
People's China



PLA entering Hong Kong, July 1997.

AP/Wide World Photo (Bullit Marquez)

and the Asian Future

By HUGH DE SANTIS

The Japanese regard the 1990s as a lost decade because of the prolonged economic torpor and political lethargy that gripped their nation. Strategically, the 1990s also represent a lost decade for the United States. The end of the Cold War led to a combination of hubris and complacency that

inspired few new ideas on the international order. A vibrant global economy and the absence of threats prompted Americans to believe that they lived in the best of all possible worlds.

Events were encouraging in Central and Eastern Europe and Latin America, where dictators and oligarchies were replaced by democratic regimes and market economies, but in Asia, military tension, territorial disputes, and ethnic friction impeded stability. Moreover, China was emerging

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as a regional power and, after Tiananmen Square, a threat to U.S. interests.

While the Clinton administration believed that economic reforms in China would eventually accommodate Washington, a crisis in the Taiwan Strait in 1996, continued transfers of technology to rogue states by Beijing, and the bombing of the Chinese embassy in Belgrade eroded such hope. Following the election of George Bush, relations deteriorated further until late 2001, when a new amicability emerged in the wake of 9/11, feeding speculation of a budding partnership.

Any further progress will depend on the leadership of China as well as the governments of the United States and other nations. Four scenarios depicting plausible Asian futures help explore this general issue: strategic partnership, regional integration, Chinese

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dominance, and Chinese instability. Although these scenarios are driven by China, they take account of developments elsewhere, especially Japan, Taiwan, and Korea.

Future 1: Strategic Partnership

Preconditions. Despite tension in Sino-American relations after Tiananmen Square, Beijing may find it in its interest to seek a strategic partnership with Washington. Given U.S. military capabilities, along with the economic vitality and cultural allure of America, Chinese leaders appear to think that the United States cannot be challenged for the foreseeable future. Even prior to 9/11, intellectuals at Beijing University prodded the leadership to develop a more realistic stance toward America to achieve long-term economic and military objectives.

It is impossible to know if such views resonated among Chinese leaders. But Jiang Zemin endorsed U.S. intervention in Afghanistan and took a more cooperative tack toward Washington. Not only has China shared intelligence on terrorism and offered aid in

reconstructing Afghanistan; it acquiesced to U.S. withdrawal from the ABM Treaty and deployments of American forces to Central Asia. While Taiwan remains a sore spot, it has not dampened the cordiality that marked the visit by Hu Jintao to Washington or the recent meeting of Jiang and Bush in Texas.

Domestic reform, which has necessitated accommodations such as revision of the one-child policy to satisfy demands for personal freedom, is also moving China to adopt a more cooperative stance. Since Beijing is transitioning from a command to a market economy, it cannot risk being cut off from Western investment, which is needed to advance economic growth and create jobs.

Development. The growing pragmatism of the new leadership evolves into a partnership, as espoused under President Bill Clinton. China remains a recipient of Western capital and technology as it gains greater access to American educational and research institutions, contributing to modernization and economic growth. This partnership allows Beijing to buy time in implementing its commitments to the World Trade Organization (WTO), which meet further resistance from provincial governments and agencies such as the State Development Planning Commission.

Current and projected economic benefits of Sino-American cooperation make it much easier for fourth generation technocratic leaders to modernize over opposition from hardliners who object to market reforms. Despite protest from the unemployed and accusations of ideological betrayal by the Communist Party, Hu navigates the shoals of industrial restructuring and socialist orthodoxy.

Chinese relations with neighbors also benefit. As China and Taiwan become more closely linked economically and leaders in Beijing become less threatened by dissent at home, contact between the two countries expands. After the United States brokers an agreement across the strait in 2010, Taiwan relinquishes both defense and foreign policy to the mainland in exchange for

political and economic autonomy. The emergence of China as a status quo power relieves major concerns over its hegemonic ambitions and increases intraregional cooperation.

