



IN THIS ISSUE:

IN A FORTNIGHT By L.C. Russell Hsiao.....	1
BEIJING'S DIPLOMATIC OFFENSIVE: "MARATHON AUTUMN DIPLOMACY" By Willy Lam.....	2
CHINA'S PERSIAN GULF STRATEGY: ISRAEL AND A NUCLEARIZING IRAN 2009 By Christina Y. Lin.....	5
THE FUTURE OF U.S.-TAIWAN DEFENSE COOPERATION By Ed Ross.....	8
FEATURED REVIEW: RE-EVALUATING CHIANG KAI-SHEK By Arthur Waldron.....	11



Generalissimo Chiang Kai-shek

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In a Fortnight

By L.C. Russell Hsiao

IS RENMINBI BECOMING ASIA'S CURRENCY AND DECOUPLING FROM THE WEST?

Since December 2008, China has signed \$95 billion (650 billion RMB) in currency-swap agreements with Indonesia, Malaysia, South Korea, Hong Kong, Argentina and Belarus, in order to promote greater circulation and convertibility of the renminbi (RMB). Thailand is reportedly studying a possible currency swap agreement with China that would make it easier for their exporters to settle trade in the two currencies (*China Post* [Taiwan], September 2). According to experts, the increased regional use of the RMB for “invoicing, transaction and settlement purposes” could enhance its use as a “store of value” (*China Brief*, May 27).

The global financial crisis has prompted Beijing to hedge the weakening U.S. dollar by encouraging the regionalization of the RMB as a settlement currency for trade and other current account transactions in Asia, and bypassing the use of the U.S. dollar (*China Brief*, May 27). People’s Bank of China (PBC) Governor Zhou Xiaochuan’s article in March 2009, which called for an international reserve currency to take the place of the U.S. dollar, created a whirlwind of debate within China’s policy circles, and the international community, about the future role of the RMB. While the regional use of the RMB is spreading, analysts have emphasized that it is “usually at the expense of the U.S. dollar as transaction currency, not as reserve currency” (*China Brief*, May 27). According to Zhang Yuyan, the head of the Institute of Asia-Pacific Studies at Chinese Academy of Social Sciences (CASS)—one of China’s leading government think tanks—“A favorable balance of trade with China is a prerequisite for surrounding nations to use the RMB as a reserve currency” (*Chinatoday.com.cn*). Indeed, China replaced the United States as the main export market for Asian

countries (Inter Press Service, January 23), and as the current pace of China's investments exceeds the growth in its savings there is a possibility that the current account surplus may become a deficit by 2010 (Market Watch, September 22).

The use of the RMB in China's neighboring countries for transactions has been growing in recent years (e.g. northern Thailand, northern Vietnam, Myanmar [Burma] and eastern Russia) since it is cheaper and simpler for smaller traders to use. In order to monitor these transactions, the Central Bank of China and Vietnam, and Laos, recently signed a bilateral settlement cooperation agreement, which according to Su Ning, the new vice president of the Bank of China, will enhance the fledgling financial regulatory mechanisms in the sub-region. Su made this statement on October 20 at the "China-ASEAN Financial Cooperation and Development Leaders Forum," which is a forum in conjunction with the Sixth China-ASEAN Expo that is taking place from October 20 to 24 in Nanning, Guangxi Zhuang Autonomous Region (*United Daily News* [Taiwan], September 21).

The bank's vice-president pointed out that China-ASEAN financial cooperation has made considerable progress in recent years, and by the end of 2008, China and Thailand, Philippines, Malaysia and Indonesia and other countries had signed currency-swap agreements with a net worth over \$230 billion. The Central Banks of every ASEAN country reportedly sent a representative to attend the forum. Su stated that the People's Bank of China's (PBC) next step will be to encourage ASEAN countries' financial institutions to establish branches of operations in China, or invest in Chinese financial institutions, and therefore expand the scale of a fund for greater Asian bonds, and promote the development of an Asian bond market (*United Daily News*, September 21).

Xia Bin, president of the Financial Research Institute of the Development Research Center of the State Council—the Chinese government's executive branch—stated that, "China is not pursuing the optimum target of complete internationalization of the RMB, but a suboptimal one: gradual regionalization of the currency" (*Chinatoday.com.cn*). The push for the regionalization of RMB appears to be gathering steam ahead of the scheduled launch of the China-ASEAN Free Trade Area (CAFTA) on January 1, 2010. Under the terms of CAFTA, there will be zero-tariff for 90 percent of the products traded between China and ASEAN countries and "substantial opening" in the service trade market (*China Daily*, October 21). According to some estimates, the total trade between China and ASEAN members could reach \$4.5 trillion once the FTA is launched (China Stakes, August 17). The launch of CAFTA will

provide momentum for broader regional growth and may facilitate a decoupling from the West, as the RMB plays a more prominent role in the regional economy (China Stakes, August 17; *China Brief*, August 20).

Prior to the financial crisis, the Chinese government did not appear to have a policy on the convertibility of the RMB (*China Brief*, May 27). Yet the raft of RMB-denominated lines of credit extended to neighboring countries and bilateral local currency swaps that have been signed in recent months demonstrate a far-sighted Chinese stake in increasing the convertibility of the RMB. Moreover, CAFTA would serve as a platform to accelerate the regionalization of the RMB.

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Beijing's Diplomatic Offensive: "Marathon Autumn Diplomacy"

By Willy Lam

After the extravaganza marking the 60th anniversary of the People's Republic of China (PRC), the Chinese Communist Party (CCP) leadership has unleashed what the domestic media heralds as "marathon autumn diplomacy" (*malasong qiuji waijiao*). Premier Wen Jiabao visited North Korea and Vice-President Xi Jinping is winding up a five-nation tour of Europe. In anticipation of President Barack Obama's first official visit to China next month, CCP Politburo member Li Yuanhao and Central Military Commission (CMC) Vice-Chairman Xu Caihou are calling on the United States. From early October onward, dignitaries including the Japanese Prime Minister Yukio Hatoyama, South Korean President Lee Myung-bak, Russian Prime Minister Vladimir Putin and Vietnam Premier Nguyen Tan Dung paid high-profile visits to the Middle Kingdom (Xinhua News Agency, October 16; China News Service, October 9). While these summits and conferences serve a plethora of objectives, two related leitmotifs merit particular scrutiny. Given that China is assured of an eight percent growth rate this year—the best economic performance of any major country worldwide—the Hu Jintao Administration is eager to play up the country's status as a "quasi-superpower" that is also a responsible stakeholder in the world community. Moreover, in the run-up to the Obama-Hu summit, Beijing wants to boost its bargaining chips with the United States by insisting on full equality in what it sees as a developing G-2. It is therefore hardly surprising that another thrust of Beijing's Autumn Diplomacy is to undercut the weakened

superpower's global clout.

