

Domestic Sources of China's Soft Power Approach

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The balance of domestic factors and international variables in shaping a state's external behavior is a perennial debate. Despite the need to bridge the gap between comparative politics and international relations, few serious efforts have been made to theorize the causal mechanisms between domestic politics and foreign policy.¹ This dichotomy is also reflected in the study of Chinese foreign policy.

During the Cold War, many scholars attempted to expound the impacts of the Chinese Communist Party's (CCP) ideology and political leadership struggles on Beijing's external behavior.² For instance, one writer argues that during the Mao era, China's hostility towards Western powers was largely a result of crises within the CCP regime and leadership.³ However, this domestic-oriented approach was seriously contested by adherents of the realist school, who focused on the triangular strategic ties between the United States, China and the former Soviet Union to ex-

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plain China's foreign policy strategy. In the post-Cold War era, the study of Chinese foreign policy has continued to be polarized by the debate over the relative weight of internal and external influences. Although many have explored the links between the two, no systematic investigation has been carried out, nor has a holistic framework been proposed to guide such research.

The relationship between China's domestic conditions and international behavior is clearest when viewed in the context of the transformation that the country has experienced since the late 1970s. Since the beginning of the reform era, China has evolved from a revolutionary state to a developmental state and from a planned economy that was mostly self-reliant to a trading state.⁴ Furthermore, it has undergone a limited political transition from an opaque Leninist party-state to an authoritarian regime, though one which is somewhat willing to be accountable and responsive to public demands. These internal transformations have been reflected in Beijing's relations with the outside world. As the demands of domestic legitimacy have required China's leaders to place a high priority on economic growth and trade, Beijing has adopted an accommodating strategy of engagement with its neighbors and other regional powers. This is particularly evident in its soft power strategy in East Asia, where China has consistently formed its foreign policy to support priorities at home.

BRINGING THE STATE BACK IN

Scholars have examined various domestic sources of China's foreign policy, including leadership division,⁵ political instability,⁶ the perceptions of the elite,⁷ public opinion,⁸ Chinese culture⁹ and bureaucratic politics and pluralism.¹⁰ However, all these approaches are essentially micro-level perspectives on the relationship between domestic politics and foreign policy. These perspectives may be helpful in analyzing some small-scale changes in China's foreign and security policy and in illustrating some of the nuances in China's external behavior, but it becomes risky if these factors are generalized to explain other issues or to explore the larger trends in China's foreign policy. Micro-level analytical tools suffer from incomplete information, generalization and partial explanations.¹¹

Foreign policy in China is still largely a state affair under the tight control of political institutions and leaders at the top level. It is commonly believed that even the foreign minister has very little role to play in policy-making.¹² Despite reports of a growing military-political divide over security policy, there have been very few examples of the military playing the predominant role in specific policy initiatives. Instead, the decision-making process remains highly centralized, with major policies vetted by a select few senior party leaders at the politburo level. Other individuals and societal groups have a marginal influence on the process.¹³ The dominant position of top civilian leaders in policy-making is particularly notable when it comes to key issues with strategic implications.¹⁴ For instance, according to Long Yongtu, China's chief negotiator during China's World Trade Organization (WTO) member-

ship talks, Chinese leaders constantly intervened and kept a close watch on the entire negotiation process.¹⁵

Moreover, the limited impact of public opinion on policy-making is also evident. A telling example is the recent signing of a framework document with Japan on the joint development of resources in the East China Sea.¹⁶ Despite strong public opposition domestically, Beijing decided to push for joint development projects near the median line of the East China Sea, including permission to allow Japanese investment in the Chunxiao oil field that is actually on the Chinese side of the median line. The scholarly community in China similarly lacks influence in foreign policy and is still far from being able to freely make proposals. Instead, they help top decision makers on technical issues or by providing justifications for policy lines that political leaders have already decided on. With regard to the influence of local governments on foreign relations, China has established "a set of effective institutions that ensure the dominance of the central government and inability of local governments to harm the foreign policy goals of the central government."¹⁷

