

**INCREASING IMPORTANCE OF
PEOPLE'S REPUBLIC OF CHINA IN WORLD POLITICS AND
ITS RELATIONS WITH THE EUROPEAN UNION AND
THE USA**

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**INCREASING IMPORTANCE OF
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THE USA**

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ABSTRACT

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This thesis analyzes the security implications of China's rapid economic growth which is possibly the most compelling issue in the current international relations, by using the offensive realist perspective. It is obvious that China's economic growth is amazingly rapid. With its expanding economy and growing military capabilities, China will be inclined to be a real hegemon and thus, will have a security competition with the only superpower of the world, the USA. Therefore, Chinese rise represents a major challenge to US hegemony. The EU, on the other hand, is not in a position that could deal with a new rising one even if it shares many common objectives in coping with China's growing power with USA. The strategic view and policies of the EU and the USA towards China are discussed in the light of China's increasing importance in the world politics. The thesis concludes by claiming that as China's power increases, it will have an incentive to dominate its region and will have a security competition with the only superpower of the world.

Key Words: China, European Union, USA, Offensive Realism, Regional Hegemony, Liberalism, Economic Power, Military Power

ÖZET

ÇİN HALK CUMHURİYETİ’NİN DÜNYA POLİTİKASINDA ARTAN ÖNEMİ VE AVRUPA BİRLİĞİ VE ABD İLE İLİŞKİLERİ

Bal, Özlem

Avrupa Çalışmaları Yüksek Lisans, Avrupa Çalışmaları Bölümü

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Bu çalışma, günümüz uluslararası ilişkilerinde muhtemelen en zorlayıcı konu olan Çin’in hızlı ekonomik büyümesinin güvenlik implikasyonlarını ofensif realizm perspektifinden yararlanarak incelemektedir. Çin’in ekonomik büyümesinin şaşılacak derecede hızlı olduğu açıktır. Gelişen ekonomisi ve büyüyen askeri gücüyle Çin, gerçek bir hegemon olmaya meyledecek ve böylece dünyanın tek süper gücü olan ABD ile bir güvenlik rekabetine girecektir. Dolayısıyla Çin, Amerikan hegemonyasına büyük bir meydan okuma göstermektedir. Diğer taraftan AB, her ne kadar Çin’in yükselen gücüyle mücadelede ABD ile aynı amaçları paylaşırsa da, yükselen bir güçle mücadele edecek bir pozisyonda değildir. AB ve Amerika’nın Çin’e stratejik bakışları ve politikaları Çin’in dünya politikasındaki yükselen önemi ışığında tartışılmaktadır. Bu tez, Çin’in gücü yükseldikçe bölgesine egemen olma dürtüsüne sahip olacağını ve dünyanın tek süper gücüyle bir güvenlik mücadelesine gireceğini iddia ederek sonuçlanmaktadır.

Anahtar Kelimeler: Çin, Avrupa Birliği, ABD, Ofensif Realizm, Bölgesel Hegemonya, Liberalizm, Ekonomik Güç, Askeri Güç

*To my husband, Emin Bal, for his endless love and patience;
To my sister Şebnem Günaydın,
And to my best friend forever, Seda Songun, for the days we lived and will live
together...*

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ABBREVIATIONS

ABM	: Anti- Ballistic Missile
ALCM	: Air-Launched Cruise Missile
ARF	: ASEAN Regional Forum
ASEAN	: Association of Southeast Asian Nations
cep	: circular error probable
CTBT	: Comprehensive Nuclear Test-Ban Treaty
EAS	: East Asia Summit
EC	: European Community
EU	: European Union
FDI	: Foreign Direct Investment
GDP	: Gross Domestic Product
GNP	: Gross National Product
ICBM	: Intercontinental-Range Ballistic Missile
IMF	: International Monetary Fund
IRBM	: Intermediate-Range Ballistic Missile
MRBM	: Medium-Range Ballistic Missile
NGB	: Nuclear Gravity Bomb
OECD	: Organization for Economic Co-operation and Development
PLA	: People's Liberation Army
PRC	: People's Republic of China
SLBM	: Submarine-Launched Ballistic Missile
SRBM	: Short-Range Ballistic Missile
TB	: Theater Bombers
UN	: United Nations
US	: United States of America
USA	: United States of America
USSR	: Union of Soviet Socialist Republics
WMD	: Weapons of Mass Destruction
WTO	: World Trade Organization

INTRODUCTION

During the Cold War, there were two superpowers; USA and USSR, both of which had nuclear weapons that prevented them to declare war on each other. With the end of the Cold War, the Soviet Union dissolved. In the post cold war period, another potential superpower, which either can be a major counter balance to USA or can be a potential challenge to US hegemony, is possibly emerging. This emerging superpower is the People's Republic of China (PRC), which has become a giant power with the world's largest population (1.3 billion), with its rapidly growing economy during last twenty years¹ and with its increasing nuclear and conventional military power, which raised concerns in the region and the world. "China's rise is no longer a prediction. It is a fact. It is already the world's fastest- growing large economy and the second largest holder of foreign- exchange reserves, mainly dollars. It has the world's largest army (2.5 million men) and the fourth largest defense budget², which is rising by more than 10 percent annually."³

During the Cold War, realism was the dominant theoretical tradition, which depicts international affairs as a struggle for power among self-interested states. As there have been two superpowers throughout the Cold War, in the Post Cold War era similar to the Cold War era, there is "one" with an "emerging one", so it will not be

¹ Its economy has been growing at 9 percent per year since 1979, the fastest growth rate for a major economy in recorded history. See Ross, Robert, "Assessing the China Threat", *National Interest*, Fall 2005, Vol. 81, p. 81.

² The Pentagon estimates China's true defense spending is two to three times this year's official military budget of \$35 billion- putting it in the range of \$70 to \$105 billion. See Fisher Jr, Richard D., "China's 'Power Projection'", *The Wall Street Journal Online*, April 13, 2006, Accessed from <http://online.wsj.com> on April 18, 2006.

³ Zakaria, Fareed, "Does the Future Belong to China", *Newsweek*, U.S. Edition, May 9, 2005, Accessed from <http://www.fareedzakaria.com/articles/newsweek/050905.html> on July 12, 2006.

nonsensical to evaluate the rise of China in world politics and its relations with the USA from the realist school of thought. We can conclude that China is now emerging as a peer competitor to today's superpower, the USA when we analyze its military modernization in the last decade, its continuous economic growth and other indicators. Therefore, the purpose of this thesis is to analyze China's rise in world politics and its relations with the USA from the offensive realist approach while its relations with the EU will be analyzed from the liberal perspective for reasons that will be explained throughout the thesis.

USA's military supremacy and unparalleled power, the European Union's increasing economic weight and China's rise in world politics are the basic principal trends that define today's global world. "The transatlantic rift over the European Union's proposed lifting of its arms embargo on China is emblematic of the shifting geopolitical order, in which the interaction of the United States, China, and the EU will be a defining feature of the international system in the years to come."⁴

The emergence of a new great power creates at least anxiety when it tries to fit into the conventional system or when it turns over the system to meet the requirements of its worth.⁵ Its "emergence as a major economic force has fueled its rise as the dominant regional power in Asia, as well as a global political power."⁶ Even if the EU and the USA "share many common objectives in coping with China's growing

⁴ Shambaugh, David, "The New Strategic Triangle: US and European Reactions to China's Rise", *The Washington Quarterly*, Summer 2005, p.7.

⁵ Ibid.

⁶ Harrison, Glennon J., "Road to Beijing: US and EU Follow Different Paths", *European Affairs*, Summer 2005, Accessed from http://www.ciaonet.org/olj/ea/2005_summer/2005_summer_26.html on December 12,2005.

power”⁷, it is the USA, not the EU, that is aware and capable of dealing with a “new rising one”.

The future characteristics of the relationship between the USA, the EU and PRC are not explicit for now, however they are enormously important for the balance of power among the states. “Contrary to many of its official declarations and those of its member states, the EU's attempts to develop a strategic approach toward China lag far behind those of the United States, and have so far mainly been in the fields of trade and economics. The EU is manifestly unable to bring the same military and diplomatic weight to bear in its relations with Beijing as the United States.”⁸

As it was mentioned above, the EU sees great opportunities for expanded economic engagement with China and sees “trade” as the backbone of its relations with China. Therefore, especially if the relationship between China and USA worsens, a new Cold War may commence in the whole Eastern Eurasia and confrontation and conflict would seem to rise. On the other hand, if the cooperation between China and the USA increases, it will better for the world in important economic matters such as economic growth and sustainable development, political ones like efficient collaboration in regional disputes, moreover on global issues such as combating terrorism.⁹ As a result, over the next century, the relationship between the USA and the PRC will expound the stability and security of the East Asian region and global international relations. Regrettably, cooperation between these two powers has not

⁷ Umbach, Frank, “Cover Story: EU-China Relations. EU’s Links with China Pose New Threat to Transatlantic Relations”, *European Affairs*, Spring 2004, Accessed from http://www.europeanaffairs.org/current_issue/2004_spring/2004_spring_38.php4 on May 1, 2005.

⁸ Ibid.

⁹ Friedberg Aaron L, “The Future of US- China Relations, Is Conflict Inevitable?”, *International Security*, Vol. 30, No. 2 , Fall 2005, p. 8.

always happened. Actually, due to disagreements over trade relations, the survival of Taiwan, the fate of North Korea, the US alliance with Japan, the American naval and troop presence in East Asia, non-proliferation and human rights violations, the relationship between these two has undergone dramatic changes throughout the 1990s.¹⁰ Whether the relationship between the USA and the PRC will be cooperative or conflictual, the EU has to have responsibility to produce practical policies in order to smoothen the relations between these two.

Since China is an authoritarian state, it is not easy to predict about the future objectives of “rising China” now but it is obvious to notice that “China embodies an enigma: economic success under a communist regime.”¹¹ According to President Hu Jintao¹², Chinese main foreign policy goal is to maintain “peace and development”¹³ but these two can only be means not an end, on the way of the ultimate aim, which had never been stated officially. China is now the most significant country whose future path is not certain. Some of the possibilities are as follows:

“An economy that continues to boom as the political system gradually becomes more liberal and China becomes an increasingly positive force in the world;

A fast-growing economy, a surge of vengeful nationalism and an attempt by China to displace American power in Asia, regain Taiwan and challenge Japan.”¹⁴

The above-mentioned possibilities depend on the choices that China made by itself and by other powers especially, the USA and the EU.

¹⁰ Siddal, Alexandra, “The Misapplication of Defensive Realism: The Security Dilemma and Rising Powers in East Asia”, Accessed from <http://apsa2000.anu.edu.au/confpapers/siddell.rtf> on April 22, 2006.

¹¹ Terrill, Ross, “What Does China Want?”, *The Wilson Quarterly*, Autumn 2005, p. 50.

¹² Hu Jintao is also the chief of Communist Party and head of the military.

¹³ Speech by Hu Jintao at the High- level Plenary Meeting of the United Nations’ 60th Session.

¹⁴ “Coming Out”, *The Economist*, March 25th 2006, p.3.

John Mearsheimer¹⁵, who is the leading proponent of offensive realism, claims that “China will translate its economic power into military power, and as this power increases, so too will China’s incentive to dominate East Asia in the same way that the United States dominates the western hemisphere.”¹⁶ PRC is now doing what Mearsheimer emphasizes. It is obvious that China’s economic growth has been amazingly rapid when taking aggregate economic capacity as a rough surrogate for overall national power. “Since the start of economic reforms in 1978, the PRC’s gross national product (GNP) is thought to have increased by a factor of four and, according to some estimates, it could double again by the middle of the second decade of the twenty-first century.”¹⁷ Since its economy has been growing, it has already begun to upgrade its military capability.¹⁸ “The Pentagon reported that China is moving forward rapidly with an offensive capability in the Pacific. The capability would not, according to the report, rely on the construction of a massive fleet to counter U.S. naval power, but rather on development and deployment of anti-ship missiles and maritime strike aircraft, some obtained from Russia. According to the Pentagon report, the Chinese are rapidly developing the ability to strike far into the Pacific, as far as the Marianas and Guam, which houses a major U.S. naval base.”¹⁹

¹⁵ John J. Mearsheimer is the R. Wendell Harrison Distinguished Service Professor of Political Science and the co-director of the Program on International Security Policy at the University of Chicago. Professor Mearsheimer has written extensively about security issues and international politics more generally. He has published three books: *Conventional Deterrence* (1983), which won the Edgar S. Furniss, Jr., Book Award; *Liddell Hart and the Weight of History* (1988); and *The Tragedy of Great Power Politics* (2001), which won the Joseph Lepgold Book Prize. Accessed from <http://mearsheimer.uchicago.edu/biography.html> on July 5,2006.

¹⁶ Mearsheimer, John, in a discussion panel on the future of China’s foreign policy titled “China, the United States and the World”, in the “China and the Future of the World” Conference, University of Chicago, April 28-29,2006.

¹⁷ Friedberg A. L. “The Future of US- China Relations, Is Conflict Inevitable?”, p.8.

¹⁸ Fisher Jr, Richard D., “China’s ‘Power Projection’”.

¹⁹ Friedman, George, “US Perceptions of a Chinese Threat”, *Global Policy Forum*, Accessed from <http://www.globalpolicy.org/empire/challenges/competitors/2006/0531chinesethreat.htm> on July 13,2006.

In addition to its economic and military developments and achievements, it is also trying to increase its influence in the South East region. According to offensive realist school of international relations theory, great powers are rational actors who “are always searching opportunities to gain power over their rivals, with hegemony²⁰ as their final goal”²¹ in the anarchical system. However, as it is improbable to be a global hegemon in 21st century, states pursue hegemony in the region.²² “Global hegemony is only possible in the rare case that one state achieves a “nuclear monopoly”²³. This is, however unlikely to happen because rival states will go to great lengths to develop a nuclear retaliatory force of their own. Because of this, regional hegemony becomes the principal aim of the states.”²⁴ In addition, great powers have to establish a regional hegemony first in the way of being global hegemon. Therefore, what the PRC is performing now in the Southeast Asia can be best explained from the offensive realist approach. “It is using its soft power to spread its wings everywhere.”²⁵ It is now seeking to become an influential regional power; it tries to make the Asian states to see it less as a threat and more as a partner. It aims to “become the predominant force in Southeast Asia by constructing a framework of relationships that place Beijing in positions of leadership and influence while isolating the United States from its traditional role and its allies in the region.”²⁶ It is changing the Asian regional order dominated by the USA for the past 50 years.

²⁰ Robert Keohane defines the hegemon as “hegemon is powerful enough to maintain the essential rules governing interstate relations, and willing to do so”, *International Institutions and State Power: Essays in International Relations Theory*, (Boulder: Westview Press, 1989), p.234.

²¹ Mearsheimer, John, *The Tragedy of Great Power Politics*, (New York: W. W. Norton, 2001), p.29.

²² Mearsheimer, John, “The Rise of China Will Not Be Peaceful at All”, *The Australian*, November 18, 2005.

²³ Nuclear monopoly here means “a capability to devastate its rivals without fear of retaliation” See, Mearsheimer, J., *The Tragedy of Great Power Politics*, p. 145.

²⁴ Toft, Peter, “John J. Mearsheimer: An Offensive Realist between Geopolitics and Power”, *Arbejdspapir*, Institut for Statskundskab, 2003.

²⁵ Seth, Sushil, “China’s Clever Use of Soft Power”, *Taipei Times*, May 1, 2006, p.8.

²⁶ Dillon Dana& Tkacik Jr. John, “China’s Quest for Asia”, *Policy Review*, December 2005&January 2006, No. 134, Accessed from <http://www.policyreview.org/134/dilln.html> on March 20, 2006.

Even if the USA still holds the balance of power in the region, it has really lost the balance of influence to China. It now has the potential to become a regional hegemon and pose a greater threat than during the last century. Therefore, it will push the US out of Asia; much the way the US pushed the European great powers out of the Western hemisphere.

Since states' ultimate goal is to be the hegemon according to offensive realism, China will take offensive postures enabling it to maximize its relative power when opportunities arise. Throughout the Chinese history, it can be easily detected that China behaved according to the dictates of realism. "Imperial China placed a high premium on the utility of force and looked for opportunities to maximize its relative power. It adopted a more offensive posture as its power grew and shifted to a more defensive one as its power declined."²⁷ In times of strength, imperial China adopted a more expansionist policy by attacking adversaries or expanding state interests abroad. "In times of weakness, it sought to maintain a defensive military posture and to accommodate the demands of its adversaries while in the meantime embarking on domestic reforms aimed at strengthening the military forces and improving the economy."²⁸ Therefore, what China could possibly be doing now is concentrating on its economic development; aiming to maximize its power first and it will then search opportunities to gain power over its rivals with hegemony as its final goal in the anarchical system. It has an economic power, which can easily be transformed into military power.²⁹ Now, with its expanding economy and growing military

²⁷ Wang, Yuan-Kang, "Offensive Realism and the Rise of China", *Issues and Studies* Vol. 40, no.1, March 2004, p.2.

²⁸ *Ibid.*, p. 15.

²⁹ Kreisler, Harry, April 8,2002, *Through the Realist Lens*, John Mearsheimer Interview: Conversations with History; Institute of International Studies, UC Berkeley, Accessed from <http://globetrotter.berkeley.edu/people2/Mearsheimer/mearsheimer-con6.html> on May 1,2005.

capabilities, it will be inclined to be a real hegemon like all previous potential hegemons.³⁰

When we look at the American strategy, we can easily see that it behaves according to dictates of offensive realism. As Christopher Layne claims; “Offensive realism lies at the core of American grand strategy.”³¹ “Once President George W. Bush entered the White House, offensive realism became ascendant in U.S. foreign policy-making. The U.S. government began undoing global arms control regimes at an unbelievably high speed. It denied the verification protocol of the Biological Weapon Convention, cut funding for CTBT inspection research, shortened the preparatory time to resume nuclear testing, withdrew from the ABM Treaty, raised the U.S. military budget to a historic high, showed an interest in nuclear war-fighting in the Nuclear Posture Review, and invested in research on a penetrating nuclear warhead and a tactical nuclear weapon suitable for nuclear war-fighting.”³²

In the USA, “the Bush II administration, especially the Pentagon views China as an increasingly salient threat to US interests in East Asia, and America’s most likely future great power (or ‘peer competitor’) rival.”³³ Therefore, US policymakers and foreign policy analysts are concerned more about China’s emergence as a great power that could threaten US’s post cold war hegemony. For the USA, China, by increasing its hard power, is threatening US security interests in East Asia.

³⁰ Mearsheimer, J., *The Tragedy of Great Power Politics*, p.400.

³¹ Layne, Christopher, 2004, “China’s Role in American Grand Strategy: Partner, Regional Power, or Great Power Rival?” Jim, Rolfe, (ed.), 2004, *The Asia Pacific, A Region of Transitions*, Honolulu: Asia Pacific Center for Security Studies, p. 57.

³² Bin, Li, “China: Weighing the Costs”, *Bulletin of the Atomic Scientists*, March/April 2004, Vol. 60, No.2, pp.21-23, Accessed from <http://learn.tsinghua.edu.cn:8080/2000990313/ma04bin2.htm> on July 18, 2006.

³³Layne, C., “China’s Role in American Grand Strategy: Partner, Regional Power, or Great Power Rival?” p.54.