Immediately after the military parade on Tiananmen Square, Premier Wen flew to Pyongyang in an effort to persuade the Stalinist regime to return to the Six-Party Talks on denuclearization hosted by Beijing. While Dear Leader Kim reiterated the DPRK's theoretical commitment to a nuclear-free Korean Peninsula, the dictator only expressed his country's "readiness to hold multilateral talks depending on the outcome of the DPRK-U.S. talks." Prior to Wen's arrival in North Korea, the Chinese Foreign Ministry broke with past practice by disclosing that Chinese food and fuel aid to North Korea would be on the agenda. While the premier failed to nudge Kim into making concessions that would satisfy the United States, Japan or South Korea, the Chinese leadership apparently succeeded in enhancing Beijing's ability to play the "North Korea card" vis-à-vis these three countries. New agreements on enhancing trade with the DPRK, that hit a record \$2.79 billion last year, were signed (AFP, October 4; Reuters, October 5). Beijing's decision to prop up the Kim regime was tantamount to withdrawing from participation in United Nations-authorized sanctions against the rogue regime. The CCP leadership's message to the United States seems to be: Washington has to work more closely with Beijing if it wants to put pressure on Kim to halt its weapons program or to return to the negotiation table.

If some in the global community are disappointed by Wen's expedition, Beijing appears convinced that its role in hosting two seminal events this month—the trilateral heads-of-government meeting among China, Japan and South Korea as well as the conclave of the premiers of the Shanghai Cooperation Organization (SCO) nations—would buttress its credentials as a promoter of global friendship and stability. The get-together of representatives of the three East Asian giants attracted more attention than usual owing to new Japanese Prime Minister Yukio Hatoyama's advocacy of the creation of an East Asian Community (EAC). Yet partly because the EAC would incorporate "pro-U.S." countries including India, Australia and New Zealand, the CCP administration's feedback has been lukewarm. According to Tsinghua University Japan scholar Liu Jiangyong, the EAC may be more viable as an economic rather than a security-related concept. Professor Liu criticized Tokyo for "putting too much stress on developing the functions of the U.S.-Japan alliance, and that [Japan] has [excessively] emphasized Western values" (*Liberation Daily* [Shanghai], October 14; *Global Times* [Beijing], September 23).

The Hu-Wen team seems more interested in forging some form of strategic partnership with Japan for persuading Tokyo to refrain from applying the U.S.-Japan defense

pact to Chinese territories. After all, Beijing has always been nervous about Tokyo's alleged role as a key agent of Washington's "anti-China containment policy." It is perhaps for this reason that during his tête-à-tête with Hatoyama, Wen raised the possibility of moving bilateral ties one step forward by "ceaselessly injecting strategic input" into the relationship (China News Service, October 10; Xinhua News Agency, October 9). On the eve of his Democratic Party of Japan's landslide victory in the August 30 Japanese General Elections, Hatoyama departed from tradition by underscoring the imperative of striking a balance between Tokyo's relations with the United States and China.

The Eighth Meeting of the SCO premiers in Beijing made considerably more headway in terms of synergy and commonality of purpose. The heads of government from China, Russia, Kazakhstan, Tajikistan, Uzbekistan and Kyrgyzstan agreed to tighten financial and trade cooperation to better combat the global financial crisis. For example, a special SCO fund is being established to resolve financial shortfalls coming out of joint projects among member nations. Cash-rich Beijing has put up \$10 billion to help SCO nations that run into economic difficulties (Xinhua News Agency, October 14; China News Service, October 14). Apart from collaborative efforts to combat terrorism, the SCO premiers did not dwell much on political issues. Yet it is not for nothing that the SCO has—since its inception in 2001—been characterized as a counter-balance to NATO. The fact that premiers from observer countries including Pakistan, Afghanistan and Iran took part in the Beijing deliberations added an obvious geopolitical dimension to the conclave. While Beijing has steered clear of overt criticisms of American policies toward Afghanistan, Pakistan and Iran, one message of the SCO conclave seemed to be that, particularly if Washington were forced to beat a retreat from Afghanistan and neighboring trouble spots, Beijing and SCO members might be well-placed to fill the vacuum. That Beijing is primed for a more active role at least in policy debates surrounding the Afghan imbroglio is evidenced by a *China Daily* article written by a senior expert at the official China Council for National Security Policy Studies, Li Qinggong. Li called upon Washington to "first put an end to the war" and then to "promote reconciliation among the Afghan government, the Taliban and the country's major warlords" (*Apple Daily* [Hong Kong], October 20; *China Daily*, September 28).

Equally significant were bilateral talks between Prime Minister Putin and Chinese leaders. The erstwhile Communist allies signed a pact on mutual notification of plans for launching ballistic missiles. Li Daguang, a military expert at China's National Defense University said this testified to the "special relationship" between the two

countries, which already enjoy an “all-weather strategic partnership.” The two sides signed trade deals worth \$4 billion. Moreover, Moscow agreed to sell China 70 billion cubic meters of natural gas per year (Reuters, October 13; *People’s Daily*, October 17). Equally important is the fact that at least parts of these transactions will be settled in renminbi (RMB) and roubles. This has fed speculation that Beijing and Moscow have joined hands in undermining the “hegemony” of the American dollar. China, of course, had signed similar agreements earlier in the year with another of the BRIC countries, Brazil. Moreover, China and Russia are among several countries that are conducting unpublicized talks with Middle East nations on possibly ending the practice of pricing oil in U.S. dollars. Instead, oil-and-gas transactions could, in the future, be settled with a basket of currencies that includes the Euro, the RMB and the yen (*The Independent* [London], October 6; *Ming Pao* [Hong Kong], October 14).

The jockeying for position between China and the United States was also evident in Vice-President Xi’s trip to Europe—particularly his first-ever visits to Hungary, Bulgaria and Romania. On the surface, economics and finance were the sole purpose of the tour. For example, Xi told a group of Hungarian politicians and businessmen that China would “continue to encourage our enterprises to import more from Hungary, and also hopes Hungarian companies will make greater efforts to explore the Chinese market” (Xinhua News Agency, October 17). Yet Xi’s effort to woo Central and Eastern Europeans came upon the heels of Obama’s surprise announcement that the United States would stop building a missile defense shield in Poland and Hungary. Politicians in the Czech Republic and Poland, including former Czech president Vaclav Havel and former Polish president Lech Walesa, have accused the Obama administration of capitulation to Russia and leaving Eastern Europe vulnerable to bullying by Moscow (*Chicago Tribune*, October 6; Radio Free Europe, September 25). Xi’s trip can be interpreted as a not-so-subtle way of selling a “third alternative,” that is, China, to an important part of Europe that feels alienated about both Russia and the United States.

