

BEIJING, China  
 anyone confused about the con-  
 tradictions of this rapidly  
 changing land will find  
 clarifying solace in the  
 of Sun Tzu, the great fourth-  
 century B.C. Chinese strategist. "To  
 and conquer is not supreme  
 science," he wrote. "Supreme  
 science consists in breaking the  
 enemy's resistance without fight-

feed, when one raises today's  
 China question — is China  
 a military threat to the Uni-  
 states and to the world? — one  
 answers in the ancient wis-  
 dom of that first strategist who  
 figured out how the political can be  
 probably wedded to the military.  
 What China is doing is really  
 so mysterious when one grasps  
 history of her mind-set. She is  
 obsessively enlarging her military,  
 developing a sophisticated blue  
 navy, and bringing in tech-  
 nology and know-how from all over  
 the world in order to be able to  
 dominate, first, the South China Sea  
 and then, all Asia — without firing  
 a shot. The amazing thing is the  
 extent to which we are so kindly  
 facilitating these ambitions.

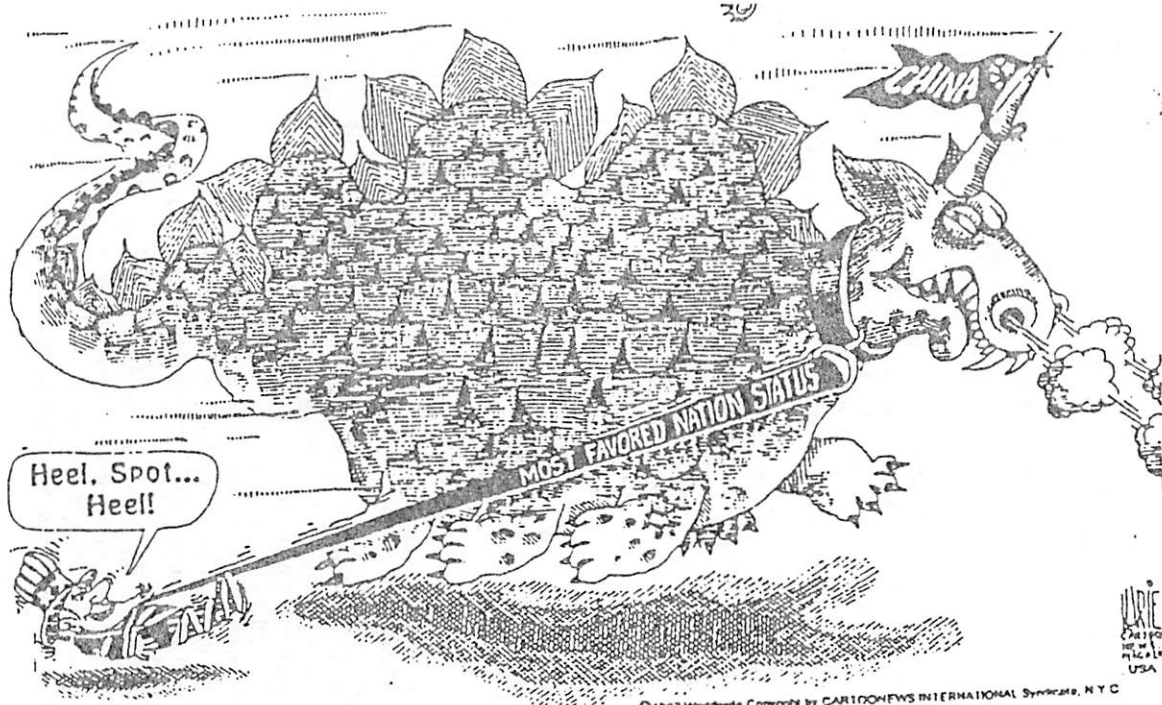
Consider the interesting case of  
 Jiang Jun, the 55-year-old Chinese  
 military man who, it has now been  
 published, was one of the legions  
 of foreign questionnaires invited to  
 the White House's gracious kaf-  
 klatsches (his was Feb. 7, 1996)  
 anybody with a buck or a yuan.  
 Jiang is now widely known as the  
 Chinese army's official arms deal-  
 but his politicized presence in  
 the White House was only the tip of  
 the Chinese iceberg.

