that power will emerge automatically from the system, and the structure of the system, not the political skills of statesmen or women, is the reason for survival of the balance of power politics. Thus, Waltz's theory emphasised the automatic balancing due to the structure of the international system. The tight bipolar system of the 20th century can better be understood by the neo-classical theory which differs distinctly from the 19th century balance of power system that emphasised the sole objective of attaining equilibrium. In the tight bipolar system, the principal aim of the states was to belong to the dominant alliance. In this system effective power was incorporated in the major blocks leaving no room for a balancer. Thus in classical theory it is the balancer who influences the whole system while in the neo-classical theory it is the system which retains the balance of power politics.

With the end of the Cold War and consequent loosening of the tight bipolar system, rapid globalisation of economy and technology took place. Nation states became closer than ever. Michael Sheehan

7 K .Waltz, *Theory of International Politics* (New York and London : McGraw-Hill, 1979), p. 118.

argued in his book⁸, *The balance of power : history and theory*, that the classical and neo-classical theories are not adequate in explaining the present day's balance of power system and tended to explain the present balance of power basing on the concept of Dutch jurist Hugo Grotius. In 1625 Hugo Grotius in his book entitled *On the Law of War and Peace* argued that "international law was based on natural laws common to all mankind".⁹ Grotius accepted the ultimate sovereignty of states and proposed rational efforts to limit the horrors of war. Grotian concept of the 'rational efforts', which differs significantly from the traditional balance of power, is now being used to understand the multipolar system of the post-Cold War era which is known as the Neo-Grotian Approach.

The Grotian perspective of an international "equilibrium", not a crude military balance, but an approximate parity of capabilities between the leading states such that none could dominate the others, thereby enabling the "social" aspects of the international system to operate, such as international law, mediation, a balance of interests and dignities, and the pursuit of a limited foreign policy objectives.¹⁰

From the 1990s onward a world order of multipolarism is emerging. "Economic and other soft sources of power have become more important in the international relations and power itself is becoming more diffused because of the rapid globalisation of economy and technology".¹¹ However, besides the dominant economic influence, the security concern of the states still remains as a factor of great importance. With the diffusion of power to more

8 M. Sheehan, *op. cit.*

9 *Ibid.*, p. 46.

10 *Ibid.*, p. 200.

11 P. Dobb, "Towards a New Balance of Power in Asia", *ADELPHI Paper-295*, (London: Oxford University Press, 1995), p. 6.

states and the decline of the old alliances and the US, the post-Cold War world is also experiencing emergence of "potentially strong regional powers".¹²

Five major powers that may be considered as constituents of Asian balance of power are, USA, Russia, Japan, China and India. Then there is a number of states who may be loosely categorised as middle powers impinging on the Asian balance of power. These are Korea, Taiwan, Vietnam, Thailand, Malaysia, Singapore, Philippines, Indonesia and Pakistan. All of them have military strength. They also have strong and booming economies except Pakistan, North Korea and Vietnam. India has good economic prospects.

Before we discuss the relative role of these powers, it will be pertinent to concentrate on China in both historical and contemporary contexts. It will be argued that China's power is not based completely on its military strength. It has a fast growing economy having huge inflow of FDI and vast world market for Chinese products. But there also exists poverty. Consequently, China has to depend on foreign aid and bilateral and multi-lateral assistance to support its development process. Besides, regional powers are emerging in Asia with strong economy and military strength. As a result theories based on crude military strength or automatic balancing through structural adjustment process are not sufficient to explain the present 'power' structure in Asia. The Asian power 'equilibrium' tends to be based on parity of capabilities of the leading states without the intention of dominating each other. So the Asian balance of power would better be understood from the Neo-Grotian approach.

¹² *Ibid.*

China as an Asian Power: Historical Background

China has a history of about 3500 years. The Chinese, proud of their ancient civilisation and historical heritage, have always regarded their country as the centre of the civilised world. In olden days, China's large territory, huge population, common language and confucian political, ethical, and social values reinforced its great power image. With the possible exception of India and Japan no country in Asia could be compared with China, politically, militarily or culturally.¹³

The term 'Chung-Kuo' (China) itself stands for 'Middle Kingdom' or central kingdom, which conveys "the sense of a large universe revolving around a primary, driving force" represented by China.¹⁴ The military and cultural superiority and prosperity of the Han (206 BC-AD189); T'ang (AD 618-905); Ming (AD 1368-1644); and early Ching (AD 1644-1911) dynasties strengthened the Chinese 'Middle Kingdom' status and China's presumed influence in Asia. Consequently, China established around itself a system of tributary states and prepared to wage war against any of those states in case of insubordination by any one of them. Chinese expedition to Burma (Myanmar), Vietnam, Korea and other Northern states are examples of that. China was one of the world's leading countries in agriculture, crafts and science for many centuries. However, it fell much behind in the 19th century when the industrial revolution gave the West superiority in military and economic sphere.

In the beginning of the 20th century, China continued to suffer from famines, civil unrest, military defeat and foreign occupation.

13 L.Y. Liu, *China as a Nuclear Power in World Politics*, (London : Macmillan Press Ltd., 1972), p.11.

14 R.A. Scalapino, 'The Cultural Revolution and Chinese Foreign Policy', *Current Scene: Development in Mainland China*, (Vol.6, no.13. 1968), p. 2.

After the Second World War, the communists led by Mao Zedong established a strong centralised government that ensured China's autonomy and imposed strict controls over all aspects of life. After 1978, Mao's successor Deng Xiaoping decentralised economic decision-making, which resulted in the quadrupling of the economic output in the next two decades. However, political control remained tight at the same time economic controls had been loosening.

