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**CHINA'S AGGRESSION IN THE 21ST CENTURY  
CATALYSTS, STRATEGIES, AND REACTIONS**

A Thesis  
submitted to the Faculty  
in partial fulfillment of the requirements for the  
degree of

Master of Arts in Liberal Studies

By Masaki Aerts

Guarini School of Graduate and Advanced Studies  
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May/2023

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**ABSTRACT:**

The Thucydides Trap is a pattern for identifying rising powers preparing to disrupt the status quo by challenging an already established one. Assuming this pattern is correct, and if we fail to take actions to modify this path, then it is not at all unlikely that the long-elevating tensions between China and its adversaries (the US and its allies) will eventually reach a point of critical mass – and even result in direct military conflict. This paper will look to outline the tactics and actions taken by China. This will then be followed by my argument for proactive measures needed and available to the US and its allies to avoid the worst. The outcome of such measures will hopefully lead to discussions that allow for mutual goals to be mapped out between all parties in an attempt to de-escalate and find common ground. While there is no way to fully know what all parties desire for themselves, there are a few areas worth discussing that are outlined at the end of the paper that seem to be realistic points for discussion (i.e. fair trade, Pacific coastal waters, and others). In the end, the goal will ultimately be to find stability and common ground: Chinese people and government comfortable with their place in the international community and interacting with other nations in an open, honest, mutually equitable, and sustainable manner.

**PREFACE:**

In writing this thesis, my primary focus was to document the aggressive actions (economic, military, etc.) and policies demonstrated by China in recent years, and to consider potential responses for the United States and its allies that could deter China from such provocative behavior and incentivize a more collaborative relationship. As I researched, it quickly became evident that in order to understand the decisions and strategies of China's leaders - some that might defy logic, or at least good sense, from a Western democratic perspective - it would be necessary to analyze the unique and troubled history of the Chinese people over the past 2 centuries. Considering these events shed great light on the culture and mentality of the Chinese nation and its leadership and helped to define my final recommendations for policies to avoid conflict with China and build the foundation for greater collaboration. A point of surprise - if not frustration at times - was the quickly escalating tensions that grew between the two adversaries as I was writing this thesis. At times it felt as though my subject was evolving faster than I could document it. The result was several citations that were published after the start of my research. If nothing else, I hope that this work will be considered poignant by its readers. Finally, I would like to acknowledge my thesis committee of Prof. Steven Ericson, Prof. David Rezvani, and Prof. Donald Pease for helping me to construct this thesis, as well as all faculty members of the MALS Program, including, but not limited too, Wole Ojurongbe, Amy Gallagher, Dr. Jon Kull, and Colleen Andrasko, all of whom have helped to shape my graduate experience at Dartmouth College.

Masaki Aerts

Warren, NJ, May 2023

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## **INTRODUCTION: WHAT IS THE THUCYDIDES TRAP?**

The “Thucydides Trap” is a term popularized by esteemed American political scientist Graham T Allison, former United States Assistant Secretary of Defense for Policy and Plans, and current Professor of Government at Harvard University. The term is defined by Allison as “a deadly pattern of structural stress that results when a rising power challenges a ruling one”.<sup>1</sup> It is derived from a quote by ancient Athenian historian and military general Thucydides who famously said, “It was the rise of Athens and the fear that this instilled in Sparta that made war inevitable.” Thucydides was referring specifically to the Peloponnesian War, when, as the quote mentions, a rising power – Athens – challenged the established power of Sparta, causing the inevitable conflict and in this case led to Greece’s ultimate demise.

According to Allison, this pattern has occurred sixteen times over the past 500 years. In the late 20<sup>th</sup> and early 21<sup>st</sup> centuries, China, the rising power, provides us with perhaps the most contemporary version of this recurring power struggle – challenging what it views as a group of established, adversarial powers and more specifically, the United States as its primary rival. My goal will be to focus on multiple facets of this conflict and on how China’s current strategies and activities ripple not only within the Pacific Rim region, but globally. China’s aggression and attempts at challenging the status quo will be explored from an economic and

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<sup>1</sup> Allison, Graham. *Destined or War: Can America and China Escape Thucydides’s Trap?* London: Scribe Publications, 2018.



military lens, as well as their utilization of both domestic and global propaganda to sway public opinion. From here, this thesis will look to provide policy recommendations for the United States, Taiwan, Japan, South Korea, Australia, and other affected nations, reflecting on the results of actions that they have already taken, as well as strategies for more productive engagement with China. This, in order to limit aggressive actions and potentially establish/nurture a more inclusive and collaborative relationship between China and its adversaries.

If we are to assume that Allison's claimed trajectory for China is correct, and if we fail to take actions to modify this path, then it is not at all unlikely that the long-elevating tensions between China and its adversaries (the US and its allies) will eventually reach a point of critical mass – and even result in direct military conflict. Considering the resources and parties potentially involved, this could be catastrophic beyond all imagining. I will argue that proactive measures are needed and available to the US and its allies to avoid the worst, but that it is vital that we first understand China's motivations as well as their challenges.

In summary, I will seek to explore:

- A) China's long and painful history (particularly, over the past 200 years) of exploitation by foreign powers that, along with catastrophic internal political missteps, have greatly influenced the national/cultural psyche and agenda.
- B) The tactics and strategies that post-Mao Chinese leaders have employed which were deeply inspired by the might-makes-right philosophies imposed on China during its "Century of Humiliation" and the economic and military successes of pre and post WW2 Japan.

- C) How the unprecedented growth of the Chinese economy and industrial base has provided a catalyst, the means, and even the demand for even greater influence in the global community, and that a hunger for dominance relative China's economy, military, and international influence (fueled much by the aforementioned points "A" & "B"), has resulted in what many consider aggressive and even dangerous actions/behavior that could easily escalate to conflict that would threaten worldwide stability.
- D) The reasons to believe that near-future timing may be critical (and even advantageous for reasons clearly explained later) if the international community wishes to take a proactive approach towards modifying China's actions/goals in order to avoid confrontation and develop a more collaborative relationship. To most effectively craft such strategies relative to Chinese behavior, it will be important to understand the history that motivates that behavior.

To properly understand how and why China arrived at this modern Thucydides Trap model, we must first consider the current mindset of the Chinese people and the history that molded their contemporary cultural identity. This is an important catalyst that shapes China's mentality and sheds light on an aggressive military/economic behavior that may at times defy the norms of modern international relations, diplomacy, and policy.

In trying to comprehend a country's actions and strategies, it is always necessary to consider intent. What is both the inspiration and the ultimate goal? A reason for acting in the manner one does. In the case of China, one might simply attribute their aggression to greed and/or ambition. In part this is true. However, there is also a deep-seated insecurity and longing for international

prestige/recognition that colors the decisions of China's leaders and the way they market their policies to the populace. All factors that have been molded by the country's experiences in both national and foreign affairs throughout its history. This has been true not only for decades, but for centuries, and is so entrenched in the modern Chinese culture and psyche – not only the leaders, but the citizenry as a whole – that to consider Chinese international relations outside of the influence of history, would be to do so at the peril of international community. The aggressive nature of China is not only logical – if not juvenile from a modern industrial superpower perspective – but is, as Alison points out, with precedent and even predictable, in light of the historical examples it is clearly taking as its roadmap.

In the proceeding subsections, I will examine China's efforts to exert global influence via their military, economic, and media/propaganda activities, and will seek to highlight the historic catalysts that inspired such aggressive tactics and mentalities. And finally, I will explore the recent and potential international response(s) to said aggressive tactic and why these are necessary if we are to bring China into the fold of peaceful and mutually beneficial allies.

While there may be some that suggest that the United States has no business trying to control the behavior of China – or any other country for that matter – and that we should simply concern ourselves with domestic challenges. The nationalist, or “America First” view is short sighted and fails to recognize how

interconnected the community of nations has become. Currently, there is nothing China would rather see than a pulling-back of America's influence on the world stage in terms of trade, military support, diplomatic influence, and others. The Chinese are already moving quickly to elevate their status in these areas and would redouble their efforts were the US to voluntarily create a void.

## **CHINA'S AGGRESSION**

### **HISTORICAL CATALYSTS**

#### **FAILURE TO RECOGNIZE THE THREAT OF WESTERN COLONIALISM**

China's contemporary military aggression can be easily tied to a number of historical catalysts that occurred during their "Century of Humiliation." The Century of Humiliation, a period of time spanning from 1839-1949, was enormously important in terms of shaping the lens through which China views itself in the world order, and what approach it believes is necessary to improve its position – relative to interactions with other nations.

It is difficult to overestimate the effects of such a demoralizing and impactful period. American author Richard Harris wrote "The Chinese have one very broad generalization about their own history: they think in terms of 'up to the Opium

war' and 'after the Opium War," alluding to the desire to forget and never relive this daunting and embarrassing period.<sup>2</sup>

Prior to the Century of Humiliation, China – one of the planet's oldest civilizations, with a recorded history more than 3,500 years old – quite rightly considered itself as a foundation of East Asian, culture, as well as geo-economic and political influence. There was, at the time, not only a strong sense of national pride, but even a condescension towards other Pac-rim neighbors, as well as western nations, which they regarded as mercantile and barbaric upstarts.

The onset of this period of indignity really begins when England first starts to make regular contact with the East Asian nation in order to establish trade. European nations had long been infatuated with China's ingenious handicraft products.<sup>3</sup> These included, but were not limited to, porcelain, lacquerware, cloisonné, and, in particular, tea and silk. In return, Europeans tried to offer woolens, Indian raw cottons, and specie.<sup>4</sup> Unfortunately, for England and the other western countries, there were very few products on their end that incurred the same level of demand for the Chinese. If anything, the attempted trade of such low-caliber goods, only further fueled Chinese contempt for the west.

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<sup>2</sup> Richard Harris, "China and the West," *International Affairs* 35:2 (April 1959), p. 162

<sup>3</sup> Fairbank, John King. *The Great Chinese Revolution 1800-1985*. New York, NY: Harper & Row, 1987.

<sup>4</sup> Fairbank, John King. *The Great Chinese Revolution 1800-1985*. New York, NY: Harper & Row, 1987.

In 1793, in response to an English envoy sent by King George III to establish trade with China, the then Emperor Qian Long sent a lengthy response/denial to the British monarch, including the following: *“As your Ambassador can see for himself, we possess all things. I set no value on objects strange or ingenious, and have no use for your country's manufactures.”*<sup>5</sup>

In the same letter to King George, the Chinese emperor *did* agree to establish trading centers for England, and the other western nations seeking trade, in the southern China city of Canton (modern-day Guangdong). The balance in value between exports to Britain and imports to China was difficult to maintain and as a result, the British had to turn to trading silver to meet their nation's demand for China's products. This turned out to be both an unsustainable and dangerous transactional strategy for England. Trading silver – a finite and precious commodity – for the easily replenished Chinese tea (and other wares), was a recipe for disaster. This made worse by the growing British demand for tea and the exorbitant tea-for-silver exchange rate. It was not long before the English economy was threatened with bankruptcy.

It was at this time, England would begin to import to China a new product that was initially brought to the Canton trading post by the Portuguese, but by the late

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<sup>5</sup> “Emperor Qianlong: Letter to George III, 1793.” University of Southern California , n.d. <https://china.usc.edu/emperor-qianlong-letter-george-iii-1793#:~:text=Our%20dynasty's%20majestic%20virtue%20has,use%20for%20your%20country's%20manufactures.>

18<sup>th</sup> Century was dominated by the British. This would quickly change the trading landscape and cause a major shift in the power dynamics and relations between China and the West.

The opium poppy, first introduced into China by Arab traders sometime between the 4<sup>th</sup> and 7<sup>th</sup> centuries, provided users with healing, pain relief, and in moderation, was a favored recreational intoxicant of the ruling class. For example, opium was able to be used to cure diarrhea, induce sleep, and reduce the pain of diseases like dysentery and cholera.<sup>6</sup> However, opium production and utilization was never on a grand scale and was largely restricted to a very narrow and elite clientele.

With such effective treatments stemming from this flowering plant, access by the commoners to the once-luxury medicine and narcotic, fueled public infatuation and its popularity grew quickly. England, along with other Western powers, saw an opportunity unfold in front of them, but it was the British East India Trading Company – with their presence in India – where the opium was being farmed and manufactured – that dominated the initial trade.

With the demand for tea and other Chinese goods in England nearly driving the country into insolvency, opium provided England a financial lifeline. Instead of trading away their limited silver supply, opium, was easily replenished and relatively inexpensive to produce. Whereas the initial popularity of the drug was

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<sup>6</sup> Feige, Chris, and Jeffrey A. Miron. "The Opium Wars, Opium Legalization and Opium Consumption in China." *Applied Economics Letters* 15, no. 12 (2008). <https://doi.org/10.1080/13504850600972295>.

fueled by fascination and prestige, its addictive nature ensured a healthy repeat business. So healthy, in fact, that it reversed the economic tables to the point where it was now the Chinese economy that was threatened – as the only payment the British would accept, understandably, was silver.

As an American historian and writer best put it, “soothing some and enslaving others, it became the marijuana/heroin of the time.”<sup>7</sup> The narcotic was destroying the Chinese population, creating a nation of addicts, and the government realized its detrimental effects and the need to step in. In 1729, even before the British brought large-scale opium distribution, an imperial edict, recognizing the dangerous addictive effects, was placed that forbade the sale of opium for smoking purposes.<sup>8</sup> This was followed by another edict seventy years later in 1799 that placed a ban on the importation of the product all together. This was meant not only to stem the damage opium was having on the Chinese people and their health, but was also an attempt to negate the growing wealth and influence of England over China itself.

Despite these initial efforts to suppress British exports of opium, British traders continued to find loopholes in the Chinese trade policies. For instance, the East India Company stopped exporting directly to China in 1796 and instead began to

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<sup>7</sup> Fairbank, John King. *The Great Chinese Revolution 1800-1985*. New York, NY: Harper & Row, 1987.

<sup>8</sup> Feige, Chris, and Jeffrey A. Miron. “The Opium Wars, Opium Legalization and Opium Consumption in China.” *Applied Economics Letters* 15, no. 12 (2008). <https://doi.org/10.1080/13504850600972295>.



sell the drug to private merchants in Calcutta, the capital city of the Indian state of West Bengal (at this point, a British colony), who would go on to deliver and sell the opium in China themselves. By running their operation in this manner with a third party involved, the East India Company was able to avoid/deny any responsibility for their actions. The opposing views on the opium trade between China and England resulted in rising tension between the nations, and this eventually reached a tipping point.

In the spring of 1839, the Chinese government destroyed 20,000 chests of opium (equaling about 1,400 tons) in warehouses in Canton and owned by British merchants. In the same year, a crew of drunken British sailors killed a Chinese villager. China, understandably furious over the matter, requested that the British men be turned over to the Chinese courts, a request that was denied by the British government and further angered the Chinese leaders. The final straw that broke the camel's back would come later that same year, when hostilities broke out as British warships destroyed a Chinese blockade located on the Pearl River near Hong Kong.<sup>9</sup> These events would precipitate what came to be known as the first Opium War.

This initial engagement was followed by the British sending additional reinforcements to Hong Kong and eventually a year later taking over and

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<sup>9</sup> Britannica, T. Editors of Encyclopaedia. "Causes and Effects of the Opium Wars." Encyclopedia Britannica, October 5, 2020. <https://www.britannica.com/summary/Causes-and-Effects-of-the-Opium-Wars>.

occupying the island in May 1841. With British military operations continuing and eventually resulting in control over Nanjing in late August, peace negotiations later in the month resulted in the "Treaty of Nanjing." By its provisions, this treaty stated that China would pay a large indemnity for the destruction of the opium products as well as expenses incurred by the British during the war. Additionally, there would be an increase in the number of treaty ports where the British could trade and reside, and perhaps most importantly, China would have to cede the island of Hong Kong to the British.<sup>10</sup>

The following decades were no quieter for the Chinese, who had to deal with the Taiping Rebellion from 1850-1864 – a brutal civil war between the ruling Manchu (Qing) regime and the rebel Han. Although the Manchu won decisively, it was at a huge civilian and economic cost that further weakened the empire. During this time, the British, hungry to extend their colonial presence and influence throughout Asia, saw an opportunity to do just that while China was busy with their own national turmoil. England attempted to extend their trade rights in the country. This of course was not appreciated by the Chinese government, who in October of 1856, arrested several Chinese crew members who were working for a British-registered ship, also lowering the British flag on the ship in the process.<sup>11</sup> The British viewed the incident as a show of disrespect. In a military

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<sup>10</sup> Britannica, T. Editors of Encyclopaedia. "Causes and Effects of the Opium Wars." Encyclopedia Britannica, October 5, 2020. <https://www.britannica.com/summary/Causes-and-Effects-of-the-Opium-Wars>.

<sup>11</sup> Britannica, T. Editors of Encyclopaedia. "Timeline of the Second Opium War (Arrow War)." Encyclopedia Britannica, July 3, 2018. <https://www.britannica.com/list/timeline-of-the-second-opium-war-arrow-war>.

display eerily similar to the first Opium War, the British once again sailed up the Pearl River and began to bombard Canton – initiating more violence between the two sides.