Despite lingering historical resentment, the continuing shift of Japanese production facilities to China intensifies economic cooperation. Economic linkages promote improved political contacts between Beijing and Tokyo, leading to resolution of the Senkaku/Diaoyu Islands dispute by 2010. About the same time, the erstwhile historical adversaries establish an incipient defense dialogue and begin exchanging observers at military exercises.

From the U.S. perspective, strategic cooperation with China enhances regional stability in several ways, not least by removing Taiwan as a flash point. It also reinforces Chinese adherence to the missile control technology regime and agreements that constrain arms sales. Consequently, China plays an increasing role in denuclearizing the Korean peninsula and fostering normalization talks between Pyongyang and Seoul that result in reunification by 2010. Meanwhile, Washington maintains its alliances and continues the forward deployment of U.S. forces.

The China market that America envisioned at the turn of the 20th century becomes a reality. After 2010 the United States envisions the day when China and Japan, like France and Germany in Europe, become pillars of regional stability. Anticipating that China will surpass Japan by 2025, Washington thinks that Beijing could emerge as its key ally in the region, helping to ease crises that may emerge in Russia, Southeast Asia, and South Asia. It also believes that China can help secure its interests across the Eurasian landmass, including the Middle East and the Balkans.

Future 2: Regional Integration

Preconditions. Despite protectionism, institutional lethargy on the part of the Asia Pacific Economic Cooperation (APEC) forum, and growing support for bilateral trade, protracted stagnation in direct foreign investment led to greater intra-Asian commerce. At a

Recovering EP-3,
July 2001.



Lockheed Martin Aeronautics Company

conference in November 2002, the Association of Southeast Asian Nations (ASEAN) presented a scheme for free trade with China by 2013. At the same time, the organization initiated trade talks with India and issued a report on the economic integration of ASEAN+3. In addition, the ASEAN Free Trade Area, which was formed in 1992, will come into force in 2003. While no one expects such events to result in a common market, trade liberalization and economic integration are attracting increasing interest throughout Asia.

Three factors gave impetus to regional integration. One was the

increasing interdependence of the international economy and the resulting growth of trade associations. Clearly the European Union and the North American Free Trade Agreement energized development of trade liberalization policies in the newly created Asia Pacific Economic Cooperation forum and in ASEAN, the model of Asian integration organized in 1967. The other stimulus was the financial crisis of 1997–98 that ended three decades of dramatic growth and ushered in unemployment, deflation, and fiscal chaos.

Currency devaluations, lower exports, and capital flight, in turn, led to incipient economic reform in Thailand, South Korea, and Malaysia.

Although reforms initiated after the 1997–98 crisis only skimmed the surface of what was required—non-performing loans and rising government debt continue to act as a drag on economic growth—the recession that began in the United States in early 2001 and spread across the Pacific has refocused attention on the importance of a larger, more integrated market to reduce dependence on exports to the United States.

Global economic stagnation has also galvanized further interest in measures to support weakened currencies, including the Chiangmai Initiative and Asian Monetary Fund that Japan proposed in 1997. More important, China has become a lightning rod for Asian integration. Its emergence as a manufacturing entrepot has contributed to regional integration by accelerating the market-driven process of production that relies on inputs from multiple sources. The free-trade area initiative that Prime Minister Zhu Rongji presented at the ASEAN+3 gathering in 2001 has reinforced Asian integration. It has also prompted Japan to sign a free-trade accord with Singapore and begin dis-

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cussions with other trading partners in a hub-and-spoke arrangement that some Japanese analysts maintain will reinforce regional integration.

