China's Foreign Political and Economic Relations

An Unconventional Global Power

Sebastian Heilmann and
Dirk H. Schmidt

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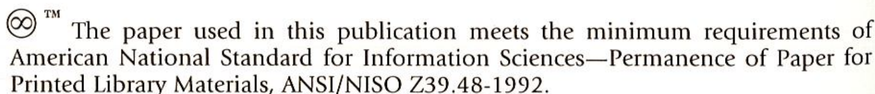

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1

Introduction

What Does China Want?

What does China want? This seemingly simple question lies at the heart of any analysis of China's foreign political and economic relations. It has become even more pressing now that the Chinese government has become one of the most important players in a wide variety of areas, including global monetary policy, trade policy, security policy, and climate-change negotiations. The extension of China's economic and diplomatic influence beyond Asia to other regions of the world, particularly Africa and Latin America, is one reason for the current broad restructuring of international relations. This structural change is manifested in the rapid increase in economic exchanges among emerging and developing countries as well as in the rise to prominence of the Group of Twenty (G20), an international body created to exercise global coordination and crisis management. China's economic expansion and diplomatic initiatives have been instrumental in facilitating these changes. Its achievements in implementing a comprehensive program of national modernization, bolstered through broad-based diplomatic efforts and foreign-trade policies, pose a challenge to the United States, Europe, and Japan, all of which traditionally have dominated world politics and the global economy.

There exist three broad approaches to tackling the above question: the first looks at Chinese intentions as they are displayed in official statements, white papers, or declassified research papers; the second describes Chinese behavior at a given point in an effort to understand its inherent logic; the third goes beyond the daily affairs of Chinese foreign relations and analyzes China's overall (grand) strategy. The remainder of this chapter addresses each of these approaches, with its strengths as well as its inherent shortcomings.

CHINESE VIEWS OF THE WORLD

For some authors the study of Chinese foreign relations should begin with an analysis of official Chinese articulations of its intentions as formulated in the key foreign policy concepts adopted by the Hu-Wen administration (2002–2012)—that is, "peaceful rise" (2003–2004) and "peaceful development" to create a "harmonious world" (since 2005).[1] Speeches by Chinese leaders and official white papers have widely repeated the main elements of these slogans, which Western and Chinese scholars have analyzed extensively.[2]

The International Order

Official Chinese announcements on foreign policy have described the current international order predominantly as conducive to achieving lasting peace and prosperity for all due to the emergence of multipolarity and the democratization of international relations, as well to the rise of the developing and emerging countries. Nevertheless, the following are regularly referred to as forces of inertia and risk: the persistence of power politics and hegemony, the development gap between North and South or between West and East, the attempts by Western nations to impose their own social and value systems on other countries and to promote political upheaval in countries that do not follow the Western model of development, and the ongoing limited military conflicts and nontraditional security threats in areas such as trade and commerce, the Internet, and the environment. Increasingly, Chinese foreign policy makers have adopted an internationalist vocabulary, using terms coined by the West such as "convergence of interests," "community of interests," "win-win" situations, and "shared responsibility."

Despite such rhetorical convergence, the view that competition between nation-states essentially characterizes global politics continues to strongly influence the Chinese perception of international relations. This is why the notion of increasing the People's Republic of China's (PRC) "comprehensive national strength" plays such a key role in Chinese foreign affairs.[3] The Chinese government continues to refer rigorously to the "Five Principles of Peaceful Coexistence," agreed on in the 1950s, and in particular to the principle of negotiating on an equal footing, as guidelines for international relations.

Against this backdrop, Beijing decision makers and policy advisers regard European discussions about the end of the era of the nation-state as a sign of political weakness. The idea of permanently transferring a large amount of national sovereign power to international organizations continues to meet with skepticism in Beijing. Nevertheless, since the 1990s China's claims to

sovereignty have been put into perspective: limitations to the PRC's own sovereignty are no longer generally out of the question, provided tangible returns to China's interests make up for any losses. With the consent of the UN Security Council, the Chinese government is also willing to accept intervention in other countries' internal affairs for humanitarian reasons.

In any Chinese assessment of international relations and the international order, the main point of reference is still the United States. This is likely to remain the case in the future as well. After its military operations in Iraq and Afghanistan, the United States is said to have passed the peak of its military and economic power, a claim heard increasingly since the post-2007 global economic and financial crisis.[4] However, most Chinese commentators assume that interactions between a single superpower and several major powers will continue to characterize the international system.

In the opinion of leading Chinese foreign policy makers, the European Union (EU) does not play a major role in terms of being a counterpole, or a model, due to its frequent lack of unity and its inability to take joint action to tackle key international issues and security crises. The EU is taken seriously only in the field of international trade policy—as a heavyweight in the World Trade Organization (WTO), a global counterweight to the United States, and a difficult negotiating partner for China. Given the United States' and European Union's economic shortcomings and political inability to take action in the wake of the global financial and economic crisis, leading Chinese politicians have come to have basic doubts about whether Western political and economic institutions can serve as a model for China's future.[5]

China's Identity as an International Power

With respect to China's status, most Chinese opinions, statements, and publications maintain that the PRC is still "the largest developing country in the world." This is justified by referring to the huge development gaps within China, the country's low gross domestic product (GDP) per capita, and its technological backwardness vis-à-vis the West. In view of China's rise to an international economic power, especially its perceived role as a growth engine that helped pull the world economy out of its global slump after 2009, an increasing number of voices attribute to China specific characteristics of a major power. Chinese foreign policy circles generally agree that the PRC is an ambitious regional power in the Asian region, but it will still need quite some time to catch up with the United States.