In short, to better understand Beijing's changing postures on major international issues, we need a more holistic approach, specifically one that focuses on the attributes of the Chinese state when examining the impact of the domestic political economy on its foreign relations.¹⁸ The attributes and imperatives of the state shape national priorities, restricting their scope to the most feasible and least costly approaches. Individual leaders may have slightly different diplomatic styles, but they do not act in a political vacuum. Thus to a large extent, the domestic needs of the state define national interests and lay out the boundaries for potential policy choices. While political leaders play an important role in shaping the attributes of the state in the first place, once the characteristics of the state take shape, they tend to be stable and somewhat resistant to change. With the structural relations between the state and society as well as the state and other nation-states already formed, decision-makers have to design their foreign policy strategies within the existing domestic and international constraints.

CHINA IN TRANSITION

Since the initiation of reforms in the late 1970s, the functions, imperatives and interests of the Chinese state have changed as the country has experienced profound transformation. China has transitioned from a revolutionary state to a developmental state, from a planned economy to a trading state and from an extremely opaque Leninist party-state to an authoritarian state. Each of these domestic transitions has impacted China's external relations.

FROM A REVOLUTIONARY STATE TO A DEVELOPMENTAL STATE

The primary goal of the reforms was to achieve continuous and relatively fast economic growth that would eventually ensure China's rise. This was the heart of the new social, economic and political revolution fashioned by Deng Xiaoping. It was this grand initiative that also had the effect of completely overhauling China's

foreign policy in the 1980s. "Peace and development" became both the justification for and the goal of a new Chinese foreign policy. This led to a reassessment of its political relations with neighboring states.

During the 1980s, ideology lost its potency as an influential element of foreign policy and was replaced by pragmatism. Reform and opening up was already a dramatic move away from traditional CCP doctrine. The reform process further eroded the appeal of ideology. Ruling elites eventually realized that their positions depended on economic performance. By the end of the 1980s, the reform program had taken on a political momentum of its own.

As reforms deepened, numerous socio-economic problems began to emerge which called on the state to deliver economic results. While political change remained stag-

The Soft Use of Power

The term soft power, coined by Joseph S. Nye, Jr. in the early 1990s, has become a very popular concept in international politics. However, the idea remains notoriously under-theorized, which leads to much confusion in the existing literature and in practical discussions on international relations. Few people would dispute the basic definition of soft power: the ability to get what you want through attraction rather than through coercion or payment.⁴⁸ However, it is still quite unclear what produces attraction. It is widely held that soft power comes primarily from a nation's culture, values and foreign policy.⁴⁹ In general, the existing literature stresses ideational elements as sources of soft power.

Due to its multifaceted nature, culture only becomes attractive when a society displays its positive aspects while doing its best to conceal or downplay those aspects that might be disagreeable to others. For instance, in official cultural exchanges with foreign countries, China would never exhibit those cultural elements that were lambasted by May Fourth cultural critics such as Lu Xun and his supporters. Recently, as more and more Chinese tourists visit foreign countries, Chinese officials and media commentators have frequently reminded them not to behave in ways that local people may feel uncomfortable with. In addition certain cultural habits, ideology and cultural tradi-

tions can also cause problems when used in a coercive or threatening fashion. This was precisely the case during the Cold War, when Mao's China was perceived as promoting Chinese culture and Chinese-style communism in Southeast Asia as a way of advancing its revolutionary ideological goals. A few Southeast Asian countries even responded by instituting measures restricting the influence of Chinese culture. In this case, culture was hardly a source of soft power for China. On the other hand, economic and military power, which are seen as basic sources of hard power, can also be sources of admiration and attraction. To people affected by the enormous tsunami in 2004, the foreign naval forces which came to their rescue were a source of soft, not hard power.

