

# Structural Changes in Chinese Foreign Policy: From “Prosperous Nation Diplomacy” to “Strong Nation Diplomacy”\*

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## Abstract

As China's economic power has increased, its foreign policy has undergone structural changes: from “prosperous nation diplomacy” to “strong nation diplomacy.” There are three salient features of China's “prosperous nation diplomacy” since its reform and opening up in 1978. First, the main pillar of the “prosperous nation diplomacy” was strengthening relations with Japan, the United States, and Western European countries. Second, China was enthusiastic about joining and engaging with the Western-led international order and existing international and regional organizations. Third, China's “prosperous nation diplomacy” was based on the principle of not forming alliances. China shifts to “strong nation diplomacy” under President Xi. The main pillar of “strong nation diplomacy” is “South-South cooperation,” or strengthening China's relationships with developing nations. By relying on cooperation with developing countries, China seeks to expand its influence in global governance and build global and regional institutions centered on itself. Furthermore, China's “strong nation diplomacy” is intensely colored by ideology. In its pursuit of “strong diplomacy,” China is pushing for domestic reform of its foreign policy. Foreign policymaking within China has become more centralized. The Chinese government has introduced a new system to ensure that local and ministry-level institutions follow the central government's lead and faithfully implement foreign policy made by the central level. As the confrontation between China and the United States intensifies, China's strategy faces setbacks. The result is that China's foreign policy may become more developing-country based and ideologically tinged.

## Introduction

It is roughly 40 years since the policy of reform and openness was adopted. In that time, China has experienced remarkable economic growth, expanded its presence around the world, and is well on the way to becoming a global superpower. If Mao Zedong's great achievement was the founding of the nation and Deng Xiaoping's the introduction of “reform and openness,” Xi Jinping has appointed himself as a leader whose destiny is to guide China on the road to becoming a “strong nation,” and as such he is driving the third major revolution since the founding of the People's Republic.<sup>1</sup> In this context, Chinese diplomacy too is changing from a “prosperous nation policy” built around the aim of prosperity to a “strong nation policy” driven by an urge for national strength and power.

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<sup>1</sup> Elizabeth C. Economy, *The Third Revolution: Xi Jinping and the New Chinese State* (Oxford University Press, 2018).

At the same time, the international environment in which China must operate has also changed dramatically over the past 40 years. The developed nations of the West adopted a policy of positive engagement with China when the reform and openness policy was introduced, hoping that China would gradually transform itself into a more democratic and rule-abiding country if it is integrated into the international community. But today, these countries are increasingly taking a less positive view. Scholars and government officials in the United States are divided on whether the engagement policy with China has failed, and China policy is already being revised with no consensus in sight on this issue. As the trade war between the United States and China drags on, the US National Defense Strategy document published in January 2018, the first under the Trump administration, regarded China as a more serious rival than Russia, North Korea, Iran, or international terrorist groups, while the Indo-Pacific Strategy Report published by the Department of Defense in June 2019 clearly set out again the strategy of cooperating with trusted partners like Japan and Taiwan to defend a free and open international order. Changes are also occurring in the academic, cultural, and person-to-person exchanges that sustained stable relations between China and the United States for many years.

The European Union also described China as “a systemic rival promoting alternative models of governance” in its report *EU-China: A Strategic Outlook*, published in March 2019. The case for caution against China is also increasingly heard in places like Australia and New Zealand, which have been on the receiving end of Chinese “sharp power” as China has tried to exert its influence on the domestic politics of democratic states, through manipulation of public opinion and espionage.

The stand-off between China and the developed Western countries has become increasingly overt and intense. Today, China has become unambiguously a “threat,” recognized as “an ideological rival that is seeking to spread a non-democratic system of government around the world.” We should not overlook the fact that the structural changes in Chinese foreign policy over the past 40 years have taken place against the background of these international circumstances. China’s economic rise has brought changes in the balance of power in international systems, and the objectives and priorities of Chinese foreign policy and strategy have also changed, albeit more slowly, in order to maintain the legitimacy of Communist Party rule. In this paper, I want to discuss these structural changes in China’s foreign policy from three perspectives: changes in China’s understanding of the global situation and its foreign policy objectives, owing to the shifting balance of power in international systems; changes in China’s foreign policy strategy; and changes in the way foreign policy is formulated and implemented within China. I will also consider the effectiveness of the policy of engagement with China.