With respect to security issues, regional integration is more wish than reality. The ASEAN Regional Forum was unveiled with much fanfare in 1994 as a vehicle for preventive diplomacy and conflict resolution. But it has accomplished little since opposing the Chinese incursion on Mischief Reef in 1995, as it demonstrated later when China returned to resume construction of its facilities. Nevertheless, Asian countries share common security interests, which include limiting proliferation of missiles, countering terrorism and drug trafficking, combating piracy, and containing communal violence, as peace operations in East Timor illustrated. The declaration on terrorism issued in 2001 at Shanghai by APEC, its first adoption of a security measure, was reaffirmed and expanded at the recent meeting of the organization in Cabo St. Lucas.

Development. The Chinese economy continues to expand, creating enormous intra-Asian markets and stimulating structural reform in Japan

and elsewhere. It anticipates the development of competitive cooperation between China and Japan and the evolution of a multilayered grouping of bilateral, regional, and cross-regional agreements that converge by 2015 with the inauguration of the East Asian Economic Community. It also foresees close ties between India and the community that promise to extend the markets to South Asia. It implies that China, Japan, and smaller states recognize the benefit of integration in domestic growth and social peace, enhancing investment and trade, and developing technologically innovative companies which exploit emerging niche markets.

In addition to removing trade barriers to protected sectors such as automobiles in Malaysia, petrochemicals in the Philippines, and agriculture in Japan and Thailand, integration spurs mergers in banking and manufacturing, expanding internal competition and increasing foreign investment. Building on the Chiangmai Initiative, currency swap agreements crystallize in the form of an Asian monetary accord in 2015, which supports exchange-rate equilibrium during financial crises.

Politically, integration contributes to more open, tolerant, and democratic societies. While the Communist Party maintains unchallenged authority in China, demands for social services result in devolution to provincial governments and more public involvement in the selection of officials. Elsewhere, Indonesia imposes civilian control of the military and autonomy for secessionist areas. In Singapore and Malaysia, internal security is relaxed with the election of new leadership.

Integration effectively inhibits China from taking unilateral action. Although Beijing claims sovereignty over the South China Sea and the Senkaku Islands and regards Taiwan as a renegade province, it is more inclined to compromise. It agrees in 2010 to preserve Taiwanese autonomy while acknowledging that it is an integral part of the mainland. By then the economy of Taiwan has become functionally imbedded in the life of the mainland and fears of invasion recede.

As a status quo power, China helps broker peace on the Korean peninsula, a process that begins after the devastating American invasion of Iraq in 2003 and pressure from Beijing, Tokyo, and Seoul prompt Kim Jong Il to abandon nuclear ambitions. In addition to normalizing relations between North Korea and Japan, Pyongyang agrees to a phased withdrawal of its troops from the border with South Korea in return for withdrawing U.S. forces from the Demilitarized Zone. By the outset of the second Bush administration, the North is opened to foreign trade and investment, undertakes reunification talks with Seoul, and signs a nonaggression treaty with the United States.

The reunification of Korea in 2010 leads to the withdrawal of the 37,000 American troops and a drawdown on Okinawa. Nevertheless, Asian states agree that a continued U.S. presence helps ensure stability in their transition to a cooperative security regime some time after 2025.

Future 3: Pax Sinica

Preconditions. In contrast to strategic partnership, this scenario assumes that cooperation in the war on terrorism will not alter the inherent geostrategic competition between Washington and Beijing. It is also at odds with the liberal-internationalist notion that economic interdependence will moderate Chinese ambitions. Under this scenario, economic growth accelerates the modernization of the military by Beijing and, owing to the increased nationalism of the new leadership, buttresses its strategy of supplanting the United States as the dominant Asia-Pacific power.

Although Washington has benefited from the new affability in Sino-American relations, China is the real beneficiary. It is true that Beijing acceded to the U.N. resolution on Iraq, shared intelligence on militant Islamic groups in Asia, and helped bring Pakistan into an anti-Taliban coalition. But it has gained support from the Bush administration to suppress Muslim Uighurs and their ethnic coreligionists in Xinjiang. In addition, the resumption of military talks suspended after the downing of the U.S. reconnaissance plane in 2001 will enhance

Chinese warships off
Mischief Reef.