Contemporary China

Economy : Presently China is considered as 'one of the 'great powers' of the Asia-Pacific region'.¹⁵ For a long time, China has dominated its immediate neighbours with its vast area, huge population, advanced civilisation and effective administrative structure. Presently it has 9.6 million square kilometers of land and a population of 1.2 billion. The World Bank notes that, with a population 2.6 times the combined population of the eight most successful economies in East Asia (Japan, South Korea, Taiwan, Hong Kong, Thailand, Malaysia, Singapore and Indonesia) and a land mass nearly three times as big, China is Asia's second largest economy, after Japan, in terms of GNP.¹⁶ The overall GDP growth rate has increased during 1990-99 (Table-1). The decline of agriculture and increased contribution of Industry and Service sector to GDP indicate continued economic progress in future as well (Table-2). This is the outcome of (i) introduction of property rights in the rural areas and (ii) establishment of free economic zones, which assured increased participation of the private sector in the economy.¹⁷

15 P. Dibb, *op. cit.*, p. 74.

16 *The East Asian Miracle, Economic Growth and Public Policy* (London : Oxford University Press for World Bank, 1993), p. 59.

17 H. Siebert, *The World Economy*, (London: Routledge, 1999), p.184.

Integration with the Global Economy: In terms of global political economy jargons, Europe and North America has been considered as centres for the last two centuries. In the 20th century 'a third centre or growth pole in Asia with Japan, the four or six tigers and China, has appeared beside the two centres of North America and Europe'¹⁸. Thus China has become an integral part of global economy. The economy also got tremendous boost in the last two decades due to its global integration, privatisation, inflow of direct foreign investment and aid. Chinese GDP now ranks "seventh in the world. Foreign exchange reserve tops \$165b, second only to Japan"¹⁹.

China's integration in the global market has brought a radical change in the world economy as well. In the world labour market such integration has resulted in participation of 1.2 billion people so that the effective supply of labour in world market increased by one fifth.²⁰ China is also experiencing radical change in the structure of its economy in terms of salience of the private sector. Private investment as percentage of gross domestic fixed investment has risen from 33.8% in 1990 to 47.5% in 1997.²¹ During the same period the stock market capital has risen from US\$ 2,028 million to US\$ 330,703 million and the number of listed domestic companies have risen from 14 to 950.²² Chinese IT sector has shown rapid growth both as a lead export sector as well as a source of FDI inflow. China's export of information technology stood at \$37 billion in 2000 out of it 81% accounted for by foreign investment companies which was 59% in 1996.²³

18 *Ibid.*, p. 85.

19 Melinda Liu, 'A Chinese Century', *Newsweek*, Special Edition, July-September 2001, p.12.

20 H. Siebert, *op. cit.*, p. 7

21 *World Development Report*, World Bank, 2000/2001), p. 304.

22 *Ibid.*

23 *Asiaweek*, October 26, 2001, p. 45.

Foreign Direct Investment: As mentioned earlier, direct foreign investment from the developed world to China has given its economy a tremendous boost. China and Hong Kong together get 7% of total foreign direct investment (FDI). The figure is likely to rise even more as China joins the World Trade Organisation²⁴. FDI inflow has grown from 'almost zero in 1978'²⁵ to US\$3478m in 1990 to 43751m in 1998 (Table-3) i.e. an increase of 1258% in eight years. Indeed, China has by far been the most important location for new foreign direct investment in developing countries and was the number two worldwide from 1992 until 1997 after the US.²⁶ It is the largest recipient of FDI among the developing countries.²⁷ Between 1990-98 net private capital inflow has increased from US\$ 8107 m. to US\$ 46267m. i.e. an increment of 528%(Table-3).

China as Economic Superpower: Chinese economy is projected to become the world's largest by 2025.²⁸ Emergence of such an economic superpower is expected to benefit the rest of Asia as well. With its vast economy and growing per-capita income, China will become a source of demand for goods elsewhere in Asia and a destination for investment.²⁹ Much of China's FDI comes from Hong Kong and Taiwan.³⁰ Taiwan and Korea also benefit from strong FDI inflow to China since they are integrated their economy closely with

24 T. Saywell, 'Powering Asia's Growth', *Far Eastern Economic Review*, August 02, 2001 (<http://www.feer.com>).

25 *Conference Summary Report*, OECD-MOFTEC Conference on Foreign Direct Investment in China: Challenges and Prospects, Xiamen, 11-12 September 2000 (<http://www.oecd.org>).

26 H. Siebert, *op. cit.*, p 180.

27 *Conference Summary Report*, *op. cit.*

28 Melinda Liu, *op. cit.*, p. 12.

29 T. Saywell, *op. cit.*

30 *Ibid.*

the mainland. It is significant that Taiwan has shifted huge chunk of its electronics production to China.³¹ However, the emerging Chinese economic super power is no threat to the rest of Asia. Economic ties between China and the region are already enhancing trade and investment flows.³²

Foreign Aid: Despite being an economic super power in the making, China's dependence on external debt has increased by 280% between 1990 and 1998(Table-3). External debt takes 15% share of the present Chinese GDP (Table-3). However, as a successful aid utilising country China is a major aid recipient³³ making it more involved with the international donors and aid agencies. China has developed effective trade and aid link with Japan due to its modernisation programme and due to the US strategy to promote China as a counter weight to USSR. As a result, by 1993 Japan has become China's largest trading partner.³⁴ Japanese aid to China also grew significantly although it was hampered due to Chinese programme of nuclear testing in 1996. However, subsequent Chinese signature of the UN global nuclear test ban treaty paved the way for resumption of the grant aid.³⁵ The signing of the Comprehensive Nuclear Test Ban Treaty (CTBT) due to aid postponement indicates that China gives priority more on its development process than military aspirations. China will continue to receive increased aid from the West "as a significant partner for commercial reasons and due to it's geopolitical importance".³⁶

31 *Ibid.*

32 *Ibid.*

33 P. Burnell, *Foreign Aid in a Changing World*, (UK : Open University Press, 1997), p. 117.

34 *Ibid.*, p. 187.

