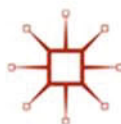


# CHINA'S FOREIGN POLICY

WHO MAKES IT, AND HOW IS IT MADE?

Edited by Gilbert Rozman



# **CHINA'S FOREIGN POLICY**

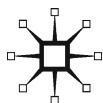
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Softcover reprint of the hardcover 1st edition 2012 978-1-137-34406-9

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First published 2012 by The Asan Institute for Policy Studies

First Published in the United States in 2013 by

PALGRAVE MACMILLAN®—a division of St. Martin's Press LLC,

175 Fifth Avenue, New York, NY 10010.

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ISBN 978-1-137-34409-0 ISBN 978-1-137-34407-6 (eBook)

DOI 10.1057/9781137344076

Library of Congress Cataloging-in-Publication Data is available from the Library of Congress.

A catalogue record of the book is available from the British Library.

First Palgrave Macmillan edition: September 2013

10 9 8 7 6 5 4 3 2 1

## EDITOR

### Gilbert Rozman

Gilbert Rozman is the Musgrave Professor of Sociology at Princeton University and a senior fellow at the Foreign Policy Research Institute. Professor Rozman is a member of the editorial boards of *China Quarterly*, *Asian Survey*, and the *Journal of East Asian Studies*. He served as the director of the EAS Program project on East Asian National Identities at the Princeton Institute for International and Regional Studies from 2008 to 2010. He is the editor of concentrates on national identities in China, Japan, Russia, and South Korea, and the bilateral trust and evolving relations in the region. He is the editor of *U.S. Leadership, History, and Bilateral Relations in Northeast Asia* (Cambridge, 2010), and is the author of *Chinese Strategic Thought toward Asia* (Palgrave, 2009). He received a B.A. from Carleton College and a Ph.D. from Princeton University.

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## PREFACE

2012 marks the 20th anniversary of the establishment of formal diplomatic relations between South Korea and China. The normalization of relations between the former Korean War enemies symbolized the end of the Cold War. It was the culmination of the ROK's *Nordpolitik* and the PRC's Reform and Open policy. Since then, South Korea-China relations have made tremendous strides. At the time of normalization, the bilateral trade volume was a mere US \$6 billion. In 2011, it surpassed the US \$200 billion mark. Prior to normalization, the bilateral relationship had been in a deep freeze ever since the PRC's foundation in 1949. By 2008, the bilateral relationship had been upgraded to a strategic cooperative partnership. By any measure, South Korea-China relationship has been a source of unprecedented economic prosperity and regional stability in Northeast Asia for the past 20 years.

At the same time, deepening bilateral relations, coinciding with the rapid expansion of both countries' national power, has inevitably created conflicts across a range of fields, from trade and security, to history and culture. In particular, Chinese reactions, or lack thereof, to North Korean provocations has deeply unsettled South Korean policy makers as well as the public. South Korea had long been working under the assumption that increased trade and human exchange would eventually bring China around to see things from South Korea's vantage point. Given the phenomenal growth in bilateral trade and the equally explosive growth in human exchange (e.g. 70,000 South Korean students currently study in China, while almost an equal number of Chinese students study in South Korea, making up the largest cohort of foreign

students in the respective host countries), all in the face of the ever erratic and provocative North Korean behavior, such “complacency” was perhaps understandable.

However, Chinese response in the wake of the sinking of the *Cheonan* and the Yeonpyeong Island shelling have shattered this view. Rather than condemning North Korean actions or using its influence to curtail further provocations, China wilfully ignored them while feigning neutrality between the two Koreas. It became clear to South Korea that, when it comes to the Korean peninsula, China intends to maintain its two-track approach: for economic ties, South Korea, but for strategic ties, North Korea. There would be no spill-over effect.

Since then, the South Korean government as well as the public began a serious review of the bilateral relationship as well as of the nature of China’s rise and its implication for South Korea, inter-Korean relations, and the region. The question, Who makes China’s foreign policy, and how is it made? has suddenly become critical. Given the opacity of China’s top foreign policy-decision making process, the question takes on added urgency.

Of course, South Korea is not the only country pondering this question. As China’s power and influence continues to grow at a breathtaking pace, foreign policy and security experts everywhere are also asking the same question. The Asan China Conference 2011 was organized to gather together some of the world’s leading experts on China’s foreign policy to provide answers.

I would like to take this opportunity to thank all the conference participants for the insightful and stimulating discussions. In particular, my gratitude goes to Professor Gil Rozman for taking on the arduous task of an editor. Ms Kim Jungjin flawlessly took care of the logistics from beginning to end. The publication department at Asan, led by Mr. Choi Booil, and assisted by Ms Park Joo-young, also deserve recognition for producing this handsome volume.

**Hahm Chaibong**

President, The Asan Institute for Policy Studies

Seoul, November 2012

## INTRODUCTION

**Gilbert Rozman**

In 2010, Chinese foreign policy seized the initiative in East Asian relations. As the United States made plans for withdrawal from Iraq in 2011 and proceeded with a build-up to be followed soon by a draw-down in Afghanistan, the two wars that had come to define the global arena in the 2000s lost their allure in the international spotlight. President Barack Obama made it clear that the US priority would be East Asia, broadly construed. In 2011, at the Honolulu APEC summit and the Bali East Asian Summit, he reaffirmed this “pivot.” His initiatives were met with suspicion in China. After all, in 2010 its less conciliatory policies had aroused anxiety throughout the region. Other countries, including the United States, were reacting to its aggressive moves and its refusal to condemn those of North Korea. With China’s leadership poised for renewal in 2012-13, observers were paying close attention to what this might mean for the stability of the region. It was becoming increasingly urgent to understand who makes Chinese foreign policy and how it is made, looking back and also looking forward.

The lessons drawn from 2010-11 gained added poignancy in December 2011 with the death of Kim Jong-Il, which aroused uncertainty about North Korea’s political stability and about China’s responses. In their acceptance of Kim Jong-Un as the successor to what China identified as a “socialist” regime, Chinese leaders were reinforcing the closer ties they had recently been cultivating with the North’s leadership. The transformation of Sino-North Korean relations is one step in China’s

vigorous foreign policy, which observers have been monitoring closely in the aftermath of developments in 2010.

The May 19-20, 2011 Asan Conference provided a venue to reassess foreign policy decision-making in China. Bringing together leading voices in this reassessment, the meeting elicited lively exchanges centered not on refuting rival interpretations but on jointly exploring leads that clarify the processes of China's foreign policy formulation that have yet to be adequately explained. The discussion, as the chapters in this book, proceeded from the general to the more specific level. It prioritized the joint search for answers to questions, not differences based on the nationality of the respondent, although there were occasions when some of the Chinese participants were presumed to have knowledge of aspects of recent developments that others at the conference were seeking to understand better. Updating the conference papers to cover the end of 2011, this book reflects the state of analysis on the eve of the important 2012-13 transition to China's fifth-generation leaders.

One question that laid the groundwork for others was why after thirty years of relatively successful foreign policy had China angered so many countries in the span of eighteen months from the second half of 2009. In the search for causality, various points of view were presented. At one extreme were arguments that the changing direction at the top set the overall course for growing belligerence. Some postulated the presence of a grand strategy. At the other extreme were assertions that the leaders lost control over developments in the face of strong interest groups, only belatedly trying to impose order. They pointed to the growing involvement of diverse actors with no suitable arrangements for timely coordination. A proliferation of actors raises the need for tight management, which is not being met. This was the consensus despite differences on the degree of top-down control.

A question concerning coordination was why China has not established a national security council. The absence of such an organization points to the importance of personal ties rather than institutions and the reluctance of retiring leaders, who retain an interest in shaping policy, to see an organization limit their influence. Consideration went to the role of the People's Liberation Army (PLA) in opposing institutional changes

that could undercut its influence. Divided leadership responsibilities are not easy to reverse. This is growing more serious as authority has become more fractured and the view that China should more actively defend its interests has become prevalent. Those who want to see China respected on the international stage are losing ground to powerful interest groups and need a new mechanism.

A linkage was drawn between the weakness of leadership and the need to show toughness on the sort of sensitive issues that arose in 2010. Participants questioned to what degree the influence of the top leader has declined as well as how much further this is likely to proceed when Xi Jinping likely succeeds Hu Jintao. Is this transformation so far-reaching that the top-down model is fading in China? Others did not accept the premise even if a single leader is no longer as powerful, citing evidence of leadership debates and decisions that set the course for new directions in foreign policy at critical moments. One concern is compartmentalization, favoring certain research institutes over others. The absence of horizontal communications or shared information favors certain influential organizations, driving policy on critical issues in a more hard-line direction, as seen in the decisions made in 2010.

Examination of recent turning points in Chinese foreign policy—from its growing challenges to the United States and its allies in the second half of 2009 to its shift toward increased accommodation at the end of 2010—elicited many ideas about how and why decisions were taken. While some Chinese speakers suggested that China was largely reacting to problems caused mainly by the United States, a majority of commentators pointed to growing confidence in China's international standing as decisive, whether or not it was accompanied by deepening insecurity about domestic problems. This was often cited in Chinese writings explaining why more aggressive responses are needed to “provocations.”

One theme was the extent to which the changing narrative found in Chinese publications provides a clear picture of the subsequent direction of foreign policy and serves as a precursor to policy changes. This requires assessments of how solid is the mainstream narrative as opposed to clashing opinions, especially during the high tide of foreign policy activism in 2010. When alternative viewpoints gained ground in 2011,

they raised doubts about the extent of China's power or the timing of its ability to challenge the United States, but presenters were not convinced that they seriously challenged the premises of the narrative established in 2010. An alternative narrative called for patience without redressing the demonization of rivals led by the United States or arrogant claims.

Sino-US relations inevitably became the subject of many exchanges. Neither American nor Chinese participants were of one accord. While there was unavoidable attention to the sequence of mutual responses, the conference often turned to the question of the organizations inside China reacting to the United States and their reasoning in steering bilateral relations in 2009-11. One focus was comparisons of Chinese think tanks and their varied access to the inner circle of leadership. If in the past think tanks played a critical role in China's embrace of multilateralism and its enthusiasm over soft power, the hierarchy of access and power of informal channels proved to favor moves that undermined more than a decade of progress in managing international relations.

In one panel, questions about policy-making focused on China's success in short-term crisis management in 2008-10 at the expense of making tough decisions that would prevent the further build-up of an economic bubble. While leaders concluded from China's immediate success that their system is superior to capitalism, they also faced warnings that in the name of harmony they were not addressing serious problems. As inflation has risen, the political debate on rebalancing economic development has intensified, but so far there is no indication of how policy-making will succeed.

Another panel explored the meaning of multilateralism in China, concluding that sovereignty is so privileged that little room is left for genuine multilateralism. The recent case of North Korea casts a dark shadow on how China has reacted even as it damaged prospects for a rump group of five states to cooperate within the six-party framework. The bulk of the discussion was about maritime issues and their significance for China's cooperation with ASEAN. Attention turned to the Shanghai Cooperation Organization as well. A persistent theme was how China strives to weaken the United States, for example, limiting its ships in China's Exclusive Economic Zone and its bases in Central Asia.

International regimes, such as the United Nations Convention on the Law of the Sea, are interpreted in this light.

Discussions brought out various facets of the reasoning behind policy changes. Sorting through the pros and cons of various explanations stimulated many informed exchanges. Diverse opinions focused on specific organizations and their changing influence. Given the importance of the North Korean issue in China's foreign policy and the fact that the conference took place in Seoul, it was no surprise that the discussion kept returning to the determinants of China's policy toward the Korean Peninsula. Given what foreigners had learned over the past decade, China's shift on North Korea aroused special interest in better understanding who shapes foreign policy and based on what reasoning. As opposed to the Foreign Ministry, the International Liaison Department and PLA drew scrutiny.

The most attention to Chinese Internet voices and their opinions centered on views of the two Koreas. There was interest in what accounts for friendlier attitudes toward North Korea than South Korea as well as the determinants of widespread critical views of the South, even to the degree of mocking it. This was discussed separately from the coverage of China's 2009 debate over North Korea's bellicose turn and how China should respond to calls in the United States and South Korea for more cooperation. The fact that sources have been demonizing South Korea without blaming North Korea for its violent conduct and threatening rhetoric prompted intense consideration of China's motives.

Policy-making toward North Korea was the subject of close scrutiny. This involved analyzing the divergent views of various types of Chinese strategists and considering how different interest groups, notably the PLA, responded to the evolving situation in 2009-10. The significance of Hu Jintao's agreement in January 2011 to joint language with Barack Obama also was of persistent interest. As the conference proceeded, news spread of Kim Jong-Il's third trip to China in the span of one year, a further impetus to try to understand how China's North Korean policy is evolving. At the time that the editing of this volume was being completed on February 29, 2012, a US-North Korean agreement was announced for a freeze on uranium enrichment in Yongbyon

and on nuclear and long-range missile tests in return for food assistance targeted at children. Hopes rose for a resumption of the Six-Party Talks, but the chances for denuclearization (or serious Chinese support to that effect) seemed slim. In March, the North's announcement of a "satellite launch" in April already scuttled the agreement. Although Taiwan was not a central focus of the conference, some linkages were drawn between China's 2009 shift on Korea and its strategy toward Taiwan, raising the possibility that both hot spots could produce confrontations.

Overall, the value of the Asan Conference can be attributed to at least five factors. First, the topic was unusually timely, having already become the subject of up-to-date research by various scholars. Second, in their papers and panel discussions the participants followed the instructions closely, making possible a cohesive, sustained conversation and also a productive division of labor. Third, the participants proved to be attentive listeners, sticking carefully to the schedule without belaboring their own viewpoints and responding precisely to the key or controversial arguments raised by others. Fourth, a promising mix was found of persons with policy-making experience who have returned to academia or think tanks and academics deeply attuned to the policy-making process. Finally, the conference was conducted on a high professional level, navigating the often difficult road of a joint, objective search for knowledge and insight rather than straying onto tempting tangential paths of making sure that one's own interpretations gain an edge over others. It may have helped that Seoul is on the frontline of the competition between Beijing and Washington and in the crosshairs of Pyongyang, adding gravity to awareness of the serious stakes involved.

As useful as the conference was, there is no hiding the unsatisfied quest for more definitive information about the views of China's leaders and how they have evolved. The challenge continues to gather more information and deepen our insight into the inner workings of China's decision-making process. This is especially important at a time of leadership transition. Much of the discussion sought to anticipate factors that will shape that transition in China, and there should be no let-up in this pursuit. The great uncertainty about North Korea's political transition leads back to China as well.



The chapters in this book are organized into five parts. The first part centers on the problem of coordination in Chinese foreign policy and the prospects for it under the fifth generation of leadership about to assume power. It identifies challenges in managing foreign policy as well as the chances for changes by the new leadership. Through the general sweep of coverage in Part I, one gains a sense of the increasing difficulty in China of setting a cohesive policy course and sticking to it.

In Part II, two overlapping chapters treat Chinese think tanks, exploring the degree to which these organizations have influence and the differences between what are labeled the inner and outer circles. They address the challenge of reaching beyond top decision-makers for inputs on ways to run foreign policy more effectively while also keeping firm control over the debates. As China's policies in 2010 seemingly marginalized soft power concerns and the views of many leading academics, the issue of whether think tanks are being taken seriously and which ones really matter drew more scrutiny.

Two chapters also comprise Part III, which is devoted to the impact of national identity or nationalism on Chinese foreign policy. In one chapter the idea is raised that changes in the discourse on national identity are a precursor to shifts in policy, as seen in developments in 2010. The second chapter deals with the interaction between China and the United States, treating Chinese nationalism as a force that can be aroused but also can be calmed by the changing US treatment of China.

Part IV shifts the focus to economics. It covers financial and monetary issues as they impact foreign policy decisions. In addition to assessing how policies are evolving, the authors point to the forces that stand in the way of reforms, which are growing more urgent. As part of the overall focus on decision-making, these chapters consider what it may take for China to make a sharp adjustment.

Finally, Part V of the book presents three chapters dealing with Chinese foreign policy toward the Korean Peninsula. They discuss how Chinese policy is made, look separately at South and North Korean policy, and explore the opinions of Chinese netizens, drawing on survey research. Breaking new ground in assessing the negative attitudes toward South Korea and delving into critical changes in policy, these chapters

narrow the focus from the broad issues raised in the first parts of the book.

One central theme addressed by many of the chapters is to what extent does China's foreign policy follow a calculated strategy set at the top. The triggers for assertive behavior may often not be anticipated, as when North Korea launches an attack or a Chinese boat rams a Japanese coast guard vessel, but the character of the government's policy response and rhetoric framing the issue depends on the established direction toward the United States, its regional allies, and East Asian regionalism. Some contributors highlight fragmentation of policy guidance and decision-making. Others point to the growing influence of the Internet, raising voices from below. Yet, various contributors emphasize a counterweight to these contending forces in the overall direction set by the leaders and the national identity narrative framed by the Central Propaganda Department. The chapters below present various contrasting perspectives on the theme of coordination and coherence in foreign policy-making. Rather than definitive answers to penetrate behind China's "bamboo curtain," they offer peeks at a concealed environment where some of the most important decisions in international affairs are being made.

**CHAPTER 1 Thomas J. Christensen**

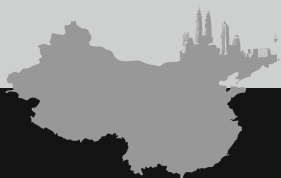
More Actors, Less Coordination?  
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**CHAPTER 3 Shin Jung-seung**

Another Take on Prospects for the Foreign Policy  
of the Chinese Fifth-Generation Leadership



PART 1

# CHINA'S LEADERSHIP AND FOREIGN POLICY

CHAPTER  
01

**MORE ACTORS, LESS COORDINATION?  
NEW CHALLENGES  
FOR THE LEADERS OF A RISING CHINA**



Thomas J. Christensen



**Thomas J. Christensen** is the William P. Boswell Professor of World Politics of Peace and War and the co-director of the China and the World Program at Princeton University. Professor Christensen is also a part-time consultant at the Secretary's Policy Planning Staff of the US State Department. He served as the Deputy Assistant Secretary of State for East Asian and Pacific Affairs from 2006 to 2008. His research focuses on international relations, international security, China's foreign relations, and international relations of East Asia. His recent publications include, "The Advantages of an Assertive China: Responding to Beijing's Abrasive Diplomacy" (*Foreign Affairs*, March/April 2011), and *Worse than a Monolith: Alliance Politics and Problems for Coercive Diplomacy in Asia* (Princeton University Press, 2011). He received his B.A. from Haverford College, M.A. in international relations from the University of Pennsylvania, and Ph.D. in political science from Columbia University.

There is a large difference between the way that many pundits and journalists outside of China analyze China's recent trends in foreign policy and the way that many of China's own experts discuss the same phenomena. In American and European newspapers, one often sees references to a new and assertive Chinese grand strategy that reflects the rise of China and the decline of the United States, especially since the financial crisis began in 2008. The implication is that a new Chinese strategy emerged as a rationally calculated response to China's increased power and influence.

This journalistic instinct is perhaps understandable. After all, China has enjoyed highly favorable economic performance since 2008 in comparison with almost all of the world's large economies; its military power has continued to increase at a fast pace, with growth in defense budgets outstripping a very impressive rate of economic growth since the 1990s; and China's financial resources and markets are all the more important to the other great powers as they struggle to finance stimulus packages after the financial crisis. Moreover, in 2010, China found itself in diplomatic rows with most, if not all, of its neighbors. Reference to a new, assertive Chinese strategy seems a natural way to connect the dots between the perceived power shift and the increased mistrust between China and its neighbors.

Many knowledgeable Chinese experts, however, reject this picture and the logic that underpins it. The arguments recently published by Dean Wang Jisi of Peking University are consistent with the viewpoints expressed in my own conversations with several Chinese experts in 2010-2011.<sup>1</sup> The problem as they see it is that China needs something akin to a grand strategy but currently lacks one. These domestic critics of China's current approach to foreign policy believe that China's foreign policy is too often unguided and uncoordinated at the top, and that views and positions are expressed publicly and privately by too many disparate voices. Moreover, Chinese experts suggest that China's top leaders often feel constrained by the heated domestic political environment created by voices of strident nationalism on the Internet and in China's growing print and electronic media. They note that uniformed military officers

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<sup>1</sup> Wang Jisi, "China's Search for a Grand Strategy," *Foreign Affairs* 90, no. 2 (March/April 2011): 68-79.

and government think tank analysts have sometimes contributed to that heated media environment in the past year or two. As a result, when Beijing elites react to international events, many of which were not of their own creation, they often feel compelled to do so in an overly abrasive and counterproductive fashion. Domestic critics argue that Beijing is thereby unable to focus China's growing influence in a way that will improve China's image abroad, reduce concerns abroad about the rise of China, and promote China's national interests.

### **Does Lack of Coordination and Domestic Focus Preclude a New Grand Strategy?**

There is little doubt that China's regional and global power has grown, not just in the past few years but for the past two decades. But Beijing's foreign policy system seems relatively poorly structured to manage the complex challenges created by China's newfound influence, let alone smoothly craft a new grand strategy based on China's enhanced global position. In an excellent paper, Linda Jakobson and Dean Knox report that more voices affect China's foreign policy than ever before, particularly in areas that involve diplomacy with states in which China has a growing economic interest.<sup>2</sup> Similarly, in *The Dragon's Gift*, Deborah Brautigam describes how a plethora of Chinese government entities are involved in China's economic relations with Africa and states that it seems hard to discern who, if anyone in Beijing, is designing a "grand strategy" toward China's aid, investment, and trade with the developing world.<sup>3</sup> In the security realm there are various important players from the People's Liberation Army (PLA) and other security bureaus to the Foreign Ministry to the Chinese Communist Party's International Liaison Department.

Pluralism among actors in foreign policy is hardly a vice in and of itself, but it is if a government lacks sufficiently robust institutions to manage internal differences and coordinate the nation's overall strategy.

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<sup>2</sup> Linda Jakobson and Dean Knox, *New Foreign Policy Actors in China*, SIPRI Policy Paper No. 26, September 2010.

<sup>3</sup> Deborah Brautigam, *The Dragon's Gift: The Real Story of China in Africa* (Oxford University Press, 2009).



It is not at all clear whether or not China's policy on any given issue at any given time reflects a clearly considered interagency consensus on what China should do and how it should be done. China lacks an interagency process like that of the United States, atop of which sits the National Security Council. At least on the books, China does have an interagency coordination mechanism designed to bring in the voices of leaders of the military and civilian agencies—the Foreign Affairs Leading Small Group—but it is not at all clear that this group has met often if at all in recent years, so it may not play the interagency coordination role that many Chinese and foreigners alike believe is so sorely needed in China.<sup>4</sup> The most important security policies, as in other realms of policy, are likely decided by the nine-member Politburo Standing Committee or the Central Military Commission. The former group has limited international experience of any sort and the latter has no experience in diplomacy, international economics, etc.

Compounding the problem is the institutional weakness in the Chinese political system of actors with the richest international experience. The Chinese decision-making process is famously opaque, but Chinese interlocutors routinely discuss the domestic political weakness of the foreign affairs system (*xitong*). No foreign policy expert, not even State Councilor Dai Bingguo, is a member of the CCP's Politburo, which includes officials in charge of the economy, the military, and domestic security. So China's foreign affairs leaders are thereby institutionally two steps removed from the Politburo Standing Committee (although, of course, personal connections at the top of the party can allow for great influence for individuals in the system in their advisory capacity if they can get the ear of institutionally more powerful actors). Chinese interlocutors also note the lack of systematic coordination between the Foreign Ministry and the military (the PLA) and organizations involved directly in China's foreign economic relations (such as the Ministry of Commerce, the National Development and Reform Commission, the

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<sup>4</sup> My Chinese interlocutors suggest that the group has not played a very important role in recent years. For a public report by a leading American China expert that suggests the group may not even have met at all in the past two years, see Susan Lawrence, "Testimony Before the US-China Economic and Security Review Commission Hearing on 'China's Foreign Policy: Challenges and Players,'" April 13, 2011.

Ministry of Finance, etc.). As China's international interactions grow in complexity and China faces more challenges and potential crises as it projects more economic and military influence abroad, it is unclear whether this system as currently constructed will allow for smooth and effective management of China's foreign relations.

### **An Issue of Poor Coordination and Oversight, Not a Problem of Civilian Control**

Noting events like the unannounced anti-satellite test of January 2007 or the J-20 test flight during Secretary of Defense Gates's January 2010 visit, foreign observers sometimes wonder aloud about whether China's civilian leadership controls the PLA or whether the military might have become a "rogue element" in the reform era. Most experts on Chinese politics, however, have little doubt about who is in charge in Chinese politics. The party is a highly disciplined and hierarchical organization to which the military is a fully subordinate part and the top civilian leader, President Hu Jintao, sits atop both civilian and military systems. So, it would be a mistake to judge the military or any other agencies of the party or state as being independently capable of making policy decisions against the expressed wishes of the top leadership. But China's foreign economic, diplomatic, and military relationships are exponentially more complex and diversified than they were two decades ago, so, by necessity, the largely domestically oriented top party leaders need to delegate management of many issues to those state agencies. Even policies that are reviewed and approved at the very top require delegation to experts at lower levels for implementation. Challenges can arise in the process of translating general orders into concrete policy practices. Along the same lines, top leaders rely on intelligence about international relations from experts at lower levels of authority in the system before making key decisions.

These phenomena exist in all countries, but the problems created by them may be exacerbated in the Chinese case by several factors: the lack of regularized interagency coordination, including communication and coordination between military and civilian agencies; the limited international expertise and military expertise of many of China's top leaders; the

relative political weakness of those with the most foreign experience; and the fundamentally new challenges that China faces as its power expands in new ways to new parts of the world. In Asia those challenges include conflict management over fisheries and energy development in disputed maritime areas. Globally they include balancing China's overall foreign policy objectives with the activities of Chinese economic interests in the developing world, including the potential need for evacuation of large numbers of Chinese nationals from unstable distant locales in which China has significant economic activity. Most recently, that problem arose during the civil war in Libya.

China is not only a relatively new player in the maritime arena, the party's top leadership lacks officers with significant naval experience at the highest echelons of the party (with the sole exception of naval representation on the Central Military Commission). Moreover, to manage and implement maritime policy China relies on several different maritime agencies (including but not limited to the PLA Navy, Coast Guard, State Oceanographic Association, Fisheries Administration, and General Customs Administration). This complexity in combination with potential slippage between civilians and security agencies might prove to be a destabilizing influence that can increase the likelihood of international disputes and crises and make them harder to manage once they start.

### **Why Lack of Coordination and Domestic Focus Is a Potential Problem**

If this impression of a lack of persistent coordination is correct, then foreign countries interacting with China may face a different set of problems than would be posed by a unified and assertive new Chinese grand strategy. While not as worrisome as a powerful, highly coordinated, and aggressive China, a poorly coordinated China or one obsessed with domestic political stability can pose big challenges of its own. If the history of rising powers like the United States, Germany, or Japan, is taken as a guide, new frictions, challenges, and accidents will come in the normal course of events as China's influence moves farther away from home. None of this tension needs to be intended by Beijing. The key question is: how wisely and smoothly will Beijing handle those new challenges? For China to successfully reassure its neighbors and other great powers

during its rise, it will need well-informed, well-crafted, and well-implemented policy decisions based on China's international economic and security interests. Otherwise, Beijing can unintentionally send signals of hostile intent and crises can become harder to manage and contain.

The problems related to weak policy coordination can be exacerbated by the top leadership's concerns about maintenance of domestic stability (*weiwen*). Those concerns themselves can be exacerbated by rising popular and elite nationalist expectations for both China's performance on the international stage and the deference with which foreigners should treat China given its newfound power. These domestic concerns, compounded by those popular expectations, could conceivably render Beijing less able or willing (or both) to respond in a constructive fashion to the normal frictions and challenges that great powers face on the international stage.

The top party leadership still ultimately makes the important decisions, and it is highly doubtful that when those top leaders pay attention to foreign policy or security issues, any sub-national actor can hijack China's foreign policy. But there does seem to be a growing number of actors who can influence the decisions made at the top in Beijing and how those decisions are implemented. My Chinese interlocutors argue that these new actors not only have ways to influence China's foreign relations directly through their dealings abroad and through their inputs into the party's decision-making processes at home, but also can help shape the domestic political environment related to foreign policy by promoting certain arguments about international affairs in the media and on the Internet. Arguments about energy security, alleged US containment strategies toward China, the need for retaliation against the United States for arms sales to Taiwan, and the threat posed by exercises by the United States and its allies all create a political environment in China that top leaders reportedly must consider when they decide on policies on important issues like US-China security cooperation, relations with both halves of the Korean Peninsula, and the development of deeper economic ties with pariah states such as Burma.

For example, the concept of the "Malacca Dilemma"—China's alleged vulnerability to a blockade of energy transportation at sea from the

Middle East and Africa through the Malacca Strait—has been attributed to President Hu Jintao in both Chinese and foreign media outlets.<sup>5</sup> But one Chinese expert with whom I spoke insisted that President Hu never used the term and that, instead, the idea has been propagated by lower-level Chinese officials who would benefit from policies designed to counter that “dilemma.” The expert argued that not just the PLA Navy but also Chinese energy and construction companies and local officials in the southwest provinces all benefit from such arguments about energy security because they get bigger budgets or subsidies for expensive projects. One such project is a pipeline through Burma, designed to ship fossil fuels directly from the Indian Ocean to China without transiting the Strait of Malacca. Such a project is an expensive proposition and would be next to impossible to sell internally on economic grounds alone; but the expense of the project might seem more palatable in the Chinese system when it seems designed to help ameliorate a high-profile security challenge.

Along the same lines, after the Obama administration decided to notify Congress regarding the sale of a large arms package to Taiwan, active-duty Chinese military officers published articles calling for sanctions and a reduction of cooperation with the United States.<sup>6</sup> Such articles create a more heated political environment in which civilian leaders, including the leadership of the Foreign Ministry, have to operate. It is difficult to know exactly how big of an impact the articles had on actual policies, and concrete measures taken against the United States were neither dramatic nor numerous. But one can only imagine that, at a minimum, the environment made it more difficult for civilian advisors within the Chinese system to advocate increased cooperation with the United States in 2010.

As early as 1993–1994, I heard the Foreign Ministry accused of be-

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5 For a discussion of the roots of the alleged “Malacca Dilemma,” see Ian Storey, “China’s ‘Malacca Dilemma,’” *China Brief*, May 17, 2006, Association for Asian Research, <http://www.asianresearch.org/articles/2873.html>.

6 Major General Luo Yuan and a few of his colleagues called for economic, military, and diplomatic retaliation against the United States. See Chris Buckley, “China PLA Officers Urge Economic Punches Against US,” *Reuters* February 9, 2010, and Rowan Callick, “China Goes Ballistic Over Taiwan Arms Sale,” *The Australian*, February 2, 2010.

ing too soft toward foreigners, particularly on sovereignty issues. It was in those years that I first heard the Foreign Ministry (Waijiao Bu) acidly referred to by uniformed military officers as the Ministry of Traitors or the Ministry of Compradores (Maiguo Bu). Such a backdrop makes one wonder what role interagency rivalry and the bureaucratic concern for protecting the Foreign Ministry's reputation as a resolute defender of China's sovereignty and national pride might have played in some of the diplomatic tensions between China and its neighbors in 2010.

Perhaps the best example of the constraints under which the Foreign Ministry must operate comes from early summer 2010. Following the completion of the international investigation on the sinking of the South Korean corvette, the *Cheonan*, by a North Korean submarine earlier in the year, press reports revealed in June that Washington and Seoul were planning extensive naval exercises off the Korean Peninsula in the coming months. The initial reaction to these reports by the Ministry of Foreign Affairs in late June was relatively moderate, simply expressing concern about any actions that might increase tensions in the region. In subsequent days, the Chinese military sent a stronger signal about the proposed exercises, with Deputy Chief of Staff General Ma Xiaotian warning that naval activities in waters close to China can pose a threat to China's national security. Following these tougher statements by a top military officer, the Foreign Ministry's criticisms of the exercises also became more strident in early July and the Foreign Ministry's spokesperson warned the United States not to send navy ships to waters near China in the Yellow Sea. The Foreign Ministry's statements may have helped the ministry's reputation in the interagency process in China, but especially given China's previous silence and agnostic attitude toward the actual sinking of the *Cheonan*, the tough Chinese diplomatic posture toward US-ROK exercises led to very negative reactions in South Korea, the United States, and other allied countries such as Japan.<sup>7</sup>

If public reports are accurate, Foreign Minister Yang Jiechi was rankled by Secretary Clinton's proactive diplomacy toward the management of sovereignty disputes in the South China Sea at the July ASEAN

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7 For detailed coverage of this evolution, see Michael D. Swaine and M. Taylor Fravel, "China's Assertive Behavior—Part Two: The Maritime Periphery," *China Leadership Monitor*, no. 35 (Summer 2011), 1-29.



Hahn Chaibong, Robert S. Ross, Linda Jakobson, Chung Jae Ho, and Shen Dingli

Regional Forum (ARF) meeting in Hanoi, Vietnam. There, she called for peaceful settlement of differences, freedom of navigation, a legal basis for all claims rooted in customary international law, and multilateral confidence-building measures. China is the most powerful claimant and the only one (aside from Taiwan) to claim all of the islands. Beijing's expansive claims are also ambiguous, relying on maps that predate the PRC, and Chinese analysts sometimes use vague terms such as "historic waters" that find no foundation in international law. So, even though the United States maintains its traditional neutrality on maritime sovereignty disputes and China was not named explicitly in Secretary Clinton's comments, the US initiative was warmly received in Southeast Asia, but, of course, was unwelcome in Beijing. The Foreign Ministry's tough diplomatic reaction toward its Southeast Asian neighbors at the conference sparked tension between China and relevant ASEAN states and with Japan, another non-disputant concerned with freedom of navigation and regional security. The tough posture might have helped the image of the ministry inside the Chinese Communist Party, however.

When, in September 2010, a Chinese fishing boat collided with a

Japanese coast guard ship near the disputed Senkaku/Diaoyudao Islands and Japan arrested the captain for violating domestic Japanese law, a negative Chinese reaction was predictable. But the Chinese government addressed the issue in a public and coercive manner by apparently temporarily cutting off rare-earth shipments to Japan as a punitive measure, and, perhaps most important, demanding through the Foreign Ministry an official apology and reparations even after the Japanese acceded to Chinese demands and released the crew and the captain. As with warnings about exercises, this rather undiplomatic approach may have impressed domestic audiences in China, but it deeply alienated the Japanese public, which, according to polls, held very negative views of China in the ensuing weeks and months.

### **Reactive or Assertive?**

Although they are routinely treated this way in media circles outside of China, it should not be assumed that these tough positions in 2010 toward the United States and China's neighbors represent a new and assertive grand strategy. There is no convincing evidence that China was the initiator of any of these events. So, in a basic sense, China appears more reactive than assertive in these instances. No one who is knowledgeable and reasonable suspects that China somehow supported the North Korean sinking of the *Cheonan* or the shelling of Yeonpyeong Island or that China somehow encouraged Pyongyang's clear violations of its earlier nuclear agreements. But Beijing's refusal to criticize North Korea or allow the UN to do so explicitly, combined with its abrasive warnings to the United States and South Korea about its reactions to the North Korean provocations were quite significant for China's diplomacy and suggested to many outside observers that Chinese foreign policy might be changing course. Similarly, it would take a bit of a conspiracy theory to imagine that Beijing arranged for the collisions between the Chinese fishing boat and the Japanese coast guard ship that led to the Chinese captain's detention. But China's reactions worried Japan and others about China's future use of economic power as leverage and its future posture toward its many sovereignty disputes.

The South China Sea is a bit more complex, because China has



been flexing its muscles a bit more than in the past few years in asserting its long-held sovereignty claims in the region, sparking concern in Southeast Asian capitals. But at the ARF in Hanoi, at least, it seems that the United States had the initiative, in the form of Secretary Clinton's creative new proposal to have Washington facilitate multilateral confidence-building among the disputants. China then was reacting to that initiative in a traditional, albeit abrasive, fashion, emphasizing sovereignty and the need for China to manage the disputes bilaterally, rather than multilaterally, and without input from parties that are not directly involved in the disputes (e.g., the United States and Japan).

Rather than a new assertive strategy, China's tougher foreign policy stance seems more like a conservative and somewhat abrasive implementation of an old one. Similarly, several Chinese interlocutors point out that while China may seem more assertive in backing its claims to the islands and surrounding waters and seabed, it seems quite possible that Beijing is still reacting to new economic activities in disputed waters that were launched by actors like Vietnam and the Philippines. Those challenges then force the Chinese to choose between acquiescence and assertiveness.

### **Conclusion:**

#### **How to Address the Challenge of a Reactive and Uncoordinated China**

In the lead up to President Hu's January 2011 visit to the United States, it seems that China's foreign policy took a more positive and constructive tone. Public reports suggest that China played a moderating role in North Korea, helping prevent Pyongyang from carrying through on threats of severe military retaliation against the South in response to the latter's artillery exercises in December. In December 2010, there was also a reassuring high-level foreign policy essay by Dai Bingguo suggesting that China's foreign policy priorities had not changed, the PRC was not trying to replace the United States as a global leader, and Beijing still needed to focus on domestic development.<sup>8</sup> Subsequent articles published by the influential scholar Wang Jisi in 2011 also adopt a moderate

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<sup>8</sup> For press coverage of Dai's 9,000-word essay, see Michael Moore, "China Will Not Replace the United States as the World's Main Superpower," *Daily Telegraph*, December 8, 2010.

tone about China's role in the region and the world and seem designed to correct the impressions abroad that China has adopted a new and aggressive grand strategy.<sup>9</sup> China made some limited efforts to reach out more proactively to reassure Southeast Asian states that it does not want to settle sovereignty disputes by force. It also seized the sad opportunity of the Japanese earthquake and tsunami to improve China's image in Japan. Subsequently, Beijing called on North Korea to hold talks with the South as a precursor to renewed Six-Party Talks, thus aligning China's position more closely with the other members of the Six-Party Talks than it was in 2010.

The tactical foreign policy adjustment of late 2010 lasted throughout 2011 and early 2012. The positive atmospherics surrounding the 2011 Strategic and Economic Dialogue in Washington suggested a much better tenor for US-PRC relations than was evident in 2010 as did the apparently successful visit of VP and heir apparent Xi Jinping to Washington, Iowa, and California in February 2012. While there were certainly bumps in the road for China's relations with the United States and others, Beijing has avoided a repeat of the catastrophically destructive diplomacy of 2010. Beijing's reactions to everything from US arms sales to Taiwan in 2011 to a Japanese proposal to name small islands in the disputed Senkaku/Diaoyudao island groups were predictably negative, but, arguably, not as strident or as damaging to China's foreign policy portfolio as the PRC's reactions to similar events in 2010. While Beijing frustrated the international community by joining Russia in a veto of a proposed UN Security Council resolution condemning Syria, it seems to have been relatively restrained in its relations with Iran as the international community increases its economic pressure on that country for its apparent pursuit of a nuclear weapons capability. Of course, the United States, the Europeans and many others would like to see a much more proactive stance by China in pressuring Iran, North Korea, and Syria. Although observers do not know for sure, the adjustment in late 2010 may have occurred because top leaders in Beijing thought China was paying too high of a price for the more abrasive

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<sup>9</sup> See Wang Jisi, "Zhongguo de guoji dingwei yu 'taoguang yanghui yousuo zuowei' de zhanlue sixiang," *Guoji wenti yanjiu*, February 2010: 4-9; "China's Search for a Grand Strategy," 68-79.

policies it had adopted earlier in that year. The policy process is famously non-transparent, but it seems plausible that greater attention is being paid at the top of the party structure to the management of China's foreign relations, including the messaging being sent by China's government to the international community. The year 2010 was remarkable in China's diplomatic history because Beijing undercut the fruits of over a decade of successful diplomacy toward the region. From the late 1990s until 2009, Beijing had successfully reassured its neighbors and reduced the normal mistrust that accompanies the rise of a great power. But in 2010, Beijing reacted harshly to long-held US policies such as Taiwan arms sales, the President's visit with the Dalai Lama, and demands for freedom of expression in China following the Google Affair; refused to criticize or sanction North Korea for its provocations, instead warning the United States and South Korea about overreacting; and responded harshly to Secretary Clinton's ARF statement.

Beijing's elites must have noticed the cost of China's diplomatic setbacks. These setbacks were not just in the negative polls regarding China in countries around China's periphery but in the military and diplomatic responses of the United States and China's neighbors. These included the aforementioned US-ROK exercises; trilateral security consultations involving Seoul, Tokyo, and Washington; and Secretary Clinton's initiative at the ARF. While the US activities in the region with allies and non-allies alike were not designed to target or contain China, they had to be a stark reminder that, while Washington, its allies, and other partners would prefer China to play a more proactive, cooperative, and reassuring role in responding to regional and global challenges, they will respond to challenges in the region with or without China's active cooperation. China might find those alternative responses much less attractive and even quite costly to China's long-term interests.

In addition to inviting China to play an active and cooperative role in the region and around the world and reminding China of the difficulties it creates for itself and others when it chooses not to do so, the United States and other countries can help address some of the problems mentioned above through carefully constructed dialogues. For the reasons offered above, it is important to avoid overreliance on engagement

with the Foreign Ministry as the main interlocutor on the Chinese side. But more than just setting up boutique dialogues with other agencies and their US counterparts, interagency dialogues that bring together key stakeholders in both systems are preferable. These can help break through stovepipes inside the Chinese system and encourage greater interagency communication and coordination on the issues being discussed (this is true for the United States as well). The key Sino-American dialogues created during the Bush administration, the Senior Dialogue and the Strategic Economic Dialogue (now combined as the Strategic and Economic Dialogue in the Obama administration) were designed in part to tackle this issue. One goal was to bring civilians from the Foreign Ministry and military officers together in the Senior Dialogue on security affairs with their American counterparts at the State Department, Department of Defense, and National Security Council and to bring stakeholders from across the policy agencies in both countries together to discuss economic affairs in the Strategic Economic Dialogue. This effort has apparently produced real fruit recently, as the new Security Track of the combined Strategic and Economic Dialogue (founded during the Obama administration) included discussions among top State Department and US military officials and Deputy Foreign Minister Zhang Zhijun and Deputy Chief of Staff General Ma Xiaotian.

Much more work along these lines remains to be done. A less successful attempt by the US government might help illustrate the problem. The Bush administration attempted on several occasions to create a development and aid dialogue with China. It seemed to US experts that the Ministry of Commerce; state-owned enterprises, especially energy and commodity firms; the Ministry of Finance; and the National Development and Reform Commission all seemed to have a major role, and in many cases, much more important roles than the Foreign Ministry, in shaping China's interactions with nations in the developing world. So, the Americans believed that an ideal dialogue would include USAID, State Department, and White House officials on the US side with representatives of all of the aforementioned Chinese agencies alongside the Foreign Ministry on the Chinese side. Such an arrangement might do more than simply help the United States better understand China's poli-

cies toward the developing world. It might create an important opportunity for Chinese agencies to think through problems together and better coordinate their own policy positions and preferences. To my knowledge, such a dialogue has still not been created by the two sides, and it would be a very constructive idea for both countries to pursue such a dialogue more vigorously. If successful, such a dialogue structure could help ameliorate, though not solve, some of the problems of coordination and negative domestic influences on foreign policy that I have discussed above.

CHAPTER  
02

**CHINA'S FOREIGN POLICY  
AND THE LEADERSHIP TRANSITION:  
PROSPECTS FOR CHANGE  
UNDER THE 'FIFTH GENERATION'**



Avery Goldstein



**Avery Goldstein** is the David M. Knott Professor of Global Politics and International Relations in the political science department, director of the Center for the Study of Contemporary China, and associate director of the Christopher Browne Center for International Politics at the University of Pennsylvania. Professor Goldstein is also a senior fellow at the Foreign Policy Research Institute in Philadelphia, where he served as the director of the Asia Program from 1997 to 2002. His areas of specialization are international relations theory, security studies, and Chinese politics. His publications include *Rising to the Challenge: China's Grand Strategy and International Security* (Stanford University Press, 2005) and *Deterrence and Security in the 21st Century: China, Britain, France, and the Enduring Legacy of the Nuclear Revolution* (Stanford University Press, 2000). He received his B.A. in political science and M.S. in secondary education from the University of Pennsylvania, and M.A. and Ph.D. in political science from the University of California, Berkeley.

At the Eighteenth Congress of the Chinese Communist Party (CCP) early in the fall of 2012, China will formally begin the last phase of the transition to a new cohort of party leaders, what by the now conventional reckoning is referred to as the “fifth generation”.<sup>1</sup> The party congress will be the first step in inaugurating these successors, with those heading the government to be announced at the subsequent National People’s Congress in early 2013, and the transfer of civilian leadership of the military (Chairman of the Central Military Commission) possibly taking another year or more. But in China’s political system the selection of a new CCP politburo standing committee, especially its leading figure, the party’s general secretary, is the key step in the succession process. Based on the current posts he holds and the role he has recently played in ceremonial activities at home and abroad, the consensus is that Xi Jinping will be the man to head this next generation of political leaders in China. What are the implications of this leadership transition for China’s foreign policy going forward? Do the personal backgrounds or professional career trajectories of the individuals in this cohort suggest they will have a distinctive set of foreign policy views? If so, are their views likely to change China’s foreign policy-making process or the policies it produces?

These are important questions. Unfortunately, it is nearly impossible to provide good (that is, reliably valid) answers to them. In part, the difficulty reflects the fact that the foreign policy views of China’s rising leaders remain largely unknown. Despite the dramatic changes that have transformed Chinese society and its economy since 1979, including the appearance of more lively debates about foreign policy issues in the print and electronic media, those outside a small group in the country’s elite are very rarely privy to the foreign policy views of even those currently serving as the regime’s leaders. Instead what is known are the views they express in publicly available speeches that articulate official policy and

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<sup>1</sup> See, for example, Li Cheng, “China’s Leadership, Fifth Generation,” December 2007, [http://www.brookings.edu/articles/2007/12\\_china\\_li.aspx](http://www.brookings.edu/articles/2007/12_china_li.aspx); Li Cheng, “China’s Fifth Generation: Is Diversity a Source of Strength or Weakness,” *Asia Policy* 6 (July 2008): 53–93; Alice L. Miller, “The 18th Central Committee Politburo: A Quixotic, Foolhardy, Rashly Speculative, but Nonetheless Ruthlessly Reasoned Projection,” *China Leadership Monitor* 33 (June 28, 2010); Zhang Xiaoming, “The Leadership of the PLAAF after 2012,” *China Brief* 11, no. 10 (June 3, 2011).



that reflect the consensus of the highest-level leadership. Tantalizing tidbits about the distinctive views of China's current leaders occasionally emerge when they grant interviews to foreign media or hold press conferences while traveling overseas. But even then, noteworthy departures from official talking points are rare. And this paucity of information about the foreign policy thinking of important political elites is still more profound with respect to China's aspiring leaders.

Even among Chinese scholars and analysts who closely follow such matters, including many with access to internal information inaccessible to foreigners, remarkably little is known about the presumed successors' political views. Moreover, as these rising stars have become more clearly identified as the candidates for succession, they have had incentives to be highly circumspect in expressing their personal opinions on important policy matters. China's political system is not one that rewards bold political initiatives, especially on sensitive foreign policy questions, from those who hope to rise to the top.<sup>2</sup> In short, there is scant evidence that would enable observers to link the attributes of these new leaders to their personal ideas about China's international role.<sup>3</sup>

While all of the above suggests that daunting challenges must be confronted in forecasting the direction China's foreign policy will take with the transition to the fifth generation, I suggest that the lack of evidence may not be as analytically crippling as it seems at first blush. There are reasons to believe (though absent hard evidence, one cannot be sure) that better access to the personal foreign policy views of the CCP's rising leaders would not lead to the discovery of much that was unexpected. Perhaps more importantly, even if some surprises were discovered, there are reasons to believe that such new ideas would not necessarily be reflected in the foreign policies that China adopts under their leadership. In part, this is because the new leaders are likely to move cautiously at

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2 This contrasts with the Maoist era after 1949, during which career advancement often required aspirants to be risk acceptant in articulating their views so they would be rewarded for displaying revolutionary foresight—i.e., an early grasp of the policy position that Mao would ultimately decide was correct.

3 Nor is such evidence likely to be immediately apparent after the torch is passed. Even if the new leaders have new and distinctive foreign policy views, if the transitions to the third and fourth generations (headed by Jiang Zemin and Hu Jintao respectively) are a guide, once they are formally in charge, the successors are likely to move cautiously rather than to quickly articulate novel foreign policy ideas.

first and only gradually begin to clarify the ways in which their foreign policy may differ from that of their immediate predecessors.

I begin by outlining three broad sets of such situational constraints that China's new leaders will face. I then briefly discuss three aspects of China's foreign policy they will need to address, including a particularly worrisome set of shortcomings in China's foreign policy process that the CCP's fourth generation is bequeathing to its successors.

## **Domestic Constraints on the New Elite**

### *Institutional Constraints*

First, China's leaders, like leaders in most stable polities, have been thoroughly socialized by years of working within the system. Although China's one-party regime is in many respects not fully institutionalized, lacking legal and organizational safeguards against personal power as effective as those in many Western countries, since the early 1990s the "rules of the game" in China's elite politics have been remarkably predictable. This is a stark change from the decades under the more personalistic rule of Mao Zedong and even under the less tumultuous, but still personalistic, rule of Deng Xiaoping. Beginning with the final accession of Jiang Zemin at the Fourteenth CCP Congress, the path to success in China's elite politics has become increasingly well understood. As noted above, winners do not rise to the top by being mavericks, but instead by signaling they can carry forward the current line. Thus, in the waning years of Jiang Zemin's rule, Hu Jintao played the role of loyal lieutenant even though many believed the relationship between the two was personally and politically cool. Hu faced strong incentives to avoid saying or doing anything that could be used to disqualify his accession to the top position that would be his due given the role he filled while Jiang was in charge—a role (vice-president) determined not by Jiang himself, but by Deng Xiaoping in one of his last consequential decisions. In such a system, rising leaders are unlikely to disagree with the current policy consensus, even in closed meetings where concerns about publicly airing disagreements would be absent. Indeed, the CCP's democratic-centralist norm permitting debate prior to final decisions within closed meetings

notwithstanding, the incentives to display conformity might well be strongest in such settings. Away from public scrutiny, senior colleagues most likely view these confidential encounters as the best opportunities to evaluate the real trustworthiness of subordinates who are putative successors and over whom they still exercise substantial power.

Yet, because the pressure for conformity is strong, it is quite possible that rising leaders privately harbor a preference for changes in China's foreign policy they dare not express. Even if that is the case, however, their ability to act on any such preferences once they assume office will continue to be constrained by the rules of the game that all leaders in China have understood since the early 1990s. The days of strongman rule are over. On the contrary, as Linda Jakobson and Dean Knox have explained, there is not just a need to gain the acquiescence of the traditional players at the peak of China's one-party regime (especially the CCP's politburo standing committee), but also a need to deal with the proliferation of new foreign policy actors who have input to decision-making and, at least as important, whose role the party leadership must consider as it thinks about the viability of implementing its foreign policy choices.<sup>4</sup> While it is hard to measure precisely the degree to which the power of the party general secretary, who remains *primus inter pares*, has declined, not since Deng Xiaoping has a CCP leader been able to rely on his personal clout to dominate decision-making within the collective leadership. Virtually every Chinese interlocutor with whom I have met over the past decade has emphasized just how much weaker China's top leaders have become. The advent of more genuinely collective leadership is, of course, a change that China's reformers, including Deng Xiaoping, sought. And in many respects, it has been a welcome change from the inherent risks of personalistic rule in a one-party dictatorship that plagued China's political history prior to the reform era.<sup>5</sup> But more collegial rule, together with the growing complexity of China's foreign

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4 Linda Jakobson and Dean Knox, *New Foreign Policy Actors in China*, SIPRI Policy Paper No. 26, September 2010.

5 It may be worth noting that many of my Chinese interlocutors who point to the emergence of durable collective leadership, and who see the cost as a lack of decisiveness, also see the benefit as a step in the right direction if China is to reform its politics in ways that result in greater democracy and accountability to the rule of law.

policy making and implementation as it has become an increasingly active international player, places powerful constraints on any leader in Beijing who might be interested in translating his novel ideas into bold initiatives.

### *National Constraints*

Second, China's foreign policy is shaped not just by the views of individuals constrained by the domestic institutions within which they operate, but also by the country's national interests. National interest is a slippery concept, and always difficult to identify with certainty. Instead, I will simply suggest some key economic, ideological, and domestic political considerations that have powerful effects on China's foreign policy, regardless of the individuals who are making the decisions. These considerations are unlikely to change quickly in the period during, and most likely will change only slowly even after, the transition from the fourth to the fifth generation of leadership in China.

#### • *Economic Considerations*

In charge of a developmental state whose legitimacy depends in large measure on sustaining economic growth and improving the people's living standards, no leader of the CCP is likely to embrace foreign policies that he thinks might jeopardize the country's prosperity. This overriding consideration limits the range of choices China's leaders find acceptable on economic foreign policy issues from climate change to currency values to state support for indigenous industrial interests. China's fifth-generation leaders, no less than the fourth, will approach international negotiations over such matters with a risk-averse eye. They will steer clear of agreements that they believe portend a significant reduction in China's growth rates, which would result in higher levels of unemployment, or that would aggravate recurrent spikes in the inflation rate that jeopardize the regime's ability to sustain the prospect of an ever-rising living standard for the Chinese people.

This is not to say that China's new leaders will resist any adjustments in the country's economic policies that bear on its expanded international engagement. Indeed, the CCP's fourth-generation leaders

have already accepted that China has a self-interest in some of these adjustments (on environmental issues and currency value in particular) to ensure sustainable growth. But it does mean that the next generation of leadership is likely to move cautiously rather than boldly, for domestic political and economic reasons that are inextricably intertwined. In some ways, caution is merely sensible. But as William Overholt has explained, although caution may not be problematic in the near term, if it becomes an excuse for China's new leaders to avoid hard decisions about painful economic changes that are essential (especially moving beyond policies rooted in the state-led stimulus and investment strategy that successfully dealt with the short-term challenge of the global recession) the country's interests, and the CCP's interests, will not be well served.<sup>6</sup> Excessively cautious, short-sighted policies on currency, trade, and investment promise increased friction with other countries that will undermine China's long-term economic prospects.

• *Ideological Considerations*

As head of an authoritarian regime whose ruling party has an abiding self-interest in maintaining its monopoly on political power, reinforced by a strong belief that one-party leadership is necessary to ensure the "unity and stability" required for continued economic growth, no CCP leader is likely to embrace foreign policies that he believes could open the door to unpredictable pressures for unsettling domestic political change. This means one should not anticipate a softening of China's consistently hard line in resisting outside pressure for more relaxed policies toward national minorities in Tibet, Xinjiang, and Inner Mongolia, as well as toward religious and political dissidents.

From the CCP's perspective, flexibility and political responsiveness to outside pressure, especially from Western governments and nongovernmental organizations, has long seemed risky; it probably looks ever more risky in light of the political changes that have rocked other authoritarian regimes over the past quarter century. In the CCP's view, the

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<sup>6</sup> Overholt described one ominous scenario. The recently expanded role for state-owned enterprises and the attendant reduction in bank financing available to more dynamic smaller and more independent businesses could put China on a trajectory that Japan followed after 1975, one in which hard-to-overcome stagnation gradually replaces seemingly unstoppable dynamic growth.

Soviet Union unexpectedly unraveled when its last Communist Party leader lost control over a reform process that in part had been responding to long-standing political criticisms from the West. Meanwhile, most former Soviet bloc states in central and eastern Europe embraced Western-style democracy. This was followed by “the color revolutions” elsewhere that in some cases replaced lingering Soviet-era strongmen with new leaders, yet again political transformations that the CCP’s leaders apparently believe were significantly influenced by meddling Western nongovernmental organizations. And, of course, most recently, the CCP has been shaken by the fear that the demands for political change that have threatened or toppled authoritarian leaders in North Africa and the Middle East, changes in which the support from the Western community has been explicit, could have echoes in China.

Many analysts outside China, and some within China, see the CCP’s interpretation of the record of recent political change in other authoritarian regimes as misguided—either because the CCP overstates the role of foreign influence or because it has drawn the wrong lesson about responding to internal pressures for change that a more secure and successful CCP regime can address proactively. Regardless, the CCP’s reaction continues to be informed by an apparent belief that the right response to pressures for political change is to preemptively tighten controls and stand firm against outside influences that could fuel internal unrest and threaten the domestic “unity and stability” it sees as essential for continued economic development.<sup>7</sup> For the ruling CCP, of course, a narrow self-interest in preserving its grip on power reinforces an analysis based on claims about the disruptive consequences of political change. There is, then, little basis for expecting that the CCP’s fifth-generation leaders will be more inclined than their fourth-generation predecessors to shift to a foreign policy that willingly accommodates now familiar international criticisms of China’s authoritarian system. Instead, the long-standing pattern of rejecting such criticism as interference in China’s internal affairs is likely to continue, interrupted only by the occasional

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<sup>7</sup> The overriding concern with national unity was reflected in early 2012 in the contrast between the relatively flexible CCP response to popular protests among Chinese residents of Wukan demanding a redress of grievances and the much harsher response to renewed protests by Tibetans living in southwest China.

symbolic gesture of flexibility on individual cases. Although China's defensive authoritarianism may put it on the "wrong side of history," any distaste for the opprobrium that such a posture brings seems to be outweighed by the CCP's fear that accommodating the global historical tide of democratization runs the risk that the regime will lose control of the process of political change and be swept aside.

Another ideological influence that bears more directly on China's foreign policy, and that will likely continue to constrain China's new leaders after 2012, is the recently strengthening admixture of anti-hegemonism rooted in the CCP's Maoist heritage and Sinocentric regionalism echoing the legacy of China's historical role in Asia and reflecting the growing self-confidence of a country which has made remarkable economic and military strides since the turn of the century. The material fruits of modernization have not only altered the feasibility of China playing a leading regional role. They have also led some Chinese to realize that in spite their country's expanding capabilities, America's enduring power advantage will continue to complicate, and could frustrate, China's ability to realize its regional aspirations—a concern aggravated by Washington's recent reinforcement of an East Asian order that reflects the values and interests of the US and its partners.<sup>8</sup>

• *Domestic Political Considerations*

Rapid modernization has created new opportunities for the Chinese people to express their views on a range of issues, including those that bear on foreign policy, which even the leaders of a one-party authoritarian state cannot ignore. As emphasized most notably in the recent work of Peter Hays Gries and Susan Shirk, some of these views are stridently nationalistic, a stance to which the CCP regime has at times pandered.

When Chinese interlocutors with whom I have met since 2000 note the weakness of the country's leaders today as opposed to the years of Mao and Deng, they refer not only to the absence of a strongman

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8 Such views have colored the language used in some Chinese criticisms of the Obama administration's re-emphasis on East Asia after 2009 and then the declaration of an American strategic "pivot" to the region as the US military focus on military action in Iraq and Afghanistan was winding down. For an analysis of China's evolving discourse about East Asian regionalism, see Gilbert Rozman, "East Asian Regionalism and Sinocentrism," *Japanese Journal of Political Science* 13, no. 1 (2012): 143–153.



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among the central leadership, but also to the apparent weakness of the leaders as a whole relative to society. They cite the unprecedented extent to which the central leadership has lost much of its control over the circulation of information that shapes public opinion and lost its ability to prevent such opinion from generating policy demands. It is true that the party still maintains substantial coercive ability to squelch the most challenging views and, at times, to guide the general direction in which public debate unfolds. But facing a more technologically savvy population that is now connected by the amalgam of the Internet and cell phones, the regime is no longer able to keep the people consistently “on message.” Unable to control or always preempt the dissemination of information (despite the CCP’s increasingly sophisticated network of computerized monitoring, filtering, and blocking), the alternative for the regime is to restrict, redirect, and respond to public pressure on issues of major concern.

It is an especially delicate matter for the leadership to tamp down strident nationalist demands on foreign policy issues that the CCP itself (both in official policy pronouncements and in the message it delivers through the education and propaganda systems) has framed as matters over which China’s dignity, reputation, historical sensitivity, or sovereignty are at stake. Moreover, an undercurrent of suspicion among many Chinese about the toughness of their post-revolutionary leaders, particularly now that the country’s capabilities have grown, generates demands for Beijing to stand up for China’s interests on the world stage that the CCP’s leaders find difficult to ignore. Especially because there are those within the regime’s collective leadership who sympathize with such demands, or who believe that pandering to a nationalistic posture will be useful for advancing their own careers, such public opinion constrains the foreign policy choices that China’s leaders make.<sup>9</sup> Indeed, the remaining ability to manage (however imperfectly) the news and public reactions to it, creates an opening for leaders to stir up mass opinion that

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<sup>9</sup> On the potential dangers this may pose, see Jack L. Snyder, *Myths of Empire: Domestic Politics and International Ambition* (Ithaca, NY: Cornell University Press, 1991); Edward D. Mansfield and Jack Snyder, “Democratization and the Danger of War,” *International Security* 20, no. 1 (Summer 1995): 5–38; and Edward D. Mansfield and Jack L. Snyder, *Electing to Fight: Why Emerging Democracies Go to War* (Cambridge: MIT Press, 2005).

supports their positions in debates with their elite peers. As noted elsewhere, many saw Dai Bingguo's December 2010 restatement of China's "peaceful development" foreign policy line as signaling a course correction returning China to a more moderate regional posture after the harsh reaction Beijing's more active pursuit of its interests had triggered during most of 2010. But despite Dai's pronouncements, public debate since late 2010 has not been uniformly moderate. On the contrary, the official and unofficial reaction from China in late 2011 to the US announcement of its "pivot" to the Asia-Pacific, and to President Obama's more active approach at APEC, at the EAS, and on his visit to Australia, suggest that Dai's seemingly decisive statement may have reflected only a temporary resolution of ongoing disagreement in the top-levels of the CCP foreign policy elite. China's reactions to the US re-emphasis on the Asia-Pacific have ranged from measured skepticism to harsh criticism that labels the American plan a reflection of obsolete Cold War thinking and part of Washington's effort to encircle and contain China.<sup>10</sup> The open clash of views suggests that the evolution of the US position—on issues ranging from the architecture of the Trans-Pacific Partnership to Washington's support for the ASEAN countries' decision to put maritime security issues on the agenda of the 2011 EAS summit in Bali—may well have reopened the foreign policy debate in Beijing. If so, that debate will likely be shaped by the complex domestic forces affecting China's international relations today. Those unhappy with China's less assertive regional posture after late 2010 may well be inclined to mobilize nationalistic netizens as a way to pressure Beijing's incoming fifth-generation leaders to once again forcefully stand up for what they see as

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10 For the initial Chinese government response, see "Foreign Ministry Spokesperson Liu Weimin's Regular Press Conference on November 17, 2011," Ministry of Foreign Affairs, the People's Republic of China, available at: <http://www.fmprc.gov.cn/eng/xwfw/s2510/2511/t879769.htm>. For gradually escalating Chinese criticism of the move, see Chris Buckley, "China Looks Across Asia and Sees New Threats," *Reuters*, November 10, 2011, available at: <http://www.reuters.com/article/2011/11/10/us-china-asia-idUSTRE7A91CY20111110>; Keith B. Richburg, "US pivot to Asia makes China nervous," *The Washington Post*, November 16, 2011, available at: [http://www.washingtonpost.com/world/asia\\_pacific/us-pivot-to-asia-makes-china-nervous/2011/11/15/gIQAAsQpVRN\\_story.html?](http://www.washingtonpost.com/world/asia_pacific/us-pivot-to-asia-makes-china-nervous/2011/11/15/gIQAAsQpVRN_story.html?); Barbara Demick, "China's Fury Building over Obama's New Asia Policy," *Los Angeles Times*, November 21, 2011, available at: [http://latimesblogs.latimes.com/world\\_now/2011/11/china-obama-asia-policy.html](http://latimesblogs.latimes.com/world_now/2011/11/china-obama-asia-policy.html); "Chinese Spokesman Rebukes US-Australian Military Alliance," *Xinhua*, November 30, 2011, available at: [http://news.xinhuanet.com/english/2010/china/2011-11/30/c\\_131280105.htm](http://news.xinhuanet.com/english/2010/china/2011-11/30/c_131280105.htm).