Unlike the first Opium War, the French became involved this time, using the murder of a French missionary in the interior of China in 1856 as a reason to insert themselves. The battles went back and forth for years but came to a conclusion in 1860 when the Chinese signed the Beijing Convention, another humiliating and lopsided compromise, which saw them recognize the treaties of Tianjin and cede even more territory to the British; relinquishing to them the southern portion of the Kowloon Peninsula.<sup>12</sup>

China continued to suffer many crushing defeats during the early portion of the Century of Humiliation; upon reflection, what does this reveal? It demonstrates a failure on the part of the Chinese imperial government to recognize the threat of western colonial powers' technological superiority. As John King Fairbank put it in his piece, "The significance of the Opium War when it came would be that China's refusal to enter the family of nations on the basis of diplomatic equality and reciprocal trade resulted in a British use of force. The British victory had turned the Chinese emperor's international status upside down. Instead of being

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<sup>12</sup> Britannica, T. Editors of Encyclopaedia. "Causes and Effects of the Opium Wars." Encyclopedia Britannica, October 5, 2020. <https://www.britannica.com/summary/Causes-and-Effects-of-the-Opium-Wars>.

a universal ruler at the top of civilization, he became a semicolonial anachronism.”<sup>13</sup>

The Chinese overestimated their capabilities and underestimated those of the West. As a result, China, this great power in their own respect, suffered a massive blow to their pride. This series of events would inspire future Chinese thinkers and leaders to reflect on their own downfall and a powerful resolve to learn from their mistakes. One of their hardest-won findings was that Western nations with military superiority, that were eager for trade, would press their advantage, regardless of diplomatic norms or suggestions of cultural superiority. In other words, in their early dealings with the Western powers, the message could not have been clearer – might makes right.

The lesson from their Western counterparts – one which came painfully late for any effective mitigating measures – was that the Chinese were “noncompetitive, non-striving, and defensive.”<sup>14</sup> Ultimately, the shame and lessons of the Century of Humiliation would drive China to craft a new foundation, a new blueprint for a new era that would be characterized by strength, pride, ambition, and dominance. No longer would they allow the West to take advantage of them. The

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<sup>13</sup> Fairbank, John King. *The Great Chinese Revolution 1800-1985*. New York, NY: Harper & Row, 1987.

<sup>14</sup> Kaufman, Allison A. “The ‘Century of Humiliation’ and China’s National Narratives.” The “Century of Humiliation” and China’s National Narratives, March 10, 2011. <https://www.uscc.gov/sites/default/files/3.10.11Kaufman.pdf>.

angry nationalism of China fueled reformation . . . but there were still difficult lessons ahead.

### **EXAMPLE OF JAPANESE RAPID MILITARY DEVELOPMENT**

Reflecting on where China turned for its post-colonial (late 20<sup>th</sup> century onward) strategic roadmap for independence, economic/industrial growth, and military strength, it would be hard to ignore the irony of its chosen instructor. For centuries, China considered Japan as little more than a backward satellite, or tributary state. From the second century CE, they dubbed it the kingdom of “Wa” (倭), which can be loosely translated as “dwarf” or “submissive.” Hardly a term of respect, and in the 6<sup>th</sup> century, the Japanese switched to a more favorable homonym for Wa (和) – meaning “harmonious,” or “peace,” in an attempt to elevate their standing. It is unlikely this had any serious impact, however, as the Chinese continued to consider the Japanese without any great significance. This would remain the case until the late 19<sup>th</sup> century, when – through a spectacular reversal of fortunes – the once upstart nation of Japan would rise in prominence as the singular colonial power among the Pacific Rim nations.

As Japan was the last – and most brutal – power to treat China as a colony and, as they were the first of the East Asian nations to modernize technologically, it is perhaps understandable that China took note of the Japanese actions, and why their own international relations/activities seem so aggressive.

The Japanese rapid military development was for the Chinese, an incentive and blueprint following WWII and the cultural revolution. Japan's example is unique in the world, especially in the Pacific. For centuries, Japan followed a social caste system, in which the warrior class – or samurai – held the highest rank and ultimate governing authority. This was a semi-feudal and hierarchical system with what was known as the “shogun” (roughly translates to commander in chief) at its pinnacle. These shoguns were hereditary military leaders who, although technically appointed by the emperor, and were meant to serve underneath him, in practice held all of the real power and exerted direct authority in governing the other classes.

For nearly 250 years, the Tokugawa shogunate had not only governed the islands of Japan in relative peace (this, following a long period of civil wars), but had managed to systematically close off the nation to all, but minimal contact with the outside world. The Tokugawa, who implemented the isolationist strategy, believed that influence from outside nations could disrupt the balance and relationship between the shogun and the feudal lords, an assumption that was proven to be correct.<sup>15</sup>

While official, Shogunate-condoned contact with representatives from outside countries was limited to all but essential trade, and this only on the tiny man-

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<sup>15</sup> “Commodore Perry and Japan (1853-1854): Asia for Educators: Columbia University.” Commodore Perry and Japan (1853-1854) | Asia for Educators | Columbia University, n.d. [http://afe.easia.columbia.edu/special/japan\\_1750\\_perry.htm](http://afe.easia.columbia.edu/special/japan_1750_perry.htm).

made island of Dejima, off the coast of Nagasaki. Only a chosen few (Japanese and foreigners alike) were even allowed to travel to Dejima and make contact with foreigners. In many ways, the Tokugawa strategies worked, and for two and half centuries, there was a period of unprecedented national stability.

Unsanctioned trade *did* continue with Korea and China through domains overseen by several Daimyo (loosely – warlords who technically served the Tokugawa, but still retained a measure of autonomy within their realms); however, in terms of military technological advancement, it was a period almost devoid of growth and at its conclusion, left the Japanese woefully vulnerable in this regard.

In late 1852, US President Millard Fillmore tasked Commodore Matthew Perry of the United States Navy with overseeing a mission to expand diplomatic and trade relations with several nations in the western pacific region. Primarily, Perry was to end the self-imposed solitude of Japan by the Tokugawa and initiate official diplomatic and trade agreements with the Japanese. On July 8, 1853, after several carefully coordinated stops among the Ryukyu islands and Japanese coast (to send advance impressions of his naval/military prowess to the Tokugawa regime), Perry, aboard his frigate *Susquehanna*, sailed into Tokyo Harbor, aimed the ships cannons at the city Edo (modern day Tokyo) from which the Tokugawa ruled, and demanded to with officials of sufficient stature and authority in order to present a letter from the American president. After much intimidation on Perry's part, and indecision by the Japanese (who reported to the

Shogun that they were incapable of repelling an American attack), Perry was convinced to land on the beach Southwest of Edo at Kurihama, where – among an impressive display with 250 soldiers and sailors – he presented the letter from President Fillmore. Perry departed from China on the 18<sup>th</sup> of July, stating he would return for the Japanese response.

On February 13<sup>th</sup>, 1854, Perry made good on his promise by returning to Edo – this time with 8 ships and more than 1,600 marines and sailors. Again, after more delays by the Japanese and threats from Perry, the Treaty of Kanagawa was signed by the US and the Tokugawa on March 31<sup>st</sup> of that year. The agreement allowed for the guaranteed safety of American castaways at 2 Japanese locations and established an official US representative (consul) in Japan.

While Perry may be credited with initially opening the door to diplomatic relations with Japan, it was not until 1858 that Townsend Harris – the first consul assigned under the Kanagawa Treaty – expanded on Perry's work and forced the Tokugawa to allow American citizens to conduct trade and reside within two of Japan's major cities/business centers without influence from the Japanese government. These were unprecedented concessions (though similar treaties followed with other Western powers) and would greatly weaken Tokugawa authority and create deep divisions among the ruling class.



This show of force by the United States easily demonstrated to the Japanese the disparity in military technology and led to the treaty that so heavily favored the Americans. Despite the overall Japanese negative sentiment towards the Americans, evidenced by their reference to the “black ships of evil mien (appearance)”, there was little they could do to prevent the US (and others) from pressing their advantage.<sup>16</sup>

With Japan being what some might call “behind the curve” with regards to industrial modernizing – at least by comparison to the Western colonial powers – and considering their rapidly growing and competitive demand for trade, the aggressive moves to force the treaties was likely inevitable – whether by the US, or another nation.

Despite their initial reluctance, fascination for western technology and culture, grew quickly among some factions in Japan; this, coupled with a strong criticism of the Shogunate’s embarrassing mismanagement of negotiations with foreign nations, as well as policies which left the country dangerously incapable of defending itself from outside pressure, eventually led to the downfall of the Tokugawa Shogunate and the samurai warrior class itself. Despite the negative outcome of the initial Western influence, the Japanese saw this as a wake-up

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<sup>16</sup> “Commodore Perry and Japan (1853-1854): Asia for Educators: Columbia University.” Commodore Perry and Japan (1853-1854) | Asia for Educators | Columbia University, n.d. [http://afe.easia.columbia.edu/special/japan\\_1750\\_perry.htm](http://afe.easia.columbia.edu/special/japan_1750_perry.htm).

call, realizing that, while they may choose to ignore the outside world, the outside world had no intention of ignoring them.

### **TAKING ACTION TO MODERNIZE**

The Japanese government recognized that if they did not quickly to become a nation with a strong industrial base and a powerful military, they were going to be just like many of the other Asian countries that were being colonized and exploited by the Imperialist West.

Fortunately, for Japan, they didn't have much that interested the Westerners. With the exception of coal, for the refueling of ships, Japan lacked the natural resources and goods that drew the unwanted attention from which their neighbors were suffering. This bought Japan the vital time needed to focus on organizing and developing/implementing strategies to quickly modernize. After the fall of the Tokugawa, a new government was established which, in theory, reinstated power to the Emperor, but that in reality, still allowed for a great deal of influence among his advisors. In order to incentivize rapid industrial growth, the new government provided great financial support with incredibly lenient oversight to those that demonstrated entrepreneurial and innovative talent. As a result, we see the Japanese follow a strategy of channeling influence and power into a select few, this included members of the former samurai class, as well as ordinary citizens.

## THE ZAIBATSU

The result of Meiji (named for the emperor) era governmental support for private industry, was an astonishing transformation of the country and the culture.

Japan not only grew into an industrial, economic, and military power, almost overnight, but it also witnessed a concentration of monopolized power and wealth for which it would be hard to find an historic comparison.

The word “Zaibatsu,” itself means “financial clique,” but above this we can define a zaibatsu as a group of diversified companies under the direct control of a single family with a single share-holding company. Although the zaibatsu structure was not unique to Japan, the scale on which they operated and the scope of their influence over society, politics, the economy, and industry was. As classified by Professor Hidemasa Morikawa, there are four distinct stages that define the development of the Zaibatsu in Japan.

- 1) Formation of the Zaibatsu, 1863-93. With the Opening of Japan by commodore Perry and Consul Harris, and the installation of the Meiji government, a host of aggressive business models and practices began to be widely adopted in Japan and promoted to great success; these included the joint-stock company (though not specifically new to the country, was instrumental in growing and fostering collaboration within the zaibatsu conglomerates), a modern banking system, railway and steamship lines, technology for a variety of light industries, steam power

for mining, and most importantly, the implementation of the Commercial Code in 1893, which provided legislation to define the structure of modern business enterprises in Japan. These events gave rise to the first, and ultimately the greatest of the Zaibatsu, Mitsui, and Mitsubishi.

- 2) Development of the Zaibatsu, 1894-1913. During this period, a number of companies, in a variety of industries, grew at an alarming rate. Spurred on by a desire by the Japanese society as a whole to join the ranks of the western imperialist powers, rather than become another Asian trophy, the government acutely favored those companies which appeared best qualified to advance Japan on its game of catch-up with the West.
- 3) Shifting Fortunes, 1914-29. This stage includes the economic boom brought about by World War I, as well as the postwar industrial depression. The depression gave rise to several newer zaibatsu which tried to usurp the power of Mitsui and Mitsubishi. Fierce competition arose and victory was usually won on the basis of managerial ability. By the end of this period, several major zaibatsu controlled an enormous portion of Japan's economy and industry; the top ten each adopting the multi subsidiary system.
- 4) Depression, War, and Dissolution, 1930-48. Following the depression, the zaibatsu aggressively sought to, and were exceedingly successful in, increasing their sphere of influence on the government, military, and society as a whole. It was not unusual for leaders of the top conglomerate families to run the zaibatsu, but also hold top political and military

positions at the same time. A concentration of power that would ultimately be a recipe for disaster. Ambition and competition drove the zaibatsu to increase markets, access to raw materials, and productivity through military expansion. The end result of these expansionist actions was the Pacific War, Japan's defeat, and the eventual dissolution of the zaibatsu by the Occupation forces.

These four stages explain how Japan was committed to jumpstarting their economy by providing these zaibatsu economic liberties of historically unprecedented scales. It is a powerful example of how policy changes can accomplish enormous – and positive – results, under the right circumstances. It also convincingly demonstrates the dangers and pitfalls of unintended policy consequences.

After World War II ended though, the zaibatsu were systematically dismantled under the occupying forces' Dodge Plan of 1948. It is important to note that while the original efforts to break up the zaibatsu monopolies – for the purpose of decentralizing power – were very successful, once the occupying forces relinquished authority back to the Japanese, many of the companies that originally belonged to a vertical, centrally-controlled share-holding structure, voluntarily reformed to an aligned structure with cross-share holdings. This would ultimately afford them favored status across industries that, while decentralized, was enough to make them very successful. Many of the original

family brands of the zaibatsu, are still familiar to us now under their horizontal-conglomerate structure, or “keiretsu.” Mitsui, Sumitomo, Honda, Mitsubishi (originally Mitsukawa) and others, are still strong and strongly aligned.<sup>17</sup>

It is important to mention though, that in addition to these four steps, there were two other events directly related to the growth often referred to as the “Japanese Economic Miracle.” First, immediately following World War II, Japan experienced a period of rapid, but disproportionate, economic expansion under the intentionally liberal policies of the occupying forces. This was seen as a strategy for democratization and non-military revitalization of the war-torn country.

However, as the economy heated up, hyperinflation (from September 1945 to August 1948, prices in Japan increased more than 700%) and income inequality began to threaten social unrest. Concerned about the growing threat and popularity of communism in the region, the US reversed its original postwar intention of weakening Japan, and instead decided to fortify it as a powerful ally in the Pacific.

Joseph Dodge, a banker from Detroit was sent to Japan in February of 1949 to accomplish two main directives: strengthen and balance the Japanese economy, and weaken the Japanese communist-leaning left by tamping down the inflation and growing social unrest that was fueling its popularity.

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<sup>17</sup> *Report of the Mission on Japanese Combines*. Washington: U.S. Govt. Print. Off., 1946.

Dodge quickly introduced a plan – the “Dodge Line” – that included a number of dramatic financial reforms/measures. Among these were two that would have a lasting and foundational effect of Japan’s historic economic expansion. The Dodge plan reduced the scope of government intervention over private industry – thus, encouraging entrepreneurship, risk-taking, and profitability, etc., and it regulated the exchange of the Japanese national currency (the yen) against the dollar at 360 Yen to 1 dollar and in doing so undervalued it considerably (this rate remained unchanged until the early 1970s). The intended result – it became very cheap to buy Japanese goods and proved to be a crucial factor in why their goods suddenly became so popular in the US and abroad. This action saw the United States exchange dollars for gold at \$35 per ounce under the Bretton-Woods system of fixed exchange rates and the Yen at a rate that was undervalued by as much as 40%.<sup>18</sup>

The second factor which helped to accelerate Japan’s economic growth was both the Korean and Vietnamese Wars, as well as the Cold War against communism in general. After World War II, The United States helped to draft Japan’s new constitution. One of the most notable portions of the Constitution of Japan is Article 9, which states that Japan renounces any form of war and that they should not maintain armed forces with “offensive” capabilities. In other words, under the new constitution, Japan is only able to maintain a “self-defense force.” Additionally, and most importantly to the subject at hand, the United States made

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<sup>18</sup> Scott, Robert E. “Currency Manipulation-History Shows That Sanctions Are Needed.” Economic Policy Institute, April 29, 2010. <https://www.epi.org/publication/pm164/>.

this the case knowing that they were going to use Japan as their main base of military operations in the Pacific Rim. This is important because after World War II, with the Korean War as well as the ensuing Cold War, the United States needed an industrial supplier in support of said operations – one that would be in close proximity to the action. Given the newfound relationship being built through the Constitution of Japan and Article 9, Japan served as the perfect suitor for the United States' needs. Shifting away from the agrarian economy the U.S. initially had planned for Japan, the newly allied East Asian country became the number one producer and supplier for industrial needs for the U.S. In 1951, foreign currency derived from production for the U.S. military alone reached \$590 million and over \$800 the next two years. This accounted for 60-70% of Japan's exports.<sup>19</sup>

This rapid influx of money and technological advancements helped Japan to recover from their post-war depression and laid the foundation for great successes. In addition to supplying the United States with industrial needs, Japan also allowed for U.S. troops to be stationed on their islands as a part of their newly drafted alliance agreement. In becoming the United States' greatest ally in the Pacific Rim by stationing the most American troops in the region within their country, Japan was able to have their security needs satiated, resulting in

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<sup>19</sup> Takada, Masahiro. "Japan's Economic Miracle: Underlying Factors and Strategies F." *Lehigh.Edu*, 23 Mar. 1999, [www.lehigh.edu/~rfw1/courses/1999/spring/ir163/Papers/pdf/mat5.pdf](http://www.lehigh.edu/~rfw1/courses/1999/spring/ir163/Papers/pdf/mat5.pdf).



greater flexibility and liberty to allocate attention and funds towards advancing their economy, technology, and industry.