To what extent has Beijing’s Autumn Diplomacy attained its main goals? At least in the near term, the Obama Administration seems anxious to impress upon China that it is being treated as America’s equal. This apparently underpins the policy of “strategic reassurance” that Obama’s China experts have been sponsoring since the summer. For example, Obama declined to meet the Dalai Lama during the latter’s recent American tour. It was the first time since 1991 that the Tibetan spiritual leader failed to see a U.S. president while visiting the American capital (*Washington Post*, October 5; *Global Times*, October 10).

Last week, the U.S. government cleared Beijing of complicity in the manipulation of the value of the RMB. Washington said nothing about the fact that Beijing’s augmentation of economic aid to the DPRK was a violation of the spirit if not the letter of U.N. Sanctions imposed on the rogue regime after its May 25 nuclear test. Further, senior U.S. officials have continued to keep mum over more evidence of Beijing’s violations of the human rights of dissidents and activist lawyers (The Associated Press, October 16; *Wall Street Journal*, October 15). Moreover, there are expectations that in the wake of the U.S. visits by Politburo member Li and General Xu, Sino-American cooperation in areas including the training of senior personnel and military confidence building might be enhanced.

Yet the downside of Beijing’s multi-pronged muscle flexing could also be considerable. Take, for instance, China’s intensifying border rows with India and Vietnam. Tension along the Sino-Indian boundary is rising even as a war of words is being waged by media in both countries (*China Brief*, October 7). It is notable that while India is an observer of the SCO, its prime minister failed to show up at the meeting of the group’s heads of government in Beijing. In mid-October, Premier Wen held talks with his Vietnamese counterpart on the sidelines of the 10th Western China International Trade Fair in Chingqong, Sichuan Province. Both sides vowed to increase bilateral trade to \$25 billion next year. Yet while the two leaders pledged to “properly handle border and South China Sea issues,” little progress was made on resolving sovereignty disputes over the Spratly Islands (*Global Times*, October 19; Xinhua News Agency, October 16; VOVnews.com, October 16). While Beijing’s no-holds-barred projection of military and diplomatic prowess could go some way toward enhancing its role as global power broker, it may also have rendered the “China threat” theory more credible. In addition, the image of the fire-spitting dragon could be so intimidating that China’s neighbors such as India and Vietnam might opt for closer links with the United States, the sole country that seems capable of frustrating China’s world-sized ambitions.

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China's Persian Gulf Strategy: Israel and a Nuclearizing Iran 2009

By Christina Y. Lin

On September 15, a task force co-chaired by Senator Charles Robb (D-VA) and Senator Daniel Coats (R-IN) at the Bipartisan Policy Center released a report [1], calling on President Barack Obama to devise a tougher strategy to prevent a nuclear Iran. The subtitle of the report is “Time is Running Out” and it draws the conclusion that, “time is running out, and we [United States] need to adopt a more robust strategy in order to prevent both a nuclear Iran, and an Israeli military strike” (Voice of America, September 15). This report comes on the heels of the International Atomic Energy Agency (IAEA) report and secret annex, released in August, entitled “Possible Military Dimensions of Iran's Nuclear Program,” which stated that Iran will attain breakout capacity within 3-6 months (by November 2009 to February 2010) and that it was working on nuclear warhead designs [2]. While such startling revelations have prompted some Israeli politicians to ratchet up war talks, some members of the Six Power Talk (i.e. Britain, China, France, Germany, Russia and the United States) (P5+1) are still placing their hope on tougher sanctions of refined petroleum products to Iran if talks do not yield positive results by the end of the year. Beijing has so far resisted calls for stiffer sanctions—acceding only to restrictions on trade in nuclear-related materials and orders to freeze the overseas assets of some Iranian companies.

Meanwhile, Iran appears to be taking a leaf out of the playbook of its strategic ally, North Korea, and using the Six Power Talk (and Six Party Talks) to run out the clock before achieving nuclear breakout capacity. Unless China, along with Russia, are convinced to join the rest of the parties and become a responsible stakeholder and pass UNSC resolutions for tougher sanctions, the Iran nuclear merry-go-round will go on. For its part, Moscow seems to have signalled its willingness to go along with tougher sanctions if Iran does not implement the Geneva result (*Financial Times*, October 13). To understand the likelihood of China agreeing to apply sanctions on Iran, it is important to examine Sino-Iran relations to gauge China's perceived costs and benefits of this action.

IRAN IN CHINA'S STRATEGIC CALCULUS

In 1993, China became a net importer of oil, and its rapid economic growth fueled by its increasing energy consumption has placed it as the second biggest energy consumer in the world, after the United States. Yet, maritime supplies of oil are under the stewardship of the dominant naval power—the United States—that controls

sea-lanes of communications (SLOC), and which also views China as a peer competitor. As such, China is worried about (1) U.S. restriction of China's oil imports over a Taiwan clash and (2) events abroad that may lead to price volatility hurting the Chinese economy. In 2000, an article published by the prestigious Chinese Society for Strategy and Management (CSSM) under its influential *Strategy and Management Journal* recommended that China's strategy in the Persian Gulf should be to continue to align with Iran [3]. According to the article's author, Tang Shiping, an associate research fellow at the Chinese Academy of Social Sciences (CASS)—a leading government think-tank—the United States already controls the west bank of oil rich Persian Gulf via its pro-American proxies (e.g. Saudi Arabia and smaller Gulf states). Thus, according to Tang's analysis, the Gulf is in effect an “internal sea” for the United States, and challenges to that position are likely to fail. Yet, if China and Russia expand relations with Iran, they could maintain a “minimum balance” to thwart U.S. moves. Since securing oil imports from the Gulf requires both U.S.-controlled west bank and the China-Russia supported Iranian east bank, this axis would prevent the United States from implementing oil embargoes against other countries. If the United States and China should ever have a military clash over Taiwan, Washington would not shut off China's Gulf oil supplies since China, Russia, and Iran control the Gulf's “east bank” [4].