China's interests.

Concern about inflaming nationalist public opinion means that no Chinese leader—certainly not a new fifth-generation leader without the stature of his predecessors—can risk failing the key litmus tests of nationalism on high-profile foreign policy matters where China's position is already widely known. The implication is that a change in leadership to a new generation will not likely alter the bottom line in China's foreign policy position on issues such as the Taiwan question, unfettered US surveillance operations within China's Exclusive Economic Zone, or disputes with Japan over sovereignty claims in the East China Sea.

### *International Constraints*

A third broad reason that foreign policy continuity is more likely than innovation when the new fifth generation assumes power is the distinctive international context that constrains the choices of China's leaders, no matter which individuals are in charge. China faces the challenge of coping with the reality that the East Asian region is populated with quite capable states. Moreover, the most capable of these states all have close relations, and in some cases formal security alliances, with the world's most powerful state, the United States. The United States for its part has repeatedly indicated its deep political commitment to ensuring its own interests and those of its allies in East Asia despite the evaporation of the Soviet threat that originally motivated many of these bilateral relationships. An American policy of renewed commitment in East Asia since the mid-1990s has been matched by its major military deployments in the region.<sup>11</sup>

The power of the United States and its allies presents China with a challenging military-security environment that its leaders cannot ignore. Moreover, it introduces a particularly tough set of considerations for Beijing because the most impressive aspect of American military strength in

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11 Although some have talked about an American "return to Asia" in 2011, the US commitment to the region has been repeatedly restated ever since the mid-1990s. See *The United States Security Strategy for the East Asia-Pacific Region* (Washington, DC: Office of International Security Affairs, 1995); *The United States Security Strategy for the East Asia-Pacific Region* (Washington, DC: Office of International Security Affairs, 1998); "The United States and Japan: Advancing toward a Mature Partnership," in *Institute for National Strategic Studies: Special Report* (Washington, DC: National Defense University, 2000).

East Asia is its unrivaled naval capabilities, while many of China's major foreign policy concerns in the region have a maritime focus. The CCP's new leaders, like their fourth-generation predecessors, will continue to face an international context that provides strong incentives for China to further improve its ability to cope with the challenges of American power, especially naval power. Thus, American concerns about Beijing's investment in military modernization notwithstanding, the new CCP leadership will almost certainly remain firmly committed to enhancing the People's Liberation Army (PLA) Navy's growing ability to operate beyond its shoreline or only in coastal waters, as well as its growing ability to complicate US operations close to the Chinese mainland. For the foreseeable future, China will not be able to match American naval power. So-called "access denial" is not in the cards. But that only means that the CCP's new leaders under Xi Jinping should be expected to continue China's recent emphasis on investing in military capabilities (such as the widely discussed anti-satellite ballistic missile system, quieter submarines, more sophisticated ship-to-ship guided missiles, mines, and torpedoes) that pose an ever more serious coercive threat of punishment against US forces that the PLA cannot hope to defeat.

To ensure China's important maritime interests in a militarily challenging regional setting, the CCP's new leaders will also need to maintain the security of the country's land borders. They have a strong incentive to prevent these other fronts from requiring a significant diversion of Beijing's resources away from investment in those forces most useful for addressing naval contingencies. Like the CCP's fourth generation, the fifth is, therefore, likely to maintain a tough posture with respect to any signs of unrest in Tibet, Xinjiang, and now Inner Mongolia.

This geopolitical concern for secure land borders also leads to an expectation of substantial continuity in China's policy toward North Korea. Beijing's stubborn reluctance to more directly and publicly confront or pressure Pyongyang reflects its overriding interest in stability along the Yalu River and in preserving a buffer state between China and the array of US military alliances in East Asia. While the immediate Chinese concern may be, as Beijing has claimed, the risk of massive refugee flows into China should pressure on North Korea result in turmoil or regime

collapse, the longer-term concern is the potential for a transformed security environment if regime change in Pyongyang results in a unified peninsula under Seoul's leadership. As long as it does not become too heavy an economic burden on Beijing or a wellspring of large numbers of refugees, even a troublesome North Korea is seen as a useful buffer against the prospect of another front along which China would have to worry about the deployment of US military power or that of its allies. Not even a pledge from the United States and its South Korean allies that their military forces will stay away from the Yalu River border, perhaps even remain south of the 38th parallel regardless of regime change in Pyongyang, would be likely to alter China's cautious approach to managing its volatile North Korean neighbor. Prudent Chinese military and civilian leaders would almost certainly deeply discount the reliability of such a pledge because it ultimately depends on the decisions of future leaders under unforeseeable circumstances. Russia's repeated and angry insistence that the eastward expansion of NATO violated understandings reached at the time of German reunification makes it doubtful that China would trust the durability of any promises the United States and South Korea might be willing to offer regarding the future disposition of military forces on the Korean Peninsula.

The CCP's new leaders, therefore, will likely continue to view fundamental change in China's longstanding policy towards North Korea as an unacceptably risky proposition. Even if Xi Jinping or others were inclined to advocate a policy shift, as a handful of China's public intellectuals have recommended, there is every reason to expect that gambling on a more directly confrontational stance toward Pyongyang will be a hard sell within the collective leadership. Despite China's willingness to criticize North Korea in 2009 over its nuclear warhead and ballistic missile tests, and despite China's efforts to facilitate a resumption of the Six-Party Talks in the second half of 2011, Beijing never budged from its refusal to accept the overwhelming evidence indicating that North Korean forces were guilty of aggression in the *Cheonan* sinking and Yeonpyeong Island attacks in 2010. And when Kim Jong-Il died in December 2011, China's leaders lent unwavering support to his named successor, Kim Jong-Un. The experience of 2010-2012 will serve to frame Korea policy

for the fifth-generation leaders in Beijing and suggest that they will likely continue to accord top priority to ensuring the survival of a North Korean state that is both a sometimes troubling ally and a geopolitically valuable buffer along China's Northeastern border.

### **Change and Continuity**

Everything I have raised thus far suggests that more continuity than change should be expected in China's foreign policy when the transition to the fifth-generation leadership headed by Xi Jinping occurs. Yet China's new rulers will have to make foreign policy decisions. And even if continuity is most of the story, after they have established their credentials as reliable custodians of the foreign policy legacy passed down from their predecessors, Xi and his colleagues may attempt to undertake initiatives intended to be part of their contribution to the foreign policy legacy they bequeath to their successors. To illustrate what I mean by such innovation and why it will be the exception, I briefly consider three major aspects of China's foreign policy.

#### *Grand Strategy*

First, and most broadly, the CCP's new leaders will face a grand strategic challenge. Put bluntly, they will need to clean up the foreign policy mess over which the fourth-generation leaders presided beginning in late 2009 when it seemed that Beijing was departing from the widely praised foreign policy line to which it had adhered since the mid-1990s. That approach, ultimately labeled a strategy of "peaceful rise" or "peaceful development," had provided the lodestone for China's international behavior.<sup>12</sup> Under it, China had worked hard to cultivate its reputation as a constructive and responsible regional and global actor. From the mid-1990s, when Beijing began to more warmly embrace multilateral institutions and also cultivated a wide range of bilateral partnerships with other major powers, through the early stages of the global recession, China seemed to be well on its way to enhancing its international image as intended. But in 2009, China began a stretch of roughly 18 months

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<sup>12</sup> See Avery Goldstein, *Rising to the Challenge: China's Grand Strategy and International Security* (Stanford, CA: Stanford University Press, 2005).

during which it squandered much of the goodwill it had worked so hard to cultivate.<sup>13</sup> As Robert Ross has detailed, events and perceptions piled one atop another created the widespread impression that China was embarking on a newly assertive international course. The reasons for the apparent change in China's behavior have been analyzed and debated by others, and fall outside the scope of this discussion.<sup>14</sup> The consequences of this perceived assertiveness, however, were starkly clear—a remarkably fast deterioration of China's relations with the other major states in East Asia, including South Korea, Japan, the Philippines, and Vietnam, as well as Australia, and renewed American worries about a rising China's long-run intentions.

To be fair, since late 2010 China's fourth-generation leaders seem to have been trying to undo some of the recent damage. Top foreign policy spokesmen like Dai Bingguo have stressed that China has not changed course. Hu Jintao attended the nuclear summit in the United States despite lingering bilateral tensions, and also had a smooth summit meeting with President Obama. China renewed efforts to assuage ASEAN concerns about the urgency Beijing was attaching to its territorial claims in the South China Sea. During his visit to Japan for the May 2011 China-South Korea-Japan trilateral summit, Premier Wen Jiabao sought to repair recently strained relations with both South Korea and Japan. In particular, his expressions of concern and promises of cooperation with Japan as it copes with the devastation of the earthquake-tsunami-nuclear meltdown capped a series of Chinese efforts to right bilateral relations after the sharp deterioration that followed the arrest of a Chinese fishing boat captain who had confronted and then collided with Japanese coast guard vessels.

All of these steps suggest an effort by the CCP's departing fourth-generation leaders to return to the reassuring foreign policy approach of

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13 See Thomas J. Christensen, "The Advantages of an Assertive China," *Foreign Affairs*, 2011, 54–67.

14 See Bonnie S. Glaser and Lyle Morris, "Chinese Perceptions of US Decline and Power," *China Brief* 9, no. 14 (July 9, 2009): 1–6; Bonnie S. Glaser and Benjamin Dooley, "China's 11th Ambassadorial Conference Signals Continuity and Change in Foreign Policy," *China Brief* 9, no. 22 (November 4, 2009): 1–7; Michael D. Swaine, "Perceptions of an Assertive China," *China Leadership Monitor* 32 (May 11, 2010): 1–19; Michael D. Swaine, "China's Assertive Behavior—Part One: On 'Core Interests,'" *China Leadership Monitor* 34 (2011): 1–25.

peaceful rise. Yet fully restoring China's hard-won international reputation as a responsible great power, if it is possible, will be a task whose success or failure will be determined by the foreign policy choices of the CCP's fifth-generation leaders. To the extent they carry forward this effort, however, it will essentially be as part of an attempt at restoration, rather than innovation, in China's foreign policy. Even so, it will be a task that, as suggested above, may not be easily accomplished through bold actions in the opening years of the Xi Jinping era. Xi is likely to move cautiously at first, in part because he will want to establish his credentials as a leader tough enough to do the job and a sufficiently strong defender of China's interests, especially if (as noted above) some in the CCP leadership have not fully embraced the wisdom of returning to the moderate, reassuring foreign policy line identified with Dai Bingguo since late 2010.

#### *Key Substantive Challenges*

Second, beyond reestablishing China's grand strategic orientation, the new leaders will face an array of substantive foreign policy challenges. I touch on just three that are of obvious importance, and suggest the likelihood of continuity or change for each.

##### • *China's South China Sea Disputes*

Renewed tensions between China and various ASEAN claimants to territories and maritime resources in the South China Sea culminated in sharp disagreements about the best way forward that were aired at the July 2010 ASEAN Regional Forum meetings in Hanoi. China's lead representative, Yang Jiechi, sharply rejected a growing push for multilateral discussion of the relevant sovereignty disputes that Beijing insists must be resolved only through bilateral negotiations. The reaction to Yang's comments was a sense of alarm, both among the ASEAN states as well as the United States. By fall 2010, however, Beijing had begun changing its tune. Since then, China has been attempting to return its South China Sea policy to where it had been five years earlier—temporarily setting aside the nettlesome disputes about sovereignty and instead emphasizing the expansion of economic relations with the ASEAN states, crafting





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a variety of multilateral agreements and working towards a maritime code of conduct, and exploring opportunities for joint economic development in disputed areas. This moderation in official policy continued in late summer and fall 2011 and probably helped Beijing head off last minute initiatives spearheaded by the Philippines to have the November East Asia Summit adopt a more explicitly critical line towards China's posture on maritime disputes. Maritime disputes, already on the agenda, were discussed, but without the confrontational fireworks that had been on display at the 2010 ARF meetings in Hanoi. And in early 2012, when it hosted with its ASEAN neighbors, Beijing continued its recent emphasize on dialogue and diplomacy to manage the as yet unresolved territorial and maritime disputes.

The most likely approach for the fifth-generation leaders will be to continue this ongoing end-of-term effort by the fourth generation to repair the damage to China's ASEAN relations. Of all China's sensitive substantive foreign policy challenges, however, the South China Sea may eventually offer the CCP's new leaders their best opportunity for foreign policy innovation. Relations with Taiwan and Japan are inextricably

intertwined with historical grievances that touch the rawest nationalist nerves that limit policy flexibility. By comparison, the South China Sea issues are of more recent vintage and have not triggered quite as broad or deep a visceral reaction in China. If China's leaders can assuage the concerns of those in the elite speaking for economic interests leery of concessions that would deprive them of expected benefits from operations in the South China Sea, it is possible that, as part of a strategy to reassure regional actors, Beijing could call for all parties to the disputes to set aside their contestable historical claims and agree to take a fresh look at ways to deal with competing sovereignty claims. Yet, while it seems possible, such an innovation is not likely. It would almost certainly require China to make the first move, opening the door to concessions, without any guarantee that its offer would be reciprocated. Nevertheless, the possibility should not be dismissed out of hand. As Taylor Fravel's work on Beijing's history of handling border disputes suggests, when conditions are ripe, China has shown a willingness to make significant concessions in the past.<sup>15</sup> The payoff for China's reputation would be large and would most likely extend beyond the South China Sea, much as China benefitted from the favorable international reaction to its perceived restraint on currency devaluation during the Asian Financial Crisis of the late 1990s. Under the CCP's new leadership, a fresh start on the South China Sea disputes could serve as an essential component in an attempt to convince others that China had in fact made a decision to return to the strategy of "peaceful rise" it followed before the tumult of 2009–2010.

• *China's Policy towards the Korean Peninsula*

Many, especially in South Korea, find Beijing's continued support for Pyongyang, in particular its reluctance to openly criticize North Korea's provocative actions in 2010 when it torpedoed the *Cheonan* and shelled the residents on Yeonpyeong Island, maddeningly frustrating. It is especially frustrating since in all but the narrowest military-security sense (the desire for a buffer state), China's equities are largely with South

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15 M. Taylor Fravel, *Strong Borders, Secure Nation: Cooperation and Conflict in China's Territorial Disputes* (Princeton, NJ: Princeton University Press, 2008).

Korea, with which it has developed robust economic, cultural, and educational ties. As the sluggishness of economic activity in Europe and the US limits demand for South Korean exports, it is likely that Seoul will want to sustain these ties, despite the anger over China's unwillingness to condemn North Korean aggression. Yet, however deep such economic relation with South Korea may become, for reasons noted above, China's overall policy towards the peninsula is unlikely to change with the transition to the CCP's fifth-generation leaders. When push comes to shove, China's bottom line on the survival of the North Korean regime will lead it to stick with policies that have the effect of limiting the closeness of relations with South Korea, while also alarming Japan and the United States.

Some have suggested that the historical legacy of China's decision to intervene in the Korean War in 1950, which entailed terrible Chinese sacrifices in order to save North Korea from defeat, makes it politically difficult for the CCP to turn its back on the North Korean regime. If so, such considerations, especially within China's military, reinforce the geostrategic reasons mentioned above that lead one to expect continuity in the fifth generation's Korea policy. Most likely, the new leaders in Beijing will carry on in the belief (a belief that seems questionable in light of Pyongyang's actions since 2009) that the safer route is to privately press the North to compromise on its nuclear program and to embrace Chinese-style economic reforms. If so, their hope will be that the DPRK at worst becomes a less odious and embarrassing ally, and at best a more secure, less provocative buffer state.

#### • *Relations with the United States*

As has been the case ever since the founding of the PRC, US-China relations remain one of the most important foreign policy questions for Beijing. On this front, it is hard to see much of an incentive for innovation by Xi Jinping and his cohort. When bilateral ties were souring during 2009–2010, some in the United States worried that relations with China were at risk of going off the rails. But the Chinese view seems to have been less dire. Although China's leaders did apparently decide that they needed to take steps to respond to accusations of growing as-

sertiveness, they seem to have viewed the period of strained US-China relations as falling within the range of normal fluctuations. They seem to have concluded that their recent efforts at fence-mending were to ensure that the relationship remains fundamentally sound. At least that was the upshot of the message that President Hu delivered to President Obama through Dai Bingguo in conjunction with the May 2011 Strategic and Economic Dialogue. In China's view, the basic elements of a sound working relationship are in place even as the two sides acknowledge the areas in which neither is inclined to accommodate the demands of the other. Cooperation continues while disagreements persist. Under these circumstances, and with so many other pressing foreign policy problems close to home, not to mention a daunting array of domestic problems, why would the CCP's fifth-generation leaders do anything other than carry forward the approach to US-China relations they are inheriting from their predecessors? It is hard to imagine plausible areas for innovation in China's US policy that would not bump up against powerful domestic economic interests or the undercurrent of nationalist hostility to America's alleged high-handedness.

### *Foreign Policy Process*

A third bundle of important challenges that the fifth-generation leaders face reflects shortcomings in the organization of foreign policy decision making, rather than the grand strategic choices or particular issues they will have to address as they take over from the fourth generation. Briefly, these interconnected challenges can be summed up as the “the 3Cs”—communications, coordination, and crisis management.<sup>16</sup>

#### • *Communications*

Formal and informal channels of communications between China and other governments have been found wanting when they need to be most reliable—when international tensions are building and the dangers of escalation need to be controlled. The United States, in particular, has

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<sup>16</sup> For more detailed discussion of issues mentioned here, see Michael D. Swaine, Tuosheng Zhang, and Danielle F. S. Cohen, *Managing Sino-American Crises: Case Studies and Analysis* (Washington, D.C.: Carnegie Endowment for International Peace, 2006); Zhang Tuosheng, “Zhongguo guoji junshi anquan weiji xingwei yanjiu,” *Shijie jingji yu zhengzhi* 4 (2011): 103–21.

found it difficult simply to reach and engage the key leaders in Beijing who are able to make decisions at unsettling moments when a serious international incident threatens to become a dangerous confrontation. In the aftermath of the accidental US bombing of China's embassy in Belgrade in 1999, as well as the 2001 collision between a Chinese fighter jet and a US EP-3 reconnaissance aircraft that left the Chinese pilot dead and the US plane and its crew detained on Hainan Island, neither the bilateral hotline nor individual attempts by US diplomats to communicate with top Chinese leaders proved effective. In the aftermath of these unnerving experiences, analysts in China as well as the United States underscored the need for the Chinese leadership to improve its ability to communicate with foreign governments in a timely fashion when urgency requires it. It remains unclear, however, that this recognized need for change has actually resulted in channels of communication that will prove reliable when they are tested, a general concern expressed by Chinese interlocutors about each of the "Cs" mentioned here.

- *Coordination*

Part of the communications breakdown at moments of urgency may reflect the unwillingness of China's leaders to respond to foreign governments on important or controversial foreign policy issues before the regime's top decision makers reach an internal consensus based on input from all the key players, including the military or diplomats with firsthand information about unfolding events. This inclination is understandable and certainly not unique to China. But China's lack of an accepted coordinating mechanism to handle major international incidents, specifically the much-noted lack of an equivalent of the US National Security Council (NSC), may explain the degree of potentially dangerous inefficiency that slows China's responsiveness to international communications when it is most needed. In the wake of the EP-3 incident, advisors to the Chinese government recommended establishing an NSC-like coordinating mechanism. Again, although some steps in this direction were taken in the early 2000s, they have reportedly languished as the memory of the EP-3 incident has faded and as no comparable need for urgently responding to a foreign policy challenge has arisen

thereafter. That is another way of saying that the fourth generation has left the solution to this problem to their fifth-generation successors. It remains to be seen whether Xi Jinping and his colleagues will deal with the problem proactively or wait until an international incident underscores Beijing's failure thus far to devise a reliable remedy for its unwieldy process of foreign policy coordination.

- *Crisis Management*

Although crisis prevention is preferable, improved emergency communications with foreign governments and improved coordination of foreign policy decision-making are both essential if the CCP's fifth-generation leadership is to be better prepared for the timely management of those international crises that cannot be prevented. Crisis management is the most important reason for, and the ultimate test of, the adequacy of needed reforms in China's foreign policy decision-making process. And while the absence of international incidents comparable to the EP-3 may have reduced the sense of urgency that led to calls for reform in the early 2000s, this Achilles heel remains and it leaves China's fifth-generation leaders ill-prepared to manage a truly dangerous international crisis that, almost by definition, would be likely to catch them by surprise.

In sum, these interconnected problems in communications, coordination, and crisis management suggest that no matter how capable Xi Jinping and the other individuals comprising the fifth-generation leadership are, their ability to deal with the most challenging international situations will be hampered as long as they are stuck with a foreign policy decision-making apparatus that is not up to the demands of a major power on the world stage.

## **Conclusion**

The educational background and formative political experiences of the CCP's fifth generation of leaders who will come to power during the next two years differ in many ways from those of their fourth-generation predecessors. But the institutional incentives they face, the national interests they confront, and the international context in which they must operate all greatly reduce the significance of their distinctive attributes

for the foreign policies they are likely to embrace. Shocking domestic or international challenges to the Chinese leadership are, of course, possible and could result in dramatic changes in China's foreign policy. Absent such shocks, the kind that make forecasting a risky proposition, the foreign policy of the fifth-generation CCP leadership under Xi Jinping that will presumably rule through 2022 is most likely to reflect minor changes from the approach they are inheriting from the fourth generation under Hu Jintao. The forecast is, then, for caution and familiarity rather than boldness and innovation.

CHAPTER  
03

**ANOTHER TAKE ON PROSPECTS  
FOR THE FOREIGN POLICY  
OF THE CHINESE FIFTH-GENERATION  
LEADERSHIP**



Shin Jung-seung





**Shin Jung-seung** is the director of the Center for Chinese Studies at the Institute of Foreign Affairs and National Security, Korea National Diplomatic Academy. Previously, Mr. Shin was an ROK Ambassador to China and New Zealand and director-general of the Asian and Pacific Affairs Bureau of the Ministry of Foreign Affairs and Trade. He received a B.A. from Seoul National University and was a visiting researcher at Keio University.

In 2012, the Chinese Communist Party (CCP) will convene its 18th Party Congress and formally decide who will lead the country over the next five years. Presently Vice President Xi Jinping is believed likely to replace Hu Jintao as president of the state and general secretary of the Party, while Li Kechang will probably replace Wen Jiabao as premier. Due to the continued successful reform and open-door policy of the last 30 years, China has achieved remarkable economic growth, surpassing Japan last year to become the world's second largest economy. At the same time the so-called China threat theory has resurfaced, and many people argue that the new Chinese leadership may take a more assertive stance in foreign policy matters. People have also expressed concern regarding Xi Jinping's close relationship with the military, which may lead to a substantial expansion of military armament.

Since the era of Deng Xiaoping, Chinese leaders have continued step-by-step economic development. Chinese foreign policy has also served this development strategy by securing the necessary friendly international environment. Successful economic development over the last three decades has given Chinese leaders legitimacy in ruling over the people and achieving relative political stability. However, it is true that China has numerous internal problems, such as unemployment, corruption, and social inequality. Thus the next leadership may need to focus more on these kinds of domestic issues, which may in turn influence Chinese foreign policy.

Institutionally, China has developed a collective leadership system in the decision-making process, which is quite different from the decision-making processes of other countries. Under this collective system, it is hard to make a fundamental change regarding national strategy without agreement among the members. Therefore, unless forced by unexpected and serious internal or external situations, the fifth-generation leadership will maintain the present strategy of national economic development; foreign policy will continue to focus on securing a favorable international environment. However, there have been some notable changes in the factors affecting Chinese foreign policy, such as the expansion of Internet subscriptions and the growth of nationalism. Because of this nationalism the fifth-generation leadership will need to show assertive

diplomatic behavior from time to time, reflecting the growth of national power and public opinion. This behavior should not be understood as a fundamental change of the existing policy of peaceful development.

### **The Chinese National Development Strategy and Foreign Policy**

China's national development strategy has focused on economic development through the reform and open-door policy of Deng Xiaoping, with partial changes made reflecting the realities during Jiang Zemin's and Hu Jintao's leadership periods.

During the Communist Party Congress Central Committee meeting on January 16, 1980, Deng Xiaoping presented three major duties of the CCP in the area of foreign policy. Those duties are to oppose hegemony and maintain peace; to unify the motherland, including Taiwan; and to modernize in four areas—agriculture, industry, science and technology, and military defense. In 1987, his protégé, Zhao Ziyang, announced the initial stage of socialism, thereby clearing the way for a socialist market economy. To secure the implementation of this economic development, Deng Xiaoping institutionalized collective leadership in the Party and stressed the necessity of stabilizing the external situation. Trying to avoid friction with powerful countries like the United States in order to focus on economic development, he declared *taoguang yanghui* (韬光養晦), an attitude of biding one's time or being modest. He elaborated on this by declaring “the four no's” as the guideline of Chinese foreign policy: no hegemony, no intervention in other countries' internal affairs, no alliances, and no transition to a superpower. These have been the core concepts of Chinese foreign policy.

The end of the Cold War changed China's concept of world security. The collapse of the Soviet Union and the bipolar system meant that there would be a change from “zero-sum military power at the center” in international relations to interdependent, economy-oriented relations. In other words, this meant the process of globalization was on track. Against the backdrop of this new security concept, Chinese leaders thought the post-Cold War international situation would be peaceful. They also believed that the expansion of globalization would create a new economy-centered international order. With this view on the

changed external situation, China was able to strengthen its efforts in the four areas of modernization as laid out by Deng Xiaoping.

Deng Xiaoping also said that China should take a step-by-step approach to economic development. He suggested that China would be a xiaokang (小康) or reasonably safe and comfortable society by attaining a GDP of \$800 USD per capita by the end of 1999. When Hu Jintao took power as the first among equals in the collective leadership during the 16th Communist Party Congress in 2002, he reconfirmed the three-step national strategy of the previous Congress and gave a more concrete direction regarding foreign policy. In order to attain the goal of constructing a xiaokang society by 2020, China would make every effort to secure a stable external environment. The 16th Congress further announced that China would develop a stable and cooperative relationship with advanced superpowers, apply the good-neighbor policy to surrounding countries, and settle territorial issues with relevant countries through peaceful dialogue.

Due to the successful implementation of the national development strategy during the periods from Deng Xiaoping's to Hu Jintao's leadership, China became the world's second largest economy in the world. The Chinese people, still holding the painful memories of invasion by Western imperialism during the late 19th century, are greatly encouraged by the fact that China has been growing. The CCP believes that the legitimacy of its rule over the people is based on the achievements in the creation of a new China, the continuation of a national integration process, and rapid economic development.

Domestic politics also require continuous economic development. China is now faced with many internal problems resulting from the rapid quantitative economic growth over the last 30-plus years, such as high unemployment rates, increased corruption in the party and government, the gap between the rich and the poor, and the lack of a social security system. In this regard, the most important task for the fifth-generation leadership is to continue the previous leadership's growth strategy while taking serious measures to secure social stability by following the concept of "inclusive growth" as stated in the 12th Five-Year Plan for economic and social development, which was approved in March 2011.

This includes a level-up of the economic structure, quality-oriented economic growth with an emphasis on expanding social security measures, stability of consumer prices, and development of new strategic industries, notably for environmental growth and the service sector. While the CCP has lowered the target growth rate to 7%, actual growth has always exceeded the target.

### **The China Threat Theory and the Chinese Response**

China has repeatedly stated that its diplomatic efforts would be focused on the establishment of a stable environment for continuous economic development and on cooperation with surrounding nations in order to attain the goal of a xiaokang society by 2020. However, China frightened neighboring countries in 2010 by showing a somewhat aggressive attitude in some cases. The claim that the South China Sea is a core interest of China sparked tension with the United States and made neighboring countries such as Vietnam suspicious of Chinese intentions. There has also been a rumor that with regard to the Spratly Islands, the Chinese military is trying to shift its emphasis from joint development to claims of sovereignty. Wang Jisi of Beijing University wrote in a recent edition of *Foreign Affairs* that the statements of core interest regarding the South China Sea had been made with no official authorization. The discord between China and Japan over the sovereignty of the Diaoyudao or Senkaku Islands last September is another example. This was contradictory to what Deng Xiaoping had indicated in the past—that the case would be put on hold for 50 years for the wise deliberation of future generations.

As China's rapid economic growth continues, the China threat theory has grown more serious in Western countries, particularly in the United States, aware that Chinese values and institutional systems differ significantly from those of the Western world. American realists argue that China's rise would inevitably lead to the Chinese seeking hegemony and overturning the current international order, which is led by the United States. China's double-digit increase in national military spending and its goodwill gestures, such as massive foreign aid and a substantial increase of cultural activities like the establishment of the Confucius

Institute all over the world, have probably convinced people even more of its growing threat.

Naturally, these kinds of arguments have been perceived by the Chinese as a serious obstacle in their efforts to provide a friendly environment for continuous economic development. A recent Chinese book, *China That Can Say No to America*, reflects the uneasiness of the Chinese people in this regard. China claims that the China threat theory is groundless. Chinese leaders have stated that China would not pursue hegemony whenever they found it necessary by often reciting Deng Xiaoping's "four no's" policies. Recent Chinese leaders whom I have met argue that China does not yet deserve G2 status because it is still only one of the developing countries with a per-capita GDP of only US\$4,000. They also say that despite China's rapid economic achievement, significant domestic problems remain—such as ethnic minority issues, the gap between the rich and the poor, regional disparities, corruption, and growing inflation—leaving it no time to spare for becoming hegemonic. Jia Qingguo of Beijing University wrote in *Global Asia* last winter that China achieved rapid economic growth in the existing international order led by the United States, and China has no reason to disrupt that system. He also argues that, due to the globalized international economic system, China will be able to accumulate wealth and prestige through normal trade, investment, and military expansion.

China has also developed the idea of a "responsible big country" to cope with the China threat theory. This aims to show the world that China not only is contributing to the maintenance and development of the international order led by the United States, but also will take necessary measures as a responsible stakeholder in regional and international affairs. For example, China serves as chair in the Six-Party Talks regarding the North Korean nuclear issue as a good example of the Chinese saying *yousuo zuowei* (有所作为, "do something when necessary"). China also believes that multilateral settings are a better place to check American supremacy and to expand China's influence. Since the 1990s, China has joined various multilateral organizations, such as the ASEAN Regional Forum and the Shanghai Cooperation Organization.

Construction of a harmonious world and harmonious development

are quite often used by the Hu Jintao leadership in describing Chinese foreign policy. This concept is said to be derived from the Confucian thought of *hewei gui* (和為貴, “highly value harmony”). It is interesting to find that since he took power in 2002, Hu Jintao has strongly promoted Confucianism and Chinese traditional culture, which are quite contradictory to communist ideas and also were harshly criticized during the Cultural Revolution. The Hu Jintao leadership has stressed the importance of constructing a harmonious society as an effort to attain social stability by paying attention to socioeconomic disparity and contradictions in current Chinese society. At the same time, the construction of a harmonious world is intended to be a response to the external pressure of the China threat theory by emphasizing cooperation with international society.

### **Policy Continuity under the Chinese Collective Leadership System**

Xi Jinping started his professional career as a secretary in the powerful Central Military Commission immediately after graduating from Tsinghua University. He is said to have enjoyed a good relationship with military commanders from his time working for local government. He also made a speech at the North Korean embassy in Beijing in 2010 strongly supporting Chinese participation in the Korean War. (China formally calls the war “helping North Korea against America”.) This leads some people to argue that the fifth-generation leadership led by Xi will pursue external expansion influenced by the military. However, there has been no evidence to prove that he is a hardliner leaning towards the military. Even if he is attentive to the voices of the military, he alone cannot fundamentally change the existing policies of the previous leadership, considering the characteristics of the collective leadership system in China.

Unlike the practices in the United States or South Korea where regular elections often result in changes in major government policies, China’s leadership change could be seen as the change of a generation rather than of major policies. It is not uncommon for current Chinese leaders to quote the statements of Deng Xiaoping and Jiang Zemin when addressing policies. Deng learned a lesson from the disasters of the Great Leap Forward and the Cultural Revolution, reintroducing col-

lective leadership to ensure stable power succession after the autocracy of Mao Zedong. There are nine members on the Standing Committee of the Politburo who make decisions on major policy issues through consultation and represent various areas of state affairs with respective responsibilities. Though there are certainly differences among the Standing Committee members in terms of their influence, there also exists a kind of system of checks and balances among the leaders, which does not allow any single member to dominate the policy decision-making process. Checks and competition among the several political groupings, such as the Revolutionary Descendant Group (太子黨), the Communist Youth League Group (共青團派), and the Shanghai Group (上海幫), contribute to this phenomenon. Collective decision-making is being practiced even at lower levels. Under these circumstances, it is not easy to make a policy decision, and it would be very difficult to change what was once decided.

A change in Chinese leadership does not mean that there will be a complete reshuffle of Politburo members. Some members of the Standing Committee, including Xi Jinping and Li Kechang, will be keeping their seats to become top leaders. Newly selected members would include some of the current 25 members of the Politburo who have also participated in the decision-making process. For example, Guangdong Party Secretary Wang Yang, head of the Party Organization Department Li Yuanchao, and Vice Premier Wang Qishan have a strong chance of advancing to the Standing Committee next year.

Real political power would also be gradually transferred to the next-generation leadership. When Jiang Zemin transferred his power to Hu Jintao in 2002, Zheng Qinghong, Jiang's powerful protégé, remained in the Politburo as vice president of the state and exercised a substantial amount of influence. Zheng is known to have played an important role in making Xi Jinping Hu Jintao's successor. There is a famous remark by Mao Zedong saying that real political power comes from the muzzle of a gun. Becoming the chairman of the Central Military Commission (CMC) means that one would have control over all military affairs and hold the real top post. Indeed, Deng Xiaoping led China as chairman of the CMC starting in 1983. Though Jiang Zemin became the Party gen-



eral secretary and the president of the state in 1989, he had to wait until 1990 to become the chairman of the CMC. Likewise, President Hu Jintao also had to wait two years before he was made chairman. Therefore, when Hu hands over the posts of president and general secretary to Xi, it is believed that Hu will hold the powerful post of chairman of the CMC for some time, just as Jiang did.

The two predecessors of Xi Jinping will try to exercise their political power as Jiang did during the Hu era. (Jiang may be too old and weak to wield his influence in the future.) I myself witnessed this in Tiananmen Square when Jiang and Hu stood side by side inspecting the troops at the 60th anniversary of the establishment of the People's Republic of China. Under such a system, it seems very difficult to make a substantial change regarding national strategy. The timing of deciding the Five-Year Plan for economic and social development also contributes to the consistency of policy. The National People's Congress finalized the 12th Five-Year Plan this March, two years before the inauguration of the fifth-generation leadership. That means the new leadership is supposed to implement the remaining three years of the development plan of the fourth-generation leadership.

## **New Factors Affecting the Foreign Policy-Making Process in the Future**

### *Expansion of Participants in Policy Making*

Many neighboring countries have been worried by China's recent assertive foreign policy claiming that the South China Sea is one of its core interests and by taking an overly strong position regarding the Diaoyudao (Senkaku) fishing boat incident in 2010. Some Chinese scholars described it as a case of confusion in Chinese foreign policy, attributing it to the fact that the Chinese Foreign Ministry could not play a central role due to the strong voices of an expanded range of participants in the process. This means that China's external interests are getting more complicated and the voices of relevant organizations or sectors are getting stronger.

Currently members of the Standing Committee are at the front line of policy-making. The Foreign Affairs Leadership Group (外事領



Peter Hays Gries and Sunny Lee

導小組) led by President Hu Jintao and 15 other senior members of the government and party are virtually in charge of deciding foreign policy that supports the Politburo. Many government research institutes and professors of major universities provide their opinions through formal or informal channels, including mass media.

As the Chinese economy grows quickly, more entities of Chinese society are trying to participate in identifying national interests and in formulating foreign policy. For example, government departments in charge of finance, the environment, and health have a bigger voice in foreign affairs now. Influential local governments, such as those in Shanghai, Chongqing, and Guangdong, are so politically powerful that the Ministry of Foreign Affairs has to consider their local interests when doing its job. Big state enterprises also show similar behavior. In her paper

“China’s Changing Political Landscape,” Erica Downs of the Brookings Institution properly describes the power of big state enterprises such as SINOPEC (petrochemicals) and China Mobile (telecommunications). It is the Chinese practice that government officials become the heads of state enterprises and vice versa. In particular, petroleum companies have become so influential that former Vice President Zheng Qinghong and Standing Committee member Zhou Yongkang, both with experience in the petroleum industry, are being called key members of the petroleum group (石油幫).

#### *Rapid Growth of Public Opinion*

Public opinion has become increasingly important in foreign policy making. There are two major contributing factors. The first is growing Chinese nationalism and patriotism, and the second is the expansion of mass communication methods like mobile phones and Internet access throughout China. As national power has expanded, the self-confidence of the Chinese has grown. Historically, nationalistic sentiments appeared when the country was threatened by neighboring forces or foreign countries. Recent nationalism seems to be rooted in the historical legacy of imperialist invasions by Western nations and Japan and has been encouraged by China’s continuous economic rise. However, this kind of nationalistic sentiment is a double-edged sword. It could be useful for the unity of the people and for applying pressure to a targeted foreign country, but it also could be turned into an independence movement by an ethnic minority group or anti-government dissidents. Authorities are trying to keep this patriotism under control, as was shown by the case of student demonstrations against the US government for NATO’s mistaken bombing of the Chinese Embassy in Yugoslavia. The Chinese leadership was very careful in managing the situation and making sure that the demonstrations were confined and relatively peaceful.

The rapid expansion of mass communication methods enables public opinion to be formed quickly and brings strong pressure to bear on Chinese policy makers. According to the Chinese Internet Information Center in a 2011 report, more than 450 million people in China subscribe to Internet services and more than 300 million people are us-

ing mobile phones to access the Internet. These figures show an increase of 73 million and 69 million respectively as compared to the previous year. Approximately 850 million Chinese people own mobile phones. People are getting more information from a variety of international and domestic sources; the central government has more difficulty controlling the flow of information. It is not unusual that corruption cases of officials and mishandled police affairs appearing on the Internet result in punishment from authorities. Recent emphasis by the Chinese Foreign Ministry on consular affairs and the strong response by the Chinese government to the Japanese capture of the fishing boat captain last September are believed to reflect the strong public opinion expressed on the Internet. This is probably one of the reasons why the government had to begin public diplomacy.

#### *Internal Socioeconomic Problems*

Many books that explain China's internal problems can be easily found in the bookstore. It seems that the side effects of high-speed economic development during the last three decades have surfaced. China's income disparity has worsened to the extent that China's Gini coefficient was 0.5 in 2010 (below 0.4 is said to be desirable). It looks strange for a socialist country to have such a huge gap between the rich and the poor. Rapidly rising prices of food and housing after the international financial crisis of 2008 are adding to the difficulties. Though recent street demonstrations by rural migrant workers in Guangdong Province were put down by local law enforcement, more than 100,000 cases of riots or protests are known to have broken out throughout China last year. Besides demonstrations, China is dealing with problems such as widespread corruption, a regional development gap, the minority national group issue, and the democratization movement influenced by the Middle East in 2011.

Those who are optimistic about China's future point out that the country is only about 60 years old and is full of potential and dynamic growth. Most Chinese people share the goal of national development and the return to a glorious and great country under the firm leadership of the Communist Party. Many also say that there was not a time in Chi-

nese history where internal problems did not exist. Therefore, despite the many problems China is facing, it will still be able to manage the situation and continue to develop in the future.

Recognizing the seriousness of these internal problems, China's leadership decided to incorporate "inclusive growth" as a central theme of the 12th Five-Year Plan. Leaders are now discussing the usefulness of either the Chongqing model or the Guangdong model for China's future development, with political implications for the selection of the next-generation leadership. Bo Xilai of Chongqing reminded people of the Maoist era with the red song contest (紅色熱唱) by introducing the model of strong government intervention in housing projects while inducing foreign investment in the IT industry.

The fifth-generation leadership has to deal with hot domestic issues as their top agenda item and implement policies prescribed in the 12th Five-Year Plan. Nonetheless, if the domestic situation does not improve, Chinese foreign policy will be affected in two ways. One traditional way is to create distracting foreign issues to keep the people's attention off internal problems. The other is that China will focus on domestic issues and neglect its responsibility as a major country in the region or international society as a whole, returning to a state of isolation. The former means that Chinese foreign policy would be more assertive in the coming years while the latter indicates that China would be making less of a contribution to resolving regional or international issues such as the North Korean nuclear crisis. Considering the weight China carries, both scenarios would be burdensome for neighboring countries and the international community in general.

### **China's Foreign Policy Choices**

It is without question that American policy toward China will have an effect on Chinese foreign policy. American policies of either containment or engagement with China have been a top priority of Chinese policy makers. Whether or not American power will decline in the future will be a matter of great importance for the Chinese position in the years ahead. In the late 1980s, people believed that American economic power was relatively weakened vis-à-vis Japan. The Tiananmen

Incident and the collapse of the East European communist countries made China suspicious of western peaceful evolution (和平演變). Those were probably the reasons why China tried to check America by claiming multipolarity in the international system at that time. Around 1996, China was confrontational with the United States in the Taiwan Strait and later became aware of American power once again. The international financial crisis of 2008 filled the Chinese people with confidence. The nationalistic public opinion in China, though different from that of the leadership, became quite assertive. The public mood in China, coupled with America's proclaimed return to Asia, as shown by the announcement of high-profile arms sales to Taiwan, including F-16 fighter planes in January and President Obama's meeting with the Dalai Lama at the White House in February, also seemed to play a part in making China's foreign policy more assertive in 2010. China's overall foreign policy will continue to be interactive with US foreign policy towards China and, considering the recent situations, China's policy is likely to be of a defensive nature against the United States for at least the period of the fifth-generation leadership.

The "five principles of peaceful coexistence" will continue to play an important part in Chinese foreign policy. However, as Wang Jisi argued, internal and external pressure on China to do its job as a "responsible big country" may cause a partial change in the principle of non-intervention in the internal affairs of other countries. The Chinese attitude toward the UN Security Council Resolution on Libya reflects this trend. China indirectly supported the US-led Libyan sanction resolution establishing a no-fly zone in Libyan air space by abstaining from the resolution, while opposing the air strikes from European countries.

Within 10 years' time, not only China, but India and Brazil may also be able to achieve quick growth in national power and become new members of the more complicated multipolar international system. In particular, India may rise as a force to counter China. But US status as the sole superpower will not change for at least another 10 years. US-China relations will mainly be cooperative, as shown by the summit meeting between Obama and Hu early in 2011, but issues relating to Chinese sovereignty claims, such as cases involving Tibet and Taiwan,

will lead to confrontation. The United States will continue to make efforts to “tame” China by emphasizing the universal values of mankind, US arms sales to Taiwan, the president’s meeting with the Dalai Lama, and human rights issues. China will respond in a stronger manner but probably for a short period of time. China is fully aware that a serious confrontation with the United States is not in the interest of continuing economic progress. The United States also will continue to attempt the strategic encirclement of China by reinforcing security cooperation with relevant countries like India, Australia, Vietnam, South Korea, and Japan. China will have no other choice than to strengthen its friendly and cooperative relations with neighboring countries to effectively respond to this. China still regards itself as too weak to get into a large-scale conflict with the United States, and therefore may actively utilize the multilateral arena to check American dominance rather than confronting the United States directly. The multilateral arena is probably a better place for China to implement *yousuo zuowei* activity, since the international call for Chinese participation in the settlement of regional and global issues will only grow stronger.

Despite the fact that historical issues and regional rivalry remain a barrier between China and Japan, Japanese capital and technology has been quite necessary for China’s economic development. As Chinese economic power grows bigger while Japan has been stagnant for many years and further weakened due to the huge 2011 natural disaster, the relative value of Japan for China will be diminished and the discord between them will loom larger in the future. Particularly China’s positions on the thorny sovereignty issues of the Diaoyudao or Senkaku Islands and the maritime boundary in the East China Sea will grow stronger and remain a source of intensified conflict. However, the high-end technical level of Japanese industry is still greatly needed in the restructuring of China’s economy. Concerned about the ever-strengthening US-Japan alliance, China will have to carefully manage relations with Japan in the years ahead.

In order to become a major country on a level with the United States, China first needs to secure the understanding and support of neighboring countries. China will continue to try to persuade North

Korea to give up its nuclear weapons and at the same time to help it become more stable both politically and economically. It seems that after North Korea's second nuclear test in 2009, China shifted emphasis from denuclearization to the stability of the North Korean regime. China's priority on the stability of North Korea was proven by the swift actions the government took to express its condolences and to support Kim Jong-Un right after the death of Kim Jong-Il was announced. On the afternoon of the same day, the First Vice-Foreign Minister called on the ambassadors of the major countries to ask their respective countries to cooperate with China to maintain the stability of North Korea. However, the fact that China has been operating as a socialist market economy and that the fifth-generation leaders will be facing a worsened domestic situation will not make it easy for China to expand economic cooperation with North Korea. Young Chinese elites with experience in China's open-up policy and reforms, many of whom have advanced knowledge of the West, have a tendency to approach the Korean Peninsula more realistically instead of ideologically. It is notable that in the case of the shelling of Yeonpyeong Island by North Korea last year, more people in China are beginning to think that China was hijacked by North Korea, and that China's international status and image is being tainted by North Korea's irresponsible provocation. Still, a majority of Chinese policy makers regard North Korea as a strategic buffer zone against the United States.

As to South Korea, China will probably want to further economic cooperation while promoting the inter-Korean dialogue, and will try to put pressure on South Korea so that the South Korean-US alliance does not adversely affect Chinese security. Within a 10-year time frame, South Korea and China will conclude a bilateral Free Trade Agreement. As South Korea also needs to strengthen exchanges and cooperation with China for its national interests in security and economic prosperity, bilateral relations between South Korea and China will continue to develop. However, considering the US alliance and hedging against China's possible hegemonic behavior, South Korea will be cautious in strengthening security and military cooperation with China. South Korea will also be careful that the alliance is not directed against China in



an offensive manner.

Regarding Southeast Asia as its backyard, China will continue its Three-Good Neighborhood Policy (三隣, namely 睦隣, 安隣, 富隣) to further strengthen economic relations with ASEAN countries and to expand its influence there. Particularly provinces like Yunnan and Guangxi, which are lagging behind in economic progress compared to the Eastern coastal provinces, will see the potential of dynamic economic development through active cooperation with neighboring ASEAN countries and will make their own initiatives. Regarding sovereignty issues related to islands and exclusive rights in neighboring waters of the South China Sea, China, albeit loosely, agreed to resolve them through dialogue and to co-develop the natural resources with the relevant countries. China will be more assertive with claims in the future, considering its desire to utilize marine resources and to secure the sea lanes for energy transportation.

China will continue to expand its economic relations with Taiwan, unless it claims independence, using the current preferential treatment to make it a de facto part of China. If Taiwan tries to become an independent sovereign state, as was attempted during the Chen Shuibian government in the past, China will most likely put strong pressure on Taiwan to change its course, even through military options at the cost of a possible conflict with the United States.

## **Conclusion**

Though the direction of Chinese foreign policy for the next 10 years will become clearer at the 18th Communist Party Congress when the fifth-generation leaders officially appear on stage, the aforementioned Chinese national development strategy and the characteristics of the collective leadership system indicate that there should be no substantial change in the existing foreign policy of peaceful development. As the 16th Party Congress only reconfirmed the three-step national development strategy adopted by the previous 15th Congress, I believe that the 18th Party Congress will also basically maintain the existing national development goal of attaining a xiaokang society by 2020. For this reason, China, while still recognizing the international order led by the United

States, will continue to pursue the stabilization of the external environment. However, with regard to issues related to sovereignty or the legacy of imperialism, China will show its power in a more assertive manner. Domestically, as Chinese national power grows, opposition to taoguang yanghui will grow stronger, as seen in an article by Yan Xuetong of Tsinghua University in World Knowledge (世界知識), and pressure on policy makers to raise China's voice against international society will increase. However, this will not be a mainstream opinion for the next leadership. A notable article by an influential former general, Xiong Guangkai, recently emphasized that the real meaning of the taoguang yanghui is not to "lie on the firewood and taste gall-bladder" (臥薪嘗膽), but to be modest, a traditional virtue. Nevertheless, many still believe that China should bide its time until it becomes a true hegemonic power.

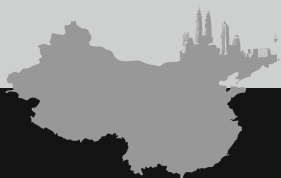
**CHAPTER 4 Bonnie S. Glaser**

Chinese Foreign Policy Research Institutes and the Practice of Influence

**CHAPTER 5 Quansheng Zhao**

Moving between the 'Inner Circle' and the 'Outer Circle':

The Limited Impact of Think Tanks on Policy Making in China



PART 2

**CHINA'S THINK TANKS  
AND FOREIGN POLICY**

CHAPTER  
04

**CHINESE FOREIGN POLICY RESEARCH INSTITUTES  
AND THE PRACTICE OF INFLUENCE**



Bonnie S. Glaser



**Bonnie S. Glaser** is a senior advisor for Asia and the Freeman Chair in China Studies at CSIS. Ms. Glaser is also a senior associate with the CSIS Pacific Forum and a consultant on East Asia for the US government. Prior to joining CSIS, she served as a consultant for various US government offices, including the Departments of Defense and State. Glaser has written extensively on Chinese threat perceptions and views on strategic environment, China's foreign policy, Sino-US relations, US-China military ties, China assessments of the Korean Peninsula, and Chinese perspectives on missile defense and multilateral security in Asia. Her recently published articles include "Tensions Flare in the South China Sea" (CSIS Report, 2011) and "A Shifting Balance: Chinese Assessments of U.S. Power" (CSIS Report, 2011). She received her B.A. in political science from Boston University and M.A. in international economics and Chinese studies from the Johns Hopkins School of Advanced International Studies.

“Under Hu Jintao’s leadership opinions have been solicited more frequently. The government knows very well that diplomacy is increasingly complex and involves the media, NGOs, and think tanks. They understand the need to broaden contacts with foreigners and Chinese. Their resources are limited. They need to know about energy, Tibet, human rights, and climate change. So I am confident that this process will continue.”

– Leading Chinese scholar

### **Introduction**

In the Maoist era, Chinese leaders had little need for foreign policy advice due to China’s limited involvement in the international community and to the ideological, personalistic, and top-down pattern of decision-making under Mao Zedong. The launching of Deng Xiaoping’s reform and opening-up policy in the late 1970s marked the beginning of a process of gradual transformation of Chinese foreign policy from ideology to pragmatism, and from self-exclusion and passivity to greater involvement and active participation in international affairs. The vigorous conduct of diplomacy with 171 countries with which China today has diplomatic ties and in numerous regional and international organizations, combined with the rapid expansion of Chinese interests around the globe, have exponentially increased the Chinese leadership’s need for information, analysis, and advice about the outside world to safeguard and advance Chinese national interests. One of the important means by which this need has been met is through the system of Chinese foreign policy research institutes.

Although the role of Chinese foreign policy research institutes has expanded and their importance in policy-making has increased in recent decades, the structure and process of foreign policy-making advice

have changed only marginally, albeit in some important ways.<sup>1</sup> Whereas independent “think tanks” have emerged in the economic sector in China that provide innovative input into decision-making on economic issues, there are no truly independent think tanks that conduct research on foreign policy issues and have significant influence on government thinking and policies. The most influential research organizations on foreign policy are those that are closely tied to the government, military, and party, in part because they have authorized and reliable channels to transmit their advice to the top leadership. A new and important development, however, is that university-based scholars who are not part of the government system have greater opportunities to provide analysis and policy recommendations to officials and leaders.

This paper attempts to explain recent developments and trends in the system and function of foreign policy research institutes in China. It begins with a description of the system of Chinese research organizations. Interaction between government officials and institute researchers is discussed next, followed by an examination of how research institutes are coordinated. The following section presents the various conduits through which university scholars and government-affiliated research institutes influence Chinese foreign policy decision-making. The critical function of formal and informal channels to convey information and advice to decision makers is then explained in depth, followed by a brief discussion of how senior decision makers provide feedback to institutes and their researchers. The conclusion highlights key areas of continuity and change in China’s system of foreign policy research institutes.

This paper is based on the author’s personal interactions with hun-

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<sup>1</sup> Prior articles on Chinese think tanks include: the entire issue of *The China Quarterly* 171 (September 2002); Zhu Xufeng, “The Influence of the Think Tanks in the Chinese Policy Process,” *Asian Survey* 49, no. 2 (2009): 333–357; Zhu Xufeng, “China’s Think Tanks: Roles and Characteristics,” EAI Background Brief No. 306, October 19, 2006; Cheng Li, “China’s New Think Tanks: Where Officials, Entrepreneurs, and Scholars Interact,” *China Leadership Monitor* 29; Evan S. Medeiros, “Agents of Influence: Assessing the Role of Chinese Foreign Policy Research Organizations After the 16th Party Congress,” in Andrew Scobell and Larry Wortzel (eds.), *Civil-Military Change in China: Elites, Institutes, and Ideas After the 16th Party Congress* (Carlisle, PA: Strategic Studies Institute, Army War College, 2004), 279–307; Thomas Bondiguel and Thierry Kellner, “The Impact of China’s Foreign Policy Think Tanks,” *BICCS Asia Paper* 5, no. 5 (2010); He Li, “The Role of Think Tanks in Chinese Foreign Policy,” *Problems of Post-Communism* 49, no. 2 (March/April 2002): 33–43; and Zhu Xufeng and Xue Lan, “Think Tanks in Transitional China,” *Public Administration and Development* 27 (2007): 452–464.

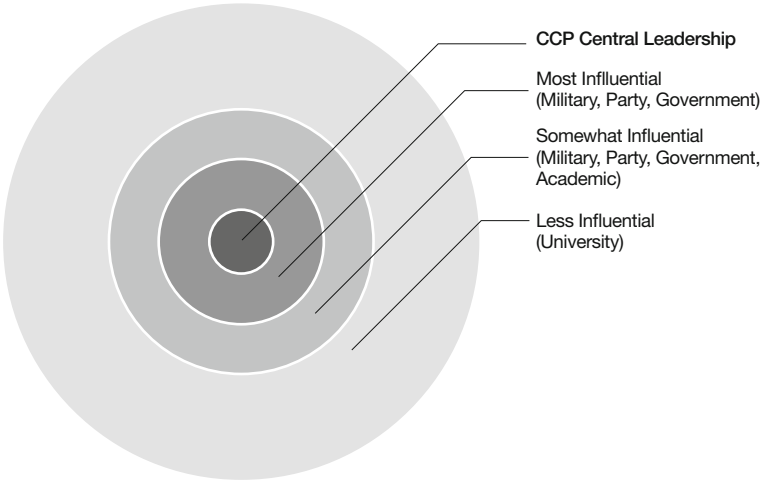


dreds of Chinese institute researchers and government officials in the past 25 years. Conversations took place in various settings, ranging from one-on-one private meetings to small group discussions to participation in conferences. Most of these interactions were focused interviews intended to probe Chinese thinking on a specific foreign policy issue. Some of them were aimed expressly at investigating the evolving role and influence of Chinese research institutes and university scholars in Chinese foreign policy decision-making.

### The System of Chinese Research Organizations

Chinese foreign policy and international relations institutes can be envisaged as located in three concentric rings (see Figure 1) representing their proximity to policy makers as measured by access to classified information, regularity of participation in policy discussions, and reliable channels to provide analysis and advice into the system. The innermost ring contains a small number of government, party, and military research organizations. The next ring consists of less important government, party, and military research units, as well as government-affiliated academic research organizations. The outermost ring includes university-affiliated research institutes and individual scholars.

Figure 1: Diagram of Chinese Foreign Policy Research Institutes and Their Influence



Government, party, and military research organizations refer to those institutions with a single line of authority to a ministry under the State Council, the Central Committee, or the People's Liberation Army (PLA).<sup>2</sup> (See Table 1) Only a small number of research institutes provide analysis and advice on a regular and frequent basis. These are the most consistently important among Chinese foreign policy institutes, although they are not necessarily always the most influential. These research institutions are subordinated to and sponsored solely by the central government, party, or military, but are separate from the official administrative departments. They are headed by government-nominated personnel and receive a steady flow of administratively appropriated funds. Staff members at such research organizations are paid the same as other government, party, and military officials with the same rank, but they have no administrative power or responsibilities as other officials do; being full-time researchers, their job is to provide policy analysis and advice to the top leadership.

Table 1: Chinese Foreign Policy Research Institutes

Institution	Administrating Organization	Founding Year
Tier One: Most Influential Military, Party, and Government Research Institutes		
People's Liberation Army		
National Defense University (NDU)	Central Military Commission	1985
Academy of Military Sciences (AMS)	Central Military Commission	1958
China Institute for International Strategic Studies (CIISS)	PLA General Staff Department	1979
Communist Party		
International Strategic Research Institute	Central Party School	1995
Government		
China Institutes of Contemporary International Relations (CICIR)	Ministry of State Security	1980
China Institute of International Studies (CIIS)	Ministry of Foreign Affairs	1956 (name change 1986)
Shanghai Institute for International Studies (SIIS)	Shanghai City Government	1960

<sup>2</sup> For the purposes of this article, research departments housed within Chinese ministries or the party apparatus are not considered think tanks. For example, the MFA's Policy Planning Department and the Central Committee's Policy Research Office are not included. For a discussion of the MFA's Policy Planning Department, see Thomas Bondiguel and Thierry Kellner, "The Impact of China's Foreign Policy Think Tanks," *BICCS Asia Paper 5*, no. 5 (2010).

Chinese Center for International Economic Exchanges (CCIEE)	Ministry of Civil Affairs	2009
Tier Two: Somewhat Influential Military, Party, Government, and Academic Research Institutes		
People's Liberation Army		
China Foundation for Strategic and International Studies (CFISS)	PLA General Staff Department	1989
Center for Peace and Development Studies (CPDS)	PLA General Political Department	1984
Communist Party		
China Reform Forum	Party School of the Central Committee of the Communist Party	1994
Government		
Institute for World Information	State Council	Mid-1990s
Institute for World Development	Development Research Center (DRC), State Council	1990
Academic		
Shanghai Academy of Social Sciences (SASS)	Municipal Government of Shanghai	1958
Chinese Academy of Social Sciences (CASS)		1977
Media		
Xinhua Center for World Affairs	Xinhua News Agency	1991
Tier Three: Marginally Influential University Research Institutes		
University Affiliation		
Center for International Strategic Studies	Peking University	2001
Center for American Studies	Fudan University	1985
Institute of International Studies	Fudan University	2000
Institute of International Relations	China Foreign Affairs University (MFA)	1955
Strategy and Conflict Research Center	China Foreign Affairs University (MFA)	??
Institute of International Studies	Tsinghua University	1997
Institute of International Strategy and Development	Tsinghua University	??
School of International Studies	Peking University *	1996
Institute of World Socialism		1994
Institute of International Relations		1985
Institute of Afro-Asian Studies		1964
School of International Studies	Renmin University	2000
Institute of World Socialism		??
Institute of Eastern Europe and Central Asia		1964
Institute of Chinese Politics		??
Center for European Studies		1994

\* Peking University has over 20 research centers.

Since the institutes in this group are located within the bureaucratic hierarchy, they have greater opportunities than academic and university-based research organizations to contribute to and participate in the policy-making process. They also have greater access to internal documents and intelligence, including cables from Chinese embassies and transcripts of meetings between Chinese and foreign leaders. Due to the compartmentalization of the system (discussed below), some information is not shared between different parts of the bureaucracy. For example, civilians working in the Ministry of State Security's China Institutes of Contemporary International Relations (CICIR) or the Ministry of Foreign Affairs' China Institute of International Studies (CIIS) generally do not have access to military intelligence. Importantly, government, party, and military research organizations have authorized channels to submit their reports to the top leadership. The directors of these institutes often have an institutional seat at important meetings to discuss policy, such as the monthly meeting (pengtou hui) at the Chinese Communist Party (CCP) Central Committee's Foreign Affairs Office (FAO).

The second ring consists of research institutes that are also affiliated with the military, party, and government but have less influence than those included in the inner ring, as well as "academic specialized think tanks" such as the institutes under the Chinese Academy of Social Sciences (CASS) and its Shanghai counterpart the Shanghai Academy of Social Sciences (SASS). CASS is directly under the State Council and consists of 31 research institutes, 45 research centers, and a graduate school and employs over 3,200 researchers. Only a small number of the CASS research institutes engage in policy research. CASS experts have constraints on access to internal and classified information and attend meetings convened by government ministries less frequently than their counterparts in government research organizations. CASS as an institution and some of its individual institutes have authorized channels that can be used to transmit reports throughout the bureaucracy and upward to the leadership.

The outermost ring contains research institutes housed within universities. Due to their lack of access to classified information, lack of authorized channels to top leaders, lack of a steady stream of government

funding, and, in some cases, distance from the locus of policy-making, the input of university-affiliated think tanks into China's foreign policy decision-making process is less regular and less influential than government-related and academic research institutes. There are some exceptions to this rule, however. University research institutes that are connected to government ministries, such as the Foreign Affairs University (under the Ministry of Foreign Affairs (MFA) since 2002) and the APEC Research Institute of Nankai University, have greater influence on foreign policy decision-making than other university think tanks. They have greater access to sensitive information, are consulted and sometimes tasked by the ministries they are affiliated with, and have authorized channels to submit reports. University research institutes are also increasingly collaborating on research projects with government institutes, which has increased their visibility and influence with senior officials and leaders. Most significantly, individual university scholars have increasing opportunities to provide analysis and advice.

Not included in Table 1, but worthy of mention, are the research institutes located in Chinese provinces close to the country's borders that focus exclusively on studying China's neighboring countries. The close proximity of these institutes to the subjects of their research provides an advantage over more distant centers of study in Beijing. Most of these regional institutes are housed in universities or in provincial academies of social sciences. Their work is mainly academic, but some focus on current policy-related issues and provide analysis to the central government. Examples include the Yunnan Institute of Southeast Asian Studies under the Yunnan Academy of Social Sciences, which is important in the study of Myanmar; the National Institute for South China Sea Studies, attached to the Hainan provincial government, specializing in research on South China Sea issues; and the Northeast Asia Research Institute under Jilin University and the Institute of DPRK and ROK Research under the Jilin Academy of Sciences, both of which study the Korean Peninsula.

### **“Stovepiping” Still Dominates**

China's system of research institutes was created based on the Soviet sys-

tem in which all institutes are nested firmly within vertically hierarchical bureaucratic systems (*xitong*). Even today, there are no completely “independent” think tanks in China that engage in research on foreign policy and have significant influence on Chinese policy.<sup>3</sup> Most operate within administrative hierarchies either under a State Council ministry, a Central Committee department, or one of the general departments of the PLA. For example, as noted above, CIIS is under the MFA and therefore part of the State Council hierarchy. The China Reform Forum is affiliated with the Central Party School and thus within the Central Committee administrative hierarchy. The China Institute of International Strategic Studies (CIISS) is a research arm of the PLA General Staff’s second department that is responsible for human intelligence gathering and analysis. University research institutes are under the Ministry of Education. A few research institutes have dual or multiple lines of affiliation and authority. Such is the case, for example, with CICIR (it receives funding and is administratively under the State Council’s Ministry of State Security (MSS), but also is subordinate to the Central Committee’s FAO). A few institutes are less tightly bound to the government, party, and/or military than those mentioned above. The China Foundation of International Strategic Studies (CFISS) is nominally under the PLA General Staff’s second department, for example, but has greater autonomy than CIISS.

