

THE REFORM OF THE PEOPLE'S LIBERATION ARMY

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The People's Liberation Army (PLA) holds a special place of honor in China as its liberator, its protector, the stalwart defender of the Chinese Communist Party (CCP) and the guardian of the Revolution. Despite this honored position, the PLA has suffered an extraordinarily rocky history of alternating support and neglect, and has spent the last 20 years attempting to recoup its position from the mistakes of its past. It was both neglected and ill-used for 20 years by the Maoist regime. Its strategies were muddled, its equipment obsolete, its funding was uncertain, its officer corps is underpaid and under trained, and its troops are a non-professional transient population. In the 80s it was authorized to create or acquire state owned enterprises (SOEs) and other businesses in the hope that it could largely finance itself and save the political leadership from the necessity of raising more taxes. This policy was a disaster for both the PLA and the Chinese economy from which both are still laboriously recovering.

A brief chronology of critical PLA history serves to illustrate the vacillation from which the PLA has suffered:

a. 1951-54: Shortly after coming to power in 1949, the CCP committed the PLA to the war in Korea. At this time, the PLA had 4.5 million troops, almost entirely in ground forces, and more than 2 million were sent into Korea.

b. 1959-61: Mao's Great Leap Forward disrupted the country while at the same time, the government chose to provide military support to the Huks in the south Philippines into the 70s.

c. 1963-66: China supported North Vietnam, first against the French and then against the U. S. China also supported a Communist Party effort in Indonesia to overthrow the government.

d. 1966-71: During this relatively stable period, the political leadership felt that the PLA could be poorly funded and allowed to become largely stagnant, despite the high conflict with the Soviet Union (1968-7) which led to national war mobilization in 1969. Hundreds of thousands of PLA troops were deployed along the border with the USSR, and there were border clashes. At the same time, the government supported the rise of the vicious Khmer Rouge regime to power in Cambodia in 1975.

e. 1971-79: During another relatively quiet period, the CCP once again let the PLA go into a slow decline.

f. 1979-81: Political fears heated up. There was a new anxiety over Vietnam. The fear that Vietnam might be falling under the influence of the U. S led to the pointless Chinese invasion of Vietnam in 1979 involving assaults at 26 border locations, the use of 360,000 PLA

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troops, 1,000 tanks, and 1,500 artillery pieces. The perceived purpose was to “teach Vietnam a lesson”, but it is generally felt that the invasion was far from a success.

g. 1981-96: Absent any real external challenges, this was another period of stagnation and decline for the PLA.

h. 1985-99: The PLA was given authority to involve itself in business enterprises on a vast scale as a means to fund its activities. Then, in 1999, after 15 years of failure, incompetence and corruption, this policy was acknowledged to have produced massive dysfunctions, and it was heavily retrenched. However, the PLA still manages major business assets even beyond those that meet truly military needs.

i. 1999-2008: The PLA is being drastically reorganized and re-equipped. Major ground troop reductions have been undertaken to bring total forces down to 2.3 million. Obsolete weapons are being phased out, and shifts are being made to smaller more mobile military units, and air and naval capabilities have been substantially built up.

Military affairs are naturally highly political, and they are under the direction of the Central Military Commission (CMC), an extraordinarily powerful body that is chaired by the CCP General Secretary, who is also the head of the CCP and formal leader of the government and the country. The CMC has three vice chairmen, one of whom is the prime minister, plus seven other members who are the most senior military officers. It has four general departments: General Staff, Logistics, Armaments, and Political Affairs. The country is divided into 7 Regional Military Districts, and the PLA itself has five field Commands: Army (PLA), Navy (PLAN), Air Force (PLAAF), the Second Artillery (which is the nuclear missile command), and the Peoples Armed Police (PAP), which is officially under the dual command of the State Council and the CMC, but is generally considered to be an integral part of the military establishment.