This leads us to conclude that there is no source of power that is solely soft or hard in nature. Culture and values are important variables that need to be considered because they contain certain principles or norms regarding how social relations should be dealt with. However, in essence, it is how an actor exercises its capability that is critical. Thus, the key to whether a certain power source becomes soft or hard is *how* a state (or any other actor) *uses* its power. Soft power originates in a state's considerate, prudent and cautious use of power, the provision of various forms of public goods for the interna-

tional community and the creation of win-win diplomatic solutions. These are precisely the features that have characterized China's diplomatic approach in East Asia over the past decade or so.

The popular method of separating sources of power as soft or hard is insufficient in explaining China's newly acquired soft power in East Asia.⁵⁰ It is claimed that Chinese culture, cuisine, calligraphy, cinema, curios, art, acupuncture, herbal medicine and fashion have played an important role in expanding China's soft power in Southeast Asia.⁵¹ However, culture has played a marginal role, at best, in increasing China's soft power both at the global level and in the region. According to official Chinese data, China's international cultural trade has experienced huge deficits. As many Chinese skeptics have pointed out, cultural iconoclasm over the past one-and-a-half centuries has left traditional Chinese culture in shambles. Although one can identify certain social norms as uniquely Chinese, overall,

Chinese society, especially the younger generation, has become westernized. Within Chinese culture, historical sites and cultural symbols do remain attractive to foreigners. However, even the "China threat" advocates and so-called "China-bashers" admire the Great Wall and the like, thus demonstrating the limited effectiveness of China's current cultural influence.

Similarly, it is doubtful that Chinese political values have contributed to the growth of China's soft power. The Chinese model of development, the so-called "Beijing consensus" (political authoritarianism plus a market economy), hardly appeals to the majority of political elites in East Asia. The deficiencies in China's system, i.e. appalling pollution, rampant corruption and a remarkable disparity between rich and poor, are becoming more, not less, apparent. Thus, it is doubtful that other developing countries in Asia would look to China for guidance for their own development.

nant, the ruling elites had to work even harder on economic performance to sustain their legitimacy to govern. This domestic socio-political reality, and the consequent demands on the state, almost single-handedly brought about an overhaul of China's foreign policy. Chinese leaders, from Deng Xiaoping to Hu Jintao, were forced to facilitate a peaceful external environment. This effort was particularly conspicuous in the wake of Tiananmen. Facing diplomatic isolation and comprehensive sanctions by various Western countries in the years following Tiananmen, the Chinese government went all out to rebuild relations with the world. This was partly a consequence of China's desire to regain its political standing in the world, but more importantly, it served to maintain a favorable external environment, a precondition for continued economic progress. The normalization of diplomatic ties with several Asian countries in the early 1990s (South Korea, Indonesia and Singapore) was testament to China's strenuous efforts.

The need for international and regional stability to prop up domestic economic development has been unequivocally articulated in many of China's most important political documents. At the 15th CCP Congress in 1997, top Chinese leaders cautioned that China was still in the primary stage of socialism, characterized by a low level of productivity, regional disparities, backwardness in education and technology and a huge gap with the developed world. They reaffirmed that economic development had to take center stage for the foreseeable future. Thus, the political report

at the Congress recommended that a good-neighbour policy should be China's long-term strategy, emphasizing that any contentious issues between China and neighbouring countries should be solved through peaceful means. The document also reiterated China's position of shelving problems that were too difficult to solve in the near term.¹⁹

Five years later, the 16th CCP Congress highlighted the idea that the first 20 years of the twenty-first century would be "an important period of strategic opportunity" for China's modernization drive. Beijing vowed to strengthen regional cooperation and further consolidate relations with regional states.²⁰ The rationale was that an "important period of strategic opportunity" necessitated creating a propitious external environment in order to ensure the achievement of China's domestic developmental goals. After Hu Jintao came to power, the strategic link between the domestic and international situations became even clearer. At a top-level foreign policy meeting, Hu initiated the "two grand contexts" (*liang ge daju*), namely the domestic and international levels, and exhorted his foreign policy team to work on international relations in the service of domestic political and economic interests.²¹ According to Wang Jisi, a well-known Chinese analyst, the criterion that China uses to judge whether its foreign policy is successful is to what extent it ensures the smooth implementation of various key domestic programs.²²