China needs Iran not only to keep an open flow of oil from the Persian Gulf, but also to serve as a node in the new energy Silk Road connecting the Persian Gulf, Caspian Sea and Central Asia to China. In what has been coined as an Asian Energy Security Grid—or Pipelineistan (*Asia Times Online*, July 26)—China needs Iran in a series of pipelines such as the Iran-Pakistan (IP) pipeline and the interconnection between Iran and Turkmenistan, with an eventual direct land link between Iran and China to bypass the Strait of Malacca, patrolled by U.S. navy. In September 2009, Turkmenistan announced it would begin to supply natural gas through two new pipelines to China and Iran in December (*The Associated Press*, September 19).

Moreover, China views Iran as a key partner in counterbalancing U.S. hegemony and the drive toward a multipolar world. Thus, China's strategy appears to be a balancing act of engaging Iran while simultaneously not alienating the United States (*Xinhua News Agency*, June 22; *Tehran Abar*, June 29).

CHINA'S PERSIAN GULF STRATEGY

I. Iran-Iraq War 1980-1988

China's Persian Gulf Strategy of aligning with Iran was

visible during the 1980-88 Iran-Iraq War. During the war, China maintained neutrality while voting against UNSC Resolution for sanctions. Its official position is that sanctions intensify conflicts, and China thus refused to move the 1984 Resolution 552 (which would prevent attacks on neutral commerce in the Persian Gulf) to sanctions. It also supplied arms to Iran—in 1982, U.S. officials charged China and North Korea of accounting for 40 percent of Iran's arms supplies, and by 1987 this figure increased to 70 percent [5]. When Iran began attacking neutral Kuwaiti vessels in 1986, and U.S. satellite imagery in 1987 indicated that Iran was installing Chinese Silkworm anti-ship missiles along the Strait of Hormuz, the U.S. decided to reflag Kuwaiti vessels. Yet, the United States and China almost went to war over Iran when in October 1987 a Silkworm struck a U.S. reflagged tanker, which prompted U.S. retaliation by striking and destroying an Iranian oil production platform in the Gulf. Concerned with negative perception of China perpetuating the war by arming Iran, and helping Tehran to challenge the United States militarily in a conflict that may escalate into a full war [6], Iran finally accepted Resolution 598 for ceasefire in July 1988. During the war, China was perceived to be a reliable partner to Iran and thereafter became a key interlocutor for Iran.

II. Israel and a Nuclearizing Iran 2009

The alignment of China's Persian Gulf strategy with Iran appears to be playing out in the current "stalemate" over Iran's illicit nuclear program—especially in light of the new Fordoo nuclear site near Qom. The Six Powers plan to apply sanctions on refined petroleum products if the Geneva talks fail to produce concrete results over the next few months, but it is highly unlikely China will support it based on its history and its strategic interests in Iran. China signed a \$40 billion deal in July 2009 to refine Iran's oil (*Times*, July 16), and is delivering about 40,000 bpd of gasoline (Fars News Agency, October 6). Yin Gang, a senior expert on Middle East studies at CASS, stated that China will reject any efforts by the United States to bar Iran from exporting crude oil, but added that the possibility is low. "China views Iran's medium and long-range missile technology as a strategic deterrence," Yin said, "and nuclear non-proliferation is the bottom line that China adheres to" (*Global Times* [China], September 29; September 30). According to Yin, China's agreement to a fourth resolution to impose new sanctions on Iran would depend upon whether the United States "insists on tough action" and whether Iran "remains defiant." According to Tian Wenlin of the China Institute of Contemporary International Relations (CICIR), "Iran is an important economic and trade partner of China." "All cooperation between the two countries abides by international laws and regulations, which should not be criticized by any

third party," Tian said (*Tehran Times*, October 1).

Additionally, Malaysia's state-owned oil company Petronas delivered three shipments of gasoline to Iran in August, each containing about 93,000 bbl (*Times*, September 29). This is in addition to Venezuela supplying 20,000 bpd of gasoline to Iran beginning in October (The Associated Press, September 7). Iran imports about 120,000 bpd of gasoline, so these bilateral deals are presently supplying about half of Iran's total imports. Thus, Iran seems to hedge itself against possible sanctions by (1) finding additional friendly nations to export refined petroleum products in the near term; (2) building its domestic refining capacity in the medium term; and (3) continuing on its nuclear path to reach break out capability, based on North Korea's successful model of "running out the clock" with engagement and Six Power Talks.

Conventional wisdom holds that China and other nations with energy interests in Iran would not support sanctions, whether to maintain their trade relations or for fear of Iranian retaliation by corking the Strait of Hormuz bottleneck. Upon closer scrutiny, however, this appears to be a relatively minor concern to China. Although 1/3 of China's oil imports flowing through the Hormuz seem to be a large figure, by disaggregating the data and looking at China's overall energy mix, oil consists of only 20 percent of its total mix, while 70 percent of China's economy is fueled by its abundant domestic supply of coal [7]. So 1/3 of 20 percent yields just 6.6 percent of China's total energy use coming through the Strait of Hormuz. Japan, a U.S. ally, is actually the number one East Asian importer of Middle East oil, and as Yitzhak Shichor from the University of Haifa argued, China's limited reliance on Persian Gulf oil relative to other Asian economies is one reason for Beijing's reluctance to flag the Hormuz Strait as an issue (*China Brief*, September 22, 2008). Other reasons include the fact that China does not want to jeopardize its economic benefits, political advantages such as arms trade (more profitable than energy trade), and having Iran as a key node in the land-based energy Silk Road mentioned earlier.

Indeed, China has used its arms trade with Iran to entangle its U.S. relations over Taiwan. For example, on 2 September 1992, President Bush announced the sale of 150 F-15 fighters to Taiwan, and China immediately threatened to sell M-11 missiles to Pakistan and components to Iran. China contends that F-16 and missiles were both arms proliferation, and the U.S. has no right to play a double standard. The U.S. protested that M-11 missile components violate China's commitments to MTCR guidelines and parameters, while China riposted by stating that F-16 sales to Taiwan violate the 1982 Joint Communiqué dealing

with U.S. arms sales to Taiwan (*The Washington Times*, October 4, 1994). Over subsequent years, Chinese officials repeatedly evoked the Taiwan-Iran linkage to justify its continued arms proliferation to Iran [8].

According to Professor Shi Yinong, the director of the Center for American Studies at Renmin University in Beijing, “China will do its utmost to find a balance ... dilute it [sanctions], to make it limited, rather than veto it” (*New York Times*, September 30). Given its Persian Gulf strategy standing as the Great Wall of China blocking the road toward future sanctions on Iran, this will present serious challenges for Israel and for the global nonproliferation regime.