The strategic thinking of the CMC and the PLA is almost entirely defensive except for Taiwan. Its major stated policies are first and foremost to defend the CCP, then to defend industrial centers, defend the capitol of Beijing, guard the borders and potential avenues of attack, protect key elements such as transport routes, lines of communication, harbors, and power sources; and to secure key locations providing internal security. None of these policies specifically emphasize the defense of the Chinese people. The authority of the PLA is wide open and its role is defined at any given time by the views of the political leadership. It is pursuing several major modernization programs: reduction in troop numbers, creation of medium and long range missile capability, an expanded and updated Air Force and Navy, creation of “multi-role” military units with rapid deployment capability, an upgraded command/field communications network, and an air defense system, and a coastal defense capability with naval and shore forces. But troop concentrations seem not to have changed much in 20 years and they are still deployed opposite Taiwan, along the Russian border, and in Tibet and Xinjiang.

As with so much else in the modern history of the Chinese, the death of Mao in 1976 broke the pattern of neglect and stagnation and permitted the CCP leadership to initiate a long, complex and multi-faceted reform of the PLA which, 30 years later, is still under way. The leadership knew even at the time that the use of a million Chinese foot soldiers in sneakers and

obsolete weapons pouring over the Korean border was untenable and had urgently to be changed in every way – roles and missions, strategy and tactics, weapons systems, personnel and leadership, communications and intelligence.

But to understand the PLA requires understanding of how it has been financed, in a country that, until very recently, has been very poor. To begin with, during the whole period from 1949 to the mid 80s, the PLA was huge. At its peak, it had 4.5 million troops in its army, navy and air force components, and the post-Mao leadership realized that the country could never afford this monster. Essentially three major arenas of reform were therefore considered vital:

First, the whole military establishment had to be “downsized” on a grand scale in terms of personnel, and its organizational structure had to be simplified and made more efficient and productive. It had to get rid of old obsolete types of forces, mainly massive ground units, so that it could afford new units more relevant to the nature of modern warfare.

Second, every aspect of PLA operations had to be modernized from new field communications, to weapons systems design and acquisition, to logistics, supply and transport and even to financial responsibility and control. An important policy was enunciated by Deng Xiaoping in 1985: the military should concentrate on modernization through R & D; but it was not necessary to then manufacture new weapons unless the actual military situation requires them. This is the same pattern that makes sense in the U. S. since R & D is relatively cheap, and manufacture is very expensive, especially with technologies that tend to become obsolete quickly. The difference for China is that, in many disciplines, Chinese education and technological development had never really developed, and this limits the skills available for military upgrades.

Third, the government made a decision about 1985 that probably seemed smart at the time, but which ultimately proved to be a disaster. The PLA was authorized to enter into business in a big way to create or acquire state owned enterprises (SOE) and other businesses. The political reasoning at the time was that the central government budget could not afford both the PLA and funds for economic development, so the PLA was largely cut loose to finance itself.

Military observers in other countries seem to assume that China will seek to modernize all of its 2 million man standing army, but the reality appears to be that even an army of this size is too large for China's needs and it represents a huge expenditure for no good reason. The Iraq War of 1997 showed that the Iraqi Army, armed largely with Chinese weapons was decimated by the technologically superior U. S. military forces – just as the U. S. troops had done in Korea 40 years earlier. Thus, the Chinese Military Commission has been forced to realize that, more than ever, technology trumps troop strength, and that the Chinese Army could be productively allowed to shrink another half million men and would still be more than adequate. Savings from this reduction of expensive troop strength would then go a long way to finance an accelerated pace of weapons modernization. At the same time, the PLA, like the rest of the economy suffers from heavy inflation, rising costs, reduced purchasing power, and the need to substitute directly budgeted funds from its previous diet of hidden subsidies.

Reform of PLA Business Activities

The basic intent of authorizing PLA business activities was very quickly perverted. At its peak, the PLA controlled 30,000 SOEs employing 3 million workers. There was almost no accounting for either income or expenditure, and these commercial operations were a serious cause of corruption, including the diversion of military assets (such as trucks, fuel, food and labor) to its businesses. In many cases such as electronics or certain minerals, the PLA enterprises dominated whole sectors of the economy. Ownership went far beyond any military purpose and extended into anything that might make money. The PLA owned or controlled hotels, resorts, banks, retail stores, houses of prostitution, TV stations, and restaurants in addition to weapons factories, railroads, ports and warehouses. Military officers were often assigned to run these enterprises, diverting them from their military duties. Endless opportunities were created for corruption, and they were seldom missed. The PLA had a lot of clout and did not hesitate to use it against its civilian competitors to gain commercial advantage.