FROM A PLANNED ECONOMY TO A TRADING STATE

The inherent requirements for a developmental state to exist, peace and stability, have determined China's overall approach to its foreign policies. Since the reform era, a succession of Chinese leaders have assertively pursued steady, amicable relations with the world, and in particular, with the surrounding region. However, the intensity of China's engagement with the rest of the world cannot solely be explained by the nature of a developmental state. The extent to which China has reached out to almost all countries in the world and maintained a proactive posture in global and regional affairs is better understood in relation to the path chosen for its modernization, namely becoming a trading state.

China learned at the beginning of the reform era that the successes of the four Asian "little dragons" had much to do with their export-oriented growth. This was in sharp contrast to the failed experiment of the import-substitution approach that many Latin American countries had adopted. This "opening up" strategy better complemented China's need for foreign capital, technology, managerial expertise and energy resources.²³ The choice of trade as a defining strategy for China's modernization, instead of the alternative approach of primarily relying on the domestic market, has had profound implications for China's foreign policy.

China's status as a trading state can be observed from several angles, including foreign direct investment (FDI), international trade, Chinese tariffs and the emerging "going out" strategy of Chinese corporations. For many years, China has been the largest recipient of FDI in the world. In 2007, China absorbed \$84 billion of

FDI. Since the reforms of the late 1970s, China has utilized a total of over \$800 billion of international capital in its economic development.²⁴ FDI has played an enormous role in boosting the Chinese economy during the reform era. It has been the numerous foreign-invested companies that have increased China's trade and helped employ millions of Chinese laborers. Foreign capital accounted for 11.3 percent of China's gross fixed capital investment from 1990-2000, as compared to East Asia's average of 8.9 percent and a 9.3 percent average for all developing economies.²⁵ FDI has also contributed significantly to China's international trade. Since 2001, exports and imports by foreign-invested enterprises in China accounted for over 50 percent of China's total annual trade, reaching almost 60 percent by 2007.²⁶

In the past three decades, China's international trade has grown by 15 to 17 percent annually, much higher than the 7 percent world average in the same time-frame.²⁷ China now has become the third largest trading power in the world, with a total volume of international trade reaching over \$2 trillion in 2007.²⁸ In response to Western apprehension that China might become a revisionist state within the international system, Chinese officials and analysts frequently state that their country has been the largest beneficiary of the system, especially of the economic system. They also argue that China would have no incentive to challenge the status quo.²⁹ The share of exports in China's GDP growth has been quite significant, especially in recent years, as China's WTO membership began to bring substantial benefits to China's economy.

In the 1990s, China continually lowered its tariffs. As part of China's economic diplomacy, duty rates were frequently reduced, often just prior to Jiang Zemin's foreign trips. For the most part, Beijing did this to create a more favorable atmosphere in which Jiang could engage with Western leaders on political matters. Tariffs dipped as low as 6 percent during this time.³⁰ To become a WTO member, China made further concessions on tariffs and other foreign economic interests in China. Soon after it joined the WTO, the Chinese economy's openness exceeded that of South Korea and Japan.³¹ Maintaining low import taxes also helped Chinese businesses purchase the foreign equipment and resources necessary to sustain manufacturing capacity for exports.

