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The Foreign Policy of the
People’s Republic of China:
Towards Global Integration or
a Tactical Quest for Super-Power Status?

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A minor dissertation submitted in partial fulfilment of the requirements for the award of
the Degree of Master of Social Science in International Relations.

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Declaration
This work has not been previously submitted in whole, or in part, for the award of any degree. It is my own
work. Each significant contribution to, and quotation in, this dissertation from the work, or works, of other
people has been attributed, and has been cited and referenced.

Signature
Date 10.09.2004
Acknowledgments

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ABSTRACT

This paper assesses the foreign policy of the People’s Republic of China, determining whether it is pursuing an agenda to fully integrate into the international political order, or whether its policy comprises of a tactical quest for super-power status; it concludes by making a tentative prediction as to the trajectory of China’s foreign policy in the coming decades. Optimists maintain that China’s formation of complex economic and political ties with regional and international countries will bring both prosperity and security in the region, claiming that China’s foreign affairs will focus on the maintenance and protection of these relations, upholding the political status quo. Pessimists, conversely, assert that Beijing’s policy of integration is part of a wider strategy designed to build national power to a system-contending level.

To establish the nature of China’s foreign policy, this paper looks at two opposing theories of international relations which describe both interpretations: Complex Interdependence (supporting the optimists’ interpretation) and Realism (supporting the pessimists’ interpretation). In Part One, it reviews the key theorists of the twentieth century; it concludes that the Realist principles of Robert Gilpin, and the Complex Interdependence principles of Robert Keohane and Joseph Nye, represent the most reliable tenets of each theory. Thus the theoretical framework of the paper rests on the principles of these two interpretations of the Realist and Complex Interdependence theories.

In Part Two of the paper, four indicators of China’s foreign policy are assessed:

1. China in the World Economy
2. China’s International and Regional Relations
3. China’s National Defence
4. China’s Domestic Policy and Internal Characteristics

Each indicator is then analysed by applying the theories of Complex interdependence and Realism to the data.

The paper concludes by amalgamating the analyses of each indicator, making an overall assessment as to whether the theory of Realism or Complex Interdependence...
best describes China’s foreign policy. It determines that the Realist theory is the most descriptive paradigm of China’s foreign policy, and can systematically undermine the central assumptions of Complex Interdependence theory. Thus it concludes that China is following a tactical strategy aimed at assuming super-power status, and that in the coming decades will calculate the costs/benefits of gradually changing the international political system to pursue its national interests.
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\(^1\) Map sourced from www.cia.gov/cia/publications/factbook/geos/ch.html
1. INTRODUCTION

“When China awakes, it will shake the world.”
(Napoleon Bonaparte)

Since the formation of the People’s Republic of China (PRC)\(^1\) in 1949, China has evolved from an isolated, underdeveloped country, into a major player in the international political arena. After the demise of the Republic’s founder, Mao Zedong, in 1976, the instatement of Deng Xiaoping in 1978 heralded a new era, profoundly shaping the country’s foreign political agenda as it sought to integrate into the global system. In parallel to China’s rise to fortune, the ruling Chinese Communist Party (CCP) has consolidated its monopoly of power through the smooth transition of power to Jiang Zemin in 1989, and more recently to the ‘fourth generation’ with the instatement of Hu Jintao.\(^2\) During this period, China has undergone significant structural reformation to facilitate its assimilation into the global economy, and ensure the continued and rapid growth of its national power. This has led statesmen and academics alike to make varying assessments of China’s foreign policy under the CCP, and the political goals it attempts to achieve.

The optimists regard China’s foreign policy as a movement towards global integration into the existing political order. They claim that the formation of complex economic and political ties, with regional and international countries, will not only ensure China’s full integration, but will bring both prosperity and security in the region. Consequently, they claim that China’s foreign affairs will focus on the maintenance and protection of these relations, upholding the political status quo. The pessimists, conversely, describe China’s foreign policy under the CCP as a tactical strategy in its quest for super-power status.

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1 China’s official name since 1949 is the People’s Republic of China (PRC). During the course of the paper, I will mainly refer to the PRC simply as China, or may refer to events being driven by Beijing, the political capital of the PRC. Whilst these terms will be used interchangeably, it should be noted that all terms refer to the People’s Republic of China.

2 The most recent transfer of power occurred on March 15\(^{th}\), 2003, when President Jiang Zemin peacefully stepped down to make way for the next generation of Communist leader, President Hu Jintao, who has continued the existing policies of his predecessors.
They assert that Beijing’s policy of integration is part of a wider strategy, a move on the political chessboard in the competition for political supremacy, and that China’s political agenda consists of a subtle set of manoeuvres designed to build national power to a system-contending level.

These two interpretations can be theoretically supported by two opposing paradigms of international relations: the first, known as Realist Theory, upholds the pessimists’ conception that the global order is made up of competing states in a continual process of conflict and characterized by the continual cycle of rising and falling powers. Under this doctrine, it would be supposed that a growing China would necessarily implement policies attempting to elevate it to super-power status.\(^3\) The optimists refer to the theory of Complex Interdependence in order to support their claims that major costly conflicts are an anachronism, which are obsolete in an era of international regimes and complex economic ties. It asserts that advances in technology, transport and communication define the modern world; this has created fundamental changes in traditional agenda setting and foreign policy, creating an absence of hierarchy among political issues. Under the characteristics of this paradigm, China’s foreign policy would inevitably promote regional and international ‘integration’, protecting economic ties and maintaining the status quo.\(^4\)

Making the correct assessment of China’s foreign policy is critical to understanding the present political climate, and the nature of political change within the international system. Thus the object of this paper is to appraise China's foreign policy under the CCP since the opening of its economy in 1979, and to conclude with a tentative prediction of its possible trajectory in the twenty-first century.\(^5\) This will be achieved by using two

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\(^1\) The concept of ‘super-power’ can be defined as a state that has dominant control economically, politically, militarily and culturally over either regional or international powers. Whilst we presently exist under a sole super-power – the United States – it is possible to have a system in which two or more super-powers compete.

\(^2\) The term ‘integration’ is a fairly wide concept; it refers to a country’s multiple ties with other countries on a variety of issues such as politics, economics, security, environment, technology, crime, aid, and so on. Transnational actors, which blur the borders of sovereign states, facilitate integration.

\(^3\) The time frame of this paper is generally set at 1979 to the present day, and predicted forecasts projected out into the twenty-first century. However, it will be instructive at times to refer to events that occurred under Mao, from 1949-1976, and historical events in the last century.
opposing theories of international relations, Realism and Complex Interdependence theories; the application of a theoretical framework to the question will both facilitate the assessment of China’s present policies, whilst also providing a basis from which a predictive analysis may be construed. Both theories will be applied to four separate indicators, which will signify which paradigm is substantiated by these aspects of China’s foreign policy.

The first part of the paper will review the literature of Realist and Complex Interdependency theory, focusing on the key theorists of the late twentieth century. As the theoretical literature is both extensive and variable, particularly in the case of Realism, it will be necessary to assess the inconsistencies and then assert which central tenets of the theories will be used in the consideration of China’s foreign policy.

The second part, divided into four chapters, will look at the aspects of China’s foreign policy based on the following indicators:

1. China in the World Economy
2. China’s International and Regional Relations
3. China’s National Defence
4. China’s Domestic Policy and Internal Characteristics

These particular indicators represent the significant features of both theories, allowing for a thorough and balanced analysis. Each chapter will be concluded by a brief analytical summary, pinpointing aspects that are indicative of either theory; the aggregate of these summaries will then be presented in the final conclusion. The dominant characteristics of the indicators will consequently divulge which theory best describes the course of China’s foreign policy. This, in turn, will allow us to make a cautious prediction of China’s future impact on the international political order.
1. LITERATURE REVIEW

Two paradigms of international relations will be used to determine the nature of China’s foreign policy:

1. Realist theory
2. Complex Interdependence theory

Whilst both theories represent ‘ideal’ models, their opposing stance creates a useful framework in which to analyse the question. Whilst ‘grey areas’ may be encountered in the analysis, the contradictory principles of the theories will necessarily facilitate a clear and firm conclusion.

The literature on Realism is impossibly expansive, and some would argue dates back 2,500 years. For this reason it will be necessary to give a brief historical background to Realist thought, before venturing into greater detail about the three major Realist theorists of the twentieth century. Each of the theorists have made fundamental amendments to the Realist school of thought, choosing to emphasise different principles in presenting their own theoretical framework. It will therefore be necessary to compare the varying principles of these theories, in order to discard the principles that can be undermined and to determine which central Realist tenets this thesis will be based upon. The literature on Complex Interdependence is somewhat more diminutive. Whilst it will be instructive to review briefly the origins of this theory, this section will be more clear-cut. Evolved out of liberal thought in the late 1970s, the central principles of Complex Interdependence have remained largely unchanged by liberal theorists and its central tenets have remained constant.

Thus the purpose of Part One will be to introduce each of these theories. This will provide a review of the literature of the major theorists, offering an assessment of the key principles, and so determining the theoretical framework with which to make the analysis.
3. REALISM

3.1 Historical background

Realist thought can be traced back as far as the Classical historian Thucydides. In his interpretation of warfare in his "History of the Peloponnesian War," he saw fear as the key motivating force in the Athenian/Spartan arms race that preceded the war. He observed, "The strong do as they will, and the weak suffer what they must." Thus, the idea of power as the optimum goal of international relations was born. A state that accumulated power is able to determine the fate of those who are consequently weaker.

Niccolo Machiavelli (1469-1527) furthered Realist thought with his assertion that humans were inherently greedy with an insatiable lust for power, and capable of using any means to acquire it – it was the result that mattered. His belief in the shortcomings of human nature is clearly reflected in much of modern Realist thought. He was one of the first to emphasize the use of force by the state to implement its policies in order to obtain its agenda. He commented, "There is simply no comparison between a man that is armed and one that is not. It is unreasonable to think that an armed man should obey one who is not or that an unarmed man should remain safe and secure when his servants are armed." By this he asserts that security is every man’s prerogative. Indeed he later states in his works, "For with contempt on one side, and distrust on the other, it is impossible that men should work well together." Here Machiavelli highlights the problem described by later theorists as the ‘security dilemma’: an actor may only feel safe if he is stronger than another actor, but by being stronger, may only incite the distrust and insecurity of other actors, and so the cycle continues.

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6 In the course of this historical overview, I have placed emphasis on the factors which make up the central traditional Realist doctrine.
7 Williams (1994), p.8
8 ibid., p.9
9 ibid., p.24
Realist thought was furthered by the contributions made by the philosopher Thomas Hobbes (1588-1679). He represented his ideas on global order in his work, “The Leviathan”, written in 1651. His pessimism towards human nature was iterated in his observation of the presiding anarchy of states acting within the global order. He contrasted the behaviour of individuals under a sovereign state and a universal law to the relations between states where there is no central ruling power. To describe international relations as being in a state of anarchy is not to presume that chaos prevails; rather, he explains that states are perpetually suspicious with an inherent sense of insecurity, which arises from the fact that there is no central presiding power structure.

I have briefly outlined the historical background of Realist thought, though word constraint has only allowed me to touch on this long and deeply entrenched tradition. Whilst I have had to omit the work of some of the other great Realist thinkers, the above selection has provided an aggregate of Realist principles with which to assess modern theorists. In sum, they provide the basics of the theory that remain consistent throughout modern Realist thought. They assume that the state is the major actor in determining the global order; the anarchic nature of the system results in a prevailing sense of insecurity and fear between states, producing cyclic inter-state conflict; whilst fear is a motivating factor, so is man’s inherent lust for power; thus states will use force in order to protect and maximise their own interests. Furthermore, as the length of the tradition attests, there is an overriding belief that history remains essentially unchanging. One modern theorist suggests, “Ultimately, international politics can still be characterized as it was by Thucydides.”

3.2 Hans Morgenthau

An American refugee from Nazi Germany, Morgenthau became one of the leading Realists of the 1950s and 1960s. He helped to establish the Realist paradigm in International Relations in the US, culminating in his book “Politics among Nations.” He starts from the premise that international politics is essentially a struggle for power, and

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10 Gilpin (1981), p.228
that states determine their own interests in terms of power. He has been described by some contemporary academics as a 'Biological Realist', indicating his emphasis on human nature as the basis of his analysis. He assesses that ‘human nature’ has remained fundamentally unchanged, involving a lust for power and the use of rational choice by statesmen. He also puts forward the central importance of the balance of power among states.\textsuperscript{11} Morgenthau created what he termed ‘The Six Principles of Realism’, which outline his interpretation of the theory:

The first principle states, “Political Realism believes that politics, like society in general, is governed by objective laws that have their roots in human nature.”\textsuperscript{12} He later adds, “Human nature, in which politics have their roots, has not changed since the classical philosophies of China, India, and Greece endeavoured to discover these laws.”\textsuperscript{13} It is therefore possible to develop a rational theory that reflects these objective laws, as human nature is unchanging.

The second principle states, “The main signpost that helps political Realism to find its way through the landscape of international politics is the concept of interest defined in terms of power.”\textsuperscript{14} He claims that statesmen will thus think and act in terms of interest defined as power. This provides a rational order with which to approach the subject matter of politics, making the theoretical understanding of politics possible. He later suggests that this principle will guard against misleading notions such as the concern with motives and the concern with ideological preferences.\textsuperscript{15} And so Realism stresses the rational, objective and unemotional.

The third principle states, “Realism does not endow its key concept of interest defined as power with a meaning that is fixed once and for all.”\textsuperscript{16} Morgenthau defines ‘power’ as

\begin{itemize}
  \item Williams (1994), p.10
  \item Morgenthau (1968), p.4
  \item ibid., P.33
  \item ibid., p.5
  \item ibid. p.36
  \item ibid. p.8
\end{itemize}
“anything that establishes and maintains the control of man over man.”¹⁷ Thus power and interest can vary in content and meaning, which may be determined by the political and cultural environment. He assumes that interest defined as power is an objective term which is universally valid but not with a meaning that is eternally fixed.

Morgenthau’s fourth principle states, “Political Realism is aware of the moral significance of political action. It is also aware of the ineluctable tension between the moral command and the requirements of successful political action.”¹⁸ He asserts that universal moral principles cannot be applied to the actions of states, as moral issues may be overridden by political concerns. A state must put the safety of its citizens above upholding universal moral principles.

His fifth principle asserts, “Political Realism refuses to identify the moral aspirations of a particular nation with the moral laws that govern the universe.”¹⁹ Though he concedes that nations are often keen to imply that their policies are such. We are, therefore, unable to analyse a state’s action by turning to moral laws, and must instead use the concept of interests defined by power. It is this concept that can save us from ‘political folly’ as we are able to judge the actions of states as we judge our own, and can pursue policies that respect the interests of other nations while pursuing the interests of our own.²⁰

Morgenthau’s sixth and final principle states, “The difference, then, between political realism and other schools of thought is real and profound...Intellectually, the political Realist maintains the autonomy of the political sphere.”²¹ Whilst he recognizes that other facets of human nature exist, in order to develop an autonomous theory of political behaviour, “political man” must be abstracted from other aspects of human nature.

Morgenthau’s Principles of Realism create a theoretical framework that is heavily rooted in human nature. He creates an abstraction of ‘political human nature’, which is

¹⁷ Morgenthau. (1968), p.10  
¹⁸ ibid. p.8  
¹⁹ ibid. p.9  
²⁰ ibid. p.11  
²¹ ibid. p.13
rationalized by the concept of interests defined in terms of power that precede universal moral law in determining the policies of statesmen. However, by rooting his theory in human nature, Morgenthau has come under heavy criticism. Whilst he attempted to create a theoretical framework of rationality and objectivity, his core concept seems far too elusive. Human nature just cannot be quantified, and his concepts of power and interest are also dealt with in vague terms. This concept is certainly useful, but its formless definition again undermines the solidity of Morgenthau's theory. Further, his principles seem to provide a set of concepts that may help to describe foreign policy, but do little to help predict its direction. Although Morgenthau's interpretation of Realism suffers from spongy assertions, his concept of states' policies being defined by their motivation for power remains a useful concept, but not one on which to base our entire assumptions.

3.3 Kenneth N. Waltz
Amongst Morgenthau's stringent critics was Kenneth Waltz, who in response created a new paradigm in an attempt to reformulate Morgenthau's principles of Realism. In his ground breaking 1979 book, "Theories of International Politics", Waltz made a deliberate departure from 'Classical Realism'. He subsequently focused less on the elusive concept of human nature and man's lust for power. Instead, Waltz based his tenets of Realism on the Hobbesian concept of 'anarchy'. In a move away from Morgenthau's principles, Waltz assumes that states are primarily searching for security as opposed to coveting power. Thus, he puts forward the notion that the anarchical nature of the international system is one of the fundamental determinants of international political behaviour. Further, he places unprecedented emphasis on the structure of the system – in terms of anarchy and the distribution of power and capabilities among states. He argues that these determine the order of the international hierarchy, the balance of power, and that this structure has a direct bearing on the stability of a system. Waltz's change of emphasis on the Classical Realist tenets, and his introduction of structural factors in

22 Williams (1994), p.11
assessing international political behaviour, have led contemporary academics to describe him as a ‘Neorealist’ or a ‘Structural Realist.’

Like Morgenthau, Waltz rests his assumptions on the fact that international politics have remained consistent throughout history and that there is “the striking sameness in the quality of international life through the millennia.”23 Again, this allows us to assume that the principles of Waltz’s ‘Neorealist’ paradigm are universally applicable. He claims that the continual and cyclical characteristic of international political behaviour, despite the internal variations of different states, exists because they arise from the persistent structure of international anarchy. Thus, international relations consists of anarchic political structures; order is not imposed by a higher authority, as it would be domestically within a sovereign state, but arises from the interaction of formally equal political actors.24 Hence, national and international political actions are distinct from one another because the former operates within a hierarchic system and the latter in an anarchic system.

Waltz argues that each state is a separate and autonomous ‘unit’ that must ultimately count on its own resources to realise and protect its interests. “Each unit’s incentive is to put itself in a position to take care of itself since no one else can be counted on to do so.”25 As a result of the anarchic nature of the system, Waltz asserts that the state of nature is the state of war,26 because all states at any time may use force on one another, and all states must be prepared to do so. Again, this distinguishes national from international affairs. It also reinforces Waltz’s claim that states primarily seek security over any inherent lust for power.

As Morgenthau abstracted ‘political man’ from the complex components of human nature, so Waltz’s principles “abstract from every attribute of states except their

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23 Waltz (1979), p.66
24 ibid. pp.88-99
25 ibid. p.107
26 ibid. p.102
Whilst this reveals Waltz’s attempt to impose rationality and objectivity on his theory, its major purpose is to depart from creating a ‘reductionist’ theory. Reductionism studies causes at the national level by assessing the internal mechanisms and features of a state. Waltz argues that such theories are flawed in that they allow variables to proliferate wildly. His theory, however, sees causes operating at an international level, and so avoids the ambiguities that reductionist theories create. Describing his theory of Structural Realism in a journal article eleven years later, he states, “The questions are then answered by reference to the placement of the [state] units in the system and not by reference to the internal qualities of the units. Systems theories explain why different units behave similarly and, despite their variations, produce outcomes that fall within expected ranges.”

The principle differences between states, Waltz asserts, “are of capability, not function. States perform tasks, most of which are common to all of them; the ends they aspire to are similar.” Thus states are differentiated in terms of their capabilities in relation to one another. Waltz combines this notion with his concept of political structure. This allows for a rational definition of a political structure by assessing the ‘distribution of capabilities’ amongst states. So a structure can be defined by the arrangements of states, and not by their internal characteristics.

If the international order is perpetually anarchic, and there is no significant differentiation of functions between states, it becomes possible to define international political structures from one another by the distribution of capabilities among them. The inequality of distribution among states shapes their behaviour: since states are uncertain about the future intentions of others, they will avoid situations in which the expected distribution of cooperation benefits others relatively more. Again, structural constraints explain why

27 Waltz (1979), p.99
29 ibid. p.76
30 ibid. p.72
31 ibid. p.74
states' international policies bare similarities, regardless of variations of national characteristics.

Waltz uses ‘Balance of Power’ theory to consolidate his claims because it conceives of states simply as power structures competing in an anachic environment. Whilst Morgenthau viewed power as an end in itself, Waltz regards power as, “a possibly useful means, with states running risks if they have either too little or too much of it.”

