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China: Wealthy State, Strong Army— and a Powerful Party

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For over a decade, China's industrial and military strength has expanded with breathtaking speed. As one economist succinctly noted, China's economic growth "is losing its capacity to shock...however astonishing it would be elsewhere."¹

Despite China's signal disinterest in human rights (either for its own people or anywhere else), its equanimity toward nuclear proliferation, its insouciance about environmental degradation, and its border harassment of neighbors—from Japan to India, from the South China Sea to tiny Bhutan, and (of course) Taiwan—for many policymakers, China is increasingly considered too big to challenge.

This is not good. Managing China's rise requires a quiet, coherent, multi-dimensional, and disciplined strategy that must be coordinated with allies and friendly democracies. Crucial to achieving America's strategic policy goals is consensus among the world's democracies to "balance" China's rise. The key obstacle to consensus is China's sheer economic weight and its willingness to use that weight to punish its adversaries and reward its friends. Unless the United States is able to focus our own friends on the magnitude of the task at hand and lead them in addressing it, the world's democracies will ultimately acquiesce in the undemocratic and irredentist nature of Beijing's worldview.

America has confronted assertive authoritarian dictatorships with absolute authority over large economies in the past. But, false perceptions of the Soviet economic strength aside, in the past century the United States has never had to deal with a com-

petitor of such economic, industrial, political, and—soon—military weight.

Some U.S. politicians hope to wish the problem away and "look to China" to do the right thing. President George W. Bush is "optimistic about China's future" because, he believes "young people who grow up with the freedom to trade goods will ultimately demand the freedom to trade ideas."² A soothing thought, but history suggests that "freedom to trade goods" never, of itself, leads to democracy, which is why the Chinese Communist Party is comfortable with it.

Wealthy State, Strong Army. The swift pace of China's economic and military growth is undeniable, and China's ruling Chinese Communist Party (CCP) leverages this new power to legitimize its rule.

Since 2004, China's gross domestic product (GDP) has doubled in U.S. dollar terms. Its industrial sector is growing even faster.³ And the Chinese government officially acknowledges military spending growth of 17–18 percent annually—about \$59 billion in 2008⁴—while U.S. intelligence agencies suggest China's total military outlays are between double and triple Beijing's announced figures.⁵ Chinese military industries

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claim average annual revenue growth of 21 percent for the past three years.⁶

Even if Americans do not yet understand what is happening to their nation's global economic leadership, the Chinese do. China's leaders see economic might as an essential prerequisite to military power, which is, in turn, essential to the perpetuation of its economic expansion. This is the "Wealthy State, Strong Army" (*fu guo qiang bing*) doctrine of the Qin emperor, which animated the creation of the first great Chinese empire 2,200 years ago. "Wealthy

State, Powerful Army" has been restored to China's ideological lexicon, placing the Chinese People's Liberation Army (PLA) at the center of the country's development strategy.⁷

Because military armaments research, development, manufacture, and service are grounded in the industrial sector, the fact that China now possesses the world's second largest industrial sector should be cause for concern. China's industry is nearly 70 percent the size of the U.S. industrial sector and is growing at 13 percent a year, while U.S. industrial