## **1. China’s perception of the international situation and the shift in its foreign policy objectives**

### **(1) China’s “Prosperous Nation Diplomacy”**

When the signal was given for the policy of reform and openness to begin in 1978, it is estimated that China’s GDP was around 364.5 billion yuan, or just 381 yuan per capita. Based on this reality, Deng Xiaoping, China’s leader at the time, set a target of making China a middle-income country by the middle of the twenty-first century.<sup>2</sup> After the Cold War ended, the prevailing view in China was that the international order would shift from a bipolar to a multipolar one, with United States

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<sup>2</sup> *Deng Xiaoping wenxuan* (Selected Writings of Deng Xiaoping), vol. 3, p. 328.

as the sole superpower alongside a larger number of major powers.<sup>3</sup> In the debate about this projected new world order, China did not evaluate highly its own economic and political power at the time, to the extent that opinion within China was divided on whether China ought to regard itself as one of these “poles.”

Under slogans such as “an independent foreign policy” in the 1980s and “hide your strength and bide your time (*Daoguang Yanghui*)” after the end of the Cold War, the Chinese government sought to build a peaceful international environment and has pursued a “prosperous nation diplomacy” since the 1980s, with economic development as the primary goal. The characteristics of this policy can be summarized in three points, as follows.

First, the main pillar of the “prosperous nation diplomacy” was to strengthen relations with Japan, the United States, and Western European countries—the countries that would provide the funding and technology China needed for its economic development. Inarguably, following the Tiananmen Square incident in 1989, China came to see the importance of developing countries that would support China on human rights and Taiwan issues. After reexamining the somewhat dismissive attitude it had shown toward developing countries in the 1980s, China worked to strengthen its relations with countries in Asia and Africa in the 1990s, and then with Latin America and the island nations of the Pacific from around the turn of the new millennium. Nevertheless, China continued to place an extremely high importance on its relations with developed countries, and with the United States in particular, as the sole superpower.

Second, China was enthusiastic about joining and engaging with the Western-led international order and existing international and regional organizations. Following the adoption of the policy of reform and openness, China shifted to a policy of across-the-board participation, and started to engage enthusiastically with existing international organizations, based on its position as a permanent member of the United Nations Security Council and its double stance as a major aid donor country that was also a developing nation that needed funding for its own economic development.

Throughout the 1990s, China’s national policy was to seek to “merge tracks (*jiegui*)” with the Western-led international community. In December 2001, China successfully joined the World Trade Organization after 15 years of negotiations, an event that seemed to symbolize that China had finally “converged” with the international economy.

Under the “prosperous nation diplomacy,” multilateralism also began to be a part of China’s foreign policy. From the second half of the 1990s, China started to engage positively with regional organizations, and today it has a framework in place for cooperation with all the regional organizations.<sup>4</sup> In Asia, the China-ASEAN dialogue was instituted in 1996, followed by the Shanghai Cooperation Organization (SCO) in 2001 and the Six-Party Talks (involving the United States, South Korea, Japan, China, Russia, and North Korea) in 2003. In 2005, China participated as an observer in the South Asian Association for Regional Cooperation (SAARC). In Europe, the China-EU Summit exists alongside a summit for heads of government of China and Central and Eastern European Countries; in Africa, there is the Forum on China-Africa Cooperation and a framework for strengthening relations between China and the Africa Union. In Arab countries, there is the China-Arab States Cooperation Forum and the China-Gulf Cooperation Council Strategic Dialogue; in Latin America and the Caribbean there is a strategic dialogue framework with the Community of Latin American and Caribbean States (CELAC). Since around 2006 China has also started to move closer to the island nations of the Pacific, establishing the China Pacific

<sup>3</sup> Takagi Seiichirō, “Posuto–reisen kōzō to Chūgoku gaikō no ‘shin-dankai’” (The Post–Cold War Structure and the “New Stage” of Chinese Foreign Policy), *Kokusai Mondai*, no. 394, January 1993, pp. 18–19.

<sup>4</sup> Aoyama Rumi and Amako Satoshi, *Chōtaikoku Chūgoku no yukue 2: Gaikō to kokusai chitsujo*, (The Future Direction of China as a Superpower, vol. 2: Foreign Policy and the International Order) (University of Tokyo Press, 2015).

Island Countries Economic Development and Cooperation Forum. Since 2014, meetings have been held twice between Xi Jinping and the leaders of the eight countries in the region that have diplomatic relations with China.

In 2002, the Declaration of Conduct of Parties in the South China Sea was signed between China and ASEAN, and China has also hosted the Six-Party Talks that started in 2003. China’s diplomatic position of participating in the international order and regional organizations and making a constructive contribution to regional peace was widely seen as a positive result<sup>5</sup> of the policy of engagement and therefore was well received.