AP/Wide World Photo (Pat Fricque)

the People's Liberation Army (PLA) understanding of American capabilities.

To be sure, Beijing has issued regulations restricting export of missile

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technology to states that abet terrorism, but it is fanciful to believe that will end the proliferation of Chinese missiles. Violations of human rights show little sign of easing, as suppression of Falun Gong and increased censorship reflect. And Taiwan remains a major obstacle in Sino-American relations. Indeed, hardliners in the party and army still believe that the sale of military equipment to Taiwan, along with the revised guidelines for U.S.-Japan defense cooperation, plans to deploy a ballistic missile shield, and American bases in Central Asia are part of a long-term strategy to encircle and weaken China. Furthermore, Beijing has not forgotten history. The emphasis on nationalism as a unifying ideology is intended to mobilize support for the recovery of lost territories such as Taiwan.

China is politically and militarily more assertive since the Cold War. It has signed security and friendship

treaties with 14 neighbors including Russia, set up intelligence facilities in Burma to monitor Indian missile tests, supplied nuclear technology to Pakistan, and seized the Mischief Reef atoll claimed by the Philippines. It has increased defense spending, which some analysts estimate runs to \$60 billion annually. It has acquired state-of-the-art fighters, submarines, and guided-missile destroyers from Russia and enlarged its nuclear arsenal.

Economic modernization has enabled Beijing to acquire sophisticated weaponry from other nations and accelerate development of a defense industrial base that will exploit new technologies. It is also increasing soft power. As reflected by its ownership of energy assets in Kazakhstan and Indonesia and its free-trade initiative, China is becoming the economic engine of Asia. Meanwhile, it is reassuring its neighbors such as Indonesia, Malaysia, and Singapore, which stand to be major beneficiaries of its energy, petrochemical, and electronic needs, that their economic future lies in a close association with China rather than with Japan or the United States.

Development. After the 16th Party Congress, Hu and Standing Committee members use membership in the World Trade Organization, a thaw in relations with America, and the Asian free-trade initiative as tactical ruses to disguise expansionist aims. Exploiting military contacts with nations that are eager to sell arms, modernization proceeds unimpeded, driven by a strategy of active defense that enables the defeat of a superior adversary, namely the United States.

Modern tanks and other armored vehicles from Russia assess the battlefield with satellites built with German and British assistance, while Mi-8 and Mi-17 transports and attack helicopters strengthen ground capabilities. Russian-made Su-27 and Su-30 strike aircraft with Israeli air-to-air missiles and British avionics increase the ability to patrol the sealanes. *Kilo*-class submarines and *Sovremenny*-class guided missile destroyers join a fleet of domestically constructed vessels to form a blue-water navy by 2015, permitting China to undertake theater-wide deployments by 2025 and maintain an Asia-wide presence by 2050. In 2010, the navy boldly begins provocative maneuvers in the waters around Taiwan and the Senkaku chain as well as in the Indian Ocean.

Having replaced the 40 liquid-fueled DF-4 and DF-5 intercontinental ballistic missiles with solid-fueled, mobile missiles with more accurate warheads, China flexes a powerful nuclear force that can reach the continental United States. New intermediate-range systems pose greater threats in the Western Pacific and the buildup of short-range missiles aimed at Taiwan intensifies. Beijing embraces the revolution in military affairs and, with assistance in computer sciences and artificial intelligence, gains military capabilities after 2005 to defend its territory and assets from attack.

As U.S. economic recovery continues, China emerges as an important trading partner for other nations. Burma, Laos, and Cambodia assume a vassal status, and other ASEAN members find their autonomy circumscribed by policies emanating from Beijing. Likewise, China entices South

Korea into its sphere, even as it helps the North create a unified, nonnuclear Korea aligned with the People's Republic. Japan, like India, becomes more isolated from the rest of Asia in both political and economic terms; it agonizes over kowtowing to China, becoming a protectorate of the United States, or developing its own nuclear capability. For its part, the communist leadership envisions the creation of a Chinese Greater East Asian Co-Prosperty Sphere sometime after 2015, leading to establishment of an informal empire in the second quarter of the century that recreates the tribute system the Han peoples historically imposed over their minions.