China's growing open display of self-confidence is blended, however, with its decades-old "victim narrative"—that is, the notion that China suffered from outside aggression during the "century of humiliation" from 1842 until 1949. This victim narrative, together with constant

references to China's glorious past, feed a "sense of entitlement,"[6] a belief that China deserves to retake its rightful place among the global powers. The frequently expressed warnings in the 1990s about hostile forces in the West bent on undermining China come to the fore primarily during acute crisis situations (for example, during the riots in Tibet in the spring of 2008 or when Chinese dissident Liu Xiaobo received the Nobel Peace Prize in December 2010). The prevalent Chinese view of world politics, however, is a sober one that regards anti-Chinese conspiracies as no longer feasible.

Demands for rights to "independently choose one's own social system" and to defend a "diversity of cultures," for both China and all other nation-states, are leitmotifs of Chinese foreign policy rhetoric that are closely related to the "core interests" of Chinese foreign policy, as Chinese leaders repeatedly expounded upon and explained it from 2009 to 2011.[7] Party and state leaders have explicitly defined three groups of "inviolable" and "indestructible" core interests of China's foreign policy:

- Stability of the political system—that is, maintenance of the leading role of the Chinese Communist Party (CCP) and continuation of the independent socialist path of development
- Defense of national sovereignty and security, as well as territorial integrity and national unity
- Safeguarding the prerequisites to achieve China's long-term economic and social development

Relations with Taiwan, regarded as being of key importance to China's territorial integrity and national unity, are also among the PRC's core interests. Rumors in 2010 that the PRC had added the South China Sea to its territorial interests remain unconfirmed.[8]

In upholding these core interests, China's leading politicians regularly reassure the outside world that China will adhere to its "independent foreign policy of peace" and will never seek hegemony or bully others. On the contrary, stressing the benefits of enduring integration into the global economy and world politics for the PRC's continued modernization, government and party documents claim that China will never waver in its commitment to remain open to the outside world.

When analyzing these kinds of foreign policy statements, outside observers face a number of challenges and problems. First, one must pierce through the rhetoric of such statements. For example, China's proposals to leave behind the Cold War mentality and build a more democratic world order are thinly disguised criticisms of the United States. Chinese politicians make accusations of hegemonism when individual nations or national alliances display hegemonic behavior that the government finds

unacceptable (such as America's—and its allies'—insistence, without any UN mandate, on the use of force against other countries).

Second, the main problem with official Chinese declarations is the question of trustworthiness. Even if top-ranking policy makers were to reassure the world that the current Chinese foreign policy of peace and cooperation would continue for one hundred or even one thousand years,[9] many in the West would merely regard this as party propaganda or an all-too-obvious Chinese ruse to hide the PRC's true, nonpeaceful intentions.

The third problem is the question of whether there is a homogeneous Chinese view of the international order or of Chinese identity as a global political actor. In fact, many recent studies have shown that Chinese politicians and their foreign policy advisers are engaged in vigorous debates over very fundamental issues regarding the PRC's international positioning and priorities.[10] Those Chinese voices that continue to portray the PRC as a developing country mainly advocate continuation of Deng Xiaoping's foreign policy directive—that is, to promote China's domestic development with great determination but to show restraint with respect to foreign policy and not to strive for a leadership role in international affairs. From this point of view, China has insufficient capacity or resources to take on the role of a "responsible stakeholder" that can shape and maintain the international order in a manner that the United States and Europe would like. In contrast, those Chinese who believe their country is rapidly becoming a superpower favor China's playing an active role in molding the international order and providing the global community with collective goods (in fields such as environmental and climate protection or the nonproliferation of weapons of mass destruction). An even more aggressive foreign policy stance calls for China to openly challenge the global primacy of the United States and to promote alternative ideas regarding the world order that can be derived from the East Asian tradition of nonconfrontational international relations (for instance, the classical Chinese concept of *tianxia*, or a world order characterized by voluntary submission by neighboring states and benevolent leadership by China).[11]

Therefore, the main challenge for the outside world is to differentiate between authoritative, quasi-authoritative, and nonauthoritative statements coming out of China.[12] This is even more necessary with respect to the nationalist anti-Western statements expressed by individual Chinese journalists, scientists, or army officers and eagerly reported by the Western media. We should not take these as signs of a fundamental reorientation of Chinese foreign policy. Anti-Western statements in Chinese publications (such as *Global Times*) that criticize China's foreign policy for being "too soft" toward the United States or with respect to the Taiwan problem are expressions of a more pluralistic society that is

attempting to influence public opinion. Since 2007 the global financial and economic crisis has reinforced positions critical of Western power, thereby damaging the credibility of certain Western notions of political and economic order. The steady stream of anti-Western publications also reflects the commercial logic of the Chinese media market in which catchy messages embedded in emotional nationalism draw more attention than nuanced analyses.

CHINESE INTERNATIONAL BEHAVIOR: A NEW ASSERTIVENESS?

Many Western authors agree that China's relations with its neighbors, the United States, and the EU have recently taken a turn for the worse.[13] A number of conflicts and incidents beginning in 2010 (heightening tensions in the territorial conflicts in the South and East China Seas, Chinese diplomatic snubs at regional or international meetings, rising trade disputes with the United States and the EU) have led Western media and scholarly publications to describe China's behavior as "triumphant," "pugilistic," "truculent," "anti-Western," and "belligerent."[14] Scholars and journalists have attributed the reasons for such a hitherto unknown assertiveness to a growing and more independent role of the Chinese military and of hard-liners or leftists from the state security apparatus, the weakening of "liberal, integrationist" forces as a result of the global recession, the pending leadership transition from the fourth to the fifth generation in 2012–2013, instability and social conflicts at home (in Tibet and Xinjiang), and the democratic revolutions in the Arab world, which put the Chinese regime on alert. China's reaction has been to acknowledge that such relations have deteriorated, but while pinning the blame on the outside world, Chinese leaders resolutely reject any notion of a change in Chinese foreign policy.