‘Balance of Power’ exists when the international system is in a state of anarchy, and is characterized by states primarily trying to survive within the system. Thus power becomes a means and not an end, utilised to ensure the major goals of security and survival. The first concern of a state, therefore, is not necessarily to maximise power, but usually to maintain its position within the system.

‘Balance of Power’ theory allows us to make assumptions about international political behaviour. For example, adherents to Waltz’s theory of Realism would not expect a strong state to combine forces with another strong state – they would expect each state to ‘balance’ out each other’s power. Unlike a national, hierarchical system of politics in which we may see strong powers ‘bandwagon’, in an anachic system, bandwagoning could result in becoming prey to that power later. Conversely, when imbalances of power do occur, they can incite the ambitions of some states to extend their control. Thus the central conclusion of ‘Balance of Power’ theory is that under an anachic system, two powerful states will necessarily balance against each other’s power – and consequently rivals.

Waltz’s ‘Neorealist’ theory is an important contribution to the Realist tradition, but is useful only in describing the international system and is not useful at predicting change in the global order. In its attempt to avoid reductionism it fails to take into account the internal attributes of the state; further, it overlooks other important features of the

32 Waltz (1979), p.114-128
33 ibid. p.39
34 ibid. P.126
international structure, such as economic issues and trans-national actors. Its primary downfall lies in its overly simplistic approach.

3.4 Robert Gilpin

Robert Gilpin responded to Waltz principles of ‘Structural Realism’ in 1981, when he published his work in “War and Change in World Politics.” Waltz defines a very narrow identity of international relations as international politics based mainly on balance of power theory, but Gilpin includes a variety of new factors in an amended Realist scheme. In some ways Gilpin is more traditional because his approach is not purely systemic like Waltz’s. He departs from Structural Realism in three major ways: Firstly, Gilpin does not set international politics apart, but redefines politics as ‘political economy’. Secondly, he does not derive conflict only from the systemic level. Thirdly, he moves away from balance of power theory. However, the third striking difference between the Realist models of Waltz and Gilpin is the motivation of action: Waltz assumes survival as an aim and the maximization of security as a means; Gilpin, on the other hand, asserts that the maximization of wealth is of equal importance.

Gilpin’s theory of Realism falls under five points that reflect the cyclical nature of his model. It will be useful to pay particular attention to the first two principles, as these are the most relevant in assessing our question:

1. Stability and Change - “An international system is stable (i.e. in a state of equilibrium) if no state believes it profitable to attempt to change the system. A state will attempt to change the system if the expected benefits exceed the expected costs.”

Gilpin argues that the concept of ‘stability’ is transient, and that over time the interests of individual actors and the balance of power among them change due to developments in technology, economics and so on. As a result, those actors who stand to gain most from a

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35 Guzzini (1999), p.7
36 Gilpin (1981), p.50
change in the system, and who have gained the power to effect such a change, will seek to alter the system.\textsuperscript{37} Thus states make calculations on the expected costs and benefits of such a change when formulating their foreign policy, as every state desires to increase its control over those aspects in the international system that secure its interests.\textsuperscript{38} Yet, unless a state believes that it can profit from changing the system, the system will remain stable.

Whilst Gilpin assumes the continuity of politics, like Morgenthau and Waltz, he also believes that global issues have changed due to innovations and other factors. The main changes that he refers to are in transportation, communication, technology (especially within the military), and economic factors. He concedes that this has led to a highly interdependent world economy.\textsuperscript{39} This, in turn, has led to the amalgamation of the desire for economic gain and the struggle for power. Further, "Whereas other ages were dominated by religious and political passions, today economic interests and calculations have an enhanced role in the determination of foreign policy."\textsuperscript{40} To consolidate his principle of the elevation of economics to 'high politics', Gilpin points to the Mercantilist doctrine, with its emphasis on trade finance and power as sources of state power.\textsuperscript{41} He refutes Waltz's claim that conflicts occur due to suspicion and miscalculations, believing that the opposite is true: states usually seek to change the status quo because they have calculated that they are most likely to gain from it.\textsuperscript{42}

Gilpin also refutes Waltz's premise that international political behaviour can be determined solely from the structure of the system, claiming, "Both the structure of the international system and the domestic conditions of societies are primary determinants of

\textsuperscript{37} Gilpin (1981), p.9
\textsuperscript{38} ibid. p.50
\textsuperscript{39} ibid. p. 59
\textsuperscript{40} ibid. p. 68
\textsuperscript{41} ibid. p.69. Gilpin explores Mercantilism at greater length in his article "Three models for the future", Gilpin (1987). He argues, "the emergent world order will be characterized by intense international economic competition for markets, investment outlets and sources of raw materials" (p.293). Consequently, governments will necessarily manipulate economic systems in order to maximize their own interests, whether or not this is at the expense of other states. Mercantilist theory is at the heart of Gilpin's Realist paradigm.
\textsuperscript{42} Gilpin (1981), p.92
foreign policy. Thus, his principle of change demands that we must assess domestic sources of change, as the character of a society will affect its nation’s response to possible opportunities in changing the global order. Whilst it is impossible to formulate a conclusive theory linking domestic factors to foreign policy decisions due to its infinite variables (as Waltz asserted), the most important indicator is the relationship between private gain and public gain – how does the growth in power of a state benefit individuals and groups within the state? Are members of a society given the incentive to push the government towards expansion and change? In order to answer these questions, Gilpin declares that we must “look at the environment, international and domestic factors that influence a state either to support the status quo, or to attempt to change the international system.” Thus, a state will seek to support or change the existing international system by calculating the cost/benefits of such policies; the environment, and international and domestic issues will influence these calculations.

2. Growth and Expansion – “A state will seek to change the international system through territorial, political, and economic expansion until the marginal costs of further change are equal to or greater than the marginal benefits.”

The growth and expansion of a state necessarily translates into an increase in the power of the state. Gilpin argues that as a state grows more powerful, it will seek to extend its territorial control, its influence in the international political arena, and its influence in the international economy. A growing state will continue to pursue policies of expansion and international change until that state calculates that the cost of further expansion is equal to or exceeds the benefits of such policies.

In the pre-modern world, Gilpin argues that growth and expansion was synonymous with territorial expansion. This was because agriculture was the predominant basis for wealth;

43 Gilpin (1981), p. 87
44 ibid., p.96
45 ibid. p. 97
46 ibid., p.705
47 ibid. p.106
48 ibid. p.106
the acquisition of territory was crucial in a state’s quest to accumulate power and wealth.\(^49\) This is no longer the case, in a modern world where innovations such as technology can amass vast amounts of wealth and power against other states. Hence, he argues that we must not assume that modern states will seek to expand in purely territorial terms, but that political and economic factors must also be taken into consideration.

Another distinction that Gilpin makes between the pre-modern and contemporary world is the relationship between power and money: in pre-modern times they did not necessarily coincide, but are now inextricably linked.\(^50\) He argues that, “A fundamental and novel feature of the modern state is its role in the economy.”\(^51\) Consequently, political power is always equated with economic issues. This has resulted in the greatly enhanced role of economic growth in the international distribution of power and wealth. The emergence of the world market economy has motivated states to participate in the world economy in the attempt to accumulate wealth and increase their power – “money itself has become a form of power.”\(^52\)

Gilpin argues that the relationship between the accumulation of wealth and power can be attested by the fact that superior economic competitiveness is often accompanied by superior military power.\(^53\) This has resulted in a dramatic change in the nature of states’ foreign policy. Most states appear to be concentrating their affairs on domestic consolidation and economic expansion in the world markets, which now have at least an equal footing with policies of territorial expansion.\(^54\)

In sum, when a state pursues a policy to change the international system, expansion is multi-dimensional. Unlike the traditional policies of territorial expansion, modern states seek also to expand by extending their political influence over other states, and especially

\(^{49}\) Gilpin (1981), p. 112  
\(^{50}\) ibid. p. 124  
\(^{51}\) ibid. p. 122  
\(^{52}\) ibid. p. 130  
\(^{53}\) ibid. p. 139  
\(^{54}\) ibid. p. 146
by accumulating wealth and pursuing control or domination of the international economy. A state will continue to expand in these ways until the cost of expansion outweighs the returns.

3. Equilibrium and Decline – “Once an equilibrium between the costs and benefits of further change and expansion is reached, the tendency for the economic costs and benefits of further change and expansion is reached, the tendency is for the economic costs of maintaining the status quo to rise faster than the economic capacity to support the status quo.”

As the power of a state increases it continually seeks to grow and expand. In order to achieve this, a state has to incur certain costs. A state will only continue to expand whilst the benefits of expansion outweigh the costs. As a state maintains an expansive trajectory, the cost of this process will necessarily rise and the returns will diminish. A state of equilibrium will eventually occur when the costs and the returns equal one another. Gilpin argues that this is only a temporary phenomenon and will subsequently be proceeded by decline. This will occur when the rising costs of expansion are met by greatly diminished returns and contraction. Consequently, a state will no longer find it profitable to maintain the stability of the system that they have created and dominated through growth and expansion. This, in turn, will create disequilibrium, providing a political environment that may allow other states to attempt to change the system.

4. Hegemonic War and International Change – “If the disequilibrium in the international system is not resolved, then the system will be changed, and a new equilibrium reflecting the redistribution of power will be established.”

As Gilpin has asserted, equilibrium is a transitory state that eventually becomes disrupted by the rising costs of a state’s expansionist policies and its diminishing returns. When the global order consequently falls into a state of disequilibrium, the status quo of the system

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55 Gilpin (1981), p 156
56 Ibid. p 186
becomes threatened. As the hegemonic power declines, it will necessarily decline in both wealth and power (which in turn can be translated as the diminished power of the military). Disequilibrium and the decline of a hegemonic state will subsequently provide the environment and opportunity for another state to make gains. A contending state will calculate if the benefits of attempting to change the system to its own advantage will outweigh the costs. This in turn will lead to the growth and expansion of the contending state and will predictably result in a change in the international system.

5. Change and Continuity - “Although the purpose of this study has been to understand international political change, it also has assumed that an underlying continuity characterizes world politics.... One must expect that if somehow Thucydides were placed in our midst, he would... have little trouble in understanding the power struggle of our age.”

Whilst Gilpin stresses throughout his work the changes that have occurred in contemporary international relations, he also asserts that the processes remain the same. His model is heavily based on Mercantilist theories and the elevation of economic factors to ‘high politics’ alongside military issues in the traditional Realist framework. Yet whilst the determining features of the international system have shifted, the basic principles of international political behaviour have not. Table 1. below presents a clear diagram depicting the cyclic rise and fall of powers within the political system. Gilpin maintains his stance as a staunch Realist, arguing that, “World politics is still characterized by the struggle of political entities for power, prestige, and wealth in a condition of global anarchy... The fundamental problem of international relations in the contemporary world is the problem of peaceful adjustment to the consequences of the uneven growth of power among states, just as it was in the past.”

57 Gilpin (1981), p.211
58 Ibid. p.230
Gilpin provides the optimum theory with which to assess the foreign policy of China. Whilst it maintains the central Realist tenets that states are the principle actors competing in an anarchic sphere, pursuing their interests and ensuring their own security, Gilpin acknowledges the high position of economics on the political agenda. Further, it allows us to look at the internal factors of a country to determine what those national interests might be.

Gilpin’s theory of Realism successfully amends the shortcomings of Waltz’s Structuralist paradigm and avoids the vagaries of Morgenthau’s principles. Gilpin recognizes the changes that have occurred in state interests and policy goals, parallel to the evolution of the market economy; in response, he maintains the central Realist tenets, but incorporates economic factors into his model. He believes that in assessing power, politics cannot be viewed as distinct from economics. Gilpin also moves away from Waltz’s central assertion of an anarchic system. He claims instead that the international system is one of hegemonic governance, which defines the characteristics of its particular order. Hence,

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60 Guzzini (date), p.19
it becomes necessary to assess the domestic attributes of states. Gilpin clearly moves away from Waltz’s principles, whilst providing a model that adheres closer to traditional Realism. It provides a more useful set of principles in assessing and predicting foreign policy in a progressive and changing global system, and represents a more comprehensive theoretical approach. And so Gilpin’s model of Realism will be utilized when assessing China’s foreign policy in the second part of this thesis.
4. COMPLEX INTERDENDENCE THEORY

4.1 Historical Background

The theory of Complex Interdependence is based on a long tradition of Liberal thought, which can be defined as the belief in the potential for humankind to progress in working cooperatively with one another to achieve world peace. It believes in the importance of global and interdependent trans-state identity through which there can be a national pursuit of common interests, such as collective security. It argues that conflicts arise, not from the shortcomings of human nature, but from misunderstandings that cultivate suspicion and fear. It points towards the progression of globalisation and the increase in cosmopolitanism as determining the future role of inter-state relations.

Hugo Grotius (1583-1648) first introduced the concept of a community of nations based on sovereignty. He established the belief that there was an international law of both war and peace, which constituted a form of presiding global governance. 61

Emmanuel Kant contributed the notion of the perfectibility of society. He argued that war was not the product of man being inherently evil or having lust for power, but was a result of miscommunication and imperfect institutions in society. Rousseau extended this theory, asserting that discussion can lead to less aggression – that people are rational beings. 62

Idealist thought grew in popularity after World War One, and became a common political approach to international relations. This resulted in the formation of the League of Nations, resting on Woodrow Wilson’s ‘Fourteen Points’. He believed that by creating mutual dependence between states to form collective security, conflict could be avoided. Sadly, such liberalist notions were literally blown apart with the advent of the Second World War. 63 Realist theory became the dominant paradigm, until it was met with the

61 Williams (1994), p.10
62 ibid.
63 ibid. p.14
substantial challenge of Complex Interdependence theory, developed by Robert Keohane and Joseph Nye.

4.2 Robert Keohane and Joseph Nye

Keohane and Nye harshly criticize Realist thought in their book ‘Power and Interdependence’ (1981). They assert that the Realist model is no longer capable of making the correct assessment of contemporary international behaviour, arguing that our era is marked by both continuity and change. In response to these perceived global political changes, they have developed a new theory, evolved out of Liberalist thought, which they call Complex Interdependence theory. They believe that: “Each of the Realist assumptions can be challenged. If we challenge them all simultaneously, we can imagine a world in which actors other than states participate directly in world politics, in which a clear hierarchy of issues does not exist, and in which force is an ineffective instrument of policy.” Thus they present principles that offer an alternative interpretation of international relations, in direct opposition to Realist assumptions.

Henry Kissinger proclaimed in a political speech, “the traditional agenda of international affairs – the balance among powers, the security of nations – no longer defines our perils or our possibilities….Now we are entering a new era. Old international patterns are crumbling, old slogans are uninstructive, old solutions are unavailing. The world has become interdependent in economics, in communications, in human aspirations.”

Keohane and Nye attempt to consolidate these claims in their theoretical framework, arguing that balance of power theory and theory of national security are inept at analysing the elevated issues of economic and ecological factors.

‘Interdependence’ most simply defined means ‘mutual dependence’. Interdependence between states, or individuals within states, is characterized by the reciprocal flows of money, goods, people, and communications across international boundaries. These flows

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64 Art and Jervis (1992), p.171
65 ibid. p.175
66 Keohane and Nye (1981), p.3
67 Williams (1994), p.5
and transactions must be costly if they are to be described as interdependent, otherwise there is simply interconnectedness. 68 Whilst these flows are reciprocal, they are not necessarily symmetrical; in fact they are most likely to be asymmetrical: “It is the asymmetries in dependence that are most likely to provide sources of influence for actors in their dealing with one another. Less dependent actors can often use the interdependent relationship as a source of power when arguing over an issue.” 69 Thus Keohane and Nye assume that interdependent relations between states usually determine their political behaviour towards one another. Asymmetric interdependent relations between states can reflect the power of one state over another.

Keohane and Nye identify three characteristics of Complex Interdependence:

1. Multiple Channels – “[These] connect societies, including: formal ties between government elites as well as formal foreign office arrangements; informal ties among nongovernmental elites and trans-national organizations; interstate relations are the normal channels assumed by Realists. Trans-governmental applies when we relax the Realist assumption that states act as coherent units.” 70

They believe that multiple channels between states have evolved and increased rapidly during our era due to innovations in communication, transport, and technology. Modern international politics has become more complex than the traditional interaction between governments. Bureaucrats from different countries often deal directly with one another, separate from core governmental contact. Non-governmental elites also meet regularly, often at international conferences to discuss international political and economic issues. Further, close links have evolved between governments and businesses. This is particularly the case in government dealings with multi-national corporations, which can influence the policies of both national and host governments. As ties between states multiply and deepen, sensitivity to each other’s policies increases; sensitivity can occur from both international and domestic policy setting. Indeed, they argue that foreign and

68 Keohane and Nye (1981), p.9
69 Keohane and Nye (1981), pp.10-11
70 ibid. pp.25-25
domestic policies become further linked due to the characteristic of multiple channels, and that this increases the number of issues that can affect foreign policy. 71

2. Absence of hierarchy among issues - “The agenda of interstate relationships consist of multiple issues that are not arranged in a consistent hierarchy….military security does not consistently dominate the agenda [as it does in Realist thought]. Many issues arise from what used to be considered domestic policy and the distinction between domestic and foreign issues becomes blurred.” 72

They assert that state relations characterized by multiple channels inevitably face a growing number of issues. Realist thought, according to Keohane and Nye, is unable to account for this growing number of issues, particularly problems relating to environment, resources, technology, population and communication and so on. Under conditions of Complex Interdependence, proliferated issues may assume any position in an international political agenda. Realists assume that security and military affairs will always supersede other issues in terms of importance. Whilst Gilpin amended this Realist assumption to include economic issues, Keohane and Nye also include issues relating to environment, ecology and domestic issues. They argue that these multiple issues do not have a set hierarchical place on the political agenda. They also depart from Realism by suggesting that domestic issues can influence foreign policies, and that in many areas overlap. They do not differentiate between the ‘high politics’ of military affairs and the ‘low politics’ of social issues. It would follow then that an international system that had an absence of hierarchy among issues would be less likely to see conflicts arising from the persistent domination of national security and military issues.

3. Minor role of military force - “Military force is not used by governments towards other governments in the region, or on the issues, when Complex Interdependence prevails. It may, however, be important in these governments’ relations with governments outside that region, or on other issues.”

72 ibid.
Keohane and Nye's assumption of an absence of hierarchy among issues dictates a reduction in the role of the military. Realists point to the security dilemma suffered by states operating in an anarchic system, maintaining that military force is the dominant source of power. Keohane and Nye argue that countries displaying characteristics of Complex Interdependence do not suffer the same security anxiety. They believe that the fear of attack has declined in contemporary international relations, and that the fear of an industrialized country being attacked by another industrialized country is virtually non-existent, for example western European countries. 

Whilst such interdependent relationships between these countries can influence the foreign and domestic policies of one another, force is not expected to be used coercively in decision making.

Further, the effects of using military force have become increasingly costly in terms of life, financial expenditure, and its impingement on domestic affairs. The cost of military use between two countries who share interdependent relations stand to incur far greater costs; profitable transactions and money flows are likely to be disrupted or terminated and this could have a devastating effect on a country's economy. Thus, Keohane and Nye argue, military force assumes a minor role, and may only occur between countries that are not regional and do not share a relationship of Complex Interdependence.

Keohane and Nye state that these three characteristics of Complex Interdependence will result in different international political behaviour, and alter the traditional political processes between countries. The first area that is altered is the nature of 'linkage strategies'. They argue that militarily and economically strong countries will attempt to dominate a range of governmental and non-elitist organizations by linking their own policies on some issues to the other states' policies on other issues. However, because goals can vary by issue area under Complex Interdependence, military strength does not necessarily result in dominance over issues, as there is an absence in the hierarchy of issues. Thus as the utility of force declines, and as issues become more equal in importance, the distribution of power within each issue will become more equal in

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73 Keohane and Nye (1981), p.27
74 ibid. p.30
importance. If linkages become less effective on the whole, outcomes of political bargaining will increasingly vary by issue area.".75 Linkages made by powerful states will be harder to make as the effective use of force diminishes.