One of Mao's biggest policy blunders occurred in the 1960s and 70s when a large part of the military base was forced to relocate to remote places in southern and western China. One consequence is that the industries were charged with the social and infrastructure costs of these moves, and were left with staggering debts. Many of these moves proved to be failures, and enterprises are now being relocated again to the coastal areas, but at a further huge cost and disruption. The whole complex structure continues to suffer from the usual sins of corruption, patronage and incompetence, and it is likely that any development of major weapons systems, will take 12-15 years to complete, even if it is pursued steadily and not interrupted with funding shortages or political changes of mind. Only in the 90's did the Chinese appear to discover systems management and competitive bidding, and it is not clear how far they have advanced.

Despite years of hand wringing, it was not until 1999 that the political leadership finally got serious about this elaborate mess. The point had been reached where both the military and the political leadership realized that this PLA commercial activity was a failure. It was highly inefficient and many of the SOEs were, as with their civilian counterparts, operating at a deficit and actually diverting funds from genuine military necessities. In fact many of the SOEs depended primarily on subsidies to keep afloat. Many of these enterprises have civilian product lines, and generally the parts of the SOEs that made money were the ones that produced reasonably good quality civilian goods. There was no valid reason not to return these enterprises to the more competitive civilian economy, and it was therefore decided to undertake the divestiture of most of these PLA commercial assets. The essence of the agreement that emerged was that the government promised to substitute regular appropriated funds for the loss of SOE revenues, and the newly acquired wealth from the market economy made it feasible to promise the PLA adequate funding for the future. The PLA leadership recognized this was a good face saver, since most of its SOEs were operating at a loss, despite their subsidies. Therefore they could dump the failed commercial enterprises, return their officers to military roles, clean up much of the corruption, and assure a reasonable flow of funds for modernization. So the deal was struck.

When the divestiture took place in 1998-99, more than 10,500 enterprises were transferred to other elements of the government or closed. More than 700,000 employees were affected. But it is clear from subsequent events that the PLA and the rest of the government

never really got out of the enterprise game. At present, it appears that there are still about 10,000 enterprises employing 700,000 workers under PLA control. There are about 2000 SOE's that are genuinely defense related that are under the more or less direct authority of the State Council and the party Central Military Commission¹. In addition, there are the SOEs that remain directly under the PLA that are corporatized and expected to turn a "profit". There remain SOEs that are for mixed military/civilian production. For example, the Aviation Industries of China that produces both civilian and military aircraft is in fact a large holding company that includes more than 200 enterprises and trading companies and employs more than 500,000 people, of whom 200,000 are engineers and technicians.

The other big source of PLA revenue is weapons sales. The PLA is reported² to still own or control the Great Wall Corp., the China National Precision Machinery Import-Export Corp. (which is really a missile production company), the Blue Sky Industrial Corp., the Keep the Profits Inc., Sky Horse Enterprises, Rainbow International, the Poly Group, N. China Industries (largest arms manufacturer in the world), China Aerospace, China Ocean Shipping, the China International Trust and Investment Corp. and many smaller enterprises. The so called Commission on Science, Technology and Industry for National Defense is regarded as responsible for the manufacture of nuclear weapons. Many PLA officers have started their own businesses, and are first in line for PLA contracts. The PLA also contracts with foreign outlets, especially in Russia. Most of the weapons sales have been to international "bad guys" in the eyes of Western nations: Iran, Iraq, Syria, Libya, Nigeria, Cuba, Sudan, Pakistan and of course N. Korea. But predictions that Chinese aid would allow Iran to have nuclear weapons by 2000 were obviously exaggerated. In fact, the Chinese seemed to have been aiding Iran for 25 years to little effect.

In the fall of 2002, the State Council and the Central Military Commission directed local governments at all levels to include provision of "rear services" costs for the military establishment which allowed the PLA to reduce its own budgets. In addition, local governments bear some/all of the cost of military reserve units.

