



*Schlesinger Working Group
on Strategic Surprises*

Are We Taking China's Future for Granted?

SCHLESINGER WORKING GROUP REPORT, FALL 2003

Prepared by Joseph C. Folio

The Institute for the Study of Diplomacy of Georgetown University launched the Schlesinger Working Group in 1999. This program recognizes the distinguished public career of Dr. James R. Schlesinger and his remarkable contributions to national security policymaking and strategic thought. This project is based on a multi-year Working Group initiative with a mandate to review and assess a range of possible scenarios that contain significant potential for strategic surprise and for unanticipated outcomes. The Schlesinger Working Group relies on a permanent "core membership" of generalists from the policy-making and research communities and academia (please see page 2), who are sometimes joined by respected authorities on specific regional or functional topics under consideration. The meetings are chaired by Schlesinger Professor of Strategic Studies Dr. Chester A. Crocker and ISD Director Professor Casimir A. Yost.

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OVERVIEW

During Fall 2003 the Schlesinger Working Group held two meetings (September 25th and November 3rd) to explore China's estimated political/economic outlook and to determine what potential challenges might affect its projected future. The purpose of these meetings was not to predict a Chinese stumble or even collapse, but rather to examine events that could trigger a disruption of China's current, impressively successful economic trajectory, and to analyze what form that disruption could take. During the first meeting, participants identified potential disruption scenarios to which China remains vulnerable. The second meeting considered the implications of disruption for both China and the United States, and how these scenarios might affect U.S. policy. Working Group members did not attempt to assign probabilities for the identified potential disruptions or "failures." Rather, they focused on the hurdles or challenges posed by these disruption scenarios, which the Chinese leadership would need to confront successfully in order to avoid losing control or endangering national cohesion. Participants generally agreed that any major disruption would most likely derive from an external shock that might negatively affect China's economic situation and possibly ignite collateral internal disruption via domestic unrest or leadership division. The group concurred that the Chinese leadership has sufficient strength and cohesion to manage most forms of internal disruption, or at least to adapt quickly and effectively to those that arise.

INTRODUCTION

Working group participants grappled with the terms 'success' and 'failure' with a sharp appreciation of the need and the difficulty of defining

these terms clearly. They generally concurred that any discussion of negative scenarios for a currently dynamic China must proceed with caution, noting that China has flouted gloom and doom forecasts often in the past. Nonetheless, there was a general consensus on the need to evaluate potentialities for disruption given the steady flow of analyses and reports by financial analysts and investment banks premised on a linear projection of China's continued economic success. Participants agreed that because of China's sheer size (over 1.2 billion) and its rapidly expanding economic and political clout in the world, failure to consider downside scenarios might prove extremely costly.

Some found it easier to define success than failure. One participant suggested that success could be defined to include a range of necessary conditions: annual growth of 5 to 10 percent over several decades, accommodation of the enormous pressures of urbanization, enhanced civil liberties, increased movement toward genuine enfranchisement, and general avoidance of significant conflict with other countries. Turning to "failure," participants offered specific examples rather than a comprehensive list, including: challenges to central government authority, sharp and continuing drops in Chinese personal income levels, significant and widespread urban unrest requiring a substantial use of coercive measures in response, or a war over Taiwan would clearly constitute failure. Interestingly, many concurred with the judgment that the 1989 Tiananmen crisis fell short of 'failure', and was more consistent with the notion of 'muddling through'.

VARIABLES OF STABILITY

Participants first noted China's numerous strengths, including: a cohesive national leader-

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* Core members of the Schlesinger Working Group were not asked to approve this *Report*. The *Report*, however, relies heavily on the discussions of the group. As such, this document reflects the general ideas of working group members, but is not a consensus document and cannot be ascribed to any individual member.

The Schlesinger Program would like to thank Professor Robert Sutter for preparing a scope paper to launch this discussion, Albert Keidel of the Department of Treasury for his opening remarks at the first meeting, and both Chas Freeman and Alan Romberg for opening comments at the second meeting. Additionally, the Program would like to thank ISD associates James Huskey, Marc Koehler, and Michael Finegan for their participation in both the meeting and the editorial process of this summary.

ship; a cautious foreign policy focused on improving relations with neighbors and on further opening and liberalizing its domestic economy; a booming export sector generating high foreign exchange reserves and rising personal incomes; and a high rate of domestic saving. They then enumerated four areas of vulnerability that could pose challenges to China's forward progress:

Leadership Unity

In his scope paper, Georgetown University School of Foreign Service Professor Robert Sutter posited that leadership unity is a key variable determining the future of Chinese Communist Party (CCP) rule. Many China watchers agree that as long as the top leadership remains united, the regime can most likely survive even serious challenges, whereas a major crisis that splits the leadership could compromise the regime's governing capacity and, in an extreme case, cause regime collapse.