In addition to political matters, there are also economic issues between the USA and China that create tensions. The US trade deficit and the loss of manufacturing jobs, China's failure to honor its WTO commitments and its undervalued currency are the main economic disagreements that create tensions between two countries.

However, China's enduring economic growth or the loss of US manufacturing jobs as a result of outsourcing to China take the secondary importance compared to the US's national security affairs. Unlike the EU, the USA claims itself as an "Asian power". The USA is an indispensable source of regional stability, provider of security for the sea-lanes of communication, deterrent of a North Korean invasion of the South, defender of Taiwan, and guardian of democracy³⁴. China's actual military spending was higher than expressed in the publicly disclosed budget, and that China did not lack the means to continue its build up of missiles and naval forces directed to Taiwan.³⁵ It will be the USA, not the EU that will defend Taiwan against Chinese invasion. Unlike the USA, the EU has no defense agreements with Taiwan and even in principle; it did not commit to defend Taiwan in the event of a Chinese attack. So, as Mearsheimer argues, if China's strength continues to develop at the same magnitude and rapidity in the next century, it will attempt to displace American power in Asia, regain Taiwan and challenge Japan. Therefore, China and USA will face a security competition similar to one existed between the USA and the Soviet Union during the Cold War.

China presents a new frontier for the European foreign policy. The EU sees China as

³⁴ George W. Bush's National Security Strategy and Quadrennial Defense Review and 2002 DoD East Asia Strategy Report. Also in 2004, Mitchell Reiss, then Director of Policy Planning at the Department of State proclaimed that "America is a Pacific Power, firmly rooted in this region."

³⁵ McGregor Richard, "China Rebuffs Fears Over End Arms Ban" *Financial Times*.7.3.2005.

a developing country, which is performing market economy and a state with an accountable government. The current EU- China relations are driven by economics. China and the EU have gained specific profile as international actors over the last two decades especially in economic terms. “Economic relations between the two sides have reached significant importance and in 2000, China was, for exports as well as imports, the EU’ s third largest non-European trading partner, behind the US and Japan.”³⁶

While the USA concerns about the economic challenge that China poses, China has not generated the same level of concern in the EU. The reasons behind EU’s unawareness may be; firstly, it is less aware of the impact of China’s undervalued currency, secondly trade deficit with China is much lower than the US- China trade deficit, thirdly the Union’s deficit is more matched by the large surpluses it runs with other countries and finally Europeans care more about their national trade balances than they do about the EU trade balance³⁷.

Besides the economic relationship between the EU and China, there is a growing tie between them in other areas. They signed a series of agreements in October 2003 at the annual EU-China Summit.³⁸ The majority in the EU presumes that it is impossible to build a world governed by strong multilateral rules and institutions without a more confident and engaged China.³⁹

³⁶ Algieri, Franko, “EU Economic Relations with China: An Institutionalist Perspective”, *The China Quarterly*, 2002, p. 64.

³⁷ Harrison G. J. “Road to Beijing: US and EU Follow Different Paths”.

³⁸ Shambaugh, D., “China and Europe: The Emerging Axis”, *Current History*, September 2004, p. 245.

³⁹ Niblett, Robin, “The United States, The European Union and Lifting the Arms embargo on China”, *Euro-Focus*, Vol. 10, September 30,2004, p. 4.

The EU's proposal of lifting the 16 years old arms embargo (It proposed to lift it in 2005) was the evidence of how the EU differs from the USA with respect to their perception of rising China. While the USA asserted that lifting the arms embargo would destabilize the East Asian balance of power, the EU has been ready to lift the embargo during 2005 because it has no military or strategic interests in East Asia. Neither the EU nor China views each other as potential threats because there are no European military forces based in the region and there are no security alliances or other commitments between them. The EU believes that the main threats to its security are of the transnational variety like illegal immigration and international crime.

In addition to all these facts, the EU itself is still far away from being a political power. Still today, the EU's Common Foreign and Security Policy remains a series of declaratory ideas. Also, French and Dutch rejection to the proposed constitution showed that the EU is not ready for having a single voice. So, it is the fact that the USA is the global power of the post cold war period and it is still the only power that can deal with an emerging one.

The residue of this thesis is as follows: In Chapter 1, I will give the detailed information about the theories, offensive realism and liberalism, that this thesis will be based on. In Chapter 2, firstly the Chinese economy itself, secondly China's economic relations with the EU and finally its economic relations with the USA will be analyzed. In Chapter 3, China in world politics will be evaluated. Chapter 3 will be divided into two more sections; China's political relations with the EU and with the USA, in addition to the first section mentioned. Finally, this thesis aims to

evaluate the security implications of China's rapid economic growth in world politics, which is quite possibly the most compelling issue in international affairs now.

CHAPTER 1

THEORETICAL EXPLANATIONS

A. Offensive Realism versus Liberalism

From a theoretical approach, the rise of China in world politics and its relations with the USA can be analyzed plausibly according to offensive realist theory, while its relations with the EU can be analyzed according to liberalism.

These two theories do not have similar views regarding to examining the complexity of contemporary world politics. While one of them is crucially pessimistic, the other is conversely optimistic; “realism emphasizes the enduring propensity for conflict between states, liberalism identifies several ways to mitigate these conflictive tendencies.”⁴⁰ Liberal theory is focused on peace and cooperation instead of conflict. For them, “security” is not the only subject of international affairs agenda, so besides the security factor; factors like trade, money, immigration, health, environment have an essential influence in foreign policy making processes of states. For them, states interests and goals change with the international political economy.

Realism argues that states are the main actors of international politics; it focuses on the high politics of national security and the relationships between great powers. However, liberalism, in contrast to realism, views both state and non-state actors as important; it accepts the existence of other actors apart from states. As state is not

⁴⁰ Walt, Stephen M., “International Relations: One World, Many Theories”, *Foreign Policy*, Washington, Spring 1998, p. 1.

seen as the unitary actor in liberalism, there is a plurality in state actions. The principal determinant of the state behavior is state preferences. According to the liberals, interaction between states is not limited to high politics but also to low politics. For them, cooperation can be sustained and absolute gain⁴¹ can be made through cooperation and interdependence.

According to realism, states seek to benefit from their interactions with other states, in other words, they have a sole interest in relative gains⁴². However according to liberalism, states have a pattern of policies that can improve the society as a whole; thus they are interested in absolute gains.

1. Offensive Realism

“Realism⁴³ is a paradigm, not a single theory”⁴⁴, which has evolved throughout the Cold War; it is comprised of a number of theories such as classical realism, neo-realism, neoclassical realism, defensive realism and offensive realism. Although they all belong to the realist family, they disagree over some issues.

While Hans Morgenthau’s classical realism presumes that *animus dominandi* (humankind’s urge to dominate others) is the reason behind state’s struggle for power, Kenneth Waltz’s neo-realism explains the “will to power” to the state’s desire for

⁴¹ Absolute gain is related to non-zero-sum game, which assumes that all states can expand wealth by engaging peaceful relations and trade.

⁴² Relative gain is related to zero-sum game, which states that wealth cannot be expanded and the only way a state can become richer is to take wealth from another state.

⁴³ According to realism states are primary and rational actors, states adjust their policies in order to further their own self-interest, for states, military and national security interests are the principal policies. See Kauppi Mark V. & Viotti Paul R., qtd in Heler, Eric Nathaniel, “Power Projections of People’s Republic of China: An Investigate Analysis of Defensive and Offensive Realism in Chinese Foreign Policy”, *Acdis Occasional Paper*, Research of the Program in Arms Control, Disarmament, and International Security, University of Illinois at Urbana- Champaign, November 2003, p.3.

⁴⁴ Evera, Stephen Van, qtd. in Wang, Yuan- Kang., “Offensive Realism and the Rise of China”, p. 3.

survival in an anarchic world. However, what all these realist theories state in common is that central actors are the states, which are rational actors seeking survival in an anarchic world.⁴⁵

The most current debate among the realists is the one between John Mearsheimer's offensive realism and Kenneth Waltz's "defensive realism"⁴⁶ however they both agree on the assumption that there is a limitless power struggle because the anarchic structure of the international system forces states search for security; security in this anarchic system is scarce.⁴⁷ One of them is explaining the security behavior of status quo powers while the other explains the revisionist states, so where they differ basically is about the "amount of power" that states want.

"For defensive realists, the international structure provides states with little incentive to seek additional increments of power; instead it pushes them to maintain the existing balance of power. Preserving power, rather than increasing it, is the main goal of states. Offensive realists, on the other hand, believe that status quo powers are rarely found in world politics, because the international system creates powerful incentives for states to look for opportunities to gain power at the expense of rivals, and to take advantage of those situations when the benefits outweigh the costs. A state's ultimate goal is to be a hegemon in the system."⁴⁸

Specifically, offensive realists consider that international politics is conflictive, thus

⁴⁵ Wang, Y. K., "Offensive Realism and the Rise of China", p. 3.

⁴⁶ John Mearsheimer casts Waltz as the leading defensive realist. See Snyder, Glenn H., "Mearsheimer's World- Offensive Realism and the Struggle for Security", *International Security*, Vol. 27, Summer 2002, p.150.

⁴⁷ Mearsheimer, J., *The Tragedy of Great Power Politics*, p.7, also see in Zakaria, Fareed, *From Wealth to Power: The Unusual Origins of America's World Role* (Princeton: Princeton University Press, 1998), p. 13.

⁴⁸ Mearsheimer, J., *The Tragedy of Great Power Politics*, p. 21.

they assert that states maximize security by maximizing their relative power and “they are motivated to extend their power relentlessly toward the ultimate goal of becoming the hegemon”⁴⁹ while defensive realism argues that states may be better off defending the status quo⁵⁰ power because the cost of expansion generally outweigh the costs⁵¹ and “they are interested in power as a means to ensure survival.”⁵² This means according to defensive realism that, if a state has an adequate degree of security, it does not need for power accumulation because they argue that “too much power is counter- productive and that great powers best ensure their security by preserving the existing balance of power”⁵³ while offensive realism argues that “great powers ensure their security by maximizing their share of world power”⁵⁴ and “every increment of power increases their chances of survival in an anarchic system.”⁵⁵

Basically, Mearsheimer tries to explain the reasons behind the great powers search for dominance in the system. The theory has five core assumptions about the nature of international politics, which are more or less shared by other realists. Firstly, it assumes that the international system is anarchic⁵⁶ which forces great powers to compete against each other to preserve their sovereignty.⁵⁷ Anarchy here means not only that there is a lack of common government but also there is no overarching authority, which prevent states from using violence or the threat of violence to

⁴⁹ Chan, S., qtd. in Wang, Y. K., “Offensive Realism and the Rise of China”, p. 4.

⁵⁰ Wang, Y. K., “Offensive Realism and the Rise of China”, p. 3.

⁵¹ Waltz, Kenneth N., *Theory of International Politics*, (USA: McGraw- Hill, 1979), p. 21.

⁵² Wang, Y. K., “Offensive Realism and the Rise of China”, p. 4.

⁵³ Ibid. , pp. 4- 5.

⁵⁴ Ibid. , p. 5.

⁵⁵ Snyder, Glenn H., “ Mearsheimer’s World- Offensive Realism and the Struggle for Security”, *International Security*, Vol. 27, No.1, Summer 2002, p. 158.

⁵⁶ Ibid. , p.151, also see in Toft, P, “John J. Mearsheimer: An Offensive Realist Between Geopolitics and Power”, p. 2 and “Conversations in International Relations: Interview with John J. Mearsheimer (PartII)”, *International Relations*, Vol. 20 (2), p. 231.

⁵⁷ Mearsheimer, J., *The Tragedy of Great Power Politics*, p. 30.

destroy or enslave other states and which can make and apply rules of conduct on the system's participants. Therefore, states, as the main units of the system are responsible for ensuring their own survival and have to decide for themselves; thus the international system is unavoidably a self-help realm.⁵⁸ In this anarchic system, all great powers, regardless of their economic and political system, must behave aggressively.⁵⁹ According to Mearsheimer, cooperation among states can not be sustained in the long run because states can never be sure about that the other states might not cheat the system to gain more power.⁶⁰ Alliances can be formed only for deterring other states to establish hegemonic control over a region or the world.

Secondly, according to the offensive realism, "no state can ever be absolutely sure of each other's intentions."⁶¹ This means no state can be completely sure that the other states will not use their military capabilities to attack the first state. This does not mean that states necessarily have hostile intentions but it is impossible to be certain about the others intentions.

Thirdly, offensive realism argues "survival is the primary goal of all states in the international system"⁶² because the autonomy of the state is the prerequisite for achieving other goals.

Fourthly, theory proposes, "States are rational in an instrumental sense of world. This implies that they think strategically about their external situation and choose the

⁵⁸ Toft, P, "John J. Mearsheimer: An Offensive Realist Between Geopolitics and Power", p. 2.

⁵⁹ Mearsheimer, J., *The Tragedy of Great Power Politics*, p. 54.

⁶⁰ *Ibid.*, p. 52.

⁶¹ Mearsheimer, J., *The Tragedy of Great Power Politics*, p. 31, also see in "Conversations in International Relations: Interview with John J. Mearsheimer (PartII)", p. 231.

⁶² "Conversations in International Relations: Interview with John J. Mearsheimer (PartII)", p. 231.

strategy that seems to maximize their basic aim of security and survival.”⁶³

Eventually, the theory claims that states always possess some offensive capability⁶⁴ enabling them to hurt and possibly to destroy each other and even inherently defensive weapons could be used for offence.⁶⁵ Therefore, “states are disposed to think offensively toward other states even though their ultimate motive is simply to survive. In short, great powers have aggressive intentions”⁶⁶ and for him, “the best defense is a good offense.”⁶⁷ States have to pursue offensive strategies by maximizing their power and influence at their rivals’ expense because international politics is a zero-sum game.⁶⁸

As great powers are “always searching for opportunities to gain power over their rivals, with hegemony as their final goal”⁶⁹ in order to maximize the probability of their survival, they harbor revisionist intentions. As it has been mentioned, state’s survival is assured when it has achieved the dominant status in its region of the world. Revisionism here does not have to be in behavioral terms; for offensive realism, “revisionism refers to intentions, not behaviors.”⁷⁰ Offensive realism espouses a material definition of revisionism; “revisionist and status-quo orientations refer to a state’s policy toward the existing balance of power. A revisionist state inclined to change the balance of power in its favor, whereas status-quo state seeks to

⁶³ Toft, P, “John J. Mearsheimer: An Offensive Realist Between Geopolitics and Power”, p. 2.

⁶⁴ “Conversations in International Relations: Interview with John J. Mearsheimer (PartII)”, p. 232.

⁶⁵ Mearsheimer, J., *The Tragedy of Great Power Politics*, p. 31.

⁶⁶ Ibid. , p. 34.

⁶⁷ Ibid. , p. 36.

⁶⁸ Mearsheimer, J., *The Tragedy of Great Power Politics*, pp. 12-13, also see in Zakaria, Fareed, *From Wealth to Power: The Unusual Origins of America’s World Role*, pp. 29-30.

⁶⁹ Mearsheimer, J., *The Tragedy of Great Power Politics*, p. 29.

⁷⁰ Wang, Y. K., “Offensive Realism and the Rise of China”, p. 9.

preserve the existing balance of power.”⁷¹

“A state does not necessarily exhibit revisionist behavior because it may not have the capacity to do so, even though it still harbors revisionist intentions. Should the opportunity arise, states will seek to revise the balance of power in their favor if the expected benefits outweigh the costs.”⁷²

He also explains the sources of the power of the great powers. According to him, they have “to build formidable military forces”⁷³ in their region because land power is the most significant way of coercion, thus they have to maximize their economic might which is an important prerequisite of building formidable forces. “Great powers need money, technology and personnel to build military forces and to fight wars.”⁷⁴ Besides, they have to gain nuclear capability. According to Waltz, possibility of war between two states, which have nuclear capabilities, is almost unfeasible but on the other hand for Mearsheimer, it is plausible. “While nuclear weapons are generally a powerful force for peace, there are a number of potential conflict situations where they might be used in the heat of the battle.”⁷⁵

According to Mearsheimer, regional hegemons do not desire the emergence of other regional hegemons, which can “cause trouble in the fearful great power’s backyard”⁷⁶; they want to deter them from achieving control over a region. They try

⁷¹ Ibid. , p. 22

⁷² Ibid. , p. 9

⁷³ Mearsheimer, J., *The Tragedy of Great Power Politics*, p. 43.

⁷⁴ Ibid. , p. 55.

⁷⁵ “Conversations in International Relations: Interview with John J. Mearsheimer (PartII)”, p. 240.

⁷⁶ Mearsheimer, J., *The Tragedy of Great Power Politics*, pp. 41- 42.

“to block the rise of peer competitors in distant areas of the globe.”⁷⁷ He explains the possible measures of a great power take to secure its position when faced with an aggressor. In this defensive role they have to make a choice between two strategies; balancing⁷⁸ or buck-passing but not bandwagoning because admitting power to the aggressor (bandwagoning) is opposite to the central principle of realism. For him, through bandwagoning, stronger ally benefits from shifting the distribution of power⁷⁹ that “violates the basic canon of offensive realism- that states maximize relative power.”⁸⁰ According to him, threatened states should prefer buck-passing to balancing whenever possible⁸¹ because by this way they can let others absorb security costs⁸² and also it is hard to form balancing coalitions. The choice that the great power should make depends on two variables; “distribution of power and geography.”⁸³ Bipolarity, balanced multipolarity and unbalanced multipolarity⁸⁴ are the three possible system structures. Great powers prefer buck-passing in the multipolarity and when they do not share a border with the aggressor⁸⁵, by this way they gain the security without “detering or possibly fighting an aggressor”⁸⁶ however in bipolarity, as there is no third power which catches the buck, buck-passing strategy is impossible. According to Mearsheimer, bipolarity is more peaceful than multipolarity; for him multipolar system is the worst one especially if

⁷⁷ Ibid. , p. 236.

⁷⁸ Balancing implies taking a direct responsibility to deter a potential aggressor either through internal build-up (internal balancing) or via formation of international alliances (external balancing) or some combination thereof. See, Toft, Peter, “John J. Mearsheimer: An Offensive Realist between Geopolitics and Power”, p. 4.

⁷⁹ Snyder, G. H., “ Mearsheimer’s World- Offensive Realism and the Struggle for Security”, p. 163

⁸⁰ Mearsheimer, J., *The Tragedy of Great Power Politics*, p. 163.

⁸¹ Ibid. , pp. 139-140.

⁸² Also, the aggressor and the buck-catcher may get involved in a long and debilitating war that leaves the buck-passer stronger than both. See, Snyder, G. H., “Mearsheimer’s World- Offensive Realism and the Struggle for Security”, p. 162.

⁸³ Wang, Y. K., “Offensive Realism and the Rise of China”, p. 7.

⁸⁴ Bipolarity is the most peaceful, unbalanced multipolarity the most prone to conflict and war, and unbalanced multipolarity somewhere in between. See, Snyder, G. H., “Mearsheimer’s World-Offensive Realism and the Struggle for Security”, p. 167.

⁸⁵ Wang, Y. K., “Offensive Realism and the Rise of China”, p. 6.