35 *Ibid.*, p. 148.

36 *Ibid.*, p. 157.

Poverty : Despite all the economic successes and prospects, poverty is still prevalent in China. During the last two centuries “per capita income in the richest countries of Europe increased more than tenfold in real terms, in China more than four fold”.³⁷ Consequently living standard of the Chinese has not reached at par with the living standard of developed Western countries. China's per capita GNP in 1999 was US\$780 which is even lower than many middle income countries e.g. in Malaysia it was US\$3450 and in Argentina it is US \$7600.³⁸ Although the income growth has shown a rapid upward movement resulting in sharp drop in poverty³⁹, it has also resulted in rising inequality between urban and rural areas and between the provinces.⁴⁰ Chronic and transitory poverty exists in these places due to lack of physical capital.⁴¹ Population living below the poverty line is 4.6% nationally (of a population of 1250 million), while 18.5% of the population earns less than 1 US\$ a day, percentage of population earning less than US\$ 2 a day is 53.7% (Table-4). Child malnutrition of under 5 age group is 16% between 1992-1998 and mortality rate per 1000 in 1998 is 36% (Table-5). Twenty five percent of adult females are illiterate compared to nine percent adult male illiteracy and fifty eight percent of urban population has access to sanitation. Poverty, child malnutrition and mortality, significant female illiteracy rate and poor quality of life of a large section of the population would remain a cause of concern for the Chinese government. Ensuring a better quality of life for the Chinese people

37 World Development Report, *op. cit.* p. 49.

38 *Ibid.*, p. 274.

39 *Ibid.*, p. 29.

40 *Ibid.*, pp. 26-7.

41 Jalan and Ravallion cited in *ibid.*, p. 28.

requires continuation of the present economic growth without interruption.

Military Expenditure : The single most important source of power is a country's military strength. According to recent US Defense Department report:⁴²

China currently has over 100 nuclear warheads. about 20 CCS - 4 ICBMS with range over 13000 kilometers ... devloeping two new road mobile guided propellant ICBMS and ... conducted successful flight tests of the DF-31 ICBM in 1999 and 2000. This missile is estimated to have a range of about 8000 km. Another longer range mobile ICBM also is under development and likely to be tested within next several years.

The same report reveals that China has continued strengthening its air force with Russian fighters and fighter bombers. At present China has about 50 Russian SU-27 fighters and is reported to have started co-producing 200 more.⁴³ A 1999 US defense news article informs about a Sino-Russian preliminary agreement according to which "Russia will supply China with approximately 40 SU-30MKK fighter bombers, which is comparable to the US F.15E strike Eagle ... these aircrafts will be equipped with precision guided bombs and missiles" .⁴⁴

China publicly acknowledged that its defense budget would be over \$17 billion for next year, meaning 2002.⁴⁵ This expenditure is higher than the defense budgets of neighboring countries like India, Taiwan, and South Korea. However, there remain speculations

42 [http:// usinfo.state.gov/regional/ea/uschina/Kyl.china.htm](http://usinfo.state.gov/regional/ea/uschina/Kyl.china.htm) (Date accessed : 12 July 2001).

43 *Ibid.*

44 *Ibid.*

45 *Ibid.*

about the actual defense expenditure of China. The US estimate of China's real spending on defense would be at least three times as great as the publicly disclosed figure⁴⁶ which is averaged between \$44 and \$70 billion annually between 2000 and 2001.⁴⁷

Besides these speculations the officially published record shows that though China's military expenditure has increased over the years, its share in GDP expenditure has fallen (Table-6). Thus indicating that China is not using its growth sufficiently to become a military super power. The economic growth is well ahead of the growth of military expenditure. Moreover, China's military is still considerably behind the advanced forces of the developed countries.⁴⁸

Recent Trends in Chinese Approaches to Security

Since 1949 and until recently, China perceived itself threatened by either the USA or the former USSR and sometimes by both. However, with the end of Cold War, the Chinese leadership and strategists recognise that "the prospect of a large scale war in the foreseeable future has become remote; a more likely possibility is a limited war on Chinese periphery".⁴⁹ Threats to China's security comes both from within and outside. China was the focus of USA's containment policy in Asia during the Cold War period.⁵⁰ Apart from this, existence of long frontiers makes it vulnerable to security

46 *Ibid.*

47 *Ibid.*

48 D. Shambaugh, 'China's Military Views The World', *International Security*, Vol. 24, No. 3, 1999, p. 54-7.

49 W. Xinbo, "China: Security Practice of a Modernising and Ascending Power" in M. Alagappa (ed.), *Asian Security Practice* (USA : Stanford University Press 1998), p. 135.

50 C. Wah, "Regional Perceptions of China and Japan," in C. Jeshurun (ed.) *China India Japan and the Security of Southeast Asia*, (Singapore: ISEAS 1993), p. 5.

threats from all possible directions.⁵¹ China in fact has outstanding territorial disputes with many of its neighbours. Within China, pro-democracy movement, ethnic insurgency and religious sects pose threat to the present establishment. So, it may be contended that defence of national territory and national values are prime concern for China, which will deter it to concentrate on becoming a regional hegemon.