The origin and organization of China’s research institutes accounts for the “stovepiping” that has long pervaded the system. The resulting compartmentalization and redundancy are apparently a function of deliberate design and are viewed at higher levels as assets rather than deficiencies. By limiting interaction between research organizations, the system produces competing analyses and recommendations for consideration by Chinese leaders. Several research institutes are often tasked to

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3 There are a few independent, nonprofit research think tanks that engage in foreign policy research, but their influence is limited. One such example is the Shanghai Institute of American Studies, established by Ding Xinghao. Another think tank, the Pacific Institute of International Strategy, was set up by People’s University Professor Jin Canrong and other scholars in June 1999, but only remained in existence for a few years. Jin explained that the institute’s demise was due to the fact that in China “government research organizations are very powerful” and as an “alien” the new think tank could not compete. “The time is not ripe yet and the entire society is not ready,” Jin asserted. Interview with Jin Canrong, *Shijie Jingji Yu Zhengzhi*, October 14, 2005.

write reports on the same topic in a purposeful effort to gather diverse views and policy suggestions. This was the case, for example, in 1999 when institutes were charged with analyzing the international security environment and assessing whether peace and development remained the main trend.<sup>4</sup> On a smaller scale, institutes were asked in 2005 to assess the intentions behind Deputy Secretary of State Robert Zoellick's concept of "responsible stakeholder." Similarly, competing analyses were commissioned to predict the outcome of Taiwan's 2008 elections.

Within the communities of government, academic, and university think tanks, however, the dearth of knowledge about research efforts and views held by analysts outside of one's own organization is increasingly seen as hampering the quality of an institute's analysis. To remedy this situation, individuals and institutions have taken initiatives that have begun to erode the severe compartmentalization that has inhibited horizontal communication. Recognizing the limited expertise within any single research organization and the value of interacting with experts from other institutions, individual experts and research institutes are breaking down barriers between organizations and promoting greater sharing of information and exchange of ideas. It is now common for Chinese institutes to convene meetings that bring together analysts from various research organizations in the party, government, military, and universities.

CICIR, for example, periodically invites experts from the PLA, the CCP's International Department, the Taiwan Affairs Office, Xinhua, the Central Party School, CIIS, CASS, universities, and other research organizations to exchange views on timely topics such as "China's Diplomacy and Foreign Strategy Under the New Situation" (2010), "Symposium on the Renminbi's Internationalization and Related Issues" (2010), "Changes in the International Geostrategic Situation and their Impact on China" (2008), "International Situation in 2007: Review and Forecast" (2007), and "The Post-9/11 World and China" (2006). Reports based on these discussions are circulated through the bureaucracy via the State Council General Office, and synopses of the participants' views are

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4 David M. Finkelstein, "China Reconsiders Its National Security: The Great Peace and Development Debate of 1999," The CNA Corporation, December 2000.

often published in CICIR's journal, *Xiandai Guoji Guanxi* (Contemporary International Relations). Research institutes also invite experts to roundtable discussions of an issue that the host unit requires additional information about to inform its research and policy advice to the leadership. For example, when the SARS epidemic broke out, CICIR gathered health experts from China's Center for Disease Control, experts on China's emergency response system, and scholars studying crisis management to discuss the SARS outbreak and its implications.

Other efforts to promote collaboration and exchange of information include the establishment of associations and centers that cut across administrative boundaries. The China Arms Control and Disarmament Association was founded in 2001 to coordinate and organize research, education, and advocacy on the issues of arms control and international security. It is housed in CIIS, the MFA's think tank, and many of its leading members are former MFA officials. The National Society for Taiwan Studies has members from research organizations throughout China and periodically convenes meetings to facilitate an exchange of views on important developments. In 2007, Wang Jisi, who is widely considered among the most influential of China's America experts, set up the Center for International and Strategic Studies (CISS) at Beijing University to "enhance academic and policy research in the fields of world politics, international security, and national strategies". The Center's Executive Council includes experts from the MFA, the Central Committee's FAO, the PLA, and other Chinese research institutes.<sup>5</sup>

The most influential cross-cutting associations are created at the behest of and utilized by officials who are seeking to gather views from Chinese scholars. The only example of such an association that is known by this author is the Cross-Strait Relations Research Center (*Haixia Liangan Guanxi Yanjiu Zhongxin*), which was established in September 2000 by Sun Yafu, vice minister of the Taiwan Affairs Office (TAO). According to Chinese experts, this mechanism provides for regular interaction between the TAO and Taiwan affairs experts. "When any significant event occurs, they will have several rounds of discussions," a

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<sup>5</sup> Center for International and Strategic Studies, Beijing University, <http://www.ciss.pku.edu.cn>.



well-informed university expert maintained. Among all of China's party, government, and military units, the TAO does the best job of drawing on scholars and integrating their proposals into policy recommendations that are forwarded to the top, the expert added.<sup>6</sup>

Government research institutes also occasionally collaborate with ministries on internal research projects. For example, in 2007 the MFA and CICIR jointly produced a report on a possible future Northeast Asian peace and security mechanism.<sup>7</sup> In general, however, information sharing and cooperation between research organizations takes place on projects that are intended for academic purposes, not internal reports that are produced for the government.

Although some strides have been made in promoting horizontal communication, progress has been limited, in large part because the consumers of the analytical products written by research organizations prefer a system that is compartmentalized and redundant. In the absence of a high-level decision to implement systemic changes that would encourage information sharing and collaborative research, it likely that China's research system will remain predominately stovepiped.

### **Primarily “Bottom Up” but Increasingly “Two-Way”**

In the national security and foreign policy realms, policy makers both seek advice and receive unsolicited analysis and suggestions from research organizations. Chinese analysts maintain that the leadership as well as officials responsible for implementing policy are increasingly consulting with institute experts. In the past decade, officials have solicited analysis and advice from Chinese research institutes and university scholars with growing frequency and regularity. Meetings are convened by numerous departments in government ministries and offices to discuss foreign policy issues with experts. Scholars say there is a growing appreciation among officials of the value of interacting with experts from both government-affiliated research organizations and universities. A former CIIS analyst, now working for the MFA, described the process as increasingly “two-way,” although interaction with senior officials and

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<sup>6</sup> Interview with Chinese expert, July 6, 2008.

<sup>7</sup> Interview with Chinese MFA official, May 2, 2008.

Chinese leaders is limited to think tank directors and a relatively small number of senior university-based scholars.<sup>8</sup>

Nevertheless, the system remains primarily “bottom up” rather than “top down,” as demonstrated by the huge volume of unsolicited paperwork that flows upward on a daily basis. On average, experts say, two-thirds of the reports produced annually by government research organizations are generated internally at the initiative of individual researchers or an institute’s leadership, and only one-third are commissioned or tasked by higher-level parent ministries, the FAO, the General Office system, or top Chinese leaders. Analysts admit that many of these reports are likely discarded, but they insist that the policy impact of some of the reports that are written through the “bottom up” process are no less important than those that are commissioned.

One important function played by Chinese research institutions and individual scholars is to alert the senior leadership about issues that are likely to become new foreign policy challenges. For example, a CICIR delegation that visited Washington, D.C., in 2004 was asked by congressional staffers about Chinese policy toward Darfur, which at the time had received little international attention. A subsequent report by CICIR informed the leadership that Darfur was likely to become a new contentious issue. A senior CICIR analyst noted that “China had not realized how sensitive Darfur was to the West. Our oil companies just went there. Then we started receiving signals and information that the West had concerns. We wrote reports and sent them to our leaders. Once they realized the comprehensive situation, they decided to take some measures.” CICIR also provided early warning to Chinese leaders that avian influenza was an international issue that required China’s attention. When the color revolutions were launched in several Central Asian countries beginning in 2003, CICIR analyzed the implications of these movements for China and urged Chinese leaders to be vigilant in managing domestic affairs.<sup>9</sup>

Chinese research institutes and scholars also bring new ideas to the attention of Chinese leaders that help them to formulate more effective

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8 Interview with MFA official, August 4, 2008.

9 Interview with CICIR analyst, January 23, 2008.

policies. Ideas that are spawned by US academics often become the focus of research and debate among Chinese analysts and, after a period of discussion, are adopted as policy. After Harvard Professor Joseph S. Nye Jr. conceived the concept of “soft power” in 1990 and published a book on the subject in 1994, the topic was seized upon by Chinese experts who intensely debated the role of soft power in a country’s comprehensive national power and proposed strategies to enhance China’s soft power. In 2005, government and party offices began to convene meetings to discuss China’s soft power. The Chinese leadership embraced the goal of building China’s soft power in October 2006, when Hu Jintao declared in his political report to the 17th Party Congress that culture has become “a factor of growing significance in the competition in overall national strength” and maintained that China should “enhance culture as part of the soft power of our country to better guarantee the people’s basic cultural rights and interests, enrich the cultural life in Chinese society and inspire the enthusiasm of the people for progress.”<sup>10</sup> The Forum on China-Africa Relations Summit and the third Ministerial Conference that were held in Beijing November 3–5, 2006, provided an impetus for concrete policy discussions on how to promote China’s soft power.<sup>11</sup>

Chinese researchers also played a critical role in persuading the Chinese leadership to embrace multilateralism in the late 1990s. Scholars from government and academic institutes collaborated with foreign ministry officials to promote new concepts such as mutual security and positive-sum relationships. Yan Xuetong, then head of CICIR’s Southeast Asia division, worked with Fu Ying, who was director and counselor in the MFA’s Asia Department, to develop the “new security concept,” which, in its original form, was “one that is not based on the cold war

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10 Hu Jintao’s report to the Seventeenth National Congress of the Communist Party of China on October 15, 2007, China.org.cn., <http://www.china.org.cn/english/congress/229611.htm>.

11 Meetings were convened by the MFA’s policy planning department, the State Council Information Office, and the Foreign Affairs Office. Interview with People’s University professor, July 30, 2008.

mentality featuring zero-sum game, but on mutual and equal security.”<sup>12</sup> In 1998, the MFA’s Asia Department commissioned studies on regional security from scholars who were known to favor multilateralism, including Wang Yizhou, then a senior fellow at the CASS Institute of World Economics and Politics, and Zhang Yunling, then director of the CASS Institutes of Asia-Pacific and Japanese Studies. Zhang subsequently helped to develop Chinese policy approaches on a number of key issues, including establishing a Free Trade Agreement between China and ASEAN, promoting regional economic integration, and creating an East Asian community.

In some cases, think tank heads have proposed specific policy proposals that were adopted by China’s top leaders. A well-known example is the concept of “peaceful rise” that was introduced in November 2003 by leading CCP theoretician and then director of the China Reform Forum Zheng Bijian to describe China’s broad foreign policy objectives. In part due to opposition to the term by other scholars, military officers, and think tank experts—as well as some officials—it was dropped from the official lexicon and replaced by the term “peaceful development.”<sup>13</sup>

### **Opportunities for Influence**

In the 1980s and most of the 1990s, academics at Chinese universities were almost completely excluded from the policy-making process. They had no reliable channels to submit their ideas into the system and were rarely consulted by senior officials. They eschewed policy research and wrote mostly on academic subjects for an academic audience. With the exception of a few institutes—the Institute of Soviet and East European Studies being the most notable—CASS was not included in policy-making discussions. In the mid-1990s, this situation began to change. An analyst from the CASS Institute of American Studies recalled his in-

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12 Shi Chunlai and Xu Jian, “Preventive Diplomacy Pertinent to the Asia-Pacific,” *International Review* 4 (July 1997). The “new security concept” was introduced in December 1997 at the Third CSCAP North Pacific Meeting by China’s Ambassador Shi Chunlai. See Alastair Iain Johnston, “Socialization in International Institutions: The ASEAN Way and International Relations Theory,” in G. John Ikenberry and Michael Mastaduno (eds.), *International Relations Theory and the Asia-Pacific* (New York: Columbia University Press, 2003), 129.

13 Bonnie Glaser and Evan Medeiros, “The Changing Ecology of Foreign Policymaking in China: The Ascension and Demise of the Theory of ‘Peaceful Rise,’” *China Quarterly* 190 (2007): 291–310.

stitute first receiving attention from policy makers after the Clinton administration granted a visa to Taiwan President Lee Teng-hui. The State Council informed the leadership that no visa would be granted based on what Vice Premier Qian Qichen believed to be a promise from US Secretary of State Warren Christopher. However, experts from the Institute of American Studies correctly predicted that Lee would be granted a visa. Following that episode, the analyst recounted, the MFA sought advice more frequently from outside specialists. An expert from the CASS Institute of World Economics and Politics dated the beginning of government attention to his institute and the process of government consultation with scholars to the Asian Financial Crisis in 1997.

Today, there are numerous conduits through which university scholars and government-affiliated research institutes can influence Chinese foreign policy decision making. Listed below are 11 such conduits. A few conduits are only available to state research organizations because of their authorized formal channels to transmit reports (see section below on channels) to the bureaucracy and the top leadership. However, the existence of numerous conduits provides individual scholars ample opportunities to inject their ideas into the system.



Welcoming Dinner for the participants, hosted by Dr. Chung Mong-Joon, honorary chairman of the Asan Institute for Policy studies

### *Participation in Government Meetings*

University scholars are invited along with experts from government research organizations and occasionally military researchers to participate in meetings convened by government ministries. The majority of participants are invited based on their expertise, not institutional affiliation. This is the conduit used most frequently by individual scholars to provide policy advice. Meetings are arranged by departments in several ministries and commissions under the State Council, including the MFA, Ministry of Commerce (MOC), Ministry of Science and Technology, Ministry of Culture, and National Development and Reform Commission. In the MFA, the Departments of North American Affairs, European Affairs, and Policy Planning frequently invite scholars to solicit their opinions. Approximately 10–15 scholars are usually invited. A director-general level official or higher opens the meeting with a brief presentation of his views on the subject. Each scholar prepares a short paper and is allowed five minutes to summarize his or her perspectives. This is followed by a discussion.

According to Chinese experts, the majority of the meetings they participate in are focused on broad topics, such as China's overall relations with the United States or the European Union (EU). However, some meetings are more focused. For example, a university scholar participated in meetings in 2006 and 2007 that were jointly convened by the MOC and the MFA and then Assistant Foreign Minister Cui Tiankai. In another example, a meeting held in 2006 by Ma Zhaoxu, then head of the MFA's Policy Planning Department, discussed how to explain the concept of "harmonious world" to Deputy Secretary of State John Negroponte in the US-China Senior Dialogue. On another occasion, a university scholar participated in a meeting convened by then Assistant Foreign Minister He Yafei to discuss reform of the UN Security Council. A leading university scholar on the United States indicated that meetings are sometimes convened in advance of Hu Jintao's trips abroad, especially to important countries such as the United States and Japan. He too maintained, however, that the majority of meetings organized by government ministries to which outside experts are invited are not intended for specific purposes, but rather are brainstorming sessions

on broad topics related to Chinese foreign policy.

A senior university professor indicated that scholars “speak out very boldly” at such meetings. “They don’t worry about their positions like officials do.” The officials who attend “mostly listen.” Following each of these discussions, a report is written that reflects the diversity of opinion expressed at the meeting, but subtly endorses one policy approach as most appropriate. “There is an increasing trend to reflect more ideas in these reports, but of course the host organization has its own interest,” the professor said. He added: “The reports usually follow a standard format. First they say something positive about the government’s policy. This is followed by three or four criticisms of the policy.” These reports are not circulated among the participants, so individuals do not know whether their views or recommendations were incorporated into the meeting report.<sup>14</sup>

University scholars are occasionally invited to join discussions at the Central Committee’s FAO, which is the staff office for the leading small groups on foreign affairs and national security. As in the case of meetings convened by ministries, university professors are invited based on their expertise, whereas representatives of state research institutions are usually selected based on their affiliations.

In addition to affording opportunities for Chinese researchers to present their analysis and advice, frequent participation in meetings with government and party officials enables institute experts to be better informed about policy deliberations and about the thinking of policy makers. This in turn positions them to make their research and policy suggestions more pertinent to policy makers.

There is only one known senior foreign policy advisory mechanism that has a fixed membership and convenes regularly. The Foreign Policy Advisory Group (FPAG) was created in 2004 as a special research group with membership limited to retired ambassadors. Foreign Minister Yang Jiechi broadened the membership in October 2008 to include six heads

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<sup>14</sup> Interview with university professor, June 8, 2008.

of leading research institutes.<sup>15</sup> The FPAG both advises senior officials and visits foreign countries to collect information and convey Chinese positions. Three FPAG members, all retired ambassadors, made a three-nation visit to South Korea, Indonesia, and the Philippines in April 2011.<sup>16</sup>

#### *Inclusion in Meetings with Hu Jintao*

A small number of university scholars are sometimes included in meetings that are organized to provide opportunities for Hu Jintao to listen to experts' views on important topics. Hu apparently meets with experts in small groups as well as individually. Unlike Jiang Zemin, who liked to meet with experts prior to traveling abroad or holding summits with key leaders such as President Clinton, Hu does not meet with analysts on such occasions. Instead, he periodically invites university scholars, foreign policy research experts, and retired ambassadors to discuss broad topics. Sometimes these meetings are arranged only one or two days prior and scholars say they have very little time to prepare their remarks. One leading university scholar described a meeting in which he participated in 2006 to discuss great-power relations. Nine experts were invited, including several retired ambassadors. Each participant had 20 minutes to give a presentation. According to the scholar, who has participated in more than a dozen such meetings since 2002, Hu usually makes remarks at the outset to stimulate discussion and sometimes wraps up the meetings by offering concluding remarks that are prepared in advance. After the 2006 meeting on great-power relations, Hu joined all the participants for dinner, where the discussion continued.<sup>17</sup>

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15 The members are CICIR President Cui Liru, SIIS President Yang Jiemian, Executive Vice-president of the China Foreign Affairs University Qin Yaqing, Dean of the School of International Studies at Beijing University Wang Jisi, Former ambassador to Paris and former president of the China Foreign Affairs University Wu Jianmin, and Director of the Chinese Academy of Social Sciences Institute of World Economics and Politics Zhang Yuyan. Linda Jakobson and Dean Knox, *New Foreign Policy Actors in China*, SIPRI Policy Paper 26, September 2010, footnote 193, 36.

16 Marichu A. Villanueva, "How Will P-Noy Play the China Card?" *Philstar.com*, April 25, 2011.

17 Interview with university scholar, January 26, 2007. Linda Jakobson and Dean Knox report that Hu Jintao chairs an annual meeting in December to assess China's foreign policy successes and failures to which senior foreign policy specialists from universities, research institutes, and defense academies are invited. *New Foreign Policy Actors in China*, SIPRI Policy Paper 26, September 2010, 35.



### *Personal Connections*

Guanxi, or personal ties, remain an important channel of influence and can be more significant than institutional channels. Family links, common school ties, teacher-student relationships, and common geographic origins are examples of the types of personal relations that can provide access and possibly influence. Sometimes these ties are commonly known, as in the case of Yang Jiemian, director of the Shanghai Institute of International Studies, who is the younger brother of Foreign Minister Yang Jiechi.

Attendance at the same schools creates a classmate relationship that can connect think tank analysts with officials. Institute researchers seek to cultivate these ties and sustain them as their classmates advance to more senior policy positions over time.

Common geographical origins can also be a source of personal relationships that create opportunities to exert policy influence. When Jiang Zemin was in power, the promotion of senior Shanghai political leaders and policy advisers enabled Shanghai-based research institutes and individual analysts to have enhanced policy influence. One such example is former Fudan University professor Zhou Mingwei, who was promoted in the 1990s from the director of the Shanghai Foreign Affairs Office to a vice-ministerial position as deputy director of the Central Committee and State Council's Taiwan Affairs Office.

The student-teacher relationship is particularly strong in Chinese culture and provides some experts based at universities with access to party or government officials who were their former students. One university scholar related that former students who work in government seek the advice of their teachers. Citing an example, he noted that one of his former students frequently contacted him to solicit his ideas when he was the division chief of the MFA's Policy Planning Bureau, which is usually in charge of drafting speeches on various topics.<sup>18</sup>

The loss of a personal connection can be harmful to the influence of research organizations or university scholars. Many institutes and researchers suffered a decline in their influence as Wang Daohan advanced in age and became less active, and especially after his death. Wang, former

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<sup>18</sup> Interview with university professor, July 3, 2008.

mayor of Shanghai and Jiang Zemin's mentor, had served as a channel to Jiang for many institutes and scholars located in Shanghai. The end of Jiang's rule also reduced the influence of Shanghai-based institutes. When Jiang was in power, he frequently tapped into scholars in Shanghai for advice. Prior to his 1997 visit to the United States, for example, Jiang and his delegation were briefed by institute researchers Ding Xinghao, Huang Renwei, and Zhou Mingwei (then director of the Shanghai municipality FAO). In another instance of diminished influence due to loss of a personal connection, Zheng Bijian's departure from his position as Chairman of the China Reform Forum in 2007 dealt a heavy blow to that institute's influence. Zheng had worked with Hu Jintao when Hu headed the Central Party School and had continued to maintain that relationship after Hu became CCP General Secretary. In 2003 and the first few months of 2004, Zheng's influence surged as the top leadership embraced his theory of China's "peaceful rise."

#### *Briefings to Politburo Study Sessions*

Specialists from universities and state research institutes are called upon to brief the collective study sessions that are held by the Politburo. Since their inception in December 2002 following the 16th Party Congress, these sessions have been held almost monthly to enhance members' awareness of larger trends in China and the world that bear on the Politburo's decision-making. The majority of the study sessions have focused on domestic or ideological issues, with roughly one-third relating to international developments, foreign policy questions, or military affairs and their effects on China. Approximately one-quarter of the presenters have been drawn from universities and one-half from government, party, or military research institutions. In May 2003, two Academy of Military Sciences researchers, Qian Haihao and Fu Liqun, delivered lectures on trends in military development in major countries. In November 2003, Beijing Normal University Professor Qi Shirong and Nanjing University Professor Qin Chengdan talked about the history of the rise and fall of great powers since the 15th century. In February 2004, Qin Yaqing and Zhang Yuyan briefed the Politburo on world trends and China's security environment. In May 2005, People's University Profes-

sor Huang Weiping and CASS researcher Pei Changhong lectured on trends in globalization and international trade.

The Politburo collective study sessions are scripted events. Opportunities to express individual opinions at the Politburo study sessions are apparently strictly limited by the review process. The party's Policy Research Office determines the topics, the ministries select the presenters, and the party's General Office oversees the three-month preparatory process.<sup>19</sup> According to one scholar, "all papers for the Politburo study sessions must be approved in advance" and "they are modified by the relevant agencies to ensure that they present the official view." The scholar added that "this is not necessarily the intention or the desire of the central leadership, but ministries don't want to take risks. They have to be politically safe."<sup>20</sup>

According to a university professor who has delivered a lecture to a Politburo study session, the Q&A period, which takes place in the last half hour or so of the Politburo study session, provides a small window of opportunity to both learn what the leaders are concerned about and provide one's own ideas.<sup>21</sup> Since the study sessions are meant to educate the elite about the leadership's thinking on the topics discussed, they are publicized widely, often including a summary of Hu Jintao's remarks as well as the names of the presenters. The Q&A period is never reported.

### *Commissioned Reports*

Some government departments solicit papers from university think tanks and scholars as well as government research institutes. For example, the MFA's policy research office invites scholars and institutes to contribute to their projects. These are consulting arrangements, and a small fee is paid. A leading scholar on the United States revealed that he was tasked to write a paper on how the United States came to be a global superpower and what lessons could be learned from US strengths and weaknesses. On another occasion, the same scholar was tasked to

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19 Linda Jakobson and Dean Knox, *New Foreign Policy Actors in China*, SIPRI Policy Paper 26, September 2010, 35.

20 Interview with university scholar, July 6, 2008.

21 Interview with university scholar, June 8, 2008.

analyze what could be learned from Western countries' experience in providing assistance from embassies and consulates to citizens abroad that are harassed. The TAO also solicits research papers through similar contractual arrangements.

Institutes or individuals occasionally receive requests from senior officials or leaders (or their secretaries) to write a paper on a specific topic. Such a request might be made by phone, but this takes place relatively infrequently. More commonly, a paper is solicited through several layers of the bureaucracy. A top leader may assign a research task to FAO Director and State Councilor Dai Bingguo, for example, who in turn will task one or more research institutes to investigate the problem. The General Office directors may also be asked to solicit papers from research institutes on behalf of the top leadership.<sup>22</sup>

Government research organizations receive direct taskings from senior officials or leaders more frequently than university scholars. In the 2005–06 timeframe, CICIR was tasked to write a paper that compared US China policy during the eras of Jiang Zemin and Hu Jintao. An analyst from CICIR's Institute of US Studies said his colleagues were given only 48 hours to write the report.<sup>23</sup> When such requests are made, the paper is delivered directly to the individual or office that requested it. A few key individuals at universities acknowledge that they are asked irregularly by high-level officials to provide their analysis and advice. In 2008, a university professor was asked to analyze the likely changes in US policy toward Taiwan after the election of Ma Ying-jeou.<sup>24</sup>

### *Participation in Document Drafting*

Institutes and individual scholars are sometimes involved in the drafting of important documents. Participation in the process is based on a researcher's reputation, institutional position, and/or personal relation-

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22 According to a leading university scholar, the General Offices of the CMC, Central Committee, and State Council can ask for information and analysis on behalf of the central leadership. "If a top leader is going to visit the United States and wants to learn more about a specific issue," for example, "then a General Office will try to identify which organization can provide the best paper. They may ask for more than one paper." Interview, February 17, 2003.

23 Interview with CICIR expert, May 6, 2008.

24 E-mail exchange with Chinese researcher, April 2008.

ships. In some cases, a particular research institute has the lead role in the drafting process. For example, the Academy of Military Sciences (AMS) has the lead role in drafting China's defense white paper. Senior Col. Chen Zhou is in charge of this effort, and other AMS colleagues also participate in writing parts of the report. The State Council Information Office is responsible for issuing governmental white papers and often tasks research institutions or individual scholars to write various parts of these papers. The 2000 white paper on Taiwan, for example, included contributions from the Institute of Taiwan Studies as well as professors from People's University and Fudan University. Several scholars from Beijing and Shanghai were also involved in the drafting of the Anti-Secession Law in 2005.

#### *Reports on Trips Abroad*

Chinese scholars who frequently travel abroad and meet with senior US officials and think tank experts write trip reports and send them to departments concerned with the issues they discussed. University experts who lack access to authorized channels usually phone the relevant department in the TAO or MFA to request permission prior to submitting their reports. For example, a senior expert on the United States talked with Deputy Secretary of State Bob Zoellick in 2005 about the responsible stakeholder concept and submitted the report on his visit to the MFA's Department of North American and Oceanian Affairs. The MFA also regularly asks individual scholars as well as retired ambassadors to make study trips abroad. In each case, the person or group selected writes a report on discussions in the United States, which provides an opportunity to express some personal opinions and policy recommendations. If requested, the scholar provides oral briefings as well.

#### *Inclusion in Senior Officials' Travel Delegations*

Senior Chinese officials sometimes include experts from research institutes on their delegations when they travel abroad to provide them with advice during their visits. These are important opportunities for individual experts to convey their policy recommendations and to cultivate closer personal relationships with officials. Sun Yafu, TAO Vice

Minister, traveled to the United States in 2011 with a small delegation of Chinese experts. In February 2008, Yu Xintian, Director Emeritus of the Shanghai Institute of International Studies, accompanied Director of the Shanghai Taiwan Affairs Office Yang Jianrong on a fact-finding trip to Washington, D.C. A large portion of the Chinese official delegation to the December 2009 Copenhagen climate summit was made up of think tank experts.<sup>25</sup>

#### *Internal Non-Commissioned Reports*

Internal (neibu) reports are the main product of analysts at Chinese government research organizations. These reports draw on intelligence, reports of meetings between diplomats and foreign leaders, cable traffic between embassies and Chinese government institutions, and open source material. Access to such information depends on the research institute's xitong and the related security clearance and research expertise of the analysts writing the report. Most reports put forward policy recommendations. Only reports deemed to be sufficiently high quality by the institute's president are submitted for distribution to specific offices in the bureaucracy and possibly to the top leadership. As will be discussed in greater detail below, a system of approved channels exists that enables state-run research organizations to transmit reports. Most university scholars do not have opportunities to submit papers internally because they do not have approved access channels.

#### *Published Articles and Books*

Although it is unlikely that senior officials or leaders read many articles or books on foreign policy issues, Chinese scholars say that occasionally their writings do receive attention. One well-known example is a book by Su Ge, currently China's ambassador to Suriname, which he wrote when he was a professor at the Foreign Affairs College. The book, *US Policy toward China and the Taiwan Problem (Meiguo dui Hua Zhengce yu Taiwan Wenti)*, was read and praised by Jiang Zemin after it was recommended to him by his mentor Wang Daohan. Officials who find a

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<sup>25</sup> Thomas Bondiguel and Thierry Kellner, "The Impact of China's Foreign Policy Think Tanks," *BICCS Asia Paper* 5, no. 5 (2010): 22.

particular article or book useful sometimes provide feedback to authors. A journal article that addresses an issue that is relevant to a current policy question is somewhat more likely to be read, especially if it is brought to the attention of a senior official or leader by his secretary, a colleague, or a respected elder.<sup>26</sup> Articles published in the mainstream media may also gain the attention of senior leaders, both negative and positive.

### *Seconded to Chinese Diplomatic Missions*

The process of seconding think tank experts to Chinese diplomatic postings, known as *jie diao*, is becoming more common. In the past, such opportunities were afforded primarily to experts from CICIR and CIIS. Former CIIS Vice Presidents Su Ge and Ruan Zongze were successively assigned to the Chinese embassy in Washington, D.C. CICIR's current President Cui Liru served a stint in the Chinese Mission to the UN in the 1990s, as did Guo Changlin after he headed CICIR's North American Department. More recently, professors from Fudan University have been posted to the Chinese mission to the EU and the Chinese embassy in Tokyo. Some *jie diao* diplomats are handpicked by the ambassador or selected through formal applications.<sup>27</sup> A portion of these experts perform the typical tasks of diplomats, while others advise the ambassador on policy matters.

## **Channels Are Key to Influence**

### *Formal Channels*

According to Chinese researchers, the most important source of influence for all research organizations in China is the channels that it possesses to transmit reports upward to the desks of Chinese leaders. Internal reports are forwarded to the leadership both through formal and informal channels (*tujing* or *qudao*). Government, party, and military

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26 Jakobson and Knox interviewed a mid-career MFA official who said that he regularly consults and reads the reports of four or five of the country's top foreign policy specialists, but senior foreign policy officials only have time to read a fraction of such reports. *New Foreign Policy Actors in China*, SIPRI Policy Paper 26, September 2010, 40.

27 Thomas Bondiguel and Thierry Kellner, "The Impact of China's Foreign Policy Think Tanks," *BICCS Asia Paper* 5, no. 5 (2010): 20–21.

research organizations have formal authorized channels that they rely on as the primary means to communicate information and advice to decision makers. Formal channels are primarily distinguished based on the level of official in the Chinese bureaucracy to which publications are sent. Only a few research institutes have a sanctioned channel to submit reports to the Politburo and its Standing Committee members. Some institutes have only one channel, and others have several channels.

One of the main functions of the General Offices (*bangongting*) of the State Council, the party, and the PLA's Central Military Commission is to receive and distribute reports. These offices perform critical liaison and communication functions among top leaders, between the top leadership and subordinate *xitong* and constituent agencies, and between the senior executive leaders of those agencies and their working-level functionaries. Only research organizations that have formally approved channels are authorized to use the General Offices to inject their papers into the system. The PLA transmits information collected and processed by the General Staff, the General Political Department, People's Armed Police units, and the military services to the Central Military Commission General Office. The General Office of the Central Committee of the CCP receives reports from the International Liaison Department and from regional and local party secretaries and their supporting apparatus. It liaises with the party Secretariat and the Politburo, as well as the key national security leading small groups, the FALG, NSLG, and the TALG. The State Council General Office receives reports from various ministries that are subordinate to it, including the Ministry of Foreign Affairs, the Ministry of State Security, and Xinhua News Agency.

The General Offices generally do not carry out their own policy research and analysis, but instead collect information and reports from their constituent agencies all over the country. Sometimes, General Offices will compile a paper for the leadership based on reports that are collected from the provinces on an important topic. General Offices can also task research institutes to provide information and analysis on behalf of the central leadership. In such a case, the General Office would contact a senior official at CASS or CICIR, for example, and then an individual or group of experts would be designated to write a report. Ac-



According to a former CASS expert, a General Office may request several different institutes to provide reports and then identify the best paper, which is then forwarded to the leadership.<sup>28</sup>

Apparently, there is a voluminous amount of paperwork that is generated in the system and submitted daily to the General Offices. “A major responsibility of a General Office is to deal with the paper flow,” noted one Chinese expert.<sup>29</sup> The vast majority of reports generated by Chinese research institutes fall in the category of “standard” reports and are distributed throughout the party, government, and military bureaucracies. A small number of reports are submitted exclusively to the top leadership; a somewhat larger number are sent to the top leaders and simultaneously distributed widely to relevant government, party, and military offices.

Directors of Chinese research organizations describe the formal process for document submission and distribution as routine and institutionalized. Reports produced by research institutes are circulated (*chaosong*) by the General Offices horizontally across the various *xitong* and up the policy-making hierarchy. The General Office staff distributes them based on their subject matter and the designation accorded by the authoring institute. A report concerning relations with Vietnam might be forwarded to the CCP’s International Department, MFA, and the FAO. A document relating to national security matters would be passed to the FAO, and possibly to the General Staff’s second and third (signal intelligence) departments.

Some university think tanks have authorized channels to specific ministries. For example, Fudan University’s Center for American Studies has an approved channel to the MFA. Reports that are routed through this channel are first submitted to the State Council General Office and then disseminated to relevant offices in the MFA. Copies are sent to relevant ministries and offices.

Very few papers produced by Chinese foreign policy research institutes are forwarded to the top leadership. According to Chinese institute analysts, papers that are produced for the top leaders are written in a

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28 Interview with Chinese expert, February 11, 2003.

29 Ibid.

special style and format. An institute's president determines whether a paper should be published and sent to the Politburo or to its Standing Committee. It is unclear, however, whether this decision is final or whether the General Offices have a say in the ultimate determination. According to one expert, the General Offices are only in charge of distributing reports throughout the system and cannot decide whether a paper should be disseminated and to whom it should be sent. "The leader of an institute has the authority to decide whether, when, and how to send it to the leadership."<sup>30</sup> Other experts suggest, however, that the General Offices play a critical role in determining whether a document is sufficiently important to pass on to the senior leadership. The former director of a leading think tank stated that the General Office in Zhongnanhai "receives thousands of reports daily and only very few can be forwarded to the leaders. They can't mistake a jade for a stone. It is their job to know what the leaders want to read."<sup>31</sup>

Government research organizations with formal authorized channels only submit reports directly to the top leadership under exceptional circumstances. One such instance is if a leader (or his office) has personally requested a report from a specific institute. This apparently happens only very rarely. An institute director is not likely to make the decision to circumvent normal channels unless he has high-level backing. A CICIR analyst noted, for example, that the institute's head might consult with the director of the FAO before forwarding a report directly to Hu Jintao or the PBSC membership.<sup>32</sup> The former director of a CASS institute indicated that most of the reports produced by his institute are sent to the MFA. Occasionally, the institute produces a "most important report" that can be sent to the leaders through the State Council General Office. Reports cannot be submitted directly to the leadership unless there is a specific request to do so.<sup>33</sup>

Authorized channels are also required to participate in certain meetings, both regularly scheduled and ad hoc. Monthly FAO meetings

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30 Interview with Chinese expert, May 6, 2008.

31 Interview with former Chinese think tank director, July 8, 2008.

32 Interview with Chinese expert, August 2, 2003.

33 Interview with former Chinese think tank director, February 10, 2003.

are attended on a regular basis only by representatives of institutions with such formal channels, for example. CICIR, due to its function as the MSS's leading research and analysis unit, has a seat at a number of inter-agency meetings. A small number of these meetings include Politburo members or their aides, providing CICIR's president with more opportunities than the heads of other government research institutes to gain access to the thinking of top leaders, promote his institute's policy suggestions, and cultivate personal ties with important individuals.

In addition to serving as a mechanism to convey information from research organizations to the leadership and to other offices under the party, government, and military *xitong*, formal channels are used to convey information from the top downward to the various parts of the system, including key research organizations. This process of communicating information downward is called *quanda*, which is essentially the widespread notification either orally or in written form of important decisions by the top leadership. After the 11th Ambassadorial Conference was convened in July 2009, for example, the documents were disseminated through the General Office system. Directors of government research and academic organizations such as CIIS, CICIR, SIIS, and CASS were informed about the decisions made by the leadership at the conference that went beyond what was published by Xinhua. Only individuals with such access knew that Hu Jintao explicitly called for upholding (*jianchi*) Deng Xiaoping's guideline to "hide our capabilities and bide our time" (*taoguang yanghui*) but also advocated actively (*jiji*) "getting something accomplished." The distribution network of major documents includes a small number of individuals in leadership positions at government research organizations, presidents of leading universities, directors of CASS institutes, and all other bureau-level officials. Individuals outside this network may learn about the contents of such documents through word of mouth, but are unable to read the documents themselves.

### *Informal Channels*

Informal channels are based on *guanxi* (personal connections), which are an integral part of China's bureaucracy and culture. Such ties may be

through friends, relatives, former colleagues, or classmates, as discussed above, or may simply be cultivated. For government and academic research institutes that have authorized formal channels, reliance on informal channels in some circumstances may increase the chances that a report will be placed on a senior leader's desk. For university scholars who have limited or no access to formal channels, informal channels are crucial. "The informal channels are prevalent and used frequently. It is still a system of *guanxi* (connections)," maintained a Beijing University professor.<sup>34</sup> Unlike formal channels, which are fixed, informal channels change with the appointment of new personnel.

Although university scholars lack formal channels, there are opportunities for a select number of academics to submit papers to various ministries and government offices. It is much more difficult, however, for university experts or any individuals without access to formal channels to submit a paper to the Politburo or its Standing Committee members. In recent years it has become increasingly common for scholars to directly contact officials they know in the MFA, TAO, the International Department, MOC, and other government agencies and ask if they can provide a paper for the official's consideration. One expert who is part of the community of experts on Taiwan affairs claimed that the system had become increasingly open and anyone could submit a research paper on Taiwan through the Taiwan Affairs Office, the Foreign Affairs Office, or through private channels.<sup>35</sup> The MFA's Departments of North American and Oceanian Affairs, Policy Planning, and Asian Affairs each maintain contacts with dozens of university scholars and apparently will readily accept reports upon request. According to one expert from Shanghai, MFA officials evaluate documents for both substantive content and political correctness. "The first problem is getting [an official] to read it and pass it up to the senior officials in the MFA [for their approval]. Then the second problem is whether the MFA leadership likes it and is willing to support it."<sup>36</sup>

University scholars who previously worked at a government-affili-

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34 Interview with a Chinese expert, July 31, 2003.

35 Interview with a Chinese expert, July 8, 2008.

36 Interview with a Chinese expert, February 19, 2003.



William H. Overholt, Chen Ping, and Stephanie T. Kleine-Ahlbrandt

ated academic research institute may utilize the formal channels of their former employer to introduce a report into the system. This option is available to researchers who formerly worked at policy-oriented CASS institutes and have assumed positions as university professors, such as Jin Canrong and Niu Jun, both formerly analysts at the CASS Institute of American Studies and now at People's University and Beijing University respectively. Since reports include only the name of the unit and not the author, a CASS institute would welcome the opportunity to sponsor a high-quality report because if the leaders praise the report, the institute, not the writer, will receive recognition.

Experts who cannot avail themselves of formal channels rely exclusively on informal ties to convey their research reports to the leadership. Ding Xinghao, a leading America expert who was the first director of the independent think tank the Shanghai Institute of American Studies, noted in 2003 that he relied on personal connections in Beijing to submit policy papers.

Sometimes university-based institutes or scholars with formal

channels opt to use informal channels instead. For most of the 1990s, Shanghai scholars preferred to submit their reports through Wang Dao-han's office because he had a direct conduit to Jiang Zemin. In Beijing, some scholars forwarded their reports to the top leaders through Zheng Bijian when he was vice president of the Central Party School and subsequently chairman of the China Reform Forum.

Although government and academic research organizations have formal authorized channels and primarily rely on them to transmit their reports, they also use informal channels. The most effective informal channel for submitting a report informally to the senior leadership is through personal ties to leaders' *mishu*. Personal ties to *mishu* are difficult to cultivate, however, unless one has a prior relationship with an individual, and such ties are highly valued. One well-connected Chinese expert noted, for example, that if he knows a leader's *mishu*, "I will call him up and ask him to put our report on the top of the pile."<sup>37</sup>

Another means of accelerating the passage of a report through the bureaucracy by utilizing *guanxi* is available to an institute that has temporarily placed some of its experts in government or party offices. This opportunity is available to CICIR, which often has its scholars seconded to work in the CCP Central Committee's FAO and the State Council's Political Research Office (*guowuyuan zhengzhi yanjiushi*). CICIR's president can phone these experts and ask them to do their utmost to promote the institute's reports. One Chinese analyst noted that "the reports that Chinese research organizations produce are all very similar, so if an institute can use some influence to get its reports read first, this increases the attention paid to your institute and your institute's reputation."<sup>38</sup>

### **Feedback Is Limited, but Confirms Influence**

Chinese scholars lament that they rarely receive feedback on their writings from senior leaders and therefore it is difficult to judge when their policy recommendations have been accepted. The only mechanism for feedback is the long-standing tradition that dates to the dynastic era

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37 Interview with Chinese expert, February 14, 2003.

38 Interview with Chinese expert, August 2, 2003.

when emperors wrote comments in the margin of a report, referred to as *pishi* (commentary). A leader may simply write “good” or authorize implementation of a specific recommendation. The report and the accompanying *pishi* is then forwarded to the ministry in charge of that issue. The author of the report may not be informed that his idea was praised and accepted by the top leaders. Scholars say that only a few reports are commended by the top leadership per year.<sup>39</sup>

An official who has seen a report that a leader has commented on in the margin may notify the director of the institute that submitted the report, who, in turn, may inform the author(s). Most reports that are submitted by government research institutes include the name of the institute, not the names of the author(s), so no one outside of the research institute knows who actually wrote a specific report. University scholars include their names on reports, however. In one such case, a paper by a well-known expert on the United States was submitted to the MFA’s Department of North American and Oceanian Affairs recommending that China respond favorably to US Deputy Secretary of State Bob Zoellick’s “responsible stakeholder” concept. The paper was forwarded to Foreign Minister Yang Jiechi, who wrote comments in the margin directing his staff to implement the recommendation. An MFA official informed the author and, based on this, the scholar knew that his paper had influenced policy. That apparently was an unusual case. “It is rare to get any feedback so it is hard to know whether I have had any influence,” the scholar asserted.<sup>40</sup>

In another instance, a high-ranking Shanghai Municipal government official called SIIS in 1999 to inform the institute’s president that Premier Zhu Rongji had appreciated one of its reports on how to handle China’s accession to the World Trade Organization (WTO) following Zhu’s visit to the United States. The report had been written by SIIS President Yang Jiemin, who was then a Senior Fellow and Director of the SIIS American Studies Department, and submitted to the MFA, which forwarded it to Premier Zhu. According to a SIIS analyst, Yang’s

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39 In a survey conducted by Zhu Xufeng, nearly all think tanks received *pishi* fewer than five times annually. “The Influence of Think Tanks in the Chinese Policy Process,” *Asian Survey* 49, no. 2 (2009): 344.

40 Interview with Chinese expert, July 6, 2008.

policy proposal was praised by Zhu Rongji “at a time when there was a heated debate in China about whether China should stick to its bid to join the WTO.”<sup>41</sup>

At the end of every year, all reports that have been submitted to the State Council’s General Office are returned to the research organization where they originated. This practice is primarily intended to inform the leadership of each research institute about which reports were praised by the top leaders so that they can incorporate this information into personnel evaluations. A university scholar asserted that “If Hu Jintao approves a report, then the scholar who wrote that report will be promoted. Scholars seek praise from the leaders.”<sup>42</sup>

**Conclusion:**

**Continuity and Change in China’s System of Research Institutes**

The system of China’s research institutes on foreign policy has been in place for several decades. Some of the features of that system and many of the ways in which research institutes and their analysts exert influence on policy have persisted unchanged. Government, party, military, and academic research institutes are contained within vertically hierarchical bureaucratic *xitong*—a structure that reinforces compartmentalization and redundancy of analysis and discourages horizontal communication and collaboration. Authorized channels remain the primary conduit for government-affiliated research organizations to transmit analyses and policy recommendations upward to decision makers. Reports are circulated and distributed through party, state, and military General Offices. Personal connections continue to provide important channels of influence, which can be more significant than formal institutional channels. Judging influence on policy is difficult, even for senior institute researchers and directors, since feedback from the top is infrequent and often is conveyed as brief comments in the margin of a paper intended as instructions to policy implementers, not commendation to the analysts who conceived of a concept or put forward a recommendation.

At the same time, however, new developments have emerged in

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41 Interview with Chinese expert, August 13, 2008.

42 Interview with Chinese expert, July 30, 2008.



the long-standing system of research and influence that are very significant and have implications for Chinese policy-making. First, university scholars who are not part of the government system have increasing opportunities to provide analysis and advice. Having recognized the value of input from scholars, policy makers are regularly soliciting their ideas. Participation in meetings at various levels at government and party offices is no longer solely based on institutional affiliation; there is a growing emphasis on expertise and reputation. Individual expertise is appreciated at the highest level: university scholars are invited to brief the monthly collective Politburo study meetings and Hu Jintao meets periodically with scholars to listen to their views on critical issues related to Chinese foreign policy.

In contrast to analysts from government research organizations who tend to be conservative and often tell the leadership what they want to hear, university scholars tend to be more forthright and candid in expressing their views. They do not shy away from debate and disagreement. Criticism of policy in internal forums is increasingly bold, although opinions must be expressed through acceptable means and in appropriate ways. Experts and officials say that reports prepared for policy makers' consideration include a greater diversity of opinions than in the past as well as a range of policy recommendations.

Second, consultation between government ministries and party offices on the one hand and research institutes and university experts on the other has expanded, occurs more regularly, and is more interactive than in the past. Government officials perceive the need to tap into institute experts for analysis and advice and have established mechanisms to facilitate greater communication. At the same time, a growing number of specialists at research institutes have an acute understanding of China's foreign policy challenges due to their increased contact with government officials and policy makers. This has enabled them to make their research more relevant, whether they are responding to requests from parent ministries or higher levels, or generating their own reports.

Third, although the structure of the system inhibits horizontal communication across research institutes, there is nonetheless a trend of growing interaction between research organizations and among scholars

with shared interests. Government research organizations are convening with greater frequency meetings that bring together experts from other institutes as well as universities to assess important developments in the international situation. Contacts between civilian and military researchers are greater than in the past, but remain limited compared to the upsurge in interaction among civilian experts. The increase in communication and collaboration among institute and university experts has generally resulted in greater dissemination of knowledge and information, as well as an improvement in the quality of analysis produced for the government.

The trend of reliance on research organizations that began with the initiation of the opening up and reform policy under Deng Xiaoping and continued under Jiang Zemin has accelerated further under Hu Jintao. China's rapidly expanding involvement in international affairs requires in-depth research and analysis that government ministries and offices are ill-equipped to provide. The leadership also needs more creative thinking and policy proposals than are provided by the official bureaucracy. Government research organizations, academic research institutes, and increasingly university scholars are filling those gaps. Policy influence is difficult to assess and measure, but the decision-making system has become more consultative over time, with an increased role played by research institute specialists.

CHAPTER  
05

**MOVING BETWEEN THE 'INNER CIRCLE'  
AND THE 'OUTER CIRCLE':  
THE LIMITED IMPACT OF THINK TANKS  
ON POLICY MAKING IN CHINA**



Quansheng Zhao



**Quansheng Zhao** is a professor of international relations and the director of the Center for Asian Studies at American University. Previously, Professor Zhao served as the director of the Division of Comparative and Regional Studies for three consecutive terms, from 1999 to 2008. He served as a research associate at Harvard University's Fairbank Center for East Asian Research for many years. Professor Zhao is a specialist in international relations and comparative politics, focusing on East Asia. His major publications are *Interpreting Chinese Foreign Policy* (Oxford University Press, 1996) and *Japanese Policymaking* (Oxford University Press, 1993). He received his B.A. from Beijing University and M.A. and Ph.D. from the University of California, Berkeley. He completed one-year postdoctoral research at Harvard University.

Following the exhaustive chapter by Bonnie Glaser detailing the world of think tanks, this chapter focuses on their impact on the policy-making process in China, exploring “limited interactions between the inner circle and the outer circle” to characterize this relationship. Special attention is paid to the channels between the policy makers and think tanks.

The policy-making process of Chinese foreign policy has primarily involved three governing actors: the party, the government, and the military. Instead of examining these institutional actors, this paper focuses on the role of policy communities and their impact on the making of Chinese foreign policy. Peter Haas and his associates published a series of articles on “knowledge, power, and international policy coordination,” raising the concept of “epistemic community” in reference to a “network of professionals with recognized expertise and competence in a particular domain and an authoritative claim to policy-relevant knowledge within that domain or issue-area.”<sup>1</sup> These professional networks, also known as policy communities, become influential because of the nature and complexity of the issues involved. Think tanks are an important part of these communities. As in Western societies, in China they have exerted increasing influence on the direction of foreign policy, although there are noticeable limitations.<sup>2</sup>

In July 2009, a three-day think tank summit was held in Beijing, primarily focusing on solutions to tackle the financial crisis. In attendance were Li Keqiang, China’s Vice Premier; Romano Prodi, former president of the European Commission and former prime minister of Italy; and Henry Kissinger, former secretary of state of the United States, among others. China’s newly established “super think tank”—the Center for International Economic Exchanges, headed by retired Vice-Premier Zeng Peiyan—sponsored this summit.<sup>3</sup> Against this background, I

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1 See Peter M. Haas, “Introduction: Epistemic Communities and International Policy Coordination,” *International Organization* 46, no. 1 (Winter 1992): 1–35.

2 For some interesting discussions, see “Think Tanks in China: Growing Influence and Political Limitations,” Panel Discussion at the Thornton China Center of the Brookings Institution, Washington, DC, October 23, 2008, [http://www.brookings.edu/~media/Files/events/2008/1023\\_china\\_think\\_tanks/20091023\\_china.pdf](http://www.brookings.edu/~media/Files/events/2008/1023_china_think_tanks/20091023_china.pdf).

3 “Global Think Tank Summit Wraps Up in Beijing,” *Renmin Ribao* (People’s Daily), July 5, 2009, <http://english.peopledaily.com.cn/90001/90783/91300/6693373.html>.

examine the impact of policy communities and think tanks on Chinese foreign policy.

### Institutions

In recent times, attention has naturally shifted to the link between Chinese foreign policy and China's domestic environment, as decision-making continues to undergo reform and the rise of China becomes a focus of world attention. A few studies have examined general influences of Chinese think tanks in the Chinese policy process.<sup>4</sup> This paper, however, focuses primarily on foreign policy dimensions.

In China, the most well-known think tanks working on foreign policy issues are research institutes under various government agencies. In 2006, the Chinese government ranked the top 10 think tanks in China.<sup>5</sup> Additionally, a survey study conducted in the West in 2011 placed six China-based institutions among the top 30 think tanks in Asia.<sup>6</sup> With reference to these two lists, some of top think tanks in China that are most influential in foreign policy issues can be identified. Here are some of the most well-known examples:

1. Chinese Academy of Social Sciences (CASS)
2. China Institute of International Studies (CIIS)
3. China Institute of Contemporary International Relations (CICIR)
4. Shanghai Institute for International Studies (SIIS)

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4 See, for example, Zhu Xufeng, "The Influence of Think Tanks in the Chinese Policy Process: Different Ways and Mechanisms," *Asian Survey* 49, no. 2 (March 2009): 333–357. For Zhu's early work on this subject, see Zhu Xufeng, "China's Think Tanks: Roles and Characteristics," EAI Background Brief No. 306 (October 19, 2006).

5 These think tanks are: (1) Chinese Academy of Social Sciences; (2) Development Research Center of the State Council; (3) Chinese Academy of Sciences; (4) Chinese Academy of Military Sciences of the People's Liberation Army; (5) China Institute of International Studies; (6) China Institute of Contemporary International Relations; (7) China National Committee for Pacific Economic Cooperation; (8) China Association for Science and Technology; (9) China Institute for International Strategic Studies; and (10) Shanghai Institute for International Studies. For a discussion of the top think tanks in China, see Zhang Yunxing, trans., "China Unveils Top Ten Think Tanks," China.org.cn, November 9, 2006, <http://www.china.org.cn/english/government/188434.htm>.

6 James G. McGann, "The Global Go-to Think Tanks 2011: The Leading Public Policy Research Organizations in the World," The Think Tanks and Civil Societies Program, 2012, [http://www.gotothinktank.com/wp-content/uploads/2012/01/2011\\_Global\\_Go\\_To\\_Think\\_Tanks\\_Report\\_-\\_January\\_20\\_Edition\\_WITH\\_LETTER-1.pdf](http://www.gotothinktank.com/wp-content/uploads/2012/01/2011_Global_Go_To_Think_Tanks_Report_-_January_20_Edition_WITH_LETTER-1.pdf).

5. Chinese Academy of Military Sciences of the People's Liberation Army (CAMS)
6. China Institute for International Strategic Studies (CIISS)

CASS, which is directly under China's State Council, is the largest and most comprehensive government think tank in China. A number of research institutes under CASS deal specifically with international affairs and foreign policy issues, as clearly indicated in their institutional names, such as "American Studies," "European Studies," "Japanese Studies," "Asia-Pacific Studies," "Russian, East European and Central Asian Studies," "West Asian and African Studies," "World Politics and Economic Studies," "Latin American Studies," and "China's Borderland History and Geography Research." CIIS falls under the Ministry of Foreign Affairs and contributes directly to policy analyses on current affairs. CICIR, a think tank affiliated with the Ministry of National Security, is known for the size of its research staff, its broad topics of research, and its internal channels of policy recommendation. The Shanghai-based SIIS has served as an alternative and flexible outlet for Beijing's foreign policy establishment. In addition, two military think tanks, CAMS and CIISS, are under the People's Liberation Army (PLA), specializing in strategic and security issues. All these institutions have had relatively long histories, playing important roles in various policy areas. There are also new think tanks, such as the Center for International Economic Exchanges

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6 Top 30 Think Tanks in Asia (China-based institutions are in bold): (1) **Chinese Academy of Social Sciences – China**; (2) Japan Institute of International Affairs – Japan; (3) Center for Strategic and International Studies – Indonesia; (4) Centre for Policy Research – India; (5) Lowy Institute – Australia; (6) **China Institute of Contemporary International Relations – China**; (7) Australian Institute for International Affairs – Australia; (8) **Shanghai Institute for International Studies – China**; (9) Institute of Policy Studies, Lee Kuan Yew School of Public Policy – Singapore; (10) S. Rajaratnam School of International Studies, formerly known as FNA Institute of Defence and Strategic Studies – Singapore; (11) Korea Development Institute – Republic of Korea; (12) Asian Forum Japan – Japan; (13) National Institute for Defense Studies – Japan; (14) Singapore Institute of International Affairs – Singapore; (15) Indian Council for Research on International Economic Relations – India; (16) Centre for Public Policy Studies – Malaysia; (17) The Energy Research Institute – India; (18) Center for Civil Society – India; (19) **Center for International and Strategic Studies at Peking University – China**; (20) Taiwan Foundation for Democracy – Taiwan; (21) Institute of Southeast Asian Studies – Singapore; (22) East Asia Institute – Republic of Korea; (23) **Hong Kong Centre for Economic Research – Hong Kong**; (24) Institute for Defense Studies and Analyses – India; (25) Center for Economic Research – Uzbekistan; (26) Institute of Strategic and International Studies – Malaysia; (27) **Cathay Institute for Public Affairs – China**; (28) **Carnegie-Tsinghua Center for Global Policy – China**; (29) Bangladesh Institute for Development Studies – Bangladesh; (30) Institute for International Policy Studies – Japan.

mentioned earlier, but many of these concentrate on economic policies.

What follows is a brief review of previous studies in this regard. An early example is He Li's "The Role of Think Tanks in Chinese Foreign Policy," where detailed analyses were conducted of the historical development and structures of Chinese think tanks.<sup>7</sup>

Another example comes from the September 2002 issue of *China Quarterly*, which was dedicated in large part to the study of China's think tanks. In this issue, Murray Scot Tanner examines the evolving think tank system in China by first using the case of China's growing commercialization, which has spawned a new generation of think tanks.<sup>8</sup> He further argues that generational change is evident in China's previously unstudied network of public security think tanks. These institutes, according to Tanner, have been in the forefront of importing and incorporating less class-based theories of social unrest.

David Shambaugh argues that, over the past two decades, China's foreign policy think tanks have come to play increasingly important roles in Chinese foreign policy making and intelligence analysis.<sup>9</sup> He provides a detailed analysis of the think tanks' structure and processes by offering historical perspectives on the evolution of this community. Shambaugh further argues that these think tanks often offer important indications of broader policy debates and competition between institutions and their staff.

Bonnie Glaser and Philip Saunders focus their investigations on civilian foreign policy research institutes and their increasing influence.<sup>10</sup> They argue that a more pluralistic and competitive policy environment has given analysts at think tanks more influence, but has also created new competition from analysts and authors working outside of tradi-

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7 He Li, "The Role of Think Tanks in Chinese Foreign Policy," *Problems of Post-Communism* 49, no. 2 (March/April 2002): 33–43.

8 Murray Scot Tanner, "Changing Windows on a Changing China: The Evolving 'Think Tank' System and the Case of the Public Security Sector," *The China Quarterly* 171 (September 2002): 559–574.

9 David Shambaugh, "China's International Relations Think Tanks: Evolving Structure and Process," *The China Quarterly* 171 (September 2002): 575–596.

10 Bonnie S. Glaser and Phillip C. Saunders, "Chinese Foreign Policy Research Institutes: Evolving Roles and Increasing Influence," *The China Quarterly* 171 (September 2002): 597–616.



tional research institutions.

Bates Gill and James Mulvenon explore the national research community in Beijing, arguing that it is dominated by think tanks and other research organizations affiliated with specific governmental institutions.<sup>11</sup> Furthermore, they point out that the PLA maintains its own set of internal and affiliated research bodies that perform a variety of intelligence, exchange, and research functions.

Barry Naughton examines economic think tanks in China.<sup>12</sup> He states that, although these think tanks are all government sponsored, they offer important alternatives to the policies and advice available within the formal governmental bureaucracy. He notes, however, that some independent think tanks have also emerged, together with an increasing network of policy advisors to China's top leaders. Sometimes these policy advisors play a more important role than think tanks.

Alastair Iain Johnston's careful study of Chinese middle-class attitudes towards international affairs, although not directly related to think tanks, sheds light on inputs into foreign policy decision-making.<sup>13</sup> There are also an increasing number of Ph.D. dissertations and master's theses focusing on this subject, some of which have recently been turned into books or journal articles. For example, a dissertation-turned-book entitled *Chinese Foreign Policy Think Tanks and China's Policy toward Japan* has provided a detailed study of the evolution of China's think tanks and their relations with Chinese foreign policy. The author has also attempted to bring the study into a broader theoretical framework that will integrate recent developments in the conceptualization of Chinese foreign policy.<sup>14</sup> Thomas Bondiguel and Thierry Kellner's 2009 article entitled "The Impact of China's Foreign Policy Think Tanks" provides a

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11 Bates Gill and James Mulvenon, "Chinese Military-Related Think Thanks and Research Institutions," *The China Quarterly* 171 (September 2002): 617–624.

12 Barry Naughton, "China's Economic Think Tanks: Their Changing Role in the 1990s," *The China Quarterly* 171 (September 2002): 625–635.

13 See Alastair Iain Johnston, "Chinese Middle Class Attitudes towards International Affairs: Nascent Liberalization?" *The China Quarterly* 179 (2004): 603–628.

14 See Xuanli Liao, *Chinese Foreign Policy Think Tanks and China's Policy toward Japan* (Hong Kong: Chinese University Press, 2006). Also see Michael Yahuda, "Chinese Foreign Policy Think Tanks and China's Policy towards Japan," *Pacific Affairs* 79, no. 3 (Fall 2006): 516.

detailed analysis of the role of think tanks in China's foreign policy.<sup>15</sup>

This importance of think tanks in Chinese foreign policy and other decision-making processes has also drawn attention from scholars in China. The Internet journal entitled *China's Strategy*, co-published by the Center for Strategic and International Studies and the Chinese Media Net, Inc., is another example of the attention being given to Chinese think tanks. In the first issue, published in January 2004, the journal included a special section entitled "Decision-making mechanisms under the fourth generation of Chinese leadership." In this issue, all articles were written by Chinese scholars in China, making it a good complement to the above-mentioned *China Quarterly* collection. Zhong Nanyuan published his analysis of the current status of Chinese think tanks and their relations with the new Hu Jintao–Wen Jiabao leadership. Ding Dajun examined the participation of intellectuals in the decision-making process. Zou Lan studied the influence of think tanks on finance, the environment, and public crisis management. Zhang Wei focused his research on economic policies. Hong Xiaohu researched new mechanisms of defense policy-making. As for foreign policy decision-making systems, Sun Zhe analyzed their evolution under the new leadership.<sup>16</sup>

### **Changes and Continuities**

Major changes in Chinese politics and foreign policy occurred between the eras of Mao Zedong and Deng Xiaoping. Deng's policy of reform and openness has fundamentally redirected China's development, both domestically and internationally. The era of Jiang Zemin and the current leadership of Hu Jintao can be seen as a continuation of the Deng era in terms of their general direction, yet these new leaders have their own characteristics as well.

In a 1992 article entitled "Domestic Factors of Chinese Foreign

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15 Paper presented by Thomas Bondigues and Thierry Kellner of the Brussels Institute of Contemporary China Studies, "The Impact of China's Foreign Policy Think Tanks," at the international conference "Global Think Tank Summit," China Center for International Economic Exchanges, July 2-4, 2009, Beijing.

16 All can be accessed at <http://www1.chinesenewsnet.com/gb/index.html>.

Policy: From Vertical to Horizontal Authoritarianism,”<sup>17</sup> I characterized the changing process of foreign policy in China as that from Mao’s era of vertical authoritarianism (i.e., one-person domination) to Deng’s era of horizontal authoritarianism (i.e., collective decision making). This article also pointed out that, while they were demonstrating increasing importance, intellectuals had not yet become an independent entity in China’s political life. They had gained more freedom to discuss policy issues internally, but externally or publicly they were obligated to support official party lines. Think tanks had a fairly high degree of freedom to conduct internal discussions on a variety of issues, but it was difficult, if not impossible, for research institutes to voice dissenting points of view openly. A scholar who was allowed to discuss foreign policy issues in public was expected to explain and validate only the official party lines.

Participation by think tanks and policy communities has enlarged in the post-Deng era, as leaders have vowed to continue Deng’s policy of reform and openness. At a recent conference, Wei Jianguo, the current Secretary-General of the China Center for International Economic Exchanges and former minister of the Chinese Ministry of Commerce, discussed how he hopes for institutional guarantees of the counseling function of Chinese think tanks.<sup>18</sup> Jiang Zemin and Hu Jintao both encouraged think tanks to participate in the policy-making process, especially on economic matters. One sees increasing interactions between the leadership and policy communities.

### **Channels Between the Inner and Outer Circles**

The following analysis focuses on the relationship between the top leaders, known as the inner circle, and the think tanks, forming a part of the outer circle of the policy community. In Sun Zhe’s paper on decision making in Chinese foreign policy mentioned earlier, he divided the

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17 See Quansheng Zhao, “Domestic Factors of Chinese Foreign Policy: From Vertical to Horizontal Authoritarianism,” *The Annals of the American Academy of Political and Social Science* 519 (January 1992): 159–176.