⁸⁶ Mearsheimer, J., *The Tragedy of Great Power Politics*, p.157.

there is one powerful state.⁸⁷ In short, in an unbalanced multipolar system, balancing is the strongest strategy while buck-passing is the best strategy in a balanced system especially when the defender is either insular or located at some distance from the challenger.⁸⁸ Therefore, Mearsheimer argues that the steadiest international structure is balanced bipolarity. Bipolarity decreases the possibility of conflict, provides more evenly matched power and minimizes fear and anxiety.⁸⁹

As a conclusion, it can be stated that Mearsheimer's offensive realist theory clearly and wisely explains the logic behind the great power's struggle for more power and finally their lust for regional hegemony. He explains the reasons why great powers are concerned with maximizing their power in order to maximize their security by telling that great powers need an excess power to cover uncertainties, possible miscalculation and future surprises in the anarchic system. In this system, as he argues, "states have no choice but to fear each other."⁹⁰

2. Liberalism

The classical liberalism⁹¹ asserts that human nature is good⁹²; therefore states can coexist without conflict. This is the prominent feature of liberalism. Liberalism became one of the main theories that explain the international politics after World War I. It emerged in order to enforce peace and stability after the war. According to the theory, states reciprocally gained from cooperation and war was so destructive to

⁸⁷ "Conversations in International Relations: Interview with John J. Mearsheimer (PartII)", p. 241.

⁸⁸ Snyder, G. H., "Mearsheimer's World- Offensive Realism and the Struggle for Security", p. 161.

⁸⁹ Mearsheimer, J., *The Tragedy of Great Power Politics*, p. 346.

⁹⁰ "Conversations in International Relations: Interview with John J. Mearsheimer (PartII)", p. 231.

⁹¹ Woodrow Wilson and Norman Angell were the early adherents of liberalism.

⁹² Arı, Tayyar, *Uluslararası İlişkiler Teorileri; Çatışma, Hegemonya, İşbirliği*, (İstanbul: Alfa, 2004), p. 354.

be crucially vain. There are three main strands to liberal thought about international politics; commercial liberalism⁹³, liberal institutionalism and democratic peace theory⁹⁴.

“Trade reduces conflict between states has been a tenet of liberal thought since its enunciation in the late 18th and early 19th century.”⁹⁵ The proponents of liberalism argue that mutual economic exchange creates shared interests and economic interdependence and common security concerns ensure peace among states. According to them, economic interdependence will deter states from using force against each other if states economy and their economic exchange continue to grow, their political system can become more liberal and it can become increasingly positive force in the world. As trade among states is one of the strongest tools for peace, “governments sometimes encourage trade with specific countries for political purposes and use a variety of levers to affect trade levels.”⁹⁶

Therefore, international commerce and interdependence lead to peace. For them, “the greater volume of trade and investment flowing between two countries, the more groups on both sides will have strong interest in avoiding conflict and preserving peace.”⁹⁷ As Arthur Stein⁹⁸ claims; “The coercive potential of trade is the basis of any empirical finding that it reduces conflict. Trade reduces the escalation of political

⁹³ It is also known as economic interdependence.

⁹⁴ It is also known as political liberalism.

⁹⁵ Stein, Arthur, A., “Trade and Conflict: Uncertainty, Strategic Signaling, and Interstate Disputes”, UCLA, May 30, 2001, p. 2, Accessed from <http://psweb.sbs.ohiostate.edu/faculty/bpollins/book/stein.pdf> on June 16, 2006

⁹⁶ Ibid. , p. 4.

⁹⁷ Friedberg, A. L., “The Future of US- China Relations, Is Conflict Inevitable?”, p.12.

⁹⁸ Arthur Stein specializes in international relations theory. His book *Why Nations Cooperate: Circumstances and Choice in International Relations* develops models of strategic interaction to explain international cooperation and conflict. Dr. Stein has served on the editorial boards of *International Organization*, the *American Journal of Political Science*, and *International*, Accessed from http://www.polisci.ucla.edu/menu/people/faculty/arthur_stein.php on June 20, 2006.

disputes and thus the incidence of militarized disputes because trade both increases the costs of conflict and provides states a set of coercive instruments with which to signal their commitment in any political dispute. It thus reduces both the occurrence of political crises and the need for militarized actions once they arise. Even more broadly, in a strategic choice theory of international conflict, uncertainty is a cause of conflict and trade simply captures the degree of uncertainty existing in any relationship.”⁹⁹

In addition to trust in trade as an instrument for peace, liberal optimists argue that international institutions and interdependence also prevent states from aggression. International institutions ease mutually advantageous cooperation, which can only be attained when states voluntarily forego unilateral action in favor of multilateral collaboration. Thus, institutions mitigate the effects of anarchy in both economic and security relations among states.¹⁰⁰ For them, by the institutions states join, states can minimize differences among them and can prepare for cooperation. Institutions here become the leading player that maintains cooperation among states. As Robert Keohane and Robert Axelrod claim; “even in a world of independent states that are jealously guarding their sovereignty, room exists for new and better arrangements to achieve mutually satisfactory outcomes, in both terms of economic welfare and military security.”¹⁰¹

Institutions here are the independent variables that have notable impact on state

⁹⁹ Stein, A., A., “Trade and Conflict: Uncertainty, Strategic Signaling, and Interstate Disputes”, pp. 3- 4.

¹⁰⁰ Neoliberalism here agrees with neorealism by accepting the anarchic structure of the international system however it assumes that even in an anarchic system, states can have cooperative behavior.

¹⁰¹ Robert O. Keohane & Robert Axelrod, “Achieving Cooperation Under Anarchy”, David A. Baldwin (ed.), 1993, *Neorealism and Neoliberalism: The Contemporary Debate*, (New York: Columbia University Press, 1993), p. 113.

behavior in formulating their choices and preferences. States maximize absolute gains through cooperation. According to them, through institutions, states can reduce uncertainty about each other's intentions and can build credible, binding commitments to one another.

Furthermore, liberals suppose that democracy is a force for peace. The central claim of democratic peace theory is that liberal or democratic states do not fight or rarely fight each other, and do not use military threats in their relations with one another. "Regimes that rely for their power and legitimacy on the consent of the governed are less likely to enter lightly into military adventures or to engage in wars whose true purpose is to line the pockets, and satisfy the vainglory, of their leaders. Although democracies may at times behave belligerently toward nondemocracies, they have rarely, if ever, gone to war with another."¹⁰²

For liberalism, democracy and the self-determination are the main principles. According to the theory, changes in domestic politics affect the foreign policy and national security of states. In addition, it is incomprehensible to distinguish domestic politics from foreign policy in a globalized world.

As it has been mentioned before, liberalism is the belief that people and states are inherently good and cooperate as such; therefore liberals strongly argue that disarmament can ensure common security for states. Unlike the realist claim, the economic strength is more important than military strength and institutions are the players that maintain peace.

¹⁰² Friedberg, A. L., "The Future of US- China Relations, Is Conflict Inevitable?", p.15.

CHAPTER 2

ECONOMY

A. China in the World Economy

According to offensive realism, states, in order to preserve their security, must maximize their power. The theory implies that a state builds up its economic instruments as the basic tenets of realism prescribe; it has to have enough economic power first. What China doing now is concentrating on its economic growth; since it is aware of impossibility of “maximizing power” with a weak economy; it recognizes that “the economic development of large countries can propel them to ‘major power’ or ‘superpower’ status.”¹⁰³ Additionally, in order to have the capability to project power outside its borders, it should build formidable military forces; thus it has to have economic wealth first. It will then translate socioeconomic ingredients such as economic wealth into military power.

During the past decades, with the incredibly fast globalization process, many countries have adopted free-market economic systems, vastly increased their own productivity. Globalization created huge opportunities for international trade and investment. Over the past years, the world economy has grown by almost 5%, its fastest pace in two decades¹⁰⁴. China is now, one of the countries that benefits from this astonishing globalization process. It now benefits from the advances in

¹⁰³ Casetti, Emilio, “Power Shifts and Economic Development: When Will China Overtake the USA?”, *Journal of Peace Research*, Vol. 40, No. 6, 2003, p. 661.

¹⁰⁴ “The Dragon and the Eagle”, *The Economist*, September 30, 2004, p. 4.

information technology, which can be used in advancing economic sector.

China is now an economic power, which is growing very fast after stagnating for two decades under the rigid authoritarianism of the early communist rule. It is improving its agricultural capabilities, working on its infrastructure and expanding its manufacturing. It has the annual GDP¹⁰⁵ growth of 14.8% since 1988; its global trade has grown from \$20.6 billion in 1978 to \$474.3 billion in 2000 to \$1.15 trillion in 2004. Its total trade makes it 3rd in the world. Total foreign investment grows from essentially zero to \$501.5 billion and its foreign exchange reserves grow from \$20.6 billion in 1992 to \$610 billion in 2000.¹⁰⁶ It is the world's second largest economy (at purchasing-power parity), it accounted for 12.5 % of global GDP in 2003.¹⁰⁷

Table I shows its economic development between the years 1980 and 2002 as follows:

	1980	2002
Nominal GDP (\$ billions)	302	1,237
Real GDP(% of US level)	3.5%	13.5%
Avg. Real GDP Growth in previous 10 years	5.4%	9.3%
Population (millions)	981	1,285
Per Capita GDP (\$)	307	963
Trade's Share in GDP	15%	55%
Current Account Surplus (\$ billions)	1	35
Agriculture's Share in GDP	30%	15%
Urbanization	20%	32%

TABLE I. The Rise of China¹⁰⁸

¹⁰⁵ Aggregate product (as GDP or GNP) is one of the top five power indices. It was proposed by Kingsley Davis in a conference paper in which he intimated that 'probably the best single index of a nation's power is its total income'. Casetti, E., "Power Shifts and Economic Development: When Will China Overtake the USA?", p. 663.

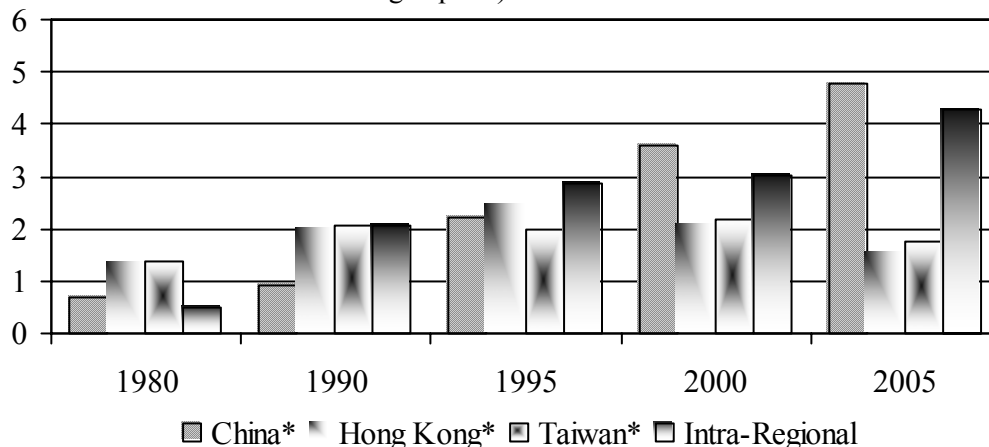
¹⁰⁶ Reinsch, W. "China and US National Security- Remarks to Committee of 100, April 7,2005".

¹⁰⁷ Sally, Razeen, "China's Trade Policies in Wider Asian Perspective", Paper prepared for the LSE/CCER Conference, Beijing, 22/23 August 2005, p. 4.

¹⁰⁸ The Table is taken from Johnson, Sarah, "The Global Economic Outlook", Presentation to ICAS Fall Symposium 2003, Washington, D.C. ,October 14, 2003.

Its trade volume reached 419.9 billion US dollars after only four months at the beginning of 2005, while total 2004's volume had reached almost 1,1 trillion US\$.¹⁰⁹ It replaced Japan as the third largest trading nation in the world. It now has trade ties with 227 countries and areas in the world.

(Percent share of world manufacturing exports)



* Export totals from China, Hong Kong and Taiwan exclude trade with each other.

Source: Global Insight World Industry Service

GRAPHIC I: Greater China's Expanding Role in World Trade¹¹⁰

In China's foreign trade, foreign funded enterprises are playing a big role. It has the advantages of cheap labor, good infrastructure, and educated workforce, a high rate of savings available to finance investment and extremely open economy. China's industry has become a major production platform for multinational corporations and has been a large recipient of foreign direct investment. Its reform and opening policy enhanced the economic exchange and cooperation between China and the rest of the world. The steady shrinking of the state owned sector would also boost productivity by ensuring a better use of resources. Its private sector, which accounts for about half

¹⁰⁹ "China in the world Economy" Chinese Business World, Accessed from <http://cbw.com/business/bgeneral/econ-gen.html> on March 10, 2006.

¹¹⁰ The Graphic is taken from Johnson, S. , "The Global Economic Outlook".

of its GDP, is growing twice as fast the rest of the economy. Its fast development has attracted international attention in recent years. However, it should not be astonishment; when we look at what it did before.

Until the 15th century, Chinese economy has been ahead of the rest of the world but after these years, with its rulers imposed strict limits on international trade and with the industrialization movements happening in the West world combined with the technological improvements, England, Japan, Soviet Union and lastly the US became the dominant powers of the world economics and politics. However, in 1820, it still accounted for 30 % of world GDP.¹¹¹

Under the leadership of Mao Zedong, Chinese Communist Party gained power and established the Peoples' Republic of China in 1949 after the occupation by the Japanese in the 1930s and 1940s and the civil war. The communist rule altered the country into a socialist society, using Marxist- Leninist education. The economy was then restructured, farms were organized into agricultural collectives and private industry was brought under state control.¹¹² Before the founding of New China in 1949, China's highest yearly outputs of major industrial and agricultural products were 445,000 tons of yarn, 22.79 billion meters of cloth, 61,880,000 tons of coal, 320,000 tons of crude oil, 6 billion kwh of electric energy production, 150 million tons of grain, and 849,000 tons of cotton.¹¹³ Since the foundation of the People's Republic in 1949, China has made great achievements in the field of economic and

¹¹¹ "The Real Great Leap Forward", *The Economist*, October 2, 2004, p. 6, also see in "Economy and Globalization", *The Globalist*, April 25, 2005.

¹¹² Chuang, Maj Liow Boon, "A Weak or Strong China: Which Is Better for the Asia Pacific Region?", *Journal of the Singapore Armed Forces*, Vol. 27, Jan- Mar 2001, Accessed from http://www.mindef.gov.sg/safti/pointer/back/journals/2001/Vol27_1/7.htm on July, 19, 2006.

¹¹³ "The Chinese Economy", Accessed from <http://www.asianinfo.org/asianinfo/china/proeconomy.htm> on May 15, 2006.

social development. “In 1955, an economically and politically isolated China aspired to economic self-sufficiency through a closed, planned economy that was not dependent on imported food or other raw materials.”¹¹⁴ When the Great Proletarian Cultural Revolution was launched in 1966, a period of diplomatic introversion and economic stagnation started in China.¹¹⁵

Asia came into the world economy only in the second half of the 20th century: first with the emergence of Japan in the 1950s; followed by Hong Kong, Singapore, Taiwan and South Korea¹¹⁶; and then the second- generation tigers of Southeast Asia. China remained closed during most of this period. Only in the 1980s and 1990s did it wake up and join the fray.¹¹⁷ The end of the 20th century and the beginning of 21st century were the times when new structuring in world economics and politics occurred and this was the time when China again emerged as a rising power. Following Mao’s death in 1976, China witnessed tremendous changes especially after the reform and opening policy commencing in early 1979. The Third Plenary Session of the 11th Central Committee of the Communist Party of China was held in December 1978. The Party leader Deng Xiaoping commenced a series of reforms that radically changed China; he urged that the regime focus on the development and modernization. He encouraged international trade and allowed foreign capital investment. Since then, its reforms have transformed its bankrupt socialist system into an increasingly unregulated and openly trading economy that drives economic growth throughout the world.

¹¹⁴ Thompson, Drew, “China Brief: China’s Global Strategy for Energy, Security, and Diplomacy”, *The Jamestown Foundation: China Brief*, Vol. 5, Issue 7, March 29, 2005.

¹¹⁵ Chuang, M. L. B. , “A Weak or Strong China: Which Is Better for the Asia Pacific Region?”.

¹¹⁶ World Bank and Organization for Economic Co-operation and Development data show that the best 15- year average performances for South Korea, Singapore, and Taiwan never reached 15 percent. Keidel, Albert, “Why China Won’t Slow Down”, *Foreign Policy*, May/June 2006, p. 69.

¹¹⁷ Maddison, Angus qtd. in Sally, R. , “China’s Trade Policies in Wider Asian Perspective”, p. 4.

Reforms started in the late 1970s with the phasing out of collectivized agriculture, and expanded to include the gradual liberalization of prices, fiscal decentralization, increased autonomy for state enterprises, the foundation of a diversified banking system, the development of stock markets, the rapid growth of the non-state sector, and the opening to foreign trade and investment.

China is now doing what Japan¹¹⁸ did in 1950s and 1960s, what Korea and Taiwan did subsequently, and what Malaysia, the Philippines, Indonesia, Thailand are trying to do now but none of these countries are accepted as threats.¹¹⁹ With its nearly unlimited productive capacity with its 1.3 billion people, it could become a true economic rival, which can then become a security threat. One of the most important reasons behind its amazing economic growth during last 26 years is its huge population. Its actual population is most probably near to 1.5 billion; in other words its uncouneted population is little less than the England's, Germany's and France's.¹²⁰ It now "has the world's biggest armed forces, with over 2.2 million personnel in its active duty ranks which are 800,000 more than the US's, as well as the world's second largest and fastest growing defense budget."¹²¹

By the 1980s, with the Chinese workers entered to global labor arena, Chinese economy joined the global system of production and consumption. With entering the global capitalist economy, China has got the opportunity to access to the most

¹¹⁸ It differs from Japan when opening itself to foreign investment and trade. Now, the much of the world relies on China market.

¹¹⁹ In terms of headline indicators, the ASEAN countries have a combined GDP well below that of China and a combined population less than half that of China. Malaysia's GDP growth was 5.2% with \$103.2 billion, Philippines' was 4.5 % with \$79.2 billion, Indonesia's was 4.1% with \$208.3 billion and Thailand's was 6.7% with \$143.2 billion while China's was 9.1% with \$1409.0 billion in year 2003. See, WTO 2004.

¹²⁰ Fishman, Ted C., *Çin Inc.*, (Istanbul: Klan Press, 2005), p. 339.

¹²¹ Ibid.

modern technology. In addition, by its workers entering to the global capitalist system, it got great gains, reduced rates of poverty. These workers entrance to the global capitalist system effects the real wages and employment in advanced countries, they are now growing more slowly than in the past years. Its development expands the size of the global market. As China is specialized mainly in low-skilled labor-intensive manufacturing, the other economies can concentrate on activities needing higher skills. It also affects the world economy by changing relative prices. It is already pushing down the prices of labor-intensive manufactured goods, thereby boosting the real incomes of consumers in developed countries. In addition, there is a rise in prices of capital and skill intensive goods and services, which it needs to import. However, some countries may suffer a loss in terms of trade, notably poor ones whose imports and exports are similar to China's. Its success could encourage other emerging economies to speed up reform. Individual countries can maximize their gains from Chinese integration and minimize their losses by making their own economies flexible, increasing mobility between sectors and improving education.