External threats: China's geopolitical reality is a factor for its external threat perception. The 6000 miles land border between the former USSR and China was the world's largest conflict prone zone and was considered indefensible. On the East, it is a tough job for the Chinese Navy to defend the seaward approaches on the Yellow Sea, the East and South China Sea and the Taiwan straits. In the South West, the borders with India require constant vigil where a war had already been fought in 1962. In fact "the precise location of China's borders has caused as much as trouble, tension and bloodshed as any other major international issue in 20th century East Asia".⁵²

Presently China has the following disputes with the neighbouring countries:

- * Boundary dispute with India, Russia, Tajikistan, North Korea and Vietnam.
- * Dispute over the Spratleys Island with Malaysia, Philippines, Taiwan, Vietnam and Brunei
- * Maritime dispute with Vietnam over the Gulf of Tonkin
- * Dispute over Paracel Islands, which is occupied by China, but claimed by Vietnam and Taiwan.

51 P. Ferdinand, "Chinese Foreign Policy Towards Asia", in *ibid.*, p. 28.

52 I. Wilson, "The PRC's Border Policies" in Da Cunha (ed.) *The Evolving Pacific Power Structure*, (Singapore : ISEAS, 1996), p. 133.

- * China claims Senkaku-Shoto (Diaoyu Tai) Islands, which is administered by Japan, Taiwan also claims this Island.

China had to use military force in its territorial disputes with India and the former USSR in the 1960s, with Vietnam over the Paracel Islands in 1974 and over the Spratleys in 1988.⁵³ These disputes are still unsettled and coupled with USA's constant prying into China, are indeed cause of concern for China.

Unsettled and disputed issues with China are also causes of concern for neighbouring countries. But in case of armed conflict if foreign powers, especially the United States, intervene militarily, China will find it hard to cope with. China's "existing force structure, operational doctrine, training, deployment and equipment would give it a little chance of winning a limited high-tech war".⁵⁴

Internal threats: It may be said that primary threat to Chinese security came from inside rather than outside the country.⁵⁵ China has become more sensitive to its territorial integrity as the Soviet Union collapsed. The dormant threat of peaceful evolution to democracy, which can be exacerbated by foreign catalysts, worries China more than anything else. China now experiences pro-democracy movements, which often throw challenge to the ruling party. Apart from the pro-democracy movements, there are ongoing separatist movements in the Northwest and Southwest of China. Chinese minorities like the Uyghur people in the Xinxiang province and the Tibetans pose serious threats to internal stability. The

53 R. Kibria "The Modernisation of China: Its Implications for the Security of the Asia Pacific Region", *BISS Journal*, (Vol 18, No. 3, 1997), p. 375.

54 *Ibid.*

55 Y. Shichor, "China's Defense in a Changing World" in K. Clements (ed.), *Peace and Security in the Asia Pacific Region*, (Tokyo: United Nations University Press, 1993), p.185.

'Xinjiang province is now the site of China's richest oil and gas deposits, its proximity to Uzbekistan, Pakistan and Afghanistan, and its restive population of 8 million Muslim ethnic minorities are seen as a threat to development.⁵⁶ Moreover, the banned spiritual movement of the 'Falun Gong' organisation, which attracted worldwide attention, is another cause of concern⁵⁷. China's security apparatus is now poised for its territorial defense and internal stability over anything else.

The Asian Power Scenario

Having reviewed China's economy and security scenario, the purpose of this section is to make an assessment of the Asian balance of power. Besides China there are four major powers in Asia viz.: USA, Russia, Japan and India. Then there are middle powers such as Korea, Taiwan, Vietnam, Thailand, Malaysia, Singapore, Philippines, Indonesia and Pakistan. All of them have strong and booming economies except Pakistan, North Korea and Vietnam. India has good economic prospects. However military expenditure of the major and middle powers has risen over the years and in some states it has even exceeded the GDP growth rate (Table-8). Military expenditure of USA and Russia is above their GDP growth rate indicating their priority on maintaining military superiority. In Japan GDP has increased substantially with a falling growth (1.5% in 1990-98 compared to 4% during 1980-90) but the military expenditure remains static as percentage of GDP (1% during these periods) indicating Japan's intention to build up increased military capability as well. Between 1989 and 1997 percentage share of military expenditure has fallen in India from 3.1% to 2.4%, in

56 A. Cheng, 'China Seeks help in Taming its Wild West', *Asiaweek*, October 26, 2001, p. 22.

57 www.cnn.com/specials/2001/falungong

Malaysia from 2.7% to 2.2 percent, in Thailand from 2.4% to 2%, in South Korea from 4% to 3.1% and in Pakistan from 6.6% to 5.3%. The share has increased in case of the Philippines and remains constant for Singapore. But in case of the Philippines and Pakistan, growth rate of military expenditure is still above the GDP growth rate indicating their defense priority. Increased military expenditure combined with strong economies indicates prevalence of a multipolar balance of power in the region in future as well. In this context, profile and disposition of some of the key players *vis-à-vis* China are reviewed.