We can also measure China's "going out" strategy in terms of China's outbound FDI. According to the 2007 World Investment Report (UNCTAD), China's overseas investment increased from US\$2.855 billion in 2003 to US\$16.13 billion in 2006. Although China's FDI is still relatively low as a share of its total national investment, the figure has increased from 1.0 percent in 2003 to 1.9 percent in 2006. Part of the rationale for much of China's overseas investment is to secure a stable supply of various energy resources and raw materials to sustain Chinese manufacturing. According to one estimate, the total Chinese consumption of aluminum, copper, nickel and iron ore accounted for 7 percent of the world total in 1990, 15 percent in 2000 and 20 percent in 2004. Chinese demand for these materials is likely to continue to increase at a phenomenal rate.³²

China has chosen a modernization approach that relies on economic cooperation, and has thus become interdependent with the other economies of the world.³³ The implications of this modernization approach for China's foreign policy are multifaceted and profound. On one hand, China is likely to be further constrained by this still growing interdependence. On the other hand, the incentive is high for Chinese decision makers to guarantee foreign markets for Chinese manufactured goods and a stable supply of energy and other resources for sustainable economic growth domestically. It would be hard to imagine how China could adopt an aggressive stance in its relations with neighboring states while at the same time ensuring smooth, or even normal, trading relations that would sustain its economic growth. One may argue that China can re-orient its economic development approach by turning towards more domestic consumption, but in reality, the Chinese economy has become so structurally dependent on overseas markets that such a revision is barely conceivable. At present, there is little sign that China is moving away from this export-led growth model.

LIMITED POLITICAL TRANSITION

China's reform program was principally concentrated on the economic realm. The political reforms of the past three decades have focused on improving governance. The political system remains authoritarian in style, although in recent years numerous signs have demonstrated that the Chinese polity is increasingly moving towards accountability and responsiveness. Some of the moves in that direction include public participation in policy-making, the Hu-Wen regime's emphasis on people's livelihoods and growing discussions of institutionalizing intra-party democracy.

Political authoritarianism puts China squarely in the spotlight of political discourse among growing trends dominated by Western liberalism. As a result, even though the Chinese economy is fully integrated into the global economy, politically, it remains alienated within the international system. Largely as a result of differing political systems, the West has looked at China with suspicion and even apprehension. The "China threat" thesis largely stems from this ideological gap, though, of course, there are real strategic issues at play as well. In reality, it is difficult to distinguish the relative impact of ideological differences and strategic competition on China's relations with other major powers and regional states. However, one can get a clearer sense of the salience of this ideology by asking this question: why has there been no rhetoric over a "Japan threat" or an "India threat"? After all, these two countries are also experiencing a resurgence of strategic influence in Asia in the post-Cold War era.

As the only superpower in the post-Cold War era, the United States plays a key role in creating a strategic environment that constantly puts China on the defensive. One way it does this is by strengthening the "hub-spokes" security system. Despite frequent public pronouncements by American leaders that the United States welcomes a prosperous and strong China, the Chinese political elite continue to have a deep-rooted suspicion of the United States, and it is seen as looking for opportuni-

ties to contain or constrain China.³⁴ In an internal meeting, former President Jiang Zemin explicitly pointed out that the United States, although a country far away from China's neighborhood, was a crucial player that had a significant negative impact on China's security environment in the peripheral regions.³⁵

In light of Washington's regional leadership role and due to their own interests, other major powers in East Asia have either acquiesced to, or have been hesitant to challenge US strategic thinking on China. In the past few years, there have been proposals among major players in the region to constrain the growth of China's strategic weight or to hedge against the possibility that it may become more assertive. Notable examples include the increasingly warm relations between Japan and India, particularly during Junichiro Koizumi's term as Japanese Prime Minister. There was also the suggestion of a quadrilateral "arc of democracies" among the United States, Japan, India and Australia. Chinese analysts also perceived the deepening Japan-Australian defense ties as a check and a hedge against China. This was clearly demonstrated by China's vociferous opposition to the signing of the Japan-Australia defense agreement in March 2007.³⁶ The trilateral defense dialogue mechanism amongst the United States, Japan and Australia is a further testament to the fact that, though China is a rising power in East Asia, it remains politically and strategically isolated.