In 1998, the GDP was 7,955.3 billion yuan, an increase of 6.4 times over 1978, at constant prices; the outputs of some major industrial and agricultural products, such as grain, cotton, meat, edible oil, coal, steel, cement, cloth and TV sets, leapt from a backward position to first place in the world.¹²²

In December 2001, China became a full member in the World Trade Organization¹²³,

¹²² "The Chinese Economy".

¹²³ As a result of the negotiations, China has agreed to undertake a series of important commitments to open and liberalize its regime in order to better integrate in the world economy and offer a more predictable environment for trade and foreign investment in accordance with WTO rules. "WTO

which “is the only global international organization dealing with the rules of trade between nations. At its heart are the WTO agreements, negotiated and signed by the bulk of the world’s trading nations and ratified in their parliaments. The goal is to help producers of goods and services, exporters, and importers conduct their business.”¹²⁴ By 2001, China’s share of the global economy stood at 12%.¹²⁵

As it has been mentioned before, foreign investment¹²⁶ in China has been playing an important role in the country’s rapid economic development. In 2002, China became the world's largest recipient of total foreign direct investment (FDI), attracting nearly \$53 billion.¹²⁷ Its foreign trade volume exceeds England’s and France’s and it became the fourth after the USA, Japan and Germany¹²⁸ and it reached the volume of \$850 billion. Until the end of 2003, its foreign currency stock exceeded \$ 400 billion (It became the second biggest currency stocker after Japan).¹²⁹ Its GDP grew up to 13.65 trillion Yuan (equal to 1.65 trillion US dollars) in 2004, up 9.5% over 2003.¹³⁰

The only serious danger now China faces because of entering the global capitalist world is the creation of social unrest because inequality in China has risen at rates unprecedented in economic history. The distribution of income has worsened

successfully concludes negotiations on China's entry”, WTO NEWS: 2001 Press Releases, Accessed from http://www.wto.org/English/news_e/pres01_e/pr243_e.htm on June 17, 2006.

¹²⁴ “What is the WTO?”, Accessed from http://www.wto.org/english/thewto_e/whatis_e/whatis_e.htm on May 22, 2006

¹²⁵ “Economy and Globalization”.

¹²⁶ Foreign investment bolstered growth by increasing the stock of fixed capital and by providing new technology and management know-how. Joint ventures with foreign firms produce 27% of China’s industrial output. “The Real Great Leap Forward”, p. 6.

¹²⁷ Ibid.

¹²⁸ Bradsher, Keith, “Chinese Economy Grows to 4th Largest in the World”, The New York Times, January 25, 2006.

¹²⁹ Ibid.

¹³⁰ “China in the world Economy”, Accessed from <http://cbw.com/business/bgeneral/econ-gen.html> on March 10, 2006

significantly since 1995, with rising inequality and falling absolute incomes.¹³¹ However, even if average incomes remain low, a growing number of Chinese will enjoy high incomes. If China's real income grows by 8% a year and its income distribution remains unchanged, by 2020 the top 100 million households will have an average income equivalent to the current average in Western Europe. In addition, China's single-minded emphasis on coastal development has given way to balanced strategy, for example the government is planning to invest \$43.5 billion to the industrial renovation projects in Chongqing, the largest inland city.¹³² In addition President Hu has mortified "a populist approach that better projects the interests of farmers, migrant workers, the urban unemployed, and other vulnerable social groups."¹³³ It also has created inducements that reward hard-work, knowledge, and risk-taking. "Fifty million layoffs eased urban workers out of their cradle-to-grave jobs. Rural workers can now move to towns and compete for urban jobs."¹³⁴ Its fragile banking system, the lack of a transparent legal system, corruption, the risk of social and political unrest caused by widening income inequalities or the abuse of human rights and severe environmental pollution can be recognized as obstacles to its growing economy. However, with its continuing reforms, the rapid growth can be sustained.¹³⁵

The IMF reckons that, so long as structural reforms continue, notably in the banking sector and in state owned enterprises, China should be able to sustain the annual

¹³¹ Pfeffermann, G., Wasow B., "The US and China- The Global Economy's Odd Couple", *The Globalist*.

¹³² Li, Cheng, "The Leadership Learning Curve", *Foreign Policy*, May/ June 2006, p. 68.

¹³³ Ibid.

¹³⁴ Keidel, A. , "Why China Won't Slow Down", p. 69.

¹³⁵ "The Real Great Leap Forward", *The Economist*, October 2nd 2004.

growth of 7-8% for at least another decade.¹³⁶ If this growth in Chinese economy continues, it will have both economic and political effects. Now, its economy nearly reaches Japan's¹³⁷ and if this process continues and if it exceeds Japan's, China will be the hegemonic power of the region with its growing economy. As Paul Kennedy concludes, "there is a very clear connection between an individual Great Power's economic rise and fall and its growth and decline as an important military power". Therefore, China's economic rise will inevitably lead to its growth as an important military power.

¹³⁶ Ibid.

¹³⁷ Japan's economy suffers from several long-term problems: asset deflation, bad bank loans, rising government debt, ineffective monetary policies, and structural inefficiencies. See, Johnson, Sara, "The Global Economic Outlook", Presentation to ICAS Fall Symposium 2003, Washington D.C., October 14, 2003.

B. Chinese- EU Economic Relations

“As the EU seeks to play greater economic and political role in world affairs, it is paying particular attention to developing its strategic relations with China, independently from its links with the US.”¹³⁸ Unlike the USA, economics is the most important driver of the relationship between China and EU. As the liberal theory implies, trade is the most component way for peace; thus international commerce lead to peace. The EU, therefore, sees trade and economics as the fields that manage its relationship with China. Actually, the EU has no other chance than having a successful economic relationship with China. As it has been mentioned before, the EU does not view China as a security threat; thus the EU is not an actor that has to and can deal with an emerging power.

The EU’s attempt to lift the arms embargo showed that the EU sees it in their mutual economic interest. It is result of its relations with China that have shifted from confrontation to co-operation in recent years. “If Europe had any significant strategic interests or military presence in East Asia, for example, or was committed to Taiwan’s security, European leaders would probably much less tempt to lift the arms embargo.”¹³⁹ However, this does not mean that the EU does not have a desire to enhance China’s place at the global table and to enlarge its stake in the global system; it definitely wants China to be a status quo rather than a revisionist power. This is why the EU enmeshes China in the widest possible range of international institutions and tries to socialize China into international norms of behavior. In

¹³⁸ Umbach, F. , “Cover Story: EU-China Relations. EU’s Links with China Pose New Threat to Transatlantic Relations”.

¹³⁹ Shambaugh, D. , “The New Strategic Triangle:US and European Reactions to China’s Rise”, p.8.

addition, “in Europe’s view, China’s economic integration as a de facto security policy, making military conflict too costly and therefore unlikely.”¹⁴⁰

Besides this liberal optimist view behind the EU policy towards China, the EU still does not have a single voice; it is still an “economic power” which can be controversial in the near future. According to the last released report named “Going for Growth” of OECD, which detail the economic prospects in the industrial world concludes that Europe is in deep trouble. These days are the days of rising China and the next days will be probably the economic decline of Europe. Europe’s economy is already faltering. In the 1970s annual growth for the 12 countries now using the euro averaged almost 3 %, from 2001 to 2004 the annual average was 1.2%. In 1974 those countries had unemployment of 2.4%, in 2004 the rate was 8.9%.¹⁴¹ EU has a GDP, which is approximately the same as that of the US, but it has 170 million more people. Its per capita GDP is 25% lower than that of the US and that gap has been widening for 15 years.¹⁴² In addition, with its low birthrates and meager economic growth, its situation is not sparkling already. The EU itself opposes the solution, which is higher immigration. It also opposes the second solution, which is reviving economic growth by reducing social benefits, taxes and regulations. In 25 years, the number of working age Europeans will decline by 7%, while those older than 65 will increase by 50%.¹⁴³

Because of the French and Dutch rejection, it has become obvious that an attempt to unify the 25 EU countries into the “Unites States of Europe” is an unattainable

¹⁴⁰ Dassu Marta & Menotti Roberto, “Dialogue is needed on arms sales to China”, *Financial Times*, April 8, 2005.

¹⁴¹ Samuelson, Robert, “The End of Europe”, *The Washington Post*, June 15, 2005.

¹⁴² Zakaria, F., “The Decline and Fall of Europe”, *Newsweek*, February 20, 2006.

¹⁴³ *Ibid.*

dream. It still remains “unfinished” international actor, because its component members survived as nation-states.¹⁴⁴ Thus, the most effective relationship between the EU and China could be in economic terms. Amongst Asian states, China has reached a dominant position on the EU’s external relations agenda. China’s exponential economic growth in recent years created a tremendous market potential for the EU.

In 1950s the western ostracism and the Chinese self-sufficiency were the main features of the relations between Europe and China. Most European countries followed the US’s imposition of sanctions against China following the communist take-over of 1949. The trade volume between China and Western countries were negligible and real trade was strenuous to disaggregate from the statistical record since it was conducted mainly by intermediaries.¹⁴⁵

From the 1960s to the 1980s, trade between EC countries and China started to expand on an explicitly bilateral basis. During this period, several bilateral trade agreements between China and individual EC member states were concluded, together with several economic co-operation agreements between China and the EC as a whole.¹⁴⁶ As early as in 1973, Chinese government had invited the European Commissioner Christopher Soames to visit China. In November 1974, the European Commission forwarded a memorandum to China, including a draft for a possible trade agreement.¹⁴⁷

¹⁴⁴ Möller, Kay, “Diplomatic Relations and Mutual Strategic Perceptions: China and the European Union”, *The China Quarterly*, Vol. 169, April 2002, p. 10.

¹⁴⁵ Hu, Xiaoling & Watkins, David, “The Evolution of Trade Relationship Between China and the EU Since the 1980s”, *European Business Review*, Vol. 99, No. 3, p. 154.

¹⁴⁶ *Ibid.*, p. 154.

¹⁴⁷ Algieri, Franco, “EU Economic Relations with China: An Institutional Perspective”, *The China*

After diplomatic relations had been established between the EC and China in 1975, recognizing the People's Republic as the only government of China, the Trade Agreement between the EC and China followed in 1978. The agreement on commercial cooperation of 1978¹⁴⁸ and the trade and economic agreement of 1985¹⁴⁹ were the most crucial milestones of bilateral relationship.¹⁵⁰ The agreement of 1985 opened a way for economic cooperation in industry and mining, agriculture, energy, transport and communications as well as science and technology.¹⁵¹ The European Commission opened its representation in Beijing in 1988, and ever since then, economic relations between China and the EC progressed steadily. “In 1979 total trade amounted to US\$ 4.729 billion, with a balance of US\$ 1.035 billion in favour of the community; the figure had doubled by 1986, trebled by 1988, and quadrupled by 1990. In 1993, bilateral trade had already reached seven times its 1979 level.”¹⁵²

Many of the manufactured products that China exports to the EU were of low technology and have a low unit value, a high percentage consisting of textiles and clothing. This account for more than one-third of China's exports to the EU, and in 1988 China for the first time became the external supplier of these goods to the EC.

Quarterly, 2002, p. 68.

¹⁴⁸ This agreement was an indicator of the growing importance both sides attached to each other and not least became possible because China was starting to open up its economy and to develop reforms. Both sides agreed to accord each other most-favored nation treatment in several areas such as custom duties, taxes or import and export licenses. See in, Algieri, F., “EU Economic Relations with China: An Institutional Perspective”, p. 69.

¹⁴⁹ In the 1980s the growing importance of European- Chinese economic relations made it necessary to adapt the regulating framework. The agreement of 1978 was focusing on trade matters and seemed no longer adequate for the complexity of the relationship. With the conclusion of the Trade and Economic Co-operation Agreement of 1985 a new and still valid framework was established. See Algieri, F., “EU Economic Relations with China: An Institutional Perspective”, p. 70.

¹⁵⁰ Hu, X. & Watkins, D., “The Evolution of Trade Relationship between China and the EU since the 1980s”, p. 154, also see in Algieri, F., “EU Economic Relations with China: An Institutional Perspective”, p. 69.

¹⁵¹ Edmons, Louis, Richard, “China and Europe since 1978: An Introduction”, Louis Richard Edmonds (ed.), *China and Europe since 1978: A European Perspective* (Cambridge University Press:2002), p. 4.

¹⁵² Hu, X. & Watkins, D., “The Evolution of Trade Relationship Between China and the EU Since the 1980s”, p. 154.

Even if the conflicts between the two occurred in 1989 after the Tiananmen Square Massacre, the suppression did not really cause a major disturbance in EC China economic relations and trade volumes continued to increase. After the suppression, Italy and Germany were the two EU member states that recovered the economic relations fastly. In 1991, the bilateral trade volume stood at US\$ 11.61 billion. In 1993, China has become the EU's third largest trading partner in terms of total trade volume after the USA and Japan. China's share of the EU's total exports increased from 0.5 % in 1979 to 10 % in 1993, while its import share increased from 0.3 % to 1.6% over the same period.¹⁵³ Thus, China viewed the EU as an increasingly important source of imports during the 1990s. Germany was the biggest single EU supplier to the Chinese market, accounting for two-fifths of the EU's exports to China, followed by Italy, the United Kingdom, France and Holland.¹⁵⁴ "In 1993, machinery, industrial plant and electrical equipment accounted for 51% of China's total EU imports, steel products 15%, chemicals 12%, with precision instruments, transport and telecommunication equipment amounting to 5%."¹⁵⁵

The 1990s were the times that the EU trade deficit reached the highest point. Further communications from the EU in 1995, 1998 and 2001 advanced economic ties but also brought along political constraints and tried to make the best use of European resources in economic ties with China. In 1998, the EU has become China's third largest trading partner.¹⁵⁶ In 2000, it reached to €44.4 billion, almost doubling the deficit of the year before.¹⁵⁷ In 2001, in which China became the member of WTO,

¹⁵³ Ibid.

¹⁵⁴ Chinese Statistics Yearbook qtd. in *ibid*, p. 155.

¹⁵⁵ OECD, 1996, qtd in Hu, X. & Watkins, D. , "The Evolution of Trade Relationship Between China and the EU Since the 1980s", p. 155.

¹⁵⁶ USA and Japan were the first two.

¹⁵⁷ China Aktuell, qtd. in Algieri, F., "EU Economic Relations with China: An Institutional

the EU has become the greatest trading partner for China and became a major foreign investor in China. In November 2001, Trade Commissioner of the EU, Pascal Lamy manifested China's entrance to the WTO as follows:

In welcoming China as a new member of the WTO, we expand our membership by 1.2 billion people, that is to say by a quarter. Today's decision is historic: it is the WTO's greatest leap in the history of the organization. Congratulations are in first place due to China. This has been a long and arduous negotiation, one that took a full fifteen years to complete. In retrospect, the history of the last fifteen years of negotiations has also been the history of China's own reform process, its gradual opening-up, and its integration into the world economy. The phenomenal 7% compound average annual growth rates, which are expected to continue in the future, testify to the success of the government economic policies. People in China are on average four times as wealthy today as they were in 1978, when the open door policy was started. That is a unique achievement for a country of its size. So even if at times the WTO negotiations have been difficult for Chinese and WTO negotiators alike, today we can pride ourselves on the results achieved and rejoice in having made new friends in the process.¹⁵⁸

“Between 1999 and 2003, EU25 trade with China more than doubled, with exports rising from €19.6 billion to €41.2 billion, and imports growing from €52.4 billion to €105.3 billion. The EU trade deficit in trade with China rose from €32.8 billion in 1999 to €64.2 billion in 2003.”¹⁵⁹ China's imports from the EU consist largely of materials for industry which most of them semi-processed products and manufactured products, many of which incorporate advanced technology. Table II shows the trade volume between the EU and China as follows:

Perspective”, p. 70.

¹⁵⁸ Lamy, Pascal qtd. in Gosset, David, “China and Europe: Toward a Meaningful Relationship”, *Perspectives*, Vol. 3, No. 7, December 2002, Accessed from http://www.oycf.org/perspectives/19_123102/ChinaEurope.htm on July 21, 2006.

¹⁵⁹ European Commission: Eurostat, “Press Release: China now second trade partner of EU25. Trade doubled between 1999 and 2003”, *News Release*, No. 146, December 2004.

	2000	2001	2002	2003	2004	Average growth 2000-2004 (%)
EU25 Merchandise Trade with China					(Millions of euros)	
Imports	74.369	81.619	89.606	105.397	126.737	+14.3
Exports	25.758	30.554	34.869	41.169	48.039	+16.9
Balance	-48.610	-51.065	-54.737	-64.228	-78.698	

2003*: Greek data missing for November & December; Finnish data missing for December.

TABLE II: EU-China Trade Statistics (€bn - Source: EUROSTAT)¹⁶⁰

The EU member states are now in competition among each other in order to gain the Chinese market. China knows this reality; that's why it tries to evaluate its relations with EU. It sees the EU as a tool for strengthen its power in its region and for preventing the US dominance. In 2004, the trade volume between the EU and China reached more than US\$170 billion, which is 30% more than the 2003's volume. EU today is the biggest trading partner¹⁶¹ of China and forth-biggest foreign investor in China. Thus, China has now become the second biggest (after USA) partner of the EU. The EU countries, which are training most with China, are Germany, Holland, England, France and Italy. These five have the control of the 75% of trade volume between China and the EU. Finally China decided to participate the Galileo Satellite Project of the EU by giving \$US200 million financial support.

As a conclusion, it can be determined that the EU- China relations are based on the dictates of liberalism. They are mutually linked together in economic terms and also

¹⁶⁰ The figure is taken from "The EU's China Policy", Accessed from http://ec.europa.eu/comm/external_relations/china/intro/index.htm on July 21,2006.

¹⁶¹ It exceeds the USA and Japan ; USA has \$96.3 and Japan has \$US 86.5 billion trade volume with China.

because of the reasons explained before they have no other choice than having a successful economic relationship.

C. Chinese- US Economic Relations

USA is now the world's preponderant economic power in the world, but there is another emerging great power: China. When President Clinton referred to China as an "economic partner", he was talking rubbish. "President Clinton's nine day visit to China and Hong Kong, a return trip following the Chinese president's visit to the United States last autumn, was supposed to highlight the fact that the United States now sees China, not Japan, as its most important strategic and economic partner in Asia."¹⁶² He was right when accepting China as an economic power but he was wrong when he claimed China as a partner. Today it is an economic power, which tries to influence by attraction and persuasion rather than threats and force. This is China's "clever use of soft power". However, China, which is using soft power, does not mean that does not have lust for hegemony; inversely using soft power is just a tool in the way of its ultimate aim. Its policymakers are sensitive to relative power issues and to the relationship between a state's economic strength and its political strength. Therefore, they are concentrating on economic growth; China is now projected to surpass the US as the world's leading economy.¹⁶³ It is becoming a hegemonic power: its economic rise has already started to represent a major challenge for the US economy, for its political position and for its role as global

¹⁶² "Clinton Battles China Syndrome", BBC News, July 3, 1998, Accessed from http://news.bbc.co.uk/1/hi/special_report/1998/06/98/clinton_in_china/118501.stm on December 8, 2005.

¹⁶³ Harding, Harry qtd. in Layne, C., "China's Role in American Grand Strategy: Partner, Regional Power, or Great Power Rival?", p. 65.

policeman¹⁶⁴, thus China is now the power which can match its economic growth with a strong army and be a competitor to the only great power. The USA will inevitably view China's rise as a threat and will therefore seek to obstruct it. As John Mearsheimer states, "relations between the great powers are likely to become less peaceful than they were during 1990s."