Japan : Japan is the strongest economy in Asia and will continue to maintain economic superiority in the 21st century as well. Japan has also tremendous military potential based on its huge economy, strong industrial base and technological progress. It is speculated that Japan will probably develop a theatre missile defense system capable of handling limited missile threats from North Korea or China.⁵⁸ Japan also has signed US-Japan Mutual Security Treaty (1996) and developed Defense Guidelines (1997) and Four Year National Defense Programme (1995). Besides its robust alliance with USA, Japan is believed to be considering reorienting its foreign policy around East Asia and the United Nations.⁵⁹ However, Japan has established a strong trade link with China. After the 1989 Tiananmen Square incident, the Japanese Government was most reluctant to follow the US policy of imposing economic sanctions on China.⁶⁰ A strong China would probably be acceptable to Japan to balance a potential Russian threat.⁶¹

58 P. Dibb, *op. cit.*, p. 31.

59 *Ibid.*, p. 30.

60 R. Kibria, *op. cit.*, p. 359.

61 *Ibid.*, p. 358.

India: India has shown promising future for economic growth, which could get further momentum if it can succeed in implementing its reform promises, which will make it a more successful economy in the long run.⁶² With economic expansion its military strength is also expected to expand as well. India's naval forces are the most powerful in the Indian Ocean littoral. India seeks to develop nuclear and missile capabilities, a blue water navy and military-industrial complex, so that it can achieve at least symbolic power equivalence with China.⁶³ Both China and India have common borders. Chinese access to Myanmarese naval base in Hanggyi Island and establishment of a monitoring station at Myanmar's Coco Island, which is close to the India's naval base in Andaman and Nicobar Islands, raise the possibility of nuclear arms race between India and China.⁶⁴ Barring these tensions, China is seen as a balancing force in the relations among the South Asian countries and it would bring them positive benefits if Chinese economic development continues on an even keel.⁶⁵ Consequently, economically prosperous China and India can reduce military tensions through strengthening economic relations.

Russia: Russia is going through a transition. If its ongoing economic reforms succeed, an economically viable Russia, enjoying some form of participatory democracy, would be a positive force in Asia.⁶⁶ Russia has a substantial stock of natural resources including deposits of strategic mineral resources like oil and uranium. For the moment it is economically weak but it retains a very large nuclear arsenal and extensive conventional military forces. In Asia, Japan, China, North and South Korea and the Central Asia will draw

62 P. Dibb, *op. cit.*, p. 33.

63 *Ibid.*

64 D. Ball, "Arms and Affluence" in *International Security*, Vol. 18, No. 3 (winter 1993/94), p. 87.

65 R. Kibria, *op. cit.*, p. 361.

66 P. Dibb, *op. cit.*, p. 34.

Russian attention due to their proximity.⁶⁷ The present economic crisis and internal wars and consequent demand for foreign currency has led Russia in developing strong military relationship with China. It is believed that between 1991 and 1998 Russia sold to China an estimated one billion US Dollar worth of military weapons and related technologies each year. The figure doubled by 1997. It is also significant that there is now a five year programme planning for \$20 billion worth of technology transfer.⁶⁸ China and Russia are also co-operating in resolving their outstanding border problems. It may be argued that direction of Sino-Russian relations will have significant impact of Asian balance of power. But the centre of gravity in the Asian balance of power rotates around the USA in a tripartite frame of relations among the USA, Russia and China.

The USA: The USA is considered to be the most powerful player in the trio for attaining strategic equilibrium and maintaining peace and stability. One is reminded that under the US leadership and with Chinese assistance, unprecedented talks were held in New York between North and South Korea, China and the USA.⁶⁹ However, with the end of Cold War, there is an apprehension of rapid reduction of US military investment in Asia. But Asia is also a big market with huge trade and investment potentials for the USA. Consequently, US defense cut in Asia has fallen less than proportionately⁷⁰ showing continued US interest in the region. Despite few tensions, the present Sino-US relationship is based on mutual economic interests, which both nations value highly. Even

67 *Ibid.*, p. 35.

68 Jalan and Ravallion, *op. cit.*, p. 28.

69 T. Findlay, "Conflict Prevention, Management and Resolution" in *SIPRI Year Book* (New York: Oxford University Press, 1998), p. 67.

70 R. Kibria, *op. cit.*, p. 84.

during the 1950s, when anti-American sentiment in China was at its peak, the Chinese policy makers remained keen to open diplomatic links with all, including the US.⁷¹ In the face of tensions between the two countries on US arms sale to Taiwan and Spy Plane incident, US President George W. Bush termed China, as “our Strategic Competitor needs to be faced without ill will and without illusions. Our long term goal is to live in peace and prosperity with the Chinese people.”⁷² USA looks at China as a competitor, a potential rival, but also a trading partner willing to co-operate in areas where strategic interests of both overlaps.⁷³ This, of course, makes Sino-US relations a complex one.

China, ASEAN and Other Countries: ASEAN and other middle power countries have displayed robust economic growth and increased military expenditure. China is an important factor in the security calculus of these countries. It is said that Japan, Korea and Vietnam are the products of militant resistance to China’s cultural, political and military power.⁷⁴ Southeast Asian states often invoke historical memories of Chinese threat. For example, Vietnam’s historical memory is full of wars with China and other external powers. The image of China as a threat were reinforced during Sino-Vietnam political and military tensions. The Vietnamese traditionally held the view that their country has only been secure from China when the latter has been weak and internally divided, or when it has been threatened by ‘barbarians from the North’, which in modern times, means the Soviets.⁷⁵

71 Abul Kalam, “China’s Foreign Policy and Security Perceptions”, *BIISS Journal*, Vol. 17, Number 2, 1996, p.183.

72 Jalan and Ravallion, *op. cit.*, p. 28.

73 *Ibid.*

74 P. Dibb, *op. cit.*, p. 13.

75 C. Wah, *op. cit.*, p. 13.

Indonesia's perception of China threat is built on the latter's previous active support for insurgent movements that were aimed at overthrowing indigenous regimes with the help of local ethnic Chinese communities. Indonesian political elites often invoke China's reluctance to give up backing the communist parties in the region as major obstacle to normalise relations with China.