Although the apprehension of many other smaller powers in the region towards China has been mitigated to a large extent in the past decade and a half, their lingering strategic distrust toward China's intentions remains discernible. These misgivings originate from a number of sources, such as outstanding territorial disputes, the geopolitical reality of having a giant neighbor and the opacity of China's long term strategic intentions in the region. As such, many Southeast Asian states employ a China policy that contains a mixture of deference, hedging, balancing and enmeshment.³⁷

Even though China's strategic position in East Asia over the past decade has moved significantly in Beijing's favor, it is fair to say that China still stands as a lonely, albeit rising, power. In light of all these challenges, the Chinese political elite understand very well that maintaining a stable relationship with the United States, along with other major powers, is essential for the successful implementation of the reform program. Without this prerequisite, China simply cannot carry out the functions that would be necessary for a developmental and trading state. Moreover, China realizes that to forestall a potential US-led containment policy, it needs a soft power approach to its international politics. A confrontational or heavy-handed approach would only play into the hands of hard-liners in the United States and the other major powers. Instead, China's strategic response to US pressure has been one of reassurance to other countries in the region of its peaceful intentions, complemented by practicing self-restraint on contentious issues and a commitment to creating win-win situations.

CHINA'S SOFT POWER APPROACH IN EAST ASIA

China's increased influence in East Asia in the past decade is primarily attributable to its soft use of power in foreign policy.³⁸ This approach can be observed from several angles. These include conscious efforts to adapt to the existing regional system, a non-confrontational approach to its relations with other major powers in East Asia, reassuring neighboring states of its peaceful rise through both actions and rhetoric, solving border disputes with the vast majority of its neighbors and endeavoring to maintain a peaceful and stable environment in its neighborhood. Furthermore, China is actively participating in multilateralism, temporarily shelving disputes that are intractable and pursuing economic activities in the region that benefit all sides. Of course, one can easily find many instances of China being assertive, but overall, it is fair to say that it has exercised its power in a prudent and considerate way. This has been the most important source of its soft power.

China's posture on international relations in East Asia during the past two decades has effectively moved relations with almost all its neighbors in a constructive direction, including a number of previous Cold War adversaries such as South Korea, Vietnam and India.³⁹ The precarious relations Beijing had with Japan and Taiwan just a few years ago have now changed for the better, with a Sino-Japanese strategic partnership in the making and a warming of relations across the Taiwan Strait. With the exception of India, China currently claims no territorial border disputes with any neighboring country. The successful resolution of these border disputes has allowed China and its surrounding countries to demarcate over 20,000 kilometers of previously volatile borders. On some seemingly intractable hot security issues, China's behavior has been mostly moderate and cooperative. For instance, China has been playing an effective mediating role in solving the North Korean nuclear issue.⁴⁰ Beijing has also downplayed the disputes in the East China Sea, including the Diaoyu/Senkaku Islands dispute with Japan and the dispute in the South China Sea with some Southeast Asian states.⁴¹ The recent signing of the Sino-Japanese guidelines on joint development in the East China Sea, the Declaration on the Conduct of Parties in the South China Sea and the trilateral agreement (China, the Philippines and Vietnam) on resource exploration in the South China Sea are all testaments to China's intent to avoid conflicts in its neighborhood.

Active participation in multilateral endeavors has also helped reassure neighboring states of China's willingness to engage in regional affairs. This is most notable in China's involvement in various ASEAN-related forums and mechanisms since the mid-1990s. These include the ASEAN Regional Forum (ARF), ASEAN plus three (ASEAN and China, South Korea and Japan), ASEAN plus One (ASEAN and China), the free trade agreement with ASEAN, the Joint Declaration on Cooperation in the Field of Nontraditional Security Issues, the Joint Declaration on Strategic Partnership for Peace and Prosperity and China's accession to the ASEAN Treaty of Amity and Cooperation in 2003. In addition, China has participated in almost all non-official track-two security dialogues concerning East Asia.