Adequate accounting procedures were not available until well into the 90s when the Ministry of Finance (MOF) developed standards which the PLA is required to use. Also, the MOF began serious budget reviews with a Zero Based Budgeting approach requiring more line item information and more account auditing. Thousands of PLA accounts were off budget, and much of the PLA budget was (and still is) concealed in other types of accounts. Huge debt levels were revealed – so substantial that they endangered the banks and local governments that had been coerced into backing the loans. Thus, it was clear in retrospect that the PLA had access to huge amounts of money, and it is a puzzle why they got so little real military capability out of these funds for more than 40 years.

¹ Shambaugh, David, "Modernizing China's Military", p. 202. Berkley, Ca. U. of California Press, 2004. This chapter draws heavily on two invaluable sources by Dr. Shambaugh, the other being Shambaugh, David, and Yang, Richard H., Eds., "China's Military in Transition", Oxford, Clarendon Press, 1997

² Ibid, p. 221 and pp. 225-283. See also Frankenstein, John, and Bates, Gill, "Current and Future Challenges Facing Chinese Defense Industries" in "China's Military in Transition".pp. 130-178.

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With the divestiture of commercial assets, the PLA had to work more through contracts, and the General Armaments Department was created in 1998 to direct or oversee them. At that time, a greater emphasis was placed on competitive contracting in a "market based" economic environment. It should be noted that the official budget had been extremely understated for more than 40 years because of the SOE income and the concealment of many costs (such as R & D and the costs of Reserves and PAP). It has been estimated that only about 50% of actual costs of the PLA were reflected in the official budget. Therefore, to some extent, increases in the recent PLA budgets reflect the substitution of more direct PLA budget funds for previous indirect sources. When ordered to divest itself of these enterprises, the PLA dumped mostly the low-end debt ridden activities onto local governments. Of these 10,000 retained factories, at least a third are losing money, and those that turn a profit are the ones that sell to civilian buyers. In addition, the PLA regional commanders seem to have hung on to a large number of local enterprises, many of them only slightly related to military needs so that in sum, enterprises still seem to constitute a major source of PLA income. The official PLA budget represents 16.7% of the national budget and about 6.4% of GDP³.

Military Reforms

When all is said and done, the PLA seriously wants to be a lot smaller and a lot more technically advanced. Therefore, one major reform has been to shift the mix of units away from large ground units to more compact and multi-mission units. The number of divisions has been reduced in favor of more brigade (1,000-2,500 troops) units to add flexibility. There are 13 infantry, 20 artillery, and 20 tank brigades. 59 divisions including 44 infantry, 10 tank and 5 artillery are still active. Efforts have been made to create at least one Rapid Reaction Unit (RRU) for each of the seven military regions, but airlift is scarce, and there are only about 130 transport helicopters in the whole PLA. Thus, most rapid deployments would still be by rail or truck. There are an estimated three RRU's actively deployed⁴. Artillery is a big strength, with 30-35,000 pieces of ordnance of many types, including 14,000 self propelled howitzers of 120 to 203 mm caliber. There are more than 6,000 tanks of varying age with 85-125 mm guns.

The PLA has about 8,300 main battle tanks of different ages, but all of them, even the new T-90s under development, are obsolete by international standards, and those sold to Iraq were no match for the U. S. tanks.

The history of tank design and production is a good illustration of how weak the Chinese military/industrial complex really is. A tank designated the T-69 was the first tank domestically produced. It was designed about 1970, but took another 10 years to reach production, and was not deployed in any numbers until the mid 80s. The main battle tank is now considered to be the

³ Shambaugh, David, "Modernizing China's Military", Chap. 5, pp. 184-224. Berkeley, Ca. U. of California Press, 2004.

⁴ Karmel, Solomon M., "China and the People's Liberation Army", Chap. 4 pp. 123-154. New York, St. Martins Press, 2000. See also Shambaugh "Modernizing China's Military", Chap. 6, pp. 225-283.

T-85, introduced in 1989, but it did not enter production until 1995, and not many have yet to actually be deployed to the troops⁵.