Over the past year, Hu Jintao took over the top party and government jobs from Jiang Zemin, although Jiang retained his important position as Chairman of the Central Military Commission. Working Group participants questioned whether such a transition could be deemed "complete." On one hand, some argued that Jiang retains behind-the-scenes influence through protégés who retained major leadership positions, thus compromising the effectiveness of President Hu and Premier Wen Jiabao. A split between Hu and Jiang factions, perhaps over a particularly sensitive policy issue like Taiwan or North Korea, could complicate the party leadership's ability to respond to important challenges. Other participants, however, argued that the leadership transition had gone relatively smoothly, given the ad hoc nature of the CCP leadership system and the substantial amount of control that was actually delegated to Hu, and argued that Jiang has actually served as a stabilizing factor. Popular support for Hu and Wen increased dramatically with their decisive move to control the Severe Acute Respiratory Syndrome (SARS) epidemic and with their public efforts on behalf of workers and peasants.

Another concern over leadership division involves senior officers of the People's Liberation Army (PLA). While PLA leaders hold less influential positions in the new Party hierarchy than they did in the past, they remain directly involved in the most sensitive issues of sovereignty and security. Thus, a crisis involving Taiwan, North Korea, relations with the United States, or a major internal insurrection, could see conservative mil-

itary leaders adopt positions at odds with others in the Party leadership — leading to a serious leadership dispute and possible split.

Popular Support and Perceptions of Legitimacy

Several participants observed that the nature of political legitimacy in China is changing. To gain public compliance without coercion or compulsion, authorities rely less on the institutional leadership role of the CCP and more on their demonstrated record of fostering economic growth and social stability, and taking credit for China's rising stature in world affairs. With political legitimacy thus conferred by performance, rather than by CCP ideology or by democratic processes, a failure to continue delivering the goods could undermine popular support for the leadership. Several participants noted the difficulties typically associated with performance-based legitimacy.

Perhaps no problem poses a greater threat to CCP legitimacy than rampant and growing corruption. The Communist leadership is well aware that the Party came to power in part by opposing the corrupt Nationalist regime and that anti-corruption themes resonate deeply among Chinese people. Rampant corruption and the series of half-measure responses to well-known incidents of corruption are fueling public cynicism.

Problems of legitimacy are compounded by the growing ideological vacuum, as more and more citizens, and even Party members, see little of substance in the Chinese version of Communism. In the context of this eroding ideological justification for one-party rule, the Party has attempted to utilize the growing sense of nationalism as a unifying ethos — but this has led to unexpected, sometimes uncontrollable, results. Authorities now appear to understand the potential danger of losing control of nationalist fervor. After the accidental U.S. bombing of the Chinese embassy in Belgrade fomented public outrage during the Kosovo air war in 1999, the leadership took steps to prevent large-scale protests in Spring 2001 when a mid-air collision between U.S. and Chinese military planes resulted in the death of the Chinese pilot.

Managing the Economy and Meeting Public Demands

Domestically, many of the challenges China will face are tied to the economy. An unemployment/underemployment rate of over 20 percent creates fertile grounds for social unrest. Generally speaking, the economic policies of the government

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must attempt to keep pace with China's rapid rate of liberalization.

One presenter noted that the ability of the government to function depends largely on managing the economy, providing services, and fulfilling other public expectations. Complicating the picture are Chinese commitments in joining the World Trade Organization (WTO), which require restructuring and reform of tens of thousands of state-owned enterprises (SOEs) that could lead to large-scale layoffs and loss of health care, housing, schooling, and pension benefits for SOE workers and their families. Massive unemployment and gross inequities between the coastal regions and the interior and between rural and urban areas have added to the growing ranks of "losers" in the reform process. These discontented citizens are increasingly willing to question (or challenge) the effectiveness and legitimacy of the regime. Tens of millions of urban unemployed now need to retool their work skills to find new jobs. Members of these two groups engage in almost daily strikes, demonstrations, and other unauthorized protests. Authorities often respond with force against protest leaders, but also try to match oppression with steps to appease followers of these protests in an effort to maintain some level of support for the regime.