Conditions of Complex Interdependence will also affect the political process of 'agenda setting', according to Keohane and Nye.76 Because of the absence of hierarchy among issues, the process of agenda setting will become increasingly important. Further, the amount of issues that may be on the international political agenda will proliferate and the agenda will take on a more complex nature with subtle nuances. They believe that under Complex Interdependence the agenda will be affected by the international and domestic problems created by subsequent economic growth, and from the growing sensitivity created by interdependent relationships.77 Thus agenda setting will be affected by changes in the emphasis of specific issue areas, the status of international regimes, rising sensitivity, and changes in the importance of trans-national actors.78

The third political process that Keohane and Nye claim is affected by Complex Interdependence is the nature of trans-national and trans-governmental relations. They argue that, "the nearer a situation is to Complex Interdependence, the more we expect the outcomes of political bargaining to be affected by trans-national relations."79 They state that this has arisen from the development of 'multiple channels' between countries. Trans-governmental relations no longer determine policies or affect international affairs alone. Trans-national actors have assumed an increasingly important role in international relations. Multi-national corporations, for example, can act independently, or manipulate government strategies to their own advantage. Further, multiple channels have allowed trans-governmental actors to create coalitions in order to influence policy making on certain issues, undermining the Realist principle that states act as independent actors.80

75 Keohane and Nye (1981), p.31
76 ibid. p.32
77 ibid. pp.32-33
78 ibid. p.37
79 ibid. p.36
80 ibid.
The final political process affected by Complex Interdependence, in Keohane and Nye’s model, is the ‘role of international organizations’. They believe that, “in a world of multiple issues imperfectly linked, in which coalitions are formed trans-nationally and trans-governmentally, the potential role of international institutions in political bargaining is greatly increased.”\textsuperscript{81} The rise of organizations such as the United Nations, ASEAN, and other trans-national organizations has been a distinctive feature of the twentieth and twenty-first centuries. They help to change the traditional process of agenda setting by limiting the power of militarily strong states, and providing a platform for weaker countries. They also help to activate potential coalitions in world politics by bringing officials together.\textsuperscript{82} Thus, they have become a growing influence on international political behaviour in agenda setting, coalition-formation, and by acting as platforms for political activities by weak states.

Thus the characteristics of Complex Interdependence directly oppose and challenge the core principles of Realism, as demonstrated in Table 2 below. The state can no longer be seen as the sole actor in international politics; political, military and even economic issues do not necessarily dominate the international agenda; the regional threat of military insecurity has purportedly been greatly diminished; the new world is characterized by multiple complex ties that connect countries along a variety of channels. The world has changed, it claims, and with it arises the need for a new theoretical approach in assessing international political behaviour.

\textsuperscript{81} Keohane and Nye (1981), p.35
\textsuperscript{82} ibid. p.39
### Table 2: Political processes under conditions of Realism and Complex Interdependence.83

<table>
<thead>
<tr>
<th></th>
<th>Realism</th>
<th>Complex Interdependence</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Goal of Actors</strong></td>
<td>Military security will be the dominant goal.</td>
<td>Goals of states will vary by issue area. Transgovernmental politics will make goals difficult to define. Transnational actors will pursue their own goals.</td>
</tr>
<tr>
<td><strong>Instruments of State Policy</strong></td>
<td>Military force will be most effective, although economic and other instruments will also be used.</td>
<td>Power resources specific to issue areas will be most relevant. Manipulation of interdependence, international organizations, and transnational actors will be major instruments.</td>
</tr>
<tr>
<td><strong>Agenda Formation</strong></td>
<td>Potential shifts in the Balance of Power and security threats will set the agenda high politics and will strongly influence other agendas.</td>
<td>Agenda will be affected by changes in the distribution of power resources within issue areas; the status of international regimes; changes in the importance of international actors; linkages from other issues as a result of rising sensitivity interdependence.</td>
</tr>
<tr>
<td><strong>Linkages of Issues</strong></td>
<td>Linkages will reduce differences in outcomes among issue areas and reinforce international hierarchy.</td>
<td>Linkages by strong states will be harder to make since force will be ineffective. Linkages by weak states through international organizations will erode hierarchy.</td>
</tr>
<tr>
<td><strong>Roles of International Organizations</strong></td>
<td>Roles are minor, limited by state power and the importance of military force.</td>
<td>Organizations will set agendas, induce coalition-formation and act as arenas for political actors by weak states.</td>
</tr>
</tbody>
</table>

5. CHINA IN THE WORLD ECONOMY

Both Gilpin and Keohane and Nye claim that the economy is a major indicator in assessing international political behaviour. An analysis of the nature of the Chinese economic system, and the role it plays in the world economy is thus essential to our understanding of China's foreign policy. This chapter will commence by reviewing the nature and growth of the Chinese economy under the Chinese Communist Party (CCP) system and the changes that have occurred from Mao Zedong in the 1960s to the present day. We will then look at the major components of the economy, such as the role of foreign direct investment, state-owned enterprises, China's special economic zones, and the nature of Chinese business practices. The next part will assess China's economic relations with its neighbours and with the United States. Finally, we will consider China's affiliation with international and regional economic organizations.

5.1 The recent history of the Chinese economy:

Emerging from the Second World War, China was an extremely underdeveloped nation, isolated from the rest of the world as the leading powers entered the Cold War era. The Soviet Union initially forged a tenuous alliance with China, but this quickly ruptured whilst Mao embarked on his 'Cultural Revolution', and China suffered further exclusion from the global economic sphere. However, after the death of Mao Zedong in 1976 and the succession of Deng Xiaoping in 1978, China experienced significant economic developments. Prior to 1978, China's trade was under strict political control, operating under a central planning regime.

The significant economic changes were made possible by Deng's policy of 'opening up' China to the world and by the creation of a socialist market economy. In a remarkable
move against Marxist ideology, the slogan of “to get rich is glorious” was banded around the country. Deng introduced four market tools:

1. Free Prices
2. The profit motive
3. Increased competition
4. Openness to the outside world

The specific aim of these policies was to obtain large foreign exchange earnings, which would allow China to both modernize and become more economically and politically independent. Furthermore, it would allow for the transfer of information and technology from the West, and would help drag China out of its underdeveloped status.

5.2 The nature of the Chinese economy

Deng's economic reforms have led some to believe that China is moving towards a more liberalized and democratic system. Indeed many say that China is currently flourishing under the most democratic system they have experienced in the past five thousand years. How could communism and economic growth through essentially capitalist means be reconciled? In answer to this tricky ideological question Deng created a 'socialist market economy' that is distinctly Chinese in its features, particularly in the central role the government (now to a lesser extent) plays. The CCP have sought to avoid dependence on any one power by encouraging broad competition. And yet China now depends on its neighbours for investment, and on the US primarily to absorb its exports.

And yet the question Deng and his officials might reply with is, "how can their leadership survive without economic liberalization?" Their continued existence and stability rests on the opinion of the masses, and their quality of life. In a speech to the U.S. Congress in 1995, Sutter stated that, "To buttress their survival politically, post-Mao leaders emphasise their concern with maintaining a 'peaceful international environment which assures continued trade, investment, and assistance flows so important to Chinese

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84 Burstein and De Keijzer (1998), p.17
economic well-being." It seems no coincidence then that in 1980, Deng drew up a three-point strategy:

1. To double the size of GNP of 1980 (this was achieved by 1987) in order to solve the clothes and food shortage.
2. To further double the GNP so that people can be ‘fairly well off by the end of the twentieth century.’
3. Over the next thirty to fifty years (i.e. by 2030), to establish a modern society where per capita GNP is the same as the middle class of developed countries.

It appears that Deng’s decision to open up China’s economy and to reap the benefits of integrating into the world trading system was initially aimed at consolidating his Party’s power base.

5.3 Present growth rates
The rate of China’s growth has been well documented as the fastest economic development in history. According to World Bank reports, China may well become the largest economy in the world by 2020, whilst Goldman Sachs makes a more conservative estimate of 2040. China has obtained its rapid growth from two engines: the development of foreign trade and the attraction of foreign direct investment (FDI). Over the past 25 years, its real gross domestic product has expended at an average of 9% a year. Growth in foreign trade has averaged 15% annually since 1978; China’s trade deficit with America is now twice the size of Japan’s. And every week, more than $1 billion of foreign direct investment flows into the country. All this testifies to the global integration of China’s economy, now the sixth largest in the world, with a GDP of $1.4 trillion. One of China’s greatest commercial achievements has been the development of a flourishing private sector; in 1978 it had barely 130,000 individual businesses, but this

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88 The Economist, “A survey of business in China”, (20.03.2004), p.4
89 There is a host of literature that lists China’s growth rates, often with varying statistics. The ones presented here are taken from The Economist’s “A survey of business in China” (20.04.04), which appears to represent the most recent and hopefully accurate data.
has now exploded into several million, representing a large part of the economy. In turn, this rapid growth has ensured the country's political stability.

At the present moment, China still remains the preferred destination for the relocation of global manufacturing due to its relatively well-educated and cheap labour, earning it the label of ‘workshop of the world’. It still remains a strong exporter of goods, which helps to fuel its rapid growth. The overall output of growth during 2003 was 9.1% despite SARS and the Iraq war, and this grew to 9.7% during the first quarter of 2004. Further, employment rose by 8.6 million jobs. Min Zhao in his OECD report states, “The three underlying tendencies in the Chinese economy – modernization, urbanization and globalisation – provide the context for the stronger policy emphasis on ‘growth with equity’ that became evident over the last year [2003].” This recent economic data suggests that China is still experiencing rapid growth through its integration with the world economy, whilst attempting to keep the economy from racing off the tracks by balancing growth with equity.

Whilst these unprecedented growth rates are often bandied about with great optimism, the darker aspects of the Chinese economy must not be gilded over. The inherent stability of China rests on the continuation of high growth rates. It needs to create 12-15 million new jobs every year just to keep up with its population explosion. It still experiences high levels of poverty, although it has succeeded in reducing poverty rates from 360 million in 1990, to 151.9 million in 2003. Yet it is experiencing a huge disparity in wealth between urban and rural areas, with income inequality reaching 0.47 on the Gini scale. Over 800 million people living in the rural areas of China have been left out of the commercial explosion without benefiting from their countries growth; nearly a third of them are under or unemployed. Millions of these rural people are illegally migrating to urban centres.

These figures are taken from the latest OECD report compiled by Min Zhao.
The Economist (20.03.2004), p.3
Min Zhao, OECD Report (2004), p.3
Ibid, p.2
The Economist (20.03.2004), p.4
where they have no job security and receive no government welfare. It seems no surprise then that the government is still so concerned with growth rates and employment statistics.

5.4 The role of foreign direct investment (FDI)

Growth statistics only go part of the way to describing the nature of an economic system: looking at its major internal components, and the aspects that drive it, will help create a more complete picture. One of the major engines of the Chinese economy is foreign direct investment (FDI). For the last two decades China has gradually liberalized its FDI policy, reducing restrictions and barriers, and improving the investment environment. In its endeavour to attract foreign investment, China has created Special Economic Zones (SEZ), into which the government has poured investment, developing an efficient infrastructure for foreign companies to operate within. FDI has been playing an increasingly important role in China’s economy in terms of capital formation, employment creation, labour training, technological transfer, productivity growth, competition, and integration into the world economy.

China depends critically on foreign trade and investment for its economic development. In 1978, FDI levels were almost zero, but by 2000 had reached $360 billion. This has made China the largest FDI recipient in the developing world, and second only to the US globally. Its ability to attract foreign investment lies in its relatively well-educated and low-cost labour force, coupled with the magnetic draw of its potentially huge and fast growing markets. The Economist stated, “It seems every multinational in the world is either in China already or declaring that ‘it can not afford not to be.’” The statement of Jack Welch, CEO of General Electric (GE), indicating that China would become the centre of the twenty-first century growth strategy for GE, further supports this. With a population of 1.3 billion, China represents the largest consumer market in the world. At present, the prevailing poverty and low average income means that only a small

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96 ibid.
98 OECD report (2002)
99 The Economist (20.03.04), p.9
100 Burstein and De Keijzer (1998), p.15
percentage of the country – the dramatically rising middle class – have spare income to spend on consumer goods. Yet international investors hope that the continued growth rates will produce the consumer market they are hoping for.

Thus China’s economy is both supported by and driven on the back of FDI. Attracting foreign investment has therefore become paramount to economic stability and survival. In response China has had to improve the investment climate through the liberalization of its traditionally protectionist policies and the creation of special economic zones, and the suppression of its inherent xenophobia. Its reliance on FDI has shaped the formation of economic policy; in order to increase the living standards of Chinese citizens and consolidate its power base, the government has had to relinquish some of its control in order to integrate into the world economy. The continued attraction of FDI lies at the very heart of the Chinese economic agenda; this allows it to maintain its present growth trajectory and increase its economic power.

5.6 State owned enterprises (SOEs)

An inherent feature of China’s socialist market economy is its state-owned enterprises (SOEs). These have generally been labelled as fundamentally inefficient, impeding on the progress of the Chinese economic machine. It was only in March 1998 that reform of the ailing state sector was elevated on the economic agenda. The policy of ‘zhuada fangxiao’ - “grasp the big, and let go the small”, was implemented. Through this policy, the more ineffective of the SOE were sold off or liquidated, whilst the more successful have been subsidised and nurtured. 101 The number of SOEs dropped from 262,000 in 1997 to 174,000 in 2001 through this policy of restructuring, merging and closures. By 2003, the top 500 reported revenues of $492 billion, with profits up 33% from the year before. 102 Accordingly, whilst their numbers have been dramatically reduced, their rise in efficiency has been equally dramatic.

101 The Economist (20.03.04), p.13
102 ibid.
The relationship between SOEs and central government is of particular interest. Their original inception was born out of communist ideology, and their consequent reform has in some ways challenged this. About 120 million Chinese still rely on SOEs for their job security and welfare — for many, their continued existence is equated with the rights of the people. But ensuing closures and mergers have left many unemployed; another motivating factor in the government agenda of fast job creation. According to an IMF working paper by Ray Brooks and Ran Tao published last November, whilst SOEs have been shedding workers, China’s new private companies have created 17.5 million jobs in the last six years. It appears that SOEs are more concerned with maintaining employment than generating profits, yet China’s new private businesses are showing huge growth rates. Thus as a result of China’s bid to ‘get rich quick’, it has become imperative to phase out the more inefficient SOEs, absorbing that work force into the new private businesses.

Consequently, it appears to some extent that China is following a policy to phase out the existence of its SOEs — the cornerstone of its communist market system — in favour of competitive and efficient private firms. But such an assumption could be misleading. It should not be overlooked that the government has had to turn on the taps of the state banks to help fund ‘loans’ to many SOEs; few of these are ever likely to be repaid. In effect, the government is helping to subsidize them, and at the expense of the state banks’ financial health. The Economist claims that the SOEs reform is not about profits or privatisation; that the aim of the government is not to reduce the state’s control over key sectors of the economy, but to make that control more effective. Nor is the purpose of the SOEs to maximize wealth; they merely need to be efficient and big enough to have a strong international presence. “China’s desire to become a super-power partly depends on its industrial policy. Having watched the break-neck expansion of foreign multinationals over the past decade, it wants to create its own global stars.”

103 The Economist (20.03.04), p.16
104 Sourced from The Economist (20.03.04), p.16
105 Lu Huang (2004), p.9
106 The Economist (20.03.04)
5.7 The nature of Chinese business practices
The way in which business is conducted in China is also useful in creating a complete profile of China in the world economy. Although partly integrated into the global economic system, Chinese business conduct can vary enormously from that of the Western powers. Competition with local companies is often fierce, as foreign firms compete with subsidized companies who hold unfair advantages. The fact that China's developing capitalism is not solidly based on law, respect for property rights or free markets, and further undermines foreign competition. Under the present bureaucratic system of government, China is subject to the 'rule of man' rather than the 'rule of law', with rights usually deriving from political power - often the power of an individual. Consequently, the concept of 'guanxi' or 'connections' is all-important in conducting business. Furthermore, the Chinese businessman greatly values the concept of 'face', formulating their business strategy either to gain it or to preserve it. Indeed, to deceive or attempt to wrong-foot a business opponent during negotiations is an accepted form of business behaviour.  

In sum, Chinese business practices are highly nepotistic and deeply subversive, based on business laws awash with vagaries.

5.8 Overseas Chinese and regional economic relations
China's economic policy has been geared towards consolidating trading relations with neighbouring countries, whose investment and import quotas are essential to the continuance of its growth. It has particularly looked towards countries where overseas Chinese have an overwhelming influence on their countries' economies; Hong Kong and Taiwan are of particular importance. Cheong Inkyo states, 'The possibility of forming a North Asian bloc is now greater than before, with increasing discussions on economic integration in the region.' During the brief economic shutdown between China and the West after the human rights abuses in Tiananmen Square in 1989, China was subject to economic sanctions. In response Beijing turned to rich, overseas Chinese from Hong Kong, Taiwan, and other Asian countries for support, providing them with a lucrative

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107 The Economist (20.03.04), p.4
108 ibid. p.11
109 ibid. p.12
110 Cheong Inkyo (2002), P.88
The importance of regional economic integration moved to the top of China’s economic agenda. The tacit coalition of these economies has been termed the Greater Chinese Economic Area (GCEA), although the government has refrained from talking about it publicly. Kim Kwang-Yong states, “The GCEA can be divided into two specific areas. One, on a regional level, is to strengthen the economic ties between China, Hong Kong, Macao, and Taiwan, and on the other, on the global level, is to combine all Chinese economic powers.”112 The interesting aspect of these economic relations lies in the political realm. Relations between Taiwan have remained hostile for the last fifty years, strained by the issue of Taiwan’s push for independence from the motherland. As will be discussed at length later, these cold political relations have come close to hot military action on more than one occasion. To a far lesser extent, the same can be said of relations between China and Hong Kong, with the latter fighting for greater democratic freedom. And yet these governments work on the principle that political matters should be separated from economic matters. They have made a mutual effort to exclude political influence on economic activities in order to encourage mutual economic cooperation.113 China does not allow political relations to impede on its economic partnerships within the regional bloc; its regional economic ties and consequently its integration are paramount to its economic stability, and hence its political survival.

5.9 China-U.S. economic relations

China’s economic relations with the U.S. are crucial in making an assessment of its economic policy. When Deng imposed his economic reforms and opened China to the world, the Americans were first in. They poured huge amounts of investment into the fledgling market place in the hope for high returns. During this period, China and the US enjoyed warm relations, heaved by the fact that they shared the Soviet Union as a hated foe. But with the advent of 1989, two events chilled relations dramatically. The first was the fall of the Berlin Wall, which heralded the end of the Cold War between the US and

111 Burstein and De Keijzer (1998), p. 48
112 Kwang-Yong (2001), p. 95
113 ibid. p.102
the Soviet Union. This removed the single most important impetus for cooperation and US interest in Chinese economic affairs.\footnote{Kwang-Yong (2001), p.104} The second event was the brutal Chinese persecution of pro-democratic student protests in Tianamen Square, which was met with utter horror by the US; the CCP’s sheer disregard for human rights led to immediate economic sanctions being imposed on China.\footnote{Burstein and De Keijzer (1998) p. 48} The economic standoff between the two nations lasted until 1992, during which China experienced a noticeable slump in growth rates,\footnote{Cheong-Inkyo (2002), p.73} a clear indication that its economy had become dependent on its economic ties with the U.S. in order to maintain growth rates.

The early nineties were characterized by a heavy US recession, which led to U.S. investors returning to the Chinese market where they could make higher returns than in their domestic market.\footnote{Burstein and De Keijzer (1998), p.15} Relations in the parallel political sphere were not so amiable. The polarity in economic and political ties with China provoked serious disagreements in Congress during Clinton’s first administration. In May 1994, US statesmen proposed to deny China Most Favoured Nation (MFN) status, which would effectively constrict trading relations between the two countries. This decision was based primarily on China’s human rights abuses, but was also encouraged by accusations of Chinese arms sales to hostile nations and software piracy.\footnote{Sutter (1995), p.2} A battle ensued between conscientious statesmen and powerful multinationals, corporate bigwigs, and important commercial presidential supporters, who argued that MFN status must be granted. A decision was made to ‘de-link’ political and economic issues, and maintain good trading relations with China. This episode is indicative of the dependent nature of US economic ties with China; furthermore, it emphasizes the superlative position of economic issues between the two countries.