Third, China’s “prosperous nation diplomacy” was not dependent on ideology; instead, it was based on the principle of not forming alliances. Ideology is inherently important to the survival of any Communist Party government, and from the early 1980s until the present the government has placed a high importance on patriotism. Following the collapse of the Soviet Union and the “color revolutions” in the Central Asian republics, China’s leaders came to understand that economic development alone was not sufficient to guarantee the legitimacy of Communist Party rule. They perceived that the ability to govern and Communist Party control of the military and society were also crucial to the survival of the party state.<sup>6</sup> However, even though the government has depended on ideology domestically, it was not bound ideologically in its foreign policy. Since the 1980s, China has developed an omnidirectional policy that sought to improve and strengthen relations with all countries, with the aim of building a peaceful environment that would contribute to economic development.

China’s “prosperous nation diplomacy” has been so successful that today it is the largest trading partner of many countries around the world. In 2010 China overtook Japan to become the world’s second-largest economy, and in 2016 it became the world’s second-largest overseas investor. It could be said that China today benefits more than any other country from the existing international order.

## **(2) The Shift to a “Strong Nation Diplomacy”**

As China’s economic strength grew, from the beginning of the twenty-first century it became strongly conscious of its own “rise.” At the Boao Forum for Asia held in November 2003, Zheng Bijian, chairman of the China Reform Forum, put forward the idea of China’s “peaceful rise.” Believing that in 2007 the global financial crisis had “brought deep changes in international systems and international relations,”<sup>7</sup> China came to believe that the international order had entered an age of “major change, coordination, and development.”<sup>8</sup>

Based on this understanding of the international situation, China decided that its policy should be to become a “strong nation.” From around 2009, the country modified Deng Xiaoping’s “hide your strength and bide your time” slogan, adding that people should seek to “actively pursue what you can do (*Jiji Yousuo Zuowei*).” In fact, although the slogan urged people to “hold firm to” the old values, the emphasis had now shifted to proactively doing “what needs to be done.”

<sup>5</sup> Alastair Iain Johnston, *Social States: China in International Institutions, 1980–2000* (Princeton University Press, 2007).

<sup>6</sup> David Shambaugh, *China’s Communist Party: Atrophy and Adaptation* (University of California Press and Woodrow Wilson Center Press, 2008).

<sup>7</sup> “2007-nian Zhongguo waizhao shuoguo lelei: Zhuan fang waijiao-buzhang Yang Jiechi” (The Many Achievements of Chinese Diplomacy in 2007: An Exclusive Visit with Minister of Foreign Affairs Yang Jiechi), ([http://news.xinhuanet.com/politics/2007-12/24/content\\_7307367.htm](http://news.xinhuanet.com/politics/2007-12/24/content_7307367.htm)) (Accessed July 3, 2015).

<sup>8</sup> “Waijiao-bu buzhang Yang Jiechi huijian Zhong-wai jizhe” (Minister of Foreign Affairs Yang Jiechi Meets Chinese and Foreign Journalists), (<http://news.qq.com/photon/yjc2011.htm>) (Accessed July 3, 2015).

To achieve this vision of China as a powerful nation, Xi Jinping's government launched a number of objectives, including "leading the world in terms of overall national power and international influence" and becoming a "socialist superpower" by the middle of the century. On the understanding that the ongoing fourth industrial revolution will decide the rise or decline of China as a great power, and has the potential to bring about a major shift in the international balance of power,<sup>9</sup> the "Chinese dream" of becoming a strong nation has grown ever more grandiose and ambitious.

The "strong nation diplomacy" is an international strategy for the rise of China, and its important policy objectives include "defending national interests," "enhancing national prestige and influence," and "stabilizing the environment surrounding China."

The United Nations Convention on the Law of the Sea, which was promulgated in 1994, provided an opportunity to redefine China's national interests. The Convention introduced exclusive economic zones (EEZs), and set a time limit of May 12, 2009 for each country to submit the papers relating to its own EEZ boundaries. Looking toward this submission deadline, from around 2006 China added a new national interest to its existing objectives of economic growth: national sovereignty and security. Since then, China has prioritized diplomatic policies that contribute to its national sovereignty, security, and development interests, and has demonstrated a hardline position with regard to maritime issues and anything else affecting its "core interests."

"Enhancing national prestige," or showing off China's strength, is another important policy objective under the "strong nation diplomacy." Since the founding of the People's Republic, China has used its huge market as a carrot to strengthen its political relations with other countries. In recent years, China has taken to using its increasing economic power as a stick with which to discipline other countries. China now frequently uses economic sanctions in response to policies that do not suit its interests. These include sanctions on exports of rare earth metals to Japan following the fishing boat collision in waters near the Senkaku Islands, limits placed on imports of Norwegian salmon following the controversy over the award of the Nobel Peace Prize to Lu Xiaobo, the "banana wars" it declared on the Philippines over the disputed sovereignty of the Scarborough Shoal, the banning of Chinese tour group travel to South Korea over the placement of Terminal High Altitude Area Defense (THAAD) missiles, and restrictions on coal imports to Australia over the proposed ban on foreign political donations and the Huawei controversy, among others.