In Xinjiang and Tibet, protest activity is often political in nature, an expression of discontent over restrictions on religious or cultural practices. But at times in these minority regions, and in most cases in other parts of China, protest is apolitical — an airing of grievances over corruption, unpaid wages and benefits, or rising prices. Some participants suggested that popular protest serves as a "safety valve" mechanism for the populace to vent its frustrations. The government appears to recognize this function of protest and, while maintaining close control, in some cases responds to protesters' demands by offering cash payments or other solutions.

The major fear of the Chinese leadership involves the possibility of larger-scale, coordinated protests, and authorities move especially quickly against protesters who may be trying to link up with others, either across sectors (workers and intellectuals, for example) or across county or provincial boundaries. This is why authorities have clamped down harshly on intellectuals who have tried to organize political parties or used the Internet to disseminate views that challenge the legitimacy of CCP rule.

Participants cited the outbreak of SARS as an example of an internal problem that could affect

the economy. The response of the leadership to a new outbreak of SARS or similar events will influence investor confidence — favorably, to the extent that leaders take decisive action, or unfavorably, should they revert to former tendencies of concealing and denying the existence of problems and, thus, exacerbating public and international fears. A crisis involving China's banking sector could be devastating; state-controlled banks continue to be a major potential liability as well as the major source of capital for inefficient SOEs that remain important to the expanding economy. In light of China's growing integration into the global economy, most participants agreed that the leadership's ability to manage the economy could be challenged by a global financial crisis or by tension between currencies, especially the overvalued dollar. A crisis in the Persian Gulf threatening oil supplies could also trigger internal Chinese economic problems; (China became a net oil importer in the last decade). Some participants, however, demurred, pointing out that the Chinese economy has been very resilient over the past few years (faced with the challenge of rising inflation in 1988–90, deflation of the late 1990s, and the 1997–98 Asian economic crisis).

Many participants observed that the WTO and its requirements will be one of the greatest external factors affecting the Chinese economy. The conditions for Chinese WTO membership were indeed onerous, though some in China welcomed this pressure for reform. In fact, some WTO members are now advising China to slow its pace of reform. One participant offered a scenario in which the rest of the world was unable to keep pace with China's reform. Instead of the concern that China would be unable to live up to its WTO requirements, China's rapid — and WTO-compliant — expansion into world markets might trigger a serious protectionist backlash from the U.S. and other countries directly affected by China's progress. If many countries acted similarly to restrict Chinese imports, then China might in turn feel compelled to withdraw from the WTO. While China's export-based economy appears vulnerable to exogenous shocks, some participants reminded the group that the real engine of China's economic growth is actually domestic, not foreign, demand. Participants, however, were divided over the seriousness of the economic effects that a major external disruption — e.g., from global trade, currency or capital market perturbations — might have.

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National Cohesion and National Security

The leadership's approach to sensitive issues of sovereignty and security directly affects the level of support it receives from elite groups and broader segments of the public. To sustain and strengthen their own political authority and legitimacy, top leaders are determined to ensure China's national cohesion. But many residents of Xinjiang and Tibet, as well as Taiwan, are prepared to challenge Chinese leaders' views of national cohesion.

Participants identified the issue of Taiwan as the most significant threat to Chinese stability and progress. Although Chinese leaders have followed a more low key approach in trying to reverse recent Taiwanese moves toward greater independence, this patience is being tested by efforts of Taiwan politicians to take actions or adopt political positions in favor of greater independence in the run up to the March 2004 election. If Taiwanese President Chen Shui-bian emerges victorious and strengthened from the election, Beijing may face an even more assertive Taiwan on issues related to sovereignty. Ultimately, most agreed that the degree, terms and conditions of continued U.S. commitment to Taiwan will greatly influence how this potential conflict plays itself out.

The most significant loci of unrest on the Chinese mainland remain Xinjiang and, to a lesser extent, Tibet, both minority regions whose residents have repeatedly challenged the rule of the central government over their lands. Although the situations in Xinjiang and Tibet have remained generally calm over the last few years, the 1990's saw many incidents of political violence. In general, however, the Communist authorities have done reasonably well in fostering patriotic themes that reinforce national unity. There appears little sympathy among the vast majority of Chinese for Taiwan or Tibetan independence, and considerable pride that Hong Kong and Macao are no longer colonies and have been returned to China's sovereignty.