During the second Clinton administration the US sought to improve relations with a presidential visit to Beijing in 1998. Deep suspicion had arisen in China after the 1997 Asian financial crisis, which some Chinese statesmen suspected the US of provoking;
they were astonished that ten years of accumulated wealth could go overnight, and with it the mounting competition of the Asian Tiger economies. The Clinton administration’s approach, therefore, was to bring China within the economic powers that agree to ‘liberal norms’: Gerard Segal described this approach as ‘positive conditionalism’, allowing China access to trade benefits in return for ‘system-maintaining behaviour’. This policy has resulted in partial liberalization of China’s economy, coupled with even greater growth rates, and the continuation of a politically stable environment for unimpeded trade. And yet U.S. trade with China still remains fairly one-sided; in December 2003, the US was requested to open up its high-tech sector to China in return for trade concessions. Meanwhile, China was exercising blatant protectionism by then banning foreign chip-makers from selling some wireless products without Chinese components. The tension between the U.S. policy of liberalizing the Chinese economy and the continued areas of protectionism it faces has periodically strained economic relations.

In the run up to its next election, the US remains uneasy about aspects of its economic relations with China. The fact that it currently has a $120 billion trade deficit with China will be a sensitive issue. The government will also have to pacify U.S. labourers usurped by lost-cost Chinese workers with the increasing relocation of U.S. manufacturing firms to China. Furthermore, debate still rages between the two states over the fixed low rate of the Yuan, which is currently pegged to the dollar at about 8.28. And yet the US is stuck in a catch-22 situation; the allegedly undervalued Yuan is purportedly creating artificially low-cost exports and undercutting U.S. competition, but many of the exported goods coming out of China are manufactured by U.S. multinationals.

An even greater area of anxiety has arisen from China’s vast accumulation of foreign currency. The only circulated currency in China is the Reminbi (RMB), whose basic unit is the Yuan; all foreign currencies have to be converted to RMB when doing business in

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119 Zhu Wenli (2001), p.51
120 Sourced from Roden (2003), p.195
121 The Economist (20.12.2003), p.100
122 The Economist (06.12.2003), p.52
123 The People’s Bank of China, which operates under strict government control, is the sole buyer of foreign currency. The country’s foreign exchange reserve is now estimated to stand at $356 billion – although Chinese figures are pegged much lower – owning 11.3% of the world total, and amassing American Treasury bonds.124 Whilst this may help safeguard the economy against the vicious swings of the global economy, its potential has created an air of unease in Washington. Indeed, all of these facets of Sino-US economic relations contribute to a pervading sense of US unease with aspects of China’s economic policy.

5.10 China’s affiliation with regional and international organizations

China has developed from its initial economic policy of seeking unilateral relations to playing an increasing role in regional and international multi-lateral economic organizations. These have allowed Beijing to consolidate its own economic policies, whilst allowing it to promote its own ideas for international policies. During the 1990s, China sought to join key regional organizations. In 1991 it joined the Asia Pacific Economic Forum (APEC), and the ASEAN Regional Forum (ARF) in 1993.125 These allowed China to strengthen its regional economic ties with its neighbours, many of whom are also experiencing rapid economic growth, though still recovering from the Asian financial crisis of 1997. APEC is concerned primarily with trade and investment, endorsing the principles of free trade. The ARF is concerned with collective security, trust building between regional countries, and economic safety measures.126 Although these institutions only operate under mutual cooperation and consensus, they have provided China with a regional platform to assert its economic opinions and to facilitate its multi-lateral relations.

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123 Huang (2004). p.2
124 The Economist (30.08.2003), p.54 – An IMF report in September 2003 calculated China’s foreign currency reserve to stand at $440 billion, but this estimate is far higher than the average. Beijing’s lack of transparency has made the accurate calculation impossible. It appears that they are reluctant to disclose the full extent of their reserves, and instead give official rates far lower than those calculated by foreign economists.
125 Yahuda (1999), p.653
126 ibid. p.654
During the Cold War era, in a movement against the Soviet Union, China was made a member of the United Nations Security Council. In the 1980s, it became a member of the World Bank and the International Monetary Fund (IMF), during which time China began to adapt its economic policies in order to come in line with some of these organizations prerequisites. It soon began to draw huge benefits, which encouraged China to undertake further liberalization goals.

But China’s primary goal was to become a member of the General Agreement on Tariffs and Trade (GATT), now known as the World Trade Organization (WTO). Beijing first officially applied in 1986, but was immediately turned down due to the protectionist nature of its socialist market economy. In response, China began a policy of gradual liberalization: trade regulations were reformed; trends in the international environment were monitored in order to reform its domestic policy; the 1990s saw broad tariff reductions and the easing of non-tariff barriers; and China attempted to improve relations with other WTO members, especially the US and Japan. The focus of Chinese economic policy consequently became focused on reformation to fit in with the liberal norms of the existing economic order.

It took nearly fifteen years of negotiation between Beijing and the WTO before China was granted membership to the organization on December 11th, 2001. The benefits to China have been immediate - the period following its accession has seen rapid increases in levels of FDI. By March 2004, it had risen by about 8%, with WTO liberalization allowing a rise of FDI in the services sector, which will have profound effects on the productivity and growth. The anticipated benefits of membership are substantial, allowing China to expect strong growth figures and economic stability. It also provides Beijing with the opportunity to acquire power in determining international economic policy, and protect its own interests. But affiliation comes at a price; the CCP has had to relinquish some of its control over its economic sector, and allow the infiltration of

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127 Yahuda (1999), p.653
128 Inkyo (2002), p.62
129 Min Zhao (2004), OECD Report
130 ibid.
foreign commerce onto its shores. Kwang-Yong states, "The US controls international organisations such as the WTO and IMF to influence its control over other countries; at the moment China must concede to U.S. demands and adopt cooperative economic policies." But in March 2004, America filed its first complaint against China in the WTO. It accused China of discriminating against foreign software companies by giving tax concessions to chips made in China. WTO membership has allowed China to reap the ensuing economic benefits, but China is still dragging its protectionist feet against U.S. liberal stipulations.

5.11 Analytical summary

Since 1978, China has followed a distinct policy of opening up its markets to the global economy, and implementing a strategy of gradual liberalization. It has moved from its imposed isolation and Maoist ideological constraints to embrace the riches of the modern world. It displays characteristics of 'multiple channels' in its formation of complex economic ties, both regionally and internationally, and its participation in multi-lateral organizations. Domestic welfare has remained high on its political agenda, and has remained a primary motivator in pursuing its policy of economic growth. Indeed, economic issues have been seen to supersede political/military issues, particularly in its regional trading relations, as we would expect to see under conditions of Complex Interdependence.

Furthermore, the government has gradually relinquished its control over the economic sector in conforming to the protocols of international organizations such as the WTO. In accordance, it has ensured a politically stable and peaceful environment to facilitate its economic affairs, and has fostered a relationship of mutual dependence with the US. These features of the Chinese economy appear to suggest an economic policy that presents distinct characteristics of Complex Interdependence.

131 Kwang-Yong (2001), p.105
132 The Economist (17.04.2004), p.56
Yet one can argue that China’s policy of economic reform is hinged on the CCP’s need to both justify and consolidate its power. Indeed, its strategy has resulted in the accumulation of national power and stability as well as an increasingly powerful presence on the international stage. Its affiliation with multi-lateral organizations has provided China with a platform to influence regional and global economic policy in its favour. In order to increase its power base, and hence pursue its own interests, China has had to suppress its traditional xenophobia and allow foreign business to take root on its soil. Beijing has created an attractive environment for FDI by creating SEZs, undervaluing the Yuan to ensure cheap exports. Furthermore, China’s membership to the WTO has had the desired effect of greatly increasing FDI flows.

One could argue that far from there being an ‘absence in hierarchy in issues’, economic affairs continually dominate the agenda, as a Realist might expect. If China is pursuing a policy aimed at accumulating power through economic growth, then its only option is to play by the rules of the existing order. One could argue that it has no option but to integrate into the world economy and accept the liberal protocols demanded by Western powers. It has already been noted that Chinese businessmen readily employ deceptive measures to achieve what they desire; a Realist might expect a state to behave accordingly. They might also refer to the palpable tension that remains between China’s policy of liberalization and its protectionist exploits. The reformation of the SOEs has increased the governments’ control and presence on the corporate scene; state controlled banks still heavily subsidize many local industries; investment advantages are offered to overseas Chinese above other foreign firms; and the government is still implementing protectionist measures, even after its supposed acquiescence to the WTO protocol.

One could argue that these features of the Chinese economy display strong Realist characteristics of a state-centred system pursuing its own interests. China’s intent on accumulating economic power can be supported by the existence of its vast surplus of foreign currency exchange and US treasury bonds; this has a distinct Mercantilist flavour, like hoarding gold under the castle. Indeed, since China has opened its economy to the world, it has increased its economic and political power dramatically. The characteristics
of Complex Interdependence that it tenuously displays can be clearly undermined by Realist assumptions.
6. CHINA’S INTERNATIONAL AND REGIONAL RELATIONS

China’s economic reforms have had a significant effect on the nature of the relationships that it has forged with its regional neighbours and beyond. In order to ensure that access to Western markets remain open and regional economic ties remain strong, China has worked towards maintaining a peaceful international environment. Some academics have applauded China’s ‘system-maintaining’ approach to its foreign policy, whilst others have asserted that this strategy is aimed at ensuring political survival, and nurturing an environment in which China can strengthen its national power. Indeed, the careful analysis of China’s international and regional relations is of primary importance in assessing the trajectory of its foreign policy. This chapter will commence by reviewing the CCP’s official line on foreign policy objectives and the major issues that shape their strategy, before turning to China’s attitude towards the existing global order. The following part will give a brief overview of its use of force in the second part of the twentieth century, and its contemporary approach to multilateral and bilateral relations. We will then turn to Sino-U.S. relations, and America’s role in Northeast Asia, before focusing on China’s regional bilateral relations.

6.1 China’s Official approach to Foreign Policy

During the Cold War, China was used as a political pawn under the bipolar system, aligned primarily with the Soviet Union in the 1950s, before being harboured by the U.S. during the 1970s and 1980s. Since the end of the Cold War, China has experienced an era of unprecedented peace, free from any real threat of attack by more powerful countries. An official Chinese scholar, Xia Yishan, has described the neighbouring area as, “a region of peace, friendship and cooperation.” The strong international reaction to China’s brutal crackdown at Tiananmen Square came as a surprising blow to Chinese leaders, who felt further undermined by the consequent collapse of communism in Russia and Eastern Europe. In response, they used foreign affairs to demonstrate the legitimacy

\[133\] Among the pessimists are Sutter, and Yahuda.

of their Party, forging bilateral and multilateral agreements to enhance their image.\textsuperscript{135} Thus since the 1990s, China has publicly projected itself to be a peaceful, cooperative and responsible power. Yong Deng claims that this behaviour was also provoked by U.S. insistence that China would not be treated as a great power until it acted with responsibility.\textsuperscript{136} It is under these conditions that China has formulated the official direction of its foreign policy, which are listed in tables 1. and 2.

**Major Principles of Foreign Policy of the PRC**

1. Pursue the principle of independence.
2. Oppose hegemonies and work to safeguard world peace.
3. Promote the establishment of a new, fair, and reasonable international political and economic order.
4. Respect the diversity of social systems and cultures.
5. Establish and develop friendly relations on the basis of the **Five Principles of Peaceful Coexistence**.
6. Promote common prosperity on the principle of equality and mutual benefit.
7. Participate actively in multi-lateral activities.

*Table 3. Major Principles of Foreign Policy of the PRC.*\textsuperscript{137}

**The Five Principles of Peaceful Coexistence**

1. Mutual respect for territorial integrity and sovereignty.
2. Mutual non-aggression.
3. Non-interference in other nations’ internal affairs.
4. Equality and mutual benefit.
5. Peaceful co-existence

*Table 4. The Five Principles of Peaceful Coexistence.*\textsuperscript{138}

\textsuperscript{135} Sutter (1995), p. 7
\textsuperscript{136} Yong Deng (2001), pp. 359-360
\textsuperscript{137} Source: www.fmprc.gov.cn/eng/zxxw/whlj.htm. Sourced from Kong-Ja (2000), p.4
\textsuperscript{138} Itoh (1997), p.256
China currently promotes itself as a peaceful and cooperative nation. Indeed the role of the military in its present foreign policy appears relatively minor. Yet since the formation of the PRC, it has been engaged in numerous military battles. Two years after the succession of Mao, it inflicted decisive defeats on Western armies during the Korean War in 1950. A battle of ideologies ensued as China sided with communist North Korea against anti-communist UN forces in the south of the Korean Peninsular. The consequences of the Korean War have shaped modern bilateral relationships; the US sided with Taiwan against China, and still remains a close ally; similarly China remains closely linked with troublesome North Korea; most importantly for China, its success ensured that it was subsequently treated as a great power. Michael Yahuda claims that, “It was the Chinese performance in Korea...that earned the PRC the great power status for which Chinese had long yearned since being humiliated by Western powers more than one hundred years earlier.” China clearly revelled in its new stature, soon acquiring weapons of mass destruction and becoming a ‘nuclear power’.

China was also involved in other conflicts in the decades that followed. The next conflict took place in Tibet during the 1950s, as China brutally ‘reunified’ it with the motherland. Other battles were fought over the reclamation of ‘lost’ territory, as was mentioned above: India in 1962 and the Sino-Soviet border in 1969. Beijing still regards these battles as domestic affairs of territorial integrity. The final war fought last century (although indirectly) was the Vietnam War of 1979; similar to the Korean War, it was fought under ideological slogans, pitted China against Western powers, and was proclaimed as a defensive war to safeguard China’s national security. In short, Beijing asserts that these military actions were all in the name of protecting its sovereignty and territorial integrity, promoting itself as a peaceful and benign power. Indeed, it appears to have refocused its current policies on maintaining a peaceful international environment.

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139 The role of the military will be assessed at greater length later in the paper.
140 Han Sung-Joo (2000), pp.6-7
141 Michael Yahuda (1999), p 650
142 Varner (1999), p.2. Chinese rhetoric often refers to the ‘humiliation’ of the nineteenth and twentieth century. This refers to the period when China was invaded by Western powers, and then Japan.
One aspect of China’s ‘new’ approach to foreign policy has been the rise and strengthening of its multilateral relations. Various global issues have emerged in the past decade that could only be solved via international cooperation, particularly on issues such as environment, aid, international crime, and nuclear proliferation. China remains a great supporter of the United Nations, basing its ‘five principles for peaceful coexistence’ on the UN Charter. It believes that the UN helps to promote multipolarity whilst curbing the power of dominant states. Yet in 2000, Jiang Zemin stated that the UN was playing an increasingly important role in international affairs, and that, “To display its own role in the international arena, China will greatly rely on the UN. First, the veto right in the Security Council is one of the major forms manifesting China’s status as a big nation. If the role of the UN is weakened, China’s role as a big nation will also be reduced.”

It appears that on the one hand China wishes to promote equality among countries, whilst on the other, it clearly wishes to manipulate multilateral organizations in an attempt to enhance its power. Sutter claims that China’s growing adherence to multilateral organizations primarily stems from its desire to enhance its international image, and to influence the international arena. Some of the examples that he cites are Beijing’s withdrawal of opposition to the non-proliferation treaty and its support for regional process such as ASEAN. Whilst China has made progress in developing multilateral relations, Beijing clearly favours bilateral relations, both regionally and internationally.

It is clear from Tables 3 and 4 that China holds a strong position on territorial integrity and non-intervention. Since the invasion of Chinese territory by Western Powers in the nineteenth and early twentieth century, protection of sovereignty has been at the forefront of its foreign policy. Since the formation of the PRC, a policy of ‘national unification’ has governed its political behaviour. Under this strategy, China aims to reunify the

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143 Lee Nam-Ju (2001), p.51
144 Beijing Review, Li Bin, January 10th 2000
145 Sutter (1995), pp.13-14
146 Under Mao’s leadership, China traditionally only pursued bilateral relations. Later generations of leaders have attempted to build up multilateral relations in response to the current political rules of the existing international order. However, bilateral relations still remain the traditional process of Chinese foreign policy, the extent of which will be examined in greater length later in the chapter.
147 Kong-Ja (2000), p.8
motherland, recovering the land ceded to Western powers through subversive treaties and the ‘liberation’ of Taiwan. To this effect, China ‘reclaimed’ Tibet in the 1960s, fought a brief and bloody border war with India in 1969, and successfully saw the return of Hong Kong in 1997. Whilst China lays claims to a number of small pockets of territory, the major area of contention is Taiwan; Beijing determination to recoup Taiwan has significantly shaped its foreign policy. Although it believes that it is a domestic issue, China’s policy of ‘national unification’ has profound ramifications.

The second principle of foreign policy in Table 3 states that Beijing opposes hegemonies in safeguarding world peace. China views itself as a benign power, but intrinsically opposes the existence of hegemonic power, claiming that unchecked power undermines the stability of the international system. It puts forward the notion of equality among states, which a hegemonic system necessarily denies; this principle is born out of the Maoist ideal of equality and opposition to the bullying of weak states by more powerful ones. Beijing repeatedly claims that it will never behave as a hegemonic power. Indeed, China hopes that other powers, such as Japan, Russia, Europe, and even third world countries will rise to help curb the power of the present hegemony – the United States. China conceives of a ‘new’ multipolar world order in which many powers exist equally. To this effect, China has changed its foreign policy line to improve relations with the great regional and international powers, especially members of the United Nations Security Council, in order to promote multipolarity. Beijing’s official line states that China actively follows policies that oppose a hegemonic global order, in favour of a system made up of numerous regional super-powers.

Thus China’s conception of how the international system should be ordered runs counter to U.S. hegemony, which it believes undermines the principles of ‘Peaceful Coexistence’. It has actively sought to forge good relations with other Western powers in an attempt to counter U.S. supremacy. It generally perceives their actions as benign, inciting criticism.

149 Yong Deng (2001), p.358
150 Yahuda (1999), p.655
only when they actively support the actions of U.S. domination.\textsuperscript{151} Thus its main international focus rests on the activities of the U.S. in the global arena. China’s primary concern lies with the interventionist nature of U.S. foreign policy, claiming that it undermines the national sovereignty and interferes with other countries’ internal affairs. Washington’s assumed role of international policeman during the 1990s has manifested itself in various military offensives. Its policy of ‘humanitarian intervention’ began in 1991 with the Iraq War, continuing on a smaller scale in North Africa in Somalia and Rwanda.

But it was the NATO bombings of Kosovo that caused fear and mistrust in Chinese leaders. A year later, Jiang Zemin stated, “During their interference in Kosovo, Western countries headed by the U.S. advocated that ‘human rights’ should transcend sovereignty.”\textsuperscript{152} Chinese leaders believe that this constitutes an underlying threat to their own territorial integrity, aware of the animosity the U.S. harbours over perceived human rights abuses in China. To add anger to fear, during a NATO air strike in May 1999 U.S. planes accidentally dropped a bomb on the Chinese Embassy in Belgrade. Three people were killed and twenty injured.\textsuperscript{153} Many Chinese believed that this was a deliberate attack, and many took to the streets to protest. Yong Deng claims some Chinese leaders believed that the attack was a punishment for Chinese opposition to the war, to destabilize and humiliate the Chinese, and even to probe Beijing’s reaction and its domestic response.\textsuperscript{154} Since then, Washington has taken military action in Afghanistan and Iraq under their doctrine of ‘Global War’ on Terror. Chinese leaders have publicly supported the U.S., but remain consistently uneasy about its intervention and pre-emptive strike policies.

\textsuperscript{151} Due to the limitations of this paper, the focus of China’s international relations focuses primarily on the U.S., or U.S. led coalitions such as NATO. Beijing’s policy towards major European countries is aimed at fostering a peaceful political climate to enhance economic ties. As will be shown later in the chapter, China’s foreign policies are focused mainly on regional countries, and its relationship with the U.S.

\textsuperscript{152} Jiang Zemin, Li Bin, Beijing Review, January 10th (2000), p.19

\textsuperscript{153} Bruce Kennedy, “China-U.S. rivalry,” (1999), p.1

\textsuperscript{154} Yong Deng (2001), p.352
6.2 China and the Role of the U.S. in Northeast Asia

Whilst China might oppose Washington’s policy of humanitarian military intervention, and perceive an ulterior motive for increasing its global domination, the U.S. plays a key role in Asia. Strengthening China’s relations remains a primary foreign policy goal; China considers threats from domestic and regional sources to be greater than those from the Western powers, or strategic competition. Reciprocally, Washington has officially adopted a policy of ‘engagement’ with China and Northeast Asia since 1994, as a principle of their official national security strategy. But their relationship in Asia remains a tense one. The U.S. has a strong military and naval presence, with numerous military bases in the Northeast, and naval bases in areas such as Singapore, Malaysia, Indonesia, Brunei, and the Philippines.