The idea of enhancing national prestige also began to color the patriotic education that had been ongoing for many years. The narrative concerning the War Against Japan had depicted China as a victim of Japanese aggression, but in recent years there has been a tendency to emphasize China's role as one of the victors in the war. In 2018, the China Central Television (CCTV) documentary series "Amazing China! (*Li hai le, wo de guo*)" was a major hit, appealing to audiences by underlining how "amazing" their country was. The "strong nation diplomacy" stimulates national pride, and tends to encourage nationalism.

In this context, it is perhaps only natural that another aim of foreign policy has shifted from "creating a peaceful environment" to "stabilizing the international environment." The "strong nation diplomacy" that has taken shape since the early 2000s has different characteristics from the "prosperous nation diplomacy" that preceded it.

First, while still looking to stabilize relations with developed countries, the main pillar of the "strong nation diplomacy" is "South-South cooperation," or strengthening China's relationships with developing nations. Since the global financial crisis, China has valued forums such as the G20 and BRICS, in which emerging economies participate, as places in which to exercise

<sup>9</sup> Fu Ying, "Rengong zhineng dui guoji guanxi de yingxiang chuxi" (A Preliminary Analysis of the Influence of Artificial Intelligence on International Relations), *Guoji Zhengzhi Kexue* (Quarterly Journal of International Politics), vol. 4, no. 1 (2019), pp. 1–18.

influence. Strengthening relations with developing countries is also one of the main aims of the Belt and Road Initiative (BRI), one of the main strands of Xi Jinping’s foreign policy.

Second, the “strong nation diplomacy” emphasizes expanding Chinese influence in global governance. As part of this, China is working to establish organizations in which China itself plays a central role, at the same time as working to strengthen relations with international organizations and regional organizations. Following the launch of the BRICS New Development Bank in July 2015, the Asian Infrastructure Investment Bank (AIIB) opened in January 2016. The China-led AIIB is seen as a rival to the Japan-led Asian Development Bank, and has grown into a prestigious international financial institute, with around 100 countries and territories having joined so far. China also launched the Xiangshan Forum to compete with the Asian Security Summit (Shangri-La Dialogue) held by the UK-based International Institute for Strategic Studies. Representatives from around 80 countries apparently attended the eighth meeting in 2018. China had been actively involved in development projects in the Greater Mekong Subregion since the 1990s, but in 2016 the China-led Lancang-Mekong Cooperation Summit was launched as a rival organization.

Third, the “strong nation diplomacy” is strongly colored by ideology. Although this ideology is designed to demonstrate the legitimacy of the administration, in fact there is a strong sense of crisis within the current administration regarding the survival of Communist Party government. In 2010, a Chinese white paper on foreign policy spoke of “security diplomacy” for the first time, and at the first meeting of the National Security Commission of the Chinese Communist Party held in April 2014, Xi Jinping put forward the concept of an “overall national security outlook,”<sup>10</sup> and called for efforts to ensure “the people’s security, political security, economic security, military security, cultural security, and social security,” to safeguard the socialist state system.

Even though it is not facing a war, the Xi Jinping administration sees China’s security situation as increasingly challenging. “The ideological penetration of hostile Western forces is bringing increasing international pressure against our sovereignty, security, development interests, and domestically on our internal political and social security,” he says.<sup>11</sup> This discourse makes it clear that China is strongly conscious of its ideological differences with Western countries, and is increasingly wary of the idea of “peaceful evolution” (the idea popular in some sections of the West of undermining or overturning China’s socialist system by peaceful means).

To prevent “peaceful evolution” of this kind, the Chinese government launched a campaign to boost what it calls the “confidence doctrine” and calls on the Chinese people to be “confident in our chosen path, confident in our guiding theories, confident in our political system, and confident in our culture.” Moves are also increasing to spread the “Chinese experience” to other countries as part of the Belt and Road project.

## 2. China’s changing foreign policy strategy

As we have seen, under the “prosperous nation diplomacy,” China looked to build cooperative relationships with international and regional organizations and strengthened its relations with developed countries, to secure the markets and resources it needed for economic development. Now, based on an analysis that the world is currently undergoing an unprecedented period of transition, China has switched to a “strong nation diplomacy,” and is working to build its own sphere of influence. At the heart of its strategy for achieving this are its efforts to construct a

<sup>10</sup> Zhang Rui, “Shilun Zhongguo huoban guanxi wangluo de zhenzhi anquan xiaoying” (On the Political and Security Effects of China’s Network of Partnerships), *Guoji zhanwang* (World Outlook), no. 5 (2016), p. 45.