So, what does Japan's success have to do with China, one might ask. Well, Japan's growth and success, in both pre and post-World War II eras, served as blueprints for China to follow.

China had a front row seat to witness how – while the Western nations were manipulating and exploiting its own people and resources – Japan was rushing to strengthen their position to the point where they themselves would take a seat at the table and join the imperialist feast. Being directly impacted by Japan's industrial, economic, and military growth and suffer from it first hand, must have had an enormous and lasting impact on the Chinese.

In 1915, Japan would impose what came to be known as the "21 Demands." Essentially, Japan bullied China into handing over de facto control of multiple Chinese territories that included valuable railways and mining concessions.<sup>20</sup> This show of force was a segue to increasingly provocative moves, such as the annexation of Manchuria, in which they installed a puppet/proxy government; a foundation for more attacks and Chinese territorial encroachment. These consecutive defeats by the Japanese marked the crescendo to a century of

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<sup>20</sup> Gibney, James. "China Follows Japan's Prewar Blueprint." Bloomberg.com, May 18, 2014. <https://www.bloomberg.com/opinion/articles/2014-05-18/china-follows-japan-s-prewar-blueprint#xj4y7vzkg>.

humiliation for the Chinese. To see once dismissed neighbors rise up so fast and dominate the region was difficult to absorb and clearly left a lasting impression for not just the Chinese, but many nations in the region. And then, after World War II, with Japan brought to its knees, China saw its opportunity to rise. However, the adoption of Japan's modern capitalist strategies were not immediate. There were still many painful lessons to be learned and, as is often the case, the *most* painful wounds are those which are self-inflicted.

### **The Great Leap Forward and The Cultural Revolution**

Mao Zedong (26 December 1893 – 9 September 1976), also known as Chairman Mao, was a Chinese revolutionary and was the founder of the People's Republic of China (PRC), which he led as the chairman of the Chinese Communist Party from the establishment of the PRC in 1949 until his death in 1976. Ideologically a Marxist–Leninist, his theories, military strategies, and political policies (collectively known as Maoism) were the driving force behind Chinese leadership for more than a quarter century.

Following Japan's defeat in the Pacific War and a brief civil struggle with Chinese Nationalists (under General Chiang Kai-shek) – who would retreat in 1949 to what is now Taiwan – Mao initially tried to remake China into an agrarian-socialist society under a movement that has come to be known as the “The Great Leap Forward.” This was a social construct and experiment which by many interpretations failed on a grand and tragic scale. As part of Mao's strategy (the

“5-year plan” to industrialize), mass migrations to farming collectives were planned and implemented in a strategy to double agricultural output. The move backfired and it is estimated that more 30 million Chinese died from starvation as a result.

After the debacle that was The Great Leap Forward, it seems that Mao was not finished inflicting catastrophic suffering on the Chinese peoples through ill conceived and executed policies. After a brief period of self-abstention, following the terrible famine brought on by his first attempt at transforming the country, Mao returned to central power and in 1966 launched “The Cultural Revolution.” This was in response to what Mao described as a capitalist infiltration into the Communist Party and Chinese society at large, and was designed to purge the threat from his utopian vision. What followed was a frenzied era of accusation and paranoia, the likes of which would make America’s McCarthyism/Red Scare of the early 1950s appear like a schoolyard argument. It is difficult to say with any accuracy, the number of casualties that resulted from massacre revolts across the country, but estimates range from the hundreds of thousands to millions.

To better understand the chaos, we can take a closer look at the period of political and social upheaval from 1966 to 1976, also known as China’s “Ten Lost Years”. According to author John King Fairbank, leading political scientists were

able to analyze and provide insight on the phases that initiated the cultural revolution as follows:<sup>21</sup>

1. Following the great famine and up until 1966, there was an increase in tensions between Mao and the CCP. To secure absolute rule, Mao took actions to rid his party of those who opposed him in government, and in the military. Those opposed to Mao were individuals who he accused of pro-capitalism and were referred to as “revisionists”, so that anyone and anything connected to “revisionism” was attacked by his supporters with great zeal and urgency.
2. To handle the revisionists, Mao formed a militant group known as the “Red Guards.” This group of militants were recruited right out of the universities and high schools. The decision to create this militia, that peaked at 11 million young people – for the purpose of combating revisionism – had many unforeseen consequences, including the overall destruction of the education system, as well as the subsequent dismantling of the then existing CCP organization.<sup>22</sup> The Red Guards were also instructed to destroy the “Four Olds” (old ideas, cultures, customs, and habits) and they were sent from city to city to fulfill this task. This brought down much of the

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<sup>21</sup> Fairbank, John King. *The Great Chinese Revolution 1800-1985*. New York, NY: Harper & Row, 1987.

<sup>22</sup> “Red Guards.” Encyclopædia Britannica, n.d. <https://www.britannica.com/topic/Red-Guards>.

old government and established bureaucracy, yet failed to create any real semblance of Mao's vision.

3. Between 1967 and 1968, a "Seizure of Power" took place, headed by the Red Guards. During this time the Red Guards took over many key roles within the CCP establishment. This movement ultimately failed as different factions within the Red Guards began to feud with one another. Eventually, armed warfare between radicals and conservatives became widespread and so in mid-1968, Mao discontinued the Red Guards and called upon the People's Liberation Army (PLA) to restore order.
  
4. After the failure of the Red Guards, zealous "revolutionary committees" continued to form around the country and to follow Mao's precepts. There were violent protests and in addition to the destruction of anything considered to be related to China's cultural past, thousands of teachers, intellectuals, professionals, and even government officials, were attacked, persecuted, and imprisoned. Mao attempted to rebuild both the party and government with military influence, but with marginal success. Unable to learn from past mistakes, Mao ultimately failed the entire nation.

Mao's ambition can best be described as having eyes larger than his stomach. His Marxist vision was both unrealistic and inflexible. He lacked an ability to modify his identity and role, when it was desperately needed.

Fairbank best describes Mao's leadership struggles with his following quote, "Mao had two careers, one as a rebel leader, another as an updated emperor. He had gained the power of the latter but evidently retained the self-image of the former".<sup>23</sup> Mao attacked and tore down the very CCP he had first helped to create in 1945, and when the situation got out of hand, first with the Great Leap Forward, and then the Cultural Revolution, he made attempts to stabilize the situation, but by this point, he had lost any real measure of control. Failure was by then a forgone conclusion. It is hard to credit Mao for the purity of his philosophy and his resolve when the cost was quite literally the lives of tens of millions of his countrymen.<sup>24 25</sup>

While it would be a mistake to categorize all of Mao's policies as failures, there is little argument that following his death, his eventual successor, Deng Xiaoping (22 August 1904–19 February 1997) recognized that in order for China to strengthen and modernize, there was need for dramatic and foundational change. Often referred to as the "Architect of Modern China," Deng is credited with implementing far-reaching economic market reforms that are interestingly – but not coincidentally – referred to as the "Chinese Economic Miracle." Sounds familiar, doesn't it?

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<sup>23</sup> Fairbank, John King. *The Great Chinese Revolution 1800-1985*. New York, NY: Harper & Row, 1987.

<sup>24</sup> Fairbank, John King. *The Great Chinese Revolution 1800-1985*. New York, NY: Harper & Row, 1987.

<sup>25</sup> "Xian Wu - Michigan State University." Index of /wuxian/GreatFamine, n.d. <https://staff.lib.msu.edu/wuxian/>.

During his period of “Boluan Fanzheng” (拨乱反正) – roughly “Eliminating Chaos and Returning to Normal” – Deng implemented a series of market reforms that were enacted to literally correct Mao’s mistakes and create an incentive-based market economy which would quickly evolve to resemble capitalism in many regards. His goal was to achieve “Four Modernizations” in the areas of agriculture, industry, defense, and science/technology.

Deng, despite having grown up in the era of Japanese oppression, was quite open about his admiration for their policies and resulting successes. In 1978, he toured Japan, visiting modern enterprises and technological manufacturing facilities. During a press conference on his visit, he stated that: “I have come to Japan to learn from the Japanese people, and we believe such an attitude, together with China's policies and guidelines, will bring hope to China.”<sup>26</sup> One of Deng’s first changes was to move from state owned and operated enterprises to privatization – often with state funding, sponsorship, and direct business. As with the zaibatsu, this had an immediate and dramatic effect on market and GDP growth. Also, and just like the zaibatsu, China saw a very focused concentration of wealth with strong ties to the government.

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<sup>26</sup> “Gentlemen’s Agreement Between Deng Xiaoping and Konosuke Matsushita.” Ministry of Foreign Affairs of the People’s Republic of China, August 29, 2022. [https://www.fmprc.gov.cn/mfa\\_eng/topics\\_665678/zggcddwjw100ggs/gg/202208/t20220829\\_10756877.html](https://www.fmprc.gov.cn/mfa_eng/topics_665678/zggcddwjw100ggs/gg/202208/t20220829_10756877.html).

Again, following the Japanese model, China would regulate the exchange of their own national currency against the dollar, undervaluing it in order to boost exports and nurture manufacturing growth. The US and other nations have long applied pressure on China to deregulate the exchange of the Yuan and although there has been a loosening, it is still not considered “free-floating.”

As privatization continued to incentive entrepreneurship and currency manipulation fueled an international appetite for Chinese-manufactured goods, GDP would grow year-after-year at an unprecedented rate, so that in 2010, China surpassed its once rival and nemesis Japan as the world’s second largest economy, after the US. This was the same year that China became the largest market for automobile sales. For reference, when President Nixon visited China to normalize US-Chinese relations in 1972, the primary mode of transportation among many Chinese people was still the bicycle.

**Examples of Japanese rapid military development is incentive and blueprint for post ww2 and post cultural revolution strategies**

“Their commitment to the military effort to expand Japanese territory to achieve economic security can be understood partly in these terms. The depression



ended in the mid-1930s in Japan partly because of government efforts to greatly expand both heavy industry and the military.”<sup>27</sup>

## **CHINA’S ACTIONS (Aggressive and Often Provocative)**

### **DEFENSE SPENDING**

Under Deng and his successors, China’s increased spending, directed specifically towards the modernization of their military, has been a point of both interest and concern for many international policy makers. According to statistics provided by The World Bank, the People’s Republic of China’s ruling party – the Chinese Communist Party (CCP) – have expanded military investments at an unprecedented rate.

To wit, the People’s Liberation Army (PLA). China has had a 2,507.556% increase in military expenditures, jumping from a measly \$11.25 billion in 1989, to \$293.35 billion in 2021, the second largest figure in the entire world, behind that of the United States.<sup>28</sup>

### **NAVAL**

China’s contemporary efforts to bolster their navy are a clear example of the East Asian nation responding to the Century of Humiliation. Having once

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<sup>27</sup> “Japan’s Quest for Power and World War II in Asia.” Asia for Educators: Columbia University, n.d. [http://afe.easia.columbia.edu/special/japan\\_1900\\_power.htm](http://afe.easia.columbia.edu/special/japan_1900_power.htm).

<sup>28</sup> “Military Expenditure (Current USD) - China.” World Bank Open Data, n.d. <https://data.worldbank.org/indicator/MS.MIL.XPND.CD?locations=CN>.

underestimated the British naval capabilities and just how advanced/effective they were militarily, China keenly understood the value of a powerful naval force relative to international prestige, security, and – perhaps most importantly – persuasion. It is therefore easy to understand the CCP’s placing a large emphasis on “patching up this hole” in their national security. Today, China’s navy is not only the largest in East Asia, but has – in terms of size, if not technological advances – even surpassed that of the United States.<sup>29</sup> Now a formidable global force that compares to those of Western nations, it is well understood that their navy has been engineered for one specific aim – to directly counter the strength and capabilities of the US Navy and those of its allies. In particular, to ensure China’s dominance in the Western Pacific seas.

Of great importance to China’s overall strategies is control of the waters surrounding Taiwan, and more specifically, the Taiwan straits – the narrow body of water separating Taiwan from mainland China.

China makes no secret of their intentions to eventually reunite (retake control) with island nation, which considers itself independent and sovereign. Beyond the Chinese propaganda, claiming that Taiwan is part of China and reunification is simply a matter of a family dispute, there is a much more important strategic reason that China seeks to bring Taiwan under its control. In 2022, nearly half of

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<sup>29</sup> “China Naval Modernization: Implications for U.S. Navy Capabilities—Background and Issues for Congress.” Congressional Research Service, December 1, 2022. <https://crsreports.congress.gov/product/pdf/RL/RL33153/265>.

all ocean trade transport (container) ships passed through this one stretch of water which, at its narrowest point is only 132 kilometers from China.<sup>30</sup>

The Congressional Research Service has pointed out that “China’s military modernization effort, including its naval modernization effort, is assessed as being aimed at developing capabilities for, among other things, addressing the situation with Taiwan militarily, if need be; achieving a greater degree of control or domination over China’s near-seas region, particularly the South China Sea; enforcing China’s view that it has the right to regulate foreign military activities in its 200-mile maritime exclusive economic zone (EEZ);<sup>15</sup> defending China’s commercial sea lines of communication (SLOCs), particularly those linking China to the Persian Gulf; displacing U.S. influence in the Western Pacific; and asserting China’s status as the leading regional power and a major world power”.<sup>31</sup>

## **AIR DEFENSE**

As part of its aim of rapid modernization, China has devoted great resources to ensuring its air force and air defense branch are among the strongest in the world. The People’s Liberation Army Air Force (PLAAF), when counted alongside the Naval Aviation branch of the PLA Navy, ranks as the third largest in the world and largest in the Pacific Rim. Much like their naval forces, Xi Jinping – the

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<sup>30</sup> Varley, Kevin. “Taiwan Strait: Tensions Raise Risks in One of Busiest Shipping Lanes.” Bloomberg.com, August 2, 2022. <https://www.bloomberg.com/news/articles/2022-08-02/taiwan-tensions-raise-risks-in-one-of-busiest-shipping-lanes?leadSource=uverify+wall#xj4y7vzkg>.

<sup>31</sup> “China Naval Modernization: Implications for U.S. Navy Capabilities—Background and Issues for Congress.” Congressional Research Service, December 1, 2022. <https://crsreports.congress.gov/product/pdf/RL/RL33153/265>.

current president of the Peoples Republic of China – has focused much of China’s military resources towards territorial defense and ultimately improving strategic conventional deterrence.<sup>32</sup>

As in any arms race, the more China closes the military, economic, and technological gap with what it considers its historic rivals, the more said rivals feel the pressure to tactically respond to maintain superiority. The almost inevitable result is a heightening of tensions, along with evermore intrigue and distrust between two increasing-anxious and polarized sides. This, in turn, leads to a more aggressive approach in policy and decision making. In a speech given in November of 2015, PLAAF Commander Ma Xiaotian conveyed this exact feeling, arguing that “because our national development, maritime rights, protection, foreign economic activities, and non-war military actions are increasing by the day, it will be necessary for us to further increase our awareness of the urgency of making preparations for maritime military conflict properly”.<sup>33</sup>

## **MISSILE/NUCLEAR**

In 2004, after stating that they possessed a “smallest nuclear arsenal”, China’s nuclear-weapon’s program has grown at what many feel has been an alarming

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<sup>32</sup> Cozad, Mark R, and Nathan Beauchamp-Mustafaga. “People’s Liberation Army Air Force Operations over Water.” RAND, 2017. <https://discover.dtic.mil/>.

<sup>33</sup> Cozad, Mark R, and Nathan Beauchamp-Mustafaga. “People’s Liberation Army Air Force Operations over Water.” RAND, 2017. <https://discover.dtic.mil/>.

pace.<sup>34</sup> The burgeoning nuclear-weapon's program was estimated in 2020 to have a number of nuclear missiles in the low-200s range and were expected to double this figure within a decade's time. To the world's surprise, it has been revealed that China has already surpassed this goal in the year 2022, with a major Pentagon report revealing that the country's stockpile has already surpassed 400, and now growth estimates calculate the stockpile at +1,500 by the year 2035.<sup>35</sup> This is certainly a direct reflection of the country's sense of urgency to continue to grow their military capabilities to become a formidable foe against any and all. References to a new "cold war," reminiscent of the Soviet era have become common.

## **STRATEGIC ALLIES**

Whether by design, or by default, or both, it can be no surprise that China has allied itself with many nations either at odds with, or at least on less-than-friendly terms with the United States. By some accounts, China may have the most extensive diplomatic network of any nation, and its relationships (both official and unofficial-but-strategic) can be categorized in terms of a graded system that defines the importance of the relationship relative to strategic value, military/geographic/economic value, geopolitical influence, and others. Some of those nations that rank the highest on this scale – such as Russia, Pakistan,

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<sup>34</sup> Lewis, Jeffery. "The Ambiguous Arsenal." *Bulletin of the Atomic Scientists*, 2005. [https://web.archive.org/web/20060928043931/http://www.thebulletin.org/article.php?art\\_ofn=mj05lewis](https://web.archive.org/web/20060928043931/http://www.thebulletin.org/article.php?art_ofn=mj05lewis).