Malaysia regards China as a potential and direct military threat given the Chinese attitude towards conflict resolution in the South China Sea. Malaysian fear is based on China's passing a law on its territorial waters claiming several disputed islands in 1992. The law covered the Spratlys Islands in the South China Sea and reserved China's right to use military force to prevent violation of its waters by foreign naval or research vessels. Chinese military strength has placed it as a major power in Asia and its Navy is spreading over the strategic locations (Table-7). Consequently, most of the middle powers of the region perceiving a possible so-called 'Chinese threat' would like to work as a counterbalance in case of a Chinese hegemony, if necessary invoking friendship with the USA.

China & the Asian Balance of Power : Presently Asia is poised for long-term economic success. The extent to which this success will be realised depends on political stability and a relatively calm security environment. Analysts have depicted the Asian security environment as a five-power balance of power system⁷⁶, by basing the geopolitical boundary of the Asian countries on their geographic locations and by considering their economic and security interdependence. These dominant states are China, India, Japan, Russia and the USA. China is the interconnecting core of this region. Most of the countries of Asia have security concerns regarding

76 P. Dibb, *op. cit.*, p. 5.

China. International observers of Asian politics agree that due to the strategic orientation and military posture, "China will be a key variable determining regional stability and security in the twenty first century".⁷⁷ On the other hand, USA, though an extra-regional power, has interest in Asia and is able to exert influence in this region. The international system, which emerged from the end of Cold War, has only the United States which is able to retain and project massive conventional military power to any and every region around the globe, in addition to its strategic nuclear capability.⁷⁸ Thus the current Asian security environment can be seen as a peculiar coexistence of unipolar as well as multipolar balance of power systems with strong regional and extra-regional powers.

China's border disputes with neighbouring countries is certainly problematic from Chinese perspectives. But in reality, China takes a calm and composed look viewing each issue on a case-by-case basis, calculating the cost and benefits of adherence to international norms.⁷⁹ Furthermore, ASEAN Regional Forum (ARF) exists in the region, which reflects the growing security and economic interdependence among the members. In the ARF all the great powers are represented with its core composed of the ASEAN states. In case of emerging Chinese threat, it is expected to act as a countervailing force.

The Chinese viewed the contemporary world as a highly competitive, state-centered system and they are suspicious of multilateralism and interdependence. They tend to see the world in

77 D. Shambaugh, *op. cit.*, p. 52.

78 D. Ball, *The Evolving Security Architecture in the Asia-Pacific Region*, SDSC Working Paper No.340, (Canberra: Strategic and Defense Studies Centre, 1999), p. 4.

79 *Ibid.*, 137.

more traditional balance-of-power terms and hence argue that the present world is more multipolar (i.e. number of competing states) and multilateral, meaning a system where nation-states sacrifice their independence and freedom of maneuver for the sake of an interdependent international order.⁸⁰ But the lower growth of the share of military expenditure to GDP compared to the faster GDP growth rate indicates that China has prioritised economic growth over military strength. Assistance to US to resume talks between Koreas shows change in Chinese view from traditional balance of power to multipolarism. Consequently, a multipolar balance of power will remain in Asia where neo-Grotian concept of the social aspects of the international system like international law, mediation, balance of interests and dignities, and limited foreign policy objectives will get increasing importance. China will be the core and one of the key players of this multipolar balance of power system instead of being a hegemon. Besides, the economic reasons, existence of powerful middle powers will work as a counter balance. Moreover, USA is actively involved in the region.

China depends critically on foreign trade, foreign investment and aid for its economic development. It depends significantly on its neighbours especially Japan for aid, investment and trade and on the USA to absorb its exports. China is now considered as a leading trading partner of USA. It ranks second to USA as a global destination for foreign direct investment.⁸¹ China's signing of the nuclear test ban treaty after postponement of Japanese aid indicates that China is more interested in economic development than flexing

80 *Ibid.*

81 T. Walker & J. Ridding, "Far Less of as Easy Ride", *Financial Times*, 10 May, 1996. p. 21.

the muscles. So, China will not gamble its steady economic growth by waging war with neighbouring countries. Consequently, China will try to maintain a peaceful environment that ensures continued trade, investment and assistance flows into China.⁸²

The GNP per capita of China is much lower than many middle income countries and a substantial number of population are still living below the poverty level. There also exists rising inequality between urban and rural areas and between provinces. Consequently, the Chinese leaders seem to have set aside past ideas of autarky and self-reliance⁸³ and allowed the economy to become integrated into the world economy. Posing threat to the immediate region will not help the Chinese leadership to achieve their aspiration of securing a leading role in world politics and having a vibrant economy and better quality of life for the Chinese people.

As far as its economy is concerned, China has integrated itself to the global economy and its private sector is playing a major role. It has world's seventh largest GDP and second highest foreign exchange reserve after Japan. Due to continued economic growth and huge inflow of FDI, China may emerge as the world's largest economy by the end of the first quarter of the current century. However, emergence of such an economic superpower will not pose threat to the rest of Asia. Economic ties between China and the region are getting stronger. Resultant increased trade and investment flows in the region in recent times indicates that emergence of China as an economic superpower would benefit the region in future as well.

82 R. Sutter, 'China' in *Asian Security Hand Book*, Ed. W.M. Carpenter & D.G Wienczek (Ed.)(USA: M.E. Sharpe Inc.) 1996, p. 134

83 *Ibid.*, p.136.