1. "Economists React: China Economy Still Risks Overheating," *The Wall Street Journal*, October 25, 2007, at <http://blogs.wsj.com/economics/2007/10/25/economists-react-china-economy-still-risks-overheating> (September 22, 2008).
2. White House Press Office, "Remarks by the President at Queen Sirikit National Convention Center, Bangkok, Thailand," August 7, 2008, at <http://www.whitehouse.gov/news/releases/2008/08/20080807-8.html> (September 22, 2008).
3. China's statistical bureau pegged the country's GDP in 2004 at \$1.7 trillion U.S. dollars. See Wen Jiabao, "Report on the Work of the Government (2005)," delivered at the Third Session of the Tenth National People's Congress, March 5, 2005, at http://www.gov.cn/english/official/2005-07/29/content_18351.htm (September 22, 2008), which notes that "China's GDP in 2004 reached 13.65 trillion yuan, an increase of 9.5% over the previous year. Three years later, China reported 2007 GDP at \$3.46 trillion with industrial production growth at 13.7%. National Bureau of Statistics of China, "2007 Statistical Communique on the PRC's 2007 national economy and social development," February 28, 2008, at http://www.stats.gov.cn/tjgb/ndtjgb/qgndtjgb/t20080228_402464933.htm (September 22, 2008).
4. Gordon Fairclough and Jason Leow, "China's Military Boost May Stir Fear," *The Wall Street Journal*, March 5, 2008, p. A10, at <http://online.wsj.com/article/SB120462837702610135.html> (September 22, 2008).
5. Central Intelligence Agency, *World Factbook 2008*, updated September 4, 2008, at <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>. Note that, for no apparent reason, the CIA adjusted downward its estimate of China's military spending to 3.8 percent of GDP in 2007 but revised the figure back to 4.3 percent in the latest publication. Files for previous *Factbooks* dating to the year 2000 are available at the CIA website at <https://www.cia.gov/library/publications/download/index.html>. The Pentagon estimates China's total military-related spending for 2007 at between \$97 billion and \$139 billion. U.S. Department of Defense, *Annual Report to Congress: Military Power of the People's Republic of China 2008*, March 3, 2008, at http://www.defenselink.mil/pubs/pdfs/China_Military_Report_08.pdf (September 22, 2008).
6. Gu Xinping, "Yu Liegui's special report to 2008 National Defense Science Technology and Industry Work Conference (summary)," COSTIND News and Propaganda Center, January 7, 2008, at <http://www.costind.gov.cn/n435777/n435783/138802.html> (September 22, 2008). This figure is consistent with data in China's 2006 Defense White Paper, which said, "In 2005, the output value, added value and gross revenue of the entire spectrum of defense-related science, technology and industry increased by 24.3 percent, 20.7 percent, and 21.6 percent, respectively, over the previous year." See Chinese State Council, Information Office, "China's National Defense in 2006," *China Daily*, December 29, 2006, at www.chinadaily.com.cn/china/2006-12/29/content_771191.htm (May 3, 2007). See especially chapter VIII.
7. The Qin emperor's dictum was adopted (as *fukoku kyohei*) by Japan's emperor in the late 1800s to drive the Meiji Restoration turning Japan from an agricultural society to a world industrial power in 40 years. For recent PLA doctrinal tracts see "Grand strategy for contemporary China's development; take deeply to heart 'implement the unification of a wealthy state with strong army'—a written discussion of strategic thought," *Jiefangjun Bao*, January 10, 2008, p. 6, at <http://www.chinamil.com.cn/site1/images/2008-01/10/jfjb06b110b.JPG> (September 22, 2008). See also Du Renhuai, "The Key Link Is Melding a Strong Army with a Wealthy State," *Jiefangjun Bao*, January 10, 2008, p. 6, at http://www.pladaily.com.cn/site1/zbxl/2008-01/10/content_1083447.htm (September 22, 2008); Ma Yugang, Zhao Liang, Ren He, "Wealthy State, Strong Army and the Rise and Fall of Great Dynasties," *Zhongguo Junwang* (China Military Net), November 16, 2007, at http://www.chinamil.com.cn/site1/2007ztpdd/2007-11/16/content_1021284.htm (September 22, 2008). "Wealthy State, Strong Army" has been at the center of the CCP's new "Socialism with Chinese Characteristics" since at least August 2004. Peng Zhiping, Yu Yulin, "Strengthen the Army then Enrich the Nation? CCP adjusts guideline for building the army," *Zhongguo Shibao*, July 26, 2004.

growth was 0.5 percent in 2007. These trends mean China's industrial sector will indeed overtake that of the United States—a scenario most recent estimates predict will occur by 2017,⁸ although some estimates see it happening within a year.⁹

As China's People's Liberation Army continues to field new classes of super-quiet nuclear submarines with heavy loads of advanced ICBMs, top line jet fighters, and a dazzling array of new space systems, the strategic importance of China's industrial and manufacturing sectors will eventually become apparent to America's political leaders and national security officials. But such a revelation has yet to occur.

A Powerful Party Controls the “Middle Class.”