But China is very critical of U.S. military power, particularly in Northeast Asia. The U.S.’s presence is generally welcome by China’s neighbours, who believe that it has a stabilizing influence, and constitutes an effective strategic defence. Beijing has an alternative view, General Chi Haotian, the former Minister of Defence of the PRC, declared in a speech that he saw American military presence, and the network of alliances that it had built up, as an attempt to contain and weaken China. Frustration has arisen from Washington’s recent consolidation of its alliance with Japan and its military support of Taiwan, and the construction of a Northeast theatre missile defence, which China believes is directed against Chinese national security.

China has vehemently opposed the 1996 amendment of “The guidelines to U.S.-Japan Defence Cooperation”. Leaders in Beijing are worried that the U.S. might be facilitating, rather than monitoring, Japanese remilitarization. Their worries are further increased by U.S. support for Taiwan, providing the island with arms, and protecting it against Chinese military aggression. Fears of a military coalition between the U.S. and

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155 Lee Naes-Ju (2001), p.61
156 Chang Kong-Ja (2000), p.9
157 Morada (1999), p.5
159 The U.S. missile defence system is under construction with the support of Japan and acquiescence of South Korea.
160 Kong-Ja (2000), p.5
Japan, in protecting Taiwan against China, are further fueled by the development of a theatre missile defense system in Northeast Asia. Thus China is deeply suspicious of Washington’s policy in this region, believing that their actions constitute a deliberate strategy of containment, and the creation of an anti-Chinese region. Either way, U.S. presence certainly frustrates China’s regional designs and aspirations.

Yet for all its criticisms and suspicions, China’s foreign policy is designed to strengthening its ties with the U.S., fostering a good relationship that is essential for maintaining a peaceful international environment, thus ensuring its growth in strength. Beijing succumbs to the political pressure applied by Washington to adhere to international obligations such as non-nuclear proliferation and development of Weapons of Mass Destruction, human rights issues, trade issues under the WTO, and so on. China has also moved towards cooperation on a range of regional issues; it was central to helping to resolve the North Korean nuclear crisis, and facilitates cooperative actions on issues such as international drug smuggling, crime, and environmental policies.

6.3 China-Taiwan Relations
American involvement in China’s bilateral relations with Taiwan since the 1950’s has created a political gridlock between the countries. As a result of the Korean War, the U.S. signed a security treaty with Taiwan, which had broken away from China after the Chinese Communist Party came into power; it has been fighting since for its independence. When the U.S. later allied with China during the Cold War, a strategic compromise was made, resulting in the Shanghai Communique in 1972. This asserted Washington’s recognition of ‘one China’ – the Motherland and the island of Taiwan – but that any resolution between them must be peaceful. However Beijing still refuses to foreclose military coercion. Beijing’s threatening stance led to a second treaty between Taiwan and the U.S. in 1979, which states that the U.S. must supply Taiwan with arms in aiding its protection, and that any military action made against it by China would be of ‘grave concern’ to the U.S.

162 June Truefel Dreyer, CNN, (1999)
163 ibid.
The volatility of the Taiwan question has resulted in some politically explosive events. On the 23rd March 1996, Taiwan held its first free and democratic elections. Beijing, feeling enraged and undermined, carried out military exercises in the Taiwan Strait in the run up to the election. Taiwan was nervous that Beijing intended to invade its shores, so America sent two aircraft carrier battle groups into the region. Beijing threatened that it would destroy the carriers if they entered the Strait. Both Washington and Beijing withdrew their troops, and outright confrontation was avoided. The democratic elections went ahead, and Taiwan has since grown in independence and cultural identity. In 1999, the democratic President Lee Teng-Hui described his country’s relations with China as a ‘special state-to-state’ relationship. The Beijing government reacted with utter fury, accusing Taiwan of abandoning its ‘One China’ policy, and demanding a retraction of the statement – so far no retraction has taken place, and the President’s ‘accidental slip’ has been written into the Taiwanese constitution.

Taiwan presents a complex problem for China. Its bilateral relations with the country are aimed at the eventual reunification of this ‘lost territory’ with the Motherland, and this policy remains steadfast and unchanging. The U.S.’s involvement in their relationship has greatly undermined China’s efforts in completing this policy; Washington has been clear that its forces will become involved if Beijing decides to use military force against the island. Yet even in April of this year, The Economist published the Pentagon’s announcement that it was selling $1.8 billion-worth of early warning radar systems to Taiwan – just after Taiwan’s independence supporting president Chen Shui-Bian won re-election. China’s designs for the prodigal son’s return are being consistently thwarted by U.S. counter-measures. Even so, former President Jiang Zemin stated in 2000, “If Taiwan blatantly declares independence, we’ll definitely take military action. But this will worsen the situation in the Taiwan Strait and lead to the involvement of the United...
It appears that China is willing and ready to flex its military muscle in the Taiwan Strait, but presently cannot afford the diplomatic chill that will ensue between China and the U.S.

6.4 China-Japan Relations

China’s bilateral relations with Japan have also proved problematic. Beijing remains suspicious of this traditional enemy, not least because of its security alliance with the U.S., which China believes is a deliberate policy of containment. Japan is also presently the strongest power in Asia, and thus provokes sentiments of rivalry amongst Chinese leaders. An article in the Beijing Review states, “Japan will still choose to follow the United States in politics and security defence and contain China in secret.” China still harbours resentment over the Japanese atrocities committed during World War Two, particularly because Japan still refuses to make an official apology to the country. During Japan’s occupation of Nanjing, its troops went on a two-month killing spree, massacring an estimated 300,000 Chinese citizens. In response, China has attempted to stir traditional fear in its regional neighbours against the fearsome power of Japan, in the hope of undermining its power within the region.

Relations have become further strained by an ongoing territory dispute between the two states over the Diaoyu Islands. These lie 112 miles northeast of Taiwan, and are renowned as productive fisheries, but may also contain oil and gas reserves – a potential area of important resources. Yet while China remains hostile and suspicious of Japan’s regional intentions, there is no imminent threat of military force, and the two states have forged strong, if frosty, ties; whilst they might be rivals, they share important economic connections.

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168 Li Bin, Beijing Review, January 10th 2000, p.19
169 Li Bin, Beijing Review, January 10th 2000 p.18
170 Yahuda (1999), p.657
171 Beijing has often brought up the Japan-U.S. relations and ballistic missile defence in bilateral conferences, most notably with Russia, and has expressed its fears in the AEO.
172 Bruce Kennedy, “Regional godfather or local bully?” CNN report (1999)
6.5 China in the South China Sea

Beijing has also claimed control over the Spratly Islands; this archipelago is positioned off the coast of Southern Vietnam in the South China Sea. Strategically positioned by major shipping lanes, it is also believed to be rich in oil and minerals. China's somewhat aggressive approach to the territory has been contested by Brunei, Malaysia, the Philippines, Taiwan and Vietnam, each of whom claims part of the Spratly Islands. 173 China's growing assertiveness in the area is shown by its newly established structures on Mischief Reef, which has allowed it to establish a military presence in the major maritime area of South East Asia, less than two hundred miles from Philippines, in close proximity to the major artery of shipping through Asia up to Japan. 174 Beijing’s strategy in this area has caused great concern amongst countries in this area, particularly the Philippines. Yet Chinese leaders declare that they are merely following their policy of reclaiming 'lost' territory. It seems curious, then, that the nearest inhabited Chinese territory to Mischief Reef is Hainan Island, more than 1,000 miles to the north. 175

6.6 China and the Korean Peninsula

Since the end of the Korean War, the peninsular has been divided into Communist North Korea, supported by China, and democratic South Korea in close alliance with the U.S. Until the end of the 1980s, these relationships remained exclusive; diplomatic activities since then have blurred the boundaries, as China recognized the importance of fostering relations with both the North and the South. Indeed, peace and prosperity on the Korean Peninsula is crucial to China’s policy of economic and political security. 176 Particularly since the Inter-Korean Summit was held in 2000, a dramatic shift in the relations between the two Koreas, and their bilateral relations with the U.S. and China respectively, has occurred and has alleviated military tension in Northeast Asia. 177

China's bilateral relations with North Korea have traditionally been based on their shared political ideology. Beijing formally described their relationship as ‘blood ties’, but now

173 Bruce Kennedy, “Regional godfather or local bully?” CNN report (1999)
174 Yahuda (1999), p.657
175 ibid.: Tensions in the South China Sea will be assessed in closer detail in the next chapter.
176 Han Sung-Joo (2000), p.10
177 Lee Nam-Ju (2001), p.47
calls it a ‘traditional friendly cooperation’. The ties have been loosened mainly in response to international pressure, but also due to ideological differences that have sprung up between the two nations. In 1992, during a process of normalizing China’s relations with the two Koreas, it announced that it would put national interests and security before ideological similarities. But Beijing’s relations with North Korea remain politically strategic; North Korea acts as a buffer state against possible invasion of Japan onto the mainland, and maintains a hostile stance to the U.S. Furthermore, good relations are needed to appease North Korea’s nuclear capabilities.

Since Beijing commenced its policy of economic growth, it has moved towards forging an economic and political partnership with lucrative South Korea. In August 1992, South Korea and China established diplomatic relations and trade reformation, with a promise made by China to reduce its military assistance to North Korea. It has since promoted its political bilateral ties with Seoul as a “cooperative partnership for the twenty-first century.” The strength of their political relations is primarily founded on the profitability of close ties.

China has implemented an official four-point policy in its approach to the Korean Peninsular. Firstly, it claims that it will not hold political or military meetings with North Korea. Secondly, it does not wish for ideological conflicts to escalate tensions between the North and the South. Thirdly, it declares support of the denuclearization of the peninsular, opposing nuclear experiments and imports of Weapons of Mass Destruction. Lastly, it promotes dialogue between North and South towards reunification of the peninsular. China has played an important diplomatic role between the two countries, and has gained U.S. favour by taming North Korea’s nuclear intentions, particularly in the recent nuclear crisis that evolved last year. But in truth, a divided Korea is beneficial to China. In maintaining the status quo between the two states, China enjoys a lucrative
commercial exchange with South Korea whilst maintaining its political and military ties in the North.\textsuperscript{184}

6.7 China and the Western borders
China’s policy of national security is primarily focused on its Eastern borders, the area which is perceived as representing the greatest potential threat. Thus its regional policy at the end of the 1990s was to secure its Western borders in order to facilitate its Eastern focus on Taiwan, the Korean Peninsular, Japan, and the South China sea. So Beijing forged Western border agreements with Kazakhstan, Kyrgyzstan, Tajikistan, Myanmar, and most importantly, India and Russia.\textsuperscript{185} It regards many of these countries as buffer states, protecting China’s sovereignty, and has made efforts to stop major powers from stationing troops in them.\textsuperscript{186}

China’s bilateral relations with North Korea have created a political buffer zone in the Northeast. Likewise, it has maintained close relations with Myanmar (formally Burma) in the Southeast, regardless of the international disapproval of this brutal Communist dictatorship. In some ways, Myanmar now serves as a client state to its big comrade, receiving financial and political support in return for strategic defence bases. China has set up a chain of naval bases in Myanmar, allowing it to project power into the Indian Ocean and the Persian Gulf. In return, Myanmar’s army – the root of its political continuance – has tripled over the last ten years, armed and trained by Chinese generals.\textsuperscript{187}

India has risen to become the major power in South Asia; with a population of over one billion people, it comes close to rivalling that of China, and its economic growth is consistently burgeoning. Bordering on China, their bilateral relations have enjoyed both highs and lows, yet it remains a relationship of central strategic importance. In 1957, their solidarity was made official when they devised and embraced their ‘Five principles of

\textsuperscript{184} Morada, (1999)
\textsuperscript{185} Varner (1999), p.6-7
\textsuperscript{186} Kong-Ja (2000), p.6
\textsuperscript{187} Varner (1999), p.8
Peaceful Coexistence'; these close ties were severed in 1962, when the two countries were engaged in a bloody border war.\textsuperscript{188} Relations remained chilled until the 1990s, when both sides sought to resume diplomatic ties. By 1998, India looked to China to help calm Indian/Pakistan relations; China had previously aided Pakistan against India, providing it with military equipment and nuclear arms.\textsuperscript{189} But Pakistan's aggressive overtures of the past decade, and the movement of its Islamic militants into China's own Muslim dominated region of Xinjiang, has led to the moderation of Beijing's support.\textsuperscript{190}

India and China have moved towards a 'political dialogue' in resolving their border dispute, but while no agreement has been reached, relations remain amicable. The areas of shared foreign policy have encouraged the strengthening of their ties. Both are wary of U.S. 'imperialism' and its consequent 'humanitarian' wars, citing a breach of UN security council mandates, particularly in the case of the recent Iraq war. Both are staunch supporters of non-intervention and sovereignty. India, too, is concerned by the U.S.'s anti-ballistic missile defence, and thus feels the need to strengthen political ties with other Asian powers, regardless of ongoing bilateral disagreements.

6.8 China and Russia

China's bilateral relations with Russia in the Northwest have proved equally complex over the past fifty years. Their ideological fall-out in the 1950s led to ensuing years of mutual suspicion, no doubt nurtured by the anti-Communist Washington government. Tensions escalated in 1969, when the two countries were engaged in a military battle along their mutual border. Yet since the end of the Cold War, the two countries have slowly drawn together, united by their common suspicion of U.S. hegemonic power. In response, Presidents Yeltsin and Zemin issued a joint statement in 1992. It declared that both states would oppose hegemonism, would support non-intervention in domestic affairs, would not execute a primary strike with nuclear weapons, and would increase their exchanges in the economic, scientific, and military spheres.\textsuperscript{191} Relations were

\textsuperscript{188} The Economist (07.31.04), p.45
\textsuperscript{189} Varner (1999), p.6
\textsuperscript{190} The Economist (07.31.04), p.45
\textsuperscript{191} Lee Nam-Ju (2001), p.53
further strengthened in April 1996, when Beijing declared that the two countries now enjoyed a "strategic cooperative partnership directed to the twenty-first century."  

This joint ‘strategic’ partnership, though ostensibly a friendship and not a coalition, has taken on a stronger persona since its original inception. The Kosovo bombings by NATO in 1999 drew both states closer together; they were anxious about the new interventionist humanitarian doctrines that could easily apply to Taiwan and Tibet, as well as Chechnya in Russia. It also served to demonstrate U.S. military supremacy, and its ability to bypass UN resolutions. It seems no coincidence, therefore, in October of that year China and Russia held joint naval exercises in the Pacific to test their ability to exchange data. In 2000, Presidents Zemin and Putin issued a joint official criticism of Washington’s ‘coercive politics’, restating their joint policies of multipolarization, opposition to hegemonism, support for the UN Charter, and the safeguarding of peace and stability in the international arena. One can only predict that as Washington continues its military policy of intervention and pre-emptive strike, flexes its military muscles to the world, and bolsters its presence in Asia, China and Russia will continue to draw towards one another. This relationship does not yet constitute a formal coalition; but the military essence of its nature, particularly defined by its arms dealing and mutual opposition to the existing unipolar global order, betrays the latent potential of this ‘partnership’.

6.9 Analytical summary

Since the reformation of China’s economy, Beijing has changed tack in formulating its foreign policy. It has followed a distinct strategy of building new regional ties, strengthening old friendships, and appeasing traditional foes. It now enjoys a regional and international environment of unprecedented peace and stability. We would expect these conditions under the characteristics of Complex Interdependence. Collective security is achieved through multi-lateral organizations such as the ARF and the UN, and through extensive consolidation of regional ties; this approach has allowed China to safeguard its complex economic ties, both regionally and internationally. Whilst its policy is primarily

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192 Lee Nam-Ju (2001), p.57
194 Lee Nam-Ju (2001), p.60
shaped by its international relations with the U.S., its strategy towards other Western powers is to maintain amicable ties to encourage FDI and trade relations. As we might expect under Complex Interdependence, China’s regional (as oppose to international) relations primarily shape its foreign policy agenda.

Since the formation of the PRC, it has been engaged in four military wars, but since the Vietnam War in 1979, and the subsequent rise of Deng’s foreign policy, it has assumed a more diplomatic role. This is particularly evident in the Korean Peninsular where Beijing has been promoting dialogue between the North and South, and curbing the Nuclear Crisis issue. The Chinese international identity that has emerged is peaceful, cooperative on major issues such as environment and non-nuclear proliferation, and non-aggressive. These aspects of China’s refocused foreign policy – its movement towards a peaceful environment, the reduction in the role of its military, the nurturing of regional relations and its role as a regional diplomat, and finally its participation in regional and international multilateral organizations – are descriptive of Complex Interdependence.

Yet many of these aspects can be reinterpreted under the Realist paradigm. Beijing’s movement towards greater regional and international security has provided the necessary environment for China to foster its trading relations and thus strengthen its national power. Its affiliation with multilateral organizations can also be construed as a policy to bolster its international standing. Membership to the UN Security Council identifies it as a great power, and the use of its permanent veto power (often on territorial issues) allows it to flex its muscles on the international stage. Its role in the regional ARF, although directed towards collective security, is also suspicious; Chinese representatives refuse to discuss issues in the South China Sea and have blocked Taiwan’s independent involvement in the Forum. These organizations facilitate China’s pursuit of its own national interests. Yet Beijing clearly favours bilateral relations; this undermines the assumption of Complex Interdependence that would expect complex multilateral relations shaped by trans-national actors connected via multiple channels.
The role of the military has been greatly reduced in order to create a more stable trading environment. Yet China’s regional wars and its two indirect wars with the U.S. serve as a reminder that China is willing to use force if needs be. It claims to promote peace but has officially threatened to use force on Taiwan (thus indirectly involving the U.S.), while its aspirations in the South China Sea seem increasingly bellicose in trying to achieve control over a strategic area possibly rich in vital resources. Under conditions of Complex Interdependence, we would expect an absence in hierarchy among issues, but economic and security issues clearly dominate and shape China’s foreign policy.

China’s official foreign policy clearly states that it opposes a hegemonic system, favouring instead a multipolar world led by a number of regional super-powers. Beijing has frequently voiced its concern with growing U.S. world dominance, reacting particularly sensitively to its interventionist wars; sovereignty and territorial integrity are sacrosanct in Chinese perception, and can not be overridden by international humanitarian concerns. The Realist concept of ‘the state’ still clearly persists in the minds of Chinese leaders, and remains elevated above any international concerns.

China’s bilateral relations with some of its neighbours, particularly Russia, officially oppose the present international system, but China still actively courts the U.S. Whilst it is vociferous in its criticism, Beijing has not actively balanced against Washington as one might expect under Realist conditions. But we might ascribe China’s strategic building of new ties with regional neighbours to a policy of low-key balancing, including its gradual strengthening of national power. Yong Deng claims that, “China has not yet engaged in vigorous and consistent balancing intended to dethrone the U.S. hegemonic power, thanks to the lack of strong allies, inadequate capacities, preoccupation with domestic improvement, and the immeasurable costs of a confrontation with the U.S.”

The apparent lack of ‘balancing’ in China’s foreign policy appears to be following Gilpin’s cost/benefit principle. Sutter claims “Beijing has been widely seen by many of the experts consulted for this report and others as accommodating pragmatically to many

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195 Yong Deng (2001), p.362
international norms not because such accommodation is seen as inherently in China’s interest. Rather, Beijing is said to view each issue on a case-by-case basis, calculating the costs and benefits of adherence to international norms in each case.\textsuperscript{196} The costs that China would incur by actively and openly balancing against the U.S. would be enormous. China has not yet accumulated enough national power to be able to follow such a policy.

Beijing’s system-maintaining behaviour can be attributed to the fact that it is presently more profitable to conform to the existing system – to embark on an openly oppositional policy would constitute national suicide in the present international order. But it should not be overlooked that China has, along with many of its ‘partners’, heralded the vision of a new world order. U.S. support ensures China’s continued growth, but simultaneously frustrates and ‘contains’ its designs in Asia. Perhaps if China were to feel threatened by the U.S. and other Western powers in the future, maybe over its abuse of human rights or aggressive policy towards Taiwan, it might prompt Beijing to re-evaluate the costs and benefits of maintaining the status quo.