POTENTIAL DISRUPTION SCENARIOS

Participants enumerated three specific drivers that pose the most serious potential danger to continued Chinese stability, drawn from the variables discussed above:

Domestic Economic Downturn. Participants discussed the long-term viability of China's economic boom, with some arguing that a downturn could be sparked by either (a) policy mistakes by the leadership, or (b) the effects of

too-rapid economic liberalization.

External Shock. A crisis initiated on the Korean Peninsula, a sharp deterioration of cross-Strait relations, or a significant turbulence in export, currency, or capital markets represent possible shocks that could derail Chinese growth.

Fundamental Leadership Division. While an individual crisis in and of itself may not spark a downturn for China, such a crisis compounded by a disagreement within the leadership about how to respond to either an internal (e.g., SARS) or external (e.g., Taiwan) situation might prove decisive.

Recalling the demonstrated resiliency of China in recent years, many participants did not believe an internal crisis by itself would be divisive enough to cause serious disruptions that would dramatically affect China's forward trajectory. Rather, most agreed that the most likely collapse scenario would be a sequencing of events involving an external shock compounded or accentuated by an internal crisis. Three detailed scenarios emerged from the discussion:

Scenario 1: Strain but No Break

In this scenario, Chinese institutions and leaders would find the means to cope with internal problems that develop (e.g., a health crisis akin to SARS, a banking crisis, or a regional agricultural failure). China's economic interactions with the rest of the world are not severely disrupted by such events. Overall, leadership cohesion is maintained. Absent a shock from the outside, the Chinese leadership appears to possess the capacity to defuse this level of challenge and persevere, or at worse, muddle through potential crises. Working Group members classified the 1989 Tiananmen crisis as falling within the ambit of this scenario.

Scenario 2: Developing Storm

A developing storm could appear in two forms, either internal or external. Internally, this would be an extrapolation of the "Strain but No Break" scenario. In this instance, China's rapid path to WTO compliance continues to create economic "losers" creating a situation that the leadership cannot fully control. A key internal stimulus — e.g., collapse of a major institution, such as the banking sector, or a major government service, such as health care — then pushes the crisis over the brink. This internal problem is compounded by a division in the leadership over what to do. The level of disruptiveness would depend upon the depth of the problem and the extent of leadership disarray.

Externally, a variety of sub-scenarios could cause lasting shocks and contribute to a “developing storm” in China, listed in descending order of potential for disruption:

TAIWAN CRISIS

A crisis over the Taiwan Strait would send ripples through the global community. Unity remains a top priority for China, and Taiwan’s looming elections and President Chen Shui-bian’s tendency to push the limits of China’s “red line” on independence have drawn harsh words from Beijing. Progressively inflammatory rhetoric, the pursuit or development of a nuclear capacity, or the birth of a Taiwanese constitution that provides a declaration of independence could ignite this crisis. Such developments would incite nationalistic tendencies throughout China, risking escalation and U.S. involvement.

Taiwan’s political elites could also try to exploit Chinese crises for their own political gain. If China were to become embroiled in a crisis on the Korean Peninsula, Taipei might deem it an opportune “distraction” to assert its own political goals. Participants also noted the effect that the PLA could have on the Chinese leadership, either bolstering the prospects for war or contributing to potential internal division that might arise as the issue comes to a head. In each scenario — short of an outright declaration of independence that China addresses with military force — the U.S. reaction will be crucial in determining the rate and end point of escalation.

ECONOMIC SHOCKS

Although it was acknowledged that China’s economy is domestically driven, participants differed over how external economic shocks would affect the country. With its growing integration into the global economy, China is increasingly vulnerable to external financial shocks from global markets. If the U.S. economy takes a severe downturn, for example, the loss of such a critical market could cause a severe slump in China’s export sector. Furthermore, a severe external military crisis, like Taiwan, would encourage the flight of foreign investment and the drying up of markets.

Internally, while China has heretofore successfully weathered significant structural adjustment under the WTO, it has not yet experienced strong external reaction to potential problems within its economy. China managed its way through the economic hiccup that accompanied the SARS virus in Spring 2003, quelling fears that the leadership did not possess the capacity to effectively

handle emerging problems in a manner that allays investors’ fears of mismanagement. Nevertheless, the structure of China’s domestic economy contains several components of concern, such as economically fragile SOEs, banks, and a degree of dependence on monoculture for food supplies.