CHALLENGES FOR ISRAEL AND GLOBAL NONPROLIFERATION REGIME

For Israel, given the grim prospect of sanctions, inability of the Six Powers to arrest Iran’s nuclear weapons development, impending delivery of the S-300 anti-aircraft system, and increasing Israeli perception that the United States would not support Israel, the military option remains on the table. In March 2009, the Center for Strategic and International Studies released a study on possible Israeli strikes on Iran’s nuclear facilities without U.S. support [9]. The first scenario consists of three possible routes of Israeli air-force strike, with the highest political risk but the lowest operational risk via a southern route over Jordan, Saudi Arabia and Iraqi airspace. The second scenario consists of a ballistic missile attack, the Jericho III, capable of carrying a 750 kg nuclear warhead and a range that covers the entire Middle East, Africa, Europe, Asia, and almost all parts of North America [10]. Yet, given the increasing complications of an air strike, some Israeli defense analysts posit that a more realistic military option is a nuclear missile strike [11].

If Israel is forced to act alone, and the international community is unable to stop Iran’s nuclear weapons aspirations, a nuclear strike in the Middle East would be a disaster. Israel almost used nuclear weapons (The Samson Option) during the 1973 Yom Kippur War, when 13 twenty-kiloton atomic weapons were assembled and the Middle East teetered on the edge of a nuclear strike [12]. With the current Iranian nuclear program, the Middle East once again finds itself teetering on the edge of a nuclear strike as the sand clock nears empty before Iran acquires breakout capability or Israel launches its nuclear missiles. Thus, unless China, along with Russia, unite with the remaining six powers to accelerate effective sanctions to arrest Iran’s illicit nuclear weapons program, this may lead to a cascade of destabilizing nuclear proliferation in the Middle East and East Asia. If China wants to maintain a new energy silk road with Iran in the long term, it would need to act

soon and remove itself as an obstacle to immediate and effective sanctions on Iran’s nuclear program.

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6. *Ibid*, Xinhua news analysis after the October clash said, “The military involvement of big powers has aggravated tension” in the Gulf, creating an “explosive situation.” (Xinhua News Agency, October 21, 1987; 26 October, 1987, p.3.). An article in *Jiefangjun bao* (Liberation Army Daily—the newspaper of the PLA) quoted a 1984 comment by Henry Kissinger that “if both sides (Iran and Iraq) lose in the war, this will be advantageous to the West.” It assessed that although the U.S. was concerned about “safety in oil transportation”, it was more concerned about control of the Gulf, and concluded that both superpowers should withdraw their military forces from the Gulf. Zhang Hanlong, “Peace, the General Trend in the World,” *Jiefangjun bao* [Liberation Army Daily],

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The Future of U.S.-Taiwan Defense Cooperation

By Ed Ross

For 30 years now, ever since the United States severed formal diplomatic relations with the Republic of China (ROC) on Taiwan and recognized the People’s Republic of China (PRC), the U.S. has continued defense cooperation with Taiwan to maintain peace and stability in the Taiwan Strait. Despite continuing pressure from Beijing and volatility in the U.S.-PRC relationship, the Taiwan Relations Act of 1979 and a sense of America’s moral obligation to the people of Taiwan have worked to ensure U.S.-Taiwan defense cooperation and the continued sale of U.S. defense articles and services to the island. Every U.S. presidential administration, from Ronald Reagan’s onward, has understood—albeit tacitly—that the use of military force by the PRC against Taiwan would necessitate a reciprocal U.S. response; and the U.S. Pacific Command has maintained its contingency plans for the defense of Taiwan.

Nevertheless, Taiwan’s military capabilities have failed to keep pace with China’s aggressive military modernization and expansion over the past decade—the direct result of policy decisions in both Washington and Taipei. The annual U.S. Department of Defense 2009 China Military Power Report states that, “Since 2000, there have been two peaceful political transitions on Taiwan and a gradual and steady maturation of Taiwan democracy. While Beijing’s strategy toward Taiwan appears to have shifted from seeking an early resolution of the Taiwan issue to one of preventing Taiwan’s *de jure* independence, by force if necessary, Beijing’s objective of unifying Taiwan with the Mainland has not changed. Since 2000, the military balance in the Taiwan Strait has continued to shift in Beijing’s favor, marked by the sustained deployment of advanced military equipment to the Military Regions opposite Taiwan” [1].

Improvements in Taiwan-China relations since Kuomintang (KMT, or Nationalist) President Ma Ying-jeou took office and growing U.S.-China economic interdependence, however, also have altered the status quo. The Chinese Communist Party (CCP) and Nationalist may be on a path toward the peaceful resolution of the differences that have been the source of tension across the Taiwan Strait for over 60 years. Thus, in spite of the fact that China’s military buildup in the Taiwan Strait continues, President Barack Obama may now see a Taiwan-China détente as a rationale for dramatically reducing U.S. arms sales to Taiwan and the irritation they have consistently been to U.S.-China relations for the past 30 years.

To better understand how U.S.-Taiwan defense interaction may change in the future, however, it is first necessary to consider how it has already changed. In 2000, the March election of Democratic Progressive Party (DPP) President Chen Shui-bien in Taiwan and the November election of George W. Bush in the United States had major impacts on the dynamics of U.S.-Taiwan defense relations. Chen’s election unseated the KMT, which had controlled Taiwan since 1949, and completed the peaceful transformation of Taiwan from a dictatorship to a democracy. In April 2001, President George W. Bush, recognizing that the relative military balance in the Taiwan Strait was changing rapidly in China’s favor, approved in principle approximately \$35 billion in major U.S. arms sales to Taiwan. He also altered the structure of the high-level U.S.-Taiwan defense dialogue [2]. Senior Bush administration policy makers sought to place the U.S.-Taiwan defense relationship on a more balanced footing. The collision of a U.S. Navy E-P3 aircraft with a Chinese F-8 fighter over the South China Sea on April 1, 2001, and China’s detention of the U.S. crew after it made an emergency landing in China, no doubt factored into that decision [3].

Chen, however, focused more on his domestic policy agenda and Taiwan's status in the international community than on Taiwan's defense needs and U.S.-Taiwan defense cooperation. At the same time, KMT members of the Legislative Yuan (LY)—Taiwan's parliament—thwarted Taiwan Ministry of National Defense efforts to fund many of the programs President George W. Bush had approved to undermine Chen's popularity and credibility (*Taipei Times*, April 16, 2006). Moreover, President Chen's pursuit of policies intended to move Taiwan toward *de jure* independence angered senior Bush administration officials because it complicated their attempts to pursue better U.S.-China relations as Washington became more dependent on China internationally and economically. Washington needed Beijing's assistance in the Six-Party Talks with North Korea and sought its vote in the United Nations to put pressure on Iran. China's rapid economic growth and U.S. borrowing to finance deficit spending made China and the United States more economically interdependent.