The expansion of Chinese influence in East Asia has also been fueled by economic ties, a reflection of the nature of the Chinese trading state. China's decision not to devalue the RMB during the 1997-98 Asian financial crisis earned China much respect in the region. Trade between China and other Asian countries has played an instrumental role in cementing China's relations with its neighbors. In 2007, China's exports to other Asian trading partners accounted for 46.6 percent of China's total exports, and its imports from the rest of Asia accounted for 64.9 percent of the national total. Among mainland China's ten largest trading partners, six are located in Asia.⁴² China's participation in trade and investment in East Asia has contributed to economic interdependence and economic growth in the whole region. In recent years, China has emerged as one of the major suppliers of official development aid for several Southeast Asian countries. Although the true picture of China's aid programs in the region is not clear due to a lack of reliable statistics, there are several illustrative examples. In Cambodia, China provided at least US\$800 million in 2005 and 2006, with most of the money being used for infrastructure and hydropower projects.⁴³ China has also proffered US\$1.8 billion to the Philippines for various development projects and will provide US\$6 to 10 billion in loans over the next three to five years to finance infrastructure projects in the country.⁴⁴

China's soft power engagement with its East Asian neighbors is a reflection of its evolution from a developmental state to a trading state, and its transition to a politically authoritarian state that intends to consolidate its legitimacy and international standing. Its domestic developmental mission has necessitated its foreign policy in its neighboring regions to aim at creating a peaceful and stable environment. Its economic modernization strategy of taking advantage of the international market has further required its foreign policy to be about comprehensive engagement. Facing constant US strategic pressure in East Asia, Beijing realizes that it has to pursue a soft power approach towards its regional neighbors to forestall the possibility of any encirclement led by Washington. Far into the future, Beijing will continue to be aware of its limited capability to challenge US predominance in East Asia. Meanwhile, China will continue to use cooperative means to compete for strategic, political and economic influence in the region.

It is China's proactive engagement in Asia that has brought China a significant amount of soft power in the region. The essence of China's new regional posture is a set of strategies and tactics to reassure regional states of China's peaceful intentions during its rise. China is now seen in almost all East Asian nations as largely an opportunity for further economic development. The popularity of the "China threat" theory has dwindled, and political elites in neighboring countries are more inclined to believe that China is likely to be a benevolent power.

AN UNFINISHED TRANSFORMATION

Many people now acknowledge that domestic politics are crucial in shaping China's international strategy, and useful scholarly efforts have been made to identify

various domestic political factors, as outlined in this paper. However, these extant approaches are mostly confined to micro-level factors and are not sophisticated enough to explain the larger picture of China's foreign and security policy. Some of these approaches tend to describe China in a static manner and may not be useful in explaining or predicting the general trends in Beijing's international strategy. For instance, a 1995 Rand study predicted that in a 10 to 15 year timeframe, China was likely to experience less co-operation with various international regimes, higher levels of military spending, a reduction in economic interdependence with the rest of the world, a more heavy-handed approach to territorial disputes and even an attempt to search for allies against the United States and other Western powers.⁴⁵ With the exception of military spending, so far, these predictions have not been supported by the facts. The general trend in Chinese foreign policy has been moving in exactly the opposite direction. Even on the most sensitive issue - national security - there is now much more interaction with foreign counterparts than many analysts might have expected. China now holds regular dialogue and consultations on security issues with Australia, India, Japan, Kazakhstan, Uzbekistan, Mongolia, Pakistan, Russia and Thailand. China has also participated in various multilateral military exercises.⁴⁶