China finds itself on a collision course with America, which relies on public support to bear the burdens of war. If the United States does not become bogged down in the war on terrorism or nationbuilding, it could oppose the Chinese. But complications stemming from the defeat of Iraq, coupled with attacks on Americans abroad and at home, exceed anticipated consequences.

In this eventuality, a protracted deployment of U.S. troops in Iraq and Afghanistan wreaks havoc on homeland security and the economy, and public support for the war on terrorism withers. Weary of foreign commitments, public opinion calls for a withdrawal from the Near East and Southwest Asia and a reduced presence elsewhere around the world. Asian allies lose confidence in the United States and submit to their new overlords. Unable to mobilize public support for a long war, America abandons much of Asia to Chinese control.

Future 4: Instability

Preconditions. As the mantle of leadership passes to Hu Jintao, China appears politically stable and economically vigorous. The new regime has enshrined the theory espoused by Jiang in *Three Represents* in party orthodoxy, signaling the continuation of modernization and cooption of the middle class. According to official statistics, real gross domestic product rose 8 percent in the second quarter

of 2002. Productivity is up, boosted by higher investment in state-run companies, rising exports, and job growth. A cheaper yuan, tied to the dollar, should further fuel exports, especially against Japan and South Korea, and WTO membership will increase foreign investment.

But political control is far from certain. Hu is surrounded by protégés of Jiang and others of questionable loyalty. Jiang himself seems intent on clinging to power, having retained control of the Central Military Commission. Divisions on the Standing

globalization and the needs of 1.3 billion people are burdens for an authoritarian regime

Committee will also delay further economic restructuring and increase social fissures between the new middle class and urban and rural poor. This does not bode well, because the takeoff phase from a developing to industrialized country is over, and capital and technology inputs are bound to rise as manufacturing shifts to higher value-added production. Moreover, the demand for skilled workers and import competition from WTO membership will increase unemployment, and an exodus from the farm to factory will exacerbate the problem. Forced to keep bankrupt state-managed enterprises afloat, the government is increasing the level of nonperforming loans and building up debt that could eventually trigger a financial crisis.

China is a ticking time bomb. Globalization and the needs of 1.3 billion people are burdens for an authoritarian regime unaccustomed to change. Protests have increased over income disparities, rampant corruption, and a loss of social services. Lacking institutionalized outlets, businessmen, former soldiers, students, and even government officials reportedly have joined protests by the economically dislocated.

Fears of social instability have prompted repression of dissidents and groups such as Falun Gong as well as Internet censorship. Control by the Communist Party also permeates academic institutions, state-run factories,

and foreign partners in joint ventures. In spite of these measures, however, the government is faced with the same reform-versus-control dilemma that thwarted Mikhail Gorbachev in the Soviet Union. Continued modernization could challenge communist authority. But if the party emphasizes stability at the expense of modernization, it will stifle growth and thus court social disorder that could reverberate beyond its shores.

Development. After the 16th Party Congress, divisions between hardliners and reformers immobilize government decisionmaking. With support from the Politburo, Jiang undermines Hu. Meanwhile, social disparities, failed banks, and collapsed services trigger large protests, especially in poor provinces like Yunnan and Jilin.

While order is temporarily restored by force, China faces a crisis similar to the Cultural Revolution midway through the second Bush administration. Zeng Qinghong replaces Hu, an ally of Jiang, who reasserts control. Tens of thousands lose their lives, and economic reforms introduced thirty years ago are gradually extinguished.