China has the experience of threats from both inside and outside. Therefore, it would be more concerned with defending its territorial integrity. Its massive army and increasing nuclear strength could be seen from the Chinese defense point of view. This military still lags much behind the strength of super powers and can be seen as a balancing factor in the region. An aggressive China will not benefit from regional imbalances. China's experience with Vietnam was a lesson for itself to refrain from waging war. To achieve its goals to secure a leading role in the world politics and world economy, China has no alternative but to invest on regional stability. Consequently, China will not destabilise the current balance. China will try to achieve more important role in the Asian balance of power.

CONCLUSION

With the end of the Cold War and consequent loosening of the tight bi-polar system, the world is experiencing emergence of a multipolar balance of power. The classical concept of crude military balance and the neo-classical concept of automatic balancing through structural adjustment are not adequate to understand the emerging multipolar balance of power in the 21st century. Economic and other soft sources of power are becoming more important and power itself is diffusing due to rapid globalisation of economy and technology. Consequently, 'rational efforts' and social aspect of international system are more likely to work which could better be understood and explained by the neo-Grotian Approach of Balance of Power.

Asia's emerging multipolar power balance has strong regional and foreign power components. This consists of five major powers viz. China, Japan, India, Russia and USA. It is also having the middle powers mostly from the ASEAN states. China would be the

key variable in determining the regional stability due to its strategic orientation and military posture. Japan will accept a stronger China as a counter balance to the possible Russian threat. USA's economic and trade interest vis-à-vis its strategy on Russia will go in favour of a stronger China. Russia's economic crisis is contributing to the establishment of a militarily strong China through large-scale arms trade and investment in Chinese defense industry. Economic priority of both India and China may reduce tensions and led to effective economic co-operation. All these factors will result in making of an economically and militarily strong China. However, a strong China will not destabilise the existing balance of power in Asia since China is benefiting from its integration to the global economy. Foreign aid, trade and investment have contributed to the faster economic growth and the private sector is playing an important role in the economy. But comparatively low level of GNP per-capita, poverty and the existing quality of life would be a cause of concern for China. Achieving a leading role in the world politics, which the Chinese leaderships aspire for, no doubt, requires a vibrant economy and a better quality of life. China will not gamble its steady economic growth by destabilising the emerging balance. Moreover, defence of national territory and national values may deter China from concentrating on becoming a regional hegemon. Consequently, instead of being a hegemon China will be a major player and the interlinking core of the multipolar balance of power system in Asia. The Asian power 'equilibrium' tends to be based on parity of capabilities of the leading states without the intention of dominating each other.

Table - 1: Growth of Output in China

| GDP (average annual % growth) | | Agriculture value added (average annual % growth) | | Industry value added (average annual % growth) | | Services value added (average annual % growth) | |
|-------------------------------|---------|---|---------|--|---------|--|---------|
| 1980-90 | 1990-99 | 1980-90 | 1990-99 | 1980-90 | 1990-99 | 1980-90 | 1990-99 |
| 10.1% | 10.7% | 5.9% | 4.3% | 11.1% | 14.4% | 13.5% | 9.2% |

Source: World Development Report 2000/2001 (p.294)

Table - 2: Structure of Output in China

| GDP (\$m.) | | Agriculture value added (% of GDP) | | Industry value added (% of GDP) | | Manufacturing value added (% Of GDP) | | Services value added (% of GDP) | |
|------------|---------|------------------------------------|------|---------------------------------|------|--------------------------------------|------|---------------------------------|------|
| 1990 | 1999 | 1990 | 1999 | 1990 | 1999 | 1990 | 1999 | 1990 | 1999 |
| 354,644 | 991,203 | 27% | 17% | 42% | 50% | 33% | 24% | 31% | 33% |

Source: World Development Report 2000/20001 (p.296)

Table-3: Aid and Financial Flows in China

| Net Private Capital flows (US \$ M) | | Foreign Direct Investment (US \$M) | | External Debt (Total \$ M) | | |
|-------------------------------------|--------|------------------------------------|--------|----------------------------|---------|-----------------------------|
| 1990 | 1998 | 1990 | 1998 | 1990 | 1998 | Present Value % of GDP 1998 |
| (Increase %) | | (Increase %) | | (Increase %) | | |
| 8,107 | 42,676 | 3,487 | 43,751 | 55,301 | 15,4599 | 15% |
| (528%) | | (1258%) | | (280%) | | |

Source: Calculated from *World Development Report 2000/2001*, p.31

Table - 4: Poverty in China

| National Poverty Line | | | International poverty line | |
|--|-------|----------|---------------------------------|---------------------------------|
| Population below the poverty line (%) (1998) | | | (1998) | |
| Rural | Urban | National | Population below \$ 1 a day (%) | Population below \$ 2 a day (%) |
| 4.6 | <2 | 4.6 | 18.5 | 53.7 |

WRD 1000-2001, p.280

World Development Report 2000-2001, P-280

Table - 5: Quality of Life in China

| Population | Prevalence of child malnutrition % of children under age 5 | Under 5 mortality rate per 1,000 | | Adult literacy rate % Of people 15 and above 19998 | | Urban population % Of total | | Access to sanitation in urban areas % of urban population with access |
|------------|--|----------------------------------|------|--|---------|-----------------------------|------|---|
| | | 1980 | 1998 | Males | Females | 1980 | 1998 | |
| 1999 | 1992-1998 | 1980 | 1998 | Males | Females | 1980 | 1998 | 1990-96 |
| 1250m. | 16 | 65 | 36 | 9 | 25 | 20 | 32 | 58 |

Source: WDR 2000-2001, PP. 274 & 276.