<sup>35</sup> Liebermann, Oren. "China Could Have 1,500 Nuclear Warheads by 2035: Pentagon Report | CNN Politics." *CNN*, November 29, 2022. <https://www.cnn.com/2022/11/29/politics/china-nuclear-arsenal-military-power-report-pentagon/index.html>.

North Korea, Belarus, and Myanmar – have strained relations with the US, while others manage to sustain good partnerships with both.

Despite the awkward situation China has found itself in as a result of the war in Ukraine, it is hard to overstate the importance of China's alliance with Russia – on numerous levels. In particular – and in an often-visible example, is the fact that both are permanent members (2 of 5) of the United Nations Security Council. Membership of the UN Security Council is held by the five permanent members (China, USA, Russia, France, and England), and ten elected, non-permanent members.

The UNSC is one of the six principal divisions of the United Nations and is a vital tool for sustaining international stability. It is charged with ensuring international peace and security, recommending the admission of new UN members to the General Assembly, and approving any changes to the UN Charter. Its reach is evident in that its powers include: establishing peacekeeping operations, enacting international sanctions, and authorizing military action. The UNSC is the only UN body with the authority to issue binding resolutions on member states.

Because permanent members each have veto power on council resolutions, and in light of the sometimes controversial, aggressive, even harmful acts by either China or its ally Russia, there have been a number of occasions in which a majority of members have sought to restrict, punish and/or condemn the actions of either of the two, but in which they were protected via the veto of the other.

China often uses its influence over other countries to quell criticism, or sway votes within the United Nations and elsewhere.

Below is a table that does an excellent job of evaluating and grading China's alliances. It was compiled by the staff at Newsweek as an outline of China's partnerships and how they appear to rank in terms of priority and robustness.<sup>36</sup>

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<sup>36</sup> O'Connor, Tom, and Shea Donovan. "With World's Eyes on Beijing, Here's How China Ranks Relations Across Globe." Newsweek, February 19, 2022. <https://www.newsweek.com/worlds-eyes-beijing-heres-how-china-ranks-relations-across-globe-1679183>.

TYPE OF PARTNERSHIP	COUNTRIES
Comprehensive Strategic Partnership of Coordination in a New Era	Russia
All-Weather Strategic Cooperative Partnership	Pakistan
Comprehensive Strategic Cooperative Partnership	AFRICAN UNION, Belarus, Cambodia, Congo, Ethiopia, Guinea, Kenya, Laos, Mozambique, Myanmar, Namibia, Senegal, Sierra Leone, Thailand, Vietnam, Zimbabwe
Strategic Cooperative Partnership	Afghanistan, Bangladesh, Brunei, India, Nepal, South Korea, Sri Lanka, Suriname
All-Round Strategic Partnership	Germany
Permanent Comprehensive Strategic Partnership	Kazakhstan
Comprehensive Strategic Partnership	Algeria, Argentina, Association of Southeast Asian Nations (ASEAN), Australia, Azerbaijan, Brazil, Chile, Cook Islands, Ecuador, Egypt, EUROPEAN UNION, Fiji, France, Greece, Hungary, Indonesia, Iran, Italy, Kiribati, Kuwait, Kyrgyzstan, Malaysia, Mexico, Micronesia, Mongolia, Morocco, New Zealand, Niue, Papua New Guinea, Peru, the Philippines, Poland, Portugal, Samoa, Saudi Arabia, Serbia, Solomon Islands, South Africa, Spain, Tajikistan, Tonga, United Arab Emirates, United Kingdom, Uzbekistan, Vanuatu, Venezuela
Friendly Strategic Partnership	Austria
Strategic Partnership	Angola, ARAB LEAGUE, Bolivia, Bulgaria, Canada, Comoros, Costa Rica, Cyprus, Czech Republic, Democratic Republic of the Congo, Djibouti, Eritrea, Iraq, Ireland, Jamaica, Jordan, Nigeria, Oman, Qatar, Turkey, Turkmenistan, Ukraine, Uruguay
Innovative Strategic Partnership	Switzerland
All-Round Cooperative Partnership	Singapore
Comprehensive Friendly Cooperative Partnership	Romania
Future-Oriented Comprehensive Friendly Cooperative Partnership	Maldives
Comprehensive Cooperative Partnership	Croatia, Equatorial Guinea, Gabon, COMMUNITY OF LATIN AMERICAN AND CARIBBEAN STATES, Liberia, Madagascar, Netherlands, Sao Tome and Principe, Timor-Leste, Trinidad and Tobago, Tanzania, Uganda
All-Round Friendly Cooperative Partnership	Belgium
Friendly Cooperative Partnership	Armenia, Japan
Future-Oriented Cooperative Partnership	Finland
Innovative Comprehensive Partnership	Israel
Ally	North Korea
No Diplomatic Relations	Belize, Eswatini, Guatemala, Haiti, Honduras, the Marshall Islands, Nauru, Palau, Paraguay, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Tuvalu, the Holy See



## GEOGRAPHIC CONTROLS

The world gets smaller all the time, and it is not lost on the Chinese that not all of its neighbors are as friendly, as technologically or militarily docile, or as distant as they would hope. For this, and other reasons, the Chinese are both sensitive about, and aggressive with regards to its enormous borders. Additionally, as a global manufacturing hub, with the second largest national population, access to natural resources of all kinds is a constant consideration.

- **Tibet:** After China invaded and essentially absorbed the Tibetan region in 1950, Tibetan officials and the Dalai Lama – the spiritual leader of the Tibetan people – attempted to push back against this claim, taking a number of steps and actions including asking the United Nations and the United States to intervene. There was some back and forth pushing, which eventually led to a period of conflict in March of 1959, when Tibetans began a rebellion against the People’s Republic of China. There were many Tibetan casualties and, as was inevitable, a victory by the Chinese over Tibet.<sup>37 38 39</sup>

There are both security and economic reasons why China invaded Tibet. Militarily, Tibet (inclusive of the Himalayan mountains) acts as a natural buffer between China and parts of India, Nepal, and Bangladesh. Tibet

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<sup>37</sup> “Tibet Profile.” BBC News, April 26, 2019. <https://www.bbc.com/news/world-asia-pacific-16689779>.

<sup>38</sup> “34. China/Tibet (1950-Present).” University of Central Arkansas: Political Science, n.d. <https://uca.edu/politicalscience/dadm-project/asiapacific-region/chinatibet-1950-present/>.

<sup>39</sup> Sperling, Elliot. “The Tibet-China Conflict: History and Polemics.” Scholar Space, 2004. <https://scholarspace.manoa.hawaii.edu/>.

(along with the Himalayan mountains) is also a vital source of freshwater for China.

- **Indian Borders:** The ongoing conflict between China and India includes a long-disputed border stretching some 2,100 miles. This dispute has been going on for over half a century, dating back to 1962 when the two countries faced off in a war which saw China easily handle India, delivering to them a humiliating defeat. Since then, there have been a number of escalations and clashes; notably, in 2020 in which at least 20 Indian and 4 Chinese soldiers died, and again in 2021.<sup>40</sup> Although these clashes have been relatively small in scale, the mere size of the two nations, and given China's pattern of territorial nationalism and insecurity, the fear of escalation and of heightened tensions is a legitimate concern, especially so, considering their mutual nuclear capabilities.
- **Uyghurs:** The Uyghurs are a group of 12 million people, most of whom are Muslim, and are indigenous to an area known as the Xinjiang Uyghur Autonomous Region (XUAR). Xinjiang, much like Tibet, is (as the name suggests) "autonomous," and so while it is said to have the ability to govern itself, it is "administered" by China, while India also lays claim to the region (without any real presence, or control). There is much controversy over just how much liberty the people of XUAR hold; China claims that the Uyghur people enjoy "stability and prosperity" and

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<sup>40</sup> "India-China Dispute: The Border Row Explained in 400 Words." BBC News, December 14, 2022. <https://www.bbc.com/news/world-asia-53062484>.

residents are living “happy, fulfilled lives.” There is substantial evidence that this claim is fabricated and far from the truth. China has taken great pains to refute the international outcry against human rights violations and even genocide towards the Uyghurs. By example, a Chinese foreign ministry spokesman made a statement to the BBC saying that leaked files belonging to the Xinjiang Police which described “details of China's use of camps and described the routine use of armed officers and the existence of a shoot-to-kill policy for those trying to escape” were “the latest example of anti-China voices trying to smear China”.<sup>41</sup>

There have been reports of “re-education camps” that essentially serve as internment camps for free labor, much of which is directed towards harvesting cotton as Xinjiang is the source of roughly 20% of the world’s cotton (BBC). These forced labor camps have even been accused of the involuntary mass sterilizing of Uyghur women to suppress the indigenous population. There are also reports that the “re-education” of the Uyghurs is an attempt by the Chinese to erase the cultural traditions of these people in order to assimilate them into the larger Chinese population. Similar reports have come out of Tibet. All of these actions seem to be efforts to suppress a local and indigenous people who in the eyes of the CCP and Xi Jinping, are a threat to their ultimate goals - the absorption of another valuable and strategic territory. At 1.6 million square kilometers, this vast

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<sup>41</sup> “Who Are the Uyghurs and Why Is China Being Accused of Genocide?” BBC News, May 24, 2022. <https://www.bbc.com/news/world-asia-china-22278037>.

resource-rich region shares borders with, and buffers China from, Mongolia, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, Afghanistan, Pakistan and India.

Despite international pressure and criticism, it appears that China refuses to show any form of weakness to opposition and will act immoderately aggressive. Given their history of being pushed around, it appears that flexibility is considered a sign of weakness and that they will do what they feel is necessary to protect their pride and image.

- **Taiwan:** Taiwan-China relations have certainly been among of the most heavily discussed/covered/debated/studied issues in recent times, especially from a U.S. foreign policy position.

### **A BIT OF HISTORY**

The shifting control over, and administration of, Taiwan is nothing new. Due to its proximity to the mainland and strategic importance, claims over Taiwan have been a point of contention for centuries. In point of fact, there has been indigenous, and genetically unique inhabitants on the island(s) for millennia and they have their own language and culture. That being said, the Han Chinese (dominant race of the mainland) have been migrating to the island(s) for centuries and now make up the majority population.

Previously known as Formosa (named by the Portuguese), Taiwan itself is merely the main and largest island. In fact, there are 166 satellite islands that fall under Taiwan's control. The island(s) have long had a close relationship with the Mainland and were generally considered as falling under the rule of whichever dynasty was in control of China proper. However, in 1895, Japan – as part of its expansionist movement – took control from China (another embarrassing defeat) and essentially maintained rule until the end of WWII in 1945. At that time, administration was ceded to the Kuomintang, or Nationalists, who were initially in control after the war.

When the civil war between the Kuomintang and Mao's Communists began to go downhill for the Nationalists, they retreated to Taiwan and essentially set up shop – with the intention of eventually retaking control of the mainland. Obviously, we know this never transpired, and no armistice, or negotiation ever technically resolved the civil war between the two sides. The end result was two Chinas – The Peoples Republic of China (or PRC) that controls the “communist” mainland (I use quotation marks as many would question how modern China resembles Marx's original definition), and the Republic of China or ROC) that controls the democratic state of Taiwan.

Over time, military tensions subsided and economic ties between the two regions strengthened, so that many Taiwanese companies took advantage of low wages and property values and began manufacturing operations in the PRC. Additionally, older generations – who had migrated from, and still had familial ties in, the mainland – were not necessarily opposed to the concept of reunification. However, this receptiveness has largely shifted in recent years, as new generations with no personal attachment to mainland China view the increasingly repressive and aggressive regime now in control. This view has only been strengthened as they witness the increasingly strict controls being implemented over Hong Kong. The original promises of freedoms for the residents of Hong Kong – which now seem completely hollow – sound remarkably similar to what the CCP states it would extend to Taiwan post reunification.

The People's Republic of China believes in the "One China" Principle under which Taiwan is to be considered a part of their nation. Taiwan disputes this principle, sticking to the belief that they are their own sovereign territory with their own constitution and democratically-elected leaders. Like many of the other territorial disputes, China's claim over Taiwan is a form of territorial nationalism that stems from a deep-seated insecurity, founded in numerous embarrassing defeats throughout their

nation's history, and magnified by its current strategic value and numerous related business ties.

So important to China is the quest for reunification, and so inflexible is the CCP, with regards to their official position, that today, there are only thirteen countries (including the United States) and the Vatican that recognize Taiwan as a sovereign nation. This, for fear of financial reprisals and ostracization by the PRC. China does not recognize Taiwan to be a nation and has applied pressure to others to publicly and officially endorse this same view. Tensions between the two sides have gotten worse in recent memory, with China performing military exercises near and around Taiwan as a show of force and a reflection of their disdain toward the United States for its recognition, support, and defense of the island nation.

Similarly, Taiwan is just as strategically critical to the other Pacific Rim nations and their allies. Geographically speaking, its location along the Taiwan Strait makes it equally important to other countries, in terms of international trade and strategic military operations, as it is to China. Beyond the surrounding waters, Taiwan's economy is pivotal to world trade and its stability and autonomy has global implications. As the global production leader of semiconductor computer chips with a 65% share of the market, an invasion and takeover of Taiwan by China would give them

control over one of the world's most pivotal industries.<sup>42</sup> With tensions growing every day between Taiwan and China, quickly finding a solution to this hot issue must be considered a priority in order to sustain global security.<sup>43</sup>

- **North Korea:** The relationship between the Democratic People's Republic of Korea and the People's Republic of China can be best described as a "complicated situation." Though it may be a stretch to refer to this relationship as symbiotic, both sides *do* benefit from an exchange that falls somewhat short of a partnership – with North Korea likely getting the better part of the deal. For the Kim Jong-un regime and North Korea, their sustainability to operate as a nation is reliant upon the economic cooperation of China, as the superpower serves as North Korea's largest and most important trade partner. For China, North Korea provides benefits that are both diplomatic – as a proxy mouthpiece for official Chinese policy positions – and military/strategic (geographically) – as a buffer between South Korea (a major US military partner and outpost) and the mainland.

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<sup>42</sup> Brown, David. "China and Taiwan: A Really Simple Guide." BBC News, April 6, 2023. <https://www.bbc.com/news/world-asia-china-59900139>.

<sup>43</sup> Albert, Eleanor. "China-Taiwan Relations." Council on Foreign Relations, December 7, 2016. <https://css.ethz.ch/content/dam/ethz/special-interest/gess/cis/center-for-securities-studies/pdfs/ST2023.pdf>.



Nevertheless, these benefits come as a double-edged sword. The erratic and unpredictable behavior of North Korea's leader, mixed with their possession of intercontinental ballistic missiles with nuclear capabilities, has helped to keep the United States and their Pac-Rim allies in check, but also hyper focused on the region. The threat posed by North Korea forces U.S. allies Japan and South Korea to rely on China as a conduit to the hermit nation, understanding that Beijing has better relations with the unpredictable regime and most likely has some semblance of influence. The threat created by North Korea's behavior also forces the hand of South Korea and Japan's militaries, as they will now have to increase their forces to compensate for both China and their arms-loving ally.<sup>44</sup>

In short, North Korea adds an unknown and volatile facet to an already tense and complex equation. None of the key players (including China and the US) are particularly thrilled having the proverbial tail wagging the dog situation. Professor Jennifer Lind of Dartmouth College brings a bit of clarity to China-North Korea relations from Beijing's perspective, stating, "While the Chinese certainly would prefer that North Korea not have nuclear weapons, their greatest fear is regime collapse".<sup>45</sup> China has been attempting to push for Six Party Talks (Japan, South Korea, United States, and Russia) with an aim towards denuclearizing North Korea. This has

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<sup>44</sup> Mastro, Oriana Skylar, and Sungmin Cho. "North Korea Is Becoming an Asset for China." FSI, February 3, 2022. <https://fsi.stanford.edu/news/north-korea-becoming-asset-china>.

<sup>45</sup> Albert, Eleanor, ed. "Understanding the China-North Korea Relationship." Council on Foreign Relations, June 25, 2019. <https://www.cfr.org/background/china-north-korea-relationship>.

helped in boosting relations with the other four parties involved, but ultimately China is afraid of hundreds of thousands of North Korean refugees escaping and flooding into their country. While there is little doubt that China is North Korea's most important ally, the independent and reclusive nature of its regime limits the PRC's influence over its erratic activities.<sup>46</sup>

- **Russia:** China maintains a strategic relationship with the Kremlin that serves both sides given their geographic proximity as well as shared national interests, partners, and adversaries. A key element that has brought these two countries together is certain parallels in their ruling methods/goals; both being authoritarian, as well as having a mutual disdain for the West – the United States in particular. On their own, the shared traits could place China and Russia in a weakened position – as they are both surrounded by democratic nations with very different views. Many of the bordering countries are also allied with the U.S. (Japan, South Korea, Australia, Ukraine, Taiwan, members of NATO, etc.).