18 “Fazhan minjian zhiku tisheng gonggong zhengce zhiding shuizhun,” *China Review News*, January 3, 2012, <http://www.chinareviewnews.com/doc/1019/6/3/9/101963978.html?coluid=0&kindid=0&docid=101963978&mdate=0103111148>.

process into inner and outer circles.<sup>19</sup> In this article, I define inner circle (quan nei, 圈内), or the center, as that which includes key policy-making individuals and organizations in the party and the government. The outer circles (quan wai, 圈外) include the news media, universities, think tanks, etc. The key development under Jiang and Hu is the increasingly active and multilayered channels between the inner and outer circles, seven of which are discussed below.

### *Channel 1: Consultations with Policy Makers*

In recent years, the Chinese Communist Party (CCP) and government organizations have begun to conduct systemic consultations with think tanks and policy communities on specific policy issues, including foreign policy. The Foreign Affairs Ministry, for example, has its own mini-circles for consultation over policy issues, the most interesting and noticeable of these being a system of invited lectures by think tank and policy community scholars for the CCP Politburo. Recent examples are the lectures on international relations and foreign policy issues given by invited scholars Qin Yaqing (of the Foreign Affairs College) and Zhang Yuyan (from the Academy of Social Sciences).<sup>20</sup> These interactions provide opportunities for scholars to exercise direct influence on the opinions of top leaders. However, these are rare occasions, and one cannot expect much policy impact from them.

In addition to the above-mentioned lectures, there are also issue-oriented discussions within policy communities and between intellectuals and policy makers. Deng's reform and openness initiatives opened the door to such debate, at first, over command versus market economies. It gradually expanded to the foreign policy field. Gilbert Rozman, for example, made a detailed record of such debates on the nature of the USSR and the relationship between China and the USSR during the period of 1978–1985.<sup>21</sup> This kind of debate has flourished since the 1990s.

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19 Sun's article can be accessed at <http://www1.chinesenewsnet.com/gb/index.html>.

20 Interview with Professor Jin Canrong of Renmin University, Washington, DC, May 7, 2004.

21 Gilbert Rozman, *The Chinese Debate about Soviet Socialism: 1978-1985* (Princeton, NJ: Princeton University Press, 1987).

One case in point is the debate on China's entrance into the World Trade Organization (WTO) and the issue of globalization. Prior to China's accession in December 2001, heated discussions took place about the pros and cons of the issue.<sup>22</sup> In his field research in Beijing, Banning Garrett investigated these internal deliberations within Chinese think tanks and Chinese leaders' dialogues with them,<sup>23</sup> which provided some useful input into China's policy toward the WTO.

### *Channel 2: Internal Reports via Government Channels*

One type of official think tank is zhengfu canshi-shi, meaning "governmental consulting division." They exist at both the national and provincial levels. At the national level, there is a State Council-supervised canshi-shi, with 35 consultants. At the provincial or city levels, there are 41 governmental consulting divisions with more than 1,000 consultants.<sup>24</sup>

A traditional way for think tanks to exert their influence has been through internal reports to top leaders. Leading foreign policy organizations and agencies such as the Ministry of Foreign Affairs, the Ministry of State Security, and military organizations have their own research institutes. There are long-established channels through which scholars may submit research papers, policy analyses, and recommendations to various levels of policy makers, which at times include the top leaders. These policy recommendations are sometimes bold with few ideological constraints. One such example is a suggestion in 2008 from researchers in the Party Central School that the CCP should speed up political reform in order to cope with the rapid development of Chinese society.<sup>25</sup>

Bonnie Glaser and Phillip Saunders describe four types of influence exerted by think tank scholars. First, some scholars may have "positional

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22 Kalpana Misra, "Neo-Left and Neo-Right in Post-Tiananmen China," *Asian Survey* 43, no. 5 (September/October 2003): 717-744.

23 Banning Garrett, "China Faces, Debates, the Contradictions of Globalization," *Asian Survey* 41, no. 3 (May/June 2001): 409-427.

24 Ji Wen, "Remove the Secret Curtain from 'Governmental Think Tanks,'" *Renmin Ribao*, April 10, 2004, 4.

25 See Chris Buckley, "Elite China Think Tank Issues Political Reform Blueprint," *Reuters*, February 18, 2008, <http://www.reuters.com/article/2008/02/19/us-china-politics-idUSPEK20590720080219>.

influence,” whereby they utilize their key positions in the government, such as within CICIR and CIIS. Secondly, those who possess expert knowledge in regional or technical matters are able to exert what is referred to as “expertise influence.” The third type, “personal influence,” is enjoyed by those individuals who are closely related to high-level government officials. For example, Yang Jiemian, Deputy Director of the Shanghai Institute of International Studies, has considerable access to policy makers through his elder brother, Yang Jiechi, former Chinese ambassador to the United States and current minister of foreign affairs. The fourth source of influence is called “experiential influence,” which is held by those people who have accumulated valuable knowledge through extensive experience living and studying abroad.<sup>26</sup> Similarly, in Xufeng Zhu’s careful recent analysis of the roles Chinese think tanks play in the policy process, he shows that the influence of Chinese think tanks is determined by the “expert knowledge, administrative connection and personal ties” they possess.<sup>27</sup>

I would add a fifth source of influence, that is, retired diplomats. These retired government officials not only accumulated enormous first-hand knowledge abroad, but perhaps more importantly, they also have extensive personal networks within the foreign policy apparatus. This is true not only because human networks have always been important in Chinese society, but also because China’s foreign policy apparatus is relatively exclusive and segregated. In many cases these retired officials still serve as advisors to the Foreign Affairs Ministry or work in some semi-official governmental institutions, such as the Chinese People’s Association for Foreign Affairs. Qian Qichen, China’s former foreign minister and vice-prime minister, was believed to continue to have enormous influence on foreign policy issues several years after his total retirement from the government and the party. Therefore, the degree of influence of think tanks may depend on the sources of influence that individuals possess.

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26 Bonnie S. Glaser and Phillip C. Saunders, “Chinese Foreign Policy Research Institutes: Evolving Roles and Increasing Influence,” *The China Quarterly* 171 (September 2002): 608-614.

27 Xufeng Zhu, “Government Advisors or Public Advocates? Roles of Think Tanks in China from the Perspective of Regional Variations,” *The China Quarterly* 207 (September 2011): 668-684.

In addition to personal influence, one other factor to consider is the evaluation system that exists within the government. Senior-level officials, sometimes top leaders, often provide comments (known as *pishi*) on think tank reports. They also rank the usefulness and importance of each report submitted by a think tank, and these evaluations are then attached to the reports when they are circulated. Receiving a *pishi* from top leaders can help policy experts build both their careers and their reputations as experts.<sup>28</sup>

### *Channel 3: Conferences and Public Policy Debates*

Another important channel for policy communities and scholars to convey their opinions is through conferences and public policy debates. Although these may not have a direct impact on policy makers, they do influence public opinion. The relatively recent practice of discussing current international affairs in the news media, including on the Central Chinese Television (CCTV) network and in major newspapers, is a good example. In general, the degree of freedom for this kind of debate depends on the degree of sensitivity. For example, there are few public discussions of the North Korean nuclear crisis (and even though some exist, the debaters may get into trouble—see below), but there are quite a few lively debates regarding US military actions in Iraq—one can hear both pros and cons in a true crossfire of opinions.

Research institutes affiliated with universities and various governmental agencies are the likely hosts for policy-oriented conferences. Though they are limited by the need to work indirectly, these institutions contribute substantially to the development and critique of policy ideas and have gained greater importance since the late 1990s.<sup>29</sup> CASS has a number of policy experts who frequently participate in internal conferences for policy deliberation. Researchers from the Institute of American Studies and the Institute of Asia Pacific Studies voice differing

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28 Paper presented by Thomas Bondigues and Thierry Kellner of the Brussels Institute of Contemporary China Studies, "The Impact of China's Foreign Policy Think Tanks," at the international conference "Global Think Tank Summit," China Center for International Economic Exchanges, July 2–4, 2009, Beijing.

29 Mahmood Ahmad and Raees Ahmad Mughal, "The Foreign Policy Think Tanks in China: Input, Access, and Opportunity," *Asian Affairs: An American Review* 38, no. 3 (September 2011): 195–155.

opinions at such occasions. There are also public policy debates arranged by the news media.

Professors and research fellows from leading universities, such as Beijing, Qinghua, Renmin, and Fudan, are invited to present their analyses on foreign policy at international conferences, on television programs and radio discussions, and in newspapers and popular magazines. For example, Qinghua University's Yan Xuetong and Chu Shulong are frequent commentators on CCTV programs. Beijing University's Jia Qingguo and Renmin University's Jin Canrong are often quoted in various media. Although quite visible in the public eye, such academics do not necessarily have direct access to policy makers, depending on their personal networks.

Cheng Li predicts enhancement of the "military's influence and power in the years to come."<sup>30</sup> Along these lines, several generals in the PLA have recently called for tough positions toward the United States and Japan. Major General Luo Yuan of the PLA, for example, has accused the United States of employing what he calls "gunboat diplomacy." He describes it as a process of the United States first "flexing" its muscles as a warning and then teaching a lesson with its "fists." General Luo cites the US Naval Operations Concept approved by President Obama in May 2010 as the best example of this type of diplomacy. He also calls the Chinese "peace-loving people" and criticizes the United States for using hard power, not smart power.<sup>31</sup> Another example is PLA Major General Zhu Chenghu, who is regarded as a "hawkish" general. In 2005, Zhu threatened to use nuclear weapons if the United States intruded in Taiwan. "If the Americans are determined to interfere, then we will be determined to respond," he said. "We Chinese will prepare ourselves for the destruction of all the cities east of Xian. Of course the Americans will have to be prepared that hundreds of cities will be destroyed by the Chinese."<sup>32</sup>

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30 Cheng Li, "China's Midterm Jockeying: Gearing Up for 2012 (Part 3: Military Leaders)," *China Leadership Monitor* 33 (June 2010).

31 Major General Luo Yuan, "PLA General: US Engaging in Gunboat Diplomacy," *People's Daily Online*, August 13, 2010, <http://english.peopledaily.com.cn/90001/90780/91343/7103900.html>.

32 Joseph Kahn, "Chinese General Threatens Use of A-Bombs if US Intrudes," *New York Times*, July 15, 2005, <http://www.nytimes.com/2005/07/15/international/asia/15china.html>.





Quansheng Zhao

An influential policy-oriented journal entitled *Zhanlue yu Guanli* (Strategy and Management), established in 1993, was affiliated with the Strategy and Management Research Society, a think tank headed by former Vice Premier Gu Mu. This journal often made bold policy suggestions to test new directions.<sup>33</sup> For example, in 2002 and 2003, the journal published two articles regarding China's Japan policy—one by Ma Licheng of the *People's Daily* and the other by Shi Yinhong of Renmin University. Ma and Shi strongly advocated a “foreign policy revolution” that would reprioritize Chinese foreign policy by putting strategic interests above historical legacies concerning Japan. Although these articles drew strong criticism, they also stimulated a time of considerable discussion on “new thinking” in China's Japan policy, as the authors had advocated.

Disaster struck the outspoken journal in September 2004 after it

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33 John Rutwich, “China Orders Journal Closed Over North Korea Story,” *Reuters*, September 21, 2004.

published an even more controversial article on North Korea. Entitled “A New Viewpoint to Examine the North Korea Issue and the North-east Asian Situation,” it criticized North Korea’s nuclear policy and the country’s leader, Kim Jong-II, for “practicing ultra-leftist politics and political persecution in order to maintain dynastic rule.” The author further suggested that Chinese foreign policy should be readjusted according to new developments in North Korea and in the Asia Pacific region. The issue was immediately recalled and banned, and the journal itself was ordered to close.<sup>34</sup> This episode highlights how sensitive foreign policy-related discussions in open forums can be in Beijing’s political circle. Generally speaking, policy communities now have greater freedom in voicing differing opinions and analyses on foreign policy issues (albeit not without risk), and today’s scholars appear much more active than those in previous decades.<sup>35</sup>

#### *Channel 4: Policy NGOs*

Although non-governmental organizations (NGOs) are still a new concept in China, they are quickly being utilized by the Chinese government to conduct foreign policy activities. At the same time, there are some attempts to set up non-governmental think tanks. A few government organizations have managed to transform into semi-official or NGO status.<sup>36</sup> To be sure, many NGOs are not truly independent of governmental control. However, they sometimes appear to have greater flexibility to conduct policy research and foreign policy-related activities.

A clear example is the common practice of so-called “Channel II Diplomacy” (also known as “Track II Diplomacy”). This refers to the activities of retired government officials, scholars, and think tank members who actively participate in all kinds of forums, meetings, and other activities with their foreign counterparts. These activities are designed to

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34 John J. Tkacik, Jr., “China’s ‘S & M’ Journal Goes Too Far on Korea,” *The Asia Times*, September 2, 2004, <http://www.asiatimes.com>.

35 For more on the active atmosphere of discussions, see Mark Leonard, “China’s New Intelligentsia,” *Prospect*, March 2008, [http://www.prospect-magazine.co.uk/article\\_details.php?id=10078](http://www.prospect-magazine.co.uk/article_details.php?id=10078).

36 Xufeng Zhu and Lan Xue, “Think Tanks in Transitional China,” *Public Administration and Development* 27, no. 5 (November 2007): 452–464.

facilitate exchange on sensitive issues, such as arms control and the issue of Taiwan, which may not be easily pursued by current diplomats. Sarah Ellen Graham and John Robert Kelley explain that Channel II diplomacy focuses on dialogue as a means of reconciliation in tense situations. Participants utilizing the Channel II approach work to facilitate communication between disagreeing parties. Channel II diplomacy is also utilized for public relations and may “supplement and enhance track one diplomatic contacts.”<sup>37</sup> To encourage these kinds of activities, Assistant Minister of Foreign Affairs Shen Guofang announced in March 2004 that the new Division of Public Diplomacy was established to coordinate the dissemination of information and to influence public opinion.<sup>38</sup>

One well-known foreign policy oriented organization is the China Reform Forum (CRF). Founded in 1994, the forum was registered as a non-governmental organization at the Beijing Municipal Government Associations Office. Its founding chairman, Zheng Bijian, is the former executive vice president of the Central Party School. The organization includes a large number of scholars, policy community members, and current and retired government officials as advisors and executive members. CRF has organized many academic conferences and set up exchanges with more than 20 countries, including the United States, France, the United Kingdom, Germany, the Netherlands, Russia, Japan, South Korea, and Singapore. It was involved in the creation of the eye-catching concept of China’s “peaceful rise,” as discussed in the Glaser chapter.<sup>39</sup>

#### *Channel 5: Outside-System (Tizhiwai, 体制外) Discussions*

Most of the channels mentioned above can be regarded more or less as government-sponsored activities. One must, however, also pay close attention to tizhiwai channels, meaning outside-system discussions that

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37 Sarah Ellen Graham and John Robert Kelley, “US Engagement in East Asia: A Case for ‘Track Two’ Diplomacy,” *Foreign Policy Research Institute* (Winter 2009): 84–86.

38 *World Journal*, May 10, 2004, A4.

39 Also see Bonnie Glaser and Evan Medeiros, “The Changing Ecology of Foreign Policy Making in China: The Ascension and Demise of the Theory of ‘Peaceful Rise,’” *The China Quarterly* 190 (June 2007): 291–311.

may from time to time be beyond government control. This has been particularly true since the 1990s in the new information age. As control over public information has loosened, there has emerged a variety of ways for scholars to voice their opinions, which are not always aligned with the opinions of the party. Many of these opinions are in line with the popular mood, reflecting a strong nationalistic tendency. One example is a bestselling book published in Beijing in 1996 entitled *A China That Can Say No*, which reflected a strong anti-American sentiment.<sup>40</sup> Thirteen years later in 2009, the same group of authors published another bestseller, *Unhappy China*, advocating China's leadership role in the post-financial crisis era with strong nationalistic sentiment.<sup>41</sup> These ideas are in sharp contrast to *taoguang yanghui* (to hide your capacity and to keep a low profile), the mainstream thinking of Chinese foreign policy that was initially raised by Deng Xiaoping in the early 1990s, and which was cast into doubt in 2009-10.<sup>42</sup>

In the age of the Internet, it is difficult, if not impossible, for any government to control its citizens' access to information. In the era of Mao and even at the beginning of the Deng era, the Chinese government had tight control over the news media. The gatekeeper for this control was the Propaganda Department of the CCP. In the Internet age, however, this control has been greatly challenged. During the spring of 2004, a Beijing University associate professor, Jiao Guobiao, posted an article on the Internet entitled "Taofa Zhongxuanbu (Denounce the Propaganda Department)." This article advocated greater freedom for the news media from control by the party and the government, provoking heated discussion on the Internet about information control in China. Subsequently, there were renewed efforts to impose controls.

Internet discussion has drawn close attention from the central leadership. The Foreign Affairs Ministry, for example, has set up a pop-up within its Chinese-language website asking for opinions of intellectuals and other ordinary citizens. Internet users can e-mail their opinions to

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40 Song Qiang et al., *Zhongguo keyi shuo bu* (Beijing: Zhonghua gongshang lianhe chubanshe, 1996).

41 Song Xiaojun et al., *Zhongguo bu gaoping* (Nanjing: Jiangsu renmin chubanshe, 2009).

42 For Deng's guidelines for Chinese foreign policy, see Quansheng Zhao, *Interpreting Chinese Foreign Policy: the Micro-Macro Linkage Approach* (New York and Hong Kong: Oxford University Press, 1996), 50-54.

the ministry, conduct discussions in the chat room, and even “chat” with senior foreign affairs officials regularly.<sup>43</sup>

It has almost become a pattern that whenever there is a dramatic international incident that involves China, there will be heated discussion about the event on the Internet. This happened in 1999 with the war in Kosovo and the subsequent embassy bombing incidents in which the NATO-led bombers attacked the Chinese embassy in Belgrade. In a detailed survey on the attitudes of Beijing students after the bombing, Dingxin Zhao demonstrated an apparent “rise of popular anti-US nationalism in China.”<sup>44</sup>

Discussions can become heated when the issue involves nationalism, as demonstrated by Internet discussions regarding the territory dispute between China and Japan over the Diaoyu (Senkaku) Islands. China has at times allowed anti-Japanese demonstrations over this dispute. The 2010 protests began peacefully, but eventually became more tumultuous, with some demonstrators holding racist signs calling for Japan to be “wiped off the face of the earth.” A newspaper in Hong Kong reported that the protests were organized by government-sponsored university groups.<sup>45</sup>

Internet discussion plays an influential role in two ways. First, the government may have to take publicly expressed opinions into consideration when making critical decisions, such as which country to work with on the high-speed railway project between Beijing and Shanghai. The issue of whether to partner with Japan not only provoked heated debates in government agencies, but also became a controversial topic of public opinion. The second is a deterrent role in that it prevents scholars and policy community members in public appearances from making conciliatory gestures on controversial issues. Some scholars even feel deterred from making rational analyses when they are interviewed publicly, fearing a negative response on the Internet.

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43 Peter Hays Gries, *China's New Nationalism* (Berkeley, CA: University of California Press, 2004), 134.

44 Dingxin Zhao, “An Angle on Nationalism in China Today: Attitudes among Beijing Students after Belgrade 1999,” *The China Quarterly* 172 (December 2002): 885–905, 902.

45 “China Allows Rowdy Anti-Japanese Protests,” *Associated Press*, October 18, 2010, <http://www.google.com/hostednews/ap/article/ALeqM5iHLHN2ZfU4WqrEunnIFRjNWAikpw?docId=2a615f1e487d4d0bb263fe64025b1020>.

### *Channel 6: Overseas Scholars*

Another important source for policy communities' influence on Chinese foreign policy is through overseas scholars. Previously, this kind of influence was exercised by a few prominent individuals. Several Chinese-American Nobel Prize winners were invited to return to China to provide advice to top leaders on a variety of issues, including foreign policy issues. However, this kind of practice remains limited and lacks a systematic arrangement.

Since the 1980s, substantial numbers of scholars and students have studied abroad. Many of them now have become professors and scholars in advanced industrialized countries, particularly in the United States and Japan. A large portion of these scholars are focused on science and technology, but some concentrate on foreign policy and international relations. They have organized themselves into academic exchange and professional networking organizations. A few have even begun to play a consultative role on foreign policy issues.

One such example is the Global Forum of Chinese Political Scientists.<sup>46</sup> It was established in 1999 by Chinese scholars in the United States, China, Hong Kong, Taiwan, and Japan. In addition to regular academic activities, such as sponsoring panels for the American Political Science Association annual meetings, it conducts annual and semi-annual conferences, workshops, and mini-roundtables to discuss not only academic, but also policy-oriented issues. This group has held activities in Washington, D.C., Hong Kong, Beijing, Shanghai, and Tokyo. It has also established a number of partnerships with leading Chinese institutions, such as the China Reform Forum and the SIIS. From 2002 to 2005, the Global Forum and the China Reform Forum cosponsored annual meetings in Beijing on such issues as US-China relations, US foreign policy, Taiwan, Sino-Japanese relations, the North Korean nuclear crisis, and community building in East Asia. Since 2006, the forum has co-sponsored joint annual conferences in Beijing together with the Taiwan Affairs Office under the State Council. Most recently, in October 2010, it held a conference at American University in Washington,

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<sup>46</sup> For details of the activities of the Global Forum of Chinese Political Scientists, see the forum's homepage at: <http://globalforum.homestead.com>.

D.C. titled “China-US Relations and New Thinking on Cross-Strait Relations.” Through these kinds of activities, overseas scholars have conducted extensive discussions in both Beijing and Shanghai with their academic counterparts.

In addition, Global Forum delegations have had opportunities to engage in dialogue with policy makers in Beijing’s foreign policy apparatus. In all these meetings, they had detailed exchanges of ideas. However, at the beginning stage of this sort of engagement, the influence from overseas scholars remains limited and relatively unnoticed.

#### *Channel 7: Highly Specialized Professional Community*

Three types of policy-oriented epistemic communities have emerged. The first concentrates on issues in a specific policy area, such as arms control, missile defense, human rights, and the WTO. In their study on Chinese military-related think tanks and research institutions, for example, Bates Gill and James Mulvenon argue that there has been an expansion of exchange programs with foreign countries on military issues, involving the National Defense University; China Institute for International Strategic Studies; the Center for Peace and Development; China Defense, Science, and Technology Information Center; the Foundation for International Strategic Studies; and the Academy of Military Sciences.<sup>47</sup> These think tanks and organizations have developed extensive internal and external networking and have become a policy community. The second type of epistemic community is made up of regional or country-oriented research institutes and/or scholars. In China, there are a large number of research institutes with scholars concentrating on a specific region or country. Internal networking within each area of study is also well developed. The third type of epistemic community is connected to foreign research institutes and scholars. A few internationally oriented think tanks, both governmental and non-governmental, have well-developed connections with their counterparts abroad.

The Chinese foreign policy apparatus has varying degrees of contact with each of these epistemic communities. These widely established

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<sup>47</sup> Bates Gill and James Mulvenon, “Chinese Military-Related Think Tanks and Research Institutions,” *The China Quarterly* 171 (September 2002): 617–624.

networks have also allowed policy makers to reach out for policy consultation and input, but at the same time the development of these policy communities is uneven and, therefore, their function and impact also vary.

### Reasons for Change

The above analysis has demonstrated enormous changes in the role played by think tanks and policy communities in the foreign policy-making process in China. The fundamental changes took place between the era of Mao and the era of Deng, as illuminated in my 1992 *Annals* article mentioned earlier. Chinese society in more recent eras—specifically the eras of Jiang and Hu—has continued to undergo significant changes. The seven channels between the inner and outer circles in terms of policy input have demonstrated this change. There are three reasons behind these changes.

The first reason is the development of elements of a civil society in China. Frank Schwartz and Susan Pharr have studied the emergence of civil society in Japan.<sup>48</sup> In his definition of the term “civil society,” Schwartz emphasized the following important elements: a nation-state, cultural dispositions, a market economy, associations, and a public sphere (among others).<sup>49</sup> Recent developments in China have created a foundation for the growth of civil society. Zhang Ye argues that the “crucial measure of [the] presence [of a civil society] in any nation is the ability of NGOs to progress and develop.”<sup>50</sup> While Chinese society is becoming more pluralistic, there is still a long way to go before it can be said that a civil society in China exists.

Think tanks and policy communities can utilize the expanding public sphere (including such mechanisms as the news media and the Internet) to advocate their opinions. After a detailed study on the relationship between popular nationalism and Chinese foreign policy, Peter Hays Gries argues that “popular nationalists are not just influencing

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48 Frank J. Schwartz and Susan J. Pharr (eds.), *The State of Civil Society in Japan* (New York: Cambridge University Press, 2003).

49 Frank Schwartz, “What Is Civil Society,” in Frank J. Schwartz and Susan J. Pharr (eds.), *The State of Civil Society in Japan* (New York: Cambridge University Press, 2003), 23–41.

50 Ye Zhang, “China’s Emerging Civil Society,” paper presented at the Brookings Institution, June 2003.



domestic politics; they are also beginning to influence the making of Chinese foreign policy.”<sup>51</sup> Therefore, the difference between the Jiang–Hu era and the Deng era is that policy communities now have greater freedom in voicing their dissenting opinions on foreign policy issues in terms of scope and degree (although noticeable limitations remain).

Another reason behind these changes is greater demand for policy input. China’s external relations have expanded rapidly as China has further integrated into the world community. Foreign policy issues are no longer limited to political, security, and strategic matters, but also include other dimensions such as culture, economics, human rights, international organizations, and so on. These issues require broader participation, and the bureaucrats’ capacity alone will not be enough. In this spirit, the Foreign Affairs Ministry and other government agencies have gradually established formal and informal consultation systems with think tanks and policy communities.

According to Peter Haas, there are four functions for epistemic communities to play. First, they will be able to elucidate the cause-and-effect relationships and provide advice about the likely results of various courses of action. Second, they can shed light on the nature of complex inter-linkages between issues. Third, they can help define the self-interest of a state or factions within it. And last, they can help formulate policies, and in some cases “decision makers will seek advice to gain information which will justify or legitimize a policy that they may wish to pursue for political ends.”<sup>52</sup> Think tanks in China have performed these kinds of functions in the policy formulation process.

The third reason behind these changes is the growing professionalism in the foreign policy apparatus. As a former Chinese diplomat told American researchers, “It used to be easy to be a Chinese diplomat. You just memorized the two phrases that defined the current policy and repeated them over and over. It’s much harder now. You have to know

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51 See Chapter 7, “Popular Nationalism and the Fate of the Nation,” in Peter Hays Gries, *China’s New Nationalism* (Berkeley, CA: University of California Press, 2004), 116–134.

52 Peter M. Haas, “Introduction: Epistemic Communities and International Policy Coordination,” *International Organization* 46, no. 1 (Winter 1992): 15.

about everything.”<sup>53</sup> Diplomats and researchers alike have all increased their level of education. Many of them have experience studying abroad. Some of them even have M.A. and Ph.D. degrees from the United States, Japan, and Europe. Furthermore, through intensive interactions with counterparts in the West, Chinese diplomats have greatly shortened their learning curve and have increasingly become professionalized. Think tanks and policy communities are even more professionalized in their research activities and policy input. With these enhancements to quality and quantity, it is natural that their voices are more frequently heard by top-level leaders of the foreign policy apparatus.

### **Future Directions**

Think tanks have had noticeably increasing influence in foreign policy communities, but there are still limitations in terms of policy inputs. This is particularly true when comparing China with Western countries or comparing China with other East Asian societies that have been deeply influenced by the West, such as Japan, South Korea, and Taiwan. One major difference is in terms of the degree to which official lines of foreign policy can be openly criticized or challenged. True policy debates over key foreign policy decisions are still not imaginable in Chinese society, despite the significant progress that has been made. One other limitation is in terms of personnel exchanges between think tanks and governmental agencies. It is a common practice in the West and in Japan for scholars and policy community members to have opportunities to serve in the government and, when regimes change, for these government officials to be transferred to think tanks to do policy research. This kind of practice is still rare in Chinese society, if not completely absent.

When dealing with the increasing influence of think tanks and policy communities on Chinese foreign policy, Beijing clearly has to calculate the advantages and disadvantages. On the one hand, more policy input from think tanks and policy communities will increase the quality of decision making. It may also provide bargaining chips when acting in the international community. On the other hand, in an authoritar-

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53 Quoted from Bonnie S. Glaser and Phillip C. Saunders, “Chinese Foreign Policy Research Institutes: Evolving Roles and Increasing Influence,” *The China Quarterly* 171 (September 2002): 597.

ian society, the CCP has been careful to protect its monopoly of power when making major decisions, including foreign policy decisions. With this kind of cost-benefit analysis, there will be inevitable ups and downs in terms of Beijing's control over intellectual life. The degree of policy communities' participation in foreign policy formation will correspond to the degree of party-state control over society.

Limited interactions between the inner and outer circles are largely due to two sources. First, Chinese society remains authoritarian in nature, meaning it lacks a proper environment for true policy debate, particularly on sensitive issues. Second, think tanks and policy communities by and large have *quan wai* status and rarely have the chance to function in the *quan nei* circle due to the lack of personnel switching between policy-making organs and intellectual institutions. As civil society continues to develop, there will be further demand for policy input and increasing professionalism in both governmental agencies and think tanks. The limits between the inner circle and the outer circle would then be reduced in the years to come.

**CHAPTER 6 Gilbert Rozman**

Chinese National Identity and Foreign Policy: Linkages between the Two

**CHAPTER 7 Robert S. Ross**

Chinese Nationalism and the American Response:  
Sources of Tension and Prospects for Renewed Cooperation



PART 3

# CHINA'S NATIONAL IDENTITY AND FOREIGN POLICY

CHAPTER  
06

**CHINESE NATIONAL IDENTITY  
AND FOREIGN POLICY:  
LINKAGES BETWEEN THE TWO**



Gilbert Rozman



**Gilbert Rozman** is the Musgrave Professor of Sociology at Princeton University and a senior fellow at the Foreign Policy Research Institute. Professor Rozman is a member of the editorial boards of *China Quarterly*, *Asian Survey*, and the *Journal of East Asian Studies*. He served as the director of the EAS Program project on East Asian National Identities at the Princeton Institute for International and Regional Studies from 2008 to 2010. His research concentrates on national identities in China, Japan, Russia, and South Korea, and the bilateral trust and evolving relations in the region. He is the editor of *U.S. Leadership, History, and Bilateral Relations in Northeast Asia* (Cambridge, 2010), and is the author of *Chinese Strategic Thought toward Asia* (Palgrave, 2009). He received a B.A. from Carleton College and a Ph.D. from Princeton University.

Think tanks in communist-led, authoritarian states serve a dual role: they are sources of information and policy recommendations for the leadership; and they are transmission belts for spreading the desired national identity to the public. At times they fill a third role by defying top-down controls and stimulating debate that casts doubt on the national identity rhetoric desired by the leadership. In the Soviet Union despite tight censorship and harsh organizational controls this third role expanded in the two decades leading to Mikhail Gorbachev's "new thinking." Is China following a similar path of think tank "mezhdunarodniki" (internationalists) absorbing views in the international community, challenging propaganda enforcers, and reshaping the thinking of both a critical group of leaders and a sizable segment of the public?

Those who argue for the importance of think tanks as forces of change start with at least three assumptions. First, they posit a core leadership group committed to pragmatism, whose primary concern is to expand China's soft power by winning over other states and gathering the best information and guidance to that end. Yet, in 2009-10 that premise seemed doubtful, given increasing emphasis on hard power and callous disregard for the impact of China's decisions on other countries. Second, they concentrate on think tank competition for influence with the leadership rather than on the Central Propaganda Department's determination to corral these entities into a more effective machine for transmitting a more orthodox national identity. In light of the narrowing debate in 2009-10 on subjects such as North Korea and the South China Sea, open sources suggested that transmission was gaining in priority. Third, the proponents of think tank influence place great importance on experts whose views are well known outside China without taking into account the rarity with which these views are expressed in Chinese publications or the marginalization of these specialists in the think tank world and China's political arena. Advocates of "multilateralism," "regionalism as a "win-win" situation for China and Japan or "new thinking" toward Japan, and distancing China from North Korea are silenced, at least in public, in the atmosphere that has prevailed since the summer of 2009.

The negative example of the collapse of the Soviet Union looms



high in recent leadership thinking.<sup>1</sup> Not only has Gorbachev been depicted as a “traitor” for more than two decades, but the think tank advisors who guided his changing views on international relations are blamed too.<sup>2</sup> The issues they faced overlap considerably with those at the center of China’s recent debates. Who is the Georgy Arbatov who will gain the ear of the top leadership in advocating much closer relations with the United States rather than increasing competition? Where are the spokespersons who can gain influence by emphasizing the negative impact of close relations with North Korea? Who will draw parallels between China’s growing isolation in Asia in 2010-11 after excessive assertiveness and the Soviet Union’s isolation in Asia thirty years earlier for more aggressive behavior? Think tanks in China have presented conflicting viewpoints, but it is doubtful that personal connections to individual leaders, such as to Yury Andropov for those who had worked under him before he was named head of the KGB, will permit access and influence similar to Soviet times.

China’s leaders seem determined to construct and inculcate national identity capable of forestalling “bourgeois peaceful evolution.” Despite tolerance for greater access to information from the outside than Soviet leaders permitted, they are keen on more coherent and effective top-down transmission of a narrative legitimating their worldview. The transmission role of think tanks deserves close attention. This chapter argues that leaders’ decisions about national identity precede foreign policy.

### **Chinese National Identity**

National identity is the social science choice for systematic investigation of how deep-seated attitudes shape international relations. Recent writings on China have explored its impact on relations with neighbor-

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1 David Shambaugh, *China’s Communist Party: Atrophy and Adaptation* (Berkeley: University of California Press, 2008).

2 Gilbert Rozman, Ch. 17, “China’s Concurrent Debate about the Gorbachev Era,” in Thomas P. Bernstein and Hua-Yu Li (eds.), *China Learns from the Soviet Union, 1949 to the Present* (Lanham: Lexington Books, 2009), 449-76.

ing states.<sup>3</sup> As China grew more assertive in 2009–11, more questions arose over how thinking about its distinctive place in history and world affairs is impacting its policy choices. To answer them requires a more systematic approach to the dimensions of national identity as well as greater clarity on how these attitudes are applied to bilateral relations in Asia and with the United States. An examination of writings reflecting China's national identity will provide a deeper understanding of how Chinese foreign policy is formulated.

Chinese writings ignore all linkages between various dimensions of China's national identity and its foreign policy decisions. This was especially noticeable in 2010 when more assertive decisions—toward the United States, Japan, South Korea, and Southeast Asia—were presented as responses to the unjust behavior of others with, at most, only indirect reference to changes in China's own behavior. Yet, there is ample evidence in Chinese writings of the narrative that undergirded these changes as well as of China's explanations that the behavior of others was driven by their national identity. Reviewing a broad range of recent publications in Chinese, I argue that changes in national identity are driving foreign policy, although the link can be postponed, as in early 2011, or reversed in the face of exceptional events.

A vast output of articles and books appears in China every year. Those by English-speaking, internationally respected experts draw the closest attention. Yet, they are the least likely to bring identity themes to the forefront. It would be better to make a random selection of sources or to select sources according to themes—on history, culture, identities of other nations, causes of bilateral problems, etc. Rather than prioritize English-language sources by PRC authors or writings steeped in the jargon of international relations studies, a wide range of Chinese sources serves the purpose of analyzing national identity. Given the importance of top-down directives, journals with lower academic standards are like-

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3 William A. Callahan, *China: The Pessimist Nation* (Oxford: Oxford University Press, 2010); Jae Ho Chung, "China's 'Soft' Clash with South Korea: The History War and Beyond," *Asian Survey* 49, no. 3 (May/June 2009): 468–83; Peter Hays Gries, "The Koguryo Controversy, National Identity, and Sino-Korean Relations Today," *East Asia*, Winter 2005, 3–17; He Yanan, "Competing Narratives, Identity Politics, and Cross-Strait Reconciliation," *Asian Perspective* 34, no. 4 (2010): 45–83; Wan Ming, "National Identities and Sino-Japanese Relations," in Gilbert Rozman (ed.), *East Asian National Identity Gaps and the United States* (Stanford: Woodrow Wilson Center Press and Stanford University Press, 2012).

ly to be more faithful in replicating their messages. In any case, I have found little difference among the leading journals and secondary ones on national identity themes when they are actually covered.

The case that top-down construction of national identity is the locomotive pulling foreign policy along is not widely embraced. The notion that China is guided by pragmatism remains popular, boosted by arguments that realism is its outlook on international relations. If so, of what import are changing narratives not tethered to calculations of power differentials and threats? Another popular interpretation is that many schools and interests are vigorously contesting national identity, leaving China without a strong hand to shape and reshape the prevailing framework. If 100 schools are blooming, how likely are they to provide a blueprint for policy? Of late, Chinese public opinion has been cited as a powerful constraint on the actions of leaders dealing with foreign policy. No doubt, anti-Japanese emotions and rising anti-Americanism since the 1990s are factors to consider, but are they advancing as a result of manipulation by the Propaganda Department and other central agencies in accord with the national identity narrative these bodies are orchestrating? To assess the impact of the recent narrative, I review it with regard to pressing issues.

National identity, separate from ethnic identity, is defined as a set of beliefs about what makes one's state unique. While definitions of it largely overlap, analysis varies according to the dimensions chosen. In this article I cover three dimensions—ideological, temporal, and horizontal—but I omit the sectoral, vertical, and intensity dimensions identified in my writing.<sup>4</sup> For coverage of foreign policy, I single out four relations: (1) Sino-US; (2) Sino-Japanese; (3) Sino-South Korean; and (4) China's views of the Islamic world, including recent developments in the Middle East. Separately, I have examined Chinese national identity and Asian regionalism.<sup>5</sup> The conclusions of this paper center on how China's national identity may impact its foreign relations, although

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4 Gilbert Rozman, *East Asian National Identities: Common Roots and Chinese Exceptionalism* (Washington, DC and Stanford: Woodrow Wilson Center Press and Stanford University Press, 2012).

5 Gilbert Rozman, "Chinese National Identity and Its Implications for International Relations in East Asia," *Asia-Pacific Review* 18, no. 1 (2011): 84–97.

awareness that the same small group of leaders are framing the narrative and making the policy decisions makes clear that causality goes in both directions.

In the case of Sino-US relations, emotions intensified in 2010 over charges that the United States is intensifying its containment of China and that this is rooted in anti-communism, Cold War thinking, and longstanding Western cultural arrogance linked to a history of imperialism. What was the nature of this narrative, and how might it have influenced foreign policy? In the case of Sino-Japanese relations, while emotions had cooled in 2006–08 and Japan was managing the history issue carefully, even before the September 2010 fishing boat incident in the East China Sea, attacks accelerated against Japan's foreign policy and its alleged anti-China shift rooted in a revival of militarism and a rightward drift imbued with inherent cultural arrogance. Did this narrative influence the way China exacerbated the fishing boat incident?

As for Sino-South Korean relations, the upbeat images conveyed in Chinese writings until 2008 had changed abruptly to castigation of the South for allowing emotions as well as deep-seated cultural proclivities to unbalance foreign policy. How did this image of South Korean betrayal of China in favor of the United States cast a shadow during the Chinese responses to the *Cheonan* sinking and the Yeonpyeong Island shelling?

Finally, in the first months of 2011, much was written in China on the upheavals in Islamic states, extending a broad discussion on the impact of Islamic culture on international relations. How did the response to developments in the Middle East or North Africa reflect the Chinese narrative, which praises Islamic culture as part of a resurgent Eastern Civilization and stresses its just struggle against treatment by the West?

The national identity narrative as applied to foreign relations is, of course, not the only factor shaping foreign relations, as seen in writings from December 2010 arguing that China is not strong enough to mount a direct challenge to the United States or to press for regional leadership. A debate rages over how developed China is. In 2010, boasting about a national identity that had been too long obscured, Chinese argued that not only is China the number-two world power but its trajectory now

allows it to challenge the United States and press for leadership in East Asia. Countering this in 2011, writers downgraded China's status, one even warning that per-capita GDP leaves doubt even about its standing as an economic great power.<sup>6</sup>

Wang Jisi made the strongest case for humility about China's comprehensive power, doubting that it is the world's second power. While he noted factors linked to level of development, his emphasis was on soft power. In Asia, he found that Japan is not inferior to China in this respect, while its US alliance, stability, and "quality" levels contrast with China's quantitative indicators. Lacking political or military alliances and political as opposed to geographical and economic identity, China greatly trails the United States in posing as a leader in Asia. In Europe, if the European Union is considered, China trails sharply in comprehensive power, lacking a currency such as the euro to influence the world economy. Above all, Wang stressed unstable elements in China's process of reform, the absence of signs that the wide gap in ideology is narrowing, and the fact that China is regarded as "alien" in international society. These factors are mentioned as preventing China from exercising leadership influence in Asia.<sup>7</sup>

Other Chinese sources, in contrast, were finding more cause for optimism. Coverage of Japan's earthquake highlighted the blow to Japan's economy, leading to further loss of influence in East Asia. While Japan's ties to the United States would be boosted for a time, it would have to depend more heavily on incorporation into the regional economy. In turn, China's influence in the region would grow as economic integration advanced, making it possible for the leadership question to be resolved relatively easily.<sup>8</sup> Despite uncertainty about public aversion to nuclear energy, this assessment builds on arguments that in 2010 China outflanked Japan in East Asia. It is more consistent with the national identity narrative, but even the critics of hubris about China's development are seemingly unable to challenge the narrative directly.

While David Shambaugh argues that the existence of many schools

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6 He Weiwen, "Wei shen me Zhongguo busuan shijie jingji qiangguo," *Huanqiu shibao*, March 29, 2011.

7 Wang Jisi, "Zhongguo shi shijie dier qiangguo ma?" *Huanqiu shibao*, April 13, 2011.

8 Song Guoyou, "Ribei qiangzhen de diyuan zhengzhi houguo," *Huanqiu shibao*, March 25, 2011.

of thought in China accounts for such differences,<sup>9</sup> I find in Chinese publications much greater overlap in support of the overall national identity discourse and only a marginal role with little impact on that discourse of those supportive of long-term cooperative ties with the United States, Japan, and South Korea as well as multilateralism in Asia. The coverage below highlights the consensus rather than noting how some disregard it.

Less assertive than in 2010, the mainstream position in China in the spring of 2011 is best characterized less as a retreat than a pause in the face of complexity. As France and Great Britain led an aerial intervention in Libya with the United States avoiding the forefront and with India, Russia, and Japan assertive on territorial matters, China's obsession with Sino-US relations required a correction. Economic issues, ranging from debt crises to higher oil prices and inflation, strengthened the case for caution. Given uncertainty over how long the US "strategic retreat" would last and the impact of foreign concern over a "hard-line China," Chinese stress the need to reaffirm their country's peaceful development path; in the 12th Five-Year Plan China must concentrate on domestic quality upgrades as well as support for a harmonious world. There is no airing of direct criticisms of recent national identity themes.<sup>10</sup> For example, Foreign Minister Yang Jiechi's early 2011 overview places the emphasis on a long-term transition even as all the trends continue in China's favor and world opinion increasingly recognizes the shortcomings in the US-European capitalist model. By sticking to its course, China will not only gain the advantage, it will build up its soft power while spreading the appeal of its development path.<sup>11</sup> Yet, vetoing, along with Russia, a Security Council resolution on Syria, China in early 2012 was not reticent about its power or identity. The narrative on the subjects treated below remains largely consistent in early 2012 with that evident in 2010, when most sources are dated.

The central theme in foreign policy coverage attentive to national

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9 David Shambaugh, "Coping with a Conflicted China," *Washington Quarterly* 34, no. 1 (Winter 2011): 7-27.

10 Fu Mengzi, "Meiguo 'tuiyin' hou, daguo boyi hui na ban?" *Huanqiu shibao*, April 13, 2011.

11 Yang Jiechi, "Dangqian guoji geju de yanbian he woguo wajiao gongzuo," *Guoji wenti yanjiu* 1 (2011): 1-4.

identity is the dichotomy between Western civilization represented by the United States and Eastern civilization represented by China. This reflects Chinese ideology, which puts socialism vs. capitalism, Confucianism vs. Western thought, and anti-imperialism vs. imperialism/hegemonism together in one new amalgam. It also is indicative of the temporal dimension in contrasting premodern China's "harmonious" international relations with the Western tradition of wars and conquests, transitional China's fate as an innocent victim with rapacious Western imperialism, recent reinterpretation of the Cold War blaming Western anti-communism much more than Soviet policies, and even the post-Cold War period as an abnormal extension of the Cold War rather than a time when great-power cooperation has predominated over competition. For the horizontal dimension of perceiving the world through US ties, regional balance, and unilateral actions, China has shifted from improving ties with all great powers and regionalism linked to multipolarity toward Sinocentrism exclusive of a US role in leading East Asia. All of this is rooted in a civilizational argument about affinities in worldviews rooted in history and the illegitimacy of the Western presence in Asia.

### **Sino-US Relations and Chinese National Identity**

There has been a persistent duality to Chinese coverage of the United States. On the one hand, for most of the past 40 years, emphasis has been placed on the positive state of relations, as in the phrase "cooperation prevails over competition." On the other hand, criticism of US imperialism or hegemonism has never faded from the mainstream writings in China. Yet, amidst this lingering duality, important changes can be detected, especially as part of the spike in Chinese national identity in 2010.

#### *Ideological Dimension*

Despite the disclaimer that ideology is not a factor in China's foreign policy, Chinese have been constructing a new ideological amalgam of socialism, Confucianism, and anti-hegemonism while criticizing the United States for allowing ideology and Cold War thinking to drive its

foreign policy.<sup>12</sup> In the financial crisis of 2008–10, some Chinese sources suggested that it was a failure of capitalism. Increasingly, a contrast is being drawn between the historic failings due to Western civilization compared to the harmonious legacy of the Confucian-based East Asian order. Similarly, condemnations of hegemonism, the heir to imperialism, are widely juxtaposed with the promise of a new international system based on China's tradition.

The ideological gap intensified sharply in 2008–10, in accord with decisions taken in China. This shifts thinking away from multipolarity, where several states are striving to gain a greater voice in the global system to pursue their national interests, to a single challenger to that system and the United States as its leading proponent. The challenger sets itself apart both by attacking the “universal values” supporting the international order and presenting a different worldview. While China's moves have reached the point of accentuating an unbridgeable gap, the gap at present is far less than the gap between the Soviet Union and the United States in the Cold War. It is not enshrined in a clear set of writings or even associated with a particular leader. China is not proselytizing around the world for its emerging ideology; it emphasizes anti-hegemonism without making a strong case for its link to the entire history of Westernization and imperialism. It is not trying to reestablish a socialist bloc, and its call for a “harmonious world” lacks the same Confucian themes as its domestic push for a “harmonious society.” In the struggle over regionalism, China is aware that the diversity of Southeast Asia makes socialism unappealing, even in Vietnam where the Confucian theme raising the specter of Sinocentrism more than cancels out shared support for Marxism. A sharpened ideological gap with the United States is failing to win support in the struggle over regionalism and is likely to damage China's case. In spite of this, the ideological drift is unmistakable and shows no signs of reversal.

While Chinese sources insist that only the West allows ideology to interfere with cooperation in international relations, their own revival of

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12 Gilbert Rozman, *National Identities and Bilateral Relations: Widening Gaps in East Asia and Chinese Demonization of the United States*: (Washington, DC and Stanford: Woodrow Wilson Center Press and Stanford University Press, 2012), see esp. Ch. 8.



ideology and claims that ideology, whatever its source, now matters are evidence that this dimension of national identity is again a factor. For instance, the Korean nuclear crisis is blamed in recent writings on ideology; yet the supposed ideological behavior of Washington is not George W. Bush's "axis of evil," but Barack Obama's unwillingness to resume the Six-Party Talks without meeting certain conditions.<sup>13</sup> Since Xi Jinping praised the Korean War as "just" and China refused to abandon or criticize North Korea for reasons that now appear to be more rooted in joint socialist struggle than in a refugee flow into Northeast China, ideology has clearly reemerged. If most Chinese writings on the nuclear crisis were earlier skewed against the United States, they acquired a strong ideological cast only amidst growing North Korean belligerence.

One reflection of this is the calculation that China's development model in the coming troubled period after the world financial crisis will prove more attractive in the developing world than the US neoliberal model. China will prevail by the force of its success, its respect for the choices of others without forcing its own model on them, and the fact that other states will prefer its stress on the role of the state. If in the 1980s Japan sought unsuccessfully to become an alternative model to the United States, China will avoid its failings, such as economic stagnation or dependency on its rival, as China's success extends from economics to politics and even values.<sup>14</sup>

### *Temporal Dimension*

When Sino-US normalization occurred in 1972 there was little interest in discussing historical differences. China's leaders were hostile to Confucianism and focused on the negative character of the Soviet Union, blamed for both imperialism and revisionism. US leaders counted on the future becoming a win-win situation about which both sides would respond with praise. Yet Chinese discussions have veered toward demonizing the United States. This is the case for US involvement in

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13 Gilbert Rozman, *Strategic Thinking about the Korean Nuclear Crisis: Four Parties Caught between North Korea and the United States* (New York: Palgrave, rev. edit. 2011).

14 Huang Qixuan, "Ling yige shijie shi keneng de: houweiji shidai de Zhongguo yu shijie fazhan," *Shijie jingji yu zhengzhi* 1 (2011): 25–45.



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imperialism, the US anti-communist obsession in the Cold War, and US containment leanings since the end of the Cold War. Examples of positive US roles in each period are eclipsed or ignored in this recent stress on contrasts.

China is widening the gap with the United States. This extends to all periods. Glorification of the values and harmonious results of imperial China—stability and continuity as well as trust in relations with ethnic minorities and foreign states—contrasts with belittling of the values of the West. Victimization over a century leading up to 1949 leaves China innocent as opposed to the harsh verdict against US imperialist policy. Recent reassertion of support for the Korean War fought by North Korea and China is another case of drawing a sharp line to widen the gap. If in the 1970s and 80s the Soviet Union received much of the blame for the Cold War, recent emphasis is on the United States and its allies consumed with anti-communism.<sup>15</sup> Even the two post-Cold

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<sup>15</sup> Zhou Qi, "Renzi gongtong liyi shi Zhongmei guanxi fazhan de guanjian: Zhongmei jianjiao 30 zhouni-an huigu," *Shijie jingji yu zhengzhi* 11 (2009): 7–11.

War decades have taken on new shading, as publications explain that China remained passive in an unjust environment but now can speak its mind. In contrast, mainstream US views of the 40 years since the bilateral breakthrough are of a positive history beneficial to both sides, narrowing the earlier gulf between them.

For the post-Cold War period, US efforts to expand cooperation with China are dismissed as insincere and no longer sustainable. Along with other US policies over two decades, they only temporarily obscured contradictions. To resolve them is not possible by China doing more to assist US security or economic objectives, but by the United States fulfilling China's expectations at the November 2009 summit for recognition of its core interests, beginning with suspending all arms sales to Taiwan and denying audiences to the Dalai Lama.<sup>16</sup> In 2011, publications did not cease blaming the West's suspicions of China, Cold War thinking, and also contradictions in traditional culture for the international troubles facing China.<sup>17</sup> Giving the impression that Obama had been expected to break with earlier US policy, notably on Taiwan, they reveal a letdown when hopes were dashed.<sup>18</sup> Claiming that all China seeks in the North Korean nuclear standoff as well as in other regional matters, such as Indo-Pakistan relations, is to maintain stability, authors charge that by striving to sustain US hegemony in the Western Pacific and Indian Oceans, Obama is aiming to weaken China.<sup>19</sup> Broadening the notion of containment in this manner, Chinese depict the post-Cold War era negatively. Sustained demonization prevails.

Whereas a decade ago China was hesitant to challenge the United States on grounds of superior economic or cultural identity, these themes are in the forefront. Promoting the notion of Eastern civilization with China at its core is popular and is accompanied by sharp contrasts with Western civilization in its history and present role, especially in

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16 Yan Xuetong, "Dui Zhongmei guanxi buwendingxing de fenxi," *Shijie jingji yu zhengzhi* 12 (2010): 4–30.

17 Editorial, "Zhongguo zai guojishang weihe nan zuoren," *Guoji xianqu baodao*, March 15, 2011.

18 Niu Xinchun, "Meiguo duitaiwan zhengce bianhua de dongyin ji fangxiang," *Xiandai guoji guanxi* 1 (2010): 55–58.

19 Chen Xiangyang, "Duixinshidai Zhongmei guanxi de zhanlue sikao," *Jiangnan shehuixueyuan xuebao* 12, no. 1 (March 2010): 55–58.

international relations.<sup>20</sup> Extrapolating the successes of China's economy and the recent failings of the US and other Western economies, Chinese sources insist that this is due to inherent superiority, revealing the advantages of China's party-led policies and its model, but also exposing the failings of capitalism.

The effort to forge a strong cultural identity steeped in Confucian traditions accelerated in recent years. It was accompanied by a surge in criticism of cultural imperialism by the West,<sup>21</sup> and sharp denials of US and Western claims to universal cultural themes associated with human rights or, more broadly, humanism. This broadside is part of a dichotomy between Eastern civilization, led by China, and Western civilization.<sup>22</sup> Although some may view this as a defensive response to calls for China to improve its human rights record, the wide-ranging scope of cultural analysis suggests that it is in the forefront of national identity gap widening. With China's economy faring well in 2008–11 in comparison to the troubles faced by the United States, economic national identity has acquired much of the hubris found in Japan during the bubble economy years, but without the leavening influence of an alliance with the United States and shared respect for each other's democracy. It is widely assumed that China will soon be the world's economic giant with credit to its leaders for far-sighted policies and the society for entrepreneurship and diligence. Political national identity also far exceeds Japan's identity during its spike in the 1980s, as China's sense of entitlement to political leadership draws on Sinocentric memories and Maoist pretensions. Combined, these cultural, economic, and political identities are peaking at levels far higher than anything seen since the Mao era.

Expanding the gap with the United States is part of the rationale for China's pursuit of regionalism. It claims geographical links and economic integration with neighboring countries, as well as cultural bonds and some sort of political destiny based on the idea that Sinocentrism was a natural, mutually beneficial arrangement while the US presence,

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20 Wei Ling, "Houbenzhizhuyi wenming yu guoji zhengzhi," *Shijie jingji yu zhengzhi* 11 (2010): 34–44.

21 Shi Fengjian and Niu Weigan, "Wenhua quanqiuhua yujingxia Zhongguo wenhua anquan guoji kongjian tazhan," *Zhonggong Sichuan shengwei dangxiao xuebao* 1 (2010): 93–96.

22 Cao Yuan, "Qianzhe wenhua zhuquan yu qingshaonian guojia minzu yishi," *Anyang shifang xueyuan xuebao*, 2009, 129–32.

as heir to the imperialist intrusion of the West, is abnormal and unsustainable. This leads to a sense of entitlement to an exclusive region.<sup>23</sup>

### *Horizontal Dimension*

Chinese sources project a new post-post-Cold War era centered on Sino-US tensions. Supposedly losing interest in East Asia since 2001, US leaders have returned with the sole aim of containing China.<sup>24</sup> Explaining this division in national identity terms, Chinese argue that geographically and culturally they are entitled to assert leadership as opposed to illegitimate US hegemony. The scope of this divide extends from the Yellow Sea to the Indian Ocean. On all sides it is the United States, intent on containing China, stirring up hostility. None of China's neighbors are given credit for balance-of-power thinking. Instead, they are perceived as playing into a great power struggle rooted in US identity insistent on leadership and blocking China's rise.<sup>25</sup> Chinese argue that the United States will fail since they do not share US values, pointing especially to Vietnam, which turned to the United States for support in a territorial dispute but is opposed to democracy and is increasingly beholden to China.<sup>26</sup> Yet, in opposing either internationalization of the South China Sea dispute or ASEAN replacing bilateralism with regionalism, China is, without acknowledgment, resorting to power politics.<sup>27</sup> As in the case of the Six-Party Talks, China gives the appearance of multilateralism without accepting its substantive implications. Its classic sphere-of-influence thinking is little disguised. It is also couched largely in cultural and historical terms, ignoring realist thinking in other states and shared values that contradict Chinese arguments about culture. An assertive Chinese foreign policy toward neighbors on all sides emerged in 2010 against the backdrop of a narrative of entitlement, mainly versus the United States.

Many in the United States have sought closer ties to China as the

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23 "Dongya hezuo gai you shei zhudao?" *Jiefang ribao*, November 23, 2010.

24 Shi Qiping, "Houhoulengzhan shidaixia de Zhongmei daboyi," *Zhongwai guanli* 10 (2010): 46–49.

25 Ma Yanbing, "Meiguo: Dongnanya anquan wo zhudao—cong Dongmeng waizhang huiyi tanqi," *Shijie zhishi* 16 (2010): 26–28.

26 Ma Yanbing, "Meiyue guanxi shengwen jiqi fazhan qushi," *Yafei zongheng* 5 (2010): 44–50.

27 Li Jinming, "Nanhai wenti: Meiguo cong zhongli dao gaodiao jieru," *Shijie zhishi* 24 (2010): 34–35.

primary means of addressing global problems. This contrasts with the way Chinese sources posit a rivalry that does not allow for such coordination, an international system that requires fixing rather than joining, and regionalism that forces Japan, South Korean, and the states of ASEAN to forsake close ties to the United States. Whatever the short-term advantages of not directly challenging the international system and working with ASEAN for greater regional integration, the literature showcases China reconstructing a regional order in accord with its historical traditions and its rosy-eyed reinterpretation of earlier harmony. On global matters, Xi Jinping's visit to the United States in February 2012 showed no progress at a time of a deepening divide.

### **Sino-Japanese Relations and Chinese National Identity**

When, in the fall of 2006, Abe Shinzo went to Beijing, China and Japan agreed to set relations on a forward-looking course without rekindling tensions over the Yasukuni Shrine and history.<sup>28</sup> Through 2008 they claimed to be strengthening trust as successive summits made ever more positive assertions about their relations. Yet realist concerns about China's growing power and lingering awareness of the hostile state of Chinese public opinion kept Japanese wary. When the Democratic Party of Japan (DPJ) gained power and pursued "fraternal" and "community" ties with China, an opportunity arose to allay Japanese suspicions. The two sides were cooperating on the global financial crisis, exploring new steps to expand regionalism, and recognizing many joint challenges, such as the North Korean nuclear crisis. Instead of seizing on this opportunity, the Chinese defied the spirit of reconciliation by publishing a barrage of wide-ranging criticisms of Japan, reaching a peak in the fall of 2010 with the East China Sea fishing boat incident. What could have been handled as a minor clash on the high seas led to reassertion of national identity as the driving force in Chinese perceptions of Japan.

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28 Gilbert Rozman, "Narrowing the Values Gap in Sino-Japanese Relations: Lessons from 2006-2008," in Gerrit Gong and Victor Teo (eds.), *Reconceptualizing the Divide: Identity, Memory, and Nationalism in Sino-Japanese Relations* (Cambridge: Cambridge Scholars Publishing, 2010), 25-51.

### *Ideological Dimension*

Chinese have long been prone to blame problems in ties with Japan on the rightward drift of Japanese politics. The victory of the DPJ did not end this. Linking unrepentant views of history, unsustainable territorial claims, and an incorrect attitude toward Chinese sovereignty over Taiwan, Chinese blamed Japanese conservatism for the troubled state of relations in 2010,<sup>29</sup> but they did not confine charges of arrogant pursuit of becoming a great power to the right. The DPJ failed to impress China with its policy adjustments in 2009–10. Supposedly at fault were ambitions to become a “normal country” associated with “militarization” and Japan’s ignoble history up to 1945, leading Chinese to revive the history issue despite DPJ efforts to take it off the table. “Containment” was another charge with broad usage that suggested an ideological resistance to China’s “peaceful development” and “harmonious world.” Warnings that Japan’s policies were in conflict with these favorite slogans blurred the real meaning of these terms. Hints that economic dependence on China makes it advisable for Japan to acquiesce to China’s policies suggest that power politics are being added to China’s arsenal in relations.

While the Yasukuni issue is no longer stressed, history is now closely linked to the Taiwan issue, the Diaoyu/Senkaku territorial dispute, and demarcation of the maritime border in the East China Sea. Indeed, Taiwan loomed large in 2005 when most attention centered on Yasukuni. Yet, right alongside this combination is the issue of the US-Japanese alliance and the role of Japan’s ally in Asian regionalism. Along with the history issue, this is even identified as the reason why Japan failed in its bid to become a permanent member of the Security Council. It is equated with containment, including Japan’s struggle to block China’s regional leadership. One means Japan uses is to insert values in regionalism, striving to assert its leadership and to widen the East Asian community with “like-minded” states. Hatoyama is not spared these accusations, as are predecessors such as Abe and Aso. Earlier praise of these leaders for working constructively with China is not repeated. By interfering in Tibet, Taiwan, and Xinjiang and opposing China on territorial issues, the DPJ allegedly was not changing Japan’s stance ap-

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29 Da Zhigang, “Zhongri zhanlue huhui guanxi fazhan yu qianjing fenxi,” *Yafei zongheng* 6 (2010): 21–2.

preciably. Ignoring the language agreed to when Hu Jintao visited Japan in 2008, Japan did not build political trust or assuage Chinese public opinion, we are told. A poll in 2006 and 2008 asked if Japan in the 21st century would continue its postwar peaceful course (*heping zhuyi daolu*) or choose militarism (*zou junguozhuyi daolu*). Of respondents with a clear answer, 35% chose the former in 2008 and 25% the latter, indicating a rise in optimism about relations. Yet, this false dichotomy reflects an effort to treat a realist Japan as if it is revisionist and to raise the specter of militarism by subsuming in it “normal country,” alliance building, and resistance to China’s drive for reorganizing Asia and asserting sovereignty in multiple ways under the heading of “militarism.”<sup>30</sup>

### *Temporal Dimension*

Without reassessing negative views of Japanese history in the premodern and prewar era leading to aggression until 1945, Chinese criticisms of Japan in the Cold War and post-Cold War eras have hardened. While differences over the way Japan handled its imperialism toward China used to dominate the criticisms, the scope has been widening. Koizumi’s visits to the Yasukuni Shrine are replaced by his support for US wars in Iraq and Afghanistan and for its policies toward Iran and North Korea. Despite acknowledging some rebalancing toward Asia under Hatoyama, Chinese treat Japan’s insistence on exerting political leadership in coordination with the United States as revealing Japan’s true nature as a state that rejects peaceful development and China’s core interests.<sup>31</sup> As sources suggested that 2010 is the start of a new era, they expanded China’s core interests while only noting an incomplete list of the core interests of other states as they blamed these states for thinking that failed to respect China’s interests despite China’s respect for theirs. Neither the United States nor Japan is credited with a core interest in the sea lanes of the West Pacific or denuclearization of North Korea or in achieving an Asian balance of power, as if these notions are only smokescreens for containing China. In the Cold War period US policies supposedly enabled Japanese rightists to sustain their earlier worldview, which only

30 Lu Yaodong, “Zhongri shuangbian hudong de zhanluexing sikao,” *Dongbeiyi luntan* 1 (2011): 34–46.

31 Liu Jiangyong, “Guoji geju yanbian yu weilai de Zhongmeiri guanxi,” *Riben xuekan* 1 (2010): 3–18.



intensified with economic success, and in the post-Cold War period containment of China's rise is the natural outgrowth, according to this perspective.

Pride from economic success arouses arrogance about cultural superiority in China, similar to what occurred in Japan. Yet Chinese write about the superiority complex of Japanese in the last decades of the 20th century and how it was manifested toward China, suggesting that it has been a negative factor in relations.<sup>32</sup> After decades of its spectacular economic rise, China's cultural superiority complex is even less restrained than Japan's had been, impacting ties to other countries more seriously. It presumes a shared Eastern civilization that draws other Asian countries close to China and distances them from the West. After relations soured with South Korea, Japan, and others, explanations were advanced for why each nation failed to recognize the shared cultural legacy. In the case of Japan the fault is linked to post-Cold War frustration over unrealized expectations rooted in culture and Japan's past.