The main problem with looking at *la crise du jour* is its one-sidedness. Nonconflictual trends and substantive cooperation by China often receive insufficient appreciation. This is true, for example, with regard to the substantial improvement in relations across the Taiwan Strait (see chapter 8) or to Sino-German relations, which both sides have described as better than ever (see chapter 11). It might even be that the permanent stream of news on China and the profusion of Internet blogs dealing with Chinese foreign relations, useful as they are, contribute to an outside sense of permanent crisis with China. The days when Chinese politicians, diplomats, and businessmen could operate under the radar of public scrutiny outside (as well as inside!) China are long gone. In addition, this new focus on China might also blind us to the

Table 1.1. Important Stages in the Development of the PRC's External Relations

1950	The Sino-Soviet Treaty of Friendship, Alliance, and Mutual Assistance is signed.
1950–1953	The Korean War takes place, involving military confrontation with the United States.
1954, 1958	A military action against Taiwan is unsuccessful.
After 1956	Sino-Soviet tensions grow; cooperation is suspended in 1960.
1959–1962	A territorial conflict/border war takes place with India in the Himalayas.
1964	China first tests an atomic bomb and becomes a nuclear power.
1969	Conflict breaks out along the Sino-Soviet border (Ussuri); fear of war grows in China.
1970–1972	Diplomatic relations are established with numerous Western states, including West Germany (1972).
1971	China replaces Taiwan as a member of the United Nations and becomes a permanent member of the UN Security Council with the right of veto.
1971–1972	China and the United States reach rapprochement, leading to a fundamental reorientation of Chinese foreign policy.
1975	Relations are officially established with the EU.
1979	A policy of opening up to foreign trade is adopted.
1979	Diplomatic relations are established with the United States.
1979	The PRC's "punitive expedition" into Vietnam due to the latter's policy on Cambodia causes heavy losses.
1980	China gains membership in the World Bank and International Monetary Fund (IMF).
1985	A trade agreement is signed with the EU.
1985–1986	Relations with the Soviet Union improve.
1986	China applies for readmittance to the General Agreement on Tariffs and Trade (GATT).
1989	International sanctions against China due to its violent suppression of the urban protest movement result in diplomatic isolation for a short time; the human rights issue becomes a central point of conflict with the West.
1990–1991	The Chinese show a willingness to cooperate on the Gulf War and in Cambodia; high-level international contacts are reestablished.
1991	China becomes a member of Asia-Pacific Economic Cooperation (APEC).
1994	US foreign policy unlinks trade and human rights issues.
1995	China is granted World Trade Organization (WTO) observer status.
March 1996	The Chinese military engages in maneuvers and missile tests in the Taiwan Strait; the United States dispatches two aircraft carriers and supporting craft to the region.
May 1999	The Chinese embassy in Belgrade is destroyed by a North Atlantic Treaty Organization (NATO) air strike during the war in Yugoslavia, resulting in violent anti-American reactions in China.
November 1999	Chinese negotiations on WTO accession are concluded with the United States.
May 2000	Chinese negotiations on WTO accession are concluded with the EU.
April 2001	A Chinese interceptor collides with a US reconnaissance plane; Sino-American relations grow tense.

July 2001	The Sino-Russian Treaty of Friendship and Cooperation is signed.
September 2001	China supports the United States in its bid to fight terrorism and approves military action against the Taliban in Afghanistan.
December 2001	China is admitted to the WTO.
May 2003	The Shanghai Cooperation Organization (SCO) (founded in 2001) establishes a permanent office in Beijing.
2003–2009	The PRC plays a leading role in the Six-Party Talks on the nuclear disarmament of North Korea.
October 2003	China sends its first manned space mission.
September–December 2005	The "path of peaceful development" is established as China's foreign policy doctrine.
January 2007	The PRC conducts a successful antisatellite test (a Chinese missile shoots down one of the country's own weather satellites).
June 2008	Talks, which had broken down in 1999, resume between semiofficial Chinese and Taiwanese liaison organizations.
Beginning in November 2008	China is included in the G20 summits.
January 2009	The Chinese navy participates in antipiracy activity in the Gulf of Aden.
January 2010	The ASEAN–China Free Trade Agreement (ACFTA) comes into force.
June 2010	The PRC and Taiwan sign the Economic Cooperation Framework Agreement.
January–May 2011	Several incidents take place involving ships from China, Vietnam, and the Philippines over disputed territory in the South China Sea.
August 2011–September 2012	China conducts sea trials of its first aircraft carrier (the *Varyag*, renamed the *Liaoning*), stationed in the home port of Qingdao.
September 2011	The foreign policy white paper titled "China's Peaceful Development" is published.
September 2012	Massive anti-Japanese protests in China and boycotts of Japanese goods follow the crisis on the Diaoyu/Senkaku Islands.

recognition that shifting patterns of cooperation and assertiveness have characterized Chinese behavior during the period of reform and opening (for an overview, see table 1.1). As such, the debate on China's new assertiveness in some important respects resembles the debate on the China threat in the mid-1990s. That said, there is no denying that, from the Western perspective, conflicts with China have increased in both number and quality. Therefore, the central question is whether conflicts involving the PRC are isolated incidents, mere ephemeral phenomena, or interconnected dots that form a line pointing toward a shift in the overall direction of Chinese foreign policy. The debate about China's "grand strategy" addresses this question.