\textsuperscript{196} Sutter (1995), p.8
7. CHINA'S MILITARY AND NATIONAL DEFENCE

Both Realism and Complex Interdependence theory cite the role of the military as an essential component in determining foreign policy. Having reviewed China's international and regional relations, we now turn to a closer assessment of its military capabilities and strategy. This chapter will commence by briefly summarizing changes in military policy arising since the ascension of Deng in 1978, and how the impact of modern warfare has significantly shaped China's attitude to national defence and its contemporary military reforms. Thus, we will look at Beijing's current military strategy, and its regional and international focus. The next part will focus on China's People's Liberation Army (PLA) and its inherent characteristics. A closer assessment will be made of its various components: its ground forces, navy, air force, its space program, and its nuclear capabilities. The following section will review Beijing's involvement in arms selling and arms purchases, and the steady increase of Beijing's defence budget. Finally, we will deal with contemporary key developments in China's military and defence policy, and how these might progress during the next two decades.

7.1 China's military reforms under the CCP

China's view of security policy has traditionally been defensive in nature, exemplified by its famous Great Wall. When Deng Xiaoping ascended to power in 1978, he outlined China's national security objectives as: "Sovereignty, defence of China, reunification of 'lost' territory, and modernization."\(^{197}\) Whilst Mao emphasized strengthening the interior, Deng changed China's focus to its coastal regions and the outside world.\(^{198}\) Just as he opened up and reformed its economy and inter-state relations, so China's military policy has become externalised. The Vietnam War in 1979 prompted the start of a modernization policy when Chinese leaders realised that a large, ill-equipped army was

\(^{197}\) Varner (1999), pp1-2

\(^{198}\) Yahuda (1999), p.655
no longer reliable in defending national security. Most of the PLA equipment was virtually obsolete, mainly consisting of 1950s Soviet arms.

Beijing’s policy of modernization was further boosted in the mid-1980s, when the probability of a ‘hot’ war between the U.S. and the Soviet Union lessened. China began a policy of ‘active defence’, focusing on possible periphery conflicts and developing its military modernization and strategy to deal with short-term local conflicts. Yet the last two decades have seen a distinctive change of tone. The Chinese Defence Minister, in 1999, described China’s objectives as “to consolidate national defence, resist foreign aggression, safeguard state sovereignty … maritime rights and interests, and maintain national unity and security.” ‘Maritime rights and interests’ refers to China’s more ‘active’ than ‘defensive’ strategy in the South China Sea, and across the Taiwan Strait.

7.2 Impact of Modern Warfare
The rise of the United States as the dominant military power, and its subsequent surge of military engagements have greatly shaped China’s military policy. The Gulf War in 1991 had a profound effect on the Chinese psyche; they realised that they would have to set-up their program of modernization and make significant changes to the structure of the PLA. In 1994, the PLA chief of the General Staff, General Zhang Warrian stated, “…Facing blatant interference by the American hegemonists…we must reinforce the Armed Forces more intensively.” They felt particularly vulnerable by the huge technological gap between their militaries. But they have also observed many ways in which to improve the PLA, and the importance of electronic warfare, coordinated joint operations, fast deployment and rapid response, and most significantly the superiority of machine power to manpower. Improvement of information technology (IT) has become a primary concern. Consequently, the Chinese have closely studied all of the recent wars (the Balkan War, the Afghan War and the Iraq War) to help improve their own strategies and aid their program of modernization.

200 Moore (2000), IDDI Paper
201 Varner (1999), p.2
202 ibid, p.4
203 Carol Giacomo .Reuters. May 29th 2004
7.3 China’s Military Policy

In September 2003, Beijing’s foreign minister spokesman Kong Quan stated, “China’s national defence policies and military deployments are aimed at safeguarding national security and territorial integrity.... We will keep on marching on the road to peace.”\(^{204}\)

Yet assessing the true nature of Beijing’s military policy is greatly hampered by the shroud of secrecy cloaking it. Even China’s current official policy of ‘active defence’ is an ambiguous oxymoron. A U.S. report to Congress in 2003 claims, “China values military power to defend economic interests, secure territorial claims and build political influence commensurate with its status as a regional power with global aspirations.”\(^{205}\)

Whether China’s policy is defensive or tinged with assertion, what is certain is that it is following a prolonged and significant modernization program of its military capabilities.

Some analysts believe that this modernization is simply an updating of largely obsolete equipment. Others assert that its efforts are mainly geared towards building its international prestige whilst assuring its citizens that it can protect them.\(^{206}\) But there are those who believe that China’s military policy is shaped by its on-going dispute with Taiwan, and possible consequent conflict with the United States.\(^{207}\) The direction of its modernization has been to build up its national defence system to enable it to implement short duration, high intensity conflicts along its periphery.\(^{208}\) Furthermore, it is researching into ways to impede possible U.S. intervention in the area, and how to successfully fight asymmetric conflicts.\(^{209}\) Wen-Wei Po, Beijing’s current spokesman on Taiwan stated, “China has no desire to be engaged in direct conflict with America, but if foreign powers would interfere and support Taiwan independence, we can only resort to military resolution.”\(^{210}\)

\(^{204}\) Cited from Xinhuanet, “China’s Military policy Defensive, Sept. 11th, 2003

\(^{205}\) Report to Congress (2003), p.7


\(^{207}\) This view is particularly prevalent in the last two annual reports to Congress defining the PRC’s military capabilities. Taiwan is seen as the primary factor in shaping China’s military policies.

\(^{208}\) Report to Congress (2003), p.7


\(^{210}\) Agence France Presse, ‘PRC says ready to attack Taiwan within twenty years’, July 16th 2004.
7.4 The People's Liberation Army (PLA)

The People's Liberation Army (PLA) was originally created with the formation of the PRC. Unlike the neutral capacity of Western militaries, it continues to have close political links with the Chinese Communist Party. The term PLA describes China's military in its entirety, although it is also used in reference to its ground forces, which was traditionally the major component of the military. It now encompasses the rapidly growing arms of the navy, the PLAN, and the air force, the PLAAF. Whilst the focus of the PLA has become increasingly externalised, it is still utilized in quelling domestic unrest, and reinforcing social and economic policies, remaining an organic part of the political system.211 Since the gradual ‘privatisation’ of the economic sector, it has become increasingly involved in the national economy. The encouragement of PLA commercial ventures was originally necessitated by the need to raise revenue to fund its modernization policy. By 1993, the PLA owned more than 10,000 production and industrial companies, and had developed more than 2,500 products for civilian use.212 Indeed, the PLA plays a decisive domestic role, involving itself in politics and economics, as well as military operations. We can therefore assume that China's military policy has a distinctly political incline, and that top ranking officers must have economic interests to protect and pursue when formulating military strategies.

7.5 PLA Ground Forces

The PLA ground forces constitute one of the largest standing armies in the world. Its role is "to safeguard China’s national strategic goals, and to preserve regime survival, ensure economic rise, to shape the international environment and defend national interests."213 But the PLA ground forces still contain many inherent weaknesses in its capabilities to fulfil its role. It suffers from poor transport, ground force leadership, training in combined operations, and low morale with a third of soldiers leaving the army each year. Most of its soldiers are peasants with poor education, lacking professional, experienced soldiers to

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211 Morada (1999), p.8-9
212 ibid. p.11
213 Report to Congress (2004), p.10
operate high tech equipment. But the government is aware of these shortcomings and has put forward a course of action to address them.

Since the 1980s, the PLA has seen a massive reduction and reorganization of personnel. Since the mid 1990s the army has shrunk from about one hundred divisions to about forty, and has nearly completed its proposed reduction of half a million soldiers. Whilst some might construe this as a diminished role of the PLA, it has allowed Chinese leaders to reduce the costs of a large standing army, improve professionalism, and free funds to better equip and train its soldiers. Furthermore, it has allowed military leaders to refocus on other components of the PLA, particularly the navy and air force. It is believed that during the next two decades, the ground forces will be further marginalized by mechanical infantry and army aviation. Thus, whilst the ground forces are being significantly reduced, the PLA as a whole is growing in strength. Further, the remaining soldiers are gradually becoming better equipped, more professional, and trained in modern warfare tactics, including improved reconnaissance and asymmetric strategies.

7.6 The PLA Navy (PLAN)

Chinese leaders have placed increasing emphasis on the Navy (PLAN), during its modernization and reformation program. Concern has arisen from regional security issues and territorial interests, most notably in the Strait of Taiwan and the South China Sea, and has prompted China to announce its new doctrine of ‘active defence’. The PLAN was traditionally a stationary coastal defence, but under this military policy has experienced considerable restructuring. The end of the 1980s and 1990s saw an increasingly assertive navy operating at growing distances from the mainland. Table 5 below lists the major areas of ostensibly aggressive behaviour by the PLAN:

<table>
<thead>
<tr>
<th>Date</th>
<th>Areas of Chinese maritime assertive action</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988</td>
<td>Naval forces sank three Vietnamese warships in the Spratly Islands.</td>
</tr>
</tbody>
</table>

214 Moore (2000), IDDI Paper
216 Report to Congress (2004), p.38
<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>China set up a radar base in the Spratly islands.</td>
</tr>
<tr>
<td>1995</td>
<td>Naval forces occupied Mischief Reef, part of the area claimed by the Philippines.</td>
</tr>
<tr>
<td>1996</td>
<td>Tested missiles in the Straits of Taiwan</td>
</tr>
<tr>
<td>1999</td>
<td>12 Chinese warships entered the Senkaku island area, claimed by Japan.</td>
</tr>
<tr>
<td>1999</td>
<td>Chinese warships trained their guns on a stranded Philippine supply ship in the Spratly Islands.</td>
</tr>
<tr>
<td>1999</td>
<td>China announced it possessed neutron bombs, functional against Taiwan and American carrier battle groups</td>
</tr>
</tbody>
</table>

Table 5. Areas of Chinese Maritime Assertiveness.  

Chinese leaders have declared that they are moving towards building a ‘blue water’ navy, capable of covering greater distances for longer stretches of time, which will undoubtedly make it a regional maritime power. During its naval build-up, China has been acquiring an increasing number of submarines; in July of this year, U.S. intelligence discovered a new type of attack submarine, whilst China is also currently building two nuclear power submarines. PLAN presently has approximately 29,000 personnel, sixty destroyers and frigates, about fifty diesel and six nuclear submarines, and forty amphibious landing ships. Of all PLA components, it has received the most attention, but still remains far behind the technological superiority of the U.S. Navy. Still, one cannot overlook the increasingly aggressive nature of China’s naval policy and technological acquisitions. With the rising tensions across the Taiwan Strait, and the lucrative appeal of the South China Seas, this does not seem so surprising.

7.7 The PLA Air Force (PLAAF)

China’s air force, the PLAAF, has traditionally been the weakest link of the PLA. It originally received less attention during the modernization process, but is gradually undergoing a transformation from a defensive force to one with a modern, offensive

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217 Adapted from data cited from Varner (1999), p.3  
218 Morada (1999), p.30  
220 Report to Congress (2003), p.25  
221 Morada (1999), p.16
strike capability. America’s recent military operations, particularly the Iraq War, have highlighted the importance of the air force in executing a definitive outcome. In response, greater emphasis has been placed on the modernization of the PLAAF, focusing particularly on electronic warfare aircraft, and joint operations. At present, its main strength is its size; it consists of 3,000 aircraft capable of combat, but remains well behind Western standards, and is only hoping to close the gap by 2015.

7.8 China – A Nuclear Power

Although the major components of the PLA have undergone significant modernization, it still lags far behind the military capabilities of Western powers. Yet its possession of nuclear arms ensures that it is still a major power to be reckoned with. Beijing has allayed international concern via its ostensible commitment to non-nuclear proliferation, and its diplomatic role in the North Korean nuclear program. To project further its image of a responsible nuclear power, China is presently negotiating its entrance into the Nuclear Suppliers Group (NSG) and the Missile Technology Control Regime (MTCR). These multilateral groups control the export of nuclear materials and technology, and will allow Beijing to assume a role in determining global nuclear matters. Yet at home, China continues to develop its nuclear weapons and increase its number of warheads, twenty of which can reach the shores of the United States; by 2010 the number might increase to sixty. Perhaps they are mainly intended as a deterrent, but their growing existence and capability should not be overlooked.

7.9 China in Space

Historically, China has always been interested in scientific progress, and has rushed to acquire modern technology in updating the PLA, expanding its traditional frontiers to include a burgeoning space program. Chinese leaders have expressed a desire to become a ‘space power’, believing that it is an essential component in building national

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222 Report to Congress (2004), p.22
223 ibid. p.34-35
224 ibid. p.22
226 Report to Congress (2004), p.37
strength, and in 2003 completed its first manned space mission. Whilst this was primarily aimed at increasing its national prestige, the program came under the strict control of the PLA. The main areas of interest remain distinctly military in nature: reconnaissance, navigation, communications and small satellite technology. Perhaps under Beijing’s current policy of formulating asymmetric warfare tactics, ‘space’ is considered an essential area of development – a future frontier.

7.10 Arms Sales and Purchases

China has a long history of missile and arms sales to overseas countries. In the past this has caused great consternation among the Western powers, which have felt that these sales have contributed to political and military unrest. In the 1980s Beijing provided Pakistan with enriched uranium and bomb blueprints; it also had dealings with Libya, Iran and North Korea. These actions greatly damaged China’s relations with the West, and with the U.S. in particular, who believed that China was deliberately arming hostile countries. Beijing has since changed tack, limiting its arms sales to restore its relations with the West; China has become less of an exporter and more of an importer, though what tacit arms trading may be taking place cannot be ascertained.

Whilst China’s arms trading has slowed down, its arms purchasing has risen dramatically in response to its modernization program. According to a U.S congressional research service report, China’s arms purchases reached $3.6 billion; this elevated it to the developing world’s top arms’ importer, only coming behind the U.S. and Russia. Indeed Russia is the major source for its purchases, cemented by the ‘strategic partnership’ formulated in the 1990s. During each year of the 1990s, China purchased on average $1.2 billion worth of Russian weapons, and by 1999 this figure rose dramatically. The arms agreement is extensive, with Beijing purchasing advanced Russian systems for its military forces, weapons components for its own domestic

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227 Arun Sahgal, “China is Space”, Asia Times, Nov. 5th 2003
228 Report to Congress (2004), p.9
229 Arun Sahgal, “China is Space”, Asia Times, Nov. 5th 2003
230 Report to Congress (2004), p.6
232 'China is number one weapons importer', Reuters, September 27th 2003.
233 Report to Congress (2004), p.32
weapons production, and military technology for its modernization program. China relies heavily on this trading relationship while it attempts to build up its own domestic weapons production facilities. Presently, it is incapable of building any advanced weapons systems, most prominently failing to design its own PLAAF aircraft.

China also has arms agreements with other countries, particularly the former states of Russia, and is presently working towards lifting the EU arms embargo, which was imposed after the events at Tiananmen Square in 1989. Removal of the embargo would herald a turning point in China’s modernization program, providing greater access to areas of modern technology and weapon systems. China has followed a policy of creating and maintaining military relations with an increasing number of other countries; by 2003, Beijing had established such relations with more than one hundred and forty countries. This strategy is aimed primarily at fostering relations whereby China will be able to acquire modern military equipment and information technology. The test for the PLA will rest with its ability to integrate this new technology with its present out-dated military apparatus.

7.11 China’s Defence Budget
A primary indicator of the nature of China’s national defence lies in its defence budget. The program of PLA modernization, undertaken since the 1980s, has been exceptionally costly and has led to an annual increase in the government’s defence budget. As Chinese leaders rely heavily on the consistent growth patterns of the economy to allow them to continue to upgrade and strengthen the military, assessing the defence budget should provide the basis for an analysis as to whether budget increases are merely reflective of economic growth, or whether Beijing is stepping up the pace of its military program beyond expected limits.

234 ibid. p.30
235 Moore (2000), IDOL Purchases of Russian aircrafts have become the major focus of their arms trade agreement. This mainly hinges on the fact that China is still unable to domestically produce most high-tech modern weaponry, though it is presently heavily investing in the development of domestic arms.
236 ‘US again warns China over military buildup against Taiwan’, Agence France Presse, June 2nd 2004.
237 Report to Congress (2004), p.15
Yet the enduring problem of Beijing’s lack of transparency means that the true figures are not publicly known. The government ostensibly addressed international complaints in 2002, when it released a Defence White Paper declaring better transparency – yet it still reveals little of its real defence budget.\footnote{ibid. p.28} For example, the official defence budget in 2003 was $25 billion, but when one includes off-budget funding for overseas weapon acquisitions is included, the figure increases to between $50 billion and $70 billion.\footnote{Asserted by Richard Lawless, Deputy Undersecretary of the Department of Defence, US. Cited from the article ‘Beijing doubling defense spending’, Agence France Presse, April 24, 2004.} Table 6, below shows a comparison of the official Defence Budget and the Congressional estimated defence-related expenditures. It is instructive in a number of ways: Firstly, it clearly depicts the tremendous gap between what China says it is spending, and the amount believed to have been spent. Why the secrecy? One reason could be the Deng strategy of taoguang yanghui in which China should lie low “to conceal capacities.”\footnote{Yong Deng (2001), p.359} Alternatively, it may be because Beijing has always kept state matters secret.

Table 6. Comparison of China’s public defence budget and estimated expenditure\footnote{Adapted from data sourced from Report to Congress (2004), pp.27-28}
But what Chinese leaders cannot hide, even in producing its official figures, is the sudden increase in its defence budget since 1999, most probably in reaction to the NATO bombings of Kosovo and the rising tensions in the Taiwan Strait. We have asserted that the Chinese economy is expanding on a fairly level trajectory, and has not experienced a relative rise in the past five years. And so it seems apparent that Beijing must be undertaking a more aggressive modernization strategy, stepping up its defence budget to accommodate this policy. Indeed, the Pentagon has claimed that Beijing might further double its defence budget this year. Thus, the figures represented in Table 6, suggest that Beijing may no longer be following a straightforward strategy of military modernization. Whilst we cannot ascertain that this policy constitutes an aggressive doctrine, there appears to be a clear acceleration of the PLA modernization program, essentially creating a military with greater offensive capabilities.

It is currently held that China’s increasingly fraught relations with Taiwan are the major motivator in this recent military step-up. Tensions have been rising since 2000, when the pro-independence Chen Shui-Bian was voted in as President of Taiwan. American intelligence asserts that China expanded its “aggressive military build-up” in 2003 aimed at winning a possible conflict with Taiwan, and adding seventy-five missiles annually to its deployment opposite the island. Further, China has shifted its strategic military base to its southeast coastal region across the straits from Taiwan. This is in response to Beijing’s recent ultimatum to the renegade province: “Taiwan must re-enter the fold or face military action within the next twenty years.”

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243 Both U.S. Congressional Reports repeatedly refer to the Taiwan problem as a primary instigator in China’s modernization strategy.
244 Carol Giacomo, Reuters, May 29th 2004.
245 Agence Presse France, “PRC says ready to attack Taiwan within twenty years”. Beijing’s arsenal arrayed against Taiwan includes approximately 500 short-range ballistic missiles.
246 ibid.
These new developments in the relationship between Beijing and Taipei represent a renewed level of regional instability; whilst China remains adamant that this conflict remains a domestic affair of national sovereignty, it cannot overlook the inevitable involvement of the U.S. if military action is taken. The possibility of such a scenario has prompted the PLA to develop equipment to discourage the U.S. from coming to the island’s aid. Recent U.S. intelligence believes that they have developed weapons for use in asymmetric warfare – “assassin’s mace” and “trump card” weapons – but what these actually consist of remains an unsettling mystery.247 A senior Pentagon official maintains that Beijing’s near-term focus is centred on Taiwan, buts claims “there is something much broader and fundamental going on here.”248

Jiang Zemin, previous premier and now the Chairman of the Central Miliary Commission presiding over the PLA, urged it to “accelerate the pace of modernization” earlier this year.249 He went on to state, “It is a strategic decision of major importance to push the reform of the armed forces, a decision taken after an analysis of all aspects of the international strategic situation of China’s security and with an eye to take up the new challenges of new accelerating military changes in the world. We must seize the hard-to-get historical opportunities and bring the reform into depth with a sense of immediacy.”250 The step-up of military modernization has become evident in a number of areas. A new emphasis has been placed on intelligence, reconnaissance, and electronic warfare;251 missile forces are rapidly increasing in numbers, alongside developing advanced information technology and long-range strike capabilities;252 tools for asymmetric warfare have risen in prominence;253 and the PLA is recruiting a new breed of professional personnel. But Beijing is under no illusion that the PLA still lags far behind the military capabilities of the U.S. and the West. At this point in time China is only playing catch-up, but it is closing the gap at an increasingly fast rate.