#### *Horizontal Dimension*

Critical of Japan's shift in mid-2010 toward closer ties to the United States and its strong support for expansion of the East Asian Summit as the basis for regionalism, Chinese sources stressed identity differences related to the balance between alliance and Asianism. Explaining that China and Japan earlier had found common ground despite differences in social systems, ideology, or views of territorial issues, Chinese sources in earlier 2011 groped for renewed trust while also continuing their arguments over why the divide arose over the East China Sea.<sup>33</sup>

The pursuit of regionalism involving China began only in the post-Cold War period, although the concept of an East Asian community may hark back to a shared cultural legacy.<sup>34</sup> Chinese sources depict Japan's efforts to forge regionalism under its leadership as immoral, given its past, and US efforts to shape regionalism as the same old hege-

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32 Liu Deqin, "'Ribennren youxiulun' chuyi," *Riben xuekan* 6 (2010): 108–21.

33 Liu Jiangyong, "Zhongri guanxi: bolan dieqi yingdui zhidao," *Shijie zhishi* 2 (2011): 22–24.

34 Gilbert Rozman, *Northeast Asia's Stunted Regionalism: Bilateral Distrust in the Shadow of Globalization* (Cambridge: Cambridge University Press, 2004).

monism, if not containment of China's natural rise.<sup>35</sup> The struggle over regionalism offers just one more proof of a wide identity gap that only keeps widening.

Many articles on Japanese foreign policy stress the significance of culture. It became the driving force in postwar national identity, accompanying the shift from militarism to pacifism but also the drive from the 1980s to revive military power and become a "normal country." As part of this and driven by a "crisis mentality," Japanese embraced Asianism as a path to reasserting Japan as a great power. In championing the slogan of the "East Asian community," Japanese planned to sneak the US-Japan alliance into the fabric of Japan's organization and contain the spread of China's influence. By backing the US war in Iraq, they abandoned internationalism based on the United Nations as another proof of their drive to raise Japan's status. All of this is attributed to Japanese culture, implying continuities with dangerous ambitions prior to 1945 and warning of future aspirations of a "greater Japan."<sup>36</sup> If some writings are obviously far-fetched in their linkages, the preponderance of sources leaves no doubt that these negative aspersions on Japan's identity prevail.

### **Sino-South Korean Relations and Chinese National Identity**

Chinese sources posit a natural course of American retreat from Asia as one state after another reaches an accommodation with China and its neighbors. In the case of South Korea, history from the mid-80s is portrayed in this light. Instead of the result in 1953 when the United States caused South Korea to become a pawn in its containment of socialist states, the South, after striving for less dependency since the 1960s, diversified its diplomacy and pursued autonomous defense. The Sunshine Policy and Roh Moo-hyun's weakening of the alliance are depicted as in the South's interest and suitable responses to changes in the region. In contrast, Lee Myung-bak is blamed for ideological thinking, allowing differences in political systems to drive his hard-line approach to North Korea, comprehensive strategic alliance and values alliance with

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35 "Yatai zouxiang guoji xinzhiu qianzou," *Guoji zaixian*, November 22, 2010.

36 Ba Dianjun, "Cong wenhua shijiao touxi Riben waijiao zhengce de zhanlue xuanze," *Riben xuekan* 4 (2010): 93–106.

the United States, and use of the *Cheonan* incident as a pretext.<sup>37</sup>

Countering the assertive trend in Chinese foreign policy, Chinese researchers documented the negative effects on South Korean public opinion even in early 2010, prior to the *Cheonan* sinking. While about 44% of respondents saw a balance of pros and cons in China's rise, among the remainder twice as many perceived the cons as more than the pros. Respondents also ranked China as the least trustworthy of the great powers at 42%, below the 62% US level or even the 50% and 43% levels of Japan and Russia. The explanations centered on consciousness over history and ideology, even viewing China as similar to North Korea. Instead of perceiving China as playing a positive role in resolving the North Korean nuclear issue, 82% of South Koreans do not believe China will support reunification, some even regarding China as coveting North Korean territory. These views lead to reliance on the United States for security, which the authors openly acknowledge may have intensified since the *Cheonan* incident.<sup>38</sup> This alert to effects of Chinese policies is bereft of explanations or criticisms of China's behavior, failing to serve as a counterweight to the demonization of South Korea visible since 2009.

### *Ideological Dimension*

Chinese repeatedly blame South Korean conservatives for scuttling the progress with North Korea achieved through the Sunshine Policy and using incidents such as the *Cheonan* sinking to pursue their ideological aims. As a consequence of holdovers from Japan's occupational collaborators, conservatives are deemed a strong force. They spread the notion of a "China threat" and strive to tighten relations with the United States through a Free Trade Agreement (FTA) and political and military bonds. Many writings charge that South Koreans have a superiority complex about their culture and seek glory in their history. This thinking amounts to an ideology that is harming Sino-South Korean relations. If past publications had commented favorably on South Korean emotions toward

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37 Song Yingying, "Meihan tongmeng guanxi de yanbian he qianjing," *Dangdai shijie* 7 (2010): 50–51.

38 Dong Xiangrong, Wang Xiaoling, and Li Yongchun, "Hanguo gongzhong dui Zhongguo jueqi de renzhi yu taidu fenxi," *Xiandai guoji guanxi* 10 (2010): 41–47, 58.



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Japan, now that China is the object of dissatisfaction the tone is intensely critical while delving deeply into psychological roots of the supposed obsession in South Korea with ridding their country of China's cultural legacy there. The impact of North Korea is overlooked. Instead, the lasting US and earlier Japanese presence are assumed to place a psychological burden on South Koreans. Contrary to most non-Chinese analyses that associate Roh Moo-hyun with the upsurge in national identity in the South, he is viewed as a realist striving for stability and development on the Korean Peninsula. Lee is the ideologue.<sup>39</sup>

Unstated in Chinese writings on the Korean Peninsula is the importance of ideology in dealing with two rival claimants to legitimacy. Not only do Chinese say nothing about North Korean human rights abuses, they are completely silent about the fact North Korea is socialist, apart from allegations that the way South Korea and the United States deal with it is indicative of Cold War thinking and anti-communism. Yet, past deceptive explanations of what drives Chinese policy toward North Korea should open observers' eyes to more unstated objectives of communist officials who view South Korea as anti-communist and regard the United States as dedicated to ending the existence of communism in the world. South Korea's negative image serves the ideological identity of China as well as its hopes for North Korean strengthening.

### *Temporal Dimension*

All periods of history except the Japanese occupation now figure into China's differentiation of its past from South Korea's. Instead of acknowledging that a strong China is the guarantee of a peaceful Korean Peninsula, South Koreans allegedly misinterpret thousands of years of history from the angle of a "China threat."<sup>40</sup> With the Koguryo dispute, Chinese turned their attention to early Korean history, finding much that is negative. The fact that China's benevolent order is not evaluated favorably and not regarded as a precedent for future cooperation is an incentive for Chinese to expose the shortcomings behind South Korean

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39 Guo Rui and Ling Shengli, "Minzuzhuyi yu Hanguo waijiao zhengce," *Shijie jingji yu zhengzhi luntan* 3 (2010): 150–59.

40 Ao Guang, "Chaohan chongtu yu Zhongguo zhoubian anquan," *Lingdao wencui* 2 (2011): 44–47.

thinking.

A shared economic identity through massive integration, links as countries with the deepest cultural legacy of Confucianism, and joint pursuit of regionalism as a political identity appeared not many years ago to draw South Korea close to China. A sharp divide over the Cold War era could be largely overlooked. Deciding that the current divide is insurmountable, Chinese link it to the Cold War legacy in the South and reemphasize the importance of this period with justification of China's conduct as well as North Korea's. South Korea's anti-communism looms as a failing both in the Cold War and in the post-Cold War decades as it still reaffirms its US alliance.

US values loom in Chinese writings as the critical factor preventing progress on the North Korean nuclear issue. Whether "regime change" or "smart power," US labels reflect rejection of normalization of relations with North Korea, which is assumed to provide security and lead to denuclearization. Obama is not for "neoconservatism," but "neoliberalism" may be even more threatening to Chinese for its soft power or diplomatic assault on sovereignty through the use of globalization and international institutions to undermine political and economic independence. Not only is this seen as another path to regime change, it also is treated as a link with regime change in China. Any pressure for denuclearization is deemed a pretext for strengthening US alliances, keeping military forces in Korea, missile defense, and containing China.<sup>41</sup> If the United States normalized relations with North Korea, it would at the same time accept geopolitical balance in Northeast Asia and discard regime change in China. The root cause of the problem supposedly is the legacy of Cold War thinking, which is particularly intense in Congress, where values play a large role in foreign policy. By reaffirming values as the lynchpin of South Korea's alliance, Lee Myung-bak is deemed to be challenging China no less than in his former North Korean policy.

### *Horizontal Dimension*

#### Chinese simplifications of international relations in Northeast Asia

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41 Guo Rui and Wang Xiaoke, "Aobama zhengfu duichao zhengce pinggu jiqi zouxiang," *Meiguo wenti yanjiu* 1 (2010): 150–64.

make North Korea an innocent victim responding predictably to the change in the balance of power since the end of the Cold War. With the collapse of the “northern triangle” but the continuation of the “southern triangle” it reacted by seeking security in nuclear weapons. This is the fault of US Cold War thinking that failed to normalize relations with the North, instead strengthening its military and alliances in the region driven by an obsession with hegemonism and democracy. It was fearful of South Korea’s autonomous tendencies. North Korea’s national identity is not treated as a problem in any way. Rather it is US identity that is destabilizing the region. In this worldview, Obama is little different from Bush, who even in his second term sought regime change. In this way, Chinese dismiss the Joint Agreement as little more than a minor concession by the United States, which North Korea was justified in disregarding in late 2008 when it demanded more concessions. They also blame Lee Myung-bak not only for his hard-line approach to the North but also for his attitude toward regional security, which is rooted in Cold War logic that is no longer sustainable.<sup>42</sup>

Chinese accuse South Korea of extravagant “great power” ambitions, such as seeking to gain regional leadership, to become the central state in Northeast Asia, and to serve as a balancer. Failing to realize these ambitions on the basis of limited means at its disposal, South Korea turns to the United States to strengthen their alliance ties.<sup>43</sup> If Chinese long stressed the prospect that differences in relations could be managed, referring to common interests and positive South Korean views of China as well as shared concern about Japan’s rightward drift, there were also warnings that South Korea needs to respect this relationship while striving to build trust. Yet suggestions that the relationship depended on the Sunshine Policy and on South Korean interest in distancing itself from the United States and its strategy in Northeast Asia were early warnings that China might turn against the South. Calls for progress in a Northeast Asian FTA contrast with suspicions of the political aims

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42 Yang Luhui and Lin Yongliang, “Chaohe wenti de kunjing zhengjie ji jie jue luojing,” *Yafei zongheng* 6 (2010): 28–34.

43 Guo Rui and Wang Xiaoke, “Lengzhan hou Hanguo guojia zhanlue de tiaozheng pinggu,” *Dangdai Hanguo*, Winter 2009, 29–37.

of the US-South Korean FTA. Insistence that South Korea must avoid interference in Sino-North Korea relations, since these ties with the sovereign North are traditional, also indicate that Chinese displeasure was rising prior to the *Cheonan* sinking. Much of the blame was fixed on uncontrolled nationalist emotions in the South, which led to politicizing the historical dispute over Koguryo and other problems.<sup>44</sup> Naturally, Chinese have nothing to say about their own national identity as a negative factor.

Some warnings leave no doubt about the demand that South Korea switch sides or suffer the consequences. They point to its economic dependence and the enormous benefits it derives from China's growing economy. Also, they assert that shared strategic interests contrast with US interests in the region. Above all, these sources predict increasing Sino-US security competition and call on the South to pursue more balance between the two great powers.<sup>45</sup> To the extent these warnings are ignored, writers find explanations in their narrative of South Korean identity.<sup>46</sup>

### **Sino-Islamic Relations and Chinese National Identity**

Chinese are writing extensively about Eastern vs. Western civilization, and for the former Chinese concentrate on Islam as well as their own heritage. In this coverage they blame the West for demonizing Islamic civilization while arguing that historically and recently China has a natural affinity with the prospect of forging a shared civilization in resistance to the West. In its struggle to retain hegemony the declining United States has overextended itself in the Middle East as well as in East Asia, Chinese insist. The ongoing popular uprisings in Islamic states are interpreted as signs of US decline. It will be the biggest "great power" loser. Instead of struggling for democracy and being inspired by the United States—a color revolution—local populations are battling against marginalization economically and internationally. If others argue that China

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44 Zhang Yushan, "Zhonghan guanxi de huigu yu zhanwang," *Dangdai Hanguo*, Spring 2010, 1–9.

45 Mao Jikang, "Zhongguo de jueqi yu Hanguo de Dongbeiya zhanlue xuanze," *Dangdai Hanguo*, Fall 2009, 14–20.

46 Wang Sheng, "Shizhe dangdai Hanguo minzuzhuyi," *Xiandai guoji guanxi* 2 (2010): 36–41.



is quaking before the contagion of the “Jasmine Revolution,” Chinese assert that rather it is the West that is alarmed by Islamic civilization free of constraints, challenging the US hegemony and the existing international order.<sup>47</sup>

### *Ideological Dimension*

Chinese draw comparisons between Libya and both Iraq and North Korea. Arguing that US policy toward both of those states has been imbued by ideology, they find parallels with the 2011 “humanitarian intervention.” The goal remains to impose Western values, establishing a democratic regime that would further the strategic interests of the West. Demonizing Qaddafi as another evil dictator in the mode of Saddam Hussein, Washington has picked on the leader of another major oil-producing state. Yet, because the vast Islamic world harbors anti-American and anti-West thinking, these sources insist that the US position is doomed. After holding up Qaddafi as a model for North Koreans, the decision to use force against him only toughens the North’s stance on defense.<sup>48</sup> In overlooking pragmatic compromises, the West lets ideology drive its policies, in the process arousing greater hostility to itself and to Western civilization. China’s defiance of the United States on Syria in 2012 follows from this narrative.

### *Temporal Dimension*

Saying that Islamic culture was historically demonized in the West and Islamic states were victimized by Western imperialism, publications depict a longstanding, legitimate struggle against the international order. In the post-Cold War period, they argue, the 1.3 billion Muslims—the population of China—must be a respected force in international politics. They are entitled to an “equal” political and economic order without intrusive US policies, such as cultural expansionism that threatens their values and support for Israel that lies in the way of an Islamic

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47 Liu Zhongmin, “Zhengzhi luanju yushi Meiguo Zhongdong baquan zhengzai shuailuo,” *Huanqiu shibao*, February 25, 2011.

48 Xiao Xian, “Libiya shi 8 nian qian de Yilake ma?” *Huanqiu shibao*, March 23, 2011; Zhan Dewu, “Libiya shi Chaoxian de fanmian jiaocai,” *Huanqiu shibao*, March 25, 2011.

order.<sup>49</sup> Since Obama is seen as basically continuing the Bush approach, sources see no reason to revise their accusations that the gap between the United States and the rising, oil-rich Islamic states (part of the South and the East) will only intensify and help China transform the world order. History is invoked to justify China's policies.

Even before the 2011 regional disorder, Chinese had concluded that the US position in the greater Middle East was troubled. The Iraq War would not end well even as US troops were being extricated. US efforts to block the spread of Iranian hard and soft power would not succeed. Also, Obama lacked a strategy to diminish Israeli-Palestinian tensions. Thus, his goal of shifting the strategic gravity of US foreign policy to East Asia, which China fears, would not be realized.<sup>50</sup> Even more, the events of 2011 raised confidence that China's rise would not be impeded in its own region and its opportunities would grow in Islamic states.

#### *Horizontal Dimension*

With the emphasis mostly placed on US problems resulting from the disorder in the Middle East, Chinese depicted acceleration in the long-term decline of the West and US hegemony. While the US invaded Iraq with the aim of using democracy to reform the Middle East, it has had no success in filling either the political or the economic vacuum in the Arab world.<sup>51</sup> Adding Afghanistan to the range of US problems with Islamic states and noting the growing independence of Turkish foreign policy, sources point to the potential for far-reaching change just as China's rising power and Russia's hopes for reasserting itself as a great power are converging on these states.<sup>52</sup> This outlook reinforces the sharp Sino-US divide.

China's cultural and economic appeal in the Islamic world is only

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49 Zhang Yanjun, "Shijie zhengzhi zhong de Yisilan guoji zhixu," *Shijie jingji yu zhengzhi luntan* 1 (2010): 105–14.

50 Gao Zugui, "Aobama zhengfu Zhongdong zhengce pingxi," *Heping yu fazhan* 6 (2010): 15–18.

51 Zheng Ruoqi, "Zhongdong de mouzhong zhenkong xu daguo tianbu," *Huanqiu shibao*, March 1, 2011.

52 An Huihou, "Aobama de Zhongdong zhengce chengjiao buzhang Zhongdong geju chuxian xin bianhua," *Yafei zenghong* 5 (2010): 17–20.

enhanced by the changes underway, most insist. Yet, there are also warnings of the spread of Islamic fundamentalism extending to Muslims in Xinjiang. Some suggest that China's economic rise could be under pressure from instability and inflation. The prospect that democratization could damage China's political national identity is not raised, despite statements about the importance of reform by seizing various opportunities to prevent social contradictions from worsening.<sup>53</sup> Such qualifications do not call into question the main national identity messages that the East and South are rising against the West, China is viewed by Islamic peoples as the champion of their cause of democratization of the international system and opposition to neo-imperialistic cultural policies, and the US decline will be beneficial for China's rapid rise. This is the unmistakable message in numerous Chinese publications in 2010-11, and with tensions rising over Iran and Syria in 2012 the divide was growing even wider.

### **Conclusion**

China's views of the United States, Japan, and South Korea hardened in 2010 as its optimism about the Islamic world rose, extending into 2011 when the disorder in many countries was interpreted not as the spread of democracy, solidifying ties with the West, but as a popular awakening that is sharpening the gap with the West. In responding to North Korea's aggressive behavior toward South Korea, Chinese constructed a narrative blaming the South and especially the United States. When a Chinese fishing boat rammed a Japanese coast guard vessel, leading to tensions, the Chinese were in the midst of demonizing Japan for a broad range of its thinking as well as its conduct. Throughout the year prior to a December article intended to change the mood in advance of Hu Jintao's visit to Washington in January 2011, Chinese wrote scathingly of the United States in a fashion with no parallel since 1971 except in the aftermath of the June 4, 1989, massacre of demonstrators and crack-down on reform.

The harsher tone toward the United States and its allies reflected

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53 Zhang Hong, Bi Qingguo, and Liu Xinlu, "Zhongdong dongdang ye zai tixing Zhongguo fazhan," *Huanxiu shibao*, March 22, 2011.

changes in Chinese national identity, discussed above in terms of three dimensions. While these were not abrupt shifts and could in some cases be anticipated by the evolution over the past three decades of debates redolent with identity themes,<sup>54</sup> they brought into the open a level of arrogance and demonization of others that was little anticipated. There was a revival of ideology, couched mostly in accusations against other states driven by Cold War thinking and other types of ideology but, arguably, based principally on China's new ideological amalgam of socialism, Confucianism, and anti-imperialism. At the same time, a spike occurred in temporal identity, combining sanctimonious claims about the impact of Confucianism on premodern regional relations, a sense of justice about righting the wrongs of the age of imperialism, renewed emphasis on the anti-communist causes of problems in the Cold War period, and refusal to credit the period after Sino-US normalization and the post-Cold War period with breaking the pattern of opposition between China and the West. An additional dimension is sectoral national identity, combining pride as the home of an economic miracle that would continue to propel China ahead of the United States, which was exposed as a faltering capitalist state with the world financial crisis; confidence in cultural superiority, treated as the revival of Eastern civilization in place of the discredited Western civilization; and assertiveness about political identity based on Communist Party leadership over a "harmonious society" with growing international appeal. This may seem like a lot of bravado for a regime facing internal tensions, but it not only helps to rally support, it also sets the tone for decisions regarding foreign policy, planned or reactive.

The Chinese narrative until at least 2007 did not justify the aggressive foreign policies of 2010. Only when US economic weakness was exposed and development of the Chinese military reached a point where US superiority in East Asia no longer could be assumed to dictate the outcome was China confident enough to reveal its implicit national identity leanings openly. The narrative then turned hostile to US efforts to "return to Asia," grew one-sided in blaming South Korea rather than

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54 Gilbert Rozman, *Chinese Strategic Thinking about Asia* (New York: Palgrave, 2010).


North Korea for undermining the Six-Party Talks and regional stability, switched from emphasis on joint leadership with Japan in Southeast Asia to insistence that Japan must accept China's leadership and the exclusion of the United States, and defied the logic of the "war on terror" by siding with the Islamic nations against the treatment they had received from the West in the past and continued demonization today. The policy consequences were a sudden deterioration in cooperation with the United States although a decision was made to limit this in December 2010 and reinforced in early 2012; a refusal to condemn North Korea for its bellicose behavior and tough responses to South Korean cooperation with the United States and Japan; visceral hostility to Japan when a Chinese fishing boat rammed a Japanese coast guard vessel; and intensified cooperation with Pakistan that may be encouraging it to reduce cooperation with the United States in Afghanistan. China's rhetoric, in broad terms, justifying these moves preceded the behavior. After each move the rhetoric more vigorously rationalized it and made linkages to the sweeping tone of national identity discourse already in evidence. One must look beyond the actions of China to its rhetoric, particularly as one seeks explanations for its recent conduct and keeps searching for new evidence in order to predict its future conduct.

CHAPTER  
07

**CHINESE NATIONALISM  
AND THE AMERICAN RESPONSE:  
SOURCES OF TENSION AND PROSPECTS  
FOR RENEWED COOPERATION**



Robert S. Ross



**Robert S. Ross** is a professor of political science at Boston College and an executive board member and associate at the Fairbank Center for East Asian Research, Harvard University. From 1994 to 1995, Professor Ross was a Fulbright Professor at the Chinese Foreign Affairs College in Beijing and in 2003 a visiting senior fellow at the Institute of International Strategic Studies, Qinghai University. His research focuses on Chinese use of force and deterrence in East Asia, the implications of the rise of China on East Asian security, and the role of nationalism in Chinese security policy and US-China relations. His recent books are *US-China-EU Relations: Managing the New World Order* (Routledge, 2010) and *China's Ascent: Power, Security, and the Future of International Politics* (Cornell University Press, 2008). He received his B.A. in history from Tufts University and Ph.D. in political science from Columbia University.

Global coexistence with the rise of China is the most pressing strategic challenge of the current era. Failure by both China and the United States, the two great powers in East Asia, to manage China's rise has the potential to destabilize not only East Asia but also global politics. This is especially the case because East Asian politics affects the vital interests of China and the United States and because East Asia is the world's most dynamic and important economic region. US and Chinese inability to manage China's rise and their bilateral strategic relationship also has the potential to lead to heightened regional instability, including trade wars, arms races, crises, and great-power war.

Regarding its membership in global and regional institutions and its adherence to international norms, China is already a "status quo power." China has been an active and cooperative member of the United Nations system for many years. It is a major beneficiary of the global trade order, its adherence to World Trade Organization (WTO) rules is no better or worse than most countries, and it negotiates revisions to the international trade order within the WTO structure. Moreover, Beijing actively participates in confidence-building measures in Central Asia and in the multiple multilateral institutions in Southeast Asia. It argues the merits of its maritime territorial claims and security interests with reference to the United Nations Convention on the Law of the Sea.

But the rules and norms of international politics have always been secondary to great-power politics and to the prospects for global peace. Europe was highly economically interdependent prior to World War I, and the major European powers shared institutions and cultural and diplomatic norms throughout the 18th and 19th centuries. Great powers' wars are not fought over international law, trade norms, or the rules of international institutions. Thus, China's acceptance of the US-constructed post-World War II multilateral institutions and of the rules and norms of international politics offer minimal confidence that the United States and China will be able to manage China's rise and maintain regional and global stability. Instead, the central issue affecting the maintenance of stability during the era of a rising power is the management of great-power security conflicts over such issues as border security, spheres of influence, and access to and control over resources.



### **China's Peaceful Rise and US Accommodation of Rising China**

Since the death of Mao Zedong in 1976, the onset of Chinese economic reforms, and the rise of China that began in December, 1978, the United States and China have managed relations to minimize conflict, maximize regional stability, and advance their respective security interests. Although East Asia is a critically important economic and strategic region for both countries and China is a rising power, since the end of the Cold War East Asia has been the most peaceful region in the world. Unlike any other region, it has not experienced war, arms races, or great-power crises. The source of such stability has been successful Chinese diplomacy and US strategic adjustment to the rise of China.

#### *China's Diplomatic Successes*

China's contribution to regional stability has been its management of its own increasing capabilities. Chinese leaders were aware that China's rising power could cause apprehension among its neighbors and cause tension that could interfere with China's rise. Premature regional tension and hostilities would require China to reallocate its resources from economic development to national defense and would constrain Chinese access to critical international trade and investment. Chinese leaders' understanding of the importance of stable international relations to the rise of China drove Chinese diplomacy. Since the early 1980s, despite periodic adjustments in China's official policy statement (the tifa), the consistent focus of China's diplomacy has been the maintenance of a peaceful international environment to enable economic development and China's "peaceful rise."

A critical element in Chinese post-1978 diplomacy has been Beijing's consistent effort to avoid conflict with the United States. China's insistence on US-China cooperation was reflected in its consistent patience regarding Taiwan's revisionist independence diplomacy. Only in 1996, when it appeared to China that the United States had been supporting Taiwan's effort to establish de jure independence and thus instigate a cross-strait war, did China challenge cross-strait stability and US-China cooperation with provocative naval exercises. Otherwise, it tolerated Taiwan's determined moves toward independence under the

leadership of Chen Shui-bian, despite the widespread belief in China that Chen was determined to achieve Taiwanese independence and that he dismissed Chinese resolve to retaliate and risk war with the United States. China worked with the United States regarding North Korean development of nuclear weapons. Under persistent US pressure, China put increasing pressure on North Korea to constrain its nuclear weapons program and to participate in the Six-Party Talks. China also curtailed its proliferation of internationally proscribed weapons and technologies and it cooperated with US diplomacy in the United Nations to isolate Iran. China cooperated with US interests in US-China economic relations. In the 1990s, Beijing repeatedly agreed to US demands for Chinese trade reforms under threats of sanctions. In the 2000s, it made concessions regarding the value of its currency.

The second factor in China's peaceful-rise strategy was its diplomacy toward its regional neighbors. The common and consistent element throughout China's regional diplomacy was multilateralism. Chinese leaders understood that multilateral diplomacy could mitigate fears of China's rising economic and military power by enabling China's neighbors to negotiate with China in cooperation with other countries in institutions requiring consensus-based agreements. In Southeast Asia, China participated in the ASEAN Regional Forum and ASEAN+3, it actively supported the establishment of the East Asia Summit, and it signed the 1971 Treaty of Peace, Freedom and Neutrality and the 1995 Treaty on the Southeast Asia Nuclear Weapon-Free Zone. In economic affairs, China took the lead in negotiating an agreement in 2002 on the China-ASEAN Free Trade Area. Regarding maritime territorial disputes, in 1995 Beijing invited the ASEAN states to Hangzhou to discuss the management of the South China Sea territorial disputes and in 2002 it reached an agreement with ASEAN members on the Declaration on the Conduct of Parties in the South China Sea. Chinese diplomats also took the lead in developing multilateral cooperation among China, Russia, and Central Asian states following the collapse of the Soviet Union in 1991. Its diplomacy led to the establishment of the Shanghai Cooperation Organization (SCO) in 1997. Through the SCO China has participated in frequent regional summits, multilateral cooperation regard-

ing anti-terrorism activities and border security, and significant security confidence-building measures.

China's 30-year diplomacy of peaceful rise was highly successful. Despite the economic and military rise of China and regional concern about Chinese intentions, China developed friendly and cooperative relations not only with nearly every country in East Asia and but also with nearly every country in the world. This was a remarkable record of success that made a major contribution to Chinese economic development and to its development of great-power status.

### *US Engagement of the Rise of China*

Chinese cooperative diplomacy has been a critical element of post-Cold War regional stability. But equally important has been American accommodation of the rise of China. Without US accommodation of China's critical security interests, China may well have been compelled to use coercive measures to achieve regional strategic adjustment commensurate with its greater capabilities. US engagement policy contributed to PRC tolerance of US capabilities and alliances in East Asia and fostered Chinese cooperation associated with its peaceful-rise strategy. Moreover, US engagement on the rise of China enabled the United States to realize important strategic objectives in East Asia and elsewhere at relatively minimal cost.

In international economic affairs, the United States welcomed China into the global order. Especially important was China's membership in the World Bank in 1980 and its access to the World Bank's low-interest loans and development expertise that played a critical role in the early development of China's extensive transportation, communication, and power-generation infrastructure. China's membership in the WTO in 2001, following extensive US-China negotiations, contributed to global confidence regarding China's trade regime and contributed to the expansion of Chinese exports. More recently, the United States has advocated for greater China voting rights in both the International Monetary Fund and the Organization of Petroleum Importing Countries, despite the opposition from European countries.

The United States also engaged China in regional security affairs.

Following the end of the Vietnam War in 1973 and through the end of the George W. Bush administration in 2008, the United States remained completely disengaged from Indochina. Although Vietnam sought US-Vietnamese defense cooperation to balance Chinese power in Indochina and to enable Vietnam to emerge from China's strategic dominance, Washington exercised strategic restraint and resisted Vietnamese overtures for security cooperation. In the aftermath of the Vietnam War, the United States understood that Indochina entailed only secondary US security interests but vital Chinese security interests.

The United States accommodated Chinese security interests on its periphery. The United States also carried out security engagement of China's rise on the Korean Peninsula and in the Taiwan Strait. During the Bush Administration, the United States adopted a number of significant measures that reflected its strategic adjustment on the Korean Peninsula to the rise of China:

1. The United States removed its military forces from between Seoul and the de-militarized zone.
2. The US troop presence in South Korea declined by 40%.
3. The scale of the annual US-South Korea joint military exercises declined annually and by 2009 had become small.
4. The 2010 Department of Defense Quarterly Defense Review announced that the United States would return operational command of South Korean forces to South Korea in 2012.

In addition, the United States abandoned its unilateral effort to coerce North Korea to give up its nuclear weapons program, choosing instead to cooperate with Beijing to achieve its interests. This policy shift reflected US awareness of China's increased importance throughout the Korean Peninsula and the resulting inadequacy of coercive unilateralism. Taken together, these many measures contributed to greater Chinese security on its borders. They also revealed that the United States acknowledged China's rising relative strategic influence on the Korean Peninsula and that it would not resist this development.

The United States also engaged China on the Taiwan issue. Chen

Shui-bian resisted the mainland's economic and strategic rise and sought closer US-Taiwan defense cooperation. Nonetheless, because of Chen's opposition to mainland interest in its one-China principle and his destabilizing diplomacy, the United States took the initiative to actively resist Chen's independence movement:

1. In 2003 President Bush criticized Taiwan in a public meeting at the White House with Chinese Premier Wen Jiabao.
2. Washington deferred new arms sales to Taiwan during Chen's second term.
3. The United States made clear in the 2008 Taiwan presidential election that it supported the Kuomintang candidate Ma Ying-jeou over the Democratic Progressive Party candidate, despite Ma's pronounced support for expanded cross-strait economic and political cooperation, his opposition to Taiwan independence, and his personal long-term preference for Taiwan-mainland unification.
4. After Ma Ying-jeou became president in March 2008, the United States continued to support cross-strait economic and political cooperation.

In defense relations with Taiwan, the Obama administration encouraged Taiwan to shift its defense policy away from acquisition of expensive high-technology military hardware and toward the acquisition of less expensive and less provocative low-technology capabilities more appropriate for development of an asymmetric defense strategy. In so doing, the United States implicitly acknowledged the implications of the rise of China for Taiwan security and it accepted reduced US-Taiwan defense cooperation.

Through these various elements of its Taiwan policy, the United States cooperated with China's interest in blocking the Taiwan independence movement, promoted the expansion of Chinese influence over the Taiwan economy, and implicitly accepted reduced US political influence on Taiwan.

American accommodation of the rise of China enabled sustained

US-Chinese cooperation at minimal cost to US security or to the domestic political autonomy and prosperity of its strategic partners. Since the end of World War II the United States understood that its vital East Asian interests were in the region's maritime areas. Most Americans now understand that US involvement in the Vietnam War was a strategic mistake. US interests regarding the Korean Peninsula and Taiwan reflected the unexpected US involvement in the Korean War and America's post-World War II commitment to deter communist use of force. Gradual and peaceful US strategic disengagement from Taiwan and the Korean Peninsula did not challenge Washington's reputation to resist aggression, but it contributed to US-China cooperation because it signaled to Beijing that the United States would accept a Chinese sphere of influence on its periphery.

Moreover, while engaging China on China's mainland periphery, the United States consolidated its strategic presence in maritime East Asia. US strategic adjustment did not undermine US security, but rather contributed to greater US security and to a reduced US defense burden in East Asia. In the early 1990s the United States negotiated the "revised guidelines" with Japan. This agreement expanded US-Japan alliance cooperation, encouraging Japan to make a greater contribution to Japan-based US power projection in East Asia and to assume more extensive military responsibilities in maritime East Asia. Since then, the United States and Japan have expanded cooperation on missile defense, military operations in the Persian Gulf, and military exercises. In the 1990s, the United States also expanded defense cooperation with Singapore. In 1999, Singapore completed construction of the Changi port facility, which is large enough to receive an American aircraft carrier. In the first decade of the 21st century, the United States expanded naval cooperation with Malaysia and the Philippines and developed comprehensive defense cooperation with Australia. During this same period US defense expenditures, technology development, and weapons acquisition have focused on the strategic challenge posed by People's Liberation Army (PLA) modernization. And the US Defense Department has deployed in increasing quantities the full range of its most advanced military technologies to Japan and Guam.

Washington's engagement strategy was as successful and significant as Beijing's peaceful-rise strategy. It enabled the United States to benefit from US-China cooperation and develop a stable regional order while it achieved its important East Asian strategic objectives. Together, China's peaceful-rise strategy and US engagement of the rise of China contributed to stable US-China relations, extensive great-power cooperation, and mutual national security.

### **China's Diplomatic Blunders**

The catalyst for the recent deterioration of US-China relations was China's diplomatic offensive. Beginning in early 2009, China committed a series of diplomatic blunders against the United States and its strategic partners in East Asia that by mid-2010 had elicited near-universal condemnation of Chinese diplomacy. The list of Chinese blunders is long:

1. The March 2009 Chinese naval harassment of the US Navy reconnaissance ship *Impeccable* operating in China's exclusive economic zone in the South China Sea;
2. China's heavy-handed resistance to negotiation at the December 2009 Copenhagen Climate Change Conference, causing diplomatic friction between China and Europe and China and the United States;
3. Beijing's hard-line response to the January 2010 US decision to sell arms to Taiwan, which included a threat to impose sanctions on US companies that have defense cooperation with Taiwan;
4. mismanagement of North Korea's sinking of the South Korean naval ship *Cheonan* in March 2010, followed by widespread South Korean anger toward China;
5. strident Chinese diplomatic protests against US-South Korean naval exercises in international waters in the Yellow Sea;
6. excessive hostility to the Japanese detention in September 2010 of the captain of a Chinese fishing boat for operating in Japanese-claimed waters and for steering the ship into a Japanese coast guard ship;
7. the Chinese government's clumsy campaign to compel Google

- to cease service of its search engine on mainland China;
8. the Chinese government's harsh and persistent opposition in December 2010 to Liu Xiaobo's selection as the Nobel Peace Prize recipient; and
  9. China's increasingly forceful assertion of its disputed economic and territorial claims in the South China Sea, eliciting apprehension throughout Southeast Asia.

Since the onset of its peaceful-rise diplomacy in 1978, China consistently defended its interests in a range of issues similar to all of these contentious issues. And China had legitimate interests at stake in each of the diplomatic incidents since March 2009. Nonetheless, since March 2009 an emerging pattern of combative Chinese diplomacy and its creation of contentious and counterproductive diplomatic theater are unmistakable.

China's diplomacy has created disproportionate heightened tension over relatively minor issues. The contrast with the past is striking. Whereas China had tolerated from 2000 to 2008 the challenge that Taiwan's leader Chen Shui-bian posed to Chinese sovereignty over Taiwan, the most sensitive issue in Chinese diplomacy, in 2010 it strongly challenged the United States over its naval exercises in international waters in the Yellow Sea and it challenged Japan over its detention of a fishing boat captain for ramming a Japanese coast guard ship. And whereas in the past it hosted multilateral discussions with Southeast Asian countries to mitigate the impact of sovereignty disputes over the Spratly Islands, in 2010 it opposed multilateral discussions of the islands.

In contrast to 30 years of a successful peaceful-rise strategy, within two years China had managed to sour relations with nearly every Asian country and every advanced industrial country. Its string of diplomatic failures is every bit as remarkable as its prior successes. Moreover, China's inability to correct course and reestablish a moderate foreign policy reflected a dysfunctional policy-making process.

Beijing's new diplomacy and its challenge to the regional order do not reflect improved military capabilities. China's blue-water naval capability remains dependent on its advanced diesel submarines, which



were deployed in the mid-1990s. By 2000, China's submarine force had already begun to pose significant challenges to US naval operations in the western Pacific Ocean. But since then it has not deployed any new significant maritime capabilities. It has yet to construct an aircraft carrier and it cannot manufacture engines for advanced military aircraft. The J-15 and the J-20 are aircraft development programs, not capabilities. Its anti-piracy naval operations off the coast of Somalia remain primitive. Its protection of its fishing claims in the South China Sea depends on coast guard ships. China is developing potentially effective advanced-technology maritime access-denial capabilities, including advanced missiles, but these technologies have yet to be adequately tested, much less deployed. Its anti-ship ballistic missile program remains in the testing stage. Its space program is making progress, but the PLA has yet to develop an operational capability that can significantly challenge US space-based communication capabilities or to develop its own space-based war-fighting capability. The PLA is developing many new military technologies, such as drones and air-based radar systems, but these and other such defense systems remain relatively primitive or experimental. China will continue to modernize its military capabilities and it will eventually deploy advanced systems that may challenge US regional security, but China's new diplomacy cannot be explained by any recent acquisitions of new capabilities.

China's new diplomacy has reflected the impact on its foreign policy decision-making of three domestic trends. First, China's economy is simultaneously experiencing several serious problems. Inflation is high; unemployment is high, including in rural areas and among urban college graduates; inequality is increasing; the property bubble in 2009-2010 reached dangerous levels; the condition of national banks is worse today than at any time in the past ten years; local government debt is very high; and economic growth has increasingly relied more on unsustainable investment rather than on consumption. These trends suggest that during the next few years social instability will likely grow and the Chinese Communist Party's economics-based legitimacy may significantly erode.

Second, the tools of Chinese authoritarian repression are becoming

less effective. In the past five years the number of spontaneous small and large-scale demonstrations has grown. More recently, the Internet has become an effective device for nation-wide transmission of information about government problems and instability, including economic corruption, police brutality, legal cover-ups, environmental degradation, property seizures, and anti-government protests. The rapid dissemination of such news has eroded the government's ability to control information and minimize nation-wide hostility toward the party. In addition, peer-to-peer communication technologies, such as Twitter and its Chinese equivalents, can facilitate large-scale, independent, and impromptu mass demonstrations and are difficult to control. Thus, economic instability and social instability are expanding simultaneously.

Third, nationalism has become widespread in urban areas, affecting not just the military but also workers, intellectuals, civilian officials, and business people. After 30 years of China's economic growth and its apparent success in weathering the Global Financial Crisis, Chinese nationalists insist that the government adopt a more assertive diplomacy in support of Chinese interests. Moreover, since January 2010 nationalists have demanded on the Internet and in newspapers Chinese foreign policy assertiveness in response to international events before the government can even consider a policy, thus putting Chinese leaders on the defensive in foreign policy making. In 2009 and 2010 Chinese nationalists loudly demanded hard-line China diplomacy on all of the issues that had disrupted China's peaceful-rise diplomacy.

For the first time since the death of Mao Zedong in 1976, Chinese economic and societal trends have required the Chinese leadership to choose between using nationalism and frequent belligerent diplomacy to accommodate its domestic audience to maintain the security of the Chinese Communist Party or using its peaceful-rise strategy and accommodation of other countries to maintain Chinese national security. From early 2009 through 2010 Chinese leaders chose to appease their domestic audience. The result was a nationalist foreign policy that has undermined China's national security.

### **America's Response to China's Nationalist Diplomacy**

In response to these developments and to growing questions in East Asia regarding America's resolve to sustain the strategic status quo and its regional commitments, in 2010 the United States adopted a series of measures to strengthen its regional political and military presence. Many of these measures occurred in maritime East Asia. The measures include the following:

1. In March 2010, three US nuclear-powered submarines surfaced simultaneously in Asia.
2. Washington reengaged US-Indonesian defense cooperation, following a prolonged period of stagnation in the aftermath of the 1999 East Timor incident.
3. The United States expanded defense cooperation with Australia.
4. Washington reengaged defense cooperation with New Zealand, despite ongoing New Zealand opposition to the presence of any US nuclear technologies in New Zealand.
5. The United States and the Philippines improved defense cooperation, including the Philippines' welcome of US aircraft carriers and attack submarines and the establishment of a US-Philippines defense dialogue.
6. The United States and Japan carried out expanded naval exercises focused on the defense of disputed islands.

The effect of these initiatives was the consolidation of the US strategic presence in maritime East Asia, and they thus reinforced the regional security status quo. But under its "forward deployed diplomacy," the United States adopted a number of other initiatives that suggested a significant US policy shift. Many Chinese observers argued that the United States aimed to contain the rise of China. They argued that the Obama administration sought to encircle China by establishing an expanded US strategic presence on China's borders on mainland East Asia. These new US initiatives included the following:

1. The Obama administration announced the deferral from 2012 to 2015 of the return of operational control of South Korean forces to South Korea.
2. The scale and frequency of a succession of US-South Korean military exercises in 2010 suggested US strategic reengagement on the Korean Peninsula.
3. In July 2010, in Hanoi, Secretary of State Hillary Clinton declared US support for the ASEAN position on negotiating disputes involving China in the South China Sea, following consultation with all of the claimants, except China.
4. In October 2010 during a second visit to Hanoi, Secretary of State Clinton advocated development of a US-Vietnamese “strategic partnership”.
5. For the first time since the end of the Vietnam War, the United States conducted with Vietnam naval training exercises and it welcomed Vietnamese military leaders aboard the US aircraft carrier *George Washington*.
6. In March 2010, the United States and Vietnam signed a memorandum of understanding regarding civil nuclear cooperation. The US Ambassador to Vietnam said that he expected the agreement would be a “stepping stone” to nuclear energy cooperation.
7. In November 2010, Secretary of Defense Robert Gates visited Hanoi and said he looked forward to more US-Vietnamese military exercises.
8. In Phnom Penh, Secretary of State Clinton encouraged Cambodian leaders to exercise greater independence from Chinese political influence.
9. In October 2010, Cambodia joined for the first time the US-led Cooperation Afloat Readiness and Training (CARAT) regional naval exercises.
10. The United States expressed support for the mainland Southeast Asian states in their negotiations with China regarding diversion and damming of the upstream waters of the Mekong River.

US policy initiatives on mainland East Asia reversed prior US policy. Whereas the Bush administration had drawn down the US military presence on the Korean Peninsula, the Obama administration has increased the US presence. Since the end of the Cold War, the United States had resisted Vietnamese overtures for expanded defense cooperation. In contrast, the Obama administration actively welcomed Vietnam's offer of defense cooperation. The United States had also resisted expanded cooperation with Cambodia and involvement in the Mekong River negotiations. This new trend in US policy toward South Korea and Indochina suggested to many observers that the United States had "returned to Asia."

The combination of the series of diplomatic incidents in Chinese diplomacy in 2009–2010 and the American strategic response in 2010 increased suspicion in both Beijing and Washington regarding the other's strategic intentions. The resulting deterioration in relations has the potential to undermine US-China cooperation on a wide range of bilateral and global issues, including nuclear non-proliferation on the Korean Peninsula, nuclear non-proliferation in the Middle East, management of the Taiwan issue, counter-terrorism policies, stability in bilateral and multilateral international trade and finance, energy resource competition, humanitarian relief operations, management of global warming and other environmental issues, and improved governance in the developing world.

### **East Asia in the Aftermath of Chinese Nationalism and the American Response**

Developments in 2009-2010 set in motion a more competitive and less stable East Asia. Since then, the United States has reinforced its support for the Philippines in its territorial dispute with China. In 2011 it reached a new arms sales agreement with the Philippines and announced plans to expand US-Philippine defense cooperation in the South China Sea. In November 2011, Secretary of State Clinton travelled to East Asia, where she explained that after the US wars in Afghanistan and Iraq, the United States would "pivot" its strategic focus to East Asia. This was widely viewed in the region as the development of a new US policy

that aimed to contain China. Clinton also reinforced US support for the ASEAN position on negotiating disputes involving China in the South China Sea, declaring that the United States supported “multilateral negotiations.” In the Philippines, aboard the destroyer USS Fitzgerald in Manila Bay, she reaffirmed US strategic support for the Philippines and, in a reference to China, she declared that “We are making sure that our collective defense capabilities and communications infrastructure are operationally and materially capable of deterring provocations from the full spectrum of state and non-state actors.” Since then the United States has encouraged Manila to permit deployment of US forces in the Philippines.

The US “pivot” has also included an increased US military presence in northern Australia and in January 2012 the US Department of Defense announced that it would deploy its new littoral combat ship (LCS) to Singapore. In 2011, the United States Navy also conducted another military exercise with Vietnam and, in 2012, Hanoi and Washington discussed US arms sales to Vietnam.

The United States has also worked to encourage an informal coalition of regional partners aligned on South China Sea issues. Vietnam and the Philippines held multiple summits in 2010-2011 and declared common positions on the South China Sea. During a 2011 summit in Tokyo, Vietnam and Japan discussed a “strategic partnership.” In a similar development, Japan and the Philippines initiated bilateral maritime security talks. Tokyo is also developing defense cooperation with the ASEAN countries to secure regional sea lanes. Washington has also encouraged India to cooperate with the United States on South China Sea issues.

Washington’s “forward deployed diplomacy” and its East Asian “pivot” have not contributed to renewed regional stability. China’s resistance to Vietnamese territorial claims and to US-Vietnamese defense cooperation led to heightened Sino-Vietnamese tension in spring 2011. Sino-Vietnamese maritime confrontations and Chinese suggestions that it might be necessary to “teach Vietnam a lesson” underscored the risks of an excessive US strategic response to Chinese nationalism. There were also Sino-Philippine maritime incidents that aroused regional concern.

Expanded US support for the Philippines has also contributed to anti-Chinese Philippine nationalism and strident Philippine diplomacy calling for region-wide cooperation against China.

Meanwhile, the domestic sources of China's nationalist diplomacy have not abated. The Chinese economy remains a significant source of domestic instability. Rural and urban unemployment, including growing unemployment among college graduates, and income inequality remain high and contribute to widespread popular dissatisfaction. Moreover, both unemployment and inequality will likely grow if there is a significant slow-down of the Chinese economy in 2012. Although inflation decreased in late 2011, prices have continued to rise at a rapid pace and the economy remains in imbalance, with growth relying ever more on inflationary government-led investment. Chinese state-owned enterprises continue to displace the contribution of the private sector to economic growth. And Chinese banks remain troubled by non-performing loans and local governments remain in debt.

Social instability in China has continued to grow. The December 2011 Wukan Incident underscored the depth of popular anger in China at local government corruption and the potential for escalated violence. Popular Tibetan hostility against Chinese leaders continues to grow and ethnic conflict is increasing. The Chinese Communist Party has increased its monitoring and control of digital communication technologies, but such measures will not enable Chinese leaders to prevent autonomous communication of government abuse of power and the potential for independent organization, including organization of nationalist protests demanding a hard-line Chinese diplomacy.

Since 2010, the Chinese leadership has adopted a more moderate and restrained diplomacy. Regarding the South China Sea, China has stressed cooperation and the shelving of territorial disputes. In US-China meetings, Chinese leaders have quietly stressed their unhappiness with US policy. During his visit to Washington in February 2012, China's Vice President Xi Jinping and its presumed future president stressed the importance of US-China cooperation. Nonetheless, the Chinese leadership's persistent inability to manage effectively the Chinese economy and the persistent combination of Chinese economic and social insta-



bility continue to create the temptation for Chinese leaders to appease Chinese nationalists with strident diplomacy. This will be especially a problem in 2012-13, during the Chinese leadership succession. China's new leaders will be pressed to establish their ability to manage domestic instability and to reinforce their nationalist credentials. The January 2012 leadership conflict involving Chongqing Mayor Bo Xilai suggests that there may be endemic leadership splits that will farther contribute to leadership insecurity and thus to nationalist posturing and strident diplomacy.

Trends in US-China relations and in regional diplomacy in 2011-2012 suggest that the sources of heightened US-China tension and regional instability will continue to challenge Chinese and US policy makers. The obstacle to restored cooperation is not intrinsic US-China conflicts of interests, but rather the difficulty in reestablishing mutually beneficial moderation in both US and Chinese security policy.

### **Restoration and Consolidation of US-China Cooperation**

Just as the sources of instability and diplomatic tension in US-China relations in 2009-2010 and subsequent emergence of increased regional instability have reflected counterproductive US and Chinese policies,



the restoration of cooperation will require policy adjustment in both Beijing and Washington. Mutual policy adjustment can reassure each country of the other's moderate intentions and contribute to a restored balance of cooperation and competition in US-China relations.

### *Chinese Policy Adjustments*

Chinese policy adjustment will require senior Chinese policy makers to establish better top-down authority over the multiple actors in China's official policy-making community. In 2009 and 2010, the plurality and diversity of seemingly authoritative Chinese policy statements created uncertainty and growing apprehension in many countries regarding Chinese intentions and the potential for increased Chinese belligerence. This uncertainty and apprehension contributed to the widespread belief that China had abandoned its peaceful-rise strategy. In response, many of China's neighbors believed that they needed to turn to the United States for strategic reassurance and the United States believed that it was necessary to adopt security policies that signaled its resolve to sustain its regional presence, even as it continued to experience many economic and foreign policy problems. The restoration of a unified, official Chinese foreign policy voice will reduce international uncertainty and apprehension, thus contributing to greater international confidence in Chinese foreign policy moderation.

Improved top-down control over policy-making will also enable Chinese leaders to better manage Chinese public opinion and nationalist sentiments. When senior leaders express personal hard-line policy preferences, they legitimate widespread nationalist demands for an unrealistic and counterproductive aggressive Chinese foreign policy and increased mass opposition to Chinese diplomatic moderation and a cooperative foreign policy. Such heated nationalist emotions create domestic political pressures for Chinese leaders to adopt apparently belligerent demands on other countries, contributing to heightened international apprehension over Chinese intentions. Domestic leadership requires that Chinese leaders forcefully explain to the Chinese people the importance of foreign policy moderation and US-China cooperation to China's continued economic development and national security. If China's leaders

are committed to sustaining China's peaceful-rise policy and restoring US-China cooperation, domestic leadership and restrained nationalism will make it easier for them to realize these objectives.

Restored US-China cooperation will also require Chinese leaders to develop greater confidence in the prospect for economic and domestic political and social stability. This will likely require politically painful economic and political reforms. The Chinese Communist Party's response to recent trends in the economy and in society suggests that the Chinese leadership is becoming preoccupied with its domestic legitimacy at the expense of foreign policy moderation. It will be difficult for Chinese leaders to restore the cooperative diplomacy of peaceful rise should they continue to face the twin domestic pressures of nationalism and economic and social instability.

#### *US Policy Adjustments*

Restored US-China cooperation will also require US policy adjustments. America's response to the series of US-China incidents in 2009–2010 was a costly overreaction. The United States has an interest in reassuring its security partners of US resolve. But establishing US resolve did not require a significant reversal of US policy in Indochina or on the Korean Peninsula. US reassurance of South Korea following the sinking of its navy ship *Cheonan* did not require large-scale US-South Korean military exercises and the suggestion of reassertion of the US strategic presence on the Korean Peninsula. A restrained US response to North Korean belligerence and the robust US response in maritime East Asia to region-wide diplomatic tension would have been sufficient to reassure US allies of American resolve. This would not have challenged the emerging post-Cold War strategic order and the improved Chinese security on mainland East Asia and would not have elicited Chinese concerns of US containment of China through encirclement. Restored US-China cooperation will require the United States to reestablish its engagement of the rise of China on the mainland of East Asia.

US policy adjustment will also require US policy makers to minimize their focus on Chinese nationalist rhetoric and to focus instead on China's capabilities. Chinese diplomacy in 2009–2010 seemed to many

observers to be belligerent and aggressive. Nonetheless, despite significant PLA modernization and improved Chinese capabilities, Chinese diplomacy was not supported by strategically significant advances in PLA conventional capabilities that challenged regional stability and US security. Nonetheless, the United States responded to Chinese rhetoric rather than to an actual Chinese threat to US interests. Going forward, a US focus on Chinese capabilities rather than on its diplomacy will enable Washington to exercise restraint and to moderate its response to Chinese nationalism so as to avoid provoking greater Chinese nationalism and additional domestic pressure on the Chinese leadership. Such US restraint would allow Washington to contribute to US-China cooperation while it simultaneously pursues vital US national interests in maritime East Asia.

US policy adjustment will also require the United States to better manage its domestic economy and politics. Reformed US economic policies will do more than any adjustment in Chinese trade and currency policies to restore US economic growth and employment. Restored US economic growth will reduce US public apprehension over the rise of China and ameliorate political pressures on the White House to adopt unnecessary and counterproductive hard-line policies toward China. An America that is confident in its economic future will be better able to consolidate cooperation with a rising China.

In addition to the particular demands on the United States and China for policy adjustment, both Beijing and Washington will need to improve their management of their alliance relationships. Many of the incidents in 2009–2010 involved escalation of local disputes involving their respective allies that did not necessarily entail US-Chinese conflicts of interest. This dynamic arose on the Korean Peninsula in the aftermath of the sinking of the *Cheonan* and the shelling of Yeonpyeong Island and in the US-China differences over the management of territorial and economic conflicts in the South China Sea. Great-power management of these unnecessary and secondary conflicts will require both China and the United States to exercise influence to moderate the potentially destabilizing behavior of the region's secondary states.

### **Conclusion: Towards Renewed US-China Cooperation**

US-China tension in 2009–2010 reflects underlying dynamics that persist with long-term consequences. Chinese nationalism will continue to challenge US foreign policy. The treacherous combination of high unemployment and high inflation as well as corruption and inequality persists and will elicit growing instability and increased opposition to the Chinese Communist Party. Internet communication technologies will continue to erode the Chinese Communist Party's control over society. For many more years, the Chinese leadership will be tempted to use nationalist diplomacy to bolster its domestic legitimacy and political stability.

In the United States, the tendency to exaggerate Chinese military capabilities and to perceive Chinese strategic confidence as the source of its diplomatic stridency may also persist, with consequences for Washington's forward-leaning security policy in East Asia and for China's assessment of US intentions on its periphery. In 2011, the United States continued to expand defense cooperation with Vietnam and the Philippines, even as tension escalated among all of the claimants to the Spratly Islands in the South China Sea, especially between China and Vietnam.

But for China and the United States to restore cooperative relations, both Beijing and Washington will need to develop policies that reflect their respective interests, rather than the pressures of nationalism and economic instability, and they will need to resist both the tendency to allow diplomatic rhetoric or nationalism to drive threat perception and diplomatic initiatives and the temptation to use diplomacy to compensate for domestic political and economic instability. US-China summits and frequent high-level civilian and military exchanges are important components of cooperative relations, but they cannot survive nor contribute to consolidated US-China cooperation in the absence of effective policies on substantive issues and appropriate and restrained national-interest responses to periodic challenges to bilateral and regional stability.

Great-power politics do not always devolve into Cold War tensions; escalated conflict and war are not the inevitable results of power tran-

sitions. The United States and China managed well their great-power rivalry for more than 30 years since the beginning of China's rise in 1978 and for more than 20 years following the end of the Cold War. China's ongoing rise and the associated growing complexity of the power transition will further challenge continued US-China stability. Nonetheless, should policy makers in Washington and Beijing respect each other's national interests and focus on their own overall national interest, rather than allow immediate differences over peripheral issues or domestic political pressures to exacerbate conflict, then US-China great-power rivalry can coexist with extensive bilateral and multilateral cooperation and regional stability.

Restored US-China cooperation will require mutual confidence in each other's intentions. Such confidence is necessary to enable US-China relations to withstand immediate and short-term conflict over secondary matters. It will also enable each country's leadership to better understand each other's domestic drivers of seemingly hostile policy, enabling them to resist overreaction to nationalist diplomatic rhetoric. Instead each side should exercise restraint to sustain a long-term focus on the substantive issues in US-China relations.

**CHAPTER 8 William H. Overholt**  
China's Financial and Monetary Policies

**CHAPTER 9 François Godemont**  
How Do Monetary and Financial Issues Interact  
with China's Foreign Policy Making?



PART 4

**FINANCIAL FACTORS  
IN CHINESE  
FOREIGN POLICY MAKING**

CHAPTER  
08

**CHINA'S FINANCIAL AND MONETARY POLICIES**



William H. Overholt





**William H. Overholt** is a senior research fellow at Harvard University's Kennedy School of Government (Ash Center for Democratic Governance and Innovation). Previously, Dr. Overholt was the director of the Center for Asia Pacific Policy at the RAND Corporation. He spent 21 years heading investment bank research teams, mostly in Asia, serving as the managing director and head of research at Bankers Trust in Hong Kong and as the head of Asia Strategy and Economics at Nomura's regional headquarters in Hong Kong. He also spent eight years at the Hudson Institute, where he managed research projects for the Department of Defense, the National Security Council, Council on International Economic Policy, and others, and was the director of a business consulting subsidiary. He is the author of *Asia, America and the Transformation of Geopolitics* (Cambridge University Press, 2008) and *The Rise of China: How Economic Reform Is Creating a New Superpower* (W. W. Norton, 1993). He received his B.A. from Harvard University and M.Phil. and Ph.D. from Yale University.

China's current financial and monetary policies build on a foundation of extraordinarily rapid and successful reforms undertaken in the 1990s. Until the early 1990s the central government could not effectively control the national money supply; inflation oscillated wildly and at one point ran above 20%. China's banks were in transition from serving as socialist ATM machines for the government to real banks making real loans and taking real risks. During that transition, their competence and the system's ability to manage a tsunami of bad loans were in serious doubt. But by the end of that decade the People's Bank of China had effective control of the money supply and inflation was firmly confined to (mostly low) single digits. The government had started the process of saving the banks by reforming their customers (the state-owned enterprises or SOEs), then recapitalized the banks, shifted their bad loans to asset-management companies, trained the staffs in market methods, brought in foreign strategic partners, and listed the banks on foreign and domestic stock exchanges.

### **The Consequences of Successful Banking Reform**

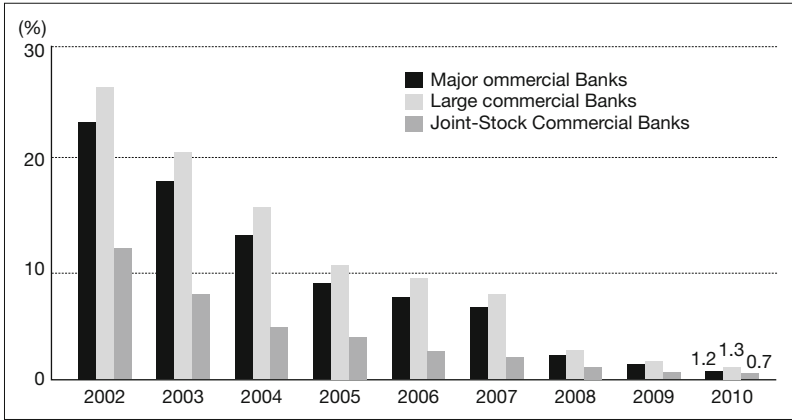
Non-performing loans continued to decline (Figure 1), although the stimulus programs during the financial crisis inevitably meant that there would be substantial later rises. Profitability rose (Figure 2). And after listing on world stock exchanges, China's four big commercial banks numbered among the world's ten largest (Figure 3).

It is difficult to overstate the importance of these achievements. High inflation had been a major contributor to the serious social unrest of the late 1980s. Well into the 1990s prospective collapse of the financial system had been a threat to continued economic progress and even to the stability of the regime. With these problems overcome, the ensuing decade of social stability and continued rapid growth became possible.

### **A New Phase of Development**

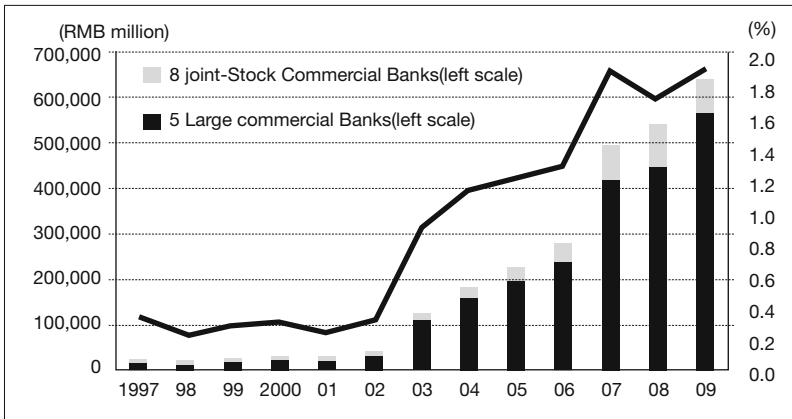
The reforms came at a high price in terms of social stress. As noted, financial stabilization began with reform of the state-owned enterprises. The vast majority of SOEs were sold off, merged into joint ventures with

Figure 1 : Non-Performing Loans of Major Commercial Banks, % of Total Loans (year-end)



Source: CBRC data, graphic from Okazaki et. al., "The Challenges Confronting the Banking System Reform in China: An Analysis in Light of Japan's Experience of Financial Liberalization," IMES Discussion Paper Series 2011-E-6, March 2011. Figures 1, 2, 3 and 5 are from this source.

Figure 2 : Pre-Tax Profits of Major Commercial Banks



Source: Bank annual reports, graphic from Okazaki et. al., "The Challenges Confronting the Banking System Reform in China: An Analysis in Light of Japan's Experience of Financial Liberalization," IMES Discussion Paper Series 2011-E-6, March 2011.

Figure 3 : Four of World's 10 Largest Banks are Chinese (End - 2010 Market Cap)

Rank	Name	Country	US\$b.
1	ICBC	China	233.69
2	CCB	China	225.89
3	HSBC	UK	184.98
4	Wells Fargo	USA	164.84
5	JP Morgan Chase	USA	163.31
6	BOC	China	142.64
7	Citigroup Inc.	USA	140.30
8	ABC	China	135.26
9	Bank of America	USA	133.38
10	Itaú Unibanco	Brazil	94.45

Source : Bank of Japan, IMES.

foreign firms, or made the responsibility of local governments. In the process, the number of jobs in SOEs declined by 50 million in a single decade and the number of manufacturing jobs declined by 25 million. By the end of Zhu Rongji's term in early 2003 the population was bone-weary of such stress. The incoming administration of Hu Jintao and Wen Jiabao promised a "harmonious society" that would, among other things, pay more attention to income inequality, regional inequality, and the environment. In their effort to provide more harmony and less stress, market-oriented reform basically ended and in some respects reversed.