NORTH KOREA SHOCK

This shock could come in varied forms. Continued North Korean saber-rattling short of war could evoke an undesirable response that affects China. Domestic turmoil because of increasing famine or fear of a war could send North Korean refugees streaming into China, evoking an immediate response from Beijing. Indirectly, continued North Korean provocations may encourage accelerated defense expenditures by Japan, and even further nuclearization of the region. This would noticeably unsettle China, which might in turn feel a need to assert its authority. If war were to break out between North Korea, South Korea, and the U.S., especially one involving WMD use or U.S. occupation of the entire Peninsula, China would be hard-pressed to stay on the sidelines. These scenarios remain dependent upon the diplomatic context at the time, but such a geopolitical disruption in China’s backyard could prove a major disruption to its economic system. Thus far, however, the political jockeying between the U.S. and North Korea has done little to shake China; on the contrary, the high profile skirmishing between Washington and Pyongyang and the six-power diplomatic maneuvering to contain it has done much to underscore China’s growing political power and diplomatic initiative in the region.

SOUTH ASIA SHOCK

China is increasingly exposed to conditions and behavior of neighboring countries. With its rapid economic development, China has become a net importer of energy and mineral raw materials, while transforming itself into an export powerhouse. Economic turbulence in neighboring countries could affect China’s trajectory in ways unimaginable a few years ago. A case in point is the potential for South Asian tensions to spin toward nuclear crisis, engaging China’s interests as ally to Pakistan, growing economic partner of India, heavily Middle East-dependent oil importer. Such possibilities suggest the emergence of a less isolated and more integrated, as well as more assertive, China in contending with crises not of its own making.

There appears little sympathy among the vast majority of Chinese for Taiwan or Tibetan independence, and considerable pride that Hong Kong and Macao are no longer colonies and have been returned to China’s sovereignty.

The new strategic environment, as one participant quipped, has “vaccinated” the U.S. against a “nutty” China policy.

Scenario 3: “Perfect Storm”

The “Perfect Storm” scenario comprises elements of the first two scenarios. A large, convergent storm could begin with a severe external shock, like a crisis over Taiwan or Korea, that would be significantly complicated by an internal Chinese disruption. Or it might begin with domestic unrest — e.g., a significant labor uprising of workers and intellectuals united across regions, or a significant uprising in Xinjiang — that could stretch the national security apparatus. This internal instability would probably not be enough to push China into a “perfect storm,” but rather could set the stage for an exogenous crisis to push it over the brink. This could happen coincidentally, or purposefully as noted in the Taiwan discussion above. A “perfect storm” failure could involve a breakdown of national unity, involvement in major armed conflict, or the outbreak of famine, each in distinct ways severely disrupting China’s growth path and threatening the current regime.

The Working Group did not attempt to assign any degree of likelihood to the concatenation of negative developments postulated in the “perfect storm” scenario. Rather, they underscored the significant hurdles or challenges which the Chinese leadership would need to confront before it risked losing control or endangering national cohesion. Participants generally agreed that major disruption would most likely flow from an external shock, one that would negatively affect China’s economic situation, with the potential for further internal disruption via domestic unrest or leadership division. The focus on an external shock reflects the assessment of most participants that the Chinese leadership is capable of handling or shrugging off most internal disruptions.

IMPLICATIONS FOR U.S. POLICY

The working group generally accepted the assumption that a serious disruption leading to China’s stumble or collapse would be contrary to U.S. national interests, not a positive strategic development. Implicitly, the group saw no benefits for the U.S. in a possible collapse of a polity of almost 1.3 billion and an increasingly important player in global trade and financial markets. On the contrary, traditional differences between the U.S. and China are being partially moderated by China’s increasing economic liberalization, by its WTO agreement, and by its cooperation in the U.S.-led war on terrorism. In sum, despite serious, remaining political differences with China over a range of issues and policies, there are overarching matters of regional and global security to

be considered. The working group’s discussion of the policy implications of potential Chinese crises and disruptions fell into four broad areas.