DISCUSSIONS ABOUT CHINA'S "GRAND STRATEGY"

We can describe the main features of a national strategy as an "ends-ways-means equation."[15] It is formulated to achieve specific objectives ("ends") in the setting of specific—often changing—circumstances. In order to achieve its goals, several "ways" (concepts, approaches, concrete policies) must be developed. Putting the policies into action requires coming up with the necessary capacities ("means"). To achieve the ends, the ways and means have to be permanently coordinated; otherwise the national strategy is not meaningful. Against this conceptual background, numerous studies on Chinese foreign relations have highlighted the following characteristics of China's national strategy.[16] With regard to ends, a consensus holds that China seeks to (1) protect its sovereignty and territorial integrity, (2) promote economic development and modernization as the major drivers behind its "comprehensive national strength," and (3) earn international respect and maximize, or at least consolidate, China's status as a great power. As the most important way to achieve these objectives, a nonideological, pragmatic, stability-enhancing, and moderate foreign policy stance has been put into action, highlighting international engagement with the outside world, acceptance of international standards, attempts to reassure neighbors of China's peaceful development, and countering by any means possible future constraints on the nation's modernization.[17]

The main bone of contention among scholars is whether this strategy will endure. Some authors call for caution.[18] To begin with, central Chinese objectives point in opposing directions (e.g., the quest for greater international status and an improved image as opposed to defense of national sovereignty and the continued rule of the CCP). Furthermore, the moderate Chinese foreign policy approach is subject to a number of variables that, at least to some extent, are outside China's control (e.g., developments across the Taiwan Strait; internal developments in the United States, Japan, and North and South Korea) and therefore will create a considerable degree of uncertainty for years to come. Another group of scholars sees the role of capacities (the "means" in the definition of national strategy) as the most important element deciding China's future foreign relations.[19] Referring to historical precedents (the rise of the German Reich prior to World War I or of Japan, leading to the war in the Pacific in the 1940s), they argue that with China on the path to becoming the world's biggest economy, the United States and China are locked in a rivalry for Asian and global dominance. Authors who claim that China is embedded in the maintenance of the status quo dismiss this pessimistic outlook. On the one hand, according to their logic, the influence of international rules and institutions and the web of interdependence between China and the rest of the world (especially

the United States) put pressure on China to cling to the status quo.[20] In addition, after more than thirty years of opening to the outside world, there are now so many stakeholders and vested interests in the current strategy within China (Chinese companies as part of transnational production networks, parts of the Chinese bureaucracy) that disengagement would be too costly to pursue.[21]

Again, the debate on China's longer-term strategy has several problems and shortcomings. This begins with the fact that official Chinese conceptions of how to designate the future international order are still unclear. The concepts of a "harmonious world" and "peaceful development," touted as a "major theoretical and practical contribution," fail to go beyond the announcement of vague diplomatic notions of "peace," "development," and "cooperation" as aims to pursue in a future world order. The overarching concept of "peaceful development" in foreign policy is an attempt by the Chinese leadership under Hu Jintao to harmonize competing identities (as a regional power, developing country, and superpower) and rival goals (for instance, defense of national interests and concern about the PRC's international image) by resorting to ideological language already tested successfully on domestic policy. So far, Chinese debates demonstrate a widely shared interest in the gradual adaptation and transformation of the international order rather than its destruction or national isolation.

The second caveat is the question of whether China has a strategy at all. More recent studies by influential Chinese foreign policy researchers have pointed to the increasing difficulty that China's leaders face in their bid to design and implement a consistent foreign policy strategy based on the growing variety of conflicting perceptions of (and interests in) foreign policy and trade within China itself.[22] Perhaps even the scholarly attention to China's strategy is misplaced. With a view to the constantly changing international circumstances and the permanent need for crisis management, intentions by the Chinese government to pursue a well-defined grand strategy may result in nothing more than "the realities of the immediate overtak[ing] the aspirations for the long term, the urgent sweep[ing] aside the important, and the tactical overpower[ing] the strategic."[23] This assumption is shared by experts with in-depth experience in administrative affairs who note that *ex-ante* roadmaps and manifestos appear fine in theory but most of the time are not helpful in coming to terms with unanticipated challenges.[24]

This book aims to tackle these complex issues and to give due consideration to the above arguments. We have formulated a preliminary answer to the question, What does China want? (see box 1.1).

In practice, Chinese diplomacy consists of a series of tactical approaches (see box 1.2) that are rooted in traditional strategic thinking. Chinese

BOX 1.1. BASIC ASSUMPTIONS AND KEY OBJECTIVES OF CHINESE FOREIGN POLICY

Basic assumptions in Chinese foreign policy:

- The historic "Middle Kingdom" deserves to occupy a central position in international relations.
- International relations are primarily determined by power politics and competition between nation-states.
- As a nation-state, China has not yet reached the zenith of its power. Therefore, only tactical concessions should be made in matters of national sovereignty and territorial integrity.
- International "enemy forces" are attempting to hold China down as it strives to achieve more power and influence.
- Multilateral ties are a double-edged sword: limitations on national sovereignty are admissible only if balanced by corresponding benefits (such as a say in the creation of internationally acceptable rules, access to markets, or enhancement of the country's status in international organizations).