The PLA has two very capable artillery pieces: the 155 mm and 203 mm mobile howitzers. The 203 mm howitzer has the longest range of any weapon in the world at 50 km, but again, neither has really been built in any numbers.

Even before these reformed unit alignments, there was a serious reduction in troop numbers, over a 20 year period. Reductions have so far totaled 1.8 million from its peak of 4.5 million as recently as 1985 (5.5 million in 1950), and the active Army ground troops now number about 1.6 million. But in fact, many of the people “reduced” have been simply redeployed. A Reserve component has been created, largely for Army forces, and some active duty personnel have been transferred to the Reserves which now number about 800,000. Some have been moved into civilian jobs in the PLA and others have even been assigned to other government ministries. There are about 4 million military dependents and “several million” civilian employees of the PLA.

Taiwan is the keystone to military policy. The conflict with Taiwan is the only external situation that can be used to justify the high cost of the PLA. There is no credible land threat, now or in the foreseeable future. The major strategic posture is one of coastal defense. The military has virtually no force projection capability, beyond Taiwan. China wants to become the dominant regional power, and it needs “just enough” military potential to buttress that ambition. About 82% of the PLA total forces have been 3 year conscripts. The goals are to cut the conscript period to two years, but to reduce the percentage of conscripts to less than 65%.

Many personnel have been transferred to the People's Armed Police (PAP), created in 1983, including 14 PLA divisions more or less intact. This reflects a significant change in policy following Tiananmen Square; the leadership wants a far larger and more heavily armed internal security force to deal with potential civil insurrections but wants to avoid the visibility of using the army. The PAP force which was about 400,000 in 1982 and around 900,000 in the late 90's has climbed to what is estimated to be about and 1.5 million today (the official number is just 660,000). Its major roles are border control, internal security, civil unrest, customs and anti-smuggling and facilities protection. But it is still not clear who really controls the PAP. The CCP wants it both ways; they appear to regard it as part of the military establishment, but want it to appear to be run as a civilian function.

Major modernization of forces has occurred in all of the services. Recently, most modernization funding is going to the PLA Air Force (PLAAF) and the PLA Navy (PLAN). While ground forces are being upgraded, only a limited number of units will be improved; the rest of the Army units will be low quality. There is an annual conscription program which is dysfunctional. 25% of all forces are one year people, and many of the rest have three year terms of service in a profession that is poorly paid and not very promising. All services suffer from a lack of capable NCOs. The Navy has no aircraft carriers, no heavy capital ships, only about 25

⁵ Ibid, pp. 2252-255.

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capable subs (only one nuclear powered nuclear missile capable sub and that is in its development/testing cycle. All 6 of the nuclear powered subs are obsolete)⁶.

The Air Force has about 420,000 personnel and a growing number of planes, but most are based on 20 year old technology. It has about 150 first line planes including two fighter types bought from Russia, and one domestic plane based on good but 20 year old Israeli designs, but it has languished because of major technical problems with design, metallurgy, avionics, engine technology, and generally low manufacturing skills and quality control. The engines for the new J-18 fighter are actually being supplied by Sugat – a Russian company. More than 3,000 older aircraft (built in 1979 or earlier) of all types are so obsolete that they are being decommissioned. The Russian SU-27 is a good but old trainer that has been upgraded. The SU-30 is a good modern multi-task fighter-bomber with a range of 1600 nautical miles. There are about 120 old but good Russian “Badger” heavy bombers with a range of about 5,900 KM, and nuclear capability. None of these aircraft compare well against American and other country aircraft. The past reliance on Russian sources is now in question. Increasingly, the Russians are reluctant to part with new designs or production technology, fearing China not necessarily as an enemy but rather as a competitor as well as a customer, and they are now insisting on cash rather than bartered goods⁷. The PLAAF also operates a formidable Air Defense System with 220,000 air defense personnel in 100 sites, with surface to air missiles and about 16,000 anti aircraft guns. There is a large early warning radar network with ranges up to 100 km.