By 2007 China was experiencing a paradoxical combination of rapidly rising inflation (although still well within single digits) and spectacularly rising bankruptcies along the coast. Importantly, the first big wave of bankruptcies and widespread financial distress preceded the impact of the global financial crisis. This seemingly contradictory combination, which an American might call a "Jimmy Carter moment," signaled the emergence of serious structural problems. China was entering a crisis of success. The great drivers of reform-era growth were reaching diminishing returns. Export-driven growth based on cheap labor had become so successful that what had once seemed to be an inexhaustible

supply of cheap labor was turning into labor shortages and rapidly rising wages. Infrastructure and heavy industry investment that once had primarily meant building hugely productive highways between major cities now often meant building large shopping centers and prestigious government complexes in small towns.

China's great economic takeoff needed a new set of wings. The logical next phase was higher value-added manufacturing based on small, medium, and private enterprises; an explosion of the services economy; a supply of lower-income housing for the army of rural-urban migrants and the upwardly mobile urban workers; and growth based more on supplying the newly prosperous domestic population, less on pumping the world full of Chinese exports. In such a phase, growth based on government investment and net exports would decline; the share of the SOEs in the economy and in the use of financial resources would decline; small, medium, and private enterprise would flourish; and personal incomes and consumption would rapidly rise.

### **Response to the Global Financial Crisis**

At this point the global financial crisis intervened. To an extent that is largely unrecognized outside China, the crisis devastated wide swaths of China's dynamic coast. Tens of millions of workers lost their jobs. In one city alone, Dongguan, four million workers had to move back to the countryside. Some cities experienced the collapse of their entire industrial base. The loss of former livelihoods was far greater than the devastation that hit northern Japan in the earthquake/tsunami/nuclear crisis of three years later, although it attracted less attention because it was not accompanied by physical destruction and loss of life.

China's government responded with the most effective crisis management of any country in the world. The core of the response was a fiscal/monetary stimulus program amounting to 4 trillion RMB. This was implemented in large part by telling the banks to lend to local governments' projects, and by permitting those local governments to go ahead with projects that they had earlier been told to delay or shelve. Bank loans doubled in 2009. The government provided vast subsidies for the purchase of basic appliances and implemented proactive mea-

asures to transform the industrial bases of cities whose economic bases had been fully or partially destroyed. An example of the latter was a city that had been entirely based on smelting basic aluminum and lost that industry completely; shortly afterward, it was making high-tech aluminum parts. Such stimulation was instantly effective and directly created jobs, in sharp contrast to stimulus programs in the West, where budgets had to be legislated, infrastructure plans created, alternative programs debated, and legal challenges overcome—a tortuous process that often required years to be effective. The Chinese government also re-pegged the currency to the US dollar to curtail rapid appreciation and help the export industries that had suffered severe devastation in the crisis.

This successful crisis stimulus program coincided with another great success—the effort to develop China’s interior. Development of the interior and west of China had lagged far behind the coast; Shanghai was in important respects already one of the world’s most modern cities while parts of the interior still had living standards more appropriate to Africa. In this period, a vast effort to rectify the imbalances saw growth rates in the most important parts of the interior, including most notably Sichuan and Chongqing, rise to 15% and above (somewhat inflated by erroneous accounting of rising property prices due to rezoning as additions to GDP, but tremendously successful even after adjusting for this). The success of the interior-development program complemented and magnified the success of the crisis-management program.

These complementary successes were achieved through traditional, relatively socialist means. The government poured money into vast projects implemented almost exclusively by large SOEs, largely on behalf of local governments. The banks were ordered by the government to lend vast amounts to projects that in many cases had previously been held up by concerns about financial viability. It worked. From this experience the Hu Jintao government drew the correct conclusion that state-owned banks and companies are enormously useful in managing a crisis. But it also drew a more general conclusion, one that it had in any case been inclined toward, that state banks and state enterprises have greater value even in normal times than they had been given credit for and that the value of private and smaller enterprises had been exaggerated. The slo-

gan “The big [state enterprises] step forward, the small [companies] step back” became one of the most widely quoted sentiments of the period. This took the Chinese economy in the opposite direction from the one logically implied by the Jimmy Carter moment of 2006–7.

### **The Hangover**

The response to the global financial crisis was like a giant financial party. As elsewhere, after the party came the hangover—a triple hangover of bad loans, potential property bubbles, and inflation.

The sudden funding, in response to the crisis, of trillions of RMB worth of projects, many of which had previously been held up by the central government due to concerns over appropriateness or financial viability, entailed widespread future difficulties for the banks. It would take several years for the consequences to appear (hence they do not appear in the charts above), but their eventual appearance was inevitable. The blowout had taken the form of local governments’ project spending, so the problems would appear primarily in the form of local governments’ inability to repay loans. Bank loans more than doubled in 2009 compared with 2008, ensuring that many loans would prove uncredit-worthy; a common rule of thumb among Western bank credit officers is that, if loans rise more than 20% per year, it is impossible to maintain proper credit controls. The big banks came through in better shape than others, because the big commercial banks had met their quotas for crisis-period loans in part by making loans to each other—about 30% of their lending took this riskless form—but the entire banking system had a serious problem. Recognizing that the problem was inevitable, the China Banking Reform Commission required the banks to start recapitalizing themselves in 2010—long before bad loans actually became manifest. (This admirably proactive strategy contrasted sharply with the tendency of most of the world’s regulators to wait until problems become critical.) The government decided in 2011 to allow local governments to issue bonds in order to raise funds with which to repay many of the loans; while this did not solve the problem of excessive local indebtedness and inappropriate projects, it would buy time and take much of the burden off the banks. It was also a step toward properly defining the problem;

this was not a Western-style bank credit crisis caused by poor bank credit management, but rather a problem of paying for a fiscal stimulus that had been delivered, socialist-style, through the banks.

A second form of financial hangover was inflation, which rose to 6.5 percent by July 2011 according to official statistics and considerably higher if one took into account the full impact of housing on living costs and adjusted for other factors in the official statistics that tended to underestimate inflation. Labor and food shortages were exacerbating the consequences of a monetary blowout. The government responded by raising bank reserve ratios to a spectacularly high 21.5 percent, imposing quotas on loans to certain sectors, modestly raising interest rates, implementing price controls, and taking measures to increase the supply of scarce goods such as pork. Inflation proved more stubborn than officials had originally expected, but the government clearly had powerful tools for managing it. By the end of 2011 officially measured inflation was just a hair above 4 percent.

The third and possibly most consequential hangover was property price inflation. In 2009, the increase of property prices in many cities was truly spectacular, as shown in Figure 4. Hence, at the National People’s Congress annual meeting in March 2010, Premier Wen promised to stabilize property prices. Initially market participants treated his commitment as risible, since there were so many powerful interests arrayed

Figure 4 : Property Prices Took off in 2009—Key Cities

(2009 Average Selling Price, RMB/sqm)

City	Dec 2008	Dec 2009	YOY increase (%)
Beijing	11,881	18,401	55
Tianjin	6,939	8,122	17
Shanghai	11,913	20,144	69
Nanjing	6,153	9,218	50
Hangzhou	12,933	20,846	61
Shenzhen	11,673	23,094	98
Guangzhou	8,012	11,677	46

Note: Price levels not outlandish. Continued acceleration potentially catastrophic.

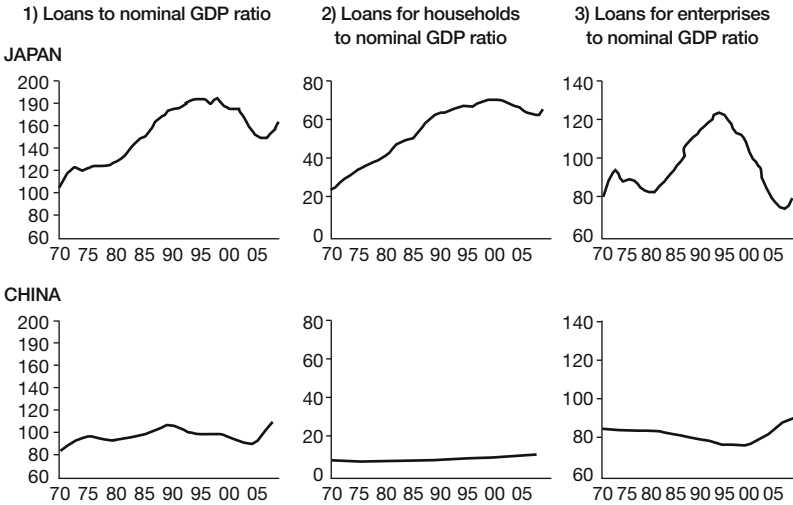


against him: property companies; virtually all of China's wealthy families; banks, which were heavily exposed to property; local governments, which were almost entirely dependent on property revenues; and key parts of the central government. At first, government ministries and big state-owned property companies ignored the policies, but Wen cracked down, even forcing some big companies to divest their property units. High bank-reserve ratios and sectoral quotas created a squeeze. Limits, and sometimes outright bans, on mortgages for third homes; higher deposits for land purchases; stricter enforcement of requirements to build on purchased land; and increased allocation of land for lower-priced housing all caused a deceleration of housing prices and market turnover.

Less visible in headline statistics was a fourth form of hangover, namely the diversion of corporate resources from productive investment to financial speculation. Visiting manufacturing companies, one could not help noticing the extent to which, by 2009, companies were investing in property development, bank shares, and private equity, among others, instead of, for instance, investing in their core businesses such as the manufacturing of higher-quality motorcycle parts.

These problems were quite significant. Together they led to questions as to whether China was experiencing a bubble comparable to the bubbles that had previously caused terrible damage to the Japanese and US economies. Some highly professional observers trumpeted an imminent bubble collapse; perhaps most famously, fund manager James Chanos said that China was "1,000 Dubais". More sober analysis indicated that the problems were important but nothing like the gigantic bubbles of Dubai, Japan, or the United States. Property prices were nothing like what happened in Japan, where land in Tokyo at the peak of the bubble was worth about as much as all the land in the United States. Mortgages in China, unlike the West, were a small proportion of property values and a high proportion of property sales were in cash, so the banks' exposure was nothing like banks' exposure in Japan or the United States. Price rises in major cities were not representative of China as a whole. More generally, leverage in the Chinese financial system was a fraction of leverage in bubble-era Japan (Figure 5).

Figure 5 : China's Modest Leverage Compared to Japan Bubble



Source: CBRC, BOJ

### Currency Management

Another set of issues arises from China's re-pegging of its currency to the US dollar and its subsequent severe limitation of the currency's rise.

In the early 1990s the Chinese government had a workable consensus that the country should move fairly quickly to a freely floating currency. In 1994 it abolished the currency's "official rate" in order to move from a currency split between a market rate and an official rate to one determined primarily by the market. But then the government became concerned that the country's fragile banks could be vulnerable to vast inflows and outflows of foreign currency such as those that crippled the banking systems of Thailand, Indonesia, and South Korea in 1997–98. That valid concern led the government to peg the RMB to the US dollar at a rate that happened to be significantly overvalued. The overvaluation of the RMB at the time when the peg was implemented belies the common allegation that the currency peg was created for the purpose of subsidizing exports through undervaluation, but economic shifts led the pegged currency to shift from overvaluation to undervaluation by around 2002. In the meantime, banking reforms strengthened China's

banks to the point where banking fragility could no longer justify currency controls. Moreover, large foreign exchange reserves gave the government more than adequate resources to cope with potentially volatile flows of foreign capital. Eventually the government allowed the RMB to rise by over 20% against the US dollar before the global financial crisis of 2008 led to a re-pegging.

Now it is allowed to rise, but only a little. Limiting the rise has required the government to purchase vast quantities of US dollars and other currencies, raising foreign exchange reserves above \$3 trillion. Reserves on such a scale cannot be invested effectively. Because of a lack of alternative instruments that are sufficiently liquid, the biggest portion must be invested in US dollars and therefore suffers depreciation. Investments in euros also suffer depreciation. Buying vast quantities of real assets, such as copper, inflates the prices of those assets and creates a severe risk of future depreciation. No fund manager, however brilliant, can invest such huge amounts effectively. The resulting losses eventually cause problems, because each dollar of foreign exchange assets carries with it a liability in RMB; the government had to buy the dollar with RMB, and it issued bonds to get the RMB. Moreover, when China's currency does eventually appreciate, the dollars will be worth fewer RMB, effectively causing a further loss. The image, common around the world, that these gigantic reserves are a great strength and benefit to China is an illusion. They are an enormous policy mistake.

Maintaining the undervalued currency causes other problems. It exacerbates inflation. By reducing the purchasing power of the Chinese population it inhibits the shift to consumption-driven growth. It subsidizes relatively backward industries, like the manufacture of cheap socks, which China should be moving out of, at the expense of higher-technology industries that China should be moving into in order to raise incomes and make better use of scarce labor and other resources. And, very consequentially, it limits the use of higher interest rates to limit inflation, because higher interest rates would attract more foreign capital into China and put upward pressure on the currency.

In summary, maintaining a severely undervalued currency has become a serious drag on Chinese economic development and a source of

significant present and future financial losses.

### **Recurrence of the 2006–7 Strategic Dilemma**

In the aftermath of the global financial crisis, China has returned to the strategic dilemma earlier characterized as a Jimmy Carter moment. Persistent inflationary pressures combine with extensive financial distress. But in the meantime the economy has not moved in the needed direction of a shift to higher value-added manufacturing conducted by small, medium, and private enterprises. Quite the contrary. Instead the big state-owned enterprises have enhanced their role in the economy and the smaller and private enterprises find themselves squeezed to the breaking point. Although it is beginning to make progress toward a greater share for consumption in driving economic growth, the overwhelmingly largest driver of growth is an unsustainably high level of investment, mostly controlled by various levels of government.

Government financial policies provide huge subsidies to the big SOEs and squeeze the smaller enterprises. Efforts to control inflation rely primarily on the extremely high reserve ratios of the banks—21.5% as of this writing. The high reserve ratios lead the banks to confine loans largely to a limited number of their biggest and best customers, namely the large SOEs. The interest rates those SOEs pay (6.5 percent in mid-2011) have been roughly the same as the level of official inflation and significantly below the level of actual inflation. In other words, the SOEs were being subsidized to take vast amounts of better-than-free money from the banks. In addition, they pay few taxes and virtually no dividends, so they are enormously profitable. In contrast, smaller and private enterprises are virtually shut out of the banking system and with very few exceptions are excluded from the stock market. (Stock market listing requires a license, not just good business, and licenses are mostly confined to politically favored SOEs.) So the smaller enterprises, on which China's future jobs and technological innovation largely depend, find themselves in a terrible squeeze. Official government studies show that more than 90% of them are in some degree of financial distress. To get funding from (often technically illegal) sources outside the regular banking system, they pay interest rates typically ranging from 25% per

year up to 1% per day.

As a result of this disparity in funding, China's economy today is like a school of fish where the big fish are very energetic and happy because they are eating the smaller fish. The happiness of the big fish translates as high GDP growth rates, but if this situation persists for very long the longer-run cost to the economy will be substantial.

The government is conscious of the problem and is taking steps to remedy it, including increased toleration of (technically illegal) informal banks and efforts to establish local lending institutions. At the end of 2011, the government poured enormous sums into an effort to prevent a cascading collapse of the small and medium enterprises. That effort had a substantial positive impact, but it is not a permanent solution and, most importantly, the allocation of loans is not on a market basis; there is a danger that funds will go to the most prominent and politically connected firms rather than to the most dynamic. In the meantime there is a risk of the SOEs' advantages becoming politically entrenched. Their enormous wealth, and a new political environment in which interest group pressures have become highly influential, give them enormous political clout. Their access to vast amounts of nearly free money means that they can occupy all the economic niches that should be the homes of small and medium enterprises. The leaders of the SOEs typically are members of the Central Committee and other influential bodies whereas few leaders of small and medium-sized businesses have politically influential positions.

The efficient way to get capital allocated would be to move from administrative controls on the banks to market interest rates and to remove political licensing requirements from the capital markets. But interest rates cannot become the primary instrument of capital allocation as long as the government maintains a pegged currency that would come under upward pressure if interest rates were raised.

China has reached another turning point in its economic development where further market-oriented financial reforms are essential if the economy is to move to the next level. Failing such reforms, growth led by government-driven investment will rapidly reach a point of diminishing returns. Over a longer period, jobs, innovation, and growth can

only be maintained if ways are found to provide adequate financing to small, medium, and private enterprises.

By the end of 2011, it appeared that the hangover from China's vast crisis stimulus party was manageable. Inflation had come down to 4.1 percent. Banks and local governments definitely had a problem of bad loans. But, when the central government gives banks quotas of loans to make and deliberately approves vast numbers of projects that were previously deemed unadvisable, it is ultimately responsible for the bad loans. The total local government loans were about one third of GDP. In the impossible event that all of them went bad, that would add obligations of one-third of GDP to existing central government debt, which also happens to be about one-third of GDP. The total, two-thirds of GDP, would be far more manageable than the government debts typical of the EU or US. The least predictable problem was the property market. By the end of 2011, property prices in major cities were declining moderately while transaction volumes had declined drastically. As noted earlier, the financial effects of property market declines are moderated by the fact that the banks are buffered by large down payments. Moreover, unlike the situation in the US and EU, the Chinese government has enormous reserve ability to increase money supply and allocate funds in order to moderate any precipitous decline, and unlike Western governments the Chinese government has been proactive in stopping the bubble early and in forcing the banks to recapitalize preemptively.

The important question is not whether China will suffer a Japan-style financial crisis but whether it will make a smooth transition to a new era where growth comes from domestic consumption rather than from net exports and government-led infrastructure investment. Here the omens are far less clear. The current administration has firmly resisted the necessary reforms: freeing interest rates, regulating the money supply through interest rates rather than bank reserve ratios, taxing the SOEs and forcing them to pay proper dividends, fostering local financial institutions that will nurture smaller enterprises, enforcing accounting standards that will enable banks to trust the numbers on which they base potential lending to smaller enterprises, and putting the currency on a market basis so as to stop subsidizing obsolete industries and stop

the accumulation of huge, loss-making reserves. Whether the incoming administration, due to take power officially in March 2013 but in practice starting in mid-2012, will revive reform or continue to resist it we simply do not know. On that question hinge not just the technicalities of Chinese finances but the ability (or otherwise) of dynamic growth to continue.

CHAPTER  
09

**HOW DO MONETARY  
AND FINANCIAL ISSUES INTERACT  
WITH CHINA'S FOREIGN POLICY MAKING?**



François Godement





**François Godement** is a senior policy fellow at the European Council on Foreign Relations, professor of political science at Sciences Po, and the director of strategy at the Asia Centre in Paris, France. Professor Godement is a regular editor of *China Analysis*. He is also an outside consultant to the Policy Planning staff of the French Ministry of Foreign Affairs. He has served as a consultant to the OECD, the European Union, and the World Bank. He specializes in Chinese and East Asian strategic and international affairs, Chinese Foreign Policy, and China-EU relations. His recent publications include “China: the Scramble for Europe” (European Council on Foreign Relations, July 2011) and “Europe’s Relations with China: Lost in Flight?” (Transatlantic Academy Paper Series, May 2011). He is a graduate of the École Normale Supérieure de la rue d’Ulm in Paris, where he majored in history, and holds a Ph.D. in contemporary history from Harvard University.

In the past two decades, the economy has loomed so large that it is dictating some of the terms of foreign policy or influencing the outcome of debates that involve economic interest. There has always been a discrepancy between stated foreign policy and specific economic interests. In the early 1950s, because the young People's Republic of China needed natural rubber, it bought it from the very Southeast Asian countries where it was simultaneously fomenting an insurrectional Communist Party, which was most active among the workers of rubber plantations. In the early 1970s, China's continued need for copper dictated a very fast turnaround from Chile's Allende government to the Pinochet junta. (Even today, China turns a cold shoulder to exponents of the nationalization of mining resources in Latin America, because of its own involvement.) Lack of trust among the world's leading socialist countries once meant that the currency of choice in China-USSR trade was likely to be the Swiss franc.

Some of the interrelationships between economics and foreign policy have been acknowledged by two successive formulas said to guide China's foreign policy. The first, of course, is Deng Xiaoping's celebrated "taoguang yanghui, yousuo zuowei (韬光养晦, 有所作为)" motto, implying that China's overall foreign policy was to give breathing space for China's economic development—postponing many hard choices, one might add. The second was China's "peaceful rise", later adopted officially as the "peaceful development" guideline. Both formulas, but particularly the latter, emphasized the priority of economic needs over traditional foreign policy goals.

There has been growing debate in China for and against these formulas. Some analysts assert that they are outdated and cite two very different lines of arguments. Either China is so important to the international order that it must make increasing "contributions", to use Deng's word, and in fact become a purveyor of public goods to Asia, or to the international order as a whole. Or, on the contrary, China's star has now risen high enough that it can take up the national claims it had laid aside but not forgotten in the course of its 25-year reform and development path. Both the issues of a "contributive" and an "assertive" China stretch the outer limits of Deng's pronouncements. In China's mood of national

optimism about its economic growth and rise in national power, the traditional foreign policy makers and in particular the Ministry of Foreign Affairs are often thought to be either conservative or pusillanimous. If conservative, they preclude the advent of China as a responsible stakeholder that would become more contributive and influential inside a confirmed world order. If pusillanimous, they are too weak-kneed to promote the claims of an assertive China recovering its lost historical claims and becoming—again?—a world power.

It would seem that those who criticize the conservatism and lack of “contribution” by China’s foreign policy mostly deal with global or transversal issues, including by definition many monetary and financial issues. Those who push for more “assertiveness” by China would mostly cluster around traditional issues of national sovereignty, history, and ideology. The reality is more complex. Geopolitical analysts of China’s environment, if they see China’s position as still comparatively weak or likely to be overrun by counter-alliances among neighbors and great powers, are likely to advise cooperative policies that include elements of norm integration and “contribution” to the international environment. Building a regional order in Northeast Asia that would not rest solely on strategic power may be a “public good” that would enhance China’s position. And in that case, an open and integrative approach to financial and monetary issues will clearly have an influence on China’s foreign policy and how well it is received by others.

Conversely, analysts dealing with Chinese currency and capital market issues may well be influenced by a preference for national sovereignty over any interdependent and free exchange approach. Whether that preference for sovereignty is rooted in a conservative national historical approach or in an illiberal approach to political economy emphasizing relations of force, the result is the same. Choices emphasizing the preservation of national sovereignty will prevail over those that go in the direction of interdependence.

This is important to note, because many analyses of the factors influencing Chinese national policy have usually surmised that traditional and bilateral issues favored conservative outcomes, while transversal and global issues naturally promoted integration and interdependence. That

may not be the case. In almost all cases of global transversal issues, China has chosen a mix that emphasizes a very cautious choice of engagement with a very heavy dose of reservations about national sovereignty. This is true from controversial maritime issues to climate politics, and largely also to monetary and financial issues.

Therefore, monetary and financial policies, far from promoting a more integrative and cooperative approach to foreign policy, have actually become bones of contention and debate in their own right. This remains subject to a major caveat, however. China's actual monetary and financial choices may differ from stated policies, or there may be unintended results that dwarf any policy choice. In 2008–2010, such was the case for China's choice of currency reserves. Twice during that period, at the end of 2008 and again in the second quarter of 2010, US Treasury statistics indicated a slight fall in the level of dollar-denominated reserves held by China. This trend converged both with prevailing sentiment among non-official Chinese economists and also a wider international perception that China was bound to start hedging its overabundant dollar reserves by buying into the euro or the Japanese yen, or by any other form of reserve, including the hoarding of gold and natural resources. At a time when US Secretary of State Hillary Clinton also declares that America's status as a debtor constrains its freedom to maneuver in relations with China, it is only a small step to conclude that part of the rebalancing of power between the United States and China is also taking place on the monetary front. If China clearly cannot disengage quickly from its dollar reserves for fear of engineering a drop in their value, it can at least refrain from buying more, and therefore favor a monetary version of the multipolar world by buying into other currencies. The multilateral version of this trend would be represented by the officious proposal to enhance the role of special drawing rights from the International Monetary Fund (IMF), creating a new currency yardstick if not a store of reserves. Made by the People's Bank of China (PBoC) governor Zhou Xiaochuan in May 2009, this proposal immediately encountered criticism inside China itself and has never been turned into an official policy goal. Nonetheless, it created the impression that China was choosing interdependence alongside reform of the international

monetary system.

### **Currency Reserves: A Policy or a Reality?**

Real trends have been unkind to these speculations, however rational they may have seemed. In February 2011, the US Treasury deeply revised its statistics for Chinese purchases of US public debt from June 2008 to June 2010. (The revision spanned two years, which is unusual in itself.) China's holdings in the month of June 2010 were revised up by 32%, or around \$268 billion, to \$1.112 trillion, and these figures do not capture some para-public bond issues. Almost all of this revision was assigned to another revision, with a roughly matching drop in purchases of US debt by the United Kingdom.

What this means, of course, is that China's monetary policy has a life of its own, even when it impinges on foreign policy. Either the souring of Sino-American relations in 2008–2010, or the prevailing mood in Chinese macroeconomic analysis should have dictated a fallback from the dollar. In fact, both the foreign policy shift and the macroeconomic analysis have put heavy emphasis on the crisis in the West's financial sector, the US debt impasse, and by contrast China's solid economic performance. The necessity for China to sterilize increasing amounts of currency inflows—either from foreign trade surplus or from hot money influxes, or even from foreign investment—is the prevailing factor. In the second quarter of 2011 alone, China added \$395 billion to its currency reserves, after adding \$194 billion in the first quarter of 2011.

Of course, buying dollars may also serve as a *quid pro quo* in China's complicated relationship with the United States. Although sometimes coming close to naming China as a currency manipulator, the United States has officially refrained from taking that step. In this sense, China's monetary policy may have been in step with foreign policy.

### **The Debate over the Internationalization of the Renminbi**

The issue of China's currency reserves coincides with a second policy issue: that of the renminbi's internationalization and eventual convertibility. Here again, prevailing expectations, which were raised in the spring and early summer of 2010, have been disappointed in late 2010 and

early 2011. Instead, questions have emerged about the locus of policy decisions regarding monetary policy. The factors assumed to be driving important systemic changes—such as internationalization or convertibility—are much wider than previously cited.

To many outside observers, the internationalization of the yuan and its shift to convertibility looked like a done deal in the summer of 2010. China's economy and the world economy are intertwined as never before, and the renminbi has gained international clout since the global financial crisis began in 2007. Unsurprisingly, China has become a worldwide supplier of soft loans and investment. When Beijing raises domestic interest rates, as it did on December 25, 2010, global stock prices slide because investors believe that a higher cost of Chinese capital will depress the international economy. Conversely, the continuing global money creation allowed by the Chinese sterilization of ever-increasing amounts of dollars has backfired on China: it fueled asset bubbles and price inflation at home. To regain control of its own monetary and economic policies, China would seem to need to break the vicious cycle, and promote the yuan itself as an international currency.

The outside world expects that China will have to liberalize its economic system, whether its leaders want to or not. The logic of this argument goes like this: since productivity growth will continue to push up external surpluses, domestic inflation and asset bubbles will continue to grow. The only way to release the pressure, therefore, is by revaluing the currency and allowing an outflow of capital.

### **The Geopolitical Arguments against Currency Convertibility**

Any attempt to introduce liberalizing reforms will face considerable domestic opposition. In particular, there is huge mistrust of the global financial architecture, which many domestic critics believe is designed to ensure that Western hegemony remains intact. There are historical examples—notably Japan—of fast-growing economies that spluttered to a halt after moving towards financial liberalization. China's political leaders do not separate international monetary issues from their own goals of preserving the country's sovereignty and moving only from a position of geopolitical strength. Hence, they foresee a calendar of 20-

plus years for the internationalization of the renminbi, not the quick fix for which monetary economists might wish.

China's fast growth path is different from those of its East Asian predecessors, as it is based on an unprecedentedly globalized economy and is still reliant on this factor. Some domestic leaders, notably Premier Wen Jiabao, do suggest that China's present economic course is unsustainable. They echo the arguments of influential economists, such as Yu Yongding, who maintain that China must tilt its economy away from an overreliance on investment and exports towards domestic consumption. But other policy makers remain loyal to the export model that has served China so well. Sterilizing a huge inflow of currency reserves has forced a large money creation at home. But they do not think this has been a waste of resources, because it has allowed for massive one-time investments such as in public infrastructure. This is a game-changer for the economy, as it is integrating all of China's territory into the international trade system, with large productivity gains. As to the currency reserves, they also permit soft loans behind the global push of China's enterprises and investment funds. Chinese leaders see that as a one-time opportunity, before population aging and global resource scarcity dampens growth. They are in no hurry to close that window of opportunity, and pretty much follow the old adage "if it ain't broke, don't fix it."

This contested policy debate explains why the internationalization of China's currency has not gone according to the script written abroad. The latest version of that script assumed that China would quickly move towards flexible exchange rates and allow a meaningful appreciation of the renminbi as a prelude to introducing free convertibility. Beijing has given the impression that it knows its lines, even if its performance has been more timid than foreign critics would like. Having dropped hints about further flexibility in March 2010, the government announced a new exchange policy based on a currency basket in July. After that, monthly renminbi trade transactions in Hong Kong shot up from an average of 4 billion yuan to 68 billion yuan in October, and more than 30 billion yuan of renminbi bonds were issued in Hong Kong in 2010. These bonds are by definition convertible, although they cannot be expended without permission in mainland China. Beijing has also been



Shin Chang-Hoon, Stephanie T. Kleine-Ahlbrandt, Hao Yufan, Gilbert Rozman, and Choi Kang

experimenting with relaxation of capital controls for small and medium firms in Zhejiang province. Given China's huge currency inflows, China's capital controls can easily withstand this liberalization at the margin.

Foreign observers have concluded that China's convergence with global financial standards must inevitably follow. It is no coincidence that such a convergence is in accordance with the needs of China's main economic partners—the industrialized countries that have become leading importers of Chinese goods and the emerging economies that compete with China for markets. But the facts on the ground have not supported this conclusion for two reasons. First, the renminbi, or “redback” (*hongbi*) as the Chinese-language journal of the country's leading geopolitical institute has called it, had indeed appreciated by 20% relative to the dollar in 2005–2008.<sup>1</sup> But since the dollar was bottoming at the time, the terms of trade did not change much with other major currencies. And it only rose by 3.6% relative to the dollar in 2010, and after being freed from the effective dollar peg introduced in November 2008

1 Jiang Yong, “The Renminbi: China's Currency, the World's Problem,” *Xiandai guoji guanxi* (*Contemporary International Relations*) 6 (June 2010): 5–7.



during the global financial crisis. Second, China's undervalued currency is simply the function of global imbalances. America remained reliant on an imported capital fix from China, while China's glut of savings needs an outlet. In sum, China could not but buy dollars, and that is what kept the renminbi down. Even when US Treasury statistics showed a slight dip, as was the case at the end of 2009 and again in November 2010, it was likely that large purchases through third countries make up for this.

The argument is not merely between different economic factions.<sup>2</sup> Certainly, major exporters and perhaps the Ministry of Commerce remain opponents of any move that may imply revaluation of China's currency and therefore higher export prices. The PBoC and its governor Zhou Xiaochuan sit at the other end of the debate, but the PBoC's status is not really that of an independent central bank. The PBoC's points of view have often been echoed publicly by non-official members, or even past members, of its advisory committee. But the debate runs much deeper, with historical, ideological, and strategic implications.

A review of debates among Chinese economists and politicians shows that theories based on rational choice and more efficient resource allocation based on a floating exchange rate are hardly dominant.<sup>3</sup> One reason is historical: China has been on the losing side of currency conflicts for a century and a half. During the Great Depression, FDR's silver purchase program effectively demonetized silver and opened the way for the Republic of China's hyperinflation disaster.<sup>4</sup> Skeptics also point out that the dollar lost 96% of its value against gold under the Bretton Woods system. Moreover, Chinese economists often cite the negative experience of Japan, which was compelled to give up its dollar anchor in 1985. Few perceive that Japan's hesitation at fully internationalizing the yen—its reluctance, for instance, to use the yen as its invoicing currency

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2 Although an excellent study of the PBoC-MofCOM dilemma can be found in *China's Exchange Rate Politics, Decoding the Cleavage between the Chinese Ministry of Commerce and the People's Bank of China*, by Charles Freeman and Wen Jin Yuan, CSIS, June 16, 2011.

3 See François Godement, "The Renminbi: our currency, your problem" in "Redbacks for Greenbacks: the Internationalisation of the Renminbi," China Analysis, Asia Centre and ECFR, November 2010, [http://www.centreasia.eu/sites/default/files/publications\\_pdf/china\\_analysis\\_november2010\\_0.pdf](http://www.centreasia.eu/sites/default/files/publications_pdf/china_analysis_november2010_0.pdf).

4 Milton Friedman, "FDR, Silver and China," *The Journal of Political Economy* 1 (1992): 63.

for foreign trade—is what really caused its isolation. But they are right in judging that China can succeed where Japan failed, because the scale and growth of China’s economy probably mean it can resist the trend towards a universal Bretton Woods system of floating exchange rates.

### **The Temptation of a Renminbi Zone**

Chinese policy makers also show greater imagination than their Japanese predecessors in bending the rules of the international system towards their own benefit. Some cite Germany’s deutschmark zone in the decades of post-war European economic growth. It is interesting to note that in the latest exchange between the PBoC and the German Bundesbank, the official communiqué explicitly cited the Bundesbank’s arguments against its own precedent of deutschmark policy in the 1960s and 1970s “in the light of its own experience in the 1960s and early 1970s with capital controls aimed at averting speculative capital inflows, which proved ineffective in the long term.”<sup>5</sup> Some Chinese plans for internationalization (see below) in fact look like a timetable for a renminbi zone.

Other policy makers assert that investors are perfectly capable of accessing China’s investment “peach garden” without any need for convergence and convertibility. After all, China became the number-one destination for industrial investment among emerging economies while retaining many features of a command economy. Since 2010, a two-tier Chinese money market has allowed foreigners—from Malaysia’s central bank to hedge funds—to invest in the renminbi. That is a big step forward from China’s swap agreements, often with its raw material suppliers, that started in 2007–2009. But it also allows the government to give Chinese investors gradual exposure to competition while preserving the safety net of capital controls—a delicate balancing act that can be rolled back if needed. Rather than a “big bang” event, the policy mirrors the gradual price liberalization that took decades to be completed in China’s domestic economy. The world wants this change to happen

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<sup>5</sup> See The People’s Bank of China, “Intensified Dialogue on Financial Stability between the People’s Bank of China and the Deutsche Bundesbank,” July 11, 2011, [http://www.pbc.gov.cn/publish/english/955/2011/20110711173651003588538/20110711173651003588538\\_.html](http://www.pbc.gov.cn/publish/english/955/2011/20110711173651003588538/20110711173651003588538_.html).

sooner rather than later, but from a Chinese perspective later might be preferable.

A close look at the specific arguments employed in Chinese monetary debates on the issue of internationalization and convertibility between June and October 2010 reveals that geopolitical concerns often out-trump economic arguments. Policy makers understand that non-convertibility inhibits China's financial expansion abroad, full internationalization would increase revenues from currency trading, and maintaining a fixed exchange rate blunts domestic monetary policy. But these economic concerns are outweighed by political considerations, notably the widespread belief that floating exchange rates are not fixed by markets but manipulated by the United States, which profits from wide fluctuations. Reform skeptics look at Japan's dismal experience with currency internationalization and conclude that free-floating exchange rates are a trap. They also fear that any attempt by China to set up its own monetary zone would be resented by its Asian neighbors, who would prefer to remain linked with the dollar. Any swift internationalization would therefore be "strangled in the cradle."

These debates have often been capped with the mention of a gradualist, compromise solution whereby China would allow its currency to internationalize in stages before moving towards full convertibility. China would first promote the inclusion of currencies from other emerging economies inside the IMF's Special Drawing Rights basket. That is meant to avoid being singled out for demands from the existing participants. China is particularly keen on seeing the IMF drop its requirement for free convertibility of currencies included in the basket. In the first stage (2010–2020), the renminbi would first be used for commercial settlements, investments, and reserves with Taiwan, becoming the de facto currency of Greater China. This pattern would, in turn, be applied to other regional economies and to partners with state-run economies without geographical restrictions. This would provide the renminbi with an external market, thereby anchoring China's economy into a de facto currency zone. In the second stage (2020–2030), the renminbi would be used for commercial transactions and become the regional trade currency for a wider area, including the Association of Southeast Asian Na-

tions (ASEAN). Finally, in the third stage (after 2030), the yuan would be used for all financial transactions on an equal footing with the dollar and the euro, accounting for 25–30% of all global currency reserves, yet it would still be anchored in its own zone of fixed exchange rates.

This very long-term and gradual approach of course impacts the present debate in forums like the G20. China wants to retain capital controls and the opacity of its external capital flows. It may not be so keen on global reform, as it is building considerable strength without corresponding responsibilities or adjustment. Of course, by increasing its lending to IMF reserves, and even more importantly by supporting the Federal Reserve's borrowing policies, China props up the existing system. It also hedges against its own excessive dollar reserves. To do so, it snaps up gold, natural resources, long-term supply contracts, global equity, and European public debt. It grants soft loans against long-term contracts for resources or for infrastructure deals. These are as much a short-term hedge against a long dollar position as a long-term search for economic security.

In short, China has delayed the moment when liberalizing capital flows becomes inevitable. It is hard to imagine that, in the long term, China can realize its goal of becoming the world's top economy and a major international capital center without conceding free convertibility. And on a more practical note, China's trade partners will not allow it to run limitless trade surpluses forever. But China is in no hurry: every year that it keeps its capital controls and a significant surplus position, it buys time for the economy's hyper growth. China's leaders are unlikely to sanction free convertibility until the renminbi has achieved a degree of international sovereignty matching the position that the dollar has enjoyed since 1945.

### **A Sudden Policy Shift in Late 2011**

Global economic trends shifted considerably in mid-2011. Until summer, expectations of continuing fast growth in China, fuelled by the export boom, and of a slow but real revaluation relative to the dollar, were triggering hot money inflows, on top of the proceeds from FDI and external trade surpluses. This resulted in massive currency sterilization

by China. Its holdings of US long-term debt reached an all-time peak of \$1,315 billion in July 2011.<sup>6</sup> A preliminary report indicates in fact that China's holding of combined short-term and long-term debt reached \$1,727 billion as of June 30, 2011.<sup>7</sup> The yuan's offshore market in Hong Kong also kept expanding—as it was also seen by Chinese firms as a backdoor to obtain credit, at a time when the government had already clamped down on real estate sector lending.

But this supercycle, which had lasted for a decade, finally came to an end with the eurocrisis starting in August 2011. Europe's sovereign debt liquidity crisis has created a need for lending from outside Europe, while it has also diminished trade deficits with foreign partners. Domestically, China clamped on lending by imposing much higher reserve to lending ratios for banks, cooling inflationary trends and slowing money creation. China's foreign trade surplus began a steep decline. China's foreign currency reserves stopped growing, and hot money flows reversed: as of the end of 2011, the flows had become negative. Hong Kong's convertible RMB market dried up as it was no longer seen as an opportunity to finance deals in the mainland.

These changes show up massively in China's external monetary and financial stance. China's holdings of US Treasury securities have declined by 12.5% between July and December 2011, and by \$102 billion for December alone. Where the difference has gone is anybody's guess, but in spite of denials by China's central bank about a reserve shift, it is probable that European public financing needs have had a role. In February, several Chinese officials—Prime Minister Wen Jiabao, PBoC Governor Zhou Xiaochuan, Finance vice-minister Zhu Guangyao—have made positive statements emphasizing China's readiness to assist Europe. During Chancellor Merkel's February 2012 visit to China, Wen explicitly delinked this issue from China's traditional requests to the European Union, such as market economy status. At the EU-China summit in Beijing also in February 2012, China accepted open talks on an invest-

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6 Data released by US Treasury on February 29, 2012, <http://www.treasury.gov/resource-center/data-chart-center/tic/Documents/mfh.txt>.

7 US Treasury, "Preliminary Report on Foreign Holdings of US Securities at End-June 2011," <http://www.treasury.gov/resource-center/data-chart-center/tic/Documents/shiprelim.html>.

ment agreement. Chinese FDI investment in Europe, which rose fast from a very modest base-line in 2010, became very significant in 2011, while investments in the US economy declined. In 2011, Europe became the leading destination for China with 34% of all M&A investments recorded by value, up from only 10% in 2010 (North America dropping from 34% to 21%).<sup>8</sup>

Could these trends reopen the policy debate on the form and speed of the internationalization of China's currency? Perhaps. The Chinese yuan's anchor to the dollar has served as an external monetary policy—saving China from the need to steer its own policy. China's massive dollar holdings have their drawbacks, but they obviate the need for immediate banking reforms in China. These underlying assumptions hold true under the China-US symbiosis of fact, if not of choice. But if the game becomes more tripolar, with Europe becoming both a significant external borrower and a hunting ground for investors, then China's management of its reserves and of its monetary policy becomes more complex. Indeed, on February 26, 2012, the People's Bank of China released a report advising a faster move towards lifting capital controls and convertibility. The report focuses on the risks of immobility—a political code word in early 2012 for reformers of all ilk: “We might never find an appropriate time to open up a capital account if we wait until conditions mature for interest rate liberalization, currency liberalization and yuan internationalization.” It also rests its argument with the major new opportunity for Chinese outward investment in developed economies with the economic conditions in these countries. The relatively low status of the report's author makes it a trial balloon, but it is also in line with Zhou Xiaochuan's wider monetary reform proposals of May 2009.

Other evidence of debate emerged between Prime Minister Wen Jiabao and the Ministry of Commerce, a stronghold for the status quo on trade and monetary issues. While Wen had explicitly delinked lending to Europe from issues of market economy status, Ministry of Commerce has emphasized again that anti-dumping measures by the Eu-

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<sup>8</sup> A Capital Dragon Index, “How fast is China Globalizing: Tracking Chinese Outbound Foreign Investment,” <http://www.acapital.hk/dragonindex/>.

ropean Union may affect China's decision to lend to European public treasuries.<sup>9</sup>

A new policy alignment may be emerging. Those who see a need for diversification of China's reserve holdings and a shift to massive outwards FDI favor the lifting of capital controls and a move towards convertibility. They also need to reach an understanding with Europe on investment, and are acquiring a vested interest in preserving Eurozone stability. Thus, these reformers are perhaps not prioritizing relations with the United States, and may even suggest balancing the China-US financial relationship with other options. They appear to remain a minority, however. The bulk of Chinese statements still point towards continuity over change on international monetary and financial policy. This favours both a continued financial symbiosis with the United States – be it at times of strategic competition—and a go slow approach to issues of monetary and financial reform for China.

### **Views of Relative Rise and Decline Also Drive Foreign Policy**

Monetary and financial policy has become crucial to foreign policy, but it is not controlled by foreign policy. Successive statements have made it a restraining influence on foreign policy, but also an excuse not to ink out clearly the ultimate goals of China's international strategy. Taoguang yanghui has often been interpreted as “give us the time to rise and we'll see.” Wang Jisi has recently admitted that this leaves too much ambiguity, creating anxiety among China's partners about the more distant future.<sup>10</sup> It is indeed a timed statement that leads to a lack of trust among partners. But nonetheless it remains an integral part of China's development strategy.

The debate about a “peaceful rise” was a partial attempt to go beyond this developmental approach by hinting that China had reached a certain stage where it had to shoulder international responsibilities. This was in part an answer to the famous American request about “stake-

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9 Statement by Ministry of Commerce, February 23, 2012, as cited by Le Figaro, “La Chine conditionne son aide à l'Europe,” February 23, 2012, <http://www.lefigaro.fr/conjoncture/2012/02/23/20002-20120223ARTFIG00678-la-chine-conditionne-son-aide-a-l-europe.php>.

10 See Wang Jisi, “Zhongguo de guoji diwei wenti yu ‘taoguang yanghui, yousuo zuowei’ zhanlue sixiang,” in *Guoji wenti yanjiu* 5 (2011).

holder responsibility.” But the “peaceful rise” concept was never fully adopted, and the “peaceful development” concept that replaced it is still central to Chinese foreign affairs. Again, this is a timed statement relating to China’s economic need. It justifies priorities from a domestic point of view.

Since 2008 and the global financial crisis, that analysis has probably reached a new level. There is a debate in China that is both about the perceived decline of the West and singularly about the American economy. The debate is about whether this is a fast or slow decline and whether it is irreversible. At the same time, has China reached a stage in its development that should motivate a general change of foreign strategy? Is it going beyond the development and dependency stage, and is it in fact out in front? And therefore should China display confidence and leadership characteristics and perhaps even act as a model for others, or is it still in a fragile interim situation, including on economic grounds, with many unsolved weaknesses in the Chinese system? If this is the case, there would be no need to change the traditional formula of Chinese foreign policy that seems to make it an afterthought of China’s domestic needs. The debate is there, which shows how China tailors its foreign policy while considering its economic situation. Those who see China strong in the face of Western difficulties have cause to oppose faster reform in China. Those who focus on the negative impact of Western difficulties on China’s economic model argue on the contrary for more decisive financial and monetary changes.

### **Conclusion: Financial Realities and Official Ideology Constrain Each Other**

In part, the Chinese opacity has been suited to what the Europeans often call the G2 relation. There are irrationalities both in the United States and in China and they complement each other, even if the Chinese cannot officially admit it. It was hard, for example, to admit to a domestic audience in China that China has been putting 32% additional purchases into the US dollar from mid-2008 to mid-2011, and therefore it was also more expedient to do it by third-place dealings. Nonetheless the buying trend was real and deserved consideration more than conflicting



statements.

At the same time, this was a major drawback for China's public diplomacy and leadership inside the emerging camp. Even India and Brazil have reservations about China's monetary and financial policies. There is an extraordinary hesitation in China about drawing the curtain, or instead wringing the last drops out of what the Chinese call the "window of opportunity"—in other words, the time when the Chinese can have fast growth without being fully integrated or interdependent and responsible. That is the phase they are in now. In order to make the system viable and sustainable internationally, there is a need to reform and become more transparent with huge consideration for the domestic party-state. China stands at that crossroad. Global trends—including a renewed economic crisis in the West, impacting on China's own performance, may bring about new arguments for reform. Thus, the situation could tip over and lead to even more interesting debates at the top.

China's (North) Korea Policy: Misperception and Reality  
(An Independent Chinese Perspective on Sino-Korean Relations)

China's Korea Policy in the Making

Disillusionment and Dismay:  
How Chinese Netizens Think and Feel about the Two Koreas



PART 5

**CHINA'S FOREIGN POLICY  
TOWARD  
THE KOREAN PENINSULA**

CHAPTER  
10

**CHINA'S (NORTH) KOREA POLICY:  
MISPERCEPTION AND REALITY  
(AN INDEPENDENT CHINESE PERSPECTIVE  
ON SINO-KOREAN RELATIONS)**



Chen Ping



**Chen Ping** is the deputy managing editor of the Beijing-based *Global Times*. Before taking his current position, Mr. Ping served as a communications and media operations expert with the Beijing Olympic Games organizing committee from 2003 to 2008, and as a reporter and later a senior editor for *China Daily* from 1992 to 2002. He was a winner of the prestigious China International News Awards for his 2000 commentary on the outbreak of the Korean War. His academic interests include China's peripheral security, China's relations with the two Koreas, inter-Korean relations and unification of the Korean Peninsula, peace mechanisms in Northeast Asia, biological warfare during the Korean War, and truce negotiations during the Korean War. He holds an M.A. in international relations from the KDI School of Public Policy and Management in Seoul, Korea.

Since the first North Korean nuclear crisis in the early 1990s, China has made strenuous efforts to facilitate dialogue and discussion aimed at defusing the crisis. It has dedicated itself to finding ways to negotiate a conclusive and multilateral solution to the most pressing security dilemma in Northeast Asia. China's hosting of the Six-Party Talks (6PT) is the best demonstration of such efforts.

After the tragic sinking of the South Korean warship *Cheonan* and the exchange of artillery fire around Yeonpyeong Island, however, China was criticized by some international scholars and media, especially those in South Korea.<sup>1</sup> These scholars claimed that China was partial to North Korea and urged China to curb North Korea's "provocative" behavior by using its leverage over the country.<sup>2</sup>

But is China really in a position to do so? What can China do to help maintain peace and stability on the Korean Peninsula, to which top Chinese leaders have pledged their commitment?

Focusing on China's relations with the two Koreas<sup>3</sup> in general and

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1 For example, a South Korean newspaper says: "China became the subject for South Korea's national ire for the manner it handled the affairs [of *Cheonan* and Yeonpyeong]. By choosing to be 'neutral' and reluctant to go beyond counseling restraint to all parties, China in fact shielded North Korea from international criticism." Sunny Lee, "China Suffering National Identity Crisis," *Korea Times*, February 11, 2011, [http://www.koreatimes.co.kr/www/news/nation/2011/02/182\\_81255.html](http://www.koreatimes.co.kr/www/news/nation/2011/02/182_81255.html).

2 See, among others, Derek Burney, "Only China Can Tame North Korea," *The Global and Mail*, November 26, 2010, <http://www.theglobeandmail.com/news/opinions/opinion/only-china-can-tame-north-korea/article1813981>. The author, Derek H. Burney, was Canada's ambassador to the Republic of Korea from 1978 to 1980. He argues, "China should, instead, exercise its tangible influence to rectify the erratic antics of its neighbour. No more bribes, no more blandishments, no more circular diplomacy. It is time to tame the bully with leverage only China is able to exercise."

3 Whenever talking about the Koreas and the Korean issues in English, one question has to be asked: Which Korea? On the Chinese mainland, the Democratic People's Republic of Korea, or DPRK, is called "朝鲜" (*Chaoxian*) in short while the Republic of Korea, or ROK, is shortened to "韩国" (*Hanguo*). The DPRK remains 朝鲜 before and after China established diplomatic relations with the ROK in 1992, but the ROK underwent a small but significant change from "南朝鲜" (*Nanchaoxian*), literally the southern part of 朝鲜, to 韩国. However, although the distinction of 朝鲜 and 韩国 is important in understanding China's Korean Peninsula policy, I use the internationally accepted forms "North Korea" and "South Korea" in this paper unless specific usages are required to show preferences. Korean Peninsula countries, or 朝鲜半岛国家 (*Chaoxian bandaoguojia*), is a term generally used by Chinese officials and scholars to avoid preference over 朝鲜 and 韩国 when talking about the Korean Peninsula. The term 朝鲜半岛 (*Chaoxian bandaoguo*) is used in a historical context as this is the name that has been adopted for hundreds, even thousands, of years. The term 韩半岛 (*Han bandaoguo*), popularly used in the ROK, is rarely seen in official Chinese publications.

with North Korea in particular;<sup>4</sup> this paper will explore several questions: (1) Has the international community overestimated China's leverage over North Korea? (2) What are China's policies toward the Korean Peninsula nations? (3) What actions can China take in the current international context to pursue these policies?

### **China's Relations with the Koreas and Its Leverage over North Korea**

China has maintained relations with states on the Korean Peninsula for at least 3,000 years.<sup>5</sup> China's influence remains an unavoidable factor when talking about current Korean issues.

China's relations with the Korean Peninsula countries went through three stages in the last 60 years:

1. Recognition of only one Korea, namely the Democratic People's Republic of Korea (DPRK or North Korea). North Korea established diplomatic relations with China on October 6, 1949, just five days after the founding of the new People's Republic. This "one-Korea" policy remained unchanged until the early 1980s.
2. De jure one Korea, de facto two Koreas. Non-political contacts between China and the Republic of Korea (ROK or South Korea) began in early 1980s when Chinese Foreign Minister Huang Hua put forward a well-known principle to guide China's contacts with South Korea: "Close the door but leave it unlocked."<sup>6</sup> When representatives from the two countries met in Seoul to solve the hijacking incident in 1983, "The Republic of Korea" was used for the first time in an official Chinese

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4 For a brief historical review, see "China's Policy toward the Korean Peninsula Countries: A Historical Review of Literature," in Liu Jinzhi et al. (eds.), *中国与朝鲜半岛国家关系文件资料汇编 (1991-2006)* (Beijing: Shijie zhishi chubanshe, 2006): 1-38.

5 For historical details of Sino-Korean relations from a Chinese perspective, see Jiang Feifei et al., *中韩关系史: 古代* (Beijing: Shehui kexue wenxian chubanshe, 1998); and Xu Wanmin, *中韩关系史: 近代卷* (Beijing: Shehui kexue wenxian chubanshe, 1996). For details of Sino-Korean relations after World War II, see Song Chengyou et al., *中韩关系史: 当代卷* (Beijing: Shehui kexue wenxian chubanshe, 1997), and Liu Jinzhi et al., *当代中韩关系* (Beijing: Zhongguo shehui kexue chubanshe, 1998). Also see Yang Zhaoquan et al., *中国-朝鲜/韩国关系史* (Tianjin: Tianjin renmin chubanshe, 2001).

6 *Los Angeles Times*, January 20, cited in *当代中韩关系*: 104.

government document. Before that in China the country was called the “southern part of Korea (南朝鮮)” vis-à-vis Korea (朝鮮). Years later, China sent its sports delegations to Seoul for the 1986 Asian Games and 1988 Olympic Games, and South Korea sent its sports teams and tourist groups to Beijing for the 1990 Asian Games.

3. Two Koreas. China and South Korea established full diplomatic relations on August 24, 1992, starting the age of de jure two Koreas.

After the establishment of China-South Korea diplomatic relations, top Chinese leaders reiterated on different occasions that China would develop China-South Korea relations while consolidating and boosting the traditional China-North Korea friendship. They vowed to not “forget old friends when making new ones.” Ever since the normalization of China-South Korea ties, China has tried to adopt “equidistant diplomacy” to both South Korea and North Korea, insisting on a policy of “separating politics from economic affairs.”<sup>7</sup>

Despite the ups and downs in China’s relations with South Korea since 1992, South Korea remains a “normal” country to China in terms of politics and trade. That is to say, China can treat South Korea just as any other country if and when no North Korea factor has to be taken into consideration. But China failed at achieving the goal of equidistant diplomacy, because of the decades-old history of a “special” relationship with North Korea. Dealing with the complicated relationship with North Korea has stretched China’s diplomatic resources.

There are many ways in which North Korea is not an ordinary country for China. The North Korean regime survived only as a result

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<sup>7</sup> For a detailed discussion of the Sino-South Korean diplomatic normalization, see Qian Qichen, *外交十记* (Beijing: Shijie zhishi chubanshe, 2003); Chung Jae Ho, *Between Ally and Partner: Korea-China Relations and the United States* (New York: Columbia University Press, 2007). Also see Lee Chae-Jin, *China and Korea: Dynamic Relations* (Stanford: Hoover Press, 1996).



of China's active participation in the Korean War from 1950 to 1953,<sup>8</sup> during which at least 180,000 Chinese soldiers died in a foreign land.<sup>9</sup> China's state media has often described China-North Korea ties as "militant friendship sealed in blood" and "as close as lips to teeth." Recent years have seen frequent exchanges of high-level visits by top officials from the two countries, most noticeably Kim Jong-Il's three visits to China within a year.<sup>10</sup>

This is not ordinary because in the Chinese mainland, no less so than in the West, everything relating to North Korea in general and to its leaders in particular is shrouded in mystery and secrecy. In this sense, North Korea certainly deserves its nickname, "the hermit kingdom." The mainstream Chinese media runs stories about North Korea only on important anniversaries or during high-level visits, pronouncing eulogies on the "great achievements Korean people had made in their socialist construction." Negative coverage of North Korea is rarely seen in publicly circulated Chinese publications. The underlying differences, even hostilities in extreme cases, between the two countries have been carefully masked so as not to unnecessarily upset North Korean leaders.

A typical example that highlights such secrecy is the fact that China's official media announced Kim Jong-Il's visit to China from August 26 to 30, 2010, only on the very day he left China for home.<sup>11</sup> But even

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8 This was only the third time in history that China sent troops to support a regime on the Korean Peninsula. During the Ming Dynasty, China sent its troops (in 1592 and 1597) to the peninsula, upon request from the Korean ruler, to help fight the invading Japanese forces. For this part of history, see Yang Zhaoquan et al., *中国-朝鲜/韩国关系史* (Tianjin: Tianjin renmin chubanshe, 2001): 480–99; Jiang Feifei et al., *中韩关系史: 古代卷* (Beijing: Shehui kexue wenxian chubanshe, 1998): 290–99. Again, during the Qing Dynasty, China dispatched its troops, upon request from the Korean imperial court, to help put down two military coups in Korea in 1882 and 1884 respectively. For this part of history, see Yang Zhaoquan et al., *中国-朝鲜/韩国关系史: 670–82*; Xu Wanmin, *中韩关系史: 近代卷* (Beijing: Shehui kexue wenxian chubanshe, 1996): 24–38.

9 For the number of casualties, see "Museum Statistics Shows 180,000 Chinese Volunteers Died in Korean War," [http://news.xinhuanet.com/english2010/china/2010-10/26/c\\_13574939.htm](http://news.xinhuanet.com/english2010/china/2010-10/26/c_13574939.htm).

10 Kim Jong-Il paid three unofficial visits to China in one year, from May 3 to May 7, 2010; August 26 to August 30, 2010; and May 20 to May 26, 2011. For details, see "Kim Reportedly Rolls into China," *Global Times*, May 4, 2010, 1; "President Hu Holds Talks with DPRK Top Leader Kim Jong Il," *People's Daily Online*, August 30, 2010, <http://english.people.com.cn/90001/90783/91300/7122750.html>; and "Kim Jong Il Reportedly in Beijing," *Global Times*, May 26, 2011, 1.

11 "President Hu Holds Talks with DPRK Top Leader Kim Jong Il," *People's Daily Online*, August 30, 2010, [http://news.xinhuanet.com/english2010/china/2010-08/30/c\\_13469778.htm](http://news.xinhuanet.com/english2010/china/2010-08/30/c_13469778.htm).

before he started his China trip, South Korean and Japanese media had reported his planned visit.<sup>12</sup> It was the same scenario during Kim Jong-Il's latest visit to China in May 2011. It was believed that China had to keep Kim's traveling schedule in the country top secret at the request of North Korea out of security concerns.<sup>13</sup>

Such discrepancies in media reports have not only caused trouble for the Chinese foreign ministry, which had to give unconvincing explanations for not being able to confirm or deny the foreign media reports of such visits,<sup>14</sup> but also put the mainstream Chinese media in an awkward situation in the age of the Internet.

Another example of the sensitivity of North Korean issues is that within Chinese academia, scholars are reluctant to speak out, both in their writings for publicly circulated publications and during media interviews, about anything that might be deemed negative about North Korea, or about China-North Korea relations. An extreme case is the shutdown of a prominent academic journal—*Strategy and Management*—after the journal ran an article in 2004 strongly criticizing the North Korean government and urging a revised strategy in China-North Korea relations.<sup>15</sup>

This makes an accurate understanding of China's North Korean policy more difficult, especially for foreign observers. But in other ways,

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12 For example, see Kim So-hyun, "Kim Jong-Il Visits China," *Korea Herald*, August 26, 2010, <http://www.koreaherald.com/national/Detail.jsp?newsMLId=20100826000837>; and "N. Korean, Chinese Media Confirm Kim's China Visit," *Korea Herald*, August 30, 2010, <http://www.koreaherald.com/national/Detail.jsp?newsMLId=20100830000956>.

13 Author's private conversation with a senior North Korea watcher in Beijing, July 2011.

14 For example, during a regular press conference on May 6, 2010, Foreign Ministry spokesperson Jiang Yu, when asked to confirm Kim Jong-Il's ongoing visit to China, told the media: "About this issue, I still have no information for you. We are not the competent authorities on the issue. According to former practice, if the top leader of the DPRK comes to China, relevant information will be released in due course." Ministry of Foreign Affairs of the People's Republic of China, "Foreign Ministry Spokesperson Jiang Yu's Regular Press Conference on May 6, 2010," May 7, 2010, <http://www.fmprc.gov.cn/eng/xwfw/s2510/2511/t692942.htm>. Several days later, the Foreign Ministry website provided a press release that says Kim paid an unofficial visit to China from May 3 to May 7, 2010, during which he visited and inspected Beijing, Tianjin, and Liaoning Province and met Chinese President Hu Jintao on May 5, 2010. Ministry of Foreign Affairs of the People's Republic of China, "WPK General Secretary of the DPRK Kim Jong Il Pays an Unofficial Visit to China," May 7, 2010, <http://www.fmprc.gov.cn/eng/wjlb/zjzg/yzs/gjlb/2701/2703/t693307.htm>.

15 "Foreign Affairs Magazine Shut Down after Criticising North Korea," International Freedom of Expression Exchange (IFEX), September 23, 2004, [http://www.ifex.org/china/2004/09/23/foreign\\_affairs\\_magazine\\_shut\\_down](http://www.ifex.org/china/2004/09/23/foreign_affairs_magazine_shut_down).

the Sino-North Korean relationship is an “ordinary” one, especially in North Korea’s treatment of China. This has been particularly the case since China established diplomatic ties with South Korea in 1992. North Korea did not treat China in an extraordinary way, and it did not coordinate its policies with China on key issues, such as the test of nuclear weapons. As one American official/scholar observes, “Chinese experts and diplomats are just as perplexed by North Korean leader Kim Jong-Il’s mentality as are their American counterparts.”<sup>16</sup>

In 1997, when meeting US congressional representatives, Chinese Premier Li Peng reportedly said, “North Korea is neither an ally of the PRC nor an enemy, but merely a neighboring country.”<sup>17</sup> This is so far the most explicit and unmistakably surprising comment made by a top Chinese leader on North Korea that has been published.

The truth is that warmth in bilateral relations, as the state media in both countries boasted and as some scholars observed, was mainly the outcome of ideological considerations. When it comes to national interests, the two countries seldom get along.

North Korea was on its guard against China even in the late 1950s. The most convincing example was the withdrawal of the Chinese People’s Volunteers from North Korea in 1958. It was said China made the decision to withdraw troops at the request of Kim Il-Sung,<sup>18</sup> in the wake of a failed political coup staged by the so-called Yan’an Faction—senior Korean party and military officials who participated in China’s revolutionary struggles in the 1930s and 1940s but later returned to North Korea before the outbreak of the Korean War to become the backbone of the (North) Korean People’s Army.<sup>19</sup>

It would be unconvincing to say that China agreed to withdraw its

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16 Susan L. Shirk, *China: Fragile Superpower: How China’s Internal Politics Could Derail Its Peaceful Rise* (Oxford University Press, 2008), 124.

17 Reported by Pak Tu-sik, *Chosun Ilbo*, April 17, 1997, 2, cited in Oh Kongdan et al., *North Korea through the Looking Glass* (Washington, DC: Brookings Institution Press, 2000), 157–8.

18 Author’s private conversation with a researcher affiliated with the PLA Academy of Military Sciences, May 2000.

19 For details of the Yan’an Faction’s political struggle within the Korean Labour Party, see 朝鲜清洗“延安派”揭秘, *Phoenix Weekly*, 7th Issue, 2011. For a brief discussion of Kim Il-Sung’s purge of the Yan’an Faction, see Bradley K. Martin, *Under the Loving Care of the Fatherly Leader: North Korea and the Kim Dynasty* (New York, Thomas Dunne Books, 2006), 106–7.

troops from the northern part of the peninsula in return for Kim's pardon of some senior Yan'an Faction members. But further analysis reveals that Kim was concerned about not only a possible coup by pro-China elements within his party, but also, more importantly, the presence and influence of Chinese soldiers on the Korean Peninsula.

As Chinese soldiers left Korean soil at a time when US armed forces were still stationed in the southern part of the peninsula, North Korea had to confront the strong military pressures from the south, all by itself, without the backup of Chinese soldiers. This forced North Korea to take a military-first road at the expense of other economic sectors. Its current poor economic performance is deeply rooted in its continued military-first policy.