By Bush's second term, U.S.-China relations were again improving and serious strains in U.S.-Taiwan relations were apparent. Major U.S. arms sales to Taiwan slowed dramatically. Toward the end of the Bush administration, they came to a halt. When Taiwan failed to adequately fund U.S. programs, Washington became increasingly less willing to take the heat from China for U.S. arms sales it might approve but Taiwan might not follow through on. Therefore, Washington forced Taiwan to withdraw its request for 66 new F-16C/D aircraft in an attempt to use it as leverage to influence Chen's policies and behavior. In October 2008, after a long delay, the Bush administration, following the 2008 U.S. presidential election and just prior to leaving office, notified Congress of only half of the \$12 billion in sales pending at the State Department [4]. As of this writing, no arms sales to Taiwan have been notified since President Obama took office in January 2009.

By 2008, when President Ma Ying-jeou was elected in Taiwan and President Barack Obama was elected in the United States, both U.S.-Taiwan defense interaction and the international and cross-strait environments in which they took place were much different than during the 30 years after 1979. Democracy in Taiwan, and the indecision and political infighting that is part and parcel of the democratization process, added a new dimension to U.S.-Taiwan defense dialogue and a new set of players on the Taiwan side.

During the 20 months since President Ma, who made a Taiwan-China détente the centerpiece of his campaign, took office, has made improving Taiwan-China relations a top priority. Cross-strait interaction has increased exponentially, reflecting Ma's and the KMT's attitudes

that better Taiwan-China relations are critical to Taiwan's economic growth and future prosperity. It also reflects their concern that Taiwan cannot keep pace with PRC military improvements. Their concern is fed, in part, by Washington's unwillingness to provide Taiwan with the weapons it would need to do so and by the impact such purchases would have on Taiwan's national budget in these hard economic times. The downturn in Taiwan's economy resulting from the current global financial crisis will have immediate and longer-term impacts on Taiwan's defense budget and its defense acquisition decisions [5].

During the 10 months since President Barack Obama took office, pressure on the U.S. economy brought about by the global economic crisis, unprecedented U.S. deficit spending, and challenges facing the United States in North Korea, Iran and Afghanistan have heightened his concern for good relations with China. Changes in the global strategic political, military and economic environment have led to further improvements in U.S.-China relations, further complicating U.S.-Taiwan defense relations. As of January 2009, China held \$739.6 billion in U.S. treasury securities amounting to 24 percent of the U.S. national debt [6]. While China may be as equally dependent on the U.S. market as Washington is on Chinese foreign exchange reserves, keeping U.S.-China relations free of friction is a major objective of the Obama administration.

President Obama recently said that the relationship between the United States and China will shape the 21st century, demonstrating the great importance that the United States places on good relations with China and the two countries' growing economic interdependence. In this context, President Obama will travel to China this November seeking to harmonize U.S. and PRC policy on a broad spectrum of political, economic and military issues. In preparation for his meetings with Chinese leaders, U.S. policy officials have conducted a review of U.S.-China and Taiwan policies. The nagging issue of U.S. arms sales to Taiwan, no doubt, loomed large in that review. As Assistant Secretary of State for Asia-Pacific Affairs Kurt Campbell indicated in his confirmation hearings, the challenge for the United States is to facilitate the best environment that is conducive to Taiwan's continuing peaceful engagement with China while providing Taiwan with suitable defensive weapons that afford it the confidence of U.S. support in its interactions with China [7]. How the Obama Administration plans to implement this strategy, however, remains unclear.

As has always been the case, there is much debate within the U.S. government about what constitutes "appropriate" defensive weapons and in what quantities the United States should provide them. China will argue, as will

some in the United States, that it's time to adhere to a strict interpretation of the August 1982 Communiqué, which has never been strictly interpreted by the United States in the 27 years that it has been in existence. Since April 2001, the U.S. government has largely ignored it. Nevertheless, China attaches great importance to the communiqué and no doubt will remind President Obama of the commitment made when the U.S. government signed it.

China may even try to convince President Obama, as it tried to convince President George W. Bush, that the time has come for a new communiqué—one which commits the United States to even greater reductions or even a moratorium in arms sales to Taiwan. Chinese leaders, who have interpreted the slow down in U.S. arms sales to Taiwan in recent years, at least in part, as a response to their frequent demarches will continue to press what they believe has been a winning strategy.

Nevertheless, the United States remains bound by the provisions of the TRA [8]. As long as China maintains an array of forces and ballistic missiles along the Taiwan Strait it is difficult for Beijing to claim that it has only peaceful intentions toward Taiwan. Sooner or later, the Obama Administration will notify the sale of Blackhawk helicopters and additional Patriot PAC-3 missiles that the Bush administration held back and the *Po Sheng* (Broad Victory) C4I operations and sustainment program; to not notify these sales would constitute a major change in U.S. arms sales to Taiwan policy [9]. Taipei requires continued U.S. assistance with Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance (C4ISR) to bolster its military capabilities across the board and to achieve an effective missile defense. It is unclear when or if the Obama administration will permit Taiwan to submit a Letter of Request for 66 new F-16C/D fighters. Taiwan cannot maintain a minimal air-defense capability in the coming years without them. The United States and Taiwan positions on diesel-electric submarines remain unclear. The Bush administration held back a notification on the design phase for an FMS program to provide Taiwan with submarines; now Taiwan appears ready to pursue a domestic submarine program with or without U.S. assistance (*China Brief*, April 16).

Uncertainty clouds the future. The United States will not abandon the core requirements of the TRA; Congress is not about to change the law and many senators and representatives remain strong supporters of Taiwan. Nevertheless, the Executive Branch has broad latitude in how it interprets and executes the TRA. Long delays in U.S. arms sales to Taiwan during the George W. Bush administration saw only modest pressure from the U.S. Congress. The outlook, therefore, given the current state

of play in U.S.-China-Taiwan relations for future U.S. arms sales to Taiwan is unclear. Simply stated, the closer U.S.-China relations become, the more difficult it is for the United States to resume major arms sales; and while the U.S. commitment to the TRA is always invoked by those who advocate them, a Congress dominated by the incumbent president's party is more unlikely to hold hearings or put pressure on the president on Taiwan policy unless U.S.-China relations take a negative turn. Also uncertain is how hard the Ma administration will press the United States for arms purchases. Ma's initial reluctance to request U.S. and foreign disaster relief in the aftermath of Typhoon Morakot due to his concern for how Beijing might react raises questions about how he will approach U.S. defense sales to Taiwan (*Taipei Times*, August 26).