Considering the affluence and industrial infrastructure/technology of those countries that Russia and China might mutually consider adversaries (admittedly to varying degrees), it is – from a competitive defense spending perspective alone – easy to see why these two powers are

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<sup>46</sup> Wertz, Daniel. "Issue Brief: China-North Korea Relations." NCNK, November 2019. [https://www.ncnk.org/sites/default/files/issue-briefs/Issue\\_Brief\\_China\\_NK\\_Nov2019.pdf](https://www.ncnk.org/sites/default/files/issue-briefs/Issue_Brief_China_NK_Nov2019.pdf).

natural allies. Additionally, as of late, the stakes of their allegiance have been raised with the Russian invasion of Ukraine. First of all, China is enormously interested in the international response in supporting Ukraine, since this has many parallels to their own precarious relationship with Taiwan (satellite sovereign nation, with historical ties and geographic importance, that they wish to control – even if by force). Next, should Russia fail in its objective(s), this will both embolden the international community in their ability to defend against an invading aggressor, and – to the extent that it has not already – strengthen the bonds and collaborative efficiencies of those responding nations. Last – and this has become a point of concern for all sides – is the possibility of China supporting the invasion militarily (equipment being far more likely than personnel). This could result in mission creep and escalation that would be dangerous in the extreme.

No more than 20 days prior to Russia’s invasion of Ukraine in February, Vladimir Putin and President Xi signed a statement proclaiming there were “no limits to Sino-Russian cooperation,” and “no forbidden zones”.<sup>47</sup> This does not necessarily mean the partnership has no parameters, but certainly speaks to how close the two authoritarian countries have become. Nevertheless, when Russia initially called upon China to provide

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<sup>47</sup> Wishnick, Elizabeth. “Still ‘No Limits’? The China-Russia Partnership After Samarkand.” *Russia Matters*, September 22, 2022. <https://www.russiamatters.org/analysis/still-no-limits-china-russia-partnership-after-samarkand>.

troops and weapons support, facing sanctions from the United States and others, China refused to oblige. However, they *did* abstain a U.N. vote on the ethicality of Russia's invasion of Ukraine, as opposed to voting against their "friends".

It is extremely troubling to see the "Us vs Them" trend that has continued to deepen in recent decades. Both sides speak often of the need to ease tensions and keep lines of communication open, but when both Russia and China continue to pursue disruptive and volatile courses – many that encroach upon, or outright ignore the rights of other countries – it is sometimes difficult not to doubt their sincerity.

## **ECONOMIC LESSONS & MANIPULATIONS**

China's economic growth has been a remarkable success story in recent decades. From 1979 to 2010 the average annual GDP growth rate was 9.91%, and from 2011 to 2021 it remained a very healthy 6.51%. In 1979, China's economy did not even rank among the world's top 10; today, it is the second largest, behind the United States, with their nominal GDP standing at around \$17.7 trillion, and a Purchasing Power Parity (PPP) of \$27.3 trillion, the highest in the world.<sup>48</sup>

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<sup>48</sup> Silver, Caleb. "The Top 25 Economies in the World." Investopedia, September 1, 2022. <https://www.investopedia.com/insights/worlds-top-economies/>.

In truth Mao was right, capitalist, free market elements *were* on the rise and trying to make inroads to his socialist design. It is human nature to be ambitious, to seek prosperity, and even to desire power, or control over your fellow man. Mao's refusal to accept, or even consider this facet of humanity, is in large part, the source of his failure. It is little wonder therefore, that Deng's 180 degree turn, and policies that supported the entrepreneurial spirit of the Chinese people through state-funded privatization, were wildly successful in transforming the Chinese economic landscape.

It is commonplace for a generation that has witnessed/experienced calamity and hardship to – once given the opportunity to reverse their fortunes – exercise extraordinary determination, innovation, and even bravery in order to better their lot in life. This was the case in America after the great depression and World War 2. It was also the case in Japan, both following the collapse of the Shogun era, as well as the economic collapse after WW2. And so it was after the long, oppressive, and tragic suffering of the Chinese before and during Mao Zedong. It is no wonder the pressure of all those years gave rise to a generation of wealth and industrial creation unique in human history.

Unfortunately, it is also human nature for a generation who climbs from suffering to affluence, to coddle a next generation which, in turn, winds up devoid of the same depth of character. This has been a challenge for other nations and may

be an even bigger obstacle for China in years to come. We will discuss this later though.

### **CHINA'S ECONOMY – THE TIPPING POINT**

After many decades of tragedy, suffering, and political instability, there were many around the globe who were very much relieved to see the economic growth and industrial modernization that took place under Deng's regime. This, and the relative stability that accompanies financial security. Also, as a source of cheap labor for manufacturing outsourcing, China was ideal on multiple levels. The CCP cleverly developed industrial hubs for supporting specific industries, weaving and knitting mills were located near contract cut-and-sewing operations, steel forgeries were built close to machining and auto-part factories. Logistics infrastructure was built by the state – creating more jobs and making the exportation of Chinese made goods fast and efficient.

So successful were these initiatives that many countries quickly transformed from pillars of design and manufacturing, to importers, distributors, and sales-oriented operations in a movement known as “offshoring.” The danger with offshoring – and many countries were slow to realize this, is the loss of the inherent innovation associated with the engineering and producing of one's own vital products. In many ways, while China was exporting so much of the consumer products that we all crave – at bargain prices – they were also importing the same innovative knowhow that made many of their customer countries great to

begin with. China has taken this knowledge, combined it with a burning ambition, and risen so much higher than many had ever imagined just a few short decades ago.

No longer is China satisfied to simply make our televisions, or blue jeans, whatever else; no, the China of today has designs on becoming the largest economy in the world and the dominant “superpower.” And it is well on its way to accomplishing this mission.

China’s actions to assert its dominance on the world stage have grown more brazen each year. So much so, that even those countries which not long ago, sought favor as an ally, or partner, are now wary of what is now being viewed as a potential threat. Sides are being chosen (“us vs them”) and the lines appear to become clearer all the time.

Let us take a closer look at some of the aggressive behavior that is making China’s neighbors, and others, very nervous.

### **CHINA’S AGGRESSIVE ECONOMIC ACTIONS/TACTICS**

- **Currency Control:** Currency control methods have proven to be effective strategies for sparking the growth of national economies, particularly when focusing on developing manufacturing and export sectors. As with all proactive monetary manipulations, there are inevitable economic reactions –

this is the reason proponents of a true “free market system” – who believe that allowing supply and demand will ultimately and eventually be in everyone’s favor (there is admittedly much room for debate here) – resist government intervention of this kind. Again, using a strategy followed by the Japanese, China, under the Deng regime, realized the potential that currency control had when applied to their own economy. And just as with the Japanese, it yielded remarkable growth results by making Chinese-manufactured goods globally competitive and imports into China prohibitively expensive. Over time, this would produce a significant trade surplus for China. In 1988, China controlled their currency exchange rate by setting up semi-official currency swap centers all around the country. These centers allowed firms to trade the yuan, also known as the renminbi or “people’s currency,” at a rate that greatly favored the cost structure of Chinese goods.<sup>49 50 51</sup>

- **State Investment and Oversight in and over Domestic Manufacturing Industries:** China’s emphasis on building State-Owned-Enterprises (SOEs) has been one of their crucial aspects towards developing a modern, industrial economy. In 1979, China enacted the Chinese

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<sup>49</sup> “Timeline: China’s Reforms of Yuan Exchange Rate.” Reuters, April 14, 2012. <https://www.reuters.com/article/us-china-yuan-timeline-idUSBRE83D03820120414>.

<sup>50</sup> Liao, Steven, and Daniel McDowell. “Redback Rising: China’s Bilateral Swap Agreements and Renminbi Internationalization.” *International Studies Quarterly* 59, no. 3 (2015): 401–22. <http://www.jstor.org/stable/43868283>.

<sup>51</sup> Drumm, Larry L. “Changing Money: Foreign Exchange Reform in the People’s Republic of China.” *Hastings International and Comparative Law Review* 18, no. 2 (January 1, 1995): 359–95. [https://doi.org/10.1163/2213-2996\\_flg\\_com\\_052045](https://doi.org/10.1163/2213-2996_flg_com_052045).



economic reform, which would transition their economy from a centrally planned, largely agrarian economy to a manufacturing market economy as they “opened” up their borders to the West and sparked a new era of growth and prosperity.

This reform strategy was multi-faceted, covering a variety of different sectors to foster a kind of jump-start to the economy. Deng Xiaoping, succeeding the late Mao who passed away in 1976, became the new supreme leader of the CCP, came in with the goal of creating rapid and sustainable economic growth with a pragmatic and strategic approach.<sup>52</sup> For starters, there was an initial focus on the agricultural industry. Rather than Mao’s agricultural communes, under Deng, a modern, industrial model was chosen. Agriculture was greatly increased, as were the procurement prices for farm products.<sup>53</sup> This action was a successful strategy for increasing the incomes of poor rural units in mountainous or arid areas.

Additionally, the “contract responsibility reform” policy was put into place to allow for individual farm families to work a piece of land for profit (versus the prior strictly-communal land policies). In return, these families

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<sup>52</sup> Li, Xin, and Kjeld Erik Brødsgaard. “SOE Reform in China: Past, Present and Future.” *The Copenhagen Journal of Asian Studies* 31, no. 2 (May 23, 2013): 54–78. <https://doi.org/https://doi.org/10.22439/cjas.v31i2.4333>.

<sup>53</sup> “Reform of the Economic System, Beginning in 1979.” *Country Studies*, n.d. <https://countrystudies.us/china/92.htm>.

would deliver a set amount of product to the collective at a given price. This incentivized farm families to reduce their production costs and increase their productivity. The results were astounding. In the figure below, Justin Yifu Lin, Chinese economist, professor of economics at Peking University, and author of the article “Rural Reforms and Agricultural Growth in China” from which this figure is taken, displays his findings from analyzing the effects of the rural reform of 1979. In italics, is his explanation of the statistics provided in the figure.<sup>54</sup>

TABLE 4—INDEX OF CROP OUTPUT AND INPUTS (1978 = 100)

Year	Crop output (1)	Farm labor (2)	Labor in cropping sector (3)	Land (3)	Capital (4)	Chemical fertilizers (5)
1970	77.10	99.09	103.04	101.76	51.73	36.30
1971	82.82	101.16	104.00	101.29	58.60	41.55
1972	80.48	100.78	102.04	101.20	64.04	47.94
1973	88.25	102.91	103.76	100.80	69.02	58.52
1974	91.50	102.93	104.21	100.50	75.05	55.08
1975	94.22	100.81	103.35	100.11	79.97	60.87
1976	92.43	100.65	102.46	99.98	85.55	66.06
1977	91.47	100.05	100.41	99.82	93.09	73.09
1978	100.00	100.00	100.00	100.00	100.00	100.00
1979	107.10	102.17	103.66	100.10	104.22	120.15
1980	102.36	104.75	107.63	99.91	122.12	134.29
1981	108.52	107.81	111.58	99.44	131.74	141.44
1982	119.60	109.48	112.82	99.21	141.16	156.00
1983	129.42	111.22	115.34	98.89	153.40	169.06
1984	142.23	111.35	114.69	98.89	165.29	171.62
1985	139.52	106.65	104.56	97.46	176.65	167.38
1986	140.76	107.06	95.79	96.81	191.09	183.10
1987	148.21	108.48	88.70	96.47	209.71	192.10

Source: See Appendix.

The above table covers data compiled between 1970 to 1987. It covers the agricultural outputs of communal and cash crops over that period and represents 92% of national farm acreage. It demonstrates the dramatic increase in crop output and relative

<sup>54</sup> Lin, Justin Yifu. “Rural Reforms and Agricultural Growth in China.” *The American Economic Review* 82, no. 1 (1992): 34–51. <http://www.jstor.org/stable/2117601>.

capital raised, once profit-making measures were implemented (and the use of chemical fertilizers were also increased).

What the findings from this extraordinary research demonstrate, is the success that was achieved through the agricultural reforms. While there were initial increases in labor to achieve increased output, we eventually see the output continue to increase while labor decreases. With the massive successes achieved in the initial years of the economic reform era, Deng Xiaoping and the CCP were filled with confidence in their plan, as well as public support, and proceeded with the next steps of their design.

While China's SOEs would come to, and still do, suffer the same pitfalls – inefficiency, over leveraging, lower profits, little innovation, etc. – as are typically the downside of all state-run operations, they proved to be one of, if not the most crucial factor in China's early economic success.

China looked at SOEs as an opportunity to grow their economy, using them as an outlet for domestic investment. To some degree, the advantage of direct government support and competitiveness of the regulated currency exchange rate aided growth. However, even with these advantages, they continued to operate under challengingly low rates

of efficiency. Essentially, there was little to no incentive for SOEs to perform at higher efficiency rates, due to the fact that the entire economy was publicly owned and state-run. In cases like this, SOEs work as “child” or “supply” companies, performing for the greater good of bigger “national factories,” performing for the production tasks ordered by the central planners.<sup>55</sup> In other words, without the promise of individual wealth, ownership, independent control, incentives to innovate and struggle for success were essentially removed. With this system in place, workers were not given sufficient accomplishments and/or rewards to reach for, there was a sense of security, but little else, and certainly no urgency to improve efficiency, or to innovate.

To combat the issues facing the SOEs, China again took a page out of Japan’s playbook for economic success. In the case of Japan, we saw the utilization of the zaibatsu, a strategy in which the government gave free reign to ambitious entrepreneurs with the mission to create as much revenue as possible and spark huge economic growth on an accelerated timeline. While this strategy was implemented with other policy changes, the zaibatsu’s free reign and government support was the magic ingredient. China in the early 1980s understood this and were able to apply similar measures in a way that made the most sense with their own

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<sup>55</sup> Li, Xin, and Kjeld Erik Brødsgaard. “SOE Reform in China: Past, Present and Future.” *The Copenhagen Journal of Asian Studies* 31, no. 2 (May 23, 2013): 54–78. <https://doi.org/https://doi.org/10.22439/cjas.v31i2.4333>.

country. That is with their first/introductory version of the “zaibatsu” being state-owned SOEs. Control of various SOEs were given to provincial and local governments, now with far less state direction and oversight. This allowed for greater flexibility that more closely resembled free-market principles, but – as with the zaibatsu – they enjoyed favorable state financing and patronage. At the same time, the CCP applied various strategies to encourage private citizens to think freely and start their own businesses – these would come to resemble the Japanese model even more closely. China would also remove price controls on a variety of products, as well as remove trade barriers which encouraged greater trade competition and attracted FDI inflows.<sup>56</sup>

To combat the difficulties of inefficiency, China first adopted the policy of ‘fang quan rang li’ from 1979 to 1986. This policy provided more power and flexibility to SOEs and ultimately made them more profitable. In 1987, the “contract management responsibility system” was put into place for the next five years. With these two policies and systems in place, SOE managers had more freedom and incentive to create as much profit as possible, knowing that they could negotiate prices, oversight, labor policies, etc. with the state to achieve higher profits.

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<sup>56</sup> “China’s Economic Rise: History, Trends, Challenges, and Implications for the United States.” EveryCRSReport.com, June 25, 2019. <https://www.everycrsreport.com/reports/RL33534.html#:~:text=Database%2C%20April%202019%2C-,Causes%20of%20China's%20Economic%20Growth,investment>.

What has evolved over the past 40 plus years is a combination of both state and privately owned companies that through a careful pruning of economic policies – applied as needed – have allowed the CCP to take advantage of the strengths of both models. For example, the SOE's give the state a measure of security and control to weather periods of instability and/or crisis (as with the rigid restrictions during the recent pandemic), while enjoying the growth, innovation and profits generated by the privately owned companies.

In 2019, Chinese companies accounted for 109 of the Fortune 500 largest companies in the world. At that time, only 15% of those were privately held. Nevertheless, those private Chinese corporations represent the lion's share of efficiency, innovation, and profits.

“The combination of numbers 60/70/80/90 are frequently used to describe the private sector's contribution to the Chinese economy: they contribute 60% of China's GDP, and are responsible for 70% of innovation, 80% of urban employment and provide 90% of new jobs. Private wealth is also responsible for 70% of investment and 90% of exports.”<sup>57</sup>

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<sup>57</sup> Guluzade, Amir. “Explained, the Role of China's State-Owned Companies.” World Economic Forum, May 7, 2019. <https://www.weforum.org/agenda/2019/05/why-chinas-state-owned-companies-still-have-a-key-role-to-play/>.

## **China and the World Trade Organization**

In 2000, China had the 6<sup>th</sup> largest economy and a population of more than 1 billion; nevertheless, more than 67 percent of that population still lived below what was then considered the poverty line of an income less than \$1.90 per day. Still, it was clear that the country was on the rise and that it would continue to play an increasingly important role in global economics/trade.

China had sought to become a member of the WTO for a number of years – recognizing this would help fulfill goals of better trading partners and international recognition. At the same time the US and other modern industrial members believed that this could be an opportunity to bring China into the fold of liberal-democratic leadership and away from communism. The thought being that greater interaction with free-market capitalism would promote the western ideals that generated the same opportunities and prosperity. In hindsight, this was clearly naïve.

At the time, then President Clinton strongly supported China's bid for WTO membership, while Congress overwhelmingly approved normalizing relations. In December of 2001, China finally achieved its goal and became the 143<sup>rd</sup> member of the WTO.

Currently, the WTO has 159 member nations around the globe and its main function is to promote fair, equitable, and favored trade between its members,

with the fewest barriers. It also acts as a governing body and forum to register complaints relative to rule infractions and to negotiate solutions between members. China knew full well the advantages of membership and the access it gained to member trading partners has been an advantage and foundation for its economic growth that cannot be overstated.