Such a future can have two outcomes. In the first, seized by unrest, China retrenches both politically and diplomatically. The military buildup stalls, leaving the People's Republic with the ability to defend its borders but, save for nuclear weapons, bereft of the means to threaten Taiwan or Southeast Asia. Worried over the disintegration of China, and fearful that Vietnam, India, or North Korea might take advantage of its disarray, the region pins its hopes on American presence. The turmoil ends progress toward economic integration. Many nations pay lip service to free trade but focus on commerce with the United States and to a lesser extent Europe.

In the second outcome, unrest in China is protracted and triggers competition among states that seek to exploit its internal disarray. New alignments serve as hedges against the reemergence of Chinese power following the upheaval. Russia increases political and military cooperation with India. Under an ever more confident

PLA missile test in Fijian Province.



AP/Wide World Photo (Xinhua)



Allies observing Forest Light '03-01.

1st Combat Camera Squadron (Jeremy T. Lock)

the region devalue their currency and impose higher tariffs. To compound the problem, Japan clings to a weakened yen, which leads to massive price deflation and threatens to plunge the region into depression. In time, Asian economic dislocations spread to the United States and Europe, as investors who have shifted production to Shenzhen or Guangzhou begin to incur losses.

Worried that internal unrest will increase vulnerability to external threats, particularly if Tibet, Mongolia, and Xinjiang declare independence, China asserts claims to the Senkakus and Spratlys by increasing its naval deployments. Beijing also threatens military action to recover its renegade province, recognizing that turmoil on the mainland makes it less attractive commercially to Taipei. Taiwan, for its part, contemplates declaring independence in 2009, trusting that America will come to its aid in a clash with China. Meanwhile, rumors abound that Pakistan may launch a preemptive attack on India to seize Kashmir and anti-Chinese violence breaks out in Aceh and

and assertive Vladimir Putin, Moscow expands its influence in North Korea and Central Asia. India, for its part, exploits the Chinese obsession with domestic issues by intensifying pressure on Pakistan over the crisis in Kashmir and expanding its economic and military sway over Southeast Asia, notably in Vietnam.

Mounting security worries fuel nationalistic sentiment in Japan, prompting Prime Minister Shintaro Ishihara to remove the military shackles imposed at the end of World War II. At the same time, Tokyo strengthens relations with Moscow, leading to a partial resolution of the impasse over the Northern Territories, and with Seoul, to balance a

growing reliance of Pyongyang on Moscow. Alarmed by the North Korean nuclear threat, Japan deploys nuclear weapons, as do South Korea and Taiwan. Fearful of a remilitarized Japan, many ASEAN members turn to the United States for protection and to strengthen their capabilities. Despite its alliance with the United States, Australia follows a cautious course to reduce Chinese fears of encirclement and safeguard its commercial interests, which nonetheless languished.

Chinese economic ties with Southeast Asia also fray badly, and integration grinds to a halt. Like the policies of the 1990s, many nations in

other islands of the Indonesian archipelago as people seek scapegoats for economic decline. Beijing issues a stern warning to Jakarta and threatens action to defend local ethnic Chinese.

Incapable of containing multiple crises simultaneously, the United States endeavors to relax tensions diplomatically. But preoccupation with terrorism and peace operations limits its response to the looming crisis in Asia. Convinced that U.S. commitments can no longer be trusted, Japan, South Korea, and Taiwan intensify their buildups. Russia, India, Pakistan, Indonesia, and smaller states in the region likewise enhance their military readiness. Alarmed by a deterioration of affairs, Washington focuses its attention on Asia. It is joined by Russia, India, Japan, Australia, and several ASEAN members against China, North Korea (or a united Korea), Pakistan, and other states, including Burma, Cambodia, and Laos. In this scenario, 21st century Asia mirrors conditions that obtained in Europe in 1914, except that the combatants are armed with nuclear weapons.