China's transitions are far from complete, particularly regarding the political system, and there is abundant evidence to show that this process is likely to continue for the foreseeable future. The continuation of this evolution is embodied in President Hu's notion of "the important period of strategic opportunity." According to his vision, the next twenty years will be crucially important for China and the rise of the Chinese nation. Thus, Hu has called on his foreign policy team to do everything possible in foreign affairs to meet the needs of the domestic political economy.⁴⁷

To meet these goals, China will have to place a high priority on its foreign policy in neighboring regions. This is because any significant change in the international structure in East Asia would have a profound impact on China's international standing in the world, and other regional countries are the most likely to be sensitive to its rise. For the foreseeable future, China will continue to further integrate its economy with other East Asian nations. Its political system, although resilient in some aspects and precarious in other areas, is likely to be maintained as an authoritarian one, with minor transitional measures towards more accountability and responsiveness. In other words, various domestic imperatives, largely a result of China's continuing transitions, will continue to dictate China's soft power, or soft *use* of power to be exact, in East Asia.

The goal of China's foreign policy in East Asia is still far from the pursuit of regional leadership. Part of the reason is that in this region the United States is still widely believed and trusted to be the *de facto* and *de jure* regional hegemon. In fact, US bilateral alliances with a number of East Asian states and close strategic ties with others, are a result of both Washington's policy choices as well as regional states' preference to hedge against a potentially more assertive China. In past years, Beijing

has clearly been aware of these structural constraints in its attempt to gain a regional leadership position. Instead, it has adopted a soft power approach to consolidate its strategic foothold in East Asia, rather than directly challenging US supremacy. Economic liberalization in China, which has significantly transformed the nature of the Chinese state, has indeed made China's international relations in East Asia more cooperative and engaging. ☪

NOTES

¹ One exception is Robert Putnam's two-level game analytical framework. See Robert Putnam, "Diplomacy and Domestic Politics: The Logic of Two-level Games," *International Organization*, No. 42, Summer 1988, pp. 427-601.

² Peter Van Ness, *Revolution and Chinese Foreign Policy: Peking's Support for Wars of National Liberation* (Berkeley: University of California Press, 1970); James David Armstrong, *Revolutionary Diplomacy: Chinese Foreign Policy and the United Front Doctrine* (Berkeley: University of California Press, 1977).

³ Kuang-sheng Liao, *Antiforeignism and Modernization in China: 1860-1980* (Hong Kong: Chinese University Press, 1984).

⁴ Although all states in the world are engaged in international trade, the term "trading state" has particular significance in China's case. First, it highlights the dramatic comparison between China's past national policies and the increasingly important role China plays in the international economy. Second, it characterizes the unmistakable prominence of an export-oriented approach in China's reform and opening. David Zweig, "China and the World Economy: The Rise of a New Trading Nation," paper presented at the Second Global International Studies Conference in Ljubljana, July 24, 2008.

⁵ Susan Shirk, "The Domestic Roots of China's Post-Tiananmen Foreign Policy," *Harvard International Review*, Winter 1990, Vol. 13, Issue 2.

⁶ M. Taylor Fravel, "Regime Insecurity and International Cooperation: Explaining China's Compromises in Territorial Disputes," *International Security* 30, No. 2 (Fall 2005); Susan L. Shirk, *China: Fragile Superpower* (New York: Oxford University Press, 2007).

⁷ Michael D. Swaine. *China: Domestic Change and Foreign Policy* (Santa Monica: RAND, 1995); Xiaoyu Pu and Guang Zhang, "China Rising and Its Foreign Policy Orientations: Perspectives from China's Emerging Elite," in Sujian Guo and Shiping Hua, eds., *New Dimensions of Chinese Foreign Policy*. (Lexington Books, Rowman & Littlefield, 2007); Weixing Hu, et al., eds., *China's International Relations in the 21st Century: Dynamics of Paradigm Shifts* (Lanham, MA.: University Press of America, 2000); Chih-yu Shih, *Reform, Identity and Chinese Foreign Policy*, Taipei: Vanguard Institute for Policy Studies Publication, 2000.

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