249 Jiang Zemin, quoted in the People’s Daily, March 12th 2004  
250 Jiang Zemin, quoted in the People’s Daily, March 12th 2004  
251 Report to Congress (2004), p.43  
252 ibid. p.1  
253 ibid. p.14
So what form will the PLA assume over the next decades? A senior pentagon official believes that China is pursuing a “comprehensive, well-planned, well-executed transformation of all sectors...and could be a world class military force in the next ten to fifteen years.”254 A Congress report states that Beijing is attempting to achieve this in the next five to ten years, estimating that its defence budget will rise to $250 billion by 2025.255 Further, its provocative ultimatum to Taiwan appears to underscore a growing military confidence; pursuing this line will inevitably involve facing the military clout of the U.S. But Washington believes that “Beijing would measure its costs associated with a decision to use force on international image and prestige, expenditure of resources and material, and the overall impact on the economy.”256 At present, military action against Taiwan would be political and economic suicide, but the ensuing decades might generate a more favourable set of conditions for pursuing reunification.

7.13 Analytical summary

Supporters of Complex Interdependence theory would claim that the modernization of the PLA is in response to the largely antiquated nature of China’s military. Whilst it has experienced a great measure of success in achieving modernization, one might argue that this policy is aimed at eventually entering the modern world. Under this interpretation, the role of the military remains diminished in comparison with other areas, such as economic reform. Beijing has proclaimed that its military policy is predominantly defensive in nature, and has actively sought to strengthen collective security via its membership with organizations such as the ARF. Further, although it regards the U.S. as a potential adversary, Beijing employs diplomatic appeasement to ensure good relations. This strategy has essentially risen from the need to protect economic ties, and ensure a peaceful international environment for continued economic growth. Thus, it would appear that these aspects of China’s national defence and military policy are indicative of Complex Interdependence.

254 Carol Giacomo, Reuters, May 29th 2004
255 Report to Congress (2004), p.5, p.28
256 ibid. p.20
But such an analysis omits many features of China’s military policy, and many of the above assertions can be undermined. Firstly, the data explored would suggest that the modernization of the PLA goes beyond mere catch-up. The sudden escalation in the program, enhanced by the rapid increase of the defense budget and arms purchases, suggests that the role of the military has become elevated to a prominent position on Beijing’s agenda. A reporter from the Beijing Review states, “After the Cold War, although economic factors have come to the forth and issues of economic security have become prominent, military security in international politics and national security have not become less important.”

Indeed, they have come increasingly to the fore as tensions escalate in the Taiwan Strait. One might even suggest that one reason for the perpetual push for economic growth is part of a strategy to boost the PLA; either way, it has still had that effect.

Beijing has pursued a limited policy of collective security, but this has been mainly restricted to its Western boundaries, within organizations that it can overrule. China’s assertive maritime behaviour in the South China Sea has caused great concern for other regional neighbours in the East, particularly Japan and the Philippines. But the most prominent area of regional aggression lies in China’s bellicose approach to the reunification of Taiwan. Whilst Beijing might regard this as a domestic affair, Chinese leaders are all too aware of possible U.S. involvement, but refuse to back down. Under Complex Interdependence, we would not expect such measures of regional aggression, especially against countries with which China has strong economic ties.

Beijing’s political agenda presents a clear hierarchy of issues, which is topped by economic and military concerns, as we would expect under conditions of realism. Indeed, we have seen just how interconnected these spheres have become. The PLA is essentially political in nature, but is also deeply involved in China’s private economy. We would consequently expect it to have ambitions to strengthen the position of the government, and pursue lucrative territory. To this end, the PLA have stepped up its policy of reunification, and expanded their vision to incorporate the South China Sea. This policy

257 Li Bin, Beijing Review, January 20th, 2000
has two implications: firstly, the PLA is becoming increasingly aggressive within the region, thus undermining its proclamation of a ‘defensive’ military; secondly, it appears to be actively pursuing territories that are rich in profitable resources, allowing it to extend its power far beyond its shores.

This is exactly what we would expect under conditions of realism. National security remains a primary issue on its political agenda, emphasizing its state-centric perception. Its rapidly growing economy has funded the modernization of the PLA, running in parallel with an increasingly capable military, yet the defence budget is now outpacing economic growth. Beijing’s rhetoric of ‘defence’ appears to be misleading in light of its aggressive maritime behaviour and policy towards Taiwan. In sum, it appears that China is making cost/benefit calculations in devising its military policy; as military modernization progresses, its strategy becomes more assertive, particularly towards profitable territory. Beijing still appeases the U.S. in the understanding that conflict would incur heavy costs. Perhaps its ultimatum to Taiwan, citing a twenty-year window, corresponds to the period in which Chinese leaders believe facing the U.S. might be affordable.
8. CHINA’S DOMESTIC POLICY AND INTERNAL CHARACTERISTICS

Both Complex Interdependence and Gilpin’s Realism claim that the internal characteristics of a country are indicative in assessing its foreign policy. So this chapter will review the various elements of China’s domestic policy and its inherent traits. The first section will commence by reviewing China’s recent historical experience and how this has shaped its present domestic policy. The second section will consider the internal problem areas the government is facing and its ramifications. This will be followed by an examination of the Chinese Communist Party (CCP), political liberalization and political control. The next section will appraise the impact of domestic policy on formulating foreign policy. The final section will consider the rhetoric of contemporary Chinese scholars in interpreting China’s foreign policy. The chapter will then conclude with an analytical summary.

8.1 Historical Experience

The Chinese psyche was deeply affected by the Western invasions of the nineteenth and early twentieth century, giving rise to the myth of the “century of shame and humiliation.” They have been further weighed down by the myth of the ‘golden age’ of the past, believing that they have failed to uphold the prestige and dignity of their forefathers. China was further scarred by the bloody civil war that they endured during the 1940s, and the subsequent disunity of the nation. These factors have significantly shaped the central tenets of China’s present domestic policy. Believing itself a victim of the West, it has pursued relentlessly its policy of reunification of ‘lost’ sovereign territory, and has cultivated a tradition of xenophobia, suspicious of anything foreign. It has also motivated Chinese leaders to pursue its former power status, intent on invoking international respect. But the primary consequence has been Beijing’s focus on

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258 Analysing China’s internal characteristics represents an area of infinite variables. I have attempted to consider only the major factors hoping to avoid the minutiae that could result in an ambiguous assessment.  
259 Yahuda (1999), p 652  
260 ibid.
maintaining social stability; its leaders believe China can only achieve greatness if its country is unified and its people content.

8.2 Focus Areas of China’s Domestic Policy

Consequently, China’s domestic policy is centred on domestic stability and national unity. Beijing has followed a distinct strategy of developing ‘comprehensive national power’, which was first developed by Deng in the early 1980s.\textsuperscript{261} Its primary resource for pursuing this policy is its economic development; this both strengthens the country’s power base, and helps to improve the living standards of its population. Since Hu Jintao came into power in 2003, he has increasingly focused on domestic issues, following concerns of domestic instability, particularly the Taiwan issue.\textsuperscript{262} There is a prevailing belief that domestic instability invites foreign aggression; consequently, Chinese leaders believe that three essential conditions – national unity, stability, and sovereignty - must prevail if China is to survive and develop as a nation.\textsuperscript{263} Further, domestic policy is strongly coloured by the CCP’s desire to stay in power, and its consequent need to justify its authoritarian role.

8.3 Areas of Domestic Instability

Chinese leaders face a myriad of problem areas that undermine their main policy concerns cited above. The profound structural changes that China has endured over the past thirty years have had a considerable impact on the Chinese people and domestic stability. Economic reforms have created a rising middle class, but for the majority of the population it has removed the social security that they previously enjoyed. The reformation of SOEs has led to 4.2 million people becoming redundant, as well as 2.03 million suffering from the closure of urban collectives.\textsuperscript{264} As the population explodes, it produces about twenty to twenty-three million more workers every year, creating further pressure on employment.\textsuperscript{265} So, whilst official statistics show an annual increase in employment, it fails to accommodate its burgeoning workforce. The creation of a private

\textsuperscript{261} Report to Congress (2004), p.8
\textsuperscript{262} Joseph Fewsmith (2003), p.48
\textsuperscript{263} Report to Congress (2003), p.12
\textsuperscript{264} Joseph Fewsmith (2003), p.49
\textsuperscript{265} ibid. p.48
sector, and the increase of foreign companies, has gone some way to creating more opportunities, but technological advances are mechanizing many previous sectors that were previously manual.

Whilst urban unemployment is bad, rural unemployment is far worse; an estimated six million rural workers leave their homes to seek jobs illegally in urban areas. As the economic reforms focus on the profitable industrial sector, agricultural production is faltering and rural incomes are stagnating. These displaced workers, along with redundant members resulting from the PLA’s reduction of half a million personnel, are increasing pressure on urban jobs. The government has expanded income support in an attempt to provide greater social security; In 2002 it doubled its expenditure on social security to 10.2 billion Yuan, but this still only covers about two thirds of those in need. Further, the ‘illegal’ immigration of rural workers to urban areas results in a forfeit of any social security, but many are too desperate to stay in their villages.

China’s economic reforms have also created rising disparities in its social, economic, and political order. A widening gap exists between rural and urban areas. Unlike their city-dwelling compatriots, rural peasants are greatly restricted in their movement. The government has slightly relaxed this ‘Hukou System’, allowing them more freedom of movement within their provinces but not in urban areas, encouraging them to ‘enter the factory but not the city’. This has generally put the rural community at a distinct economic disadvantage, and has greatly limited their inclusion in the growing wealth of the nation. There is also rising inequality between provinces, particularly the rich coastal areas and the underdeveloped inland provinces, while Beijing’s creation of ‘special economic zones’ also contributes to economic disparities. This is directly affecting domestic stability, as peasants clamour to receive the same opportunities as the rising

266 Joseph Fewsmith (2003), p.51
268 Joseph Fewsmith (2003), p.53
270 ibid. p.52
middle class. In 2000 petitions and collective actions by peasants made up more than half of all protests for the first time.\footnote{Economist survey, March 20th 2004.}

Rural/urban disparities are also apparent in China’s ailing health system, but most impoverished Chinese have suffered a gradual loss of social security in this sector. During Mao Zedong’s rule, while many suffered at his hands, nine out of ten country people had access to subsidized clinics.\footnote{The Economist, “Special Report: China’s Health Care”, August 21” 2004, p.20. This survey appears to have the most up-to-date and accurate figures, so I have relied solely on these statistics during this paragraph.} But during Deng’s march towards ‘happy capitalism’ the subsidies began to dry up; presently in the countryside, 90% of the population have no health insurance, whilst the urban dwellers without cover is only slightly better at 60%.\footnote{ibid. p.21} Under the traditional system, SOEs were expected to take care of their own workers, even running their own hospitals. But with the usurpation of most SOEs by private firms, workers have been left to fend for themselves.\footnote{ibid. p.21} This has led to a growing disparity between the life expectancy of rich and poor provinces; areas such as Shanghai and surrounds show health indicators similar to most Western countries, while the poorer areas in Western China are at the bottom of the scale.\footnote{ibid. p.22} Ironically, the SARS outbreak that occurred in 2003 has been hugely beneficial to the ailing health system. Chinese leaders have realised how acute the problems within the system are and have increased subsidies accordingly. They have also become gradually more aware of their growing AIDS epidemic, which along with the SARS outbreak has turned international focus in on China’s domestic health service. Perhaps in response to this, Wen Jiabao was pictured last year touching AIDS victims.\footnote{ibid. p.22}

Noticeable tensions have emerged concerning political inequalities. Local governments have been demanding that the central government in Beijing divide its growing revenue equally between provinces; instead of concentrating it into the hands of a favoured
few.\textsuperscript{277} This has resulted in the unequal development of China's infrastructure, particularly transport, communications, technology, but most importantly income. The nepotistic nature of the government has nurtured an environment of pervading corruption. Officials are appointed positions according to their associations, whilst unconnected talented aspirants are held in check. Social hierarchy is further enforced by the belief that the dominant Han Race is inherently superior to the many other ethnic minorities that make up the Chinese people.\textsuperscript{278} These rising disparities must have a particular impact on a population that has been force-fed communist ideology for the past fifty years; whilst they might welcome the new opportunities that economic reform has provided, many must be dissatisfied that the carrot is dangling just outside their reach. A survey carried out in 2003 records that 42.6\% of people questioned said that Chinese society was "very unfair", and another 37.7\% described it as "not very fair".\textsuperscript{279}

Beijing's policy of economic reform is also contributing to its growing geopolitical pressures, which threaten to undermine social stability. Its relentless drive towards industrialization, and its adoption of the role of 'the workshop of the world', has put critical pressure on the environment. Pollution levels are reaching dangerous levels, particularly in urban areas; industrial plants are sucking water-sources dry; industrial waste is polluting rivers and pumping carbon monoxide into the atmosphere.\textsuperscript{280} Whilst whole ecological systems are collapsing, extensive deforestation is further degrading the poor air quality and causing extensive soil erosion. Moreover, arable land is shrinking as fields make way for new industrial complexes.\textsuperscript{281} China's mushrooming population is placing increasing pressure on the country's resources, which will only increase as the living standards of the people rise. Whilst these factors do not presently threaten to undermine social stability, there is no doubt that they will if not addressed quickly and efficiently by the government.

\textsuperscript{277} Morada (1999), P.24
\textsuperscript{278} Lim Suk-Jun (2000), p.46
\textsuperscript{279} Survey data cited from Joseph Fewsmith (2003), p.51
\textsuperscript{280} The Economist, August 21\textsuperscript{st} 2004, p.55
\textsuperscript{281} Monk (1995), pp. 12-13
8.4 National Separatism

China’s domestic stability has felt the repercussions of its significant economic reforations and its inherent geopolitical pressure points, but these have only constituted a mild tremor. The government is aware of these destabilizing factors and has moved towards addressing these issues. Yet what Beijing fears most are renegade factions of Chinese society pushing for national separatism. China has historically faced the internal challenge of the huge number of ethnic minorities that make up the Chinese people. When Mao came into power in 1949, he identified fifty-five different ethnic groups, bringing them all together under a strong unifying program; whilst they were all ‘equal’ all were less equal than the superior Han Race. Yet they all existed under the common ideology of communism, which served to bind them together. This bond has begun to dissolve since the end of the Cold War; the collapse of Eastern European Communism was brought about in part by rising national separatism, and calls for government deposal. The vibrations of tumbling communist states reached China, giving rise to growing sentiments of national separatism.

Taiwan is considered the primary area of national separatism, and consequently receives the most attention, though this has been discussed at length earlier in the paper. Ethnic separatism in Tibet is another thorn in the CCP’s side; though the country has been under Chinese control for forty years, calls for independence have grown in international prestige. The work of the Dalai Lama has ensured that not just powerful governments, but powerful individuals and celebrities support Tibet’s national separatist protest. Beijing believes that this represents an acute threat to central control. The Beijing Review reports, “In this present decade, the struggle against separatism will ascend to a prominent place as a major issue concerning China’s security.” Beijing also faces the prospects of growing religious extremism, particularly in its Western provinces, and the threat of political dissidents, officially describing them in 2001 as “evil forces.”

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282 Lim Suk-Jun (2000), p.46
283 Li Bin, Beijing Review, January 10th 2000, p.19
285 Li Bin, Beijing Review, January 10th 2000, p.19
8.5 "New Nationalism"

But Chinese leaders have created a very effective weapon to stamp out separatism – Nationalism. Since the demise of Mao Zedong, following Chinese leaders have reconstructed their official discourse on nationalism; dubbed “New Nationalism”, it calls for the re-centralization of China to become a strong, independent nation-state. Official promotion of nationalism has a dual intention. Firstly, it strengthens domestic socio-political stability, undermines national separatism, and builds national pride and morale. Secondly, rising nationalism helps to strengthen the CCP’s political legitimacy.

Chinese leaders have appealed directly to the people’s sense of injured pride, proclaiming, “We were number one once, and we will be number one again.” The restitution of Chinese dignity and the cultivation of national culture underlie many areas of domestic policy. When Deng Xioping assumed power, he put forth the concept of “socialism with Chinese characteristics,” and so promoted the idea that Chinese culture is fundamentally different from that of other states. Chinese leaders have also encouraged their people to be wary of outside influence, which has become increasingly pervasive through the portals of Taiwan and Hong Kong. In 1996, a best selling book was published called, “China can say no”. It called on Chinese to embrace their own sense of identity, and to ‘say no’ to political, economic, and cultural influences from the U.S., Japan, and Europe, arguing that it hinders their emergence as a power.

National pride has also been nurtured through mediums such as sport. As China grew in national strength during the 1980s and 1990s, it began to storm the Olympic games with its winning team known as ‘MA’s Army’. At the recent games at Athens, China proved a strong competitor against the U.S. and ranked among the top five countries in the world. The games have always served as a strong political barometer; the Cold War produced intense competition between the U.S. and the Soviet Union, increasing their prestige and evoking patriotism. Now international attention will focus on Beijing, as it prepares to

287 Lim Luk-Jun (2000), p.44
288 Lim Suk-Jun (2000), p.44
290 Yahuda (1999), p.652
receive the world at the 2008 Olympic Games. As well as providing a great opportunity to boost its international status and boost its modernization, nationalism will be greatly enhanced.

Yet the CCP’s ulterior motive for encouraging nationalism is less utilitarian in spirit. The death of Mao Zedong has resulted in the gradual erosion of communist ideology. Post-Mao leaders have been unable to rely on the enormous personal prestige or political philosophy to the same extent. Recognizing the inability of communist principles to support their continued domination of political power, Chinese leaders have had to play on nationalism to help legitimise their rule.292 Whilst still remaining fundamentally communist in name, Chinese leaders no longer have to rely totally on a political ideology that has caused other governments to fall. Further, it has allowed officials to defend themselves against outside criticisms, declaring to the people that such attacks are a direct assault on their national integrity, and so evoking nationalist sentiments.293

8.6 Political Control and Political Liberalization

Since 1978, China has experienced significant structural changes to its economy, which has seen the evolution of an essentially capitalist market system in place of the traditional planned economy. But politically, China still operates under the monopoly of the Chinese Communist Party, and political liberalization has been somewhat limited. Its citizens still operate under the forceful eye of the People’s armed police;294 movement is still greatly restricted; freedom of speech and the media is still tightly controlled; and any formal competing centres of power are still prohibited, particularly opposing political parties.295 The tension between economic liberalization and central political control was highlighted by the events at Tiananmen Square in 1989. Students demonstrated against the CCP when the economy showed an inflation rate of 20% whilst the standard of living declined; they protested for free speech, free assembly, and popular sovereignty.296 Chinese leaders

293 ibid. p.8
reacted with brutal violence, serving a harsh reminder of the latent force and control of the CCP.

The government has suffered at the hands of outside criticism, particularly from the U.S., focusing on the lack of democratic institutions and freedom, and most vociferously on human rights abuses. Beijing continues to take a hard line against outside criticism, but is becoming increasingly aware that limited reform is essential to safeguard domestic and regime stability. In response to growing international and domestic pressure, Beijing released a White Paper in 2000 on human rights, but its interpretation of this issue is quite different from the West.\(^{297}\) It claims that China has regained many of its human rights, which were lost when the people were ‘invaded and enslaved by various foreign powers’.\(^{298}\) It chooses to equate human rights with the standard of living; by this deduction, it claims that Chinese have experienced the ‘achievement of the lofty ideal of human rights’ through the government’s domestic policies of modernization and elimination of poverty.\(^{299}\) Thus Chinese leaders have attempted to appease both international and domestic concerns, changing the interpretation of ‘human rights’ to suit its political needs, yet still continuing to infringe the international protocol.