China-Taiwan "reconciliation," however, will likely not happen quickly. Despite recent improvements in Taiwan-China relations, fundamental differences between the systems of government in China and Taiwan, and a lack of broad-based public support in Taiwan for near-term reconciliation will inhibit progress (NowNews [Taiwan], October 20). Furthermore, no one should assume the gains made to date are irreversible. History never moves in a straight line.

While the above portends negative trends for U.S.-Taiwan defense relations, the outlook is not without positive aspects. U.S.-Taiwan defense cooperation after 1979 has survived numerous difficult challenges. Taiwan's first Quadrennial Defense Review (QDR) published in March 2009 sets forth ambitious goals for improving Taiwan's military capabilities and transformation of the Taiwan armed forces to an all-volunteer force. It provides for a defensive posture the Obama administration can support while maintaining good relations with China so long as the United States stands firm on its obligations under the TRA. Assistant Secretary Campbell hit the nail on the head: the challenge for both the United States and Taiwan is to find the optimal environment that is conducive to Taiwan's continuing peaceful engagement with China while providing Taiwan with suitable defensive weapons that afford it the confidence of U.S. support in its interactions with China. Responsibility for success rests with both Washington and Taipei.

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NOTES

1. Annual Report to Congress: Military Power of the People's Republic of China, p. VIII.
2. Following the resumption of US arms sales to Taiwan after the 1979 one-year moratorium, the US accepted Taiwan's arms purchase requests once a year during an annual arms sales meeting. Beginning in April 2001, President Bush determined that Taiwan should be treated as a normal FMS customer and allowed Taiwan to submit Foreign Military Sales (FMS) Letters of Request (LORs) at any time.
3. Congressional Research Service Report for Congress, China-U.S. Aircraft Collision Incident of April 2001: Assessments and Policy Implications, October 10, 2001.
4. Arms sales notifications to Congress are posted at www.dsca.com.
5. U.S.-Taiwan Business Council, Defense and Security Report, Second Quarter 2009, pp. 13-15.
6. Major Foreign holders of U.S. Treasury Securities (2008), U.S. Treasury Department, <http://www.treas.gov/tic/mfh.txt>.
7. U.S.-Taiwan Business Council, Defense and Security Report, Second Quarter 2009, p. 15.
8. The Taiwan Relations act of 1979.
9. No administration official has ever questioned the propriety or appropriateness of these sales, it is just a matter of when they will be notified.

Featured Review: Re-evaluating Chiang Kai-shek

By Arthur Waldron

Jay Taylor *The Generalissimo: Chiang Kai-shek and the Struggle for Modern China* (Cambridge, MA: Belknap Press of Harvard University Press, 2009) 722 + xii pages hardcover \$35

Now at last we have a good biography of Chiang Kai-shek, one of the most important figures in modern China, but also one of the least understood and most regularly caricatured. Chiang unified his country with the Northern Expedition of 1925-29 and presided over the "Nanking decade," a period of economic and institutional development as well as considerable freedom that was cut short by the Japanese invasion of 1937. Against that onslaught, Chiang led an indomitable resistance that was

arguably China's finest twentieth century hour, but when the struggle was completed, he gambled on an offensive war to destroy his Communist rivals for power, and lost almost everything. He retreated to Taiwan, which he ruled with an iron hand until his death in 1975, aged 87.

Chiang inspired powerful loyalty among his closest Chinese followers and had Western friends as well, not the least of whom was Henry Luce, publisher of *Time* magazine, but a negative tone dominated much of the commentary both during his life and subsequently in scholarship. As long as Communist victory was seen as the only real solution to China's ills—as it was by powerful voices in politics, the media, and scholarship, from the 1930s to the mid-1970s—the anti-Communist Chiang could not but be viewed as an obstacle who, by exercising power himself, prevented its exercise by others who would do better and who, by trying to build China as he saw fit, prevented its optimal reconstruction by the Communists, whom he thwarted until 1950.

Now that the world has seen the true cost of Chinese communism, however, Chiang and the China over which he ruled has proven more and more difficult to dismiss. A general re-evaluation of pre-Communist China has been under way in China itself for a good two decades, with opinions becoming more positive. For evidence, one needs only to consider the official celebratory film for the sixtieth anniversary of the founding of the People's Republic, *Jianguo Daye* with its sympathetically acted Chiang Kai-shek and attractive Kuomintang officers and officials, very unlike the sinister representations that were once the standard in the PRC.

Jay Taylor is a former China desk officer in the U.S. State Department now affiliated with Harvard, and an author of several other books already, including an excellent biography of Chiang Ching-kuo, the only son of Chiang Kai-shek. *The Generalissimo*—as Chiang was known to foreigners, but not to Chinese—draws on several sets of sources for its massive documentation. One is Chiang's own diary, which provides a firm chronological and factual framework lacking in previous works; another is material from the archives of the Soviet Union and the Comintern, which makes clear just how critical Moscow was to the vicissitudes of Chiang's career; a third is memoirs and interviews with both Chinese and Americans that have enabled Taylor to pierce the conventional historiography with a far more plausible account.

The negative picture of Chiang can to a certain extent be traced back to one man, the American General Joseph W. Stilwell, whom Roosevelt sent to advise Chiang, and who soon came to despise him. Stilwell, not called "Vinegar Joe"

for nothing, referred to China's leader as "the peanut" and found him intellectually lacking, an incompetent national leader and a defeatist when it came to Japan. Taylor shows, however, that Stilwell was himself the poor strategist: for example, now that we have all the documentation, it is clear that the American four star gravely under-estimated the Japanese in Burma (Myanmar), throwing away tens of thousands of troops in the ill-judged and failed Myitkina offensive. Chiang's inclination to hold to the defensive was clearly prudent and would have been a better course of action. Yet to the end of his career (he was recalled in autumn 1944 and died in 1946) Stilwell had only bad things to say about his Chinese fellow-soldier—and he was not shy about saying them, for example in an influential wartime interview with Brooks Atkinson of *The New Yorker*. Later, the Stilwell grievances provided the fundamental orientation for another influential publication, Barbara Tuchman's *Stilwell and the American Experience in China* in 1970.