<sup>11</sup> “Juan siwei, gongzhu guojia anquan jingshen changcheng” (Preparing for Danger: Building a Great Wall of National Security Spirit), *Zhongguo Guofang Bao* (China National Defense News), April 12, 2017.

global network of partnerships.

### (1) Constructing a global network of partnerships

At the Central Conference on Work Relating to Foreign Affairs held in November 2014, Xi Jinping for the first time spoke of a strategy that would aim to accelerate changes and reforms in international systems of global governance through what he called a “global network of partnerships.”<sup>12</sup>

The global network of partnerships idea is a strategy that builds on the partnership diplomacy that China has followed since the early 1990s. Since concluding its first partnership agreement for strategic cooperation with Brazil in 1993, China had concluded partnerships with 75 countries and five regional organizations by 2015.<sup>13</sup>

The global network of partnerships idea was inspired by the network partnership diplomacy espoused by Russia as an alternative to alliances.<sup>14</sup> In a joint statement signed by China and Russia in 2014, it was said that the two governments would support efforts to develop network partnership diplomacy. The statement explained network partnership diplomacy in the following terms: “The aim of network partnership diplomacy is the building of flexible mechanisms in international cooperation. Good examples are the G20, BRICS, SCO, and the China-Russia-India cooperation framework.”<sup>15</sup> After it was mentioned by Xi Jinping in his speech, this concept of networks became synonymous with China’s foreign policy, replacing the idea of “partnership diplomacy.”

Although “networks,” unlike alliances, do not involve compulsion and their effectiveness is therefore not guaranteed, at the same time they do not come with the idea of a supposed adversary and for that reason are less likely to cause adverse international reactions. It is also easy to expand their membership. This is presumably the reason why China sets such importance on building a global network of partnerships.

More than anything, the strategy helps to expand China’s influence. In a network, the principle of “many to many” operates, making the network essentially equal<sup>16</sup> — but the regional cooperation frameworks that China has built tend to take the form of “many to one,” or “China + many countries,” and come with the kind of hierarchical relationship normally expected in an alliance.

Yan Xuetong, a leading Chinese scholar of international relations, argues that China needs alliances. Against this argument, the Chinese government has strongly maintained the “non-alliance policy” that was one of the principles of the “prosperous nation diplomacy,” and has called for the building of networks rather than alliances. In reality, however, the global network of partnerships has a hierarchy quite similar to the one that exists in alliance relationships, and

<sup>12</sup> *Shijie Zhishi* (World Knowledge), no. 14 (2018), p. 6.

<sup>13</sup> Wang Yi, “Guojian yi hezuo gongying wei hexin de xinxing guoji guanxi: Zai Zhongguo fazhan gaoceng luntan wucanhui-shang de yanjiang” (Building a New Type of International Relations Centered on Mutually Beneficial Cooperation: A Luncheon Lecture Given at the China Development Forum), March 23, 2015, Beijing.

<sup>14</sup> Cheng Zhijie, “Wangzhuang huoban waijiao jizhi: Zhong-E hezuo de xindaojing” (Partnership Network Diplomacy: A New Road Forward for Sino-Russian Cooperation), *Eluosi Yanjiu* (Russian Studies), no. 3 (2015), p. 121.

<sup>15</sup> “Zhong-E guanyu quanmian zhalue xiexuo huoban guanxi xin jieduan de lianhe shengming” (Sino-Russian Cooperation: Joint Statement on the New Phase of the Comprehensive Strategic Cooperation Partnership), [http://www3.fmprc.gov.cn/web/ziliao\\_674904/1179\\_674909/t1157763.shtml](http://www3.fmprc.gov.cn/web/ziliao_674904/1179_674909/t1157763.shtml) (Accessed August 7, 2019).

<sup>16</sup> “Network Institutionalism,” *The Oxford Handbook of Political Institutions* (Oxford University Press, June 2008), pp. 3–4.

the network serves to increase China's international influence. Additionally, given the importance given to the idea of “nodes”<sup>17</sup> within the Chinese network-building strategy, it is quite possible that an alliance or a similar relationship will be developed in the future between China and some of the countries that form these “nodes.”