In fairness, it should be noted that China's membership was made predicated on somewhat stricter conditions than other countries – as access to its guarded markets and hopes of democratic reforms were a key part of international support – but after some 22 years later, it has become abundantly clear that China has been the greater beneficiary of the deal. Not only have they failed to comply with many of the mutually agreed-upon terms, they have, and continue to, drift further from the very spirit of their original agreement. Some of the original terms included:

- Recognition and respecting of intellectual property rights
- Reductions and/or elimination of tariffs and taxes on imports
- Allowing greater access to various Chinese markets and business sectors

While the CCP has not always directly, or flagrantly failed to adhere to the terms, they have cleverly found more and more successful methods to avert compliance. To date, there have been dozens of complaints registered by WTO member states against China (more from the US than any other), with little effect or change. Meanwhile, access to WTO member markets has been a key



springboard for Chinese economic growth and rather than adopting the liberal democratic values of the US and other members that supported its admission, the CCP has instead touted the resulting economic successes as the outcome of uniquely Chinese ingenuity, culture, and strategy.

## **INTELLECTUAL PROPERTY THEFT**

China has been accused of intellectual property theft for many years and in many different areas. A shortcut to the various goals of achieving rapid economic growth, advanced technological and manufacturing capabilities, and military superiority, Chinese intellectual property theft provides an illegal opportunity to either catch up with or surpass others on myriad fronts. Some notable examples of China's economic aggression relative to intellectual property theft include:

1. **Huawei and 5G Technology:** Huawei Technologies Co. Ltd. is the world's largest telecommunications equipment manufacturer. The United States Justice Department first accused the telecommunications giant of stealing source code for internet routers, misappropriating robotic technology, and stealing proprietary information about cellular antennas. They were also accused of stealing trade secrets from T-Mobile in relation to 5G technology. In 2019, T-Mobile was awarded \$4.8 million in a jury award after it was found that Huawei did indeed participate in this case of intellectual property theft. In the following year, after conducting a thorough investigation into the company, the Justice

Department then charged the conglomerate of racketeering conspiracy and conspiracy to steal trade secrets.<sup>58</sup> The accusations that came with the indictment claimed that Huawei built its company on the backs of other companies, including six U.S. firms, by copying intellectual property and then selling it in their products all around the world.<sup>59</sup> In a direct statement from the Justice Department, they wrote “The means and methods of the alleged misappropriation included entering into confidentiality agreements with the owners of the intellectual property and then violating the terms of the agreements by misappropriating the intellectual property for the defendants’ own commercial use, recruiting employees of other companies and directing them to misappropriate their former employers’ intellectual property, and using proxies such as professors working at research institutions to obtain and provide the technology to the defendants. As part of the scheme, Huawei allegedly launched a policy instituting a bonus program to reward employees who obtained confidential information from competitors. The policy made clear that employees who provided valuable information were to be financially rewarded.” In what seems to be a cut and dry case of intellectual

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<sup>58</sup> “Chinese Telecommunications Conglomerate Huawei and Subsidiaries Charged in Racketeering Conspiracy and Conspiracy to Steal Trade Secrets.” The United States Department of Justice, February 13, 2020. <https://www.justice.gov/opa/pr/chinese-telecommunications-conglomerate-huawei-and-subsidiaries-charged-racketeering>.

<sup>59</sup> Overly, Steven. “U.S. Charges Huawei with Decadeslong Theft of U.S. Trade Secrets.” POLITICO, February 13, 2020. <https://www.politico.com/news/2020/02/13/us-charges-huawei-with-racketeering-and-theft-114912>.

property theft, the Chinese telecommunications giant used these illegal tactics to gain access to advanced technologies they either did not have or were incapable of developing on their own. By conducting such illegal acts, the country has been able to boost their process of modernization in its industries and has become a global leader in areas such as technology, manufacturing, and innovation. Although the company claims that it is “owned by its employees,” actual ownership is unclear and shares have never been openly sold. US officials believe “strongly” that Beijing plays a major role in the company’s administration.<sup>60</sup>

**2. The J20 Stealth Fighter Jet:** for some 34 years, America held a monopoly on the design and production of stealth fighters – a technology developed to make the planes virtually invisible to standard radar detection. A distinct combat advantage. However, in 2017, China announced the delivery of its J20 fighter jets, which featured not only an obvious profile similarity to the latest US F35 jets, but featured near identical stealth designs and capabilities. Lockheed Martin – who manufactures the F35 – had previously discovered that the Chinese had stolen designs and it is nearly

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<sup>60</sup> Berman, Noah, Lindsay Maizland, and Andrew Chatzky. “Is China’s Huawei a Threat to U.S. National Security?” Council on Foreign Relations, February 8, 2023. <https://www.cfr.org/backgrounder/chinas-huawei-threat-us-national-security#:~:text=You%20are%20also%20agreeing%20to%20our%20Privacy%20Policy%20and%20Terms%20of%20Use.&text=Ren%20Zhengfei%2C%20the%20company%27s%20billionaire,precise%20ownership%20structure%20is%20unknown.>

certain that the J20 is modeled after F35 technology acquired through espionage. Interestingly enough, the Russians – important allies for the Chinese – have also accused China of stealing technology to design the J20.<sup>61</sup>

**3. Wind Turbine Technology:** In 2005, China made wind energy development one of their major strategic focuses to produce low-cost energy, as well as to develop a sector the government earmarked for important economic growth – renewable energy. Sinovel, a Chinese wind turbine hardware manufacturer, looked to take the lead on this initiative by partnering with the American Superconductor Corporation. The agreement between the two looked to have Sinovel sell AMSC's products in the Chinese market. While initial sales were quite successful for both sides, in 2011 AMSC found that the Chinese maker had possession of an illegal copy of the entire AMSC software code on one of their windmills. Dejan Karabasevic, a Serbian engineer working at AMSC's Austrian development facility, had sold the information to Sinovel in exchange for \$1.7 million in cash, an apartment, and the service of call girls. Both Karabasevic and Sinovel were charged and eventually convicted, but it was only Karabasevic who would

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<sup>61</sup> Hollings, Alex. "Why Russia Accused China of Copying Its Stealth Fighter Design." Business Insider, October 19, 2022. <https://www.businessinsider.com/why-russia-accused-china-of-copying-its-stealth-fighter-design-2022-10>.

end up serving a year in Austrian prison. Without the cooperation of the Chinese government, who of course had no interest in assisting in the case, Sinovel and those at the company involved with the theft, were outside the reach of U.S. justice. Sinovel has continued to use the stolen software to operate their wind turbines and have now leapt to become the world's second largest provider of wind turbines. AMSC on the other hand, was left to deal with the consequences as the Chinese company rose to the top. AMSC has since had to lay off 600 employees (60% of their workforce) and its stock market capitalization has fallen by half.<sup>62</sup>

**4. Firewall Protection Software:** One of the things China is infamously known for is their limiting of content available to their citizens over the internet. The CCP has increasingly gone to great lengths to filter any and all views that fail to align with their philosophies and carefully crafted propaganda. In 2009, Solid Oak Software, a U.S. company based out of California, stated that sensitive information and software was stolen directly from their servers and used in China's Green Dam Youth Escort software, a software legally required to be installed onto every PC sold in China, in order to prevent access to certain sites deemed inappropriate by the Chinese government. Within days of this

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<sup>62</sup> Ferry, Jeff. "Top Ten Cases of Chinese IP Theft." Coalition For A Prosperous America, May 1, 2018. <https://prosperousamerica.org/top-ten-cases-of-chinese-ip-theft/>.

announcement, Solid Oak Software CEO Brian Milgrim claimed that unknown hackers began to attack their computer network with “denial-of-service” attacks. These attacks forced Solid Oak team members to stop using their own network and transition to a safer alternative with Dropbox exchange files. Milgrim stated that “It felt like they had a plan... if they could just put the company out of business, the lawsuit goes away. They didn’t need guys with guns or someone to break my kneecaps.”<sup>63</sup> Once the case was settled, outside of court, the cyberattacks had stopped. This instance not only serves as yet another example of intellectual property theft by China, but also highlights the extent of aggressive behavior they are willing to go to in order to acquire information and technology for the total control of the nation’s media.<sup>64</sup>

## **T-BILLS (PURCHASING US GOVERNMENT DEBT)**

National debt has long been a concern for the U.S. government, as their outstanding borrowing currently stands at a colossal \$31.45 trillion, the largest national debt in the world.<sup>65</sup> For reference, the second largest national debt

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<sup>63</sup> Ferry, Jeff. “Top Ten Cases of Chinese IP Theft.” Coalition For A Prosperous America, May 1, 2018. <https://prosperousamerica.org/top-ten-cases-of-chinese-ip-theft/>.

<sup>64</sup> Robertson, Jordan. “Company Alleges Chinese Software Has Stolen Code.” The San Diego Union-Tribune, June 12, 2009. <https://www.sandiegouniontribune.com/sdut-us-china-internet-061209-2009jun12-story.html>.

<sup>65</sup> “Fiscal Data Explains the National Debt.” U.S. Treasury Fiscal Data, n.d. <https://fiscaldata.treasury.gov/americas-finance-guide/national-debt/#:~:text=What%20is%20the%20national%20debt,accumulated%20over%20the%20nation%27s%20history.&text=Updated%20daily%20from%20the%20Debt%20to%20the%20Penny%20dataset>.

belongs to the United Kingdom who stand at \$8.73 trillion. To combat this budget deficit, the federal government has the option of borrowing money by selling marketable securities such as Treasury bonds and T-bills, essentially selling their debt obligations to other investors.<sup>66</sup>

Traditionally considered one of the safest investment securities, China over the past few decades has capitalized on this opportunity and accumulated large amounts of U.S. Treasury securities. According to Investopedia, in August 2022, China owned roughly 7% of the U.S. national debt and mostly held in the form of U.S. treasury securities.

So why exactly does China look to invest so heavily in U.S. government debt? Well, aside from the safety of the investment, by purchasing of U.S. Treasury bonds and securities, China gains multiple advantages that help to not only grow their economy, but also act as a sound foundation to cost-effectively facilitate international trade (as they continue to peg the value of their own currency against the US dollar).

According to the U.S. Census Bureau, China has had a significant trade surplus with the U.S. since 1985, meaning that China sells more goods and services than

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<sup>66</sup> Investopedia. "National Debt: Definition, Impact, and Key Drivers." Investopedia, April 25, 2023. <https://www.investopedia.com/updates/usa-national-debt/#:~:text=A%20deficit%20occurs%20when%20the,selling%20debt%20obligations%20to%20investors.>

the U.S. sells to China. Chinese exporters are paid in U.S. dollars for the goods they sell to the United States, but need to convert these dollars to renminbi/yuan, their national currencies. To accomplish this, Chinese exporters sell their dollars through exports to get RMB, ultimately increasing the supply of dollars and raising the demand for RMB. The People's Bank of China intervenes in this scenario as well by buying U.S. dollars and providing yuan, which they can print creating a never-ending supply, in return, actively increasing the rates of the dollar while the government accumulates dollars as forex reserves.

China also purchases U.S. treasury securities as a method to keep their export prices lower. By keeping their export prices low, foreign investors and buyers continue to view Chinese products as lucrative and cheap options on the market, ultimately creating more business flowing through the country and generating new job opportunities for their people.

Finally, being in possession of such a large percentage of the United States' debt allows China to have the United States in a form of a chokehold you could say. According to some analysts, by dumping the U.S. Treasuries and debt, China could effectively skyrocket interest rates for the United States and possibly damage the economic growth of the nation. While many believe that this move is too risky to be a tangible threat – due to the fact that by doing so it would leave China with a large stockpile of devalued dollars with nowhere to put them. Historically, governments have often defied economic logic and, in this case, they



still have the potential and ability to weaponize debt against the United States, a position that leaves China with an economic strategic advantage.

### **CONTROL OF NATURAL RESOURCES / OFF-SHORE INVESTMENTS**

As China's economic growth in recent decades has, in large part, been tied to value-added manufacturing, the demand for natural resources to supply this growth has also increased. Given that the nation does not have the ability to sufficiently meet such demand from within its own borders, the Chinese government has looked abroad to satisfy its needs. Two continents in particular that have received focus and investments from China in their endeavors are Africa and South America. Obvious choices, as their countries are rich with the very natural resources needed to support China's immense economic growth, but are also often lacking the financial and technological foundations to capitalize on these untapped resources. In return for these natural resources, China has provided a variety of products and infrastructural support to their trade partners abroad, but inspection of these deals has often shown feigned goodwill on the part of China in order to gain access to natural resources. It is common for local populations and government to complain about unfair/unsafe working conditions and failure by the Chinese to live up to the parameters of agreements entered into which allowed access to said resources. In the following subsections, China and their activities with African and South American nations will be analyzed, along with how these exchanges have affected both sides.

China & Africa: Depending upon region, Sub-Saharan Africa is home to the world's third largest oil reserves, behind the Middle East and North America. Additionally, the region is home to the world's richest mineral beds. South Africa serves as a prime example of such mineral wealth, as they are the leading producer of platinum (80% of total production and 90% of world reserves), along with manganese (75% of world reserves).<sup>67</sup>

The vast catalog of resource wealth has made the continent and many countries within it very attractive partners for bilateral relations with China. Between 1995 and 2000, commercial exchanges between China and Africa increased from \$4 billion to more than double that amount at \$10 billion, extending to \$42 billion in 2005, and up to \$72 billion in 2007.<sup>68</sup> By 2021, trade between Africa and China reached an immense \$254 billion, a 35% increase from 2020 alone.<sup>69</sup> These trade relations between China and Africa were driven of course by China's near insatiable appetite for oil and metals, but in exchange China has provided infrastructure investment. As part of China's Belt and Road Initiative (BRI), the Asian superpower has provided ports, roads, railways, airports, amongst other

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<sup>67</sup> Alden, Chris, and Ana Cristina Alves. "China and Africa's Natural Resources: The Challenges and Implications for Development and Governance." Africa Portal, September 1, 2009. <https://www.africaportal.org/publications/china-and-africas-natural-resources-the-challenges-and-implications-for-development-and-governance/>.

<sup>68</sup> Alden, Chris, and Ana Cristina Alves. "China and Africa's Natural Resources: The Challenges and Implications for Development and Governance." Africa Portal, September 1, 2009. <https://www.africaportal.org/publications/china-and-africas-natural-resources-the-challenges-and-implications-for-development-and-governance/>.

<sup>69</sup> Mureithi, Carlos. "Trade between Africa and China Reached an All-Time High in 2021." Quartz, February 8, 2022. <https://qz.com/africa/2123474/china-africa-trade-reached-an-all-time-high-in-2021>.

infrastructure developments. These infrastructure developments have been incredibly helpful in increasing the efficacy of travel throughout Africa. For example, in what used to take days to traverse, drivers can now cross parts of Eastern Congo in a matter of hours.<sup>70</sup>

China has dominated infrastructure development in Africa, but this is not a result of other nations not trying. Others such as the United States and the European Union have tried to counter China's efforts in the region, and it is likely these efforts are, at least in some part, out of concern for China's increasing global influence. In 2021, President Joe Biden and his administration proposed the Build Back Better World (B3W) as an attempt to both counter China as well as create a balance of financial opportunities in Africa to build infrastructure. The EU has already launched Global Gateway, their own form of action with similar goals to the US. Ursula Von der Leyen, president of the European Commission was quoted stating that the EU wants to create "links and not dependencies". Despite these efforts though, both have had little success competing against China and Chinese firms. One of, if not the biggest factor tipping China in favor over their Western counterparts, is their ability to spend such large amounts of money to fund projects. In the figure below, provided by The Economist, we can see how China dominates financing institutions in sub-Saharan African countries.<sup>71</sup>

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<sup>70</sup> "How Chinese Firms Have Dominated African Infrastructure." The Economist, February 19, 2022. <https://www.economist.com/middle-east-and-africa/how-chinese-firms-have-dominated-african-infrastructure/21807721>.

<sup>71</sup> "How Chinese Firms Have Dominated African Infrastructure." The Economist, February 19, 2022. <https://www.economist.com/middle-east-and-africa/how-chinese-firms-have-dominated-african-infrastructure/21807721>.



Between 2007 and 2020, as the chart shows, Chinese development banks provided \$23 billion compared to the combined \$9.1 billion offered from all other banks. The Chinese firms are ruthless in their endeavor to make a profit for themselves and their nation, often enjoying the benefit of fewer restrictions than those facing most Western nations. Business and workplace standards – developed over time to ensure fair and equitable treatment of enterprises and employees alike – are largely ignored by Chinese institutions (especially in overseas activities) in the interest of business expansion. Regulatory business practices, those of which involve environmental, workplace treatment, and spending caps, may be considered impractical niceties, rather than sound and ethical standards.