In China, but also in the States,  
 he has behind him, first, the Poly  
 Group, which he chairs. It is the  
 largest and most profitable busi-  
 ness of the People's Liberation  
 Army (PLA), with some \$1 billion  
 in assets and a \$700 million real  
 estate empire that boasts offices  
 from California to Macao, Burma,  
 Russia and Thailand. ("Stalinist  
 capitalism," observers sometimes  
 call it, or "guided capitalism.")

But the Poly Group is only one of  
 the PLA's many and profitable  
 assets. It has some 20,000 busi-  
 nesses in China and investments in  
 15 businesses in the United States,  
 which are busy-busy "borrowing"  
 American technology for their own  
 use. The Rand Corp. calls this PLA  
 empire "commerce for bullets," as  
 much of the profit is going into  
 building a more powerful Chinese  
 navy.

Meanwhile, by persuading

# Feeding China's appetites



American investors to pour billions  
 of dollars into joint-venture  
 projects inside China, Mr. Wang (some-  
 times called one of the "comrade  
 princelings") has also been able to  
 tap into the U.S. bond market. Thus,  
 according to U.S. intelligence and  
 other sources, the Chinese com-  
 munist government has in effect  
 borrowed millions of dollars from  
 American mutual funds, pension  
 funds and insurance companies —  
 with at least 30 percent to 40 per-  
 cent of it going to build up the PLA.

Nor does Mr. Wang need to feel  
 lonely for home while pursuing his  
 adventures in America. John J.  
 Fialka, the respected Wall Street  
 Journal reporter, wrote in his  
 recent book, "War by Other  
 Means," that no fewer than 450 Chi-  
 nese companies are under federal  
 investigation for economic espionage  
 in the United States (this is the  
 Chinese "international business  
 empire"), and that Beijing's Min-  
 istry of State Security has "flooded  
 the United States with spies, send-  
 ing in far more agents than the Rus-  
 sians even at the height of the  
 KGB's phenomenal campaign."

Meanwhile, back home in China,  
 the figures show what is happening.  
 Through all these classic Chinese  
 political-military maneuverings,

China has amassed \$100 billion in  
 foreign reserves, a figure second  
 only to Japan's, and it will acquire  
 \$60 billion more when it takes over  
 Hong Kong on July 1. This wealth  
 is aimed not at bettering the lot of  
 its citizens but at its military-indus-  
 trial complex.

Meanwhile, China's military of  
 3.2 million soldiers is being upgraded  
 at breakneck speed, under a  
 three-phase plan to build a modern  
 foundation under the PLA by the  
 year 2000, to turn China into the  
 dominant power in Asia by 2029,  
 and to make China a global power  
 by the year 2049, the 100th birthday  
 of the PLA's conquest of China.

To be specific, China wants to  
 dominate the 32,000 square miles of  
 water in the South China Sea, thus  
 giving it control over the oil-rich  
 Spratly Islands (also claimed by  
 Taiwan, the Philippines, Malaysia  
 and Vietnam). And since China also  
 has disputes with Japan, Taiwan,  
 South and North Korea, the Philip-  
 pines, Vietnam, Malaysia and  
 Brunei, there is no lack of reason  
 for conflict.

Given the recent agreements  
 with Russia that have warmed up  
 relations, China has finally got Rus-  
 sia off its back. Not only does it not  
 have to defend its northern border

with Russia so assiduously, but  
 China now has probably 10,000  
 impoverished Russian scientists  
 and technicians working for or with  
 it (this is called "bureaucratic  
 entrepreneurship"), not to speak of  
 alarming amounts of Russian  
 weapons coming to China.

What, then, should be the  
 response of the West to this newly  
 aggressive China? Singapore's elder  
 statesman Lee Kwan Yew said  
 recently that, since China is des-  
 tined to be "hostile and xenophobic  
 to the West," what is needed is a mil-  
 itary and industrial "counter-  
 weight," which can only be the Uni-  
 ted States anchored in an alliance  
 with Japan.

Instead, American business  
 interests in China are effectively  
 serving as a lobby for China, and  
 Washington has an unnuanced pol-  
 icy of "engagement." The problem  
 is that China has little intention of  
 being engaged. A U.S. policy of both  
 engagement and containment  
 would be the smart, long-range pol-  
 icy, but that would mean analyzing  
 what the Chinese really are up to —  
 and acting upon that analysis.

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 ally syndicated columnist.