China's Global Network of Partnerships strategy involves two main pillars: Asian and global, and has four main aims: systemic hegemony, economic hegemony, political and ideological hegemony, and military hegemony. China's strategy for its “rise” has been strongly influenced by the international political theory of writers like Charles P. Kindleberger and Robert Gilpin and their ideas of Hegemonic stability theory and structural power.<sup>18</sup>

## **(2) The “Asia Plus” network strategy**

As it rises, China is increasing its diplomatic offensives in Asia, based on the understanding that this is the region with the most dynamic latent economic power in the world, as well as being China's own back yard. Some scholars use the phrase “Asia Plus” to refer to China's efforts to construct a global network of partnerships in Asia.

China is trying to build regional organizations that have China itself at their center, with the aim of constructing its own sphere of influence and driving a wedge through the US attempts to contain China. To this end, China is moving forward with regional free trade agreements (FTAs), and is pursuing an active diplomacy, engaging with Afghanistan, North Korea, and regional conflicts including the Sino-India border conflict. SCO is valued for its ability to function as a regional organization for the Eurasian continent, and its membership is steadily increasing. In addition to cooperation channels with the countries of Southeast Asia, China has also launched a China-led framework for cooperation in the Mekong river basin, as already mentioned. China is also pushing ahead with economic cooperation in Northeast Asia, even with no progress in sight on the problem of North Korea's nuclear weapons development program. In the economic sphere, in addition to already operating FTAs including the China-ASEAN FTA and the China-Pakistan FTA, China also has plans for a China-Japan-South Korea FTA, a China-SCO FTA, a Regional Comprehensive Economic Partnership in East Asia, and a China-India FTA.

In terms of making progress with the Asia + network strategy, strengthening relations with major regional countries is of primary importance for China. In recent years, in an attempt to alleviate suspicion of China on the part of many of the major countries in the region, ideas based on the idea of third party cooperation or “China +1 +alpha” have emerged, built on the linchpin of bilateral cooperation with Russia, Japan, and India, among others.

However, the “Asia Plus” strategy has failed to deliver results as confrontation between the US and China has intensified since the Trump administration took office. China's assertive maritime policy and deteriorating relations with India have also stalled the “Asia Plus” strategy.

## **(3) Global Network Strategy**

In terms of systems-building within its “global network” strategy, China places particular importance on the G20 and BRICS, in addition to existing international organizations. In recent years, China has been working energetically to expand the political influence of BRICS through its “BRICS Plus” strategy.<sup>19</sup> Meetings with leaders from several African countries, including Egypt and Nigeria, were held alongside the BRICS summit in March 2013, at which infrastructure

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<sup>17</sup> A “node” is the point in a network where pathways intersect.

<sup>18</sup> On the “hegemony” debate in China, see Tse-Kang Leng and Rumi Aoyama, eds., *Decoding the Rise of China: Taiwanese and Japanese Perspectives* (London: Palgrave Macmillan, 2018).

<sup>19</sup> Aoyama Rumi, “Taitō o mezasu Chūgoku no taigai senryaku” (The Foreign Policy Strategy of a Rising China), *Kokusai Seiji*, no. 183 (2016), p. 125.



cooperation with African countries was apparently discussed. In subsequent years, meetings with other countries have been held in parallel with the BRICS summit: with leaders from Latin American countries in 2014, a joint meeting of BRICS and SCO countries in 2015, and a meeting with several SAARC countries including Afghanistan and Bangladesh in 2016. In 2017, China officially proposed the idea of “BRICS Plus,” and countries from outside the BRICS rubric have taken part in dialogues in subsequent years: five countries in 2017, and 22 in 2018.

In recent years, the function of the G20 as a venue that brings together newly emerging economies from the global South and developed economies from the global North has been declining, but China still sees it as having an important role to play in making international rules for new areas including the environment, deep sea policy, the Arctic and Antarctic, space, and the internet.<sup>20</sup>

In this way, through action plans and memoranda signed at cooperation frameworks including the G20, BRICS, and between China and regional organizations, China is already beginning to demonstrate substantive leadership in the making of international rules relating to new fields including the digital economy.

In the economic field, China is promoting the idea of a global FTA network. In addition to the FTA network in Asia mentioned above, the idea of constructing a China-centered FTA network along the Belt and Road project is included in the Thirteenth Five-Year Plan, and is already underway.

There is a tendency to see the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), in which Japan plays a leading role, as a policy of hedging against China. But in fact, China’s view is that the rules of the CPTPP, the new Trade in Services Agreement (TiSA), and the Japan-EU Economic Partnership Agreement are likely to become the global standards of the future. China is therefore eager to adopt the rules of the TPP and the Japan-EU Economic Partnership Agreement,<sup>21</sup> and has concluded the China-Europe Investment Agreement in January 2021 and applied to join the CPTPP in September 2021.