Missile forces are perhaps the strongest arm of the PLA, but they are still almost entirely ballistic. Seven ICBM missile systems entered development, but four have been cancelled and one is an old liquid fuel system. There are two modern systems: the DF-31 with a range of about 7,200 km; and the DF-31A with a range of 11,200 km, but the inventory for each is very small – less than 10. There are about 1000 air-to-air missiles, and another 1000 land based cruise type missiles, but the maximum range for any of them is about 85 NM. These are Russian designs that are being upgraded and switched to domestic production. The Chinese produce several short range attack missiles, has sold a lot to Iran, and wants to sell more to developing countries. There is a consolidated missile force with longer range missiles named “The Second Artillery”. Long range missiles are really upgraded middle range missiles shifted from liquid to solid propellants. There are at least ten theater missiles with ranges from 180 to 4,700 km. Most remain ballistic and they are now equipped with upgraded guidance systems, but they remain scarce. China has 8-900 nuclear weapons, the third largest inventory in the world.

The People's Liberation Army Navy (PLAN) has a total of about 250,000 personnel. It has been trying hard to upgrade its submarine fleet as an attack force. It initiated five types of subs, of which two – the Type 92 Xia and the Type 94 Jin are nuclear capable, but neither is fully operational, and only 9-10 have so far been identified. Submarine missiles are old and limited in numbers. The JL-2 has a range of 7,200 km, but apparently has yet to be deployed for fleet operations. It has only one full range nuclear powered ballistic missile sub, plus 5 “attack” boats

⁶ The Chinese navy has fewer than 10 nuclear submarines, only one of which is armed with strategic ballistic missiles, and it is not operational. Although the PLAN keeps announcing plans for the development of new boats, even if true, the actual development cycle for such designs to reach production seems to be 15-20 years

⁷ Karmel, Solomon M., *China and the People's Liberation Army*, pp. 158-161. New York, St. Martins Press, 2000.

with ballistic missile capability. China has a very large merchant marine, but many of the vessels are coast or river based. It has two guided missile destroyers based on a 1990 Soviet design, and carrying 8 anti-ship cruise type missiles. It also has 2 smaller guided missile destroyers and 8 smaller frigates. All other ships in the Chinese navy are from the 1950's and are obsolete⁸.

The current budget is estimated at about \$36 billion, but much of the funding for the military establishment remains concealed. Almost all R & D is carried in a separate national R & D budget category. The costs of some arms imports are budgeted separately and mostly off budget. The PAP is largely funded out of civilian accounts. The Reserve is funded from provincial budgets. A lot of the cost of military SOEs including deficits are covered by government subsidies and forced "loans" and the PLA has always had huge bank debts, much of which is not realistically expected to be repaid. Many of the prices of military goods are deliberately understated. There is a serious and deliberate lack of reliable data, and most of the statistical comparisons with world prices lack a Purchasing Power Parity (PPP) assessment. In fact, there is serious doubt that the Chinese themselves know how much they spend on their military establishment. The budget in 2000 was double that of 1978, but it has had persistent ups and downs – up for Korea and then down; up for the Vietnam War and then down. In effect, financing for the military establishment as a percent of the national budget is not much better than in 1978. A substantial part of the recent increase is to bring pay for both officers and men up to some reasonable standard after decades of underpayment. The quality of personnel has, for 30 years or more been poor since the military is not an attractive career. In addition, there is a track record of bad maintenance, a shortage of spare parts, and low performance reliability.

"China's reported 17.5% increase in its defense budget still leaves it a fraction of what the US spends each year on its armed forces. President Bush's last budget requested \$515 billion for FY 2009 – a 7.5% increase – plus \$70 billion for the wars in Iraq and Afghanistan." ⁹ A spokesman for the Chinese National People's Congress said that defense spending has increased at an annual average of 15.8% in the last 5 years, and while this seems ominous to some observers, it is actually less than the increase in general government revenues which have increased an average of 22.1%. He noted that the defense budget is equivalent of 1.4% of GDP, while the US spends at 4.6% and Britain spends 3%. He also stated that much of the increase was for higher military salaries, more training and rising oil costs rather than new weapons. However the Pentagon still manages to brood about nuclear force modernization and new high tech missiles.

Is China A Threat?