Of course, there are those who believe that China will mellow in its own way and in its own time. Those believers point to the mechanism of a growing “middle class” that will demand peace and stability from the regime and will exert adequate restraint on state power. About 5 percent of the population consists of CCP members.¹⁰ About the same number are “middle class.”¹¹

As it turns out, nine out of 10 of China's wealthiest people are CCP members.¹² A confidential survey of Chinese incomes conducted by the Central Party School Research Office in March 2006 reflects that, under the heading “private ownership of prop-

erty (foreign property not included),” some 27,310 Chinese own property valued in excess of 50 million yuan (about US \$15 million). And 3,220 people own in excess of 100 million. Of this latter figure, 2,932 people—91 percent—were identified as “children of senior cadres”—and those 2,932 people held “assets valued at 2.045 trillion yuan.”¹³ The same report also claimed “in the cities, income of middle and high-ranking bureaucrats already exceed the income of civil servants and mid-income people in developed countries in Western Europe and the United States.” This statement could not possibly be true—unless, perhaps, it includes institutionalized corruption.

The above-cited statistics make one fact clear: The CCP is quite adept at using its full panoply of economic and internal security instruments—as well as its newly rising “middle class”—to undergird its legitimacy.¹⁴ With its new industrial primacy in Asia, China is now building military power capable of enforcing its external goal of strategic political, military, and economic preeminence in Asia—the outward manifestation of the CCP's continued “Mandate of Heaven.”

A Necessary Skepticism. China's external behavior provides no solace to those hoping to see the rulers in Beijing turn into “responsible stakeholders” in the international community. For exam-

8. For an excellent evaluation of China's industrial growth, see Derek Scissors, “Weighing Chinese Manufacturing Strength,” Heritage Foundation *WebMemo* No. 2023, August 14, 2008, at <http://www.heritage.org/Research/AsiaandthePacific/wm2023.cfm>.
9. Peter Marsh, “China to overtake US as largest manufacturer,” *Financial Times*, August 10, 2008, p. 1, at <http://www.ft.com/cms/s/0/2aa7a12e-6709-11dd-808f-0000779fd18c.html> (September 22, 2008).
10. Party membership in July 2007 was reported to be 72.39 million. “China Communist Party Adds 2.6M Members,” *The Associated Press*, July 10, 2007.
11. “China has 80 million Middle Class Members: Official,” *Xinhua*, June 18, 2007. The story says China's National Bureau of Statistics defines “middle-income households as having an annual income between 60,000 and 500,000 yuan (7,792 and 65,790 U.S. dollars).”
12. The figures were reportedly included in a story published in *Shijie Guanli* (“World Manager,”) magazine. A colleague directed my attention to the statistics included in an article by Men Jiedan ed., “Zhongguo Yiwan Fuhao 9 cheng yishang shi gaogan zinu” (More than 90% of Chinese multi-millionaires are children of senior cadres), *Zhongxinwang* bbs, March 12, 2008, posted on the *Zhongguo Xinwenshe Henan Fenshe* website at <http://www.henannews.com.cn/newcnsnews/70/2008-03-12/news-70-72717.shtml> (July 10, 2008).
13. *Ibid.*
14. Or, as CCP General Secretary Hu Jintao averred, “We must uphold the Party's role as the core of leadership in directing the overall situation and coordinating the efforts of all quarters.” “Full text of Hu Jintao's report at 17th Party Congress,” *Xinhua*, October 24, 2007, at http://news.xinhuanet.com/english/2007-10/24/content_6938749.htm (September 22, 2008).

ple, the new Chinese superpower still aids and abets regimes that engage in:

- Genocide in Sudan,
- Repression and political terror in Zimbabwe,
- Unremitting oppression in Burma, and
- Nuclear proliferation in North Korea and Iran.

These are but pieces of a long-term pattern indicating China has little prospect at this point of becoming a responsible global power.

Unless the next President of the United States adopts greater skepticism toward China's future intentions; reaffirms America's commitment to like-

minded economic, political, and security allies around the world; and seeks aggressive enforcement of the global economic rules it has done more than any other nation to establish, there will be precious little to prevent China from changing the geopolitical rules to suit its own interests. The United States certainly needs to balance China's rise, but it also needs to create and nurture a balance of forces in favor of economic and political freedom.

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