Key objectives of Chinese foreign policy:

- Maintaining national sovereignty and security
- Combating any move that might challenge China's territorial integrity (such as calls for the independence of Taiwan, Tibet, or Xinjiang)
- Ensuring international conditions that are favorable for economic modernization (especially access to natural resources)
- Increasing China's "comprehensive national strength"
- Striving to achieve a positive international image as a major power displaying a sense of responsibility and a willingness to cooperate with other nations
- Preventing international isolation or a permanent hardening of attitudes toward China

diplomats are considered masters in using carefully planned negotiation tactics, which their Western counterparts often realize too late or not at all.[25]

In the remainder of this book, we attempt to present the reader with carefully verified information and sound appraisals concerning China's global role. The purpose is to encourage readers to form independent, well-informed opinions on controversial aspects of Chinese foreign relations.

Our goal is to help our readers to acquire a sound understanding of the prerequisites for China's role in world politics and the global economy, as

BOX 1.2. STANDARD TACTICAL APPROACHES TO FOREIGN POLICY IN CHINA

- Conducting detailed analysis of any lack of preparation or knowledge or any other personal or policy differences expressed by the other parties in order to make use of this information to further the Chinese position
- Taking the moral "high ground" in negotiations with Western nations by referring to their past colonial policies in China (historical "humiliation")
- Mobilizing support from the developing countries in situations where China faces difficulties in international forums
- Cultivating relationships with foreign friends who understand China, with the help of frequent invitations and other special treatment, thereby sidelining critics of China
- Inviting a large contingent of foreign advisers to China in order to achieve maximum benefits as a result of competition among financiers
- Participating in international negotiations and agreements, even though China still lacks the institutional capacity to implement them, and making subsequent requests for international support in order to build up the necessary capacity

well as to grasp the effects of such a role in these two areas. To this end, we explain changes in foreign policy in relation to both global and domestic Chinese processes. We pay particular attention to power shifts, changes in perception, and learning processes in foreign-relations and foreign-trade policy that continue to have an influence beyond short-term events and that characterize China's position in the world. In particular, we explore the basic patterns in foreign policy decision making in a selection of key problem areas (security, foreign trade, the environment, and human rights), as well as in a number of bilateral relations to which Chinese foreign policy attaches particular importance.

This book has the ambitious aim of providing an integrative representation and analysis of current foreign policy and foreign-trade issues. In addition to featuring a comprehensive chapter on China in the world economy, it also looks into the importance and interaction of trade and investment flows, topics covered in detail in each chapter on bilateral relations. Furthermore, China's role in the world cannot be properly understood without systematically linking the political and economic factors. We feel it is misleading to treat foreign policy (traditionally regarded as a field in political science) and foreign trade (traditionally a field in

economics) as separate areas for the sake of academic analysis, as doing so fails to reflect the actual situation.

Unlike the first eleven chapters of this volume, which employ decidedly analytical and sober approaches, the final chapter, "Empire and Guerrilla," is intended to stimulate discussion. We take clear positions in this concluding chapter, pointing out a number of new challenges to society, state institutions, and the business sector that have arisen as a result of China's global expansion but thus far have received insufficient attention.

NOTES

1. Heath 2012.
2. For Chinese leaders' speeches and white papers, see Dai Bingguo 2010; Hu Jintao 2005a, 2009, 2011; Zhonghua Renmin Gongheguo Guowuyuan Xinwen Bangongshi 2005, 2011b. For Western and Chinese scholars, see Chase 2011; Lai and Lye 2007; Medeiros 2009; Murphy 2008; Zheng and Tok 2007.
3. Lampton 2008.
4. Wu Xinbo 2010, 2012; Yan and Qi 2012.
5. Thornton 2008.
6. Medeiros 2009.
7. Dai Bingguo 2010; Hu Jintao 2009; Zhonghua Renmin Gongheguo Guowuyuan Xinwen Bangongshi 2011b.
8. Swaine 2011.
9. Dai Bingguo 2012.
10. Irvine 2010; Shambaugh 2011; Zhu Liqun 2010.
11. Carlson 2011.
12. Swaine 2012c.
13. Bader 2012; Shambaugh 2013b.
14. Brown and Loh 2011; Christensen 2011; Swaine 2010; Wei Da 2010.
15. Finkelstein 2011, 1.
16. Medeiros 2009; Sutter 2012.
17. Gill 2007; Lampton 2008; Medeiros 2009; Saunders 2006.
18. Sutter 2012.
19. Friedberg 2011; Kaplan 2011; Mearsheimer 2001, 2006.
20. Ikenberry 2013.
21. Kennedy 2012.
22. Wang Jisi 2011; Wu Xinbo 2013; Zhu Liqun 2010.
23. Finkelstein 2011.
24. Bader 2012.
25. Solomon 1999.

2

Foreign Policy Decision Making

International and domestic factors that have undergone great changes since the 1990s shape the making of foreign policy in the People's Republic of China (PRC). The influence of international standards, rules, debates, and agendas affecting the PRC has increased significantly, shaping and limiting the courses of action open to Chinese foreign policy making. However, centralized decision making has been limited by actors within China itself.