In the last analysis, the U. S. and China are increasingly locked together economically – but not politically or culturally. China depends on the U. S. and other western countries in several economic ways:

⁸ Shambaugh, David, "Modernizing China's Military", pp. 265-274. Berkley, Ca. U. of California Press, 2004.

⁹ Washington Post, March 4, 2008.

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1. As a huge buyer of Chinese goods
2. As investors in Chinese enterprises, both industrial and commercial
3. As a source of vital products, technology, and management
4. As owners/investors in industrial, exporting plants
5. As a place for China to invest productively
6. As potential supporters for China's role in the international community.

What can China offer the U. S.? It offers an endless source of cheap goods (which benefits U. S. consumers if not the U. S. government); a great place for U. S. investment (which benefits mainly U. S. corporate interests); and the possibility of Chinese alliances in some international arenas, such as N. Korea and terrorism. Both countries want stability in S. E. Asia. Both are caught up in a three way hassle with India. There are threatening conflicts over certain "bad" countries, and a tendency for China to build anti-American associations. Both want to do something about N. Korea, and lately they are allies in this venture. China has a bad reputation with respect to Vietnam, N. Korea, Myanmar, Sudan, Zimbabwe and Nigeria.

In the last analysis, the issue is not China competing against America, but China competing with itself.

Taiwan continues to be a source of conflict, but most of it appears to reflect the fact that the Chinese government has got itself locked into a useless and dysfunctional political attitude which they don't know how to get out of without losing "face". Meanwhile, the people get along fine, and Taiwan is a large investor in mainland China's economic expansion. The Taiwanese people seem more and more willing to consider re-integration into mainland China. Many Taiwanese have dual citizenship, large numbers have family ties, and one million have homes in China. Taiwanese companies in China believe that they have an "inside track" in doing deals because of ethnic affinity. If China is patient and smart, Taiwan may re-integrate naturally.

Other countries in the region want to have good relationships with both China and the U. S. and see no need to choose sides. Japan, the Philippines, S. Korea, Indonesia and others would be foolish not to seek accommodation with China, but such accommodations are not necessarily anti-American, and U. S. policy should never demand 100% compliance with American policies.

Increasingly, China has begun to question its tendency to think anti-American on everything. If it wants to court Japan, it must do it in ways that do not appear to attack the Japanese link to the U. S. But what does China have to offer Japan? Only economic penetration which the Japanese already have, and purchase of cheap goods, which Japan could buy or go elsewhere.

Korea and the U. S. are divided over N. Korea. S. Korea sees China, not the U. S., as having the ability to influence N. Korea, and S. Korea knows that it is the country at risk if N.

Korea runs amok. What does China really have to gain in supporting a dangerously unstable N. Korean regime? Not much, except as short term leverage on S. Korea.

India wants to avoid being part of any “encirclement” scheme. India and China are economic competitors in the sense that they compete directly in many economic ways. India would see China as a real threat only if it got too cozy with Pakistan. Against any future Chinese naval threat, India is building 2 aircraft carriers by 2016, and India will insist on superiority in the Indian Ocean. India also fears Muslim influence in Kashmir, but the Chinese are not the problem. Indonesia sees itself as benefiting from China's need for oil, natural gas and timber. China's relations with Indonesia are mainly to prevent it from getting too locked into the U. S. In Central Asia, the Uighur provinces border on Kazakhstan, Tajikistan, and Kyrgyzstan, all of which are Muslim. China does not fear its Muslims generally, but it shares with the “Stans” a fear of extremist Muslim influence. China hopes to build one or more pipelines from Kazakhstan, but such a pipeline through the mountains would be extremely vulnerable to terrorist attack.

It seems feasible for the world to accept the often stated policy of the Chinese government that it does not intend to pose an aggressive military threat. Its actual force structure is still not designed for force projection, even in the immediate area, and its deployment of troops is designed for the defense of its national perimeters. The one inevitable exception is Taiwan, and even here, the sense that the Chinese are deterred solely by U. S. protection is being mutated into a more tolerable hope and expectation that eventually, Taiwan will rejoin The People's Republic on voluntary and amicable terms.