"China is rising fast and is expected to eclipse the US economically in the future, its gross domestic product is tipped to overtake that of America by 2045."¹⁶⁵ Its endless supply of goods and its need for energy has contributed more to global growth than America in recent years. Its contribution to global GDP growth since 2000 has been bigger than America's and more than half as big again as the combined contribution of India, Brazil and Russia.¹⁶⁶ However, the USA is one of the most important actors behind Chinese economic rise. USA is today's "hegemon power" which trade with China, invest in China.

It has been a strategic error of USA to integrate China into the world economy and advance its development. China, as an emerging power, is now primarily concentrating on its economic development; it realizes that it needs economic power first in order to have a suitable military force. "China's economy's recent growth has been seemingly unstoppable, even in the face of government countermeasures. The government raised interest rates in October 2004, the first increase since 1995, and unpegged the yuan from the dollar in July 2005, after second- quarter growth was reported at 9.5%."¹⁶⁷ As the offensive realist theory implies; the continuing

¹⁶⁴ Coonan, Clifford, "America Meets the New Superpower", *Global Policy Forum*, April 19, 2006.

¹⁶⁵ Ibid.

¹⁶⁶ "Coming Out".

¹⁶⁷ "China's Economy", *The Economist*, November 22, 2005.

economic growth of China will not be peaceful for the future decades, “if China continues its impressive economic growth over the next few decades, the US and China are likely to engage in an intense security competition with considerable potential for war.”¹⁶⁸

Ironically, these two countries are the most important actors behind the growth in world economy. The world economy is growing; the two major actors behind this rise are China, with its high potential to gain Foreign Direct Investments and USA with its loose monetary policy. They together accounted for almost half of global growth over the year 2003. “If American consumers and Chinese producers were to retreat at the same time, global growth could slump. If China continues its reforms, it will grow faster than USA and within a decade it will probably be the world’s largest exporter and importer and it may overtake USA as the world’s largest economy.”¹⁶⁹ Therefore, as competition between the great powers is a zero-sum game in which one side wins a relative advantage over the other, if US suffers defeat, China will be the main beneficiary.¹⁷⁰

When China trades with the United States, dumping cheap goods on the American market, it is not merely a business arrangement between traders in “pepper and coffee.” One great power invades and disrupts the market of another as part of a long-term strategic plan. In trading with China, the United States has forgotten the realities of great power rivalry, foolishly applauding the superficial appearance of economic cooperation. The underlying reality is economic penetration, subversion and disruption.¹⁷¹

However, the USA is relatively reliant to Chinese economy. China has the one fifth of world population, it has one third of the global economy that “is unusually open to

¹⁶⁸ Mearsheimer, J., “The Rise of China Will Not Be Peaceful at All”.

¹⁶⁹ “The Dragon and the Eagle”, *The Economist*, October 2004,p. 4.

¹⁷⁰ Nyquist, J. R., “Strategy and the Great Powers”, *Geopolitical Global Analysis*, January 13,2006.

¹⁷¹ Ibid.

the rest of the world, as measured by trade or foreign direct investment.”¹⁷² A decline in such an enormous economy probably affects badly the whole global economy. China itself prevents the dangerous decline in USA’s economy by preventing the more decline in USA dollars. USA is now the house for the 70% of global savings and China is in the first place that USA gets savings. China, by buying American Treasury bonds, finances the current deficit of USA. A cessation in this situation will probably affect the global economy. In addition, an unexpected increase rates in USA is one the most important dangers that the global economy faces with. So, China plays a very important and a dangerous role by holding down inflation and interest rates in USA.

Total two-way trade between China and the U.S. grew from \$33 billion in 1992 to over \$285.3 billion in 2005. The United States is China’s second-largest trading partner, and China is now the third-largest trading partner for the United States (after Canada and Mexico). U.S. exports to China have been growing more rapidly than to any other market (up 28.4% in 2003, 20% in 2004, and 20% in 2005). U.S. imports from China grew 18% in 2005, bringing the U.S. trade deficit with China to more than \$200 billion.¹⁷³ So, there are now tensions exist in the trade relationship with China. USA sees China responsible of its trade deficit and the loss of manufacturing jobs, it is worrisome about the aggressive international expansion of China’s corporations¹⁷⁴ and also it blames China about undervaluing its currency¹⁷⁵. The US

¹⁷² “The Dragon and the Eagle”, p. 5.

¹⁷³ “Background Note: China”, *Bureau of East Asian and Pacific Affairs*, April 2006, Accessed from <http://www.state.gov/r/pa/ei/bgn/18902.htm> on May 20, 2006.

¹⁷⁴ China’s companies are mere tools of expansionist policy propagated by Beijing’s leadership. The Chinese government certainly wants to create globally competitive firms and it is pushing some to secure strategic resources, like oil and metal overseas. Chinese firms are acting as the commercial arm of an expansionist state. See, “The Myth of China Inc”, *The Economist*, September 1, 2005.

¹⁷⁵ In July 2005, China abandoned its decade old peg to the dollar and moved to a managed float of

charges that China purposefully keeps its currency weak, making exports less expensive in dollars and US imports more costly. The trade deficit of 2005 of the biggest economy of the world, the USA, increased to \$725.8 billion with the increase rate of 17.5%.¹⁷⁶ The one third of its trade deficits in 2005 was with China. But to look only at America's trade deficit with China is misleading. Much of increase in USA's imports from China has been at the expense of other emerging economies exports rather than domestic production. For example, back in 1988 some 60% of American shoe imports came from South Korea or Taiwan and only 2% was from China; today China has a share of 70%, and imports from South Korea and Taiwan have faded away. If China is stealing jobs from anybody, it is other emerging economies, not USA.

Many experts predict that the Chinese economy will be second only to the USA by 2020, and possibly surpass it by 2050.¹⁷⁷ In December 2005, China replaced the US as the world's largest exporter of technology goods. "Given China's importance as a center of low-cost manufacturing, its rise as an industrial power in technology goods is hardly surprising. From \$36 billion in 1996, its world trade in technology goods has grown as much as 32% a year, to reach \$329 billion in 2004. Its rising share of the market has been matched by a fall in the dominance of America. China is now the biggest IT exporter to America, having overtaken Japan in 2004."¹⁷⁸ Thus, "the transfer of manufacturing capacity to China has been joined by the creation of numerous and substantial research and development centers and capabilities, which

the yuan against a basket of currencies. See, "Chinese Puzzles", *The Economist*, August 11, 2005.

¹⁷⁶ "ABD'de Dış Açık Rekor Kırdı: Dış Açığın Üçte Birini Çin Oluşturdu", *CNN Türk*, February 10, 2006, Accessed from http://www.cnnurk.com/EKONOMI/DUNYA/haber_detay.asp?PID=39&haberID=157155 on February 12, 2006.

¹⁷⁷ Pei, Minxin, "The Dark Side of China's Rise", *Foreign Policy*, March/April 2006.

¹⁷⁸ "Digital Dragon", *The Economist*, December 14, 2005.

effect the competitiveness of the US economy.”¹⁷⁹ Even if it was the dominant supplier of goods such as microwave ovens, photocopiers, etc. just a few years ago, “it is now producing significant quantities of fairly sophisticated items like memory chips, computers and mobile handsets.”¹⁸⁰ It is now capable of developing modern industries. USA is now the household that educates thousands of brightest Chinese students (over 60,000 now) many of whom have returned to help their country grow. These students are learning the technological and scientific developments in order to build modern industries. China is now producing millions of college graduates capable of doing the same work as the college graduates of the USA with a much lower pay. By 2010, China will graduate more PhDs in science and engineering than the USA.¹⁸¹

China knows that superpowers are measured by their ability to use their inclusive national power to gain the obeisance of their neighbors and their regional and global rivals. Therefore, besides the economic increase of China as a single country in the region, an Asian regional trade and financial system is emerging without US leadership even without US participation. China, not USA is now the number one trading partner of Japan, South Korea and Taiwan. In 1995, South Korea exported more than twice as much to the US as to China (\$ 24 billion vs. \$10 billion). By 2004, South Korea was exporting \$50 billion to China but \$46 billion to the US. Also, China is close to displace USA as Japan’s leading trade partner, Japan still exports more to the US than to China, but the trend is moving toward the PRC.¹⁸² In

¹⁷⁹ “The U.S. Battle Over China Continues”, *The Globalist*, November 30, 2005.

¹⁸⁰ Price Gareth & Turner Louis, “Giant Steps in Asia”, *The World Today*, Vol.61, No. 1, January 2005, p. 26.

¹⁸¹ Freeman, Richard, “What Really Ails Europe (and America): The Doubling of the Global Workforce”, *The Globalist*, June 3, 2005.

¹⁸² China and Japan are increasingly inter-linked commercially. In 2004, China overtook America to

October 2004, China won agreement for a free trade agreement with the Association of Southeast Asian Nations (ASEAN¹⁸³) that potentially could integrate 2 billion people and \$2 trillion of commerce by 2010. ASEAN has effectively expanded into an “ASEAN plus Three”, an agreement by which China, South Korea and Japan have joined the conversation. ASEAN plus Three is now underdeveloped as compared with the European Community and it faces with a competition for a leadership between Japan and China but, unless with its premature nature, it shows the decline of the USA in the region.

It is obvious that what China wants from the USA is a market for its exports, investment and management skill. Finally, it can be concluded that China is an increasing economic power, which has already become a threat to the USA. Even “trade” is and could be the most efficient symbiotic tool for common interests and cooperation between the two, the last summit¹⁸⁴ between the presidents, Hu Jintao and George W. Bush showed that two countries are not partners but “strategic competitors”. There is no increasing interdependence but American reliance to the Chinese economy. China does not buy billions of US dollars each month for US interests; it is buying them to prevent the dollar collapse that would undermine the American consumer that buys Chinese manufactures. China has a trade surplus of \$200 billion in 2005. In addition, it is the USA that does not implement tough sanctions to punish China’s undervalued currency because such an action could

become Japan's biggest trading partner. Japan has been China's biggest trading partner in three of the past four years. Trade rows, common in the 1990s as Japanese producers grew afraid of Chinese competition, have virtually disappeared. The two economies are increasingly integrated, with cheap Chinese goods delighting Japanese shoppers and sophisticated Japanese equipment humming away in Chinese factories. But their age-old political animus is reviving too. See, “So hard to be friends”, *The Economist*, Mach 23,2005.

¹⁸³ ASEAN members are Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.

¹⁸⁴ The summit was held in Washington D. C. on April 20, 2006. This was Hu Jintao’s first visit to USA as the President.

trigger inflation, higher interest rates and inflation. Chinese economy can continue to grow without USA; even its great demand to the oil is not an obstacle to its growth, but it is an obstacle for the USA. China is the one that lock up the global supplies; it is buying spree of global energy assets and having long-term global contracts with countries that are among America's leading problems such as Iran, Sudan and Venezuela. China is doing exactly what offensive realism claims: because of the anarchic international system, it is looking for opportunities to gain power at the expense of it rival USA, and taking advantages of the situations when the benefits outweigh the costs. Its ultimate aim is to be a hegemon in the system.

CHAPTER 3

POLITICS

A. China in the World Politics

China is determined to avoid conflict inside and around its borders in order to focus on economic development. So, political stability at home is the most important issue for China today. China is different from the other powers of the world. It is part empire and part modern nation. A modernizing Marxist- Leninist party state has been built upon a very old and successful tradition of governance and the imperial mentality went with it. Communist China inherited the borders of the Qing Empire at its grandest, including Tibet, southern Mongolia, and the Muslim west that was once East Turkistan.¹⁸⁵ Its biggest provinces Xinjiang, Tibet and Mongolia are not historically Chinese territory. These three have inhabitants that have a different religion and culture. Beijing, therefore employed semicolonial methods to avoid independence movements. For example in Tibet, the ones who speak in Chinese can get a higher education and the Muslim Uyghur population in Xinjiang has been purposely diluted by Chinese internal immigration.¹⁸⁶ In addition to its complicated population, it has also a complicated geographic location. It is the only country in the world which has to deal 14 adjacent neighbors, seven of which share borders of more than 600 miles, and four others close by its long coastline.

¹⁸⁵ Terrill, R., "What Does China Want?"

¹⁸⁶ Ibid.

According to offensive realism, international politics is conflictive and states maximize security by maximizing their relative power and influence and they are motivated to extend their power relentlessly toward the ultimate goal of becoming the hegemon. In addition, great powers ensure their security by maximizing their share of world power and every increment of power increases their chances of survival in an anarchic system. Therefore, China, as an increasing power, must be rich, powerful and well armed.

As it has been mentioned on first part of Chapter I, China's economic power is increasing rapidly. It is therefore, China's explosive economic growth that makes it a "great power" now. This is why it is becoming a challenger to the US global hegemony. Thus, it is becoming more powerful politically, as its economy grows. It was China that has pressed to exclude the US from an East Asia summit meeting in Malaysia last December. As it becomes more powerful, it is attempting to maximize its influence and control its international environment. By looking at its actual and latent power capabilities, we can conclude that its great power emergence is a virtual certainty. When we look at its current foreign policy, we can inadvertently conclude that it is not a power looking for hegemony, because it is increasingly integrated into the international community by becoming active in intergovernmental security organizations and treaties and by integrating to the world economy. It is true that it has refrained from exercising its veto power in UN Security Council¹⁸⁷ or it has ratified a number of major human rights instruments. However, such an optimistic conclusion about China, in other words, to conclude that China is a status quo, not a

¹⁸⁷ However, it made clear that it will not cooperate in the UN Security Council or elsewhere in taking firm steps against nuclear proliferation by Iran and North Korea. See, Boot, Max, "Project for a New Chinese Century: Beijing plans for national greatness", *The Weekly Standard*, September 10, 2005, Accessed from http://findarticles.com/p/articles/mi_m0RMQ/is_4_11/ai_n15950394/pg_4 on July 7, 2005.

revisionist power is a crucial mistake. It is true that it is not actively acquiring territories since the occupation of Tibet in 1951 or fighting other countries since the invasion of Vietnam in 1979, but neither of mentioned means that is not revisionist. It, inversely, by integrating to the world both politically and economically is seeking to influence and use the international politics for its advantage. Besides, even if it is seen and accepted as it is integrated to the international community, the policies that it makes tell the opposite. For instance, “it passed an ‘Anti- Secession Law’ asserting its legal authority to employ ‘non-peaceful means’ against Taiwan should the island democracy take any steps towards independence and it continued its breakneck military buildup, which is focused on the kinds of weapons, especially missiles and submarines¹⁸⁸ needed to stymie US efforts to protect Taiwan.”¹⁸⁹ China insists that Taiwan is part of it; the “Anti- Secession Law” is as follows:

On March 14, 2005, China’s legislature, the National People’s Congress, passed the “anti-secession law.” The law’s passage followed months of speculation by outside observers over its contents and a simultaneous lobbying effort on the part of Chinese officials to cast the law in benign terms, while closely guarding the draft of the text. The law itself is broken into ten articles that codify, or render as legal instruments, policies and statements applied by the Chinese government to the Taiwan question. Key elements are described below.

Article One establishes that the law was formulated for the purpose of “opposing and checking Taiwan’s secession from China.”

Article Two restates Beijing’s “One China” definition – Taiwan is part of China – and that China “shall never allow” Taiwan to secede from China “under any name or by any means.”

Article Three asserts that the Taiwan matter is part of China’s internal affairs and is subject to “no interference by outside forces.”

Article Four states that China’s reunification is the “sacred duty” of “all Chinese people,” including “Taiwan compatriots.”

¹⁸⁸ It has 500-550 short-range ballistic missiles deployed across the Taiwan Strait, with 75 new ones added every year. See, Boot, M., “Project for a New Chinese Century: Beijing plans for national greatness”.

¹⁸⁹ Ibid.

Article Five reiterates China’s position that acceptance of “One China” is a necessary pre-condition for peaceful resolution. It does not refer to the “one country, two systems” model, but claims Taiwan would “practice systems different from those on the mainland.”

Article Six enumerates the steps Beijing is willing to take to realize peaceful unification, such as expanding cross-Strait exchanges, including cultural, economic, educational, science and technology, health, and sports exchanges. It also refers to “other activities” conducive to peace and stability, but does not offer details.

Article Seven specifies the range of issues that would be subject to negotiation during cross-Strait consultations. The article states such negotiations would be on an “equal footing.”

Article Eight states the State Council and CMC “shall decide on and execute” non-peaceful means to “protect China’s sovereignty and territorial integrity” if “secessionist forces . . . cause the fact of Taiwan’s secession from China,” if “major incidents entailing Taiwan’s secession” occur, or if “possibilities for peaceful reunification” are exhausted.

Article Nine provides that during conflict, China will “exert its utmost” to protect lives, property, and rights of Taiwan civilians and foreign nationals on Taiwan, and the rights of Taiwan citizens in other parts of China.

Article Ten specifies that the law comes into force on the day of its proclamation.¹⁹⁰

Thus, it wants to regain territories that it feels rightfully belong within the PRC. Taiwan is not only the case; besides Taiwan, it either officially or secretly announces its desires about the islands in the Yellow Sea, South China Sea and East China Sea.

As theory implies, states with revisionist intentions do not necessarily exhibit revisionist behaviors, but instead will weigh the costs and risks before proceeding to change the balance of power in their favor. China is now weighing the costs and risks; it is diplomatically seeking to become an influential regional power. Also, it is

¹⁹⁰ See, United States of America, Department of Defense, Annual Report to Congress, “The Military Power of the People’s republic of China 2005”, p. 38.

exactly sure that it could maximize its security by maximizing its relative power; it is therefore concentrating on its economic development first. It does not have the power-projection capabilities and high-tech military which are the two most important tools of getting great power status yet¹⁹¹, but it does not mean that it does not trying to get them.

China considers itself a developing power whose natural resources, manpower, nuclear-capable forces, seat on the UN Security Council, and growing economy give it most of the attributes of a great power. According to Jiang Zemin, who was President of the People's Republic of China from 1993 to 2003, peace and development are the primary goals of Chinese foreign policy for today. In addition, Zheng Bijian, a veteran in Communist party who has close ties to President Hu Jintao, claims: "China will not follow the path of Germany leading up to World War I or those of Germany and Japan leading up to World War II, when these countries violently plundered resources and pursued hegemony. Neither will China follow the path of the great powers vying for global domination in the Cold War. Instead China will transcend ideological differences to strive for peace, development, and cooperation with all countries in the world."¹⁹² This goal seems as real for now but, as it was mentioned before, peace, development and cooperation are the means rather than ends for Beijing's foreign policy for the long-run. It does not seek for global hegemony (because of the reasons described in both the introduction part and in Chapter I), but it is exactly seeking regional hegemony. Its policies clearly show its lust for hegemony.

¹⁹¹ As its economy grows, it is modernizing its military; it buys top of the line weaponry from Russia and Israel. See, Liu Melinda & Barry John, "Soft Power, Hard Choices", *Newsweek*, March 7, 2005.

¹⁹² Bijian Zheng qtd. in Boot, M., "Project for a New Chinese Century: Beijing plans for national greatness".

With its fast growing economy, it is emerging as a great power. It is now cleverly using its economic power in order to have a stronger influence both in its region and in the world as a whole. It will, for sure use its superior power to establish a certain amount of hegemony to protect and promote its interests. “It will want to make sure that it is so powerful that it is so powerful that no state in Asia has the wherewithal to threaten it. It is unlikely that China will pursue military superiority so that it can go on a rampage and conquer other Asian countries, although that is always possible.”¹⁹³ Thus, it is now aiming to be the strongest power in Asia and it has the potential both economically and militarily to do so.