Foreign-trade initiatives, for instance, often originate at local levels (i.e., cities, provinces, or the associated state-owned enterprises) or in transnational companies and production networks, thereby putting the central government in the position of having to respond and "catch up" with locally driven changes and initiatives.[1] At the same time, the decentralization of foreign relations has also opened up new possibilities. The Chinese central government now authorizes and even encourages certain provinces to foster neighborly relations and economic exchanges with bordering countries (Guangdong with Southeast Asia, Fujian with Taiwan, Yunnan with Myanmar and Laos, Guangxi with Vietnam, and the northeastern cities of Dalian and Shenyang with Japan and Korea, for instance).[2] Conversely, local coastal governments have been actively pressuring the central government apparatus to grant them special rights to pursue economic interests abroad. For example, for years the Hainan provincial government has lobbied ministries and the State Council to open the Paracel Islands to tourism, leading to fierce criticism from Vietnam and the Philippines.[3]

New communication and information technologies are increasing the influence of societal groups on foreign policy decision-making processes.[4] A good example is the widespread nationalistic statements in online forums

and their subsequent effects on policy toward Japan.[5] In contrast, public opinion thus far has had a very limited influence on the shaping of Chinese government policy toward Taiwan.[6]

During the last decade, Chinese companies have been expanding beyond China's borders (see chapter 5). This has led to tens of thousands of Chinese citizens taking up posts abroad and created yet another kind of social pressure. Chinese workers abroad are becoming increasingly caught up in domestic conflicts in the countries to which they have been sent (e.g., Libya, Nigeria, and Sudan), often falling victim to internal strife, civil war, kidnapping, or personal violence. The Internet provides a platform to exert considerable pressure on the government to guarantee the safety of Chinese citizens abroad and to intervene if lives are in danger.

These recent developments coincide with generational, institutional, and ideological innovations that have reshaped foreign policy consensus building and decision making.[7] Foreign policy decision making today is considerably less burdened by ideology and hierarchical, autocratic structures and much less personality driven than it was under the leadership of either Mao Zedong or Deng Xiaoping. Reflecting changes in the domestic policy process, protracted consultations and consensus building among bureaucratic bodies, government-linked experts, and top leaders often characterize foreign policy making.[8] When it comes to complicated regulatory matters, accommodation and consensus building within the bureaucracy, rather than top-down political leadership, are of decisive importance.

In times of perceived crisis, however, whenever tensions arise in strategic areas of foreign policy (e.g., in China's relations with other major powers or with Taiwan), decision making is highly centralized and dominated by individual leaders or a small circle of advisers. Even though decision-making processes are more transparent today than they were in the past, there is still a considerable degree of intentional secrecy on the part of the Chinese leadership. High-level and otherwise well-informed academic policy advisers are frequently left in the dark about which actors actually steer foreign policy, particularly with respect to delicate matters such as the PRC's relationship with the two Koreas (see chapter 9).

Figure 2.1 presents a summary of the most important actors in the foreign policy decision-making process and their interactions.[9]

The formal decision-making structure continues to be hierarchical, with party bodies generally assuming a greater role than government institutions (unless they are essentially identical). At the very top of the decision-making structure is the Standing Committee of the Politburo of the Chinese Communist Party (CCP), which deals with strategic foreign policy matters and makes decisions during periods of international crisis. Within the Standing Committee, the general secretary of the CCP Central Committee (Hu Jintao, 2002–2012; Xi Jinping, 2012–present) plays a prominent role,

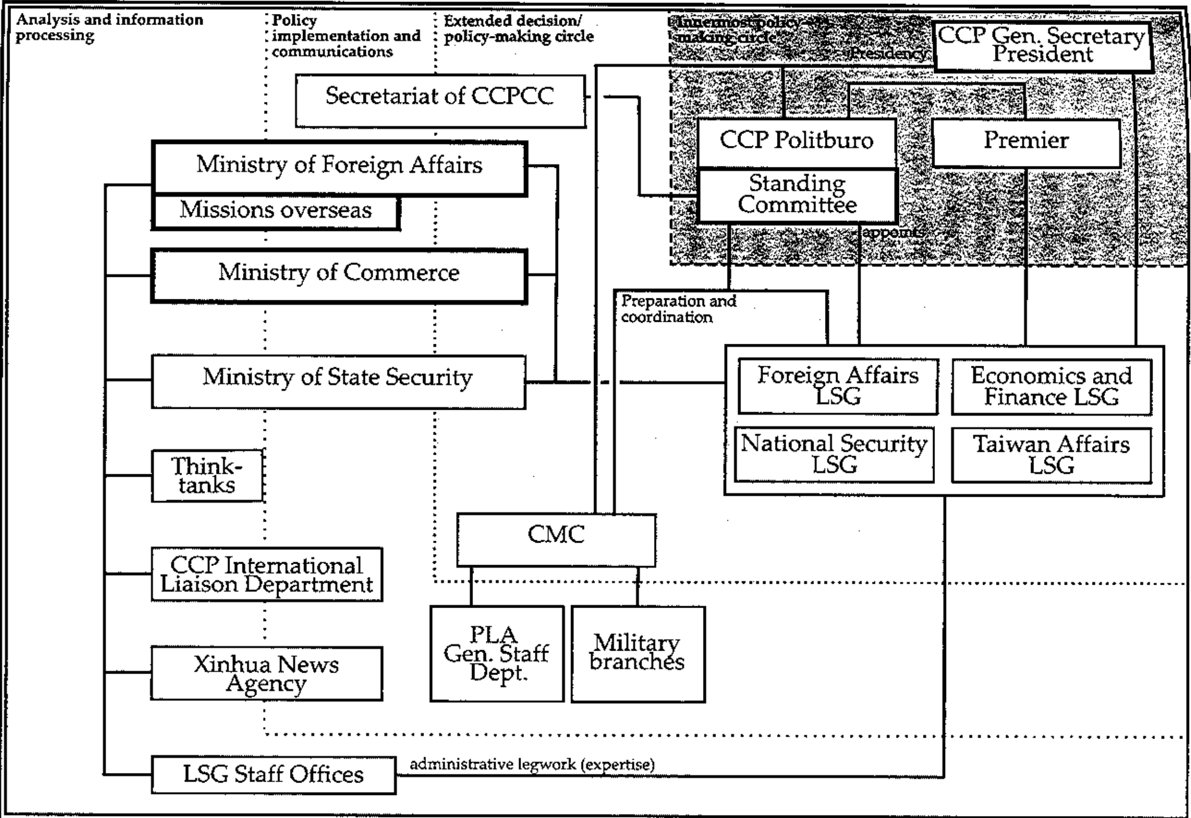

Figure 2.1. Actors involved in the making of Chinese foreign policy.

holding the state positions of both president of the PRC and chairman of the Central Military Commission of the PRC.