With these exchanges of goods and services and with little to no competition (on any level playing field) from other nations, the relationship between these two regions has taken off as China has become Africa's largest trading partner, and while both sides have become integral to each other's continued growth and success, this relationship is surely unbalanced and leaning ever more in favor of the Chinese. In fact, there is a reputation surrounding Chinese firms as they are known to be very strict in negotiating these deals to ensure there is very little risk on their side and higher probability for profit. One of the most notorious examples of this now playing out in Kenya is its railway deal with China. Despite being warned by the World Bank that their proposed plan would never turn a profit, Uhuru Kenyatta, president of Kenya, agreed to a \$4.7 billion deal with Chinese lenders in an effort to enhance state infrastructure. This deal has since run overbudget and has left Kenya with a deficit for the operation, putting them \$200 million in the hole. Africa desperately needs infrastructure development, and China knows that they can take advantage of this need. Many of China's involvements with African nations has led to countries and local companies amassing irreconcilable debt, riddled with domestic corruption, mistreatment of African workers, and even catastrophic damage caused to ecosystems. Despite all of this, Africa still needs investment, and China, because they still need Africa's resources, will continue to press their advantage. But with China's relentless goal of economic growth, it stands to reason that, for the foreseeable

future, they will maintain a competitive advantage in a relationship that heavily favors their side.<sup>72</sup>

China & South America: As with Africa, South America is home to rich deposits of a variety of metals and minerals, as well as oil, all materials of great need for a growing industrial economy like China's. Relations between China and South America were very sparse before 2001, as in that year the Chinese market only accounted for 1.6% of Latin America's exports. However, with the growth of the Chinese economy, goals shifted, and so too has their foreign policy. As such, this once modest partnership has now expanded into an impressive international trade relationship.<sup>73</sup> With an annual growth rate of around 31% since 2000, trade between the two sides has reached an outstanding \$450 billion in 2021, with many economists believing that this figure could even reach \$700 billion by 2035.<sup>74</sup>

This incredible growth was generated on the backs of loans provided by China's state-owned banks with these banks having distributed a total of 117 loans throughout the region for a total value of \$138 billion. In exchange for these loans, the PRC receives favorable access to the participating country's natural resources. China has offered "support" in other ways as well. During the recent

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<sup>72</sup> "The Chinese-African Relationship Is Important to Both Sides, but Also Unbalanced." *The Economist*, May 20, 2022. <https://www.economist.com/special-report/2022/05/20/the-chinese-african-relationship-is-important-to-both-sides-but-also-unbalanced>.

<sup>73</sup> "China Regional Snapshot: South America." Foreign Affairs Committee, October 25, 2022. <https://foreignaffairs.house.gov/china-regional-snapshot-south-america/>.

<sup>74</sup> Roy, Diana. "China's Growing Influence in Latin America." Council on Foreign Relations, April 12, 2022. <https://www.cfr.org/background/china-influence-latin-america-argentina-brazil-venezuela-security-energy-bri>.

COVID-19 pandemic, an underfunded South America was looking for help in their battle against the virus. In looking for more ways to boost relations with the region, China provided medical equipment, more loans, and hundreds of millions of vaccine doses.<sup>75</sup> Additionally, China exports higher-value-added manufactured products. In return for these favors, China has also been able to acquire free trade agreements with 23 Latin American countries. Of note, negotiations are currently taking place with Ecuador to sign onto a major infrastructure program, entitled China's Belt and Road Initiative.

As expressed in the section regarding China-Africa relations, China is very particular with the deals they make and the relationships they form. As the nation is driven by self-interest, China is very determined in their pursuit of deals that are structured to ensure they are favored with higher profits and lower risk.

Wary of how things have sometimes progressed in Africa, there are some Latin American nations concerned with pursuing deals and a relationship with China and/or Chinese companies. With many Latin American countries struggling financially, especially in comparison to the economic giant of China, loans can be an attractive but dangerous pursuit. In what has been termed as "debt traps", failure to pay back loans can result in default. Aside from the fact that it is difficult for these nations to pay their loans back, some countries have had to resort to

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<sup>75</sup> Roy, Diana. "China's Growing Influence in Latin America." Council on Foreign Relations, April 12, 2022. <https://www.cfr.org/backgrounders/china-influence-latin-america-argentina-brazil-venezuela-security-energy-bri>.

providing prohibitively unbalanced deals on natural resource reserves collateral for loans.<sup>76</sup>

China's active role in Latin America has fueled concern for Western nations on a number of issues. In providing finances and infrastructure to the region, China has been slowly growing the strength of their relationships with Latin American countries. In doing so, a rather isolated country like China (surrounded by Western allies), could potentially develop strategic partnerships, and perhaps even alliances further down the line, with other countries here in the Western hemisphere. China has already signed comprehensive strategic partnerships, the highest classification the country awards to diplomatic allies, with Argentina, Brazil, Chile, Ecuador, Mexico, Peru, and Venezuela.<sup>77</sup> Building strategic partnerships with other nations holds a number of benefits for China, such as having allies in times of turmoil and favorable economic factors. A pressing and relevant issue this can be tied to is Taiwan. China refuses to have diplomatic relations with countries that recognize Taiwan as a sovereign nation. With this being the case, countries that are dependent on, or in need of China's economic support, would have little choice but to align their views with those of China. This would further isolate Taiwan and make their ability to garner support – in the event of Chinese aggression – more difficult.

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<sup>76</sup> Hancock, Tom. "China Faces 'creditor Trap' in Lending to Latin America: Q&A." Bloomberg.com, February 22, 2022. <https://www.bloomberg.com/news/articles/2022-02-22/china-faces-creditor-trap-in-lending-to-latin-america-q-a#xj4y7vzkg>.

<sup>77</sup> Roy, Diana. "China's Growing Influence in Latin America." Council on Foreign Relations, April 12, 2022. <https://www.cfr.org/background/china-influence-latin-america-argentina-brazil-venezuela-security-energy-bri>.



## **PROPAGANDA**

Propaganda, both domestic and international, has long been a critical part of Xi Jinping and the CCP's toolbox when it comes to delivering their official narrative and when implementing their agenda/strategies. This is especially true when it comes to influencing the public opinion of their citizens in order to maintain political control and popular support. China's vast propaganda network is also a weapon the Chinese employ to sow the seeds of distrust within the international community towards its adversaries, and to generate confusion and strife among the populations of those same adversarial countries.

Nationally speaking, the CCP has a strong grip over the information that is available to their citizens. The "state-controlled media" makes sure that the government is never seen in a negative light and the CCP goes to great lengths to restrict, or eliminate accessibility to all media providing opposing viewpoints.

Although China (the CCP) commands a huge network of propaganda resources, they can all be categorized among four different types. First, there are either domestic, or international. An interesting point to note here is that it is not at all uncommon for the official internal messages to be in direct contrast to the international, or global positions. Next, both domestic and international categories can be separated/defined as overt, or covert. These too can at times be at odds with one another, depending on the response, or opinion, the CCP wishes to instill.

Domestic Overt Propaganda: China's domestic vs. international narratives that they strive to propagate are often interesting deflections to draw attention away, or at other times contradictory. Overseas, their goal is aimed towards improving the West's perceptions of China, a move that of course would better relations between the two sides. Domestically, China has been feeding their citizens propaganda to further accentuate the narrative that the West is evil in comparison to the great work that China is doing and that the West's (the US in particular) primary goal is to restrict Chinese growth, prosperity, and global position, as a way of sustaining the status quo. An example comes from the aftermath of the COVID-19 pandemic. During this global pandemic, there was a substantial amount of animosity directed towards China for being the origin of the outbreak; however, rather than address the issue, the CCP looked to direct attention and eyes away from themselves as the origin of the virus. The somewhat clumsy tactics included the creation of a "competition" against the West in the battle against the COVID-19 virus, as well as releasing a variety of messages to perpetrate the illusion that China was – by comparison – succeeding in their battle against COVID. Xi Jinping and the CCP created a narrative that they were "winning a battle against America" in terms of combating the outbreak. This message eventually came in direct conflict with reality when the CCP imposed a zero tolerance directive that essentially quarantined large portions of the country in order to stave off mass infections and casualties.

It is interesting to point out here that, prior to the recent elections – that secured Xi's unprecedented third term – the Chinese leaders made a difficult, but calculated decision regarding the COVID-19 pandemic. On the one hand, if they did not impose restrictive quarantine measures, it was very likely that there would be widespread infections and resulting casualties. On the other hand, if they incurred what would be essentially martial law, the economy, which was already showing signs of weakening, would almost certainly stall. Suspecting the former would have a greater effect on voter support, they initially opted for the latter approach. Once the elections were secured, however, a complete lifting of restrictions was passed. The result – massive infections, just as predicted. But Xi and cronies are now safely in power.

Domestic Covert Propaganda: Management of all internet access has been a pivotal strategy for the CCP to control narratives within their own borders. In line with Xi Jinping's authoritarian style, he and the CCP have used internet censorship, also known as the "Great Firewall", along with the spreading of online propaganda to their potent advantage.

International Overt Propaganda: Given the dominance and widespread acceptance of "free speech" of western media on the global landscape, China sees itself as having an uphill battle in generating a more positive image of themselves on the world stage. This, being particularly challenging in light of their widespread and controversial activities. According to a report by the Reuters

Institute of the University of Oxford, China has invested roughly 6.6 billion USD since 2009 to strengthen their global media presence.<sup>78</sup> In addition to this investment, China has worked on creating new media agreements and performing exchange programs with foreign journalists and Chinese media unions.<sup>79</sup> A notable media agreement China has secured is with Italy. As Italy signed onto the Chinese Belt and Road Initiative in March of 2019, they also agreed to a variety of media-related conditions between Chinese and Italian media entities. As a part of these agreements, Italian state-run news agency ASNA signed a memorandum of understanding with China's state news agency Xinhua, together launching the Xinhua Italian Service. By having this agreement in place, Chinese media outlets are allowed to disperse pro-China pieces overseas, specifically in Western nations such as Italy, and provide them with the opportunity to cast themselves and their actions in a more positive light – essentially unedited. Chinese media companies have taken even more aggressive steps than the media agreements. For example, China and the Czech Republic were able to enter into an agreement allowing the Chinese company CEFC to acquire a stake in Czech Empress Media. This, in turn, created access to TV Barrandov and a number of magazine lines, including

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<sup>78</sup> Kumar, Raksha. "How China Uses the News Media as a Weapon in Its Propaganda War against the West." Reuters Institute for the Study of Journalism, November 2, 2021. <https://reutersinstitute.politics.ox.ac.uk/news/how-china-uses-news-media-weapon-its-propaganda-war-against-west>.

<sup>79</sup> Kumar, Raksha. "How China Uses the News Media as a Weapon in Its Propaganda War against the West." Reuters Institute for the Study of Journalism, November 2, 2021. <https://reutersinstitute.politics.ox.ac.uk/news/how-china-uses-news-media-weapon-its-propaganda-war-against-west>.

Týden and Instinkt.<sup>80</sup> The result was a notable shift in the topics and tones in which they cover all subjects relative to China.

A study conducted by MapInfluenceEU analyzing coverage of China's presence in Central Europe by these media outlets then found that negative comments about China completely disappeared.<sup>81</sup> In fact, there were not even neutral comments made when mentioning China, rather, whenever mentioning anything that dealt with China, or its activities, it was invariably in a positive light. What we see here is China quite literally buying media favor by propagating a usually-false narrative that distorts, or even ignores facts.

International Covert Propaganda: While China may not have the same iron grip over the internet globally as it does domestically, the country still tries to use it as a vehicle to increase their influence and boost their image overseas. For example, in a report conducted by The Centre for Information Resilience (CIR), a fake network of 350 fake social media profiles pushing pro-China propaganda was uncovered.<sup>82</sup> These fake profiles, discovered through the clever use of keywords in hashtags, were found to be pushing propaganda that closely mirrors

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<sup>80</sup> Kumar, Raksha. "How China Uses the News Media as a Weapon in Its Propaganda War against the West." Reuters Institute for the Study of Journalism, November 2, 2021. <https://reutersinstitute.politics.ox.ac.uk/news/how-china-uses-news-media-weapon-its-propaganda-war-against-west>.

<sup>81</sup> Kumar, Raksha. "How China Uses the News Media as a Weapon in Its Propaganda War against the West." Reuters Institute for the Study of Journalism, November 2, 2021. <https://reutersinstitute.politics.ox.ac.uk/news/how-china-uses-news-media-weapon-its-propaganda-war-against-west>.

<sup>82</sup> Carmichael, Flora. "How a Fake Network Pushes Pro-China Propaganda." BBC News, August 5, 2021. <https://www.bbc.com/news/world-asia-china-58062630>.

messages and themes of Chinese state representatives and state media. These messages include, but are not limited to, criticizing/condemning the United States (for having poor human rights records regarding gun violence), circulating garish cartoons depicting individuals controversial in the eyes of the Chinese government, such as exiled Chinese tycoon Guo Wengui, an outspoken critic of China<sup>83</sup>, and, as always, there is never a missed opportunity to heap praise on Xi and the CCP. Great care is always given to make certain there is no official link between these fake profiles and the Chinese government, but as previously stated, the similarity between these posts and those published by pro-China networks bare a strong resemblance.

One particularly effective and novel mechanism of China's covert propaganda initiative that is worth highlighting here, is the "Wumao" (五毛党), or "50 Cent Army" (aka "50 Cent Party"). This is a vast network of internet commentators, formed by authorities of the PRC to monitor both domestic and international internet activity critical or contrary to the official CCP line, and posting comments to contest/contradict such articles, blogs, etc. So named for the fact that these agents of the state are paid RMB¥0.50 for every post, it is estimated that the 50 Cent Army employs between 250,000 to 300,000 members.<sup>84</sup> In order to ensure the continuity of party message is being correctly disseminated, the Ministry of

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<sup>83</sup> Carmichael, Flora. "How a Fake Network Pushes Pro-China Propaganda." BBC News, August 5, 2021. <https://www.bbc.com/news/world-asia-china-58062630>.

<sup>84</sup> KING, GARY, JENNIFER PAN, and MARGARET E. ROBERTS. "How the Chinese Government Fabricates Social Media Posts for Strategic Distraction, Not Engaged Argument." *American Political Science Review* 111, no. 3 (2017): 484–501. <https://doi.org/10.1017/s0003055417000144>.

Culture of the People's Republic of China now holds regular training sessions, where participants are required to pass an exam, after which they are issued a job certification. A study by the American Political Science Review on the content of 50 Cent Army posts concluded that 80 percent of the analyzed posts involve pro-China cheerleading with inspirational slogans, and 13 percent involve general praise and suggestions on governmental policies.<sup>85</sup> This study was from 2017 – it is likely the reach has grown considerably, and I personally found it very easy to locate (redundant, obvious CCP cheerleading in passable, but clearly not native English) the work of the 50 Cent Army on multiple internet sites and platforms.

### **WHAT NOW TO DO?**

In the face of China's growing strength, intrusion, aggression, and sheer audacity, what is the best course if the global community at large, and the United States in particular, has any chance at all of limiting/modifying China's current trajectory and averting what feels to many as a precursor to another cold war – at best – and outright conflict at worst?

Perhaps it is presumptuous for me to suggest what course world leaders need to adopt to address such a daunting challenge. And, perhaps my suggestions may seem obvious, or demonstrating the absence of an understanding of the nuanced nature of international diplomacy and influence/coercion. Nevertheless, I believe

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<sup>85</sup> Wertime, David. "Meet the Chinese Trolls Pumping out 488 Million Fake Social Media Posts." *Foreign Policy*, May 19, 2016. <https://foreignpolicy.com/2016/05/19/meet-the-chinese-internet-trolls-pumping-488-million-posts-harvard-stanford-ucsd-research/>.

them to be sound recommendations whose value, validity, and viability are not negated by my lack of experience. They are merely common sense.

Also, the challenge in correcting China's dangerous path does not lie in recognizing what needs to be done, but in garnering domestic and international consensus – particularly in the face of so many conflicting views, interests, concerns, and allegiances – and then rendering such consensus into tactile and effective actions. Therein lies the real challenge.

"China is a sickly, sleeping giant. But when she awakes, the world will tremble."

Napoleon Bonaparte

"Beware the sleeping dragon. For when she awakes the Earth will shake On China."

Winston Churchill

### **THE CARROT AND THE STICK**

There is more than one interpretation of this metaphor, which – though applied in many circumstances – is also relatively commonplace in its use by politicians.

"Thus, by every device from the stick to the carrot, the emaciated Austrian donkey is made to pull the Nazi barrow up an ever-steepening hill."

Winston Churchill



In the example by Churchill, the meaning is clear – by any means necessary. Whether by force, or by enticement, a goal will be accomplished. While this is not contrary to what I would propose, it seems to suggest a kind of desperate proactivity that misses what may be a crucial aspect of what China wants very dearly – inclusion and respect. This must be part of the . . . carrot, if you will.

Another similar, but slightly different use of the carrot and stick metaphor, is the idea of strategically pairing both objects (symbols) to move someone to a desired position, or place. In its earliest use, the carrot was actually tied to the end of a stick, which was dangled in front of a donkey to entice it forward. The reference later evolved in which one object represented a reward and the other a punishment, or threat. In the case of the donkey, the stick became a prompt (striking the donkey) to move and the carrot was used to steer.

If the United States and its allies are to modify China's behavior, it will require some very effective and carefully manipulated carrots and sticks.

### **THE STICKS**

Less a punishment – although some have already been applied in the form of economic sanctions – the sticks that will be needed to curtail Chinese aggression, and to consider the carrots, will be in the form of threats. The goal/hope will be that these would be prohibitive enough to at least encourage Chinese leaders to reflect on the value of current and future military, economic, and other disruptive strategies just enough to allow the international community

to engage in a more collaborative, inclusive, and hopefully productive dialogue. This, towards the eventual aim of a shared strategy(ies). Kumbaya!