Assessing the Future

While the futures outlined in the four scenarios above are plausible projections of existing and conjectured trends, they are not equally likely to materialize. One could hardly devise a more attractive future than strategic partnership. But it is highly improbable, not least because of a preoccupation by Hu with internal affairs. Besides, neither Hu nor any other leader would agree to a partnership with the United States unless their interests were acknowledged. In addition to support for the one-China policy, this would require accommodation by Beijing on its claims in the South China Sea and complicity in the repression of Tibet, Inner Mongolia, and Xinjiang.

Partnership between China and the United States would surely arouse suspicion in Japan. Access to American bases and host-nation support would become more contentious for the Japanese, and the bilateral defense agreement could unravel. Despite the reassuring presence of the United States as the major partner in the new power condominium, Russia and India would remain wary of long-term

Chinese aims. A Sino-American duopoly could incite geopolitical rivalries.

Despite ethnic, cultural, and other divisions, Asian regional integration is more likely than strategic partnership. Yet it is unclear that China has embraced multilateralism; its free-trade initiative may be a Trojan horse. The recent free-trade agreement with Singapore aside, it is also questionable whether Japan will challenge the vested interests of its protected industries. Unlike the nations of Europe, Asian countries see one another as competitors rather than partners and resist organizing hierarchical structures like those planted in Brussels. Furthermore, a variety of crises could plunge Asia into turmoil and retard regional cooperation. Nevertheless, a network of formal as well as informal intraregional relationships is developing in spite of the obstacles that could rebound to U.S. interests. Not only would integration create a massive market for American goods and services, it could foster more democratic governance and greater social stability, thereby lessening the likelihood of regional conflicts that might jeopardize American equities.

Regional integration may be the stalking horse for Chinese hegemony, but it is unlikely that Beijing will reintroduce a tribute system. For one thing, increasing global interdependence and Asian integration will probably inhibit China from unilateral acts that might undermine its interests. Moreover, expansionism would eventually be challenged by other powerful states—India, Russia, Japan, and the United States— independently or collectively.

A militarily formidable China would pose an expansionist threat, but there is little chance in the near to medium term that it will have the capability to dominate the region. Lack of engineering expertise, capital, and commercial infrastructure present major obstacles to military modernization, not to mention power projection. Economic growth will lead to technological innovations that have military as well as commercial applications, but the United States, Japan, India, and South Korea will also benefit from such advances, making it harder for China to close the technology gap.

This scenario assumes that China's velvet glove conceals its iron fist. But given the many problems likely to be experienced by Beijing, there will be plenty of chinks in its diplomatic armor. Moreover, it may not be able to isolate Japan, which remains the most important trading partner for the nations of Southeast Asia and the main donor of aid to the region and to China.

Although regional instability poses a greater threat to international order than Chinese expansionism, the odds are lower that it will occur in the short run. Beijing has maintained order by courting the new middle class, permitting only controlled public criticism, and addressing grievances such as worker safety and family planning. As reforms proceed and Hu consolidates power, relaxation of political dissent may be tolerated, as some intellectuals advocate.

Economic growth is the most effective antidote to social unrest. If integration accelerates within the region, China will be the recipient of investment and technology, which should create new jobs. The deal between Toyota and First Automotive Works, the biggest car manufacturer in China, is the latest case of the growing economic cooperation between the mainland and Japan. Commercial ties with Australia and ASEAN are also expanding. Converging interests may restrain states from acting aggressively, but they may facilitate a *modus vivendi* between China and Taiwan, ASEAN, and even Japan.

An excessively cautious Chinese approach toward economic reforms could cause trouble for Beijing, especially if the global economy falters. Economic decline could fuel resentment among the middle class as well as the poor in rural and urban areas. A breakdown in the social order of China would have far-reaching repercussions if it prompted other nations to fill the vacuum and provoked a regional conflagration in which the United States would inevitably be involved. **JFQ**

This article is based on research conducted by the author for CNA Corporation.