1. China’s Military Power

“The offensive state adopts a military policy that builds up its arsenal and consequently its national capability as much and as quickly as possible.”¹⁹⁴ Since its economy has been growing very fast, China has embarked on an ambitious military modernization program that its leaders have still not adequately explained the purposes of it.

The Annual report to Congress about the military power of the PRC in 2006 states that,

The People’s Liberation Army (PLA) is in the process of long-term transformation from a mass army designed for protracted wars of attrition on its territory to a more modern force capable of fighting short duration, high intensity conflicts against high-tech adversaries. Today, China’s

¹⁹³ Mearsheimer, J., “The Rise of China Will Not be Peaceful at All”.

¹⁹⁴ Heller, Eric Nathaniel, “Power Projections of People’s Republic of China: An Investigate Analysis of Defensive and Offensive Realism in Chinese Foreign Policy”, *ACDIS Occasional Paper*, Research of the Program in Arms Control, Disarmament, and International Security, University of Illinois, November 2003, p. 6.

ability to sustain military power at distances limited. However, as the 2006 Quadrennial Defense Review Report notes, “China has the greatest potential to compete militarily with the United States and field disruptive military technologies that could over time offset traditional U.S. military advantages.”¹⁹⁵

It has a “strategy of patiently, systematically, prudently developing their power in a comprehensive way over the long term”¹⁹⁶. China spends far more on its military than any other country in Asia.¹⁹⁷ The Chinese People Liberation Army (PLA) is the largest armed force in the world with 3 million personnel. It is the world’s third largest air force and it has the world’s largest small ship navy. “China’s naval forces include 64 major surface combatants, some 55 attack submarines, more than 40 medium and heavy amphibious lift vessels, and approximately 50 coastal missile patrol craft. Two-thirds of these assets are located in the East and South Sea fleets.”¹⁹⁸

Although these figures look impressive, it is developing its military continuously. “Official defense spending has increased markedly, often at double- digit annual rates since the early 1990s. It is the second or third in the world in overall defense spending.”¹⁹⁹ It is using its economic power to modernize the PLA, investing a new fighter aircraft and the building of new power capabilities. It is purchasing large numbers of advanced Russian equipment and technology needed to improve its lagging power-projection abilities, particularly in air and sea power. Between the

¹⁹⁵ “The Military Power of the People’s republic of China 2006” United States of America, Department of Defense, Annual Report to Congress.

¹⁹⁶ Rodman, Peter (Assistant Defense Secretary for International Security) qtd. in Baldor, Lolita C., “Pentagon Warns of China Military Expansion”, *Guardian Unlimited*, May 23, 2006.

¹⁹⁷ The Pentagon estimates China’s true defense spending is two to three times this year’s official military budget of \$35 billion. See, Fisher, Jr. Richard, “China’s Power Projection”, *The Wall Street Journal*, April 13, 2006.

¹⁹⁸ “The Military Power of the People’s Republic of China 2006” United States of America, Department of Defense, Annual Report to Congress.

¹⁹⁹ Sutter, Robert, “Why Does China Matter?”, *The Washington Quarterly*, , Vol. 27, No.1, Winter 2003-2004, p. 80.

years 2000 and 2004, it has purchased \$2 billion worth of Russian military equipment; roughly double the annual level of such purchases in the 1990s.²⁰⁰ As the Defense Secretary Donald Rumsfeld asked at the Shangri- La Conference in Singapore just a few years ago, “Since no nation threatens China, one wonders: Why this growing investment? Why these continuing large and expanding arm purchases?”²⁰¹ The answer is obvious; its military modernization signals its intention to establish itself as a regional hegemon because it feels that it is its natural right to be the major power in Asia.²⁰²

In the past decade, it has undergone two military high- tech reforms designed to give the country a modern fighting force. As its economy grows, so do its military capabilities. It is modernizing its military especially with the naval surface combatants; submarines; fighter aircraft and surface to air, air-to-air, and surface-to-surface missiles that it purchased from Russia. According to the Pentagon’s Annual Report about China’s military power, its ballistic missile capability is follows:

China has deployed some 650-730 mobile CSS-6 and CSS-7 short-range ballistic missiles (SRBMs) to garrisons opposite Taiwan. Deployment of these systems is increasing at a rate of about 100 missiles per year. Newer versions of these missiles feature improved range and accuracy.

China is exploring the use of ballistic missiles for anti-access/sea-denial missions.

China is modernizing its longer-range ballistic missile force by replacing older systems with newer, more survivable missiles. Over the next several years China will begin to bring into service a new road-mobile, solid-propellant, intercontinental-range ballistic missile (ICBM), the DF-31, an

²⁰⁰ Ibid, p. 81.

²⁰¹ Fisher, Jr. Richard, “China’s Power Projection”.

²⁰² Marquand, Robert, “Chinese build a high-tech military army within an army”, *The Christian Science Monitor*, November 17, 2005, Accessed from <http://www.csmonitor.com/2005/1117/p01s03-woap.htm> on December 21, 2005.

extended range DF-31A, and a new submarine-launched ballistic missile, the JL-2.²⁰³

China claims that Taiwan²⁰⁴ is part of its territory and it is threatening to invade regardless of the costs if the island declares formal independence or resists China's insistence on negotiating unification. According to Pentagon, it has "increased by about 25,000 the number of ground forces deployed to the three regions opposite to Taiwan, and has upgraded the units with tanks, armored personnel carriers and artillery."²⁰⁵ Besides, "it has devoted huge amounts of capital to create a small high-tech army within its old 2.2 million member rifle and shoe-leather force. The specialty of this modern force, about 15% of the PLA, is to conduct lightning attacks on smaller foes, using an all-out missile attack designed to paralyze, and a modern sea and air attack coordinated by high-tech communications. In other words, this modern force is designed to attack Taiwan."²⁰⁶

"The Russian equipment, along with China's own impressive development of shorter-range ballistic missiles, has been deployed to prevent Taiwanese moves toward greater separateness and to warn the US²⁰⁷ not to intervene."²⁰⁸ Therefore, China, by increasing military strength is trying to prevent any independence movement in Taiwan. In the Pentagon's "2005 Annual Report on the Military Power of the People's Republic of China" to Congress, it has been asserted that China is modernizing its military not only for coercing Taiwan and deterring US support for

²⁰³ "The Military Power of the People's Republic of China 2005", United States of America, Department of Defense, Annual Report to Congress.

²⁰⁴ The island was torn from China after China was defeated by Japan in 1895.

²⁰⁵ Baldor, L., "Pentagon Warns of China Military Expansion".

²⁰⁶ Marquand, R., "Chinese build a high-tech military army within an army",

²⁰⁷ Given Taiwan's strategic importance for controlling the sea lanes in East Asia, it is hard to imagine the US, as well as Japan, allowing China to control that large island. See, Mearsheimer, J., "The Rise of China Will Not be Peaceful at All".

²⁰⁸ Sutter, R., "Why Does China Matter?", p. 81.

the island but also it has longer-term objectives beyond Taiwan.²⁰⁹ It will throw out USA from East Asia, “will overtake Japan in the next decade or two become Asia’s major regional military power.”²¹⁰ Thus, Taiwan is its area of near-term military concern.

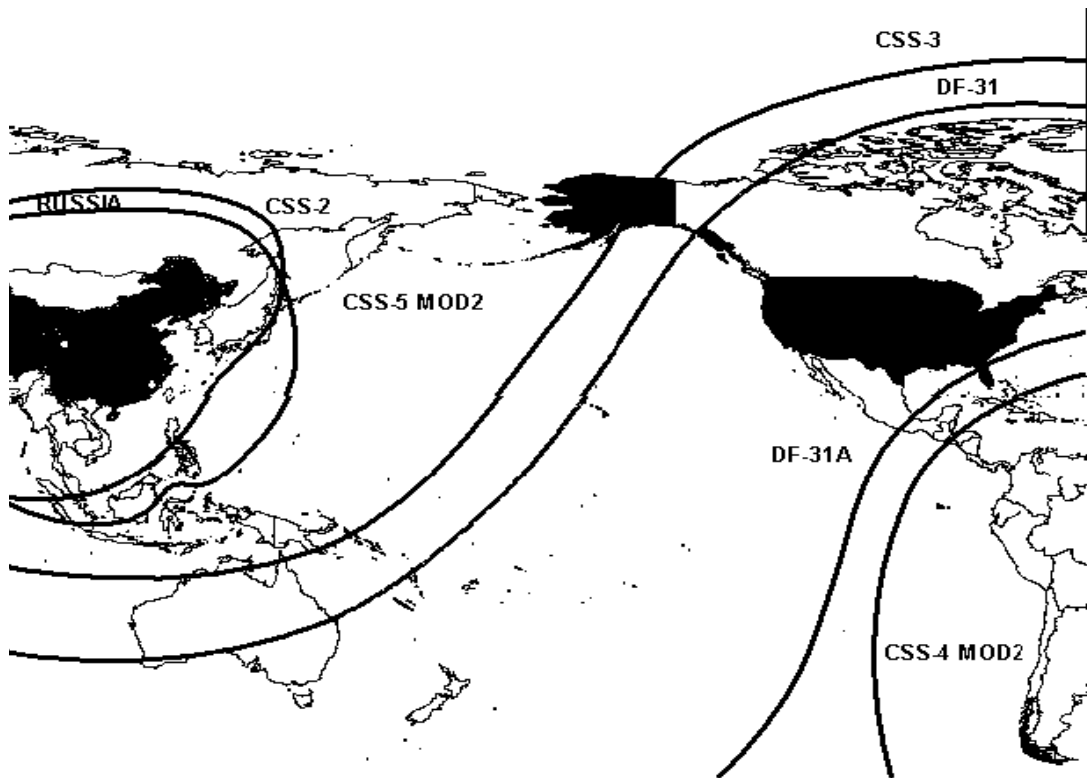
China’s aim to become a key world player and especially become a military hegemon in East Asia is obvious and it is becoming capable to do so. The Pentagon’s last report on China’s military power asserts that its military build up could throw off the balance of power in Asia and threaten the other countries. Since the most common delivery system for nuclear weapons is the ballistic missile, with its growing number of strategic ballistic missiles, it is now one of the few countries that can threaten the continental United States. Since it conducted its first test with initial assistance from the Soviet Union, China became a nuclear power in October 1964. It is now improving the number and sophistication of its several hundred nuclear weapons and weapons of mass destruction (WMD). It is currently capable of targeting its nuclear forces throughout the region and most of the world. It has a more survivable nuclear force with newer systems, such as the DF-31²¹¹ and DF-31A.²¹²

²⁰⁹ Tkacik Jr, John, “China’s Military Power”, *Policy Research and Analysis*, The Heritage Foundation, July 27, 2005, Accessed from <http://www.heritage.org/Research/AsiaandthePacific/tst072705.cfm> on 25, May, 2006.

²¹⁰ Sutter, R., “Why Does China Matter?”, p. 81.

²¹¹ The newly-developed DF-31 is capable of targeting the west coast of the United States, while its longer-range follow-on, the DF-31A, once deployed, may be able to reach much of the continental United States. “China’s Ballistic Missile Update – 2004”, *The Risk Report*, Vol.1, No. 1, November-December 2004, Accessed from <http://www.wisconsinproject.org/countries/china/ChinaBMupdate.html> on July2, 2006.

²¹² “The Military Power of the People’s Republic of China 2005”, United States of America, Department of Defense, Annual Report to Congress.



MAP I: China's Medium and Intercontinental Range Ballistic Missiles²¹³

In the map above, it can be seen that it is capable of threatening the continental US. "China will continue its pursuit of greater influence, a key element of which is the modernization and expansion of its nuclear forces. Concurrently, China will move forward with its broad missile modernization program, focusing on both regional and strategic delivery systems."²¹⁴

Table III in the following page shows its current and possible nuclear capabilities in the year 2012.

²¹³ Ibid.

²¹⁴ Cordesman, Anthony H., "Weapons of Mass Destruction and China: A Quantitative and Arms Control Analysis", CSIS, Center for Strategic and International Studies, February 2001, p. 2.

Type	System	Warhead	cep (m)	range (km)	number deployed			
					Jan 1992	Jan 2000	Jan 2006	Jan 2012
ICBM	Dong Feng 5 (CSS-4 Mod 1)	1 x 5 mt	500	12000	4	0	0	0
	Dong Feng 5A (CSS-4 Mod 2)	1 x 5 mt	500	13000	4	18	20	20
		4 x 650 kt	500	13000	0	0	0	10
	Dong Feng 31 (CSS-X-10)	1 x 1 mt	450	8000	0	0	.	.
	Dong Feng 31A (CSS-X-10)	1 x 1 mt	450	12000	0	0	0	.
		3 x 250 kt	450	12000	0	0	0	.
SLBM	Julang 1 (CSS-NX-3)	1 x 300 kt	.	1700	12	12	12	12
	Julang 2 (CSS-NX-4)	1 x 1 mt	.	8000	0	0	16	16
		3 x 250 kt	.	8000	0	0	0	16
MRBM	Dong Feng 3A (CSS-2)	1 x 3.3 mt	1000	2900	50	40	40	.
	Dong Feng 4 (CSS-3)	1 x 3.3 mt	1400	5500	20	20	12	.
IRBM	Dong Feng 21A (CSS-5)	1 x 300 kt	.	1800	36	48	48	.
SRBM	Dong Feng 15 (M-9)	1 x 10 kt	450	600
TB	Hong 6 (B-6)	1 x NGB		3100	120	120	120	75
		2? x ALCM		3100	0	0	0	25
NGB	?	1 x 3.3 mt	.	0	120	120	120	75
ALCM	YJ-63	1 x 250 kt?	.	.	0	0	0	50

TABLE III. China's Nuclear Forces²¹⁵

²¹⁵ The table is taken from Johnston Robert, "Strategic Nuclear Forces of the World, January 2006, Part 4: United Kingdom, France, and P.R. China", *Johnston Archive*, Accessed from <http://www.johnstonsarchive.net/nuclear/stratnuk-4.html> on June 27, 2006.

2. China's Soft Power

As it was mentioned above, China is increasing its military strength besides its policy of neighboring diplomacy as an effort to bolster its regional ties. In recent years, its political role and influence in Asia has grown substantially, reflecting a more adroit Chinese approach to the region that effectively uses Chinese economic, military and other strengths to expand Chinese influence.²¹⁶ “It wishes to gain bases along Southeast Asia’s sea lanes, dominate Asia’s inland waters, and ultimately gain control of the South China Sea. It also wants to reduce Taiwan and Japan’s influence in Southeast Asia, pushing them out of regional diplomacy; since 1994, it has pursued a policy it calls ‘using all economic and diplomatic resources to reward countries that are willing to isolate Taiwan’.”²¹⁷ It not only builds ties with the countries of the region, it is also doing much to frustrate and exclude the USA from the region. “It is clear that Beijing intends to become the predominant force in Southeast Asia by constructing a framework of relationships that place Beijing in positions of leadership and influence while isolating the United States from its traditional role and its allies in the region.”²¹⁸

It is now the preeminent regional power, “it is almost impossible now to find Southeast Asian leaders publicly questioning China’s rise, a sharp contrast from only five years ago.”²¹⁹ Besides its growing military capability that no other has in the region, it is also using soft power as a tool for dominating the region. “China appears

²¹⁶ Ibid. , p. 76

²¹⁷ Kurlantzick, Joshua, “China’s Charm: Implications of Chinese Soft Power”, *Policy Brief*, Vol. 47, June 2006, p. 4.

²¹⁸ Dillon Danna, Tkacik John Jr. J., “China’s Quest for Asia”, *Policy Review*, December 2005-January 2006, No. 134, Accessed from <http://www.policyreview.org/134/dillon.html> on March 5, 2006.

²¹⁹ Kurlantzick, J. , “China’s Charm: Implications of Chinese Soft Power”, p. 4.

to be using its soft power to incrementally push Japan, Taiwan and even the USA out of regional influence.”²²⁰

Since the economic liberalization has started in the late 1970s, China has also started to engage with the international community. It became a significant international actor by participating several intergovernmental and nongovernmental organizations. Its attempts to become an important actor in the global scene became obvious especially in the early 1990s. Before it began to build new relationships such as establishing various levels of partnership to facilitate economic and security coordination, it established diplomatic relations with 18 countries, as well as the Soviet successor states between 1998 and 1994.²²¹ Then in 2001, it signed a “Treaty of Good- Neighborliness and Friendly Cooperation” with Russia.

Even if it was accepting the multilateral institutions as the other countries tools for punishing or constraining China, it changed its policy and started to see them as its tool for promoting its trade and security interests and most importantly as the tool for constraining the USA. It was the time it began to engage with the ASEAN. It began to hold annual meetings with senior Asian officials in 1995 and then, it helped initiate the ASEAN+ 3²²² mechanism, a series of yearly meetings among the ten ASEAN countries plus China, Japan and South Korea. Next came the ASEAN+ 1 mechanism, annual meetings between ASEAN and China, usually headed by China’s premier. It has also deepened its participation in the Asia- Pacific Economic

²²⁰ Ibid. , p. 2.

²²¹ Medeiros, Evan& Fraven, Taylor, “China’s New Diplomacy”, *Foreign Affairs*, November/ December 2003, p. 24.

²²² At a Beijing inspired summit meeting in Vientiane, Laos, in November 2004, China, Japan, South Korea and the ten member states of the Association of Southeast Asian Nations reached a consensus on an “ASEAN+3” trade framework in Asia.

Cooperation Forum, hosting the ninth leaders meeting in Shanghai in 2001.²²³

Its efforts to be a significant player in the region became successful; now, it is accepted as a major player in Asia. Even if these mechanisms are seen that they were built for only trade matters, China, with the growing economic and military power it has that no other state can deal with, aims to use these mechanisms for both political and military cooperation. For example, with Chinese initiatives, a new “East Asia Summit (EAS)”²²⁴ framework as a forum for regional security issues that pointedly excluded the US and Australia was established. The first East Asian Summit was held in Kuala Lumpur on December 14, 2005 just the day after the ASEAN+ 3 meetings and the attendees were ASEAN member states plus China, Japan, India, South Korea, Australia and New Zealand.

It knows about its growth and effect, this is why it shows its self-confidence when claiming the Asian countries, not the Western countries should lead regional-security mechanisms.

In November 2003, China circulated a concept paper at ARF²²⁵ that proposed an ARF Security Policy Conference, which involves the member states’ vice minister-level defense and security officials. The first meeting of the new conference was held in Beijing in November 2004 and the second in Vientiane, Laos in May 2005. Although the Conference nominally invites all current members of ARF, many regional observers interpret the new proposal as an attempt by Beijing to gain control over ARF. Like its proposals for ASEAN+3, the China-ASEAN Free Trade

²²³ Medeiros, Evan & Fraven, Taylor, “China’s New Diplomacy”, *Foreign Affairs*, November/December 2003, p. 25.

²²⁴ Although Japan agreed to the inauguration of an East Asia Summit (EAS) framework without the United States, Japanese diplomats say unofficially that Tokyo did warn Washington of the danger of China’s moves to include military and security issues in the trade structure. See, Dillon D., Tkacik Jr. J., “China’s Quest for Asia”.