North Korea began its efforts to marginalize and downplay China's role in the Korean War in the late 1950s, shortly after Chinese soldiers' withdrawal. An official account of the Korean War by a North Korean academic institute, whose Chinese edition was published in 1961, was so Kim Il-Sung-centric that it leaves the readers with the strong impression that the Chinese People's Volunteers crossed the Yalu River merely to stand on the sidelines and watch North Korean heroics in the three-year war.<sup>20</sup>

North Korea's efforts to marginalize the Chinese role have been obvious even to outsiders. A Canadian newspaper reports that

China has been written out of all North Korean accounts of the Korean War and Anti-Japanese War. The Korean War Museum in Pyongyang makes no mention of the Chinese troops who died or their role. There are no monuments or displays recognizing China's participation in the Korean War, other than a few restricted exhibits shown only to Chinese

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20 For North Korea's account of the Korean War, see Institute of Historical Studies under the DPRK Academy of Sciences, *朝鮮人民正义的祖国解放战争史* (Pyongyang: Foreign Language Publishing House, 1961).

visitors.<sup>21</sup>

*The Economist* reports, “He [the son of a Korean war veteran] and other Chinese visitors were disappointed to find little public acknowledgment of China’s role in the Korean war of 1950-53, when hundreds of thousands of Chinese died fighting the Americans.”<sup>22</sup>

On the surface, China-North Korea relations remained solid throughout the 1990s, but that was exactly the period when the relationship turned from cool to cold, especially after the normalization of China-South Korea diplomatic ties in 1992 and after China’s refusal to increase economic aid to North Korea to cope with the loss of Soviet subsidies in the early 1990s. From the sudden death of Kim Il-Sung in 1994 till the end of the three-year state mourning in the North in 1997, there were no high-level contacts between China and North Korea. Bilateral relations remained stagnant till 2000, when Kim Jong-Il paid an official visit to China from May 29 to May 31, after his first trip to China since 1983. Chinese leader Jiang Zemin repaid this goodwill by visiting North Korea in September 2001.

The Sunshine Policy adopted by the South, leading to the first inter-Korean summit between Kim Jong-Il and Kim Dae-Jung in June, 2000, reduced the moral and economic burdens China had shouldered, as Seoul pledged to provide economic assistance to Pyongyang. Yet, China soon found itself cornered by the second Korean nuclear standoff in 2002. The 6PT, for which China is believed to have made great efforts, turned out to be far from fruitful. A new round of 6PT is yet to be launched.

Some international scholars and even foreign diplomats like to talk about China’s leverage over North Korea. They contend that in the international efforts to deal with the Korean issues, especially the North

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21 “China Sees Itself in Holidays in Pyongyang,” *Globe and Mail*, October 6, 2003, cited in International Crisis Group, “China and North Korea: Comrades Forever?” Asia Report No. 112, February 1, 2006. I myself made similar observations during my private visit to North Korea as a tourist in July 2000. The Korea-China Friendship Tower, which only Chinese visitors are shown, is barely noticeable in Pyongyang whereas monuments to the Juche ideology, the party, and the Great Leader are everywhere.

22 “North Korea through Chinese Eyes,” *The Economist*, May 24, 2007, [http://www.economist.com/node/9226931?story\\_id=9226931](http://www.economist.com/node/9226931?story_id=9226931).

Korean nuclear issue, China could play a unique role that no other major players could fill.

Throughout the North Korean nuclear crisis, and especially after the *Cheonan* incident in March 2010 and the Yeonpyeong Island incident in November 2010, China had been complained about, criticized, or even condemned for being partial to North Korea and for not using its unique leverage to restrain or discipline North Korea. But this is a rash conclusion. In my observation, China's leverage over North Korea has been greatly overestimated. Compared with other countries, China does enjoy a relatively close relationship with North Korea. But this is not because China and North Korea are particularly close, but because other countries are nearly completely estranged from North Korea. A closer look at the evolution of the Korean nuclear crisis<sup>23</sup> easily leads to the conclusion that the emergence of the crisis itself indicates China's reduced leverage over its close neighbor-cum-ally.

North Korea announced its withdrawal from the Nuclear Non-Proliferation Treaty on March 12, 1993, just seven months after China and South Korea established diplomatic relations on August 24, 1992. This was the beginning of a new round of brinkmanship policy, which North Korea was already skilled in, as it repeatedly played China off against the Soviet Union to maximize its benefits, both politically and economically, during the height of the Cold War years.<sup>24</sup> North Korea aimed at playing the same trick on China and the United States, securing a guaranteed US national security promise by forcing Washington to have a direct dialogue. Nothing was more effective and powerful than the nuclear issue in attracting the attention of the international community, especially that of the United States and China.

Due to China's importance as a regional power, it was unthinkable for the country to be left out of the game in this region. China's response to this decades-long crisis was to become the Mediator in Chief of the 6PT through difficult diplomatic efforts. However, the multiple rounds

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23 For detailed discussions of the Korean nuclear crisis, see Li Dunqiu, 战后朝韩关系与东北亚格局 (Beijing: Xinhua chubanshe, 2007), and Mike Chinoy, *Meltdown: The Inside Story of the North Korean Nuclear Crisis* (New York: St. Martin's Press, 2008).

24 For discussion, see Cho Soon Sung, "North Korea in the Sino-Soviet Rift: 1st Phase," *The Journal of Asiatic Studies* 30, no. 1 (1987): 265–306.

of the 6PT have turned out to be almost fruitless so far in achieving the goal of denuclearizing the peninsula, although some progress (albeit small) has been made.

In the 6PT negotiations, North Korea follows its brinkmanship policy,<sup>25</sup> fearing no one and respecting no one. In desperation, a senior Chinese diplomat reportedly told a South Korean newspaper, “The DPRK... does not listen to what China has to say. It seems that it listens to neither China nor itself.”<sup>26</sup>

Currently, China’s leverage over North Korea, if any, results mainly from three major factors:

1. The China-North Korea security pact still in force
2. China’s huge and often timely economic assistance
3. China’s support of North Korea’s regime survival

#### *The 1961 China-North Korea Security Pact Still in Force*

The Treaty of Friendship, Cooperation and Mutual Assistance between the People’s Republic of China and the Democratic People’s Republic of Korea<sup>27</sup> provides assurance that “in the event of one of the contracting parties being subjected to armed attack by any state or several states jointly and thus being involved in a state of war, the other contracting party shall immediately render military and other assistance by all means at its disposal.”<sup>28</sup> That means that, in theory, in case of a large-scale war between North Korea and any other country, China will have to help

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25 For discussion of North Korea’s brinkmanship, see Ha Yong Chool et al., “North Korea’s Brinkmanship and the Task to Solve the ‘Nuclear Dilemma,’” *Asian Perspective* 34, no. 1 (2010): 87–109.

26 “Chinese Foreign Ministry Senior Spokesman Liu Jianchao: Recently DPRK Didn’t Listen to What China Had to Say,” *Chosun Ilbo*, Chinese Edition, August 7, 2006, [http://chn.chosun.com/site/data/html\\_dir/2006/08/07/20060807000004.html](http://chn.chosun.com/site/data/html_dir/2006/08/07/20060807000004.html). The report says: “刘建超用中文说,“朝鲜不听话,不听中国的话,也不听自己的话.””

27 The treaty was signed on July 11, 1961, to provide a solid legal foundation for Beijing-Pyongyang military and diplomatic solidarity. Both China and North Korea organized high-level events to mark the 50th anniversary of the signing of the treaty this year. See “Hu Stresses China-DPRK Friendship,” *China Daily*, July 11, 2011, [http://www.chinadaily.com.cn/china/2011-07/11/content\\_12880061.htm](http://www.chinadaily.com.cn/china/2011-07/11/content_12880061.htm); also see “DPRK Leader Meets Chinese Delegation on Ties,” *China Daily*, July 15, 2011, [http://www.chinadaily.com.cn/china/2011-07/15/content\\_12912271.htm](http://www.chinadaily.com.cn/china/2011-07/15/content_12912271.htm).

28 For the full text of the treaty, see Liu Jinzhi et al. (eds.), *Zhongguo dui chaoxian he hanguo zhengce wenjian huibian*, 1303. For an English translation, see Kim Se-Jin (ed.), *Korean Unification: Source Materials with an Introduction*, 274–275.

North Korea militarily. But this is the very last thing China wants to do at this point.

It has been said that a consensus on China's participation in the Korean War (and a possible second Korean War) among China's top policymakers is: (1) Chinese soldiers should not have shed their blood in vain (in the Korean War); and (2) There should be no more sacrifices by Chinese soldiers.<sup>29</sup> With the security pact still in force, China has treaty obligations to help North Korea in case of war, so China will have to do its utmost to avoid a future war that engages North Korea. Terminating or threatening to terminate the treaty may help restrain or discipline North Korea to an certain extent, but that would cause great damage to bilateral ties, incurring unpredictable and, likely, undesirable results.

#### *China's Huge and Often Timely Economic Assistance*

Although statistical figures of China-North Korea trade are hard to come by, China by default is North Korea's largest trading partner. Immediate economic sanctions by China against North Korea would provide leverage over Pyongyang that the international diplomatic community would like to see.<sup>30</sup> It would also generate many undesirable side effects for China, the most worrisome being a sharp increase in the already large number of Korean economic refugees crossing the Sino-Korean border. What is more, as some South Korean diplomats have observed, Beijing has "no will" to use its economic leverage to force a change in Pyongyang's policies, and North Korea's leadership "know it."<sup>31</sup> It would be accurate to say China has some carrots in one hand, but lacks an effective stick in the other.

Restrained by its relations with other major economic powers, especially its cold relations with the US and Japan, and thanks to China's rapid development in the past decades, North Korea may find China to be a natural supplier of economic aid. But such aid, from a Chinese

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29 Author's conversation with a confidential source in October 2010.

30 See Glenn Kessler, "China Rejected US Suggestion to Cut Off Oil to Pressure North Korea," *Washington Post*, May 7, 2005, <http://www.washingtonpost.com/wp-dyn/content/article/2005/05/06/AR2005050601623.html>.

31 Yoshinari Kurose, "Leaked Files: North Korea over by 2018," *Daily Yomiuri*, December 1, 2010, <http://www.yomiuri.co.jp/dy/world/T101130005464.htm>.



perspective, is necessary to maintain the stability of North Korea so as to avoid a “hard landing” or even an “implosion.”<sup>32</sup>

### *China's Support of North Korea's Regime Survival*

In addition to its participation in the Korean War in 1950 to save the regime in the northern part, China firmly opposed two seats for two Koreas in the UN since it regained its own seat in 1971 as a permanent member of the UN Security Council. This was to prevent the creation and perpetuation of “two Koreas” in international organizations. The policy was dropped when most Soviet bloc countries recognized South Korea in the late 1980s and early 1990s.

China's endorsement of the third-generation leadership, although far from comparable to the endorsement of new Korean rulers by China's emperors in imperial times,<sup>33</sup> is critical to the smooth dynastic succession and continued survival of the regime. Shortly after Kim Jong-Un was confirmed as his father's successor, Hu Jintao extended his invitation to both Kim Jong-Il and the “new DPRK leadership” to visit China at their convenience.<sup>34</sup> And Chinese leaders explicitly supported Kim Jong-Un immediately after his father's death in December 2011. This indicates China's endorsement of the junior Kim as the next-generation leader in North Korea.

China's leverage over North Korea is not as limited as China sometimes claims, but also not as great as the international community has

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32 See, for example, “China's big fear is a ‘regime implosion’ in North Korea,” *The National*, November 3, 2009, <http://www.thenational.ae/news/world/asia-pacific/chinas-big-fear-is-a-regime-implosion-in-north-korea>.

33 For example, in 1392, when General Yi Seong-gye established the Joseon Dynasty on the Korean Peninsula, becoming the Taejo of the new regime, he asked his court officials to present a memorial to the founder of the Ming Dynasty, Emperor Hongwu, himself a former soldier and rebel, to ask for his endorsement and to officially confer the title of king on Yi himself. See Yang Zhaoquan et al., *中国-朝鲜/韩国关系史* (*The History of Relations between China and Two Koreas*) (Tianjin: Tianjin renmin chubanshe, 2001), 462–463.

34 Ministry of Foreign Affairs of the People's Republic of China, “Foreign Ministry Spokesperson Ma Zhaoxu's Regular Press Conference on October 12, 2010,” October 13, 2010, <http://www.fmprc.gov.cn/eng/xwfw/s2510/2511/t761429.htm>.

estimated.<sup>35</sup> China does have some trump cards in dealing with North Korea, but it cannot play its limited trump cards easily and repeatedly (in the case of economic assistance). Lacking less extreme means of diplomatic leverage that could be used on a regular basis has limited China's influence over North Korea. Requesting or even urging China to use this leverage only paints China into a corner, and forces China to be even more careful and passive in dealing with North Korean issues.

### **China's Strategy for the Korean Peninsula: Status Quo**

One point deserves special attention when discussing China's relations with the Korean Peninsula countries. Despite their geographical proximity to China, North Korea and South Korea remain of secondary importance in China's diplomatic priorities, as evidenced in official Chinese documents.

In his October 8, 2005, report to the 5th Plenary Session of the 16th CPC National Congress, top Chinese leader Hu Jintao outlined China's overall diplomatic layout, namely, "major powers are the key, surrounding areas are the first priority, developing countries are the foundation, and multilateral forums are the important stage."<sup>36</sup> Obviously, the two Koreas fall in the category of "surrounding areas."

This "major power-oriented" foreign policy might remain unchanged till the end of 2012 (or even early 2013) when the new generation of Chinese leadership is in place following the reshuffle of power on the 18th National Congress of the CPC.

What foreign policy the new leadership will make and take deserves careful observations by all China watchers. But in line with the tradition of contemporary Chinese politics, it is widely believed that during the first few years of the term of the new generation's leader there would be no drastic changes of any policies left over from the previous

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35 For further discussions, see, among many others, Michael D. Swaine, "China's North Korea Dilemma," *China Leadership Monitor* 30; International Crisis Group Asia Report No. 112, "China and North Korea: Comrade Forever?" February 1, 2006; and International Crisis Group Asia Report No. 179, "Shades of Red: China's Debate over North Korea," November 2, 2009.

36 In Chinese, "大国是关键、周边是首要、发展中国家是基础、多边是重要舞台。" For the Chinese version of Hu's full report, see Hu Jintao, "Work Report to the 5th Plenary Session of the 16 CPC National Congress," "在中共十六届五中全会上的工作报告", <http://cpc.people.com.cn/GB/64184/64186/207391/13295985.html>.

generation of leaders, as shown in the transition from Deng Xiaoping to Jiang Zemin in the early 1990s.

One factor will have to be taken into consideration when discussing the future China-North Korea relations under China's new leadership (and North Korea's as well).

Unlike the earlier generation Chinese leaders, including those in the People's Liberation Army, who enjoyed good personal relations with North Korean leaders (Mao Zedong and Zhou Enlai vs Kim Il-Sung, Jiang Zemin and Hu Jintao vs Kim Jong-Il), the new Chinese leaders coming to power after the 18th National Congress of CPC don't know much more about the third-generation Kim than their counterparts in the West.

Kim Jong-Un came to international spotlight only in September 2010 when he was named vice chairman of North Korea's Central Military Commission, in an apparent nod to become the successor to Kim Jong-Il. Before that, the world knew almost nothing about him (not even his age and the accepted spelling of his name in Latin letters).

He has not made his diplomatic debut yet, and the new Chinese leaders will have to take a wait-and-see attitude. This strangeness will also indicate a quick deviation from China's set foreign policy is very unlikely, especially when North Korea is concerned.

In Premier Zhu Rongji's government work report delivered to the 2002 National People's Congress, both Koreas were listed with South Asian countries when Zhu came to the topic of China's diplomacy, and then he noted, "Development and improvement have been achieved in China's relations with the US, Russia, the European Union and Japan."<sup>37</sup> Although the Korean Peninsula countries were mentioned earlier in the report, it was obvious that China's relations with South Asian countries—and with the two Koreas as well—were not on a par with its relations with the United States, Russia, the European Union, and Japan.

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37 "2002: Full Text of Premier Zhu's Government Work Report (IV)," *China Central Television*, March 16, 2002, <http://www.cctv.com/lm/980/712/82536.html>. A study of the State Council's Government Work Reports reveals that this was the last time specific countries were named in the Government Work Reports delivered at the yearly National People's Congress. For the Chinese versions of the government work reports from 1954 to 2011, see [http://www.gov.cn/test/2006-02/16/content\\_200719.htm](http://www.gov.cn/test/2006-02/16/content_200719.htm). For English versions, see Beijing Review at <http://e-commerce.bjreview.com/archive>.



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China's policy toward the Korean Peninsula countries, especially its policy toward North Korea, has thus been greatly affected by China's relations with other major powers in this region. China-North Korea relations have to be seen in the bigger picture.

In the first decade of the 21st century, Chinese leadership has re-defined the purpose of China's foreign policy. A leading Chinese expert observes:

As Hu announced in July 2009, China's diplomacy must "safeguard the interests of sovereignty, security, and development." Dai Bingguo, the state councilor for external relations, further defined those core interests in an article last December: first, China's political stability, namely, the stability of the CCP leadership and of the socialist system; second, sovereign security, territorial integrity, and national unification; and third, China's sustainable economic and social development.<sup>38</sup>

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38 Wang Jisi, "China's Search for a Grand Strategy: A Rising Great Power Finds Its Way," *Foreign Affairs* (March/April 2011).

For the above-mentioned reasons, China had been noticeably conservative and low profile in post-Cold War international relations, especially following the disintegration of the Soviet bloc.<sup>39</sup> Although in principle China openly supports a peaceful unification of the Koreas, it appears to prefer the status quo or stability on the Korean Peninsula. Officially, China's Korea policy is "to support and maintain the peace and stability of the Korean Peninsula."<sup>40</sup>

Here, peace refers to the peaceful coexistence of the two Koreas. If military conflicts escalate on the peninsula, China will be forced to take military actions in line with the 1961 security pact, although this will be an extremely bitter pill for China to swallow. A refusal of treaty obligations would deeply embarrass China diplomatically and incur damages to China's national security if hostile forces arrive at the Sino-Korean border as a result of the military conflicts. Stability refers to maintaining the "status quo." A divided Korean Peninsula is in China's short- and mid-term interests. The policy can be interpreted as "peace of the two Koreas and stability in East Asia."<sup>41</sup>

China's strong desire for a stable Korean Peninsula in general and a stable North Korea in particular was best demonstrated by its quick reaction to take diplomatic measures that were conducive to maintaining the stability in and around North Korea after the expected but premature death of the North's top leader Kim Jong-Il.

Immediately after Kim's passing, China sent a letter of condolences to the North, explicitly using the phrase "under the leadership of Com-

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39 China adopted a low-profile foreign policy in early 1990s after the collapse of the Eastern European communist bloc, the key items of which include the following: (1) "Do not carry the flag of socialism", namely China should not seek to replace the role of the former Soviet Union, which was the leader of the socialist camp. (2) "Do not become the leader," namely China should not become the leader of the Third World countries. See Quansheng Zhao, *Interpreting Chinese Foreign Policy* (Oxford: Oxford University Press, 1996), for detailed accounts.

40 Before Hu Jintao's US visit in early 2011, he answered questions concerning major domestic and international issues in a written interview with reporters from the *Wall Street Journal* and the *Washington Post*. Regarding the Korean Peninsula, Hu said, "China maintained close contact and coordination with other parties and made relentless efforts to help ease the tension and maintain peace and stability on the peninsula."

41 However, a prominent Chinese scholar argues that although East Asia does enjoy durable peace, the region suffers from security instability. Among the examples he cited are the North Korean nuclear issues and the *Cheonan* warship event. See Yan Xuetong, "Peace and Instability in East Asia," paper presented at J-Global 2010 Forum, "New Dynamics in Asia: Will Asia Be the Centre of New Global Politics," sponsored by *JoongAng Ilbo*, Seoul, South Korea, September 5-6, 2010.

rade Kim Jong-Un.” This was an unmistakable indication that China had endorsed the younger Kim’s succession to his late father as the country’s top leader. This move, together with other diplomatic maneuvers, was believed to have played a pivotal role in helping to stabilize the situation on the Korean Peninsula.

Actually, the status quo is the policy not only of China, but also of other major players, as one Western scholar argues:

[F]or geopolitical, geoeconomic and other reasons all of the Four Great Powers would rather see the peaceful coexistence of the two Korean states on the Korean Peninsula than have to cope with the turmoil, chaos, and even massive exodus of refugees that would follow in the wake of a system collapse in the North.<sup>42</sup>

A US-based Chinese-American scholar noted more explicitly that “Beijing’s dominant interests seem to be a peaceful and stable Korean Peninsula, divided or unified (preferably divided). . . . China is very reluctant to play a very active role, yet is keenly interested in having a say in the process.”<sup>43</sup> A Chinese scholar summarizes it as “China would be happy to see the realization of the peaceful Korean unification.”<sup>44</sup>

Former US National Security advisor Zbigniew Brzezinski also noted:

Geography, reinforced by history, also dictates China’s interest in Korea. At one time a tributary state, a reunited Korea as an extension of American (and indirectly also of Japanese) influence would be intolerable to China. At the very minimum, China would insist that a reunited Korea be a nonaligned buf-

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42 See Samuel S. Kim, “The Future of China and Sino-ROK Relations,” in Kwak Tae-hwan and Melvin Gurtov (eds.), *The Future of China and Northeast Asia* (Seoul: Kyungnam University Press, 1991), 287.

43 Fei-Ling Wang, “China and Korean Unification: A Policy of Status Quo,” *Korea and World Affairs*, (Summer 1998): 178.

44 See Chen Junfeng, “China Would Be happy to See the Realization of the Peaceful Korean Unification,” *Northeast Asia Studies* 1 (2001): 22–29.

fer between China and Japan and would also expect that the historically rooted Korean animosity toward Japan would of itself draw Korea into the Chinese sphere of influence. For the time being, however, a divided Korea suits China best, and thus China is likely to favor the continued existence of the North Korean regime.<sup>45</sup>

In short, China's policy for Korea unification is "one Korea, but not now."<sup>46</sup> China prefers to see Korean unification as a natural development of an international situation and an independent choice of the Korean people, not forced nor hastened. Just as a Chinese proverb says, "shuidao qucheng" (水到渠成)—a channel is timely formed when the water comes—meaning when conditions are ripe, success is achieved, or to put it in a simpler way, just let nature take its course. China's current policy toward the Korean Peninsula countries is based on its recalculation of the balance of political and military power on the peninsula, its perception about a "consensus" among the four major powers to maintain the status quo, and, most importantly, a realistic analysis of the implications of Korean reunification for China's national interests.<sup>47</sup>

Over the long run, a unified Korea may create stability and peace on the Korean Peninsula and might help to eliminate the existence of external military and political forces. A unified and stronger Korea may serve as an important force countering Japan in East Asia. This would constitute the new multipolar structure desired by Beijing.

### Policy Issues

The end of the Cold War has led to an overall improvement in the security environment in Northeast Asia, but the Cold War's legacy—the division of the Korean Peninsula—remains the major source of tension

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45 Zbigniew Brzezinski, *The Grand Chessboard: American Primacy and Its Geostrategic Imperatives* (New York: Basic Books, 1998). The quoted paragraphs are seen on page 85 of the PDF version of the book.

46 I came across the phrase in Morton I. Abramowitz's book, *China: Can We Have a Policy?* (Washington, DC: Carnegie Endowment For International Peace Press, 1997).

47 Many Chinese scholars have talked about, among many other concerns, the possible territorial disputes that may arise after the Korean unification under either Korea's terms. But this paper will not elaborate on this point.

in this region. The nuclear impasse between North Korea and the international community remains unsolved. Relations between North Korea and South Korea went from bad to worse following the sinking of the *Cheonan* warship (with Pyongyang believed by Seoul to be the culprit) and the exchange of artillery fire<sup>48</sup> off Yeonpyeong Island.

However, from a historical perspective, the Korean issue was neither an unexpected occurrence caused by accidental factors nor a purely “internal issue” that evolved from the contradictions between the northern part and the southern part of the divided peninsula. It came into being when various international and national contradictions and conflicts interwove amid repeated struggles and trials of strength. Because of its unique strategic and geopolitical status, the Korean Peninsula has been put in the “synergistic forces” of international politics. In theory, the settlement of the Korean issue relies on not only the further improvement of inter-Korean relations, but also the support and positive interactions of the great powers that have key security and economic interests in this region.<sup>49</sup>

In reality, history has proved that the settlement of the Korean issue is far beyond the scope of the two Koreas, even though they are the countries directly concerned. Korean scholars like to describe Korea as “a shrimp between whales” when they talk about the Korean Peninsula’s position in international relations. It is justifiable to say that the Koreas are not “the master of their own house.” Within such an international context, China’s policy toward the Korean Peninsula should focus on preventing the tension between the two Koreas from escalating to an actual declaration of war. All the parties involved share this goal, but it is especially critical for China given its security commitment to North Korea.

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48 The expression “交火,” or “exchange of fire,” was the most commonly used phrase by the media in China when they covered the event taking place on Yeonpyeong Island. See, for example, “朝韩延坪岛交火韩方2死19伤 李明博要求做好还击准备,” [http://news.ifeng.com/world/special/chaoxianpaojihanguo/content-2/detail\\_2010\\_11/24/3208815\\_0.shtml](http://news.ifeng.com/world/special/chaoxianpaojihanguo/content-2/detail_2010_11/24/3208815_0.shtml); “China Expresses Concern over Alleged Exchange of Fire Between DPRK, ROK,” [http://news.xinhuanet.com/english2010/china/2010-11/23/c\\_13618711.htm](http://news.xinhuanet.com/english2010/china/2010-11/23/c_13618711.htm); and “延坪岛交火：国际社会反应不一,” <http://www.ftchinese.com/story/001035697>.

49 For a discussion of the relations between great powers and the Korean Peninsula countries, see Samuel S. Kim, *The Two Koreas and the Great Powers* (Cambridge: Cambridge University Press, 2006), and Chen Junfeng et al., *亚太大国与朝鲜半岛* (Beijing: Beijing University Press, 2002).



Some policy suggestions could be put forward here. The first suggestion is to push international efforts to replace the “armistice truce” with a peace agreement. Technically speaking, the two Koreas are still at war. The Korean War ended in 1953 with a vulnerable armistice, which was signed by China and North Korea on one side and the United States (on behalf of the UN forces) on the other side. Unfortunately, South Korea refused to sign the armistice, making the issue even more complicated when who would be legally eligible to sign the future peace agreement was discussed six decades later.

Some Chinese scholars have argued that, due to greatly reduced military tensions and in order to perpetuate peace on the Korean Peninsula, the signatories of the 1953 armistice agreement should once again sit down to negotiate a peace treaty as a replacement.<sup>50</sup> During this negotiation process, both North Korea and the United States will have to face each other and exchange views on common concerns. However, South Korea’s role in this process, if applicable, has to be carefully considered. As a non-signatory party, South Korea could be invited as an observer, but not as an active player, since the two Koreas continue to refuse to recognize each other. Yet a total exclusion of South Korea in the peace treaty negotiation would be nearly impossible. China and the United States, especially the latter, should persuade and encourage South Korea to accept its role as a bystander in the initial stage of a long peace-seeking process. Also, North Korea will have to be persuaded (mainly by China) to accept South Korea’s presence at the “truce agreement for peace treaty” negotiations.

The second suggestion is to complete the cross-recognition process.<sup>51</sup> The concept of “cross-recognition” was first put forward by Henry Kissinger in 1975, when tensions in East Asia had reduced substantially in the wake of Richard Nixon’s visit to China in 1971 and the signing of the “South-North Joint Communiqué of July 4, 1972,” by the two

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50 Xu Baokang said that “a fundamental solution is therefore needed to change the truce to a peace treaty” when interviewed by a South Korean newspaper. See Sunny Lee, “China’s Strategy Driven by Desire to Check US,” *Korea Times*, February 23, 2011, [http://www.koreatimes.co.kr/www/news/nation/2011/02/120\\_81988.html](http://www.koreatimes.co.kr/www/news/nation/2011/02/120_81988.html).

51 For a detailed discussion of the cross-recognition issue, see, among others, Zhu Qin, “周边大国在交叉承认韩朝问题上的博弈,” *Journal of Liaodong University* 12, no. 2: 131–9.

Koreas. The core of the proposal was to create a situation where China and the Soviet Union in the northern triangle recognized South Korea while the United States and Japan in the southern triangle gave diplomatic recognition to North Korea.

When the concept was first proposed, the northern triangle flatly refused it, citing fears that such moves would lead to the creation of “two Koreas,” thus perpetuating the division of the Korean Peninsula. However, in the early 1990s, when both North Korea and South Korea joined the UN as full members, and when both the Soviet Union and China established diplomatic relations with South Korea, thus completing half of the cross-recognition, the United States failed to honor its commitments.

At present, in view of the dispute over whether North Korea should give up its nuclear program first or whether the United States should diplomatically recognize North Korea first, completing the other half of the cross-recognition where the United States recognizes North Korea and gives North Korea a sense of security may be a good choice to help settle the Korean Peninsula issues—denuclearization of the Korean Peninsula in the short term and everlasting peace in the long run.

China can play a very active role in mediating the process of completing the (half) cross-recognition. Cross-recognition would offer a realistic framework to facilitate the evolution of a state of peaceful coexistence between the two Koreas. The normalization of diplomatic relations between North Korea and the United States/Japan will be conducive to the opening of Pyongyang to the international community and to making it a responsible member of that community. The normalization will bring about further positive changes in the structure of international relations in Northeast Asia, facilitating the establishment of a multilateral security mechanism in Northeast Asia, which would surely include Pyongyang.

The third suggestion is to turn the 6PT into a regional security mechanism. US scholar Paul Douglas argues, “Since the precipitous decline of China’s traditional imperial system in the early nineteenth century, Asia has lacked a political and security system that is stabilizing,

urable, indigenous, and regional.”<sup>52</sup> In the global setting, the Korean Peninsula represents an instance where any regional or sub-regional security institution or effective mechanism for dialogue is absent. A security mechanism in Northeast Asia is obviously necessary.<sup>53</sup>

Given what happened to Iraq (whose government was toppled by a US-led invasion on the ungrounded excuse of weapons of mass destruction) and to Libya (which gave up its nuclear development program in 2003 and later faced Western air strikes), the odds are great that North Korea will never agree to discard its nuclear program, even if the United States agrees to attempt to improve bilateral ties. A new round of the 6PT is unlikely to produce the desired results of denuclearizing the Korean Peninsula. But it did provide a platform where all the major powers that have strategic interests in this region—the United States, Japan, Russia, and China—and the two Koreas have exchanged views on their basic stances. It should be institutionalized as a regional security mechanism where everything that is related to the peace and security in East Asia could be discussed in either bilateral negotiations or multilateral consultations.<sup>54</sup>

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52 Douglas H. Paal, “China and the East Asian Security Environment: Complementarity and Competition,” in Ezra F. Vogel, (ed.), *Living with China: US/China Relations in the Twenty-First Century* (New York: W. W. Norton & Company, 1997), 97.

53 Chinese scholars have had extensive discussions on this issue. See Liu Ming, “Zhongguo dui Dongya anquan wenti de jiben kaolu yu mubiao,” *Guoji Wenti Yanjiu* 4 (1998): 12–18; Li Daguang and Li Li, “Dongbeiya anquan xingshi tedian ji zouxiang” *Xiandai Guoji Guanxi* 6 (1998): 19–22; and Han Zhen-she and Xu Kui, “Guanyu Dongbeiya weilai anquan wenti de jidian kanfa,” *Dangdai Yatai* 5 (1995): 49–54.

54 East Asia has the most complicated international relations in the world, with six sets of major power bilateral relationships, or the 15 sets of bilateral relations that occur when each of the four—the United States, Russia, Japan, and China—deal individually with the ROK and the DPRK and the two Koreas deal with one another.

CHAPTER  
11

**CHINA'S KOREA POLICY  
IN THE MAKING**



Hao Yufan



**Hao Yufan** is the dean of social sciences and humanities and a professor at the University of Macau and the editor-in-chief of *Journal of Macau Studies*. Prior to joining the University of Macau, Professor Hao was a faculty member of political science at Colgate University from 1990 to 2005. He received a number of awards and grants, including the Morris Abrams Award for International Security and Peace and research grants from the Rockefeller Foundation. His academic interests are Chinese foreign policy, Sino-American relations, corruption issues, international political economy, and Northeast Asian security. His current research topics are societal forces in Chinese foreign policymaking, Taiwan issues in Sino-American relations, and decision-making. His recent publications are *Blue Book of Macao—Annual Report on Economy and Society of Macao (2011-2012)* (co-edited with Zhiliang Wu, Chinese Social Science Academic Press, 2012) and *Macaology: An Introduction* (Chinese Social Science Academic Press, 2011). He received an M.A. and a Ph.D. from the Johns Hopkins University.

History and geography have combined to make the Korean Peninsula important to China's security. This importance lies not only in the fact that the peninsula shares a fairly long border with China's industrial heartland, but it also stems from the convergence—and often the clash—of the interests of Russia, Japan, and the United States in Korea. For the last century, Korea has served as an area of conflict and an invasion corridor for the three powerful states. The Chinese were involved in the Korean War from 1950 to 1953, supporting North Korea after the United States intervened on behalf of South Korea. This, together with the close ties between the leadership of the Chinese Communist Party (CCP) and the Korean Workers Party, led by Kim Il-Sung and his son Kim Jong-Il, which can be traced back to the 1930s, has reinforced the importance of Korea in China's policy calculations.

Since the end of the Cold War, the geopolitical context of the Korean Peninsula has been partially changed. With the collapse of the Soviet Union and improved Sino-Russian relations, Beijing found it possible to seek diplomatic normalization with South Korea.<sup>1</sup> During the first 10 years following diplomatic normalization between Beijing and Seoul, it seemed that the imperative of good economic relations overshadowed most political problems in the bilateral relationship. The emergence of a Sino-South Korea relationship was seen as the important variable shaping China's policy towards the Korean Peninsula.

Meanwhile, the escalation of the North Korean nuclear crisis has introduced elements of unpredictability and dilemma into foreign policy concerns for the Beijing leadership. Uncomfortable with Pyongyang's nuclear program, China joined the United States and other neighboring countries in their efforts to stop it. Yet the explosion of a North Korean nuclear device on October 9, 2006, put the relationship between China and North Korea to a serious test, as Beijing publicly registered its opposition to North Korea's action. After that, China's stance toward Pyongyang seems to have undergone some changes. Although most Chinese scholars still believe that the bilateral tie with North Korea remains crucial to Chinese security, particularly in the context of the US-South

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<sup>1</sup> Kim Hakjoon, "China's Policy Since the Tiananmen Square Incident," *Proceedings of the Academy of Political Science* 38, no. 2 (1991): 107–114.

Korean joint military exercises in the Yellow Sea in 2010, a handful of Chinese academics and intellectuals have publicly advocated rethinking China's policy toward North Korea.

China-South Korea relations have also experienced some problems since 2005, when South Korea successfully declared the Dragon Boat Festival as its World Heritage, which outraged many Chinese. Chinese media and Internet blogs helped stir Chinese public indignation towards South Korea. In 2007, the territorial dispute over Mount Baekdu again stimulated Chinese netizens' resentments toward Koreans. The voices from the Chinese public towards the two Koreas are becoming increasingly divided, adding a new variable influencing China's Korean policy making.

To what extent is China's Korea policy influenced by societal forces exemplified in the opinions of academia, media, and netizens? Beijing faces increasing difficulties in forming a policy that will serve its national interests and accommodate domestic public sentiment at the same time.

### **China's Objectives toward the Korean Peninsula**

China's regional policy toward the Korean Peninsula is aimed at four basic objectives: (1) to maintain regional peace and stability; (2) to denuclearize the peninsula to avoid a go-nuclear chain reaction in the region; (3) to maintain the historically shaped "special strategic relations" with North Korea; and (4) to improve its relationship with South Korea so as not to let Seoul join the US-Japan alliance in any possible future confrontation with China.

People may question what kind of international behavior an increasingly powerful China will have in the foreseeable future. President Hu Jintao stated in his carefully prepared speech at the Boao Forum in April 2011 that China promotes good-neighborly relations: "We respect each other's choice of development paths and efforts to promote economic and social development and improve people's lives. We need to translate the diversity of our region into a driving force for more dynamic exchanges and cooperation, increase mutual understanding and

trust and take our cooperation to higher levels.”<sup>2</sup>

In his talk with Barack Obama during his visit to the United States in 2011, Hu stressed that “facts had and would continue to prove a sound China-US relationship serves the fundamental interest of the Chinese and US people and is beneficial to peace, stability and prosperity of Asia Pacific and the world at large.”<sup>3</sup> The China-US Joint Statement stated that “China and the United States agreed on the critical importance of maintaining peace and stability on the Korean Peninsula as underscored by the Joint Statement of September 19, 2005 and relevant UN Security Council Resolutions. Both sides expressed concern over heightened tensions on the Peninsula triggered by recent developments.”<sup>4</sup>

In Beijing’s eyes, Northeast Asian regional stability requires a peaceful relationship between the United States and North Korea even though it may be a cold peace with occasional problems. China would not want to see any trouble between the United States and North Korea that may undermine its relationship with the United States. Any development in and around the Korean Peninsula that may lead to instability will be regarded as adverse to China’s interests. The reasons for China to desire stability in the Korean Peninsula are obvious. A military conflict would impose upon China an extremely serious dilemma that Beijing is neither willing nor ready to face. Bound by its traditional relationship with North Korea, China may find it hard to handle the issue of whether to assist North Korea if a conflict occurs without a provocation by Pyongyang. If China chooses to assist North Korea, it will inevitably damage China’s cooperative relations with the United States and Japan, and could compromise China’s economic modernization program. Therefore, the primary objective of China’s regional policy is to reduce tension on the peninsula.

China believes the best way to maintain regional stability is through inter-Korean dialogue and multilateral talks. It sees the improvement

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2 Hu Jintao, “Towards Common Development and a Harmonious Asia: Speech at the Opening Ceremony of the Boao Forum for Asia Annual Conference 2011,” *China News and Report*, May 15, 2011.

3 “Hu Jintao Holds Talks with Obama and Raises Five Proposals to Develop China-US Relations,” Embassy of the People’s Republic of China in the United States of America, January 20, 2011.

4 “China-US Joint Statement,” Embassy of the People’s Republic of China in the United States of America, January 19, 2011.



of inter-Korean relations as essential to increasing regional stability and to eventually creating a relaxed environment for resolving the North Korean nuclear crisis. The top priority of China in Northeast Asia is to actively engage in and even lead the regional security dialogue so as to make the Six-Party Talks a security mechanism for maintaining regional peace and stability.

China's second concern is the potential spread of nuclear weapons to Japan, South Korea, and ultimately to Taiwan. China takes these possible developments very seriously. North Korea's first nuclear test on October 9, 2006, sent a security shockwave across Northeast Asia. Regional powers such as Japan and South Korea began to try to find a response in the form of sanctions. China particularly worries that an unstoppable North Korean nuclear program may push Japan to develop its own nuclear program. Japan may be the first to reconsider its nuclear option, closely followed by South Korea reacting to the change of stance by both North Korea and Japan. All these developments may give Taiwan new interest in nuclear weapon capacity.<sup>5</sup> Although President Bush noted his concern and expressed confidence that Japan would not go nuclear, there is a willingness in the United States to exploit the so-called "Japan Card" to encourage Japan's breaching of its non-nuclear stance as a means to punish China for its failure to pressure North Korea on its nuclear program.<sup>6</sup> If Japan took that step, it would force China to reconsider upgrading its nuclear capabilities and doctrine in reaction to the nuclearized Japan and Korean Peninsula. It would trigger an arms race in East Asia, which would be a nightmare for China's national security. Therefore, dismantling North Korea's nuclear program is in China's interests.

Beijing's overriding security interests in North Korea cannot be fully protected without a good relationship with Pyongyang. Even if regional stability is maintained, if North Korea, like Vietnam in the late 1970s, turns hostile towards China, the consequences would be adverse

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5 Christopher W. Hughes, "North Korea's Nuclear Weapons: Implications for the Nuclear Ambitions of Japan, South Korea and Taiwan," *Asia Policy* 3 (January 2007): 75–104.

6 Jim Lobe, "US Neo-Conservatives Call for Japanese Nuke, Regime Change in North Korea," *Japan Focus*, October 17, 2006.

to China's interests. In addition, the collapse of North Korea might result in millions of impoverished people pouring into the northeast region of China, which would be equally adverse to China's national interests and domestic stability.

Among China's objectives, the most difficult to maintain is its relations with North Korea in such a way that Sino-US and Sino-ROK relations will not be strictly circumscribed. Twenty years ago, the cornerstone of China's regional policy was its relationship with North Korea.<sup>7</sup> Today, that has changed as the strategic importance of North Korea has declined. Beijing has also lost much of its leverage over Pyongyang due to its policies towards the United States and South Korea. No matter how much importance the Chinese leadership attaches to the bilateral relationship, North Korean leaders have always cast a wary eye on Beijing's dealings with Washington, Seoul, and Tokyo. Fortunately, Pyongyang has no Soviet card to play as it did some 20 years ago when dealing with China. Yet the nuclear program seems to give its leaders some bargaining power in dealing not only with the United States but also with China.

The fourth concern is the future direction of Seoul's foreign relations. It seems that the possibility of Seoul joining the US-Japan alliance in a potential confrontation with China is increasing. The *Cheonan* and Yeonpyeong Island incidents and China's awkwardness in responding to the two issues strained Beijing's relations with Seoul. In 2010, South Korea did not mark the anniversary of diplomatic relations with China for the first time since normalization in 1992. And the public impression of China in South Korea has deteriorated. In late 2010, the Northeast Asia History Foundation in Seoul released a survey that found positive perceptions of the relationship were down from 50.8% to 45.8%. At the same time, South Koreans' favorable views of Japan had risen.<sup>8</sup> Facing a common-threat perception, South Korea-Japan-US trilateral security measures seem to have strengthened. In the 42nd Security Consultative Meeting in October 2010, Seoul and Washington agreed to increase

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7 Hao Yufan, "China and Korean Peninsula," *Asian Survey* 27 no. 8 (August 1987): 862-884.

8 Kim Hyong-won, *The Chosun Ilbo*, November 9, 2010; International Crisis Group, "China and Inter-Korean Clashes in the Yellow Sea," *Asia Report*, January 27, 2011.

combined naval operations around the Korean Peninsula and institutionalize an Extended Deterrence Policy Committee. In January 2011, the South Korean and Japanese defense ministers discussed enhancing cooperation with each other and trilaterally with the United States and decided to draft agreements on acquisition, cross-servicing, and intelligence-sharing on North Korean weapons of mass destruction.

Ironically, China's interests in the Korean Peninsula are self-conflicting. China does not want to see nuclear weapons in the Korean Peninsula, so it has tried to use its limited leverage to promote denuclearization and nonproliferation, which is contrary to the interests of North Korea. At the same time, China does not want to see any kind of destabilizing change in North Korea and would like North Korea to continue to be a buffer state on its border. For that purpose China has tried to maintain the "brotherly friendship" relationship with Pyongyang and provide political and economic support, including protecting it from serious sanctions that may harm North Korea's regime stability. Noting that China may not give up North Korea, Pyongyang takes it for granted and continues to develop its arsenal for security or for negotiation leverage, which harms the stability and peace of Northeast Asia. Moreover, China's reluctant accommodation of North Korea may create resentment in Seoul, Tokyo, and Washington. These leaders may lose trust in China's support for denuclearization and nonproliferation and urge more sanctions against Pyongyang, which may in turn destabilize the North Korean regime. For that reason, China insists that the North Korean nuclear issue be resolved in a peaceful manner that would not undermine the stability of the region.

### **The North Korean Nuclear Issue in 2009-11**

After Obama's inauguration, North Korea intended to test the new US administration's Korean policy. On April 5, 2009, North Korea launched the "Kwangmyongsong-2," an experimental communications satellite, into orbit with the Unha-2 (Taepodong-2) space launch vehicle from North Korea's Musudan-ri launch site in North Hamgyong province approximately 80 kilometers from the Chinese border.

Before that, Wang Jiarui, chief of the International Liaison Depart-

ment of the Chinese Communist Party, had tried to persuade Pyongyang not to launch the satellite, requesting that no action be taken that might jeopardize the Six-Party Talks or destabilize the region. Beijing also encouraged North Korea to consider signing the Outer Space Treaty and the Convention on the Registration of Objects Launched into Outer Space in order to improve its international image.<sup>9</sup>

After the rocket launch, the UN Security Council discussed how to respond and debated whether the launch had violated Security Council Resolution 1718. Japan, whose territory was crossed over by the rocket's trajectory, pressed the United States and the UN to take a stronger stance. Obama called the launch a "clear violation of UNSC Resolution 1718 and a threat to the northeast Asian region and to international peace and security."<sup>10</sup> While Beijing insisted that North Korea had the right to the peaceful use of nuclear and rocket technologies,<sup>11</sup> it proposed a non-binding, strongly worded presidential statement instead of the binding resolution supported by the United States and Japan. Although the statement recognized that the launch was in contravention of Resolution 1718 and any future launches using ballistic missile technology would also be in violation of existing Security Council resolutions, it did not use the word "violation" for this launch.

However, after the statement was released, Pyongyang was outraged, demanded that the UN apologize, and announced its permanent withdrawal from the Six-Party Talks. North Korea also said that it would boost its nuclear deterrent for self-defense in every way.<sup>12</sup> Ironically, Pyongyang was not happy about China's role in ensuring a non-binding statement rather than a resolution.<sup>13</sup>

On May 25, 2009, North Korea conducted its second nuclear test. Although Beijing resolutely opposed the test, it continued to call upon parties to "respond in a calm and appropriate manner and persist in

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9 Crisis Group Interview, Beijing, July 2009.

10 Barack Obama, "Statement by the President on North Korea Launch," White House, April 5, 2009.

11 Ministry of Foreign Affairs of the People's Republic of China, Press Conference, April 7, 2009.

12 International Crisis Group, "Shades of Red: China's Debate Over North Korea," *Asia Report* No. 179, November 2, 2009.

13 *Ibid.*

solving the problems through consultations and dialogue.”<sup>14</sup>

Upon Japan’s request, an emergency meeting was called for the UN Security Council, and a non-binding statement was issued condemning the nuclear test as a clear violation of Security Council resolutions.<sup>15</sup> Two weeks later, on June 12, 2009, UN Security Council Resolution 1874 condemned the nuclear test and demanded that North Korea not conduct additional nuclear tests or launches using ballistic missile technology, including a prohibition on all arms exports from North Korea, a new framework for national authorities to inspect North Korean ships, and financial sanctions against North Korean entities as designated by the sanctions committee. Although China agreed on the relatively robust sanctions regime against Pyongyang, it blocked the use of force and any sanctions against non-military trade.<sup>16</sup> And Beijing asserted that the sole purpose of sanctions was to bring North Korea back to negotiations.<sup>17</sup>

In October 2009, during the first visit to Pyongyang in the last 18 years by a Chinese premier, Wen Jiabao delivered a large aid package to North Korea and got North Korea to promise to return to the Six-Party Talks. However, in the slowly warming atmosphere, the *Cheonan*, a South Korean Navy corvette, sank on March 26, 2010, in the Yellow Sea after being torn in half by an underwater explosion that killed 46 of its 104 sailors.

The Chinese foreign ministry’s first official comments, nearly a month after the incident, called the sinking a “tragedy” and stated that Beijing had “note(d) that the ROK plans to carry out a scientific and objective investigation and believes the issue will be properly handled.”<sup>18</sup> ROK president Lee Myung-Bak lobbied Chinese president Hu Jintao in Shanghai to take a stronger stance toward the North on April 28, 2010. But China refused to do so. What made South Koreans unhappy was that Hu also welcomed Kim Jong-Il to Beijing on May 5, just one week

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14 “Chinese Government ‘Resolutely Opposes’ DPRK’s Nuclear Test,” *Xinhua*, May 25, 2009.

15 “UN Security Council Condemns North Korea Nuclear Test,” *Reuters*, May 25, 2009.

16 “Report Regarding North Korea Sanction Implementation-II,” Congressional Research Service, October 8, 2010.

17 Ministry of Foreign Affairs of the People’s Republic of China, Press Conference, June 13, 2009.

18 Ministry of Foreign Affairs of the People’s Republic of China, Press Conference, April 20, 2010.

after Lee's departure.

During his visit to Seoul at the end of May 2010, Chinese Premier Wen Jiabao pledged that Beijing "will not protect anyone" after it had made an "impartial judgment" about who was responsible.<sup>19</sup> China was not pleased that it was not invited by the South Koreans to investigate the *Cheonan* sinking incident.

American President Barack Obama talked to Chinese President Hu Jintao during the G-20 summit in July and called on the Security Council to issue a "crystal clear" message.<sup>20</sup> But China repeated its position that a critical statement would "pour fuel to the flames."<sup>21</sup> Finally, a Security Council presidential statement acknowledged the incident as an attack and condemned the act, but not North Korea.

Making things worse, provoked by a live-fire exercise by South Korea, North Korea shelled Yeonpyeong Island on November 23, 2010, killing two civilians and two marines, which was the first artillery attack against South Korean territory since the end of the Korean War.<sup>22</sup> On the day of the attack, the Chinese foreign ministry announced that Beijing was "concerned about the issue," although "the specific circumstances have yet to be verified."<sup>23</sup> The next day, Premier Wen Jiabao stated that Beijing opposed "any provocative military acts" on the Korean Peninsula. And two days later, the foreign ministry warned against "any military activities...without permission" in China's "exclusive economic zone."<sup>24</sup>

In order to reduce the inter-Korean tensions and the international pressures, China resorted to its panacea for Korean issues again—the Six-Party Talks. On November 28, 2010, Beijing called for an "emergency meeting of delegates to the Six-Party Talks" at the end of State Councilor Dai Bingguo's visit to Seoul.<sup>25</sup> On December 2, 2010, regard-

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19 "China 'Will Not Protect' Korea Ship Attackers," *BBC*, May 28, 2010.

20 Joe Lauria, "China Stalls UN Efforts against North Korea," *Wall Street Journal*, July 7, 2010.

21 Ministry of Foreign Affairs of the People's Republic of China, Press Conference, June 29, 2010.

22 International Crisis Group, "China and Inter-Korean Clashes in the Yellow Sea," Asia Report No. 200, January 27, 2011.

23 Ministry of Foreign Affairs of the People's Republic of China, Press Conference, November 23, 2010.

24 Ministry of Foreign Affairs of the People's Republic of China, Press Conference, November 25, 2010.

25 "China Proposes Emergency Consultations among Heads of Six-Party Talks in Early December," *Xinhua*, November 28, 2010.

ing the US-South Korea combined exercise and the US-Japan combined exercise, the Chinese foreign ministry compared the exercises to “brandishing swords and spears” that “amplify and escalate tensions.”<sup>26</sup> On December 6, 2010, in a phone call to Hu Jintao, Obama condemned the North’s shelling of Yeonpyeong Island, said Pyongyang must meet its international obligations under the 2005 Six-Party Statement of Principles, and urged China to “send a clear message to North Korea that its provocations are unacceptable.” Hu described the security situation as “very fragile” and suggested that the United States and China “work together.”<sup>27</sup> North Korea was also a key issue during Hu Jintao’s visit to the United States in January 2011, during which he restated the importance of cooperation between China and the United States on the Korean Peninsula issues and regional stability. Two days later, Hu dispatched State Councilor Dai Bingguo to Pyongyang, where he had “frank and in-depth talks” with Kim Jong-Il and reached an important consensus on China-North Korea relations and the situation on the Korean Peninsula.<sup>28</sup>

The key to the current impasse is in the hands of Pyongyang and Washington. North Korea’s justification for its nuclear weapons program is the perceived US threat. It claims that the sole purpose of its nuclear program is to deter a US attack. Part of the reason for Pyongyang to pursue a nuclear weapons program is its further lagging behind in conventional weapons systems compared with that of South Korea. Because a US attack would likely trigger a second Korean War, North Korea justifies its nuclear program as protecting all Koreans on the peninsula. Kim Jong-Il argued that if the United States signed a non-aggression pact and a peace treaty and normalized its diplomatic relations with North Korea, Pyongyang would not have pursued the nuclear deterrent.

The primary reason for North Korea’s constrained response to South Korean military exercises is that it has to overcome its economic predicament by seeking to end the financial sanctions imposed by the

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26 Ministry of Foreign Affairs of the People’s Republic of China, Press Conference, December 2, 2010.

27 Mark Landler, “Obama Urges China to Check North Koreans,” *New York Times*, December 6, 2010; Xinhua, “President Hu Jintao Discusses Korean Situation over Phone with President Obama,” December 6, 2010.

28 “Dai Bingguo Holds ‘Frank and In-depth’ Talks with Kim Jong-Il,” *Xinhua*, December 9, 2010.

United States. It is well known that North Korea has various kinds of economic difficulties. Being suspicious about China's reform and open-up policy, it missed a historical chance at the end of the Cold War to concentrate on economic reform. Instead it focused on improving relations with the South and sought peaceful reunification of the peninsula. The nuclear issue raised by the United States slowed down the progress of Pyongyang-Seoul contact and forced Pyongyang to put security before economic development. Since Kim Jong-Il took full control of North Korea, the country has pursued a policy of "military first," that accelerated its economic plunge.

Of course, Washington's policy toward Pyongyang is an important factor leading to North Korea's economic stagnation. At the beginning of the new century, there were signs that North Korean leaders would like to consider options for changing their economic policy. Kim Jong-Il visited China on an unofficial basis to study China's economic achievements. Pyongyang actively sought diplomatic relations with European countries, demonstrating its eagerness to look outward, and some reform policies were introduced. However, the Bush administration quickly adopted a hostile attitude towards Pyongyang and made it impossible for North Korea to adjust its development strategy. After that, a nuclear deterrent seemed to become a primary concern for North Korea's survival.

Therefore, a final solution of the nuclear issue may offer a major opportunity for Pyongyang to bring about positive changes in its internal and external environments. That is why Pyongyang's major objectives in the talks are to obtain a formal non-aggression guarantee from and to normalize its relations with the United States. For Kim Jong-Il, trading North Korea's nuclear program for the normalization of US-North Korea relations may be a feasible strategic choice.

Now the question is whether the United States is willing to give North Korea a chance. Having rejected Clinton's engagement policy, the Bush administration adopted a high-handed policy towards Pyongyang. Yet such an approach does not help solve the nuclear issue, as it makes North Korea more vigilant and causes it to take a continuously hostile stance toward the United States. It also keeps Beijing in a continuously



difficult position in dealing with both countries.

Now there seems to be an equally important need for the Obama administration to bring North Korea back to the negotiation table. Obviously, hawkish policy did not work well. The major stumbling block in the talks so far is that both the United States and North Korea made extreme demands but failed to demonstrate good faith in the negotiation by considering a compromise. Confidence-building is essential for both sides at this moment. The need for a settlement from both North Korea and the United States is clear. However, it must be recognized that dismantling North Korea's nuclear program is a complex process.

What China can do is limited. So far, there are four commonly agreed-upon instruments under China's disposal in dealing with the North Korean nuclear issue: (1) bilateral diplomatic capital of persuasion of both North Korea and the United States for a peaceful settlement of the denuclearization issue; (2) multilateral talks, as exemplified in the Six-Party Talks, in which China's prestigious position and its effective working relations with all the other five concerned parties make it a unique and effective leader; (3) leverage over North Korea as the most important supplier of energy and food to that country; and (4) a model of economic reform for North Korea.

China will continue to exert its influence to encourage Pyongyang to talk with the other four parties regarding the nuclear issue and to open its economy to the world as China has done. Beijing favorably noted North Korea's recent plan to reform its economic system and to set up special economic zones.<sup>29</sup> In May, 2011, Kim Jong-Il went on a one-week trip to China, including Yangzhou, Shanghai, and Beijing, where he visited many enterprises and learned about China's reform and economic development. At the end of his trip, Hu Jintao urged Kim to engage in dialogue with South Korea. He said, "China believes that both sides must maintain peace and stability on the Korean Peninsula and uphold the goal of denuclearization, while maintaining objectivity and restraint in tackling obstacles and improving mutual relations." Kim stated that "North Korea is currently focusing its efforts on economic

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<sup>29</sup> Kim Jong-Il visited several provinces in China in May 2011.

development and we really need a stable environment for this.” He also hoped to ease tensions on the Korean Peninsula and stick to the objective of denuclearization on the Korean Peninsula, and believed that the Six-Party Talks should be resumed at an early date.<sup>30</sup> Even though Pyongyang is reluctant to give up its strategy of self-reliance in its development, Beijing leaders seem confident that they can influence North Korea’s future economic orientation if China’s own modernization program proves to be successful.

### **Anti-South Korean Sentiments in the Chinese Media and Internet**

Multiple actors affect China’s Korean policy making. The International Liaison Department of the CCP remains the leading policy initiator for China’s North Korean policy, and the Ministry of Foreign Affairs is the main implementer of this policy. In recent years, the military, official think tanks, and academics have participated in the debate over China’s Korean policy making. Even public opinion has become important in affecting this policy debate. Among various societal factors, the media-stimulated public opinion seems to be increasingly important.

Forty years ago, Canadian social scientist Marshall McLuhan presented a theory that rocked academia. According to his theory, the medium is not the carrier of the message, instead, “the medium is the message.” In other words, what is carried through by the medium is secondary to the form in which the message is packaged and presented by the medium.<sup>31</sup> Inevitably, due to the interactive attributes of online communication, the decentralized structure of cyberspace, and the immaculate technology of online channels, scholars have shown their solicitude for the development of political communication.

In authoritarian China, online technology provides a platform to strive toward the inclusive sphere, even though the government shields and screens sensitive expressions and comments. The Chinese online

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30 “Kim Jong-Il’s China Trip Turns Sour,” *The Chosun Ilbo*, May 27, 2011; BBC, “China Trip by North Korean Leader Kim Jong-Il Ends,” May 27, 2011.

31 Marshall McLuhan, *Understanding Media: The Extension of Man*, 6th ed. (Cambridge: The MIT Press, 1997).

sphere is increasingly fomenting the discussion of international affairs with growing nationalist emotion. Meanwhile, Chinese academics are playing, together with the media, the role of opinion-makers in China. More and more academics have been consulted by CCTV and local TV as well as radio talk shows and have written about international events for local newspapers, resulting in more informed and less biased reporting. They have begun to influence public views on international affairs.

The Koguryo Kingdom dispute between Chinese and South Korean netizens became a public issue during the summer of 2004, deeply influencing Chinese public and elite opinions about South Korea. The discontent in China over South Korea's extreme nationalism swept over the Internet. In the spring of 2005, China-South Korea relations witnessed turbulence within the Chinese media and Internet circles. Anti-South Korean sentiments in China were increasing as China began disputing South Korea's attempts to register the Gangneung Danoje Festival as a UNESCO intangible cultural heritage. In 2007, unsubstantiated reports from the Chinese media that South Korea was attempting to register Chinese characters at UNESCO also ignited significant controversy. These reports also spread to the Hong Kong and Taiwanese media quickly.

Many in China believe the Gangneung Danoje Festival derived from the Chinese Dragon Boat Festival, and China pursued a joint registration of the Gangneung Danoje Festival and the Chinese Dragon Boat Festival. South Korea, however, claimed that the Gangneung Danoje Festival is a unique cultural tradition of Gangneung, Korea, completely different from the Chinese Dragon Boat Festival, and rejected joint registration. Despite Chinese opposition, UNESCO has registered the Gangneung Danoje Festival as an intangible cultural heritage. Upon registration, provocative words such as "discrimination," "looking down upon," and "infuriating Chinese people's feelings," were frequently used in the Chinese media and Internet. Influenced by these issues, South Korea was named the most hated country in an Internet survey of Chinese netizens, according to the Chinese newspaper International Herald

Leader in 2007.<sup>32</sup> In the opinions of South Korean scholars, the Dragon Boat Festival of the ROK and that of China differ vastly. China's Dragon Boat Festival contains Dragon Boats sacrificed to Qu Yuan, while Gangneung, though located by the seaside, does not contain this activity of worshipping regionally renowned figures as patron saints. These scholars pointed out that at the Asia International Folk Customs Symposium in 1997 and 2002, Chinese scholars acknowledge that Gangneung's Danoje customs are different from China's. However, Chinese media still made accusations about South Korea stealing Chinese culture and expressed regret and humiliation at losing the Chinese Dragon Boat Festival to South Korea. This greatly incited Chinese cyber nationalism to rapidly spread online.

The UNESCO intangible heritage controversy was followed by a series of similar accusations from the Chinese media and Chinese netizens. In November 2010, the United States and South Korea held joint military exercises close to China's Yellow Sea, which almost engulfed the Chinese online news commentary. It illustrated the functions of academic scholars, mass media, and the Internet in prompting and stimulating public debate on China-related Korean issues and facilitating the formation of anti-South Korea sentiment in China.

Specifically, when it comes to the issue of the two Koreas, many Chinese scholars and observers blame Washington (and in some cases Japan) for at least two interrelated counts: (1) for establishing and sustaining an overt policy of hostility toward Pyongyang that essentially forces the North to undertake desperate and provocative measures; and (2) for manipulating and using the North Korean crisis in order to strengthen Washington's larger strategic position in Asia and, specifically, to put pressure on China. A significant number of Chinese pundits and scholars favor a "wait-and-see" attitude, centered on continued negotiations and behind-the-scenes efforts to encourage Pyongyang to comply with the international community, while keeping Washington, Seoul, and Tokyo in the game. Many people in Beijing hope that the North Korean crisis will remain controllable through such means until a more

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32 Translated into Chinese as "Guoji xianqu daobao."

moderate, less hostile government emerges in either Washington and/or (more likely) Pyongyang. In the meantime, the dilemma China confronts in Northeast Asia will remain and most likely worsen. This view is sometimes associated with the notion that the Chinese leadership seeks to sustain the nuclear crisis at manageable levels in order to reduce the likelihood that Washington will transition to a more confrontational policy toward China. In other words, by keeping the United States engaged on the North Korean problem, the argument goes, Beijing is able to sustain bilateral cooperation, prevent the emergence of a more hostile US policy, and enhance China's strategic leverage. Chinese scholars sometimes express this viewpoint. Chinese experts have also said that the Korean Peninsula is still manageable.<sup>33</sup> The United States and South Korea cannot afford to launch a massive retaliation against North Korea.<sup>34</sup> China will not stand by and see the collapse of North Korea.<sup>35</sup>

Because of continuing disputes over cultural, territorial, and commercial issues, the relations between China and South Korea have become tense. In March 2011, South Korean media reported that Chinese hacker organizations had targeted and accessed the data of the South Korean military and government, which might have set off a new wave of mutual distrust and hatred on the Internet.<sup>36</sup>

So far the rising anti-South Korea sentiments within Chinese society and dissents from Chinese scholars have made the Beijing leadership hesitate when they make their Korea policy. China's foreign relations started to account for a large amount of the online publications and online discussions, and never before has the Chinese leadership considered the interests and opinions of various domestic political constituencies. For example, the Chinese leadership decided to take a tough stand toward Japan in 2005 when Chinese public opinion became extremely

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33 "Chinese Experts Say the Korean Peninsula Is Still Manageable," *China Review News*, December 20, 2010, <http://www.chinareviewnews.com/doc/1015/4/3/4/101543465.html?coluid=7&kindid=0&docid=101543465>.

34 "Chinese Experts: US and South Korea Cannot Afford to Launch a Massive Retaliation Against North Korea," *Chongqing Evening News*, November 24, 2010, [http://news.ifeng.com/mil/4/detail\\_2010\\_11/24/3218240\\_2.shtml](http://news.ifeng.com/mil/4/detail_2010_11/24/3218240_2.shtml).

35 Blog post, "China Expert: China Cannot Sit Back and Allow North Korea to Collapse," March 31, 2011, [http://blog.sina.com.cn/s/blog\\_4a6722050101816s.html](http://blog.sina.com.cn/s/blog_4a6722050101816s.html).

36 See [http://english.chosun.com/site/data/html\\_dir](http://english.chosun.com/site/data/html_dir).

anti-Japan. The rising anti-Japanese sentiments made the Chinese government become increasingly tough toward Tokyo, and China publicly registered its objection to Japan's bid to join the UN Security Council.