A wide-ranging and high standard FTA is one of the policy objectives of the Chinese government, which understands the need to take measures in areas like negative lists, ISDS,<sup>22</sup> intellectual property, environmental protection, worker protection, and policies on state-owned enterprises.

Against this background, since 2013 the Chinese government has on four occasions established pilot free-trade zones within China that conform to TPP standards. The Shanghai pilot free-trade zone, said to be an experiment to find a way to join the TPP, started in September 2013. In 2015, Xi Jinping’s government announced that another ten free-trade zones would be established, in Guangdong, Tianjin, Fujian, Liaoning, Zhejiang, Henan, Hubei, Sichuan, Shaanxi, and Chongqing. In May 2018, the State Council launched additional policies to promote greater reform and liberalization in the free-trade zones in Guangdong, Tianjin, and Fujian. The new policies gave each zone a clearly defined role: Guangdong would support development of the Twenty-first Century Silk Road, centered on Guangdong, Hong Kong, and Macao; Tianjin would strengthen links and cooperation between the provinces and cities of Beijing, Tianjin, and

<sup>20</sup> He Yafei, “Hangshi G20 quanqiu jingji zhili zhuyao pingtai diwei” (Consolidating the Position of the G20 as the Chief Platform for Global Economic Governance), <<http://opinion.huanqiu.com/hqpl/2019-06/15049574.html?agt=15422>> (Accessed August 7, 2019).

<sup>21</sup> He Ping and Shen Chen, “RCEP yu Zhongguo de Ya-Tai FTA zhaolue” (The RCEP and China’s FTA Strategy in the Asia-Pacific), *Guoji Wenti Yanjiu* (International Studies), no. 3 (2013), pp. 56–57.

<sup>22</sup> An ISDS (Investor State Dispute Settlement) makes it possible for an investor to appeal against a state to a third-party court of arbitration in the event that investments have suffered because of the policy of the country in which the investment has been made. A settlement of this kind has been signed between Japan and China.

Hebei; while Fujian would strengthen economic collaboration and links, chiefly across the Strait of Taiwan. Further, in August 2019, an additional six pilot free-trade zones were established in Shandong, Jiangsu, Guangxi, Hebei, Yunnan, and Heilongjiang.

However, it seems that these pilot schemes have not all gone according to plan. In the Shanghai pilot free-trade zone, which centers on experimental financial reforms, policies including changes to the legal code have been allowed, including internationalization of the renminbi, liberalized interest rates, and greater freedom for the service industry. In most respects, the established systems comply with TPP standards. Despite this, however, because the policies of the pilot free-trade zone are not consistent with the regular policies actually in force, progress with the policies and their operation within the pilot zone have not been smooth. A Chinese report on the pilot free-trade zones, published in June 2019, while praising the achievements of the Shanghai pilot zone, such as the introduction of negative lists, nevertheless admits that the liberalization of the finance and capital markets is behind schedule.<sup>23</sup>

As the experience of the Shanghai pilot free-trade zone shows, financial reforms require political reforms as well, including an independent judiciary and prosecution, central bank credibility, and government accountability. Adapting the rules of the CPTPP, TiSA, and the Japan-EU Economic Partnership Agreement would also have to involve reforms relating to the marketization of the Chinese economy and the democratization of its politics. The Chinese government has introduced “wide-ranging and high standard” rules on a trial basis within these pilot zones, and is running an experiment on financial liberalization and trade facilitation, along with new government functions tailored to the introduction of negative lists, and is evaluating these in terms of feasibility, economic effects, and political risk. But at present, the government sees managing political risk as more important than liberalizing the capital market.

Building military networks is also an important part of the Global Networks strategy. Under the “prosperous nation diplomacy,” China strengthened its military relationships with other countries, mainly in the area of non-traditional security. But since switching to the “powerful nation” policy, military cooperation in traditional security spheres has also been a priority. The China Defense White Paper for 2015 argues that, with the national interest expanding, China’s armed forces should play an active part in the region and in international security cooperation. The same White Paper also says that China should respond in particular to important international security cooperation efforts that are deeply related to the national interest.

China’s global networking strategy emphasizing BRICS and the G20 also faced setbacks as BRICS countries lost growth momentum in the wake of the global financial crisis. Cooperation with developing countries under the BRI has now become a top priority of China’s foreign policy.