²²⁵ ASEAN Regional Forum.

Zone, and the Asia Europe Meeting (ASEM), the ARF Security Policy Conference is another instrument of Chinese hegemony.²²⁶

It also tries to expand its influence in Central Asia. It led the establishment of the region's first multilateral group, the Shanghai Cooperation Organization which includes Russia, Kazakhstan, Tajikistan, and Uzbekistan to settle long-standing territorial disputes and to demilitarize borders. The organization now stresses counterterrorism cooperation and regional trade.

Besides its growing influence in its own region, it has an important international influence by advantage of its permanent membership on the United Nations Security Council.

As a conclusion, it could not be wrong to claim that China, besides its important place in the world's economy, is becoming a significant actor in the world politics. It is using all of its capabilities in order to increase its influence both in its region and the world. While it is focusing on sustaining economic development and stability and increasing its military capability, it is also increasing its influence by joining the multilateral organizations. It now has the increasingly political and security role in its region. Even if it never asserts its real aim, its clever use of soft power in addition to its growing military capability can only be explained by its revisionist intentions. In the 21st century, a state, logging for hegemony does not need to conquer places in order to be a hegemon.

²²⁶ Dillon D., Tkacik Jr. J., "China's Quest for Asia".

B. Political Relations of the EU- China

Throughout of the history of the globalize world, Europe has had an important role; it settled North and South America, invented modern science, led the industrial revolution, oversaw the slave trade, created huge colonial empires and unleashed the two world wars. China, on the other hand, is now a power, which has a significant influence not only in its own region but also in Africa, Middle East, Central Asia and Latin America. It's emergence as a major economic force has fueled its rise as the dominant regional power in Asia, as well as global political power so, like the USA, EU should pursue a strategic relationship that extends beyond trade and investment even the most important driver between them is economics. In other words, it should state more options with respect to China than seeing it only as an economic opportunity. The EU realizes this fact and tries to expand its tie areas with China although it is uneasy to build a comprehensive foreign policy in a 25-member organization, which is in a deep crisis in the process of the unification. It does not still have a common defense spending and a more consensual foreign policy. Therefore, China develops its bilateral relations with the EU member countries respectively and with the EU as a whole in relation to economic integration. The EU supports China's internal transition towards market economics, the rule of law and democratic accountability and also helps China become a responsible and reliable global player that respects international rules.

Despite the EU has profound troubles either economically or politically; it is now trying to build a strong strategic partnership with China. As the EU is now the biggest trading partner of China, it uses trade as the unique channel for building

stable political relations with China. As the liberal theory argues, trade is the strongest tool for peace thus states might sometimes encourage trade with specific countries for political purposes. Therefore, the bigger trade volume may lead to closer political ties. In addition, as the EU is not able to bring the military weight to bear its relations and because it is relatively secure by having no military or strategic interests in East Asia, the EU has no other efficient strategy than cooperating with China. In addition, according to the EU, it is impossible to build a stable international order without China, in other words, the EU thinks that a world governed by strong multilateral rules and institutions will not be possible without a more confident and engaged China. Reciprocally, Chinese leaders like and respect the EU. They think that a stronger and more united EU can help to lessen the dominance of the USA. China, unlike the EU sees national sovereignty is a necessary condition for the international order so; it has a less faith in multilateralism. China places the importance on its national sovereignty while EU is a hybrid supranational model, which is strongly contrasted to China. China is an autocratic state with one party which is reluctant to engage in humanitarian interventions or multilateral activities that impinge on the internal affairs of other countries and it does not do enough to control the proliferation of military technologies even if it has the capacity. Thus, even if the reasons behind their close relationship are extremely different, their economic and political relationships are continuing to improve they are developing a broad strategic partnership.

Since 1978, when economic reforms began in China, there has been an official relationship between China and the EU. In 1995, just a year after they began political dialogue, the two held a dialogue on human rights. It was the time that their bilateral

trade volume started to increase. Their relationship took a new and efficient form in 1998, since then they have regular meetings every year. During the meetings of 1998 and 1999, the Chinese leaders expressed their inclinations to build a strong partnership with Europe. The current EU policy towards China is based on the policy paper of the Commission adopted in 2001 and titled 'EU Strategy towards China: Implementation of the 1998 Communication and Future Steps for a more Effective EU Policy'. A new policy paper of the Commission titled 'A Maturing Partnership: Shared Interests and Challenges in EU-China Relations' was endorsed by the EU on October 13, 2003. This paper indicates ways of further developing EU-China relations by defining action points for EU policy on China for the coming years. In the paper, "A Maturing Partnership: Shared Interests and Challenges in EU- China Relations", the aims for the EU- China relationship have been stated as follows:

- i. Engaging China further, through an upgraded political dialogue, in the international community;
- ii. Supporting China's transition to an open society based upon the rule of law and the respect for human rights;
- iii. Integrating China further in the world economy by bringing it more fully into the world trading system and by supporting the process of economic and social reform underway in the country, including in the context of sustainable development;
- iv. Making better use of existing European resources;
- v. Raising the EU's profile in China.

As it was described above, the EU wants to engage China in the international community supports China's transition to towards an open society based upon the rule of law and respect for human rights and wants to integrate China further in the world economy. In other words, the EU tries to help China better mix with the international community.

When the EU realized the increasing influence of China on world economics and politics, it reconsidered its policy towards China and became the strategic partner of China. Even if they are strategic partners, no military exchanges have taken place yet. Only in 2004, “French and British naval ships have held joint search- and-rescue exercises with China’s navy, both firsts in military- to- military exchanges. Britain has run a training program for PLA personnel engaged in international peacekeeping operations, something in which China is becoming increasingly involved.”²²⁷

Since the relationship between the EU and China has been developing and they has become strategic partners, the question of lifting the embargo started to become a major political issue in recent years; the EU wanted to demonstrate China that it sees China as a reliable strategic partner. Besides, even if never publicly stated, “European leaders clearly hope that a decision to lift the arms embargo on China would open up opportunities far large scale, politically- influenced procurement decisions by Chinese authorities, thus expanding the opportunity for the EU to deepen its foreign investment profile and start to close its trading deficit with China.”²²⁸

1. The Arms Embargo

“We are a developing country and we don’t have the money to buy weapons which are expensive and useless to us”.²²⁹ China wants to get niche technologies such as

²²⁷ Shambaugh, D., “Current History”, p.244.

²²⁸ Niblett, R., “The United States, The European Union and Lifting the Arms embargo on China”, p.5

²²⁹ Mc Gregor Richard & Dinmore Guy, “China Rebuffs Fears Over End to Arms Ban”. *Financial Times*, March 3, 2005.

underwater sensors and command-and-control software from the EU because it claims that Russia supplies most of the warplanes and submarines it needs. Although it buys a lot from Russia, it is currently trying to improve the quality of its armed forces and instead high technology systems from Europe, especially those designed to help command and control.

In December 2005, the 25 nation EU said it would lift the embargo imposed after the Tiananmen Square²³⁰ bloodshed in 1989. However, it abandoned for now, a plan to lift a 17-year-old embargo on weapons sales to China. Still, a number of EU states, which are led by France and Germany²³¹ argue that the embargo is out of date. According to them, the circumstances have changed since 1989 and the Chinese human rights record has improved. However, the Nordic countries argue that China has not done enough to improve its human rights situation, while the UK and some of the East European countries fear that ending the embargo would strain transatlantic relations.

²³⁰ The 1989 Tiananmen Square Protests were a series of student-led pro-democracy demonstrations in the People's Republic of China, which occurred between April 15, 1989 and June 4, 1989. The protests ended in violence when the 27th Army of the People's Liberation Army used force to restore order in the capital city. On May 4, approximately 100,000 students and workers peacefully marched in Beijing demanding democratic reforms and protesting government corruption. On May 20 the government declared martial law. However, the demonstrations continued. After deliberation among Communist party leaders, the government ordered a forceful military resolution. Troops and tanks from China's 27th Army advanced into Tiananmen Square. On June 3 and 4, the People's Liberation Army violently confronted the pro-democracy supporters. Estimates of civilian deaths vary: 400-800 (NewYorkTimes&Hammond sources), 1,000 (NSA), 2,600 (Chinese Red Cross) and the students maintain that over 7,000 were killed. Injuries are generally held to have numbered from 7,000 to 10,000, including casualties among PLA troops. Following the violence, the government conducted widespread arrests to suppress the remaining supporters of the movement, limited access for the foreign press and controlled coverage of the events in the Chinese press. The violent suppression of the Tiananmen Square protest caused widespread international condemnation of the Chinese government. Accessed from http://en.wikipedia.org/wiki/Tiananmen_Square_protest_of_1989 on November 28, 2005.

²³¹ Not surprisingly, these two are the biggest suppliers to the Chinese market from EU countries. These two are aware of the huge Chinese economy that is open to foreign direct investment and they are also aware of its stake in the global economy is already high and will continue to grow.

The 16 of the 25 EU member states were in favor lifting the embargo (led by France, Italy, Spain and Germany- the European Integrationists), while Denmark, Sweden, Norway, Ireland, Portugal, Poland-the Transatlantists) opposed to lifting it. The supporters of the idea “lifting the embargo” argue that arms exports could be controlled by a code of conduct²³² under which a country’s human rights record has to be considered. The code would also cover some exports of high technology equipment and know- how not touched by the embargo. “France and Germany are keen to lift the embargo and replace it with a strengthened code of conduct on all EU arms sales.”²³³

France and Germany want to sell China more weapons. 2.7% of Chinese arms imports come from Europe.²³⁴ During the EU- China Summit in Hague 8-9 December 2004, EU has officially declared its readiness not to retain the ban on arms sales. In the negotiations, EU has urged Beijing to ratify the UN Convention on political and civil rights, release Tiananmen prisoners, reform China’s re-education through labor penal system and ease media censorship.

Even if the EU said it would lift the embargo imposed after the Tiananmen Square bloodshed in 1989, it changed its mind largely not only because of US pressure but also Beijing itself has made no effort to address what caused the ban. It was not only

²³² On May 25 1998, the Foreign Ministers of the 15 EU States agreed the terms of a EU Code of Conduct on arms sales. The Code of Conduct provides detailed export criteria which must guide decisions by the member states to grant or refuse an application for an arms export license; establishes a mechanism whereby member states consult with each other on the issuing of arms export licenses; requires member states to submit annual reports on arms exports and the Code’s implementation; and, crucially, establishes a process of annual review intended to lead to a strengthening of the Code over the coming years. The text of the Code also calls on the Member States to encourage other arms exporting countries to adopt similar Codes of Conduct. Accessed from http://www.basicint.org/WT/armsexp/B-SW_factsheet.htm on April, 20, 2006.

²³³ “EU may delay China arms move”, *BBC News*, March 22, 2005, Accessed from <http://news.bbc.co.uk/1/hi/world/asia-pacific/4371361.stm> on May 6, 2005.

²³⁴ “Arms Exports to China. A \$15 billion boom”, *The Economist*, No.8415, February 26,2005.

the US oppose to the lifting arms embargo but also Japan was strongly oppose to this idea because they fear that the sales of EU technology could tip the strategic balance in Asia. “Prime Minister Junichiro Koizumi on Monday voiced firm opposition to EU plans to lift a 16-year-old arms embargo on China, amid worsening ties between Tokyo and the economic giant.”²³⁵ Also, the US and Japan concerns Taiwan as an issue of joint security. However, Mr. Li, the Foreign Minister of China said, “any practice of putting Taiwan directly or indirectly to into the scope of Japan- US co-operation constitutes an encroachment on China’s sovereignty and interference into China’s internal affairs”²³⁶

As it has been mentioned before, China is now one of the most important economic powers in the world, but this does not change the reality of Chinese violation of human rights. Also, economic growth and the protection of human rights are not mutually exclusive so the embargo does not restrict China’s capacity to promote economic growth at home. In addition, the arms embargo should remain a key part of EU efforts to support human rights in China. Maintaining the embargo is important to convey the message that Europe cares about human rights worldwide. It sends the right signal to China that Europe is still concerned about its human rights record.

Although the idea “lifting the arms embargo against China” was shelved, in the long run, the Europeans will need to lift the embargo because China is one of the crucial partners for the EU in areas ranging from the Galileo satellite positioning system to higher education. However, of course, EU will not lift the embargo unless China

²³⁵“Koizumi urges EU to keep arms embargo on China”, *The Epoch Times*, May 3, 2005, Accessed from <http://www.theepochtimes.com/news/5-5-2/28365.html> on May 10, 2005.

²³⁶ McGregor R., Dinmore G., “China rebuffs fears over end arms ban”.

releases the Tiananmen Square protesters and allows the International Red Cross access to its prisons. Last year, EU urged China to free Tiananmen dissidents and ratifies a UN pact on civil and political rights to create a climate that would allow it to lift the embargo. However, China rejects any linking of the arms embargo with its human rights record. The fact that international opinion still considers the events of 1989 and China's human rights record today of relevance was recently demonstrated by the EU's decision in May not to lift its embargo on arms sales to China.

The EU does not regard that the Chinese efforts for upgrading its military capability are not part of its security policy because as it was mentioned before, in Europe's view, China's economic integration is de facto security policy and making military conflict too costly and unlikely. However, for US and some of its allies, the opposite may be true: economic rise and nationalism are feeding each other.

As a conclusion, it can be stated that even if the arms embargo has not lifted, both sides are moving closer to each other. China is getting closer to the EU by showing some willingness to develop itself in issues which are very important for the EU such as the environment, the rule of law, and compliance with international norms. Besides, even if they have some difficulties like trade deficit of the EU, the application of the death penalty in China, etc. in their relationship, they are really trying to find the solutions to solve the problems between them.

China is becoming a superpower so; a transatlantic dialogue must now be opened on how the world should respond. The EU arms embargo on China is a highly sensitive and contentious issue between China and Europe, between Europe and the US, and

within Europe.

C. Political Relations of the US- China

China is the emerging power which will “tilt global trade and technology balances in its favor, ultimately becoming an economic, technological and military threat to the US.”²³⁷ It has been building allies across the Asia Pacific region besides its growing economic and military power. With the consciousness of its growing power, it is expanding its influence areas either diplomatically. In other words, besides its potential hard power, it is increasing its soft power by joining to the international arena. It is now building the new regional order in which it will be the hegemon. Only China possesses the economic and military capacity to challenge US. So, the challenge presented by a rising China is the principal issue facing American foreign policy. China is now a discontented, nuclear-armed major power that the US should deal with. In other words, China is the only major power that the US is likely to go to war. It is not aligned with the US, it is not struggling against decline or, it is not having a tense diplomatic relationship with US, it, by contrast, is a rising power with high expectations, unresolved grievances and an undemocratic government. Besides, there are several conflict issues that go beyond US- China relations. The China’s huge hunt for energy and consequently its close relationship with the oil rich but worrisome countries such as Sudan and Iran, its insistence on Taiwan is its part are the two most important problematic issues between USA and China. The USA is aware of the threat that China poses to its hegemony. Even if it seems that fighting with terrorism is its top issue, it is preparing for a fight against an entirely different

²³⁷ Gilboy, George, “The Myth Behind China’s Miracle”, *Foreign Affairs*, July/ August 2004, p. 33.

enemy, China. “Ostensibly, the growing threat of international terrorism is responsible for the Bush administration's proposed 2007 military budget, of \$439 billion: a 7% increase from last year's record tally. Higher spending, Defense Secretary Donald Rumsfeld has indicated, would ensure U.S. success ‘in the long war against terrorist extremism’.”²³⁸ However, its deployment of costliest items such as nuclear-powered submarines and long-range bombers are intended for use against a totally different enemy. Despite the relationship between the USA and China seems not conflictual, the USA hold a darker view of the future.²³⁹ The true objective of deploying these arms is the containment of China, not to defeat the terrorism or spread the democracy in the Middle East. As the only hegemon of the world, USA wants to prevent the rise of the competitor which can challenge its superiority.

According to offensive realism, great powers fear and seek to dominate each other in a relentless, zero- sum struggle for power in a world with no central governing authority above them. In 21st century, there is one great power, USA, which has to fear and seek to dominate the emerging one, China. So, the relationship between the US and China is the most important bilateral relationship of the world²⁴⁰. If China

²³⁸ Klare, Michael T., “ Not Terrorism - China Drives up US Military Spending”, *Foreign Policy In Focus*, April 7, 2006, Accessed from <http://www.globalpolicy.org/empire/intervention/2006/0407china.htm> on July 13, 2006.

²³⁹ Ibid.

²⁴⁰ The US President Richard Nixon visited China on February 1972. During this visit, the US and Chinese governments issued the Shanghai Communique, a statement of their foreign policy views. In the Communique, both nations pledged to work toward the full normalization of the diplomatic relations. In May 1973, in an effort to build toward the establishment of formal diplomatic relations, the U.S. and China established the United States Liaison Office (USLO) in Beijing and a counterpart Chinese office in Washington, DC. The United States and China announced on December 15, 1978, that the two governments would establish diplomatic relations on January 1, 1979. On March 1, 1979, the United States and China formally established embassies in Beijing and Washington, DC. During 1979, outstanding private claims were resolved, and a bilateral trade agreement was concluded. The expanding relationship that followed normalization was threatened in 1981 by Chinese objections to the level of U.S. arms sales to Taiwan. High-level exchanges continued to be a significant means for developing U.S.-China relations in the 1980s. President Reagan and Premier Zhao Ziyang made reciprocal visits in 1984. In the period before the June 3-4, 1989 crackdown, a large and growing number of cultural exchange activities undertaken at all levels gave the American and Chinese peoples

continues its rapid growth, it will be real potential regional hegemon, which's desire for regional domination is obvious. As the US Director of National Defense, John Negroponte argues on March 1,2006, "China's steady military and economic expansion may ultimately lead to Beijing attaining superpower status on a par with the United States". In the following years, with the fast globalization, there will be a shift of momentum and energy to greater Asia, therefore, the importance of the region that China wants to dominate will be realized more deeply even the region is already very important politically, militarily and economically and so, China will become involved in an intense security competition with the US. As the only superpower, USA, will not want a peer competitor. According to the White House's "National Security Strategy for a New Century", the first category of the American national interests is *vital interests* that include the physical security of American territory, the safety of American citizens, the economic well- being of American society, and the protection of critical infrastructures from paralyzing attacks.²⁴¹

China is no more a simple foreign policy issue for the US. The USA is aware of a rising power which is becoming a true rival to its hegemony. In the Pentagon Report "Nuclear Posture Review" of March 2002 and the congressional "Report of US-

broad exposure to each other's cultural, artistic, and educational achievements. Following the Chinese authorities' brutal suppression of demonstrators in June 1989, the U.S. and other governments enacted a number of measures to express their condemnation of China's blatant violation of the basic human rights of its citizens. Relations between the U.S. and China were severely strained by the tragic accidental bombing of the Chinese Embassy in Belgrade in May 1999. In April 2001, a Chinese F-8 fighter collided with a U.S. EP-3 reconnaissance aircraft flying over international waters south of China. President George W. Bush visited China in February 2002 and met with President Jiang Zemin in Crawford, Texas in October. President Bush hosted Premier Wen Jiabao in Washington in December 2003. President Bush first met Hu Jintao in his new capacity as P.R.C. President on the margins of the G-8 Summit in Evian in June 2003, and at subsequent international fora, such as the September 2004 APEC meeting in Chile, the July 2005 G-8 summit in Scotland, and the September 2005 UN General Assembly meetings in New York. President Bush traveled to China in November 2005, an official visit that was reciprocated in April 2006 when President Hu met with President Bush in Washington. "Background Note: China", Bureau of East Asian and Pacific Affairs, April 2006, Accessed from <http://www.state.gov/r/pa/ei/bgn/18902.htm> on June 2, 2006.