Foreign policy coordination takes place in what are known as the leading small groups (LSGs), which link several policy domains and operate on a supraministerial level under the Politburo. Of these special groups, the Foreign Affairs LSG, the Taiwan Affairs LSG, the National Security LSG, and the Economics and Finance LSG have the most influence on foreign policy. The general secretary of the CCP often heads them directly. Decision makers from relevant state, party, and military bodies sit on these groups since their cooperation is necessary to coordinate and implement policy. In addition to the permanent LSGs, there may also be ad hoc LSGs, such as that set up to deal with the tense situation in the South China Sea in late 2010 (see chapter 3).[10]

The advisory and working staffs of the LSGs prepare decisions on behalf of the Politburo or its Standing Committee, based on preparatory work carried out by specialist departments in the Ministry of Foreign Affairs (MFA), Ministry of Commerce, Ministry of State Security, and the Central Military Commission. General coordination of policy adjustments and cross-disciplinary tasks related to the work of the ministries of commerce, foreign affairs, and finance, as well as the Central Bank, is entrusted to the Economics and Finance LSG, and it is the task of the National Security LSG to coordinate responses in cases of domestic or foreign crises.

Although often overlooked in the West, two other bodies play a significant role in foreign policy issues: the International Liaison Department of the CCP Central Committee (particularly with regard to North Korea) and the United Front Work Department of the CCP Central Committee (with a bureau to deal solely with the Taiwan issue). The leaders of each of these bodies also sit on the respective leading small groups. Despite the lack of any formal responsibility for foreign affairs work, the General Office of the CCP Central Committee does play a role, as evidenced by the director of the General Office's accompanying General Secretary Hu Jintao on almost all his trips abroad.[11]

On the government side, there is generally a state councilor—below the premier and the vice premiers in the state hierarchy but above the ministers—who is permanently responsible for coordination of foreign policy. The state councilor for foreign affairs, who often has decades of diplomatic experience either from serving previously in the MFA or as part of the leadership of the International Liaison Department of the Central Committee, is also director of the Staff Office of the Foreign Affairs LSG. This office acts as a filter mechanism for foreign policy suggestions and initiatives passed on to the party leadership.

The MFA plays a relatively minor role as compared with its counterparts in other countries. Its overseas missions (embassies and consulates) are

involved in fact-finding, analysis, and the preparatory stages of decision-making processes, as well as, with the help of bilateral and multilateral diplomacy, implementing foreign policy guidelines. However, its role is limited in terms of coordinating foreign policy because it is only one among several ministerial-level agencies under the State Council. It even faces difficulties in surmounting resistance by local governments because provincial governors hold the same cadre rank as the foreign minister. In its mission to improve the PRC's image abroad, the MFA often comes up against foreign economic interests. A national work conference on foreign relations held in 2006 explicitly criticized the uncoordinated and selfish behavior of Chinese companies abroad, as their actions could have a negative effect on China's reputation and credibility on the world stage.[12] The MFA has also been accused in Internet forums (and even by other state and military bodies) of betraying Chinese interests due to its conciliatory and prudent positions, which have come about as a result of the negative diplomatic effects of excessively vigorous foreign-trade and security-policy initiatives.

The Ministry of Commerce, responsible for all foreign-trade and investment-related issues (including those related to the World Trade Organization) often competes with the MFA in certain aspects of China's relations with its foreign counterparts. As economic questions are granted overriding importance in Chinese foreign policy, the influence of other groups of actors who play increasingly prominent roles in the foreign policy decision-making process is growing. One group of such key players includes the members of the National Development and Reform Commission (NDRC), who, together with the relevant ministries, establish long-term goals and programs and also help make decisions in many foreign policy areas, covering anything from Chinese businesses "going global" to supplies of energy and raw materials and even climate-change negotiations.

China's central bank—the People's Bank of China (PBoC)—has also played an increasingly important role in Chinese foreign relations over the last decade due to its policy of stockpiling huge foreign-currency reserves. It has received pointed criticism from abroad for its foreign exchange policy, and it increasingly has to coordinate its own activities with the central banks of other countries (see chapter 5).

For its part, the State-Owned Assets Supervision and Administration Commission (SASAC) is beginning to face problems from regional governments and large state enterprises that attempt to circumvent centralized foreign direct investment (FDI) supervision and regulations by the national government (see chapter 5). However, we should not overrate the activities of Chinese state-owned enterprises abroad in terms of their political intentions or orientations.[13] On the one hand, large Chinese companies (especially the national oil companies) carry out extensive lobbying for their own expansion at both the domestic and the international levels

(particularly on the commodities market). On the other hand, much of this influence is due to the fact that many heads of the state-owned enterprises also hold high positions in the CCP, as members of the Central Committee or even as ranking vice ministers in the cadre hierarchy.[14] These "party-member managers" inevitably focus their interests on obtaining preferential treatment for their particular sector or company rather than on actively shaping foreign or security policy outside their own sphere of activity.