1. Bilateral Economic Relations

Participants discussed the likely impact of any major disruption of China’s current economic trajectory. One participant suggested that U.S. interest in China’s continued economic progress argued for a policy of consciously avoiding measures and actions that could create an external economic shock to the Chinese system. Others responded that U.S. domestic political concerns surrounding the trade imbalance and the loss of U.S. jobs argued against the political feasibility of such a policy. Another participant rejoined that a substantial portion of China’s large trade surplus with the U.S. actually derived from exports manufactured by U.S. and other foreign firms using China as an export platform. These exports, moreover, boosted Chinese raw material imports that, in turn, increasingly drive global commodity markets and boost Asia’s economy (even while displacing China’s neighbors from key global export markets). Some participants argued that a loss of the U.S. export market would severely affect China’s economy and its access to foreign technology, know how and foreign investment; while others countered that the Chinese economy was driven by its own domestic demand.

2. Taiwan

Participants generally agreed that the direction of Taiwan developments will continue to be closely tied to U.S. policy. China perceives that Washington is wavering on its long-standing commitment to peaceful resolution of the Taiwan issue. It views several U.S. decisions — granting a U.S. visa to former Taiwan President Lee Teng-hui for his college reunion, the recent U.S. arms sales decisions, and the authorization of Taiwan President Chen Shui-bian’s recent trip to New York and Panama — as provocative. Some participants expressed concern that President Chen would continue to test China’s “red line” on Taiwanese independence, and that both China and Taiwan might view current U.S. policy as a ‘blank check’ to Taipei, thereby encouraging actions based on misperceptions by both sides. The Bush Administration’s post-September 11 reconfiguration of its China policy — from “strategic competitor” to virtual ally in the war on terror — has only added to the ambiguity of the situation. Despite renewed cooperation efforts, one participant observed that the U.S. has failed to develop substantial crisis

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management techniques, something that would only exacerbate the potential for crisis as the saber-rattling begins in anticipation of the Taiwanese Presidential elections in March. It was argued that at best, the U.S. and China have an ineffectual relationship for stemming escalation over Taiwan, and at worst, the efforts have been counter-productive.

U.S. policy toward Taiwan will remain central to U.S.-China relations. China distrusts U.S. arms sales to Taiwan and fears the worst-case scenario of Taiwan nuclearization. On the other hand, participants recognized that a Taiwan that feels ignored by the U.S. might strive to develop an independent defensive posture, such as nuclear weapons could offer, or it might adopt aggressive political strategies in an attempt to force Washington's hand. On balance, these considerations mean that the U.S. faces a test of its resolve to take and retain control of this potentially volatile situation.

3. Regional Cooperation

Most participants agreed that the U.S. has a growing stake in China's stability and that China's increasingly energetic diplomacy will affect American interests in Asia. China's activist role in Korean peninsula crisis diplomacy provides a dramatic illustration of this point. U.S. efforts to bring China into the global fold are now being overtaken by China's own growing diplomatic efforts to expand its influence in Asia, epitomized by President Hu's notably warm reception in an October 2003 visit to Australia.

Several participants remarked that the post 9/11 geopolitical environment has an inevitable impact on Washington's perception of goals and priorities, raising the profile of combating on terror and WMD proliferation; other issues, such as democracy promotion, human rights, and governance of the global trading system, are all secondary when viewed in this context. The new strategic environment, as one participant quipped, has "vaccinated" the U.S. against a "nutty" China policy.

4. Political Reform

Against the backdrop of these considerations, some participants observed that there remained a question about the appropriate U.S. role concerning China's political transformation. There was no argument with the observation of one participant that countries going through the economic modernization process typically experience growing domestic pressure for political opening and liberalization, a process which contains within it the risk of instability and disorder. Once again, the impact of such a pattern in the case of China would depend greatly on the quality of political leadership and the nature of the external environment. While the pace of change will and should be determined by the Chinese themselves, there is a U.S. interest in ensuring that China has a soft landing in its political reforms away from an authoritarian Communist system. The question at issue is how explicitly or implicitly the U.S. promotes this transformation.

Participants generally deemed the 1989 Tiananmen crisis as the most significant negative surprise to come from China in the modern period, and they accepted that the focus on individual human freedom will only sharpen as China's economic and technological development continues to outpace its political reforms. The Chinese leadership fears that another such crisis might fracture the country and the leadership beyond repair, leaving the structure of government up for grabs. Some participants countered that China's domestic politics would not, for the reasons indicated above, dominate U.S. policy in the post-September 11th era. Others asserted that China's political liberalization will unfold as a natural trend toward joining the 60 percent of humankind living in more or less democratic conditions. That said, the Chinese leadership craves respect and prestige, and it will react sharply to heavy-handed U.S. efforts to encourage domestic political change.

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