### 3. Moving to more centralized control over foreign policy

The structural changes in China’s foreign policy can be clearly discerned in systems within the country as well. From the time when the policy of reform and openness was first adopted through to the “collective leadership” government of Hu Jintao, one of the main characteristics of the Chinese system was highly concentrated power alongside a wide decentralization of decision-making authority.<sup>24</sup> Under the party state system, ultimate authority rested with the Communist Party, but on a policy level that authority was dispersed to the various ministries and local governments that were responsible for implementing policy. Under this system of “fragmented

<sup>23</sup> “Shoufen ‘Zhongguo ziyou maoyi shiyanqu fazhan baogao’ fabu: Woguo zimao shiyanqu jianshe jinru quanxin jieduan” (Initial Report on Development of China’s Pilot Free-Trade Zones Is Published: The Country’s Construction of Pilot Free-Trade Zones Enters a New Phase), <<https://finance.sina.com.cn/roll/2019-06-23/doc-ihytcerk8715741.shtml>> (Accessed August 7, 2019).

<sup>24</sup> Aoyama Rumi, *Chūgoku no Ajia gaikō* (China’s Diplomacy in Asia) (University of Tokyo Press, 2013).

authoritarianism,” a diverse range of actors including local governments and resource-related companies emerged as “participants” in foreign policy, and as a result foreign policy coordination became dysfunctional.<sup>25</sup>

From the end of the Cold War until the administration of Hu Jintao, the formulation of foreign policy involved two stages.<sup>26</sup> The central leadership would decide the principles and basic direction of the national diplomatic strategy, along with priority issues, but it was then up to the ministries, agencies, and local governments to interpret these ambiguous principles and instructions in their own way. The authority to decide and implement concrete foreign policies lay with these diverse actors.

Under Xi Jinping, the right to interpret guidelines was taken away from the ministries and local governments, and the formulation of foreign policy became more centralized. At the Eighteenth National Congress of the Chinese Communist Party in 2012, it was agreed to defend the authority of the central party leadership and strengthen the unified leadership of the Communist Party of China over foreign policy, and structural reforms were undertaken on foreign policy.

These reforms to domestic systems relating to foreign policy aimed to introduce a more systematically planned foreign policy and a more centrally organized coordination system to decide and control policy. This was done by strengthening of party leadership. The leading role in these reforms was played by the Ministry of Foreign Affairs. To ensure that local governments implement foreign policy as decided by the central government, cadres from the Ministry of Foreign Affairs travel out to visit the ministries, important companies, universities, party schools and local governments in each region, giving lectures to spread understanding of disciplinary rules relating to foreign affairs. The Ministry also holds events to introduce China’s regions internationally and encourage exports from the regions, to ensure that local governments participate as planned in the strategy decided on by central government. Training of foreign affairs cadres in the regions is also carried out under the leadership of the Ministry of Foreign Affairs.

In an attempt to build a stronger collaborative framework, in recent years there have been regular meetings between the foreign affairs offices of regional local governments, and mechanisms for resource-sharing and holding joint events have also started to operate.

## Conclusion

In the roughly 40 years since the policy of reform and openness was adopted, the principal axis of China’s foreign policy has shifted from an emphasis on strengthening relations with developed countries to South-South cooperation, and China’s stance with regard to the Western-led international order has moved from proactive participation to a strategy of building Chinese-led international organizations. China’s foreign policy has also taken on a stronger ideological tint. Along with these changes, China is now attempting to create its own sphere of influence by constructing a global network of partnerships. It has changed its domestic systems for formulating foreign policy to a more centralized system, and now has a centrally planned foreign policy. The structure of China’s foreign policy has undergone a major transformation.

If we look back at China’s foreign policy over the past 40 years, it is likely that the contest for hegemony and the ideological stand-off between China and the Western developed countries will continue to escalate. If China can continue to rise, despite these challenging conditions, then a

<sup>25</sup> Linda Jakobson and Dean Knox, (Okabe Tatsumi, ed., Tsuji Kōgo, trans.), *Chūgoku no atarashii taigai seisaku: Dare ga dono yō ni kettei shite iru no ka* (New Foreign Policy Actors in China) (Tokyo: Iwanami Gendai bunko, 2011).

<sup>26</sup> Aoyama, *Chūgoku no Ajia gaikō*, op. cit.

non-Western, non-democratic country state will emerge as a leading power for the first time since the end of World War II. To avoid another new Cold War that would divide the world into two competing factions, we need a new policy of engagement with China. Today’s engagement policy means that Western democratic countries should actively participate in China-led international and regional organizations to change China’s behavior from within. For its part, strategy of constructing wide-ranging and high standard FTAs will also be important.

Will China successfully avoid the “middle income trap” even in the midst of its trade war with the United States, and will its “planned foreign policy” allow China to develop a dynamic diplomacy? It will be some time before answers to these questions emerge.