Table-6: China's Military Expenditure (M.Exp.) In US\$ million at 1995 constant prices and exchange rates and as percentage (%) of GDP.

| M.Exp. (% Of GDP) 1989 | M.Exp. (% Of GDP) 1990 | M. Ex. (% of GDP) 1991 | M. Exp. (% of GDP) 1992 | M. Exp. (% of GDP) 1993 | M.Exp. (% Of GDP) 1994 | M. Exp. (% of GDP) 1995 | M. Exp. (% of GDP) 1996 | M. Exp. (% of GDP) 1997 | M. Exp. (% of GDP) 1998 |
|------------------------|------------------------|------------------------|-------------------------|-------------------------|------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| 9900m (2.6%) | 10800m (2.7%) | 11400m (2.5%) | 13800m (2.7%) | 12700m (2.1%) | 12200m (1.9%) | 12500m (1.8%) | 13700m (1.8%) | 14900m (1.8%) | 16900m |

Source: www. Sipri.org Date: 10.6.2000

Table-7: Baseline Military Capabilities of China, 1996.

| ARMY | NAVY | AIRFORCE | Deployment |
|--|---|---|--|
| Armed Forces: Active-2930, 000 Reserves: 1,200,000+ Militia being formed provincially Strategic Missile forces (Offensive) MSL:Org in 6 bases ICBM: some 17 IRBM: some 70 + SLBM: 13 Army: 2,200,000 MBT: some 7500-8000 LT TK: 1,200 AIFV/APC: 4,500 TOWED ARTY: 14,000 MRL: 3,800 AD GUNS: 15,000 | Navy: 260,000 (Estimated) Submarines: 52 Principal surface combatants: 50 Petrol and coastal combatants: About 870 Mine Warfare: About 120 Coastal Regional Defense Forces: 25,000 Marines: some 5000 Naval Air Force: 25,000 | Air force: 470,000 (incl.Strategic forces 220,000). Combat aircrafts: 5420. | Navy: North Sea Fleet: Coastal defense from Korean border (Yalu River to south of Lianyun gang) Bases: Qingdao, dalian, Huludao, Weihai, Chengsan. East Sea Fleet: Coastal defense from south of Lianyun gang to Dongshan. Bases: Shanghai (HQ), Wusong. Dinghai, Hangzhou. South Sea Fleet: Coastal defense from Dongshan to Vietnamese border. Bases: Zhanjiang (HQ), Shantou Guangzhou, Yulin, Beihai, plus outposts on Paracel and Spratly Islands. ARMY: Northeast: Shenyang. North: Beijing, West: Lanzhou, Southwest: Chengdu, South: Guangzhou. Centre : Jinan, East: Nanjing. |

Source: IISS: *The Military Balance 1995-96*, pp: 72-75

Table-8: GDP and Military Expenditure of Major and Middle Powers in Asia.

| Country | GDP US\$m | | GDP growth | | Military Exp. US\$m. | | Military Exp. As % of GDP | |
|----------------------------|-----------|-----------|------------|---------|----------------------|----------------|---------------------------|-----------|
| | 1980 | 1998 | 1980-90 | 1990-98 | 1989 | 1997 | 1989 | 1997 |
| Japan | 1,059,254 | 3,782,964 | 4.0 | 1.5 | 47409 | 51320 | 1 | 1 |
| India | 186,392 | 430,024 | 5.8 | 6.1 | 7756 | 9098 | 3.1 | 2.4 |
| Russia | | 276,611 | | -7.02 | 240000 | 24900 | 14.2 | 4 |
| USA | 2,709,000 | 8,230397 | 3.0 | 3.2 | 373618 | 262159 | 5.6 | 3.4 |
| ASEAN Countries | | | | | | | | |
| Indonesia | 78,031 | 94,156 | 6.1 | 5.8 | 1944 | 3633 | 1.6 | 1.5 |
| Malaysia | 24,488 | 72,489 | 5.3 | 7.4 | 1399 | 2322 | 2.7 | 2.2 |
| Philippines | 32,500 | 65,107 | 1.0 | 1.5 | 1159 | 2322 | 1 | 1.6 |
| Singapore | 11,718 | 84,379 | 6.7 | 8.5 | 2278 | 4518 | 4.6 | 4.6 |
| Thailand | 32,354 | 111,327 | 7.6 | 5.7 | 2404 | 3500 | 2.4 | 2 |
| Vietnam | | 27,184 | 4.6 | 8.4 | 950 | 486 (1994) | | 2.8 |
| Laos | | 1261 | | 6.6 | | 109 (1996) | | 6.2(1996) |
| Cambodia | | 2871 | | 5.1 | | 70.9 (1993) | | 3(1993) |
| Myanmar | ----- | ----- | 0.6 | 6.3 | 2530 | 4199 | 3 | 3.5 |
| Brunei | ----- | ----- | ----- | ----- | 305 | 291 (1996) | ----- | 5.6 |
| Other Middle powers | | | | | | | | |
| South Korea | 62,543 | 320,748 | 9.4 | 6 | 11253 | 15564 | 4 | 3.1 |
| Taiwan | ----- | ----- | ----- | ----- | 8886 | 10471 | 4.8 | 3.5 |
| Pakistan | 23690 | 63369 | 6.3 | 4.2 | 2986 | 3431 | 6.6 | 5.3 |
| North Korea | ----- | ----- | ----- | ----- | 1871 | 2220 (1994) | ----- | ----- |

Source: www.worldbank.org and www.sipri.org

Dates: 12 & 14 June 2000 Dates: 12 & 14 June 2000