²⁴¹ Gladkyy, Oleksandr, "American Foreign Policy and US Relations with Russia and China after 11 September", *World Affairs*, Vol. 166, No.1, Summer 2003, p.3.

China Security Review Commission” of July 2002, it has been stated that China is a potential military and economic rival and nuclear target for the US.²⁴² In other words, its economic and military growth would pose a national security threat to the US. As it was mentioned in the China’s Military Power section of this thesis, it would not be wrong to conclude that China pose a nuclear threat to the USA. It has the nuclear capability to threaten the continental America. Therefore, there is a threat of nuclear arms race like the one in the Cold War. “China, like the US, has not ratified the Comprehensive Test Ban Treaty, so although the country adhered to the voluntary international moratorium and has not conducted nuclear testing since 1996, China will almost certainly follow suit if the US resumes testing its nuclear weapons.”²⁴³

China, with its fast growing economy, has increased both its political influence and military modernization. In addition, it has now a political influence both in its region and in the other regions of the world which prevents a backlash against its rise especially by building diplomatic and economic relationship with other major actors like the EU.

China is changing the Asian regional order dominated by the US for the past 50 years; it wants to be the predominant power in Asia within the coming decade. It will, like all great powers, tend to become aggressive when it gets the chance. It wants to replace USA as the chief influence in East Asia. USA has already begun to lose influence in South East Asia and China is rapidly becoming the predominant power in the region and already behaves accordingly. Over the long run, it wants to

²⁴² Ibid. , p. 9.

²⁴³ Ibid.

organize East Asia in a way that puts it in the center of regional politics. In early 2000, Condoleezza Rice wrote, “China resents the role of the United States in the Asia-Pacific Region. This means that China is not a ‘status quo’ power but one that would like to alter Asia’s balance of power in its own favor. That alone makes it a strategic competitor, not the ‘strategic partner’ the Clinton administration once called it.”²⁴⁴

As it was mentioned before, the two most important conflictual issues between the USA and China are energy and the question of Taiwan. The possible future conflict may arise because of these two important issues.

1. Energy

There is a growing possibility of conflict between the US and China because of the rapid growth of China’s energy demand and its competition with the USA on reaching its oil needs. Its need for energy is mostly shaping its foreign policy towards its neighbors and the other parts of the world. It is preventing the US goals on a several issues on the regions by increasing its influence on the regions, because its hunt and its success in accessing the global energy resources lead China to be a rising power.

China is today the second largest oil- importer although it was the East Asia’s largest oil exporter just twenty years ago. “In 1993, China became a net oil importer, and energy demand and imports have increased steadily over time with the growth in

²⁴⁴ Dillon D. , Tkacik J. Jr. , “China’s Quest for Asia”.

import volumes significantly exceeding reported GDP growth. In 2003, China's imports of oil increased 30% over 2002, surprising global energy analysts and Chinese economic planners alike. That same year, China surpassed Japan to become the second largest importer of petroleum after the United States. In 2005, China's oil imports are expected to grow by 10 percent to about 7 million barrels a day. The trend of increasing reliance on energy imports and growing import volumes is projected to continue for the foreseeable future, driven by rising numbers of cars on the road, greater energy consumption by consumers and industrial growth."²⁴⁵ Therefore, as its economy grows very fast, so does its need for energy.

It now has an unprecedented need for resources because it is the workshop of the world, its need for electricity and industrial resources has increased amazingly.²⁴⁶ "These new needs already have serious implications for China's foreign policy. Beijing's access to foreign resources is necessary both for continued economic growth and, because growth is the cornerstone of China's social stability, for the survival of the Chinese Communist Party."²⁴⁷ Therefore, its reach to the energy is of vital interest not only for its economic growth and for its system.

The USA, as the superpower and Japan are the states that are affected seriously from the China's enormous need for energy. China, in order to get energy, enters the US's and Japan's spheres of influence or strikes deals with states that they have tried to marginalize. Thus, China challenges the US dominance and this situation increases the possibility of conflict between these two.

²⁴⁵ Thompson, D., "China Brief: China's Global Strategy for Energy, Security, and Diplomacy".

²⁴⁶ Zweig David & Jianhai, Bi, "China's Global Hunt for Energy", *Foreign Affairs*, September/October 2005, p. 25.

²⁴⁷ Ibid.

Over the last years, China's engagement in the Middle East has expanded not only in economically but also politically. China is now become an important actor in the Middle East because of its oil dependence. "Since 2002, the Middle East has become the leading arena for Beijing's efforts to secure effective ownership of critical hydrocarbon resources, rather than relying solely on international markets to meet China's energy import needs."²⁴⁸ "More than 45% of China's oil imports were estimated to come from the region in 2004."²⁴⁹ Therefore, it is, by importing 45% of its oil need from Middle East, threatening US's energy and security interests in the region. Only Iran is the exporter of its 11% of the oil imports, its one of the three important oil companies, state-controlled, Sinopec signed an oil and natural gas agreement with Iran that could be worth as much as \$70 billion in October 2004.²⁵⁰ With this agreement "China committed to develop the giant Yadavaran oil field and buy 250 million tons of liquefied natural gas over the next 30 years; Tehran agreed to export to China 150,000 barrels of oil per day, at market prices, for 25 years."²⁵¹ Thus, one of the most important oil exporters to China is the one that US has problems with. By having closer ties with Iran, it clearly shows its lust for hegemony. It is increasing its influence at the same time decreasing the influence of the only hegemon. In the last Sino- American summit, their difference in viewing and evaluating Iran became obvious. "The US frustrated by Beijing's and Russia's foot-dragging in the UN Security Council to condemn Iran's enrichment of uranium and suspected nuclear weapons development program. Condemnation by the five

²⁴⁸ Leverett Flynt & Bader Jeffrey, "Managing China- US Energy Competition in the Middle East", *The Washington Quarterly*, Winter 2005-2006, p. 188.

²⁴⁹ Zweig David & Jianhai, Bi, "China's Global Hunt for Energy", *Foreign Affairs*, September/October 2005, p. 28.

²⁵⁰ *Ibid.*, p. 29.

²⁵¹ *Ibid.*

permanent members of the Security Council is the first step towards likely sanctions and other punitive measures, moves resisted by Beijing.”²⁵²

In addition to the oil it imports from Middle East which is the region that the US is the hegemon, it was importing 28.7% of its oil from Africa; mainly 4.7% from Sudan in 2004, another country that US has several policies like imposing sanctions on.²⁵³ It now imports 7% of its oil from Sudan; therefore, again in this region it has begun to challenge the influence of the US. “Sudanese oil began pumping in 1999, becoming China’s first successful overseas effort to produce significant output.”²⁵⁴ “In 2000, Beijing established the China- Africa Cooperation Forum to promote trade and investment with 44 African countries.”²⁵⁵

China is ensuring to get the oil it need from the countries that US has influence on and in return, it offers them economic and military aid, access to Chinese markets and support at the UN where China wields veto power at the Security Council.²⁵⁶ It “has also shown willingness to oppose US policies as it did in 2004 when it threatened to veto a US proposed resolution to impose sanctions on Sudan, or when it signalled resistance to any UN measure that would include the threat of military action against Iran.”²⁵⁷

²⁵² Shambaugh, David, “The US and China: Friends or Foes?- Part I”, Yale Global, April 18, 2006, Accessed from, <http://yaleglobal.yale.edu> on May 16, 2006.

²⁵³ Zweig David& Jianhai, Bi, “China’s Global Hunt for Energy”, *Foreign Affairs*, September/October 2005, p. 29.

²⁵⁴ Thompson, D., “China Brief: China’s Global Strategy for Energy, Security, and Diplomacy”.

²⁵⁵ Zweig D.& Jianhai, B., “China’s Global Hunt for Energy”, p. 29.

²⁵⁶ Massoud, Adla, “Oil May Fuel Sino- US Conflict”, *Al- Jazeera*, June 29,2006, Accessed from <http://english.aljazeera.net/NR/exeres/59F15F30-6ECB-45E1-951E-2472A16B8017.htm> on July 10, 2006.

²⁵⁷ Ibid.

Aside from its imports from Middle East and Africa, it is also exploring potential partnerships in Latin America. “Brazil’s development minister visited Beijing nine times in 2003 and 2004. Dozens of business leaders accompanied President Hu on his four- stop trip to the region in November 2004, during which he announced \$20 billion in new investments for oil and gas exploration and other projects. In 2004, China invested \$1.4 billion in the region; it is now the main impetus for export growth for many Latin American states.”²⁵⁸

Its need for energy has also leads it to be the most important trading partners of the US’s allies like Australia. “Australia has agreed to export China, starting in 2006, approximately \$1 billion dollars worth of liquefied natural gas very year for 25 years. Such deals are enhancing China’s soft power in Australia, perhaps to Washington’s detriment.”²⁵⁹ Besides its agreement with Australia, it build a close ties with Canada in order to involve to the Canada’s natural gas sector. China seeks to access to the massive tar sands which are very important for US energy security.²⁶⁰

Besides its close ties with the US alliances, it is also in a resource competition with another US ally, Japan. There is a tension between Japan and China about the gas reserves they both claim in South China Sea.

The US President George Bush told the American citizens that “addiction to oil is a matter of national security concerns” just a few months ago²⁶¹ because China’s search for resources leads it to have close relations with the countries that US tries to

²⁵⁸ Zweig D.& Jianhai, B., “China’s Global Hunt for Energy”, p. 29

²⁵⁹ Ibid. , p. 30.

²⁶⁰ Ibid. , pp.30-31.

²⁶¹ Massoud, Adla, “Oil May Fuel Sino- US Conflict”

isolate. In other words, it is preventing the US to punish the states which do not obey the international law, limit nuclear proliferation or promote democracy like Iran and Sudan. As China is trying to become a hegemon in an anarchical order, it does not search for morality when it builds ties with the countries.

2. Taiwan

“Taiwan is an island off of the Chinese coast that was controlled by the remnants of the Chinese Nationalists after they fled the Mainland after the communist revolution. Despite the island's de facto independence for half of a century and its completely independent political system, economy and population of 23 million people, China continues to insist Taiwan is part of China.”²⁶²

Taiwan is one of the most significant issues in the relationship between China and USA. As the defender of Taiwan²⁶³, the USA would most probably deal with the Chinese aggression if an independence movement occurs in Taiwan. China has announced that it will not tolerate any declaration of Taiwan’s independence and if Taiwan declares independence, it will invade Taiwan. Even China does not seem to have any immediate plan to attack Taiwan, as Mearsheimer argues, if its strength continues to develop at the same magnitude and rapidity in the next century, it will. Therefore, the rise of China in world politics is one of the most significant challenges for the US foreign policy. Although the US is the defender of Taiwan and committed

²⁶² Mastel, Greg, “Rebalancing China, Taiwan”, *The Washington Times*, February 1, 2004.

²⁶³ Under the Taiwan Relations Act of 1979, the USA maintained its commitment to help Taiwan defend itself against an armed invasion from China.

to help defend Taiwan against a Chinese invasion, it formally subscribes to the “one China” principle, but not if it is achieved with a Chinese military invasion.

China, as the rising power in the region, deploys an increasing number of missiles targeted at Taiwan. In September 2004, Taiwanese Prime Minister said: “If you fire 100 missiles at me, I should be able to fire at least 50 at you. If you launch an attack on Kaohsiung, I should be able to launch a counterattack on Shanghai”.²⁶⁴ Even both sides have shown their capabilities to each other, it seems that any great power war between the US and China is irrelevant for now because the political developments in Taiwan during 2005 have effectively ended the independence movements there. In the December 2005 local and municipal elections, the Democratic Progressive Party (DPP), which is the driving force behind the independence movements, defeated even China has passed an Anti- Secession Law in March 2005. The two important reasons behind the defeat were maybe the huge trade volume between China²⁶⁵ and the deployment of Chinese missiles. The popularity of the winner party, Kuomintang (KMT) of the December 2005 election seems to continue because Taipei Mayor Ma Ying- jeou, who had 80% approval rating in opinion polls, likely to be the candidate in the 2008 presidential election.²⁶⁶

In 1995, when Taiwan’s president visited the US, the independence movement gained momentum because since that time US has not allowed the Taiwanese leaders to visit the US in deference to China’s insistence that Taiwan is a Chinese province.

²⁶⁴ “Missile race heightens tension across Taiwan Strait”, *Jane’s Intelligence Review*, January 2005, p.44.

²⁶⁵ China was the importer of the 40% of Taiwan’s exports. Accessed from, Ross, Robert, “Taiwan’s Fading Independence Movement”, *Foreign Affairs*, March/April 2006, p. 143.

²⁶⁶ Ross, Robert, “Taiwan’s Fading Independence Movement”, *Foreign Affairs*, March/April 2006, pp. 144-145.

But, by allowing the visit, US seemed to China to be encouraging independence.²⁶⁷ China, by deploying short-range ballistic missiles across the strait from Taiwan and by purchasing Russian submarines and aircraft, showed its reaction to the visit. Allowing the visit was not the only thing that US did in order to encourage Taiwanese independence movement. It build closer defense ties with Taipei, which it urged to buy costly, high- profile weapons such as submarines and Patriot missile defense systems. Since 2000, the independence movements have continued but the independence movement could not get the domestic support.²⁶⁸ “The increasingly unpopular Chen and his DPP, the driving forces behind the independence movement in recent years, have suffered several electoral defeats, and advocates of greater cooperation with the mainland have gained ground.”²⁶⁹

Even if the latest domestic developments in the island shows that there will not be an independence movement, the possibility of war between the US and China is still likely because as China becoming more stronger militarily in the region, it might think that the US may not defend Taiwan if China chooses forcibly assert its territorial claim. However, actually the more rise of Chinese forces in the region will lead to more rise to US military capabilities and finally will lead to a war between the two.

²⁶⁷ Ibid. , p. 141.

²⁶⁸ Ibid. , p. 142.

²⁶⁹ Ibid.

CONCLUSIONS

Napoleon Bonaparte said "...When China awakes; it will shake the world" two hundred years ago. It seems that it has awaked...

Its economy is now the second largest in the world, behind only the US. It has a GDP growing by 10% a year.²⁷⁰ Its GDP growth has now outperformed not only the other Asian economies but the other strong economies of the world. It is the world's fastest growing major economy, which's continued growth is very critical to the overall health of the world economy. If its huge economic growth continues, it will translate its economic power to the military power and will have a security competition with the only hegemon, USA because the hegemons do not want the existence of the other regional hegemons in a self- help, anarchic world.

It might not be wrong to conclude that they will have a competition because China is growing economically and militarily and expanding its influence all over the world. It is very well aware of the need for economic wealth for getting stronger and acting to do so. It has been concentrating on its economic growth since it liberalizes its economy in late 1970s. It now has the capability of challenging the economic status quo on many fronts, changing the dynamics of international markets, changing the nature of the competition of the global economic players for access to energy, commodities and other natural resources as well as manufactured goods.²⁷¹

²⁷⁰ "China's economic miracle: the high price of progress", *CBC News*, Accessed from <http://www.cbc.ca/news/background/china/> on July,10, 2006. Also see in Keidel, Albert, "Why China Won't Slow Down", *Foreign Policy*, May/June 2006, p. 69.

²⁷¹ Schürer, Wolfgang, "A Geopolitical and Geo-Economic Overview: On the Rise of China and India as Two Asian Giants", *The Fletcher School*, Vol. 29, No.2, Summer 2005, p. 145.

It is taking safe measures in order to maintain its economic growth. It is investing in things that feed its growth; first, its financial system mobilizes a lot of money and it allocates large share to the infrastructure such as roads, ports. Second, it has created incentives that reward hard work, knowledge, and risk taking. It extended the compulsory education to nine years, by this way, it underpins its increasing worker productivity. Third, its openness to global commerce has enhanced its economic flexibility and financed new technologies, while judiciously managing key areas such as foreign investment. Fourth, foundations for a lasting middle class have emerged.²⁷²

China is now doing what rational great powers do; it is searching opportunities to gain power over its rivals both economically, militarily or diplomatically, with hegemony as its final goal. It is, by becoming the preponderant economic and military power in the world, preparing for the future conflict. It is translating its economic power into military power, and as this power increases so to its incentive to dominate its region, East Asia. In the following decades, if its rapid growth continues, it will extend its power relentlessly toward the ultimate goal of becoming the hegemon.

Its ambitious economic reforms and its military modernization aimed at expanding its international influence. China is now becoming a superpower with the strategy it adopted which facilitated its rise. It has had policies that reassured its neighbors that it is a responsible and cooperative actor. It has embraced the multilateralism since the

²⁷² Keidel, Albert, "Why China Won't Slow Down", *Foreign Policy*, May/June 2006, p. 69.

middle of 1990s; for example it has a central role in Shanghai Cooperation Organization, it has tried to facilitate cooperation with the ASEAN countries. Even if these efforts can be perceived that China is becoming a responsible and cooperative player in the world arena, its aims behind its engagement to the international order is obvious: it wants to alter the international system to its advantage. It is, by improving relationships with the other countries, preventing them to unite against its rise and decreasing the US influence in international system. For example, after the Vientiane Summit of 2004, it proposed an entirely new “East Asia Summit” framework as a forum for regional security issues that pointedly excluded USA. Therefore, it is forming cooperation with other states along with its amazing economic and military growth. It is one of the five permanent, veto-wielding members of the UN Security Council which, in the long run substantiates its ambitions to become a strong international power. Thus, it is developing its soft power, along with its hard power. It is larger, militarily stronger and becoming richer than any other country in its region.

China has become a peer competitor to today’s superpower, with its continuous economic growth, its military modernization and its close relationships with the other countries. It is now transforming the politics and economics of the entire world. Truly, the US images of a rising power militarily threatening its interests especially in the Asia Pacific. The USA now faces a strong power which claims territories like Taiwan and with respect to these territories, which claims a right to use force.

The EU, on the other hand, does not view China as a threat to its security issues unlikely to the USA, because it neither has military and strategic interests in Asia nor

has any security alliances or relevant commitments with respect to the region. Instead, the EU supports China's internal transition towards market economics, the rule of law and democratic accountability and also helps China become a responsible and reliable global player that respects international rules.

The EU's attempts to develop a strategic approach toward China lag far behind those of the United States, and have so far mainly been in the fields of trade and economics even it supports China's respect to international rules . The EU is manifestly unable to bring the same military and diplomatic weight to bear in its relations with Beijing as the United States, however, it has to have a strategic relationship that extends beyond trade and investment. In other words, the EU should state more options regarding China than seeing it only as an economic opportunity, but it is hard to build a comprehensive foreign policy in a 25-member organization, which does not still have a common defense spending and a more consensual foreign policy. Therefore, China develops its bilateral relations with the EU member countries respectively and with the EU as a whole in relation to economic integration.

Consequently, China is becoming the most important player in shaping the world order as a whole. It has now the potential to become a regional hegemon and pose a greater threat to the USA than during the last century. Finally, as a rising actor which has a zero- sum struggle for power, will push the US, not the EU out of Asia.

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