A second wellspring of anti-Chiang sentiment was the unhappy American attempt, led by General George C. Marshall, to bring internal peace to post-War China by creating a coalition government between Chiang's Nationalists and Mao Zedong's Communists—which foundered for many reasons, one of which was that, as Taylor points out, Marshall had great leverage over Chiang, who depended upon the United States for support, but none whatsoever over the Communists, who were amply supplied by Moscow. Marshall never fully understood this fact, nor did many others. The American ambassador, Leighton Stuart, for example, who had lived in China for decades as an educator and was fluent in the language, believed that ties between the Chinese Communists and Moscow were "tenuous and insignificant."

That was far from the case. Much of 20th century Chinese history can be seen as a contest for influence between Moscow and Tokyo, with each power seeking to advance its interests by money, influence, collaborators, and military power. The Japanese side of this story has been well known since the 1930s. Perhaps Taylor's greatest contribution is to make clear how the Soviet effort decisively affected Chiang's career (and Mao's) at key points.

Chiang's rise to power began as a disciple of Sun Yat-sen, founder of the Kuomintang or Nationalist Party, who was supported by the Soviet Union. In 1923, Chiang had spent three months in the USSR consulting, seeking cooperation and addressing the executive committee of the Comintern. In June 1924, he stood beside Sun Yat-sen on the platform as the Whampoa Military Academy, of which he would become superintendent, was opened. It is here that the soon-to-be-victorious Nationalist army was trained. It was

made possible by a Russian gift of 2.7 million yuan and a monthly stipend of 100,000 yuan. Weapons were provided too: "On October 7, 1924 the first shipment of 8,000 Soviet rifles arrived, soon followed by another shipment of 15,000 rifles, along with machine guns and artillery pieces." After Sun's death in 1925, Whampoa cadets and Soviet armaments were the core of Chiang's successful campaign against the Beiyang regime in Peking that culminated at the end of the decade with the establishment of a new Republic of China (ROC) government in Nanking.

Moscow, however, did not support Chiang alone. They also supported the Chinese Communist Party (CCP). Stalin realized that it was too weak to take power at the time, or to serve as a credible military counterweight to Tokyo, which he feared. Initially the idea was to use the small Communist party to influence or even control the much larger Kuomintang, or to create a smaller "Red China" within the Republic.

On June 2, 1933, the Comintern agent in Shanghai reported plans to purchase an airplane that could reach and resupply Communist base areas, to be flown by an American pilot. On November 2, Moscow instructed Shanghai to buy "heavy airplanes, gasmasks and medicines" and asked whether U.S. dollars or Mexican silver dollars were required for the purchase. On November 14, Shanghai reported 3 million Mexican silver dollars received and asked for an additional U.S. \$250,000."

Soviet money and weapons strengthened Mao's Communists as they had Sun's and Chiang's Nationalists. In the 1930s, the two sides came to blows, as Chiang launched a series of encirclement campaigns against the rural base areas where the Communists were steadily building a state-within-a-state. The last of these campaigns, in 1934, proved so successful that the Communists had to break through the Nationalist lines and flee to the Northwest. That flight, the celebrated "Long March" would not have been possible without chests full of those Mexican silver dollars supplied by Moscow and used to sustain the troops on their flight and bribe local militarists not to resist. When Mao's army finally reached the small city of Baoan in the remote northwest, he told his followers that his goal was to expand their area of control until it joined up with the USSR and the Mongolian People's Republic.

Many Japanese wanted to invade the USSR, however, and Stalin understood that if he wanted to balance Japan he needed Chiang and his Nationalist army, which is why he intervened decisively when the Generalissimo was kidnapped at Xi'an in 1936, with Mao's full knowledge and support, when Japan was already on the march in the North. Stalin knew that without Chiang, China would

be leaderless against this threat and put his foot down. Mao complied instantly and Chiang was released. As full-scale war broke out in 1937, Stalin kept the Chinese army supplied by overland convoy through Sinkiang (Xinjiang). By the time of the Battle of Nanking, Soviet planes with Chinese markings and Russian pilots were engaging the Japanese. Without this support Chiang could never have survived; he came to power with Soviet support and the same support saw him through his most dangerous time.

When war ended, Stalin's calculations changed. The Japanese no longer threatened. Soviet armies had occupied Manchuria in the closing days. He intended to keep that rich and strategic northeast territory under his control, something Chiang would never accept. The Communists, by contrast, might play in China the same role they were playing in Eastern Europe, presiding over client states such as East Germany. So Russian railroads and aircraft helped bring Mao's Communist armies to Manchuria to start building a "Red China," while delaying and denying access to Chiang. Chiang scurried diplomatically, making concessions to Moscow in the hope of being allowed at least to partition Manchuria.

Thinking he had secured acquiescence, he made the worst miscalculation of his life and threw his best troops into a battle to drive the Communists out of Manchuria. Although this enjoyed substantial success initially, it was, as Taylor makes clear, doomed. Stalin would not permit it to succeed. Soviet material and logistic support came to the Communists in Manchuria by rail across the borders (all of which were in Communist hands), by air, even by rail from North Korea, with a full 1,000 railcars being devoted to the task.

Little of this was understood at the time or even much later. Until the Soviet archives made clear the full extent of Moscow's support, most foreign observers believed the Communist victory in China was self-sufficient, owed to massive support from the impoverished farmers: it was, as the social theorist Barrington Moore put it in 1966, "a peasant revolution." Not so.

The Soviet Union enters the story one last time, in the early 1970s, long after Chiang had moved to Taiwan (Taylor provides an informative account of this period) when the United States, seeking to balance Moscow, opened up a dialogue with Beijing. Using declassified U.S. government documents Taylor provides a definitive account of the then ultra-secret diplomacy—with an amusing footnote. Washington took infinite pains to conceal its actions and purposes from Chiang, then an American ally. Little did they know that Chiang was being briefed all the while by Chinese Prime Minister Zhou Enlai, with whom he had a

relationship of mutual trust, dating to wartime.

Brought out by Belknap Press, Harvard's most prestigious, Taylor's text is blemished, sad to say, by numerous errors that a good editor should have caught. Much is misspelled; for example the name of the key battle of Nomonhan (1939) when the Soviets decisively defeated the Japanese army. Just as lamentable are the errors in *pinyin* transliteration, so that the names of Taiwan Prime Minister Hao Bocun and Ambassador Shen Changhuan, for example, are mangled.

These maddening mistakes do not reflect fundamental misunderstandings. The narrative has survived the rocky process of publication. It provides a definitive new baseline that all subsequent historians will be required to take into consideration. Taylor's book is a magnificent achievement, very good reading, and a sign, if I am not mistaken, of deep changes in interpretative currents.

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