Two credit institutions currently offer special funding for foreign investments (export credit and investment financing) and occupy a pivotal position in helping Chinese companies expand and achieve a global presence: the politically well-connected and rapidly growing China Development Bank and the Export-Import Bank, a less prominent political player and lender. These banks support Chinese firms wishing to expand into foreign markets by providing very generous lending, which includes everything from subsidizing exports (in a nontransparent system) to openly participating in foreign infrastructure programs and buying shares in commodity companies. According to a study by the *Financial Times*, in 2009–2010 Chinese banks provided more long-term loans, in the amount of US$110 billion, to developing countries than the World Bank during the same period due to the increasing (and highly risky medium- and long-term) financing costs of large-scale projects and major investments.

The Ministry of State Security's exact role in foreign and foreign-trade policy is, by its nature, opaque. According to information available, it not only carries out the usual intelligence operations in political and military relations with other countries but is also behind large-scale foreign-trade espionage, meaning it plays a key role in the acquisition of the latest civil and military technology.

The Western media often play up and dramatize foreign policy activity and intervention by military players on the Central Military Commission (which in peacetime also holds supreme command of the army) and in the Ministry of National Defense (primarily responsible for military diplomacy and the military attachés stationed in overseas missions, thus, much less important on an operational level than the defense ministries in other countries), the four general departments (staff, political, logistics, and armaments), and the service arms (navy, air force, and second artillery) of the People's Liberation Army (PLA).

However, experts on the Chinese military generally agree that the highest-ranking officers in the army primarily serve the interests of their own sectors (such as budget maximization and financing for new weapons systems intended for certain groups in the armed forces) and do not represent an independent military interest in foreign policy decision making that is distinct from and in opposition to the civilian leadership (see chapter 4).[15] Despite numerous objections from the military, the authority of the civilian

party leadership in foreign policy, even when it comes to dealing with Taiwan, has never been called into question.[16]

As a result of the ongoing professionalization of the armed forces, under post–Deng Xiaoping leaders there has been a growing bifurcation of civil and military elites, with no high-ranking officer in the army holding a seat on the Politburo Standing Committee since 1997. The resultant bureaucratic and communications division between the civil and military hierarchies has become an obstacle when it comes to speedy yet appropriate crisis management during tense national-security scenarios (such as the collision of a US spy plane with a Chinese military aircraft near Hainan Island in 2001 or the bombing of the Chinese embassy in Belgrade during North Atlantic Treaty Organization's (NATO) air campaign in Yugoslavia in 1999).

In addition, horizontal coordination of decisions between the state and the army at the top level has largely been transferred to the LSGs, and the role of the PLA is relatively ineffective at the top level and is almost nonexistent at lower levels.[17] This has led to a long list of foreign policy inconsistencies. On one occasion, the MFA pledged to send Chinese troops to help UN missions, but it did so without checking with the PLA leadership as to the actual availability of a sufficient number of men. In another incident, the MFA granted permission for a US aircraft carrier to dock in Hong Kong, a symbolic gesture that the PLA leadership then successfully blocked.[18]

The proliferation of agencies involved in the foreign policy decision-making process defies any notion of a Leninist-type straightforward, top-down structure. As an in-depth analysis by the International Crisis Group demonstrates, with regard to the South China Sea, nine ministerial-level bodies, in addition to the PLA navy and the provincial governments, are involved, and thus there is little or no effective coordination authority and no high-level cohesive policy.[19]

These interorganizational conflicts of interest and information blackouts, on the one hand, and the interdependence of the domestic and foreign policy decision-making processes, on the other, have far-reaching consequences for China's behavior in international negotiations. As even Chinese analysts frankly admit, the Chinese administration is finding it increasingly difficult to enforce international agreements that affect the interests of various powerful domestic players. As a result, Chinese delegations sent to take part in multilateral negotiations are often very large, as their members represent the range of bureaucratic interests involved in that particular policy, although they generally have very limited mandates.[20] In many cases, the resulting internal blockades and paralysis in negotiations lead to frustrations in the foreign countries and can only be resolved by energetic intervention from individual leaders.[21] Foreign negotiators receive conflicting signals from the different Chinese players, depending on whether these people have vested political or bureaucratic interests. Furthermore it is often difficult to discern

who has the final word in negotiations and who is ultimately responsible for implementation of those international commitments that the PRC has officially accepted. For this reason alone, it is absolutely essential to have sound knowledge about the political and bureaucratic power constellations that currently exist in China.

NOTES

1. Zweig and Chen 2007.
2. Cabestan 2009; Jakobson and Knox 2010.
3. International Crisis Group 2012.
4. Hao Yufan 2013.
5. Hong Junhao 2005.
6. Cabestan 2009.
7. Cabestan 2009; Hao and Su 2005; Jakobson and Knox 2010; Lai Hongyi 2010; Lampton 2001; Sutter 2012.
8. Liao Xuanli 2006.
9. Cabestan 2009; Jakobson and Knox 2010; Lai Hongyi 2010; Lu Ning 1997, 2001.
10. International Crisis Group 2012.
11. Glaser 2013.
12. Glaser 2007.
13. Yu Jie 2012.
14. Li Cheng 2011.
15. Cabestan 2009; Finkelstein and Gunness 2007; Lu Ning 2001; Scobell and Wortzel 2005; Swaine 2012a, 2012b.
16. Blasko 2012.
17. Swaine 2012a, 2012b.
18. Cabestan 2009.
19. International Crisis Group 2012.
20. Pearson 2010.
21. Bader 2012.