When it comes to the Chinese attitude toward North Korea, a popular question raised among the Chinese public is "Why does China need North Korea?" The answers are varied. Several scholars have argued that it is important for the sake of national security and interests from a geopolitical perspective that China maintains good relations with North Korea, treating it as a buffer zone to resist the US-Japan-South Korea forces' attempts to pressure China. Some scholars have even argued that the constant troublemaking by North Korea may be viewed as a springboard for China's rise in the world. It helps China stay in the limelight and serves as a necessary link between China and the United States as well as with other major powers.

After the sinking of the *Cheonan* and especially after North Korean soldiers shot and killed three Chinese smugglers, some Chinese netizens called for ditching North Korea. Some netizens said that despite China's generous support, North Korea's insistence on making nuclear weapons has damaged China's national interests. Therefore, more than 70% of Chinese netizens believe that after Beijing abandons the North, a united Korea would be of more benefit to China's economic interests. In addition, on the military front North Korea is hardly an asset. Sooner or later, China will probably be dragged into a regional confrontation or even a war, as China cannot fully control North Korean international behavior.<sup>37</sup> In 2010, Chinese netizens reacted angrily to a visit to China by North Korean leader Kim Jong-Il, with large numbers taking part in a campaign on Kaixin (Chinese Facebook) titled "Kim Jong-Il, get out of China." Netizens lashed out at Kim for occupying the presidential suite at the Furama Hotel in the northeastern port city of Dalian, which costs 16,000 yuan per night, more than the annual per capita economic output of North Korea. Chinese commentators on the micro-blogging service Twitter also criticized the wastefulness of the huge limousine motorcade that followed Kim, saying the money was taken from the "flesh

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37 Yang Hengjun, "Why China Needs North Korea," *Chinascopes* (July/August 2010).

and blood” of the North Korean people.

China has become a networked society, which has made it difficult for the Chinese government to control. Although the Chinese Communist Party has found the vast commercial potential of the Internet useful for China’s economic growth, it has also realized the danger and has tried to tighten state control over the Chinese Web and its usage. Being aware that an unregulated network may shift power from the state to citizens by providing an extensive forum for discussion and collaboration, Beijing has taken steps to prevent this commercial gold mine from becoming political quicksand.

On the one hand, the emergence of civil society has broadened the foundation for an open-door policy. On the other hand, the rise of the civil society makes it more challenging for the government to monopolize Chinese foreign policy. Decision makers in Beijing now must take the growing societal factors into consideration when making policies toward Korea. There is growing demand in Chinese society for equal international status and meeting international standards on trade, human rights, and many other issues. There will be a strong popular reaction whenever the people feel that China is treated unfairly by foreign powers.

Since 1949, Chinese foreign policy has been traditionally viewed as highly centralized, dominated by a few powerful senior officials acting free from domestic public pressure. Chinese leaders continuously have tried to maintain relations with Seoul and not harm the \$207 billion in annual trade between the two countries.<sup>38</sup> However, the Beijing leadership has had to accommodate domestic nationalist sentiments in the wake of certain bilateral events in the hope of maintaining or even continuing to improve Sino-South Korea relations. The moment may come when policy makers cannot make policy initiatives without a serious consideration of public opinion. This may represent a gradual but significant shift from the Communist Party’s centralized control over China’s foreign policy making, relatively free of social pressure, to a new

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38 [http://cafe.naver.com/cctra.cafe?iframe\\_url=/ArticleRead.nhn%3Farticleid=405](http://cafe.naver.com/cctra.cafe?iframe_url=/ArticleRead.nhn%3Farticleid=405); The US-China Business Council, “US-China Trade Statistics and China’s World Trade Statistics,” <http://www.uschina.org/statistics/tradetable.html>.

pattern characterized by increasing domestic restraints.

### **Conclusion**

China needs peace and stability in Northeast Asia. For that purpose, it is likely that Beijing will remain active in finding a solution for the North Korean nuclear issue. That sense of urgency has been well reflected in Chinese initiatives since 2003. The direct talks between North Korea and the United States, which resumed in Beijing in late February 2012 after the death of Kim Jong-Il, was a good indication that China, indeed, wants to have the issue resolved. Although there is strategic consensus among all major powers on the goal of a nuclear-free Korean Peninsula, most Chinese analysts believe that the key to the nuclear issue remains in the hands of the United States.

American hardliners have never trusted North Korea and have always dismissed diplomatic give-and-take as rewarding bad behavior, arguing that Kim Jong-Il duped President Clinton by halting North Korea's plutonium program while starting a covert uranium-enrichment program. However, most Chinese observers believe that the United States bears more responsibility for the current impasse. It is the United States that first reneged on the 1994 Agreed Framework, failing to reward North Korea's good behavior. Washington managed to freeze Pyongyang's plutonium program, which, if it had continued to operate, would have generated enough plutonium for at least 50 bombs, yet Washington failed to live up to its end of the bargain. Since Republicans took control of the Congress after the accord was signed in the mid-1990s, Clinton did little to ease the sanctions until 2000 throughout the rest of his administration. Although the United States had pledged to provide two nuclear power plants by a target date of 2003, the concrete for the first foundation was not poured until August 2002. In addition, the delivery of heavy oil was seldom on schedule. Above all, the United States did not live up to its promise to "move toward full normalization of political and economic relations."

In the mid-1990s, there was an illusion among Washington policy makers that the North Korean regime might not last long. Therefore, many people within the Washington Beltway preferred economic sanc-



tions and a naval blockade when dealing with Pyongyang. Yet China, Russia, South Korea, and Japan would not go along because they all knew pressure would only provoke the North to arm sooner rather than collapse.<sup>39</sup> Therefore, changing the course in Washington is the key to resolving the issue. Only a US willingness to reconcile would alter North Korea's course.

However, there are some good reasons to look beyond what "should" have happened but instead at what is likely to happen. Considering the domestic political climate in the United States, it is likely that Obama will continue to put pressure on North Korea, but he may realize that a hard-line strategy is not working and engage in diplomatic give-and-take to press for denuclearization. The prospect of a successful denuclearization of the Korean Peninsula in a peaceful manner is still within reach. The joint pact signed on February 13, 2007, has provided the guiding principle for further negotiation and implementation.

The death of Kim Jong-Il seems to have provided an opportunity for the North Korean leadership to reconsider its fundamental approach. The international community was surprised by Kim Jong-Un's sudden decision to suspend its Yongbyon nuclear weapons program in exchange for food aid. Pyongyang has agreed to implement a moratorium on long-range missile launches, nuclear tests, and nuclear activities at Yongbyon, including uranium-enrichment activities and has also agreed to allow inspectors from the International Atomic Energy Agency to verify and monitor the moratorium on uranium-enrichment activities at the Yongbyon plant. Although this may represent a major step forward toward the denuclearization of the peninsula, people have reasons to remain cautious about the prospects.

Because of the strategic importance of North Korea, China cannot treat Pyongyang too harshly. North Korean leaders may not like some of the Chinese policies, but they also recognize that to a large extent they must depend on China economically and militarily, and more importantly China is the principal counter to US pressure. This unavoidable dependence may breed frustration and resentment. However, China will

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39 Leon V. Sigal, "North Korea to Suspend Plutonium Production," *AlterNet.org*, March 1, 2007, <http://www.alternet.org/story/48617>.

continue to encourage North Korea to reaffirm rather than to renege on its commitment to abandoning its nuclear program. Yet, due to the special nature of its relationship with Pyongyang, China may be very cautious in handling its policy towards North Korea and may concentrate more on its own domestic economic development in order to ensure the success of China's modernization program. The success of China's modernization drive not only would increase its economic leverage over North Korea, but also would have a significant impact on North Korea's international economic orientation and its foreign relations.

## CHAPTER 12

# DISILLUSIONMENT AND DISMAY: HOW CHINESE NETIZENS THINK AND FEEL ABOUT THE TWO KOREAS



Peter Hays Gries



**Peter Hays Gries** the Harold J. & Ruth Newman Chair at the Institute for US-China Issues and an associate professor of international and area studies at the University of Oklahoma. Professor Gries was a postdoctoral fellow at the Mershon Center for Security Studies at Ohio State University, and an assistant professor of political science at the University of Colorado. His work focuses on nationalism, the political psychology of international affairs, and China's domestic politics and foreign policy. He is the author of *China's New Nationalism: Pride, Politics, and Diplomacy* (University of California Press, 2004) and the co-editor of *Chinese Politics: State, Society and the Market* (Routledge, 2010), and has written dozens of academic journal articles and book chapters. He received an M.A. in Chinese studies from the University of Michigan and a Ph.D. in political science from the University of California, Berkeley.

North Korea's military aggression is probably best explained by the leadership transition in Pyongyang. And China's policy response was likely driven by "traditionalists" within the International Liaison Department of the Chinese Communist Party and conservatives within the People's Liberation Army.<sup>1</sup> But China's 2010 behavior was deeply alarming to South Koreans expecting that increasing PRC-ROK economic interdependence and interpersonal interactions would lead to improved bilateral relations. The 2010 setback in bilateral relations raised a serious question in Seoul: how do Chinese feel and think about the two Koreas?

This article explores Chinese netizen (网民) views of the two Koreas. There is no way to directly assess the Koreans' views of China's policymaking elite. The views of China's netizens, however, can be studied and are worth studying: Chinese netizens have already proven to be a major player in the making of Chinese foreign policy. Indeed, on China's Japan policy, Chinese netizens appear to hold veto power.<sup>2</sup>

To preview, I will argue that Chinese netizens feel coolly towards both North and South Korea, but for very different reasons. They seem to be profoundly disillusioned with a North Korea that refuses to adopt Chinese style "reform and opening" (改革开放), and as a result reminds them of their poor and authoritarian past. Given the Korean War's central role in Chinese nationalist narratives today, however, North Korea remains integral to Chinese nationalist understandings of China as a great power, and so Chinese netizens prefer a friendlier policy towards their former comrades in arms.

South Korea is seen very differently. It is viewed as an advanced industrial country to be emulated in many ways. South Korean television dramas are popular in China, and watching them is associated with warmer feelings towards the ROK. But recent high profile historical and cultural disputes appear to have led to widespread Chinese dismay and, perhaps, even anger towards a South Korea seen as poaching on

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1 International Crisis Group, "China and Inter-Korean Clashes in the Yellow Sea," *Asia Report* No. 200, 2011.

2 See Peter Hays Gries, "China's 'New Thinking' on Japan," *The China Quarterly*, 184 (December 2005): 831-850.

China's proud cultural heritage. As a result, Chinese netizens prefer a much tougher foreign policy towards what is seen as an insufficiently deferential South Korea.

I begin with a qualitative historical analysis describing evolving Chinese netizens views of the two Koreas. I then introduce quantitative evidence from a large national Internet survey of Chinese netizens conducted in the winter of 2010-11. Together, these qualitative and quantitative sources provide convergent evidence that while Chinese netizens feel coolly towards both Koreas, they think and feel about them in very different ways, leading to very different sets of foreign policy preferences towards the two Koreas.

### **The Koreas: A Chinese Looking Glass**

In *China and the American Dream*, Richard Madsen argues that the Tiananmen Square massacre of June 4, 1989 had a profound impact on American views of China. Furthermore, changing American attitudes had less to do with China itself than they did with American national identity. For Americans, the “moral drama” of Tiananmen actually involved an exercise in navel gazing, of “dreaming their social selves in face of the realities of the other.”<sup>3</sup> Specifically, Americans reveled in China’s “reform and opening” in the 1980s, projecting their “liberal myth” onto China and Deng Xiaoping, who was even declared Time Magazine’s “Man of the Year” in 1985.<sup>4</sup> China’s embrace of the market was seen as affirming American capitalism and democracy. Tiananmen shattered that illusion, as the American image of Deng abruptly shifted from a capitalist “just like us,” to a tyrant, the very antithesis of American liberalism.

This essay explores the idea that something similar may be occurring in China today, with Chinese netizen feelings of disillusionment and dismay towards North and South Korea revealing much more about evolving Chinese understandings of themselves than they do about the two Koreas. Starting in 2006, North Korea’s missile and nuclear weapons tests provoked a dramatic downturn in elite Chinese views of North

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3 Richard Madsen, *China and the American Dream* (Berkeley: University of California Press, 1995): xi.

4 See <http://www.time.com/time/subscriber/personoftheyear/archive/stories/1985.html>.

Korea. Since then, elite disillusionment with North Korea appears to have spread to Chinese cyberspace. This Chinese reassessment of North Korea has been informed by both sense and sensibility. A rational argument that North Korea is undermining China's national interest in a secure and stable Northeast Asia has been accompanied by deep feelings of disillusionment: North Korea was refusing to emulate the Chinese model. Instead of affirming China's choice of reform, and thus becoming a mirror to and affirmation of a newly emerging Chinese national identity as a model of economic development, North Korea revealed itself to many Chinese to be governed by a Stalinist dictatorship, a self-identity many Chinese had banished to a distant Maoist past.

Meanwhile, the last five to seven years have witnessed the end of the long Sino-South Korean honeymoon decade that began with the normalization of bilateral relations in 1992. Chinese netizens have been shocked by South Korean challenges to their beneficent self-view. They do not understand why South Koreans contest Chinese historical and cultural hegemony over the region. While they appear to admire aspects of South Korean popular culture and modernity, South Korea painfully reminds them that not everyone shares their benign view of China's "peaceful development" (和平发展).

In short, this essay suggests that Chinese views of the two Koreas are driven in large measure by evolving views of their own national identity. "Korea and the Chinese Dream" is a story that begins 700 years ago, moving from engagement in the imperial and Maoist periods, to disengagement and reengagement under Deng Xiaoping, and finally to disillusionment and dismay today.

### **Engaging the Model Vassal: Tributary Chosun and "Little Brother" North Korea, 14th Century to the 1970s**

Beginning in the 14th century, Chinese political elites engaged Korea with two clear objectives: to secure their northeastern flank and to legitimize their rule at home. The geopolitical significance of the Korean Peninsula, situated at the heart of Northeast Asia and between China and Japan, is self-evident from Korea's long history of being invaded by its neighbors. But from a Chinese perspective, Korea is a "dagger"

pointed at China's neck.

But Ming and Qing Dynasty elites did not just engage Korea for strategic and military reasons. They also did so for domestic ends. Because the Chinese emperor claimed to rule “all under heaven” (天下), China's status as the “Middle Kingdom” (中国) required foreign confirmation. Ming Dynasty elites institutionalized Sino-Korean tributary relations in the 14th century not just to secure their northeastern flank, but also to legitimize Ming rule. As Gerrit Gong notes, “Fundamental to this establishment of China as the Middle Kingdom surrounded by tributary states was the acceptance by those surrounding states of China's [“self-consciously superior”] standard of ‘civilization.’”<sup>5</sup> For six centuries, Chosun Korea was China's model vassal, adopting Confucianism and consistently reaffirming the superiority and centrality of Sinic Civilization. Jae Ho Chung writes, and I concur, that “From China's perspective, Korea had long been viewed as a model tributary, fervently emulating and internalizing much of China's ruling ideology and statecraft.”<sup>6</sup>

Interrupted by Japan's colonization of Korea during the first half of the 20th century, China reestablished its “big brother-little brother” relationship with (now North) Korea under Mao Zedong in the 1950s-70s. The relationship was cemented during the Korean War of the early 1950s. Mao's motives for entering the war were multiple and complex. While the strategic goal of securing New China's Northeast (defending the Yalu River) played a role, so did a desire to utilize foreign conflict to mobilize and militarize domestic society for socialist transformation at home.<sup>7</sup> But North Korea also played a vital role in affirming China's choice of communism and China's leading role in the communist movement. John Tkacik is right that in choosing to enter the Korean War, Mao sought to demonstrate that China “was ready to lead the Socialist

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<sup>5</sup> Gerrit Gong, *The Standard of “Civilization” in International Society* (Oxford: Clarendon Press, 1984), 131.

<sup>6</sup> Jae Ho Chun, *Between Ally and Partner: Korea-China Relations and the United States* (NYC: Columbia University Press, 2007), 13.

<sup>7</sup> See Chen Jian, *Mao China and the Cold War* (Chapel Hill: The University of North Carolina Press, 2001).



Figure 1 : Elderly Korean Woman Embraces a “People’s Volunteer” during the Korean War, Affirming Chinese Beneficence



Source: tupian.hudong.com, wiki.

Revolution in the East.”<sup>8</sup> The role that North Korea played in affirming Maoist China’s beneficent self-image is clear from the Chinese Communist Party’s name for the Korean War, the “War to Resist America and Aid Korea” (抗美援朝战争). The ubiquity and longevity of the photograph (see figure 1) of an elderly Korean woman embracing a handsome young Chinese “volunteer” in Chinese histories of the war even today is similarly emblematic of the continuing role that North Korean gratitude continues to play in Chinese nationalist narratives about Chinese superiority today.

### **Disengaging the North and Reengaging the South under “Reform and Opening” in the 1980s and 1990s**

In the 1950s and the 1960s, North Korea was the Korean Peninsula’s industrial powerhouse, and little brother’s economic successes affirmed big brother China’s choice of socialism. But by the late 1970s and ’80s South Korean economic development had surpassed North Korea, and

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<sup>8</sup> John Tkacik, “How the PLA Sees North Korea,” in Andrew Scobell and Larry M. Wortzel (eds.), *Shaping China’s Security Environment: The Role of the People’s Liberation Army* (Carlisle, PA: US Army War College, Strategic Studies Institute, October 2006), 143.

the Chinese gaze began to turn south. With the adoption of “reform and opening” (改革开放) starting in 1978, Chinese increasingly viewed South Korea as a model for emulation. In 1978, the Xinhua News Agency noted that South Korea’s economic boom was worthy of Chinese attention, and in 1980 then-CCP General Secretary Hu Yaobang told journalists that China’s policy of reform was based in part on the South Korean developmental experience.<sup>9</sup>

For its part, North Korea continued to stagnate in the 1980s, as its economy fell further and further behind both South Korea and China. For China, North Korea was no longer a model vassal but was instead becoming an embarrassment.

These 1980s trends in Sino-Korean relations dramatically accelerated as a consequence of the Tiananmen Square massacre of 1989. China’s elites, ostracized by the West after the massacre, actively sought to develop diplomatic relations around the world to reduce the PRC’s international isolation. As then Foreign Minister Qian Qichen notes in his memoir, China sought to “divide and demoralize the anti-China forces” by reestablishing relations with “weak links” in the Western coalition like Japan, as well as establishing new relationships with non-Western countries like South Korea.<sup>10</sup> In my view, Sino-South Korean rapprochement in 1992, and the Sino-North Korean disengagement that accompanied it, cannot be understood apart from China’s efforts to escape international isolation following Tiananmen. It was not simply the product of inexorable economic complementarities. The shift thus had a strategic dimension. But it also had a psychological dimension: by the 1990s, Chinese were identifying much more with the modern South than with the Stalinist North.

Following Sino-South Korean normalization in 1992, China’s relations with North Korea deteriorated dramatically. China disengaged from North Korea through most of the 1990s. Sam Kim has noted that Sino-North Korean relations improved somewhat in 1999, as Chinese, alarmed by the Kosovo War and the US bombing of the PRC Embassy in Belgrade, began to reassess their benign view of the international or-

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9 See Jae Ho Chung, *Between Ally and Partner*, 26-28.

10 Qian Qichen, *Ten Episodes in China’s Diplomacy* (New York: HarperCollins, 2005), 149.

der.<sup>11</sup> However, North Korea's increasing backwardness relative to both South Korea and China continued to redirect the Chinese gaze down the Korean Peninsula.

### **China's "Vietnam": Growing Chinese Disillusionment with North Korea in the New Millennium**

Writing soon after North Korea's October 9, 2006, nuclear weapon test, Zhang Liangui, a leading Chinese North Korea expert at the CCPCC Party School in Beijing, pondered: "Although North Korean nuclear weapons are not [currently] directed at China, no one can be sure how things may turn out in five or ten years. *The lesson of Vietnam* should not be forgotten. The political and economic center of China is on the eastern coastal areas, which are adjacent to North Korea... North Korea [could] use its nuclear weapons to threaten or blackmail China."<sup>12</sup>

What is the "lesson of Vietnam" that Zhang is referring to? In 1979, during his first trip to the US Deng Xiaoping told then-US President Jimmy Carter that China was planning to "teach Vietnam a lesson."<sup>13</sup> Against China's wishes, Vietnam had invaded Cambodia and, worse yet, had allied itself closely with the Soviet Union, China's arch enemy at the time. Given that China had provided the Vietnamese communists with both material and moral support during their war with the United States just a few years earlier, Vietnam's actions were seen as a younger brother's betrayal of a beneficent older brother. It was therefore older brother's duty to put younger brother back in his place, and the PLA crossed the border from Yunnan into Vietnam on February 17, 1979, only to completely withdraw just four weeks later. The "lesson" was purely symbolic—not instrumental.

That a prominent Chinese Communist Party analyst compared 2006 North Korea to 1979 Vietnam is quite striking. From Zhang's

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11 Samuel Kim, "China's new role," 112-113.

12 Zhang Liangui, "Coping with a Nuclear North Korea," *China Security*, (Autumn 2006): 12.

13 Less well known is the fact that not only did the Carter administration give China the "green light" to invade Vietnam, but National Security Advisor Zbigniew Brzezinski met with the Chinese Ambassador to Washington nightly during the war to hand over American intelligence on Soviet troop movements. See James Mann, *About Face: A History of America's Curious Relationship with China, From Nixon to Clinton* (NYC: Knopf, 1998), 98-100.

perspective, both are cases of former vassals or client states that betrayed China. The comparison, furthermore, begs the question: If China risked so much and was willing to pay such a high price to “teach Vietnam a lesson” in 1979, will Beijing seek to “teach North Korea a lesson” today as a result of North Korea’s insolence? In 2006, Peking University’s Zhu Feng wrote that “a significant shift in Beijing’s policy – entailing abandonment of its patron relationship with North Korea and coercion to roll back its nuclear capabilities – may be just around the corner.”<sup>14</sup> Although time has yet to bear out Zhu’s forecast, his provocative suggestion reveals a growing elite Chinese disillusionment with North Korea.

For the first decade of the 21st century, Chinese analysts have held tightly to the belief that reform could save North Korea. A simple title search of Tsinghua University’s online China Academic Journals (CAJ) database reveals that from 1994 through 2001, there were on average less than one Mainland Chinese journal article a year with the words 朝鮮 (North Korea) and 改革 (reform) in its title. In the decade since 2001, however, there has been a heightened interest in the topic, with an average of over five articles a year.<sup>15</sup> If only the North Korean government would adopt reform policies like China’s, the general argument ran, the Korean situation could be contained and managed. However, North Korea’s July and October 2006 missile and nuclear weapons tests appear to have begun a process of disenchantment in China, as Chinese elites in particular have begun to liberate themselves from what they increasingly see as their illusion of North Korean reform. As Scott Snyder writes, “The Chinese leadership promoted their own reform experience as a model for economic development without ceding political control, but it seemed that North Korean counterparts were slow to get the message.”<sup>16</sup>

In the years prior to the 2006 tests, Chinese elites had sold themselves on the panacea of North Korean reform. From an instrumental perspective, reform was seen as the key means to a “smooth landing”

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14 Zhu Feng, “Shifting Tides: China and North Korea,” *China Security*, (Fall 2006): 36.

15 See <http://china.eastview.com/kns50/Navigator.aspx?ID=1>.

16 Scott Snyder, *China’s Rise and the Two Koreas: Politics, Economics, Security* (Boulder: Lynne Rienner, 2009), 122.

for the North Korean regime, which would ensure stability on the Korean Peninsula. Outside analysts largely agree that while the primary goal of US North Korea policy was preventing North Korea from going nuclear, China's primary goal was and remains regime stability in the north. Sam Kim writes, "China's greatest priority is peace and stability in the Korean Peninsula, which is a key contributor to peace and stability within China – not preventing Pyongyang from going nuclear."<sup>17</sup> David Shambaugh concurs, placing "regime survival" and "reform" at the top of his hierarchy of Chinese interests in the Korean Peninsula: "For China... the question is whether North Korea can embark on a sustained and comprehensive path of reform à la China."<sup>18</sup> He notes that China has been actively marketing its successful reforms to Kim and the North Korean leadership, repeatedly showing off Zhongguancun, Shanghai, and Shenzhen to both Kim Jong-Il himself and to the dozens of high level North Korean delegations that visit China annually to study China's reform.

But should North Korean reform be reduced to a mere means to China's goal of North Korean regime survival? I suggest that much more than instrumental reasoning is involved. As Shambaugh noted, "China's Korea analysts draw explicit parallels to Maoist China and argue that North Korea's only viable option to avoid national suicide is to follow China's reformist example."<sup>19</sup> A North Korean choice of reform today would affirm China's 1978 choice of "reform and opening" and its rejection of the Maoist past.

It is Chinese identity and not China's instrumental interest that best explains the intense anger that much of the Chinese elite experienced after the 2006 North Korean nuclear test. "In Beijing, ire turned to fury" after the test, writes Zhu Feng. "It was no less than a slap in China's face... Without question, Beijing has become *fully disillusioned* about

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17 Samuel Kim, "China's new role," 110.

18 David Shambaugh, "China and the Korean Peninsula: Playing for the Long Term," *The Washington Quarterly*, 26: 2 (Spring 2003): 44-45.

19 David Shambaugh, "China and the Korean Peninsula," 45-46.

the nature of the Kim government.”<sup>20</sup> China’s elites saw North Korea as repudiating China’s choice of reform: “The missile tests... deeply shook the Chinese leadership’s belief in the Kim Jong-Il regime’s ability to carry out reform and opening up in emulation of China’s model... the current mentality of DPRK leaders is simplistic and arrogant. Pyongyang will not... take decisive steps on the road of reform and opening.”<sup>21</sup>

Elite disillusionment with North Korea appears to have spread via cyberspace among some Chinese netizens. “朝鲜拒绝改革开放，金氏王朝警告中国” (North Korea Refuses Reform: The Kim Dynasty Warns China), posted on numerous Chinese websites in the spring of 2011, seems typical. It was written in response to a 2008 DPRK Workers News 《劳动新闻》 editorial, “Imperialists’ Insidious ‘Reform and Opening’ Trap,” which argued that “imperialists... put huge pressure on other states who do not accept ‘reform’ by labeling them ‘isolationists.’” According to the Chinese author, “This (DPRK) editorial appears to criticize US-led Western countries, but is actually a warning to China (是警告中国): as long as Kim Jong-Il is alive, you better not try anything.” This alarms the Chinese author, who warns, “If China keeps supporting a corrupt regime, leaving the North Korean people to suffer, once they awaken, they will blame everything on China.”

A selection of Spring 2011 Chinese netizen comments to the posting on the popular Internet portal Netease is revealing (see <http://bbs.news.163.com/bbs/mil/107079190.html>). One netizen asserts that “North Korea is now quickly becoming a mad dog” (朝鲜现在真快成疯狗了). Another, likely invoking Vietnam, laments that “China always raises heartless regimes that repay kindness with enmity” (中国尽养些白眼狼). Another thoughtfully reveals the continuing centrality of the Korean War to Chinese identity, “Such a sadness for us! So many of our soldiers gave their lives [for them]” (真是我们的悲哀啊! 死了那么多的将士). As Zhu Feng has acknowledged, “a residual sympathy for North Korea remains in China.”<sup>22</sup> This sympathy appears tied to the continuing cen-

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20 Zhu Feng, “Shifting Tides,” 40. As evidence, Zhu notes on page 41 that “China called Pyongyang’s action flagrant (*hanran* 悍然), a word that is normally employed only for criticizing actions by an adversary.”

21 Zhu Feng, “Shifting Tides,” 39.

22 Zhu Feng, “Shifting Tides,” 35, 44.

trality of the Korean War to narratives of Chinese nationalism today.

**Cultural Kleptos! Growing Chinese Dismay  
at South Korean ‘Cultural Robberies’**

In July, 2004, a Chinese UNESCO claim that the ancient Kingdom of Koguryo (37 BC–AD 668) was China’s vassal state ignited a firestorm of protest in South Korea.<sup>23</sup> Chinese were stunned by the extent of South Korean anger, played out in newspaper editorials, the Internet, and even street demonstrations in front of the Chinese embassy in Seoul. In Chinese eyes, Korea has long been part of Sinic civilization and a Sino-centric East Asian regional order. Confidence in China’s ability to reconstruct a hierarchical regional order in the 21st century is tied in part to proud stories about a past tributary system in which vassals like Korea paid humble tribute to the Chinese center. Because Chinese, like all peoples, view the groups to which they belong as inherently good, they simply did not imagine that Koreans would object to being part of a past and future Pax Sinica. Korean rejection of “China’s Koguryo” (中国高句丽), furthermore, was likely met by the anger of those who feel their cherished in-group identities are being challenged.

The controversy did not die. At the 2007 Asian Winter games in Changchun, China, a group of five South Korean athletes held up a sign during an awards ceremony declaring that “Mount Baekdu is our territory.” What Chinese call 长白山 (*Changbaishan*) had been partitioned between China and North Korea in 1962. Many Koreans today view Mount Baekdu as sacred Korean territory that China illegitimately seized. Regardless, this 2007 incident was widely publicized in Chinese cyberspace, and contributed to a growing Chinese view of Koreans as fierce nationalists with irredentist ambitions. For instance, one Chinese netizen posted a satirical map of the “South Korean View of the World” on a Chinese humor website. The entire globe is depicted as “ours, ours, ours...” (see figure 2).

Cultural disputes have emerged as well. In 2005 South Korea applied to UNESCO and was granted recognition for its “Dano” dragon

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23 See Peter Hays Gries, “The Koguryo Controversy, National Identity, and Sino-Korean Relations Today,” *East Asia: An International Quarterly*, 22, No. 4 (2005): 3-17.

Figure 2 : Chinese Netizens Mock the “South Korean View of the World” (“Ours, ours, ours...”)



Source: “South Koreans” entry in the Chinese edition of the Uncyclopeda, a Wikipedia farce (<http://cn.uncyclopedia.wikia.com>; accessed June 1, 2011).

boat festival, celebrated on the fifth day of the fifth lunar month. Chinese viewed this as “cultural robbery,” as China’s “Duanwu” dragon boat festival (端午节) is celebrated on the very same day. So in 2009 China applied to UNESCO for recognition of its own Duanwu Festival. Chinese netizens have also maintained that South Koreans claim both Confucius and Chinese characters as Korean. Indeed, a sarcastic rumor even went around Chinese cyberspace that because popular Chinese blogger Han Han’s (韩寒) surname is the same as the character for Korea (韩国), Koreans were claiming that he was Korean as well.<sup>24</sup>

In short, Chinese netizens appear increasingly dismayed about a South Korea seen as poaching on China’s historical and cultural heritage. This dismay can be expressed as humorous jibes about South Koreans as cultural kleptos, or in a deeper anger at a South Korea seen as challenging China’s beneficent self-view.

24 See, for instance, <http://zhidao.baidu.com/question/146050019.html?fr=qrl&cid=204&index=3>.



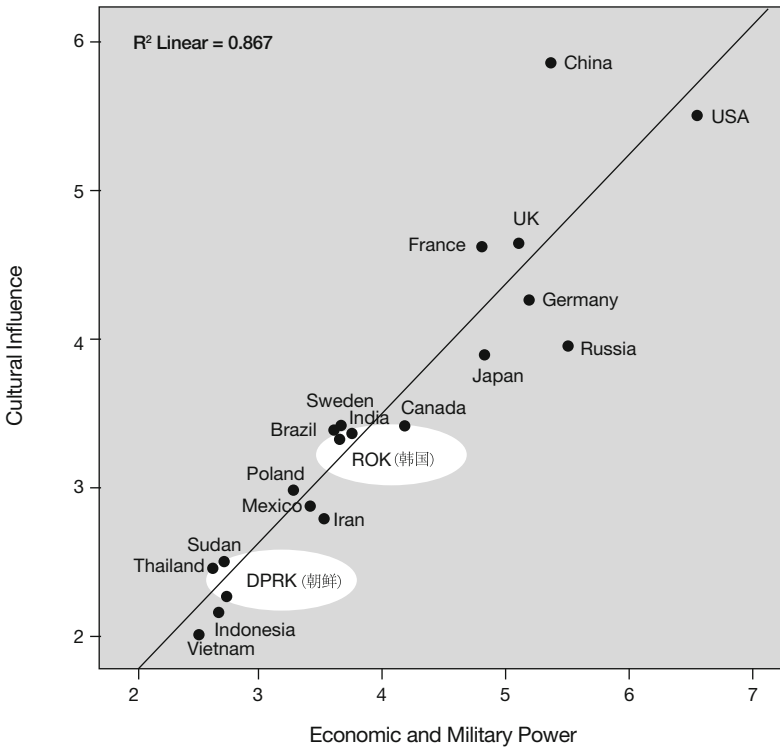
### National Internet Survey Evidence

Does this qualitative analysis of Chinese Internet discourse match a quantitative analysis of survey data of Chinese views of the Koreas? In the winter of 2010-11, 2,506 Chinese netizens began a lengthy online Internet survey; 1,413 completed it. While this completion rate is somewhat low, it was a long survey with numerous lengthy rating scales. Furthermore, the survey was taken voluntarily, with no remuneration, after clicking on a link on a Chinese website. The sample was truly national, with every Chinese province and provincial level city represented, Tibet and Xinjiang included. Guangdong Province was the most represented, at 14% of the sample; no other province exceeded 6%. As might be expected for an Internet sample, it was young, with a mean age of 23 (SD=6). A majority (61%) were college educated, followed by high school (23%) and middle school (12%) graduates. A majority described their incomes as “middle/average” (中等), followed by “lower middle” (中等偏下) (27%), and “upper middle” (中等偏上) (13%). 60% were male, 51% claimed a rural (as opposed to urban) upbringing (出身背景), and 94% identified as Han (汉族). In short, although it was a convenience sample, it was a remarkably diverse sample of young Chinese netizens. It should not, however, be taken to represent the full Chinese population.

To explore Chinese netizen perceptions of the relative hard and soft power of foreign countries, two lengthy rating scales tapped how “economically and militarily powerful” (经济与军事实力) and how “culturally influential” (文化影响力) twenty foreign countries were. The answer choices were on seven point Likert style rating scales from “extremely weak” (非常弱小) to “extremely strong” (非常强大) and “not influential at all” (没有任何影响力) to “extremely influential” (极具影响力). For each scale, the sequence in which the 20 countries were presented was randomized.

Figure 3 displays the mean scores for each of the 20 countries, with material power on the horizontal axis, and cultural influence on the vertical axis. Assessments of the relationship between the hard and soft power of the 20 countries were highly congruent ( $R^2=.87$ ). Vietnam was seen as the weakest country in terms of both hard and soft power. But there was more ambivalence about who was the most powerful, with

Figure 3 : Chinese Netizens View South Korea as More Economically and Militarily Powerful, and More Culturally Influential than North Korea



Source: University of Oklahoma Political Psychology of US-China Relations Research Lab.

Note: Economic and political power question: “对比大多数国家, 按1-7的标准衡量您对下面这些国家经济与军事实力的看法。” Cultural influence question: “对比大多数国家, 按1-7的标准(1表示“没有任何影响力”, 7表示“极具影响力”) 衡量您对下面这些国家文化影响力的看法。”

Chinese netizens viewing America as possessing by far the most material power, but China having the most cultural influence.

In terms of the two Koreas, our Chinese netizens viewed South Korea (韩国) as possessing more hard and soft power than North Korea (朝鲜). On hard power, a t-test revealed that Chinese netizens ( $N=1,315$ ) viewed South Korea ( $M = 3.69$ ) as much more economically and militarily powerful than North Korea ( $M = 2.86$ ),  $t = -21.87$ ,  $p < .001$ .

The survey also included separate rating scales measuring policy

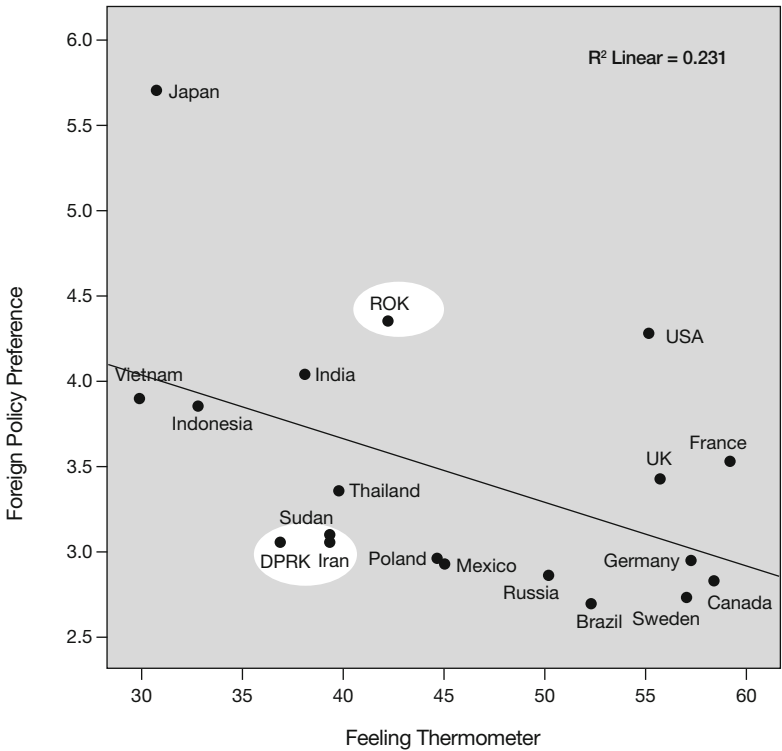
preferences and country feelings. Foreign policy preferences (外交政策) were measured with a seven point rating scale asking whether respondents desired a “friendlier” (更友好) or “tougher” (更强硬) foreign policy towards 19 countries (excluding China). Feelings towards all 20 countries (including China) were measured with an 11 point “feeling thermometer” (情感温度计) from 0° to 100° by tens.

Perceived economic and military power proved to be a poor predictor of foreign policy preferences, however, with no relationship at all between their mean scores ( $R^2=.008$ ). Instead, feelings towards foreign countries proved to be a better predictor of foreign policy preferences. In a simultaneous multiple regression with assessments of North Korean economic and military power and feelings towards North Korea predicting North Korea policy preferences, only feelings were significant ( $\beta=-.30$ ,  $p<.001$ ), accounting for 10% of the variance in policy preferences. A similar regression with the same variables for South Korea did find a statistically significant impact of assessments of South Korean power ( $\beta=-.10$ ,  $p<.001$ ) on ROK policy preferences ( $R^2=.19$ ), but it was much smaller than the effect of feelings towards South Korea ( $\beta=-.39$ ,  $p<.001$ ).

Figure 4 displays mean country scores for the feeling thermometer on the horizontal axis, and foreign policy preferences on the vertical axis. There was a modest positive relationship between the two ( $R^2=.23$ ), with greater warmth towards a country predicting desires for friendlier policies towards it. The figure shows that although Chinese netizens felt rather coolly towards both Koreas, they felt slightly warmer towards the South, but preferred a much friendlier policy towards the North. Statistical analysis confirms this eyeball assessment. A t-test revealed that Chinese netizens ( $N=2,506$ ) felt slightly warmer towards South Korea ( $M = 41^\circ$ ) than towards North Korea ( $M = 39^\circ$ ),  $t = -3.7$ ,  $p < .001$ . But a subsequent t-test revealed that Chinese netizens ( $N=1,410$ ) preferred a much friendlier policy towards North Korea ( $M = 3.08$ ) than towards South Korea ( $M=4.15$ ),  $t = -21.52$ ,  $p < .001$ .

We have thus uncovered our first empirical puzzle: our Chinese netizens feel slightly warmer towards the South than the North, and yet

Figure 4 : Chinese Netizens Feel Slightly Warmer towards South than North Korea, but Prefer a Much Tougher Foreign Policy towards the South



Source: University of Oklahoma Political Psychology of US-China Relations Research Lab.  
 Note: Country feeling question: “一支刻度从0支到100度的温度计上, 0温代表情感冷淡, 50情代表没有特殊的情感, 100有代表情感热烈, 据此您如何用这支温度计衡量对以下国家的情感?” Foreign policy question: “对于以下不同国家对于以下不同国家, 您希望中国对其采取更友好的还是更强硬的外交政策?”

desire a much tougher policy towards the South than the North. Why?

### Structures of Chinese Netizen Feelings towards the Two Koreas

Could it be that although our netizens felt similarly coolly towards both North and South Korea, there are nonetheless important differences in their structures of feeling towards them? To try to better understand just how our Chinese netizens perceived the two Koreas, exploratory factor analysis (EFA) was used to see whether feelings towards the 19 for-

eign countries included in our survey (Brazil, Britain, Canada, DPRK, France, Germany, India, Indonesia, Iran, Japan, Mexico, Poland, ROK, Russia, Sudan, Sweden, Thailand, USA, and Vietnam) would cluster into a single or multiple factors. EFA is a statistical technique that is used to discover the latent dimensions or unobserved variables called “factors” that undergird a larger number of observed variables such as individual survey items. Principal axis factoring (PAF) was conducted on the full dataset, followed by Promax rotation with Kaiser normalization to aid in the interpretation of the factors.<sup>25</sup> The third, fourth, and fifth columns in table 1 presents the results, and displays all loadings greater than .30. PAF produced three factors with Eigenvalues greater than one, the conventional minimum (7.35, 2.26 and 1.52 respectively). Eigenvalues represent the amount of variance in the original set of variables accounted for by a factor.

Table 1 reveals that feelings towards North and South Korea clustered together with very different sets of countries. Countries were considered to cluster together into a factor (and are **bolded**) if they loaded onto that factor and that factor only at greater than .35, a conventional factor minimum. The first factor included (in order of the strength of their factor loadings) Vietnam, Indonesia, India, North Korea, Thailand, and Iran, and has been labeled “Asian developing” countries. The second factor included Sweden, Canada, Germany, Poland, Mexico, and Brazil, and is labeled “Euro-American” countries. The third factor includes the USA, France, Japan, and South Korea, and is labeled “advanced industrial” countries.

It is thus notable that region/race, developmental status, and possibly perceived rivalry all contributed to structuring the ways that our Chinese netizens felt about foreign countries. China’s weaker Asian neighbors structured together into the first factor. These developing countries were all looked down upon coolly, with a mean temperature of just 36°. Overall, our Chinese netizens felt much warmer (52°) toward the five more advanced Euro-American countries that loaded onto our second

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25 On the choice of PAF for EFA, see Daniel W. Russell, “In Search of Underlying Dimensions: The Use (and Abuse) of Factor Analysis in *Personality and Social Psychology Bulletin*,” *Personality and Social Psychology Bulletin* 28, no. 12 (2002): 1629-1646.

Table 1 : Structures of Chinese Netizen Feelings towards Foreign Countries

Country <sup>a</sup>	Mean Temperature (warmth)	Factor 1: Asian Developing	Factor 2: Euro-American	Factor 3: Advanced Industrial
Vietnam 越南	30°	<b>0.822</b>		
Indonesia 印度尼西亚	32°	<b>0.684</b>		
North Korea 朝鲜	39°	<b>0.655</b>		
Thailand 泰国	39°	<b>0.594</b>		
India 印度	39°	0.580		
Iran 伊朗	39°	0.567	0.317	
Sudan 苏丹	36°	0.520	0.419	
Mexico 墨西哥	44°	0.361	0.537	
Russia 俄国	50°	0.305		
Sweden 瑞典	55°		<b>0.815</b>	
Canada 加拿大	57°		<b>0.714</b>	
Germany 德国	56°		<b>0.689</b>	
Poland 波兰	44°		<b>0.681</b>	
Brazil 巴西	50°		<b>0.526</b>	
Great Britain 英国	55°		0.382	0.589
USA 美国	55°			<b>0.655</b>
France 法国	59°		0.318	<b>0.599</b>
Japan 日本	31°			<b>0.557</b>
South Korea 韩国	41°	0.328		<b>0.526</b>
Eigenvalues		7.35	2.26	1.52

Source: University of Oklahoma Political Psychology of US-China Relations research lab.

Note: Pattern Matrix Loadings for Principle Axis Factor Analysis with Promax Rotation. Factor coefficients are shown only if > 0.30. **Bolded** scores load cleanly at greater than .35 on just one factor.

a. Question wording: “一支刻度从0支到100度的温度计上, 0温代表情感冷淡, 50情代表没有特殊的情感, 100有代表情感热烈, 据此您如何用这支温度计衡量对以下国家的情感?”

factor. Note that Sudan, Mexico, and Russia did not load cleanly onto either of the first two factors, struck between the Asian developing and Euro-American more developed worlds. Finally, Japan and South Korea, China's northeast Asian rivals, clustered together with the US and France, China's global rivals. It is notable that Great Britain cross loaded onto the more positive Euro-American factor too highly to cleanly load onto the third factor, suggesting that the UK is seen as less of a rival than France, which China has had significant conflicts with recently.

This factor analysis of feelings towards foreign countries clearly demonstrates that while Chinese netizens feel comparably coolly towards both Koreas, they think about them in very different ways: North Korea is seen as one of many poor Asian neighbors, likely to be pitied or looked down upon, while South Korea is lumped together with China's advanced industrial rivals, the USA, France, and Japan.

### **Correlates of Chinese Netizen Feelings and Foreign Policy Preferences**

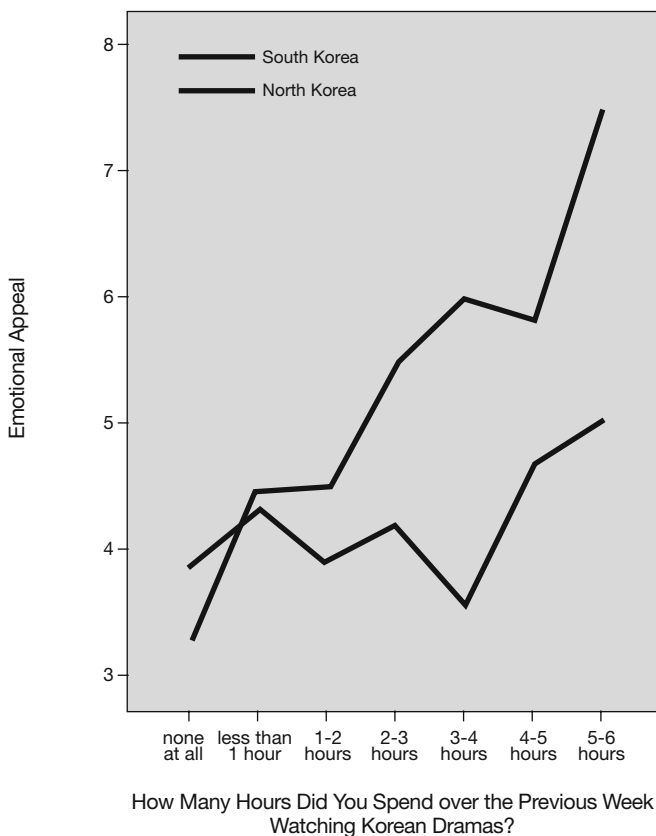
If North Korea is seen as poor and pitiable, that might explain why our Chinese netizens display a (compassionate?) desire for a friendlier North Korea policy. And if South Korea is seen as an advanced industrial rival lumped together with Japan and the USA, that might account for their desires for a relatively tougher ROK policy (see figure 2). But why then do these Chinese netizens not feel even more coolly towards South Korea?

Our Internet survey suggests a cultural effect whereby an affinity for popular South Korean television dramas and celebrities warms up what might otherwise be even cooler Chinese netizen feelings towards South Korea. For instance, we included one question asking respondents how many hours that they had spent over the previous week watching Korean dramas (韩剧). While well over 50% reported watching none at all, there was still sufficient variation to reveal an exposure effect on feelings towards South Korea (see figure 5).<sup>26</sup> Two one-way analyses of variance (ANOVA) revealed that greater exposure to Korean TV dra-

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<sup>26</sup> An eighth and last category, "six or more hours," was excluded from analysis because there were too few respondent in that category (n=21), and it appeared that several were simply strait lining their responses.

Figure 5 : Exposure to South Korean Television Dramas  
Increases Warmth towards South but not North Korea



Source: University of Oklahoma Political Psychology of US-China Relations Research Lab.

mas was associated with substantially greater warmth towards South Korea,  $F(6,530)=8.16$ ,  $p<.001$ ,  $\eta^2=.09$ , but not towards North Korea,  $F(6,530)=.751$ ,  $p=.61$ ,  $\eta^2=.01$ . In non-statistical terms, the mean feelings towards South Korea for those who reported not watching Korean dramas at all over the previous week was 33°, well below the sample average of 39°, while those who reported watching two or more hours of Korean dramas over the previous week reported substantially greater warmth (48°) towards South Korea.



We also asked our Chinese netizens to tell us how much they liked a list of Asian and American celebrities. One was female Korean celebrity Chae Yeon (채연 or 蔡妍 Cai Yan in Chinese). Judgments of Chae on a seven point “strongly dislike” (很不喜欢) to “strongly like” (很喜欢) scale correlated positively with warmth towards South Korea ( $r=.21$ ), with a small positive spillover effect on warmth towards North Korea ( $r=.07$ ). Similarly, liking male Chinese singer Han Geng (韩庚), who was trained in a South Korean boy band, also correlated positively with warmth towards South Korea ( $r=.21$ ), with a small positive spillover effect on warmth towards North Korea ( $r=.06$ ). Furthermore, we found that female Chinese netizens (44%) felt warmer towards South Korea than did men (37%),  $F(1,1037)=21.17, p<.001, \eta_p^2=.02$ . But this effect disappeared when controlling for watching Korean television dramas,  $F(1,301)=2.27, p=.13, \eta_p^2=.007$ . There was no gender difference on feelings towards North Korea.

In short, our survey provides convergent evidence that the “Korean wave” or 韩流 appears to mitigate even cooler Chinese netizen feelings towards South Korea.

Like indirect contact with South Korea via television and the Internet, direct contact with Asians appears to improve Chinese netizens’ feelings towards South but not North Korea. Our national Internet survey included two items, “请问您与其他亚洲国家的人打交道的频率是?” (How often do you have contact with people from other Asian countries?) and “请问您或者您的好友与多少来自亚洲其他国家的人交过朋友?” (How many friends do you or your good friends have who are from other Asian countries?) Answers to these two items were averaged to form an “Asian friends/contact” scale ( $\alpha=.71$ ) that captures both the quantity and quality of contact with non-Chinese Asians. The scale correlated positively with warmth towards South Korea ( $r=.10, p<.001$ ) but marginally negatively with warmth towards North Korea ( $r=-.06, p=.04$ ). In other words, the more friends or contact a Chinese netizen claimed to have with other Asians, the more coolly they felt towards North Korea. Given the large numbers of South Koreans in China, the odds are that the “Asian” contacts and friends that Chinese netizens reported disproportionately involved South Koreans.

Beliefs about China's past tributary relationship with Korea also impacted Chinese netizen feelings towards South but not North Korea. As Kirk Larsen notes, "Choson Korea was as close to a model tributary state as China ever found."<sup>27</sup> Our Internet survey included the single item, "朝贡体系对古代中国的附属国有利" (The tributary system was good for ancient China's vassal states). Agreement with this item ( $n=1,318$ ) was associated with less warmth towards the South ( $r=-.09, p=.001$ ), but had no impact on feelings towards the North ( $r=.02, p=.44$ ).

The Internet survey also included two individual differences or dispositional variables that might be expected to impact Chinese netizen views of the two Koreas. Han ethnocentrism, measured as the difference between warmth towards the Han (汉族) and the average of the warmth towards two minorities, Tibetans (藏族) and Uighurs (维吾尔族), was associated ( $n=1,640$ ) with greater coolness towards both North ( $r=-.16, p<.001$ ) and South ( $r=-.08, p=.002$ ) Korea. That said, Han ethnocentrism was associated with greater coolness towards 16 of the other 17 countries in the survey as well. Han ethnocentrism was only not significantly associated with feelings towards the US  $r=-.04, p=.11$  ( $n=1,640$ ), perhaps because the US is the global superpower.

Chinese nationalism was measured with three items tapping into the idea that China is superior to other nations: "中国是世界上最好的国家" (China is the best country in the world), "中国模式比别的国家优越" (The Chinese model is superior to that of other countries), and "鉴于中国具有悠久的历史, 璀璨的文明, 自然应该由中国领导东亚" (Given China's lengthy history and glorious civilization, China should lead East Asia).

The resulting Chinese nationalism scale ( $\alpha=.71$ ) was associated ( $n=923$ ) with desires for a friendlier North Korea policy ( $r=-.12, p<.001$ ), but had no impact on policy preferences towards South Korea, or on feelings ( $n=1,115$ ) towards either North or South Korea.

### **Separate Pathways to Feelings and Policy Preferences towards the Two Koreas**

Figure 6 displays all of these variables together in a single path model.

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<sup>27</sup> Kirk W. Larsen, *Tradition, Treaties, and Trade: Qing Imperialism and Chosŏn Korea, 1850–1910*. (Cambridge: Harvard University Asia Center, 2008), 32.

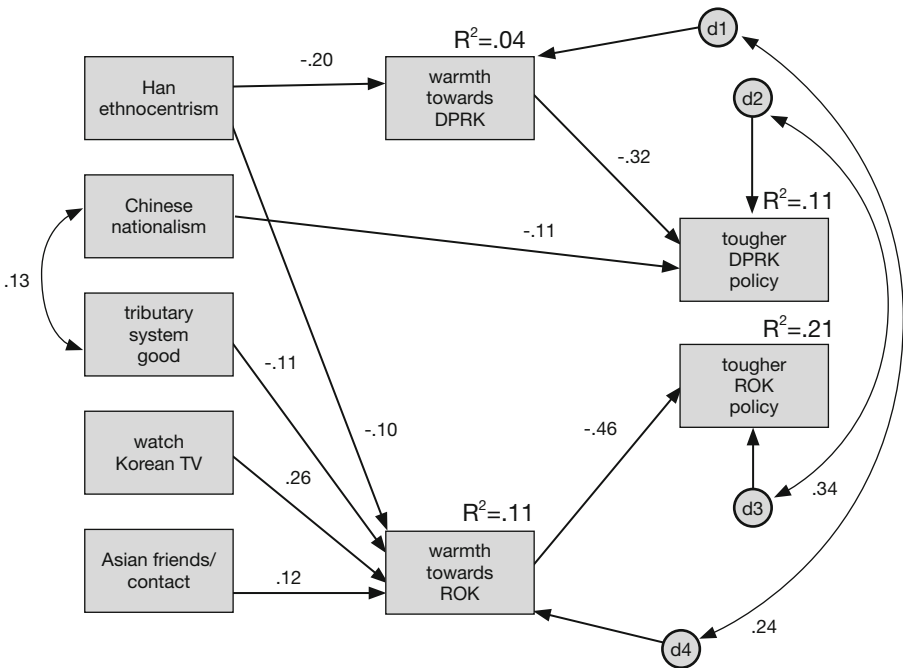
Path analysis has a number of advantages over multiple regression, such as including more than one dependent variable, modeling mediated relationships among variables, and evaluating the global fit of a model containing those mediated relationships. However, the use of cross-sectional data means that our path model cannot provide conclusive evidence of causality.

Our path model reveals, first and foremost, that the determinants of Chinese netizen feelings and policy preferences towards the two Koreas are largely separate. This confirms what our exploratory factor analysis had already suggested. The only variable that had an impact on feelings or policy preferences towards both Koreas was Han ethnocentrism, a deep-rooted preference for the Han and disdain for other national groups (with the exception of America). It is noteworthy that this disdain had a greater impact on feelings towards North than South Korea, perhaps suggesting that as a poor Asian neighbor, the North is looked down upon more than the South, whose advanced industrial nature may mitigate against the effects of ethnocentric bias. Overall, however, what is most noteworthy is that the determinants of foreign policy preferences towards North and South Korea were largely separate.

The second exogenous variable is nationalism, which is only associated with a desire for a friendlier foreign policy towards the North ( $\beta = -.11$ ). This is likely best explained by the central role that the Korean War continues to play in the construction of a Chinese nationalism that depicts China as superior to rivals such as the United States. Given all the Korean War movies that were rerun in 2010 China to commemorate its 60th anniversary, it should not be surprising that more nationalist Chinese netizens were more likely to advocate friendlier policies towards a North Korea that China is seen as helping to successfully repulse the US.

Greater endorsement of the statement that the traditional Chinese tributary system was good for China's Asian neighbors was associated with greater coolness ( $\beta = -.11$ ) towards a South Korea seen as insufficiently deferential towards China, but had no impact on feelings towards North Korea. This is likely due to the fact that the South, as a democracy, has been more open and vocal in voicing its position on

Figure 6 : Dispositional and Situational Determinants of Chinese Netizen Feelings and Policy Preferences towards the Two Koreas



Source: University of Oklahoma Political Psychology of US-China Relations Research Lab.  
 Note: N=304; All coefficients significant at  $p < .05$ . Fitness statistics:  $\chi^2 / df = .54$ ; TLI=1.092; CFI=1.000; NFI=.937; RMSEA < .001; RMSEA < .001; where  $\chi^2$  = chi-square;  $df$  = degrees of freedom; CFI = comparative fit index; NFI = normed fit index; TLI = Tucker-Lewis Index; RMSEA = root mean square error of approximation. See Rex B. Kline, *Principles and Practice of Structural Equation Modeling*, 2nd ed. (New York, NY: Guilford Press, 2005), for fitness statistics conventions.

history disputes with China. The North has actually sided with Seoul against Beijing on these historical controversies, but Chinese netizens are not likely aware of this. They appear to be very aware of South Korean claims to “中国高句丽” (China’s Koguryo), however, generating greater coolness towards the ROK.

Finally, two situational variables, exposure to South Korean television dramas ( $\beta = .26$ ) and Asian friends and contact ( $\beta = .12$ ) were both positively associated with greater warmth towards South Korea, coun-

terbalancing the negative effects of historical beliefs and Han ethnocentrism. Given North Korea's isolation from China, it is not surprising that these situational variables had no impact on feelings or policy preferences towards North Korea.

### **Conclusion: Korea and the Chinese Dream**

Much in Sino-North Korean relations today is well described in structural and material terms. Michael Chambers has noted that the relationship has taken on features of a typical alliance dilemma: the stronger alliance partner (China) fears entrapment, while the weaker partner (North Korea) fears abandonment.<sup>28</sup> Hence Chinese like Shen Jiru have begun talking about revoking the military alliance component of the 1962 "Treaty of Friendship, Cooperation, and Mutual Assistance" between the PRC and the DPRK.<sup>29</sup> And the North Koreans, fearing Chinese abandonment with the end of the Cold War, the Tiananmen Square massacre, and Beijing's embrace of South Korea, has turned to internal balancing through the development of a nuclear deterrent.

China's interest in North Korean reforms is also well described in material terms. As Avery Goldstein has recently noted, "reforms in North Korea would advance China's reputational as well as its intrinsic interests."<sup>30</sup> China has staked its reputation as a "responsible great power" on its gambit to host the Six Party Talks, and North Korea's 2006 weapons tests undermined China's credibility. By serving as a buffer between China and both South Korea and US troops, North Korea serves China's vital security interests. As Shen Dingli notes, "North Korea acts as a guard post for China, keeping at bay the tens of thousands of US troops stationed in South Korea. This allows China to reduce its military deployment in northeast China and focus more directly on the

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28 Michael R. Chambers, "Dealing with a truculent ally: a comparative perspective on China's handling of North Korea," *Journal of East Asian Studies* 5, no. 1 (January 2005): 35-75.

29 Shen Jiru, "Weihsu Dongbeiyu anquan de dangwu zhi ji—zhizhe Chaohe wentishang de weichuan," *Shijie jingji yu zhengzhi* 9 (2003): 53-58.

30 Avery Goldstein, "Across the Yalu: China's Interests and the Korean Peninsula in a Changing World," in *New Directions in the Study of China's Foreign Policy*, Alastair Iain Johnston and Robert Ross (eds.), (CA: Stanford University Press, 2006), 141.

issue of Taiwanese independence.”<sup>31</sup> And North Korean reform is also in China’s socioeconomic interest, as it would lessen North Korea’s need for Chinese aid, and stem the tide of economic and political refugees pouring into China. As a Chinese official said, “We can either send food to North Korean or they will send refugees to us – either way, we feed them. It is more convenient to feed them in North Korea.”<sup>32</sup> There is, in short, little question that by helping stabilize the Kim Jong-Il regime, North Korean reform is in China’s material interest.

China’s engagement with South Korea over the last two decades is also well described in instrumental terms. To combat its international ostracism following the Tiananmen Square massacre of 1989, China strategically sought to normalize relations with South Korea. Trade and investment relations with South Korea also served China’s goal of economic development and modernization.

Rather than contest such materialist arguments, this article supplements them with a focus on the identity politics that also drives China’s policies towards the two Koreas. Qualitative and quantitative evidence have provided convergent evidence that Chinese netizens look coolly upon the two Koreas, but for very different reasons. North Korean reform may serve China’s strategic interests, but it also serves as a mirror to an evolving Chinese national identity. Chinese today are very different from Chinese under Mao, and that is reflected in their evolving views of North Korea. Where elite Chinese sought to engage (North) Korea in the imperial and Maoist periods, and then disengaged from North Korea under “reform and opening” in the 1980s and 1990s, they appear to be entering a period of disillusionment today. North Korea’s 2006 missile and nuclear weapon tests revealed North Korea to be a mirror to China’s own Maoist past, rather than an affirmation of China’s choice of reform in the 21st century. While Chinese netizens appear to look coolly upon a backwards North Korea, the shared legacy of the “War to Resist America and Aid Korea” (抗美援朝战争), and its continued centrality to Chinese narratives of national greatness, also appears to engender a sympathy or loyalty that leads them to desire a friendlier North Korea

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31 Shen Dingli, “North Korea’s Strategic Significance to China,” 20.

32 Cited in Samuel Kim, “China’s New Role,” 116.

policy.

Chinese netizens also appear to be of two minds about South Korea. On the one hand, they find the “Korean wave” (韩流) and South Korean modernity alluring, generating favorable feelings and warmth. On the other hand, historical and cultural disputes with South Korea have generated feelings of dismay. South Koreans are seen as poaching upon China’s cultural heritage, humiliating China. They also appear to be seen as challenging cherished dreams of a future Pax Sinica.

Chinese netizen feelings towards the two Koreas thus appear to tell us much more about evolving Chinese views of their own national identity and role in the 21st century world order than they do about the two Koreas themselves. This should not be surprising: few people around the world know much about foreign countries, so most simply project their own fears and fantasies onto foreign others. Like “China and the American Dream,” “Korea and the Chinese Dream” is primarily an exercise in navel gazing.

## CONTRIBUTORS

**Thomas J. Christensen** is the William P. Boswell Professor of World Politics of Peace and War and the Director of the Princeton-Harvard China and the World Program at Princeton University.

**Avery Goldstein** is the David M. Knott Professor of Global Politics and International Relations in the Political Science Department and Associate Director of the Christopher Browne Center for International Politics at the University of Pennsylvania.

**Shin Jung-seung** is the director of the Center for Chinese Studies at the Institute of Foreign Affairs and National Security, Korea National Diplomatic Academy.

**Bonnie S. Glaser** is a senior fellow at the CSIS Freeman Chair in China Studies, where she works on issues related to Chinese Foreign and security policy.

**Quansheng Zhao** is a professor of international relations and the director of the Center for Asian Studies at American University.

**Robert S. Ross** is a professor of political science at Boston College and an associate at the Fairbank Center for East Asian Research at Harvard University.

**William H. Overholt** is a senior research fellow at Harvard University's Kennedy School of Government (Ash Center).

**Francois Godement** is a senior policy fellow at the European Council on Foreign Relations, professor of political science at Sciences Po, and the director of strategy at the Asia Centre in Paris, France.

**Chen Ping** is the deputy managing editor of the Beijing-based Global Times English Edition.



**Hao Yufan** is the dean of social sciences and humanities and a professor at the University of Macau and the editor-in-chief of *Journal of Macau Studies*.

**Peter Hays Gries** is the Harold J. & Ruth Newman Chair at the Institute for US-China Issues and an associate professor at the University of Oklahoma.

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