### **A UNITED FRONT**

As an authoritarian regime, one with the financial resources of the second largest economy in the world, the CCP has both the funds and the freedom to divert as much of its wealth to defense (equipment, infrastructure, personnel, etc.) as it sees fit. Unlike its democratic (actual) counterparts, who must first form consensus on military spending, China is at a great advantage to this regard and – as of late – has taken full measure to build a military that rivals any other on Earth.

While we have already seen the beginnings of some international defense collaboration – mostly in the form of joint naval exercises in the Pacific – and while this collaboration has already caught the attention of China (complaining that these moves are provocative), they are clearly reactive and limited. These are mostly tepid displays to demonstrate to China that their potential adversaries are watching China's aggressions; this, and little else. This has not stopped China's moves, not even slowed them. China continues to build islands in contested waters (some as fully functioning military ports and airstrips), still conducts naval and military flight operations in contested areas and airspace, and continues to build its military – much on stolen technology.

In order for the stick to have any influence as a genuine threat, it must be that – genuine. The allies will need to up their game, substantially, if the threat is to be taken more seriously. There are encouraging signs that many of China's neighbors recognize the threat and are taking the first moves to prepare themselves. In a recent article by CNN's Brad Lendon, titled "Ukraine war has made it easier for US to isolate China in the Pacific" he notes that:

“In the past few months alone, Japan has pledged to double defense spending and acquire long-range weapons from the US; South Korea has acknowledged that stability in the Taiwan Strait is essential to its security; the Philippines has announced new US base access rights and is talking about joint patrols of the South China Sea with Australia, Japan and the United States.”<sup>86</sup>

While these would be sound recommendations in light of China's buildup, simply as a mutual deterrent and common-sense security measure, remember that our approach is 2-fold and that threat of a superior and united adversarial military force (the “porcupine effect”) is the first step in encouraging China to entertain a dialogue towards becoming a global partner.

\*It is worth mentioning here that only yesterday (at the time I am writing this), the US, England, and Australia jointly announced plans to develop and deploy a new generation of nuclear-powered attack submarines. These will represent a

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<sup>86</sup> Lendon, Brad. “Ukraine War Has Made It Easier for Us to Isolate China in the Pacific.” CNN, March 6, 2023. <https://www.cnn.com/2023/03/05/asia/ukraine-war-us-pacific-alliances-intl-hnk/index.html>.

coordinated effort to patrol the Pacific and are meant to directly counter the Chinese navy. This is a very bold statement by the US and its allies. *Perhaps they share my thoughts on strategy.*

## **THE IMPORTANCE OF UKRAINE**

As previously mentioned, China is paying close attention to Russia's invasion of Ukraine, and in particular, the response by NATO and the rest of the international community. While China never wanted Russia to invade Ukraine – the disruption placed the Chinese in a number of awkward positions with very little upside – they are keenly interested from an analytical point of view.

It is clear that Putin grossly miscalculated in underestimating NATO's unified willingness to support Ukraine's defense efforts, as well as its extended resolve. Whether China had a better grasp on how this now year-long conflict would play out, or not, there can be little doubt that China is taking notes as a study on what could be the international reaction to a Chinese invasion of Taiwan. Much of what Putin had banked on in his predictions of an early victory, was the potential for economic pain and the resulting public uproar to prevent support for Ukraine in the face of energy supply chain disruptions. This was another clear miscalculation (helped in part by a mild winter in Europe), as support has continued to grow while the conflict progresses. If this is the case, then China must also consider that if such economic disruption (retaliation for supporting Ukraine) is not a deterrent, then how much greater would the international

response be in the face of an invasion that actually threatened disruption were it to succeed (i.e., were China to control South China Sea trade).

It is not controversial to suggest that China is a far greater threat than Russia to Global security in the long term. If this is the so, then it is crucial that the global community send a clear message in the form of an ironclad collaboration that shows no signs of waning in its support of Ukraine. Russia's defeat needs to be definitive and the result of a unified international effort.

It is also worth noting that Sweden and Finland's (who shares a large border with Russia) decision to join NATO, as a result of the Russian invasion, will not go unnoticed by a China deeply cognizant of the threats to its own borders.

### **ECONOMIC PAIN (NOT YET A MARKET ECONOMY)**

There are some who suggest that China's ultimate goal is to become a consumer-driven economy that internally produces and then purchases the vast majority of its own goods. Not so unlike the China of the 19<sup>th</sup> century wherein Emperor Qian Long's message to the British monarch: *"As your Ambassador can see for himself, we possess all things. I set no value on objects strange or ingenious, and have no use for your country's manufactures."*

While this is likely an exaggeration of China's long-term goals, it may not be completely off track. Certainly, as China's economy has grown, it has taken the

natural evolutionary step of transitioning to a more consumer-driven economy. However, even though it has the second largest economy – after the US – it also has a population more than 4 times that of the US. In other words, while some in China have amassed great wealth, the population at large live relatively modest lives. Currently China ranks 41<sup>st</sup> in the world in terms of average median household income.<sup>87</sup>

In other words, for the foreseeable future, China will continue to depend on international markets as a foundation for the continued health of its economy.

Additionally, it is almost certain that China will, in the very near future, enter into a period of significant financial distress, due to its own poorly-conceived policies. Following the Great Leap Forward and The Cultural Revolution, the CCP was concerned that the massive casualties suffered by the populace could be a barrier to industrial and economic growth. Extensive propaganda measures were implemented encouraging the people to have as many children as possible. The plan worked so well that in just 3 decades, the Chinese population grew by more than 80 percent.

It was so effective in fact, that Mao and the CCP began to worry about the potential negative aspects and dangers of such rapid population growth, and in

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<sup>87</sup> "Average Income around the World." Worlddata.info, n.d. <https://www.worlddata.info/average-income.php>.

1971 Mao promoted his "Late, Long, and Few" or "wan, xi, shao (晚, 稀, 少)" strategy – meaning late marriage and childbearing, birth spacing (at least 3 years between two births), and fertility limitation (no more than two children). However, this did little curb population growth and in 1979, Deng and the CCP first proposed – and soon after began to enforce - its “One Child” policy.

Again, the CCP was very successful in accomplishing its goals of dramatically reducing population growth. Unfortunately, the leaders of China again failed to consider the long-term repercussions of their sweeping changes and are only recently beginning to see the enormous downside of this particular initiative.

As the expanded generation of Mao’s earlier population growth measures reached their working peak, and this apex coincided with the economic success of the Chinese economic miracle – the government’s coffers overflowed and there was financial power to invest in infrastructure, defense, industrial growth, overseas investments, and any number of strategies to build and strengthen. At its peak, the ratio of China’s workforce to retirees was 15 to 1. In other words, for every retired person, or adult incapable of working, there were 15 citizens actively working and paying taxes. However, as that wave of working Chinese begins and continues to retire, the burden of sustaining that portion of the population will now fall on a workforce that will continue to shrink for several more decades – at the very least. It is now projected that within 10 years, the ratio previously mentioned (15 to 1), will drop to 2 to 1. This will put a huge

financial burden on the current, smaller generation, on the national economy, and in turn, on Chinese leadership.

Recently, the CCP has been urging young Chinese to have more children, but as mentioned previously, it is human nature for a generation who climbs from suffering to affluence, to coddle a next generation that will most likely lack the same depth of character. Add to this the fact that most of this generation are only-children and what the leaders in China are discovering is that many do not share the same sense of devotion to the state as their parents, and that most are more interested in careers than in settling down and having many children. This is often the case in industrial nations – the US, Japan, and others – but was exacerbated by the CCP's policies. This is a question that has no apparent answer, but one which will face Chinese leaders, prepared, or not.

With China facing serious economic hurdles in the near future, its dependence on overseas markets for its manufactured goods will become ever more vital – if it is to eventually transition to a more consumer-based economy, or even sustain its current level of prosperity. A coordinated effort by the US and its allies to utilize other supply chains and isolate China would have a chilling effect on a CCP looking to avoid Chinese public discontent. Admittedly, this is not an easy accomplishment, in light of how the world has grown accustomed to relatively inexpensive and readily available Chinese-made products, but as China's economy has grown in recent years, so has the cost of Chinese products.



Considering the pain many countries have voluntarily faced in opposition to Russia's invasion of Ukraine, it is not unreasonable to assume there could be a similar tolerance, should China's actions become too aggressive?

### **FILTERING DOWN TO THE TRUTH**

Chinese leadership goes to extraordinary lengths to deny and/or deflect negative accusations and criticism from other countries. Employing a vast array of propaganda outlets and a huge network of media agents, they counterattack and often fabricate in order to muddy the waters and justify their controversial activities.

A case in point, would be the recent detection and downing of the now infamous Chinese spy balloon that dominated the US and international headlines for much of a week. At first, China denied that the balloon was theirs, then claimed that it was not for observation purposes (though analysis of the equipment proves otherwise), and that it had drifted off course (though it had navigation capabilities). Finally, in typical fashion, the Chinese Foreign Ministry claimed that they had observed the US employing similar "spy balloons" over China. A claim which Washington has denied (true, or not, why would China complain only now?). The Foreign Minister took the usual stance, stating: "Reflect on yourself,

stop smearing and attacking China, and stop misleading the American people and the international community.”<sup>88</sup>

The CCP takes its image – and how it is viewed as a member of the global community – very seriously. This is true both domestically and among the international community. While it is not unusual for other countries to denounce, or complain of Chinese actions/activities, it is not so common for many of them to unite in formal condemnation – this, for fear of damaging the relationship. As with the military stick, China will only respond to international criticism if the voice is clear, formal, and most all, united. If the world (or at least a substantial majority) frowns on the CCP, it *will* sting.

## **THE CARROTS**

While the threat of the stick must be potent enough to bring China to the table, the carrot(s) must be appetizing enough to make them take a seat, and substantial enough for them to share in the feast.

Even though it is critical for the international community to make certain Ukraine is victorious in defending itself against Russia, in order for China to observe the strength of a unified international defense, the West must also note the cost of its failing to accept and support Russia after the dissolution of the former Soviet

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<sup>88</sup> Pierson, David. “China Accuses U.S. of Flying Balloons over Xinjiang and Tibet.” The New York Times, February 15, 2023. <https://www.nytimes.com/2023/02/15/world/asia/china-spy-balloon-xinjiang-tibet.html>.

Union. In 1991, when Boris Yeltsin announced that the Soviet Union would cease to exist and that instead, there would be a "Commonwealth of Independent States," it was with the expectation that 1) there would be significant amounts of economic support and engagement from the West to assist in the struggling region, and 2) the "end of the cold war" would usher in an era of friendship and collaboration between Russia and its prior adversaries.

Sadly, none of that came to pass and what was likely a great opportunity to include Russia among western allies, deteriorated into the current state of an essentially proxy war via Ukraine.

This must not be allowed to occur with China. While the sticks – those yielded by the US and its allies, as well as those the CCP has unwittingly incurred on its own – are going to be important incentives, it is the carrots that will determine whether or not China can be brought into the fold as a partner in generating global security and prosperity, or as a hindrance to it. Hopefully, we can learn from our previous mistakes.

### **DOMESTIC STABILITY VIA INTERNATIONAL ACCEPTANCE (THE NORTH KOREAN EXAMPLE)**

It is safe to say that the only thing that makes the CCP more nervous than the United States and its allies, are the Chinese people themselves. With rebellion and revolution well baked into their modern culture, civil unrest and anger over

local and state governments long considered corrupt, the CCP devotes much of its energy and media control to keeping the public mollified.

A good deal of the official line which Chinese leaders target in order to deflect public criticism, is the us-versus-them pitch – “us” meaning China and “them” as the “West.” Under this vision, “they/them” are seeking to restrict Chinese success on many fronts and that China is being exploited, even threatened, in order to sustain a status quo, in which many of those nations that historically *did* exploit China hope to continue doing so. There is probably some validity to this; however, not to any extent that the CCP professes. Nevertheless, the West provides an excellent symbolic threat to which the CCP can paint itself as the sole line of defense.

In order for the US and friends to transform China from adversary to ally, they must present a new role for the CCP, one that provides security, stability, and growth, as well as acceptance and a new measure of universally-recognized prestige on the World stage. This would be something the Chinese leadership could claim as victory and – in light of how other regimes built on the promise of defending against a crafted threat from the West (i.e.. North Korea, Russia, etc.) have fared of late – there are obvious advantages to partnership. Particularly for a country whose economy is still much dependent on exporting.

Obviously, this is more complicated than what is being highlighted here. China too would need to agree to many concessions (human rights, territorial claims, perhaps arms limitation agreements, etc.), but the suggestions are multi-pronged. The hope is that with the threats of the aforementioned sticks, the coming economic strife, and the resulting public unrest, then perhaps we will see a more receptive and flexible Chinese leadership.

### **COLLABORATION ON SUPPLY-CHAIN FOR CONSUMER ECONOMY**

Ultimately, China would like to see its economy be less dependent on foreign markets and become more of a consumer economy that produces and purchases much of its own goods. Something akin to the countries in Europe, North America, and Japan – though foreign trade clearly represents a significant share of those economies as well. In order to achieve this goal, China's economy, and the median household income would have to grow significantly. This will take time, but more importantly, it will take international markets and collaboration. The US and allies should utilize this leverage by suggesting mutually advantageous trade agreements that will foster collaboration and build trust.

Yes, I realize that this is far more complex than I am suggesting, and that there would be myriad conflicting interests, but if the Chinese were receptive, the benefits could far outweigh the costs of allowing China to continue on their current disruptive and dangerous trajectory.

While there are some who might advocate for a more “nationalist” approach towards international policies in general, and relations with China in particular, it is important to note that this would create exactly the type of power vacuum that Xi Jinping and other Chinese leaders wish to fill. This “America First” vision – one where we limit activities aimed at promoting democratic rule, human rights, the rights of sovereign nations (particularly those more vulnerable), free and fair trade, etc. for all countries – may have certain merits. After all, who is to say that it is our responsibility to act as world police and/or rule-maker. However, we should have no reservations about what would occur were we to resign from our current status. There are no other countries even remotely capable of curtailing China’s current trajectory. In fact, we ourselves – alone – are unlikely to be up to the task. Fortunately, many of the industrial/economic powers of the world increasingly recognize the mounting tension between the last two superpowers and many of those are counting on the US not to take a nationalist approach with its Chinese dealings.

**CONCLUSION: WHAT DOES SUCCESS LOOK LIKE? A LONG TERM,  
MUTUALLY ENGINEERED ROADMAP OF PARTNERSHIP WITH SHARED  
GOALS AND RESPONSIBILITIES**

“Success?” A tall order for certain. In the short term, however, it is important to set goals. Achievable goals. So again, in the short term at least, success should

be consensus. Consensus in the form of mutually (China and those countries they now consider adversaries) agreed upon goals, as well as shared strategies for accomplishing such goals.

To bring this type of consensus to light requires a very challenging first step – frank admissions of each party’s wants, intentions, and fears. The reason this is such a challenging step is that 1) the truth is not always the official/public position – this means that early conversations/negotiations would likely need to be behind closed doors, and 2) one party’s wants and intentions may be at odds with those of the other side. Despite these hurdles, it is a prerequisite to reaching the type of dialogue that *can* lead to consensus.

It is impossible to know everything that would be requested and/or suggested in such talks; there are some items we can assume, while there are others which – due to the disparity of positions – would create an immediate impasse and should therefore not be part of initial discussions. Taiwan sovereignty would be an obvious example, and both sides would need to agree to table this part of the discussion for the time being.

Topics for discussion that might however be more productive could include:

- Fair trade: Identifying sectors for collaboration, supply chain needs, strategies to bolster China’s economy (with an aim towards shifting to

more domestic consumerism) and level off trade imbalances. Respect for intellectual property rights would be helpful, as well.

- Pacific coastal waters: Working towards a shared understanding of national coastal boundaries, fishing and mineral rights, shipping lanes, and most importantly – naval activity and etiquette.
- Investment and humanitarian assistance in developing countries: Rather than the current race to exploit the natural resources of many countries in Africa and South America, a collaborative and equitable plan to help these areas modernize, while developing the infrastructure and supply chains for such resources would benefit all parties involved and likely (hopefully, potentially?) nurture goodwill and camaraderie between China and the US (and allies).
- Marketing and Public Relations: We must not underestimate the desire by the CCP and the Chinese people to be accepted and respected by the other nations of the world. The incredible efforts and measures taken by China to counter international criticism and to sway public opinions abroad is testament to this hunger for acknowledgement and prestige. Therefore, a major selling point for Chinese engagement and collaboration must be the assurance of significant and public promotion of the joint efforts and shared successes of all nations participating in proposed talks with China.

There is certainly room for the argument that, were a sound strategy to be offered to assist the CCP in taking credit (or at least partially) for designing



and nurturing a move from its current worsening relationships of contention and competition, to ones of collaboration, mutual benefit, and trust within the global community, there is all likelihood that their leaders would show interest. This would allow leadership to sell its role shift from anti-West defender to global partner/citizen. While it may be overly optimistic, or even naïve, to believe that China will halt much of the aggressive activities previously discussed, it is also true that, in light of the rising potential for catastrophic conflict, even a dialing-back of their current path (and the international responses), would at least offer the opportunity for improved relations and dialogue.

With such a foundation, and with time, perhaps we can hope for a long-term vision of success – a Chinese people and government comfortable with their place in the international community and interacting with other nations in an open, honest, mutually equitable, and sustainable manner. It's good to have hope.

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