Since Tiananmen Square and the consequent domestic and international outrage, the CCP has had to make some limited political allowances. Modernization and economic reform have led to a growing experience of freedom; consequently, the government has felt under pressure from a society with growing expectations. Small concessions have been made, such as relaxing control over the media, allowing cultural pluralism, and permitting some voices of dissent.\(^{300}\) The CCP has also pursued two policies to appease the rising call for increased political liberalization. Firstly it has played on the Chinese wallet, bartering political freedom for economic freedom under the slogan, “You are free to get rich, but stay out of politics.”\(^{301}\) Secondly, the government has opened up village elections to demonstrate its support of grass roots democracy. Under the Organic Law of

\(^{298}\) ibid.  
\(^{299}\) ibid.  
\(^{300}\) Bert (2000), p.9  
\(^{301}\) Lim Suk-Jun (2000), p.43
the Village Committee, secret ballots are held to elect members of the village commission. How ‘democratic’ these elections actually are is hard to determine, but they have little or no influence on central government, and have not been extended to urban areas.

The CCP have managed ostensibly to liberalize its political doctrine whilst maintaining strong central control. It continues to monopolize the political arena, dealing brutally with any potential opposition, and has recently witnessed a smooth and peaceful transition of power. Whilst many observers believe that China will eventually become democratic as a result of economic liberalization, this has yet to be realized. Indeed China’s domestic policies are clearly rooted in the government’s strong desire to remain in power and consolidate its political control. Economic liberalization has been its primary tool, appeasing its people by ensuring a general rise in the standard of living. Chinese leaders have systematically tried to address areas of social instability, citing national unity as its domestic maxim.

8.7 Public Opinion
The CCP appears to have a firm political grip on the nation, but popular domestic support is crucial to its survival. The ‘Blue Book of Chinese Society’, published in 2003, comprises of a comprehensive survey study and opinion poll. Though it reveals concerns about social instability in areas of unemployment, healthcare, corruption, and dissatisfaction with the social order, the findings are generally hopefully. In table 7 below, I have incorporated the findings of two separate surveys, and compared the results.

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302 Lim Suk-Jun (2000), p.43
303 Burstein and De Keijzer (1998), are among those who believe that the democratization of China is inevitable.
304 Joseph Fewsmit (2003), p.48
The first set of data records the findings of a survey, which posed the question: “How has your living standards changed over the past five years?” The second survey asked: “What is your degree of optimism regarding life in the future?” When juxtaposed, these surveys are quite revealing about popular opinion. In answer to the first question, an overwhelming majority claimed that their lives had improved somewhat, with only a small percentage believing that it had declined. The general consensus for the future paints an optimistic picture. Whilst most are cautious in believing that their standard of living would increase greatly, an increased number believed that it would increase somewhat. Further, less believed that they would experience no change, and pessimism of what the future held dropped by more than half. We can assume then, based on these recent surveys, that China’s domestic stability is under no major threat in the near future.

Table 7. Public opinion of living standards in the past five years and the future.

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<th>Changes in the past five years</th>
<th>Optimism for the future</th>
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<tr>
<td>Percent of people surveyed</td>
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<td>Increased</td>
<td>No Change</td>
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307 These surveys were part of the official social surveys carried out in 2003, involving a cross-section of society. However, caution should always be exercised in assessing Chinese official statistics.
8.8 Effect of Domestic Policy on Foreign Policy

China’s domestic policy and foreign policy has become increasingly blurred since it moved out of isolation. Beijing’s focus on national unity and territorial integrity has affected its response on various international issues, especially territorial disputes, human rights issues, and democracy. The government has shown that it puts domestic stability, national unity, and preservation of the regime above regional peace.308 Because of China’s historical experience, its strong pursuit of national unity underlies its belief that internal weakness invites external aggression, as the Chinese witnessed in Kosovo.309 Thus economic growth has become the central concern for the CCP. By raising the living standards of the people, the government hopes to consolidate its control and increase domestic stability, and so ensure the continued growth of national power. This policy has significantly shaped China’s foreign affairs. It has forced it to gradually liberalize its economy, and integrate itself into the international political arena. Its increasing need for domestic support is mirrored in its desire for international prestige and acceptance.

8.9 Perspective of Chinese Scholars

In assessing China’s internal characteristics, it is useful to assess the intellectual political rhetoric of Chinese scholars. Because they also suffer at the hands of CCP censorship, their work serves as a good indicator of official political thought. At an APEC conference in 1994, President Jiang Zemin stated, “Modern technology has narrowed the distance between regions. Many challenges facing mankind often transcend national borders. Many issues such as economic relations, trade exchanges, scientific and technological development, environmental protection, population control, drug bans, crime prevention, and prevention of nuclear proliferation are of a global and interdependent nature, and all of them require cooperation.”310 Spoken like a true liberal. But was Jiang just putting on a public face, and how far has the concept of Complex Interdependence permeated Chinese academia?

309 Morada (1999), P.18.
Yong Deng claims “the dominant thinking is still Realist…many of those who give attention to interdependence are concerned with how China can best seek interests while avoiding harm, without recognising any cost of interdependence that China should incur.”\textsuperscript{311} Yet there is scant literature on interdependence among Chinese scholars. Indeed, the official parlance of the government clearly defines China as an autonomous state, operating in a hostile world. What does seem irregular is the Chinese liberal intellectual argument for a multi-polar world whilst upholding that pluralism in domestic politics will promote instability and disorder, and that a ‘hegemonic’ government, i.e. the CCP, is the best political system for China.\textsuperscript{312} And so it appears that Chinese liberal thought is limited by its pursuit of national interests and the continuance of the CCP.

The Chinese scholar, Feng Tejum claims, “national interests are the most long-lasting, the most influential factor and the most basic motive of the state’s foreign behaviour.”\textsuperscript{313} Another leading Chinese scholar, Wang Jisi, also states, “The Chinese see international exchanges more in terms of the motives of interest and gains-losses thereof.”\textsuperscript{314} These statements clearly belie an academic leaning towards fundamental Realist principles. Moreover, the official Chinese line incorporates economic and technological issues with other hierarchical issues, pragmatically calculating possible gains and losses in formulating policies, to ensure the ultimate pursuit of national interests.

8.10 Analytical summary

Complex Interdependence asserts that foreign policy is not determined solely by the government of a country, but is shaped by internal domestic pressures. China has certainly displayed an increasing focus on welfare issues, and its desire to improve the living standards of its people. To this effect it has set economic growth as a top priority on its domestic and international agenda. Public opinion has become increasingly important to the CCP, demonstrated by the opinion polls collected for the “Blue Book for Chinese Society” and the issuance of a White Paper of human rights. Whilst economic

\begin{itemize}
  \item \textsuperscript{311} Yong Deng (1998), p.322
  \item \textsuperscript{312} Harding (2001), p.57
  \item \textsuperscript{313} Yong Deng (1998), p.313
  \item \textsuperscript{314} ibid. p.316
\end{itemize}
issues continue to remain a central policy concern, other factors are appearing on the domestic agenda such as health and environmental concerns. Under conditions of Complex Interdependence, we would also expect to witness close links between domestic and foreign policy: among other areas, we have witnessed this in the formulation of China’s economic policies.

But some requirements of the theory are not met. The role of the military in domestic politics, as well as international politics, remains an essential component of the CCP, as witnessed in Tiananmen Square and the ‘renegade province’ of Taiwan. Further, China’s domestic policies are not adhering to some of the tents of international law, like we would expect. This is predominantly demonstrated by the CCP’s refusal to adhere to the international doctrine of human rights. Complex Interdependence also assumes the inevitable spread of democratic political institutions. Whilst China has witnessed very limited political liberalization, it remains a steadfast communist state with no intention of accepting democratization.

A Realist interpretation of China’s internal characteristics can further undermine assumptions of Complex Interdependence. The CCP has clearly reacted to an anxiety about its political legitimacy by formulating a policy that raises the living standards of the people. Various threats to domestic stability threaten the continuation of the CCP, yet the consolidation of their political regime is the central concern of Chinese leaders – the need to protect their interests. Thus, economic growth has become both a domestic and an international issue, but is also part of a larger strategy of building a comprehensive national power. This policy has two Realist aims: firstly, to ensure national security, and secondly to legitimise the CCP’s continuing monopoly of political power. In achieving this, economic and military issues dominate the domestic and international political agendas, exhibiting a clear hierarchy of issues.

The non-political domestic pressures that the government faces, such as the population boom, urban-migration, ecological concerns, international crime, and so on, have pushed China towards the participation in regional and international organizations, but again it
seems patent that Chinese leaders are happy to use these institutions to safeguard China’s national security and increase its benefits.

The CCP continues to maintain a strong political control, only allowing ostensible political liberalization to promote system-maintaining behaviour. It actively encourages nationalism, clearly defining itself as a sovereign state, ensuring that a virulent sense of nationalism pervades all social and domestic norms. Like its foreign policy, its domestic policy is also state-centric. This statement is supported by the Chinese academic literature on international relations, which visibly presents a political perspective heavily coloured by Realist thought.

Finally, the CCP’s primary desire to continue its monopoly of political power significantly shapes its domestic and international policies. If it were to adopt liberal principles - encouraging foreign cultural influences, movement of people, the limitation of sovereignty, and the erosion of its nationalist sentiments - the CCP’s very existence would be greatly undermined, and opposing political voices would inevitably surface. One could make the assumption, therefore, that in order for the government to maintain its control, it is essential that it adopts a Realist stance in formulating its policies.
9. CONCLUSION

Since the ascension of Deng Xiaoping in 1978, Chinese foreign policy has undergone significant changes; China’s ensuing policy of economic liberalization and domestic modernization has opened it to the world, both economically and politically. Beijing has undertaken a distinct strategy of integration, but does this policy indicate China’s long-term desire for global integration into the existing political order as asserted by Complex Interdependence, or does it represent a Realist, tactical progression towards acquiring super-power status? During the course of the paper, four different indicators of Chinese foreign policy have been assessed and applied to the two theories in an attempt to answer this question. These findings must now be collated in order to determine the answer.

Characteristics of Complex Interdependence have been observed in each chapter. These have been most evident in Beijing’s policy of economic integration into the world economy and the gradual implementation of economic liberalization; China has built up complex economic ties, both regionally and internationally, most significantly forming the United States, regardless of its inherent suspicions towards the hegemon, which is descriptive of Keohane and Nye’s principle of ‘multiple channels’. This has created a stable international environment, ensuring the continuation of economic growth. Furthermore, the CCP has relinquished some of its political control over economic issues, and its involvement in multilateral economic organizations, particularly the WTO, has consequently resulted in its conformation to international norms, and system maintaining behaviour, signalling a gradual adherence to Keohane and Nye’s ‘international regimes’.

China has also made distinct changes in the formation of its regional and international relations, adopting a posture characteristic of Complex Interdependence. It has sought to build up regional ties, appeasing traditional foes, such as Japan, and pursuing an official strategy of peace, cooperation and stability. Beijing has sought collective security via regional organizations like the ARF, and international organizations such as the UN. Further, Beijing has adopted a more diplomatic role within the region, particularly in the
Korean Peninsular, ostensibly upholding regional stability and ‘peaceful coexistence’, thus supporting Keohane and Nye’s assumptions regarding regional security.

Characteristics of Complex Interdependence are also present in China’s national defence policies. Its modernization of the PLA is in keeping with the upgrading of other areas of infrastructure such as transport and communications. It has also witnessed a vast reduction of manpower, which will eventually see a cut of half a million personnel. Beijing has created military ties with over one hundred and forty countries, many of which are regional, furthering the perception of collective security. Perhaps most significantly, though, China’s foreign policy is shaped by its desire to nurture its relationship with the United States, regardless of its underlying suspicion towards the country. This is exactly what would be expected under conditions of Complex Interdependence: using complex economic and political ties, such as the mutually dependent Sino-U.S. relationship, to ensure peaceful relations, emphasising Keohane and Nye’s assertion that mutual dependence ensures peaceful relations, based on protecting economic interests.

China’s domestic policy is partly shaped by its desire for beneficent public opinion, as upheld by Complex Interdependence theory. The CCP has followed an official strategy since the 1980s that aims to improve the living standards of the people; to this effect, it has concentrated on economic growth to raise its GDP and average annual income. Beijing has also involved itself in multilateral talks over domestic issues such as ecological concerns, international crime, health issues such as AIDS, and so on. Thus Beijing has experienced an increased merging of the domestic and international spheres, and linkage of domestic policies to international affairs. Finally, China has allowed limited political liberalization in response to its economic liberalization. Though it has far to go, the introduction of grass roots democratic institutions might suggest that democratisation is gradually taking place, again supporting Keohane and Nye’s supposition that Complex Interdependence will inevitably result in economic and political liberalization, breaking down central political control, and eroding the boundaries of ‘the state’.
Yet whilst China’s foreign policy displays these characteristics of Complex Interdependence, they can be systematically undermined using Gilpin’s Realist interpretation. Furthermore, they fail to take into account other aspects of China’s foreign policy that are clearly Realist in nature.

Since 1978, Beijing has sought to build China’s comprehensive national power. The primary tool for achieving this has been through the accumulation of wealth. Thus, to achieve this China has had to reform its economic policy at the expense of its political ideology. Beijing’s only option has been to integrate partially into the world economy, which it has done with spectacular results, and is fast becoming one of the great economies of the world. Its economic policies have created an environment to allure FDI, and yet it has retained economic control through the reformation of SOEs and certain protectionist measures. Whilst China has had to conform to various international norms through its participation in multilateral organizations, membership of forums such as the WTO has ensured its presence on the international stage, and has increased the flow of money into the country. Further, they have allowed Beijing to assert internationally its own policies and pursue its own national interests. China’s policy of accumulating foreign exchange currency and U.S. treasury bonds has a distinctly Mercantilist essence, again contributing to and strengthening its national power base. Finally, economic issues dominate China’s political agenda, clearly demonstrating a hierarchy among issues – undermining one of the principal characteristics of Complex Interdependence. And so, China’s economic policy is evidently Realist in design: economic integration is limited as far as possible, whilst liberalization is a means to an end; China has no option but to play by the rules of the current international political order whilst it builds its national strength, using partial economic integration is a subtle and lucrative political manoeuvre, supporting Gilpin’s theory of cost/benefit calculations.

Beijing has generally displayed system maintaining behaviour in its approach to international and regional relations. Maintaining a peaceful environment is crucial in allowing China to pursue its strategy of building comprehensive national power, which
accounts for its movement towards collective security. This upholds Gilpin’s theory that a state will not change the system while the expected costs of such an action outweigh the expected benefits. And yet its involvement in regional organizations reveals that Beijing is visibly pursuing its own interests, showing unwillingness to address issues it does not want to discuss, such as conflict in the South China Sea in the ARF. Its participation in international multilateral organizations is essentially in order to bolster China’s international standing and prestige; its prized position on the UN Security Council provides Beijing with access to international political agenda setting, again permitting China to safeguard and pursue its national interests. And yet Beijing clearly prefers to foster bilateral relations over multilateral relations in forming its international relationships, undermining Keohane and Nye’s principle of complex multilateral ties, reinforcing China’s Realist state-centric perspective.

By maintaining the present political system, Beijing is following a strategy that is the most cost effective and beneficial to the welfare of China, in accordance with Gilpin’s principles, yet it has officially expressed that it favours a multipolar world in place of the present hegemonic system. Further, it has built up strong relations with countries traditionally hostile to the U.S., including Russia and North Korea. Beijing has also built up strategic ‘friendships’ with countries along its western borders, providing political support whilst it pursues its interests in the east. Thus China has only balanced against the U.S. in a hesitant and low-key manner. At this stage Beijing cannot afford to formulate blatantly aggressive policies, as the costs would surely outweigh the benefits, but it is gradually building up external ties that will eventually bolster a more contending stance.

Among the hierarchy of issues, China’s national defence continues to dominate its political agenda, alongside economic issues, thus exposing the Realist nature of Chinese foreign policy and undermining Keohane and Nye’s principal stating that the military will play a minor role on the political agenda. Beijing’s implementation of economic reform has paralleled its policy of military modernization; yet whilst it has drastically reduced the size of its standing army, it has greatly enhanced its capabilities through technology and weapon acquisitions. China’s defence budget has increased dramatically over the past
few years, noticeably outstripping economic growth statistics, which have remained fairly constant. Indeed, Beijing’s ‘active defence’ policy has become significantly more aggressive, particularly in the offensive nature of recent weapons’ purchases from Russia and its bellicose rhetoric towards Taiwan. This behaviour undermines China’s liberal rhetoric of peaceful coexistence, revealing its true Realist nature.

National security is the primary objective of Chinese military policy, and the PLA remains state-centric in vision. Its principal objective is the reunification of Chinese territory and the protection of its sovereignty – aspects that are evidently Realist in nature. Further, the PLA protects and pursues China’s national interests, encouraged by its involvement in the national economy, and has shown assertiveness in the disputed but lucrative Spratly Islands; this supports Gilpin’s theory that a state’s foreign policy is determined by cost/benefit calculations, thus the possession of Taiwan and oil enriched territory in the Spratly Islands are worthy of the costs incurred in claiming them. In sum, the central role of the military and national security, and China’s regionally aggressive posture, undermine the assumptions of Complex Interdependence, and support Gilpin’s supposition that foreign policy is determined by cost/benefit calculations.

Economic issues dominate China’s domestic policy. By raising the standard of living, the CCP hopes to achieve a more comprehensive power base, and so become a more powerful state. But its major objective is to legitimize its monopoly of political power in the face of an eroding ideology. Political liberalization has been extremely limited, and the government appears to have been fairly successful at bartering economic power for political power. China is far from undergoing democratisation - national unity remains top of the agenda, and China has successfully used multilateral organizations to address non-political areas of domestic instability, such as environmental concerns. Nationalism heavily colours domestic political discourse, promoted by the CCP’s overriding desire to retain power. To this effect, the government must essentially pursue a Realist policy; liberalization and complete integration would necessarily involve democratisation, whereas a strategy aimed at pursuing a super-power status would ensure the longevity of the government and the continued support of its citizens.
The principles of Gilpin’s Realist theory are clearly more descriptive of China’s foreign policy than Keohane and Nye’s Complex Interdependence theory, revealing the limitation of China’s economic and political ties, asserting a clear hierarchy of issues, and confirming the central role of the military. We can therefore assert that China is pursuing a tactical strategy to become a super-power. Having reached this conclusion, it is possible to make a tentative prediction as to the direction of China’s foreign policy in the coming decades. But it must be pointed out that these are only assumptions based on the theory, and that unfortunately history cannot be written in advance. However, China has remained politically stable since 1978, and it does not appear that it will undergo any profound political changes in the near future. The recent peaceful transition of power has further consolidated the country’s political structure.

The new leadership has presented a blueprint for China’s external strategy that continues its predecessors’ policies of creating peaceful external ties while concentrating efforts on building a comprehensive national power. According to Gilpin’s Realist theory, a state will maintain the political order if the perceived costs outweigh the perceived benefits. At present, China must maintain the system, following a policy of limited integration and acceptance of political norms, if it is able to acquire the national power required to change it. Indeed, any aggressive behaviour would inevitably incur devastating costs. But Gilpin asserts, “As the power of the state increases, it seeks to extend its territorial control, its political influence, and its domination/control of the economy.” We have already witnessed China pursuing this strategy. Analysts predict that by the middle of the century, China would have achieved its development objectives, and will maintain the largest economy in the world, coupled with a fully modernized military; at this point China may seek to change the international order if it is able to incur the costs of rising to super-power status.

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315 Yang Jiemian article
316 Gilpin, p.106
Yet China’s response to its increased power will, according to Gilpin, necessarily rest on the character of its society, and the relationship between public and private gain. We can therefore expect China to seize any opportunities firmly with both hands. It has long desired to regain its position as a leading world power, and rid itself of its victim complex. Further, the privatisation of its economy and economic involvement of powerful elites such as the PLA will greatly motivate its expansionist foreign policy. If the U.S. recognizes that Chinese growth is inevitable, then conflict may be avoided by U.S. acceptance of China as a super-power. Taiwan remains the area of greatest concern, and an issue that may result in military conflict between China and the U.S. if a diplomatic solution is not found.

But this fragile set of predictions is based on a China that continues on the same policy path as set out by the present CCP, and begun by Deng Xiaoping. China’s foreign policy has proved itself to be pragmatic in its calculations, yet it appears to have adhered to the long-term strategy originally set out by Deng: “Keep cool headed to observe, be composed to make reactions, hide our capabilities and bide our time.”

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