

# JOURNAL OF CHINA AND INTERNATIONAL RELATIONS



**Introduction: Journal of China and International Relations (JCIR)**

*Li Xing*

**Endorsement of the Journal of China and International Relations**

*Jane Parpart and Timothy M. Shaw*

**Security Multilateralism in Northeast Asia: A Lost Game or the Only Way to Stability**

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**China's Self-Perception of its Security Situation: The Nexus of the Internalities and Externalities**

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**The Strategic Triangle in the 21st Century: Implications for Sino-Russian Relations**

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*Rasmus Gjedssø Berthelsen, Du Xiangyun and Morten Karnøe Søndergaard*

**The Political Economy of Chinese State Capitalism**

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**Book Reviews**

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# **Introduction:**

## **Journal of China and International Relations (JCIR)**

*Li Xing*  
Editor-in-chief

### **Announcement**

It is my great pleasure to announce the establishment of the *Journal of China and International Relations (JCIR)*: a scholarly journal that is institutionally attached to the Research Center on Development and International Relations (DIR) at the Department of Culture and Global Studies (CGS) in the Faculty of Social Sciences at Aalborg University in North Jutland.

*JCIR* is also internationally affiliated with the joint research center – on China and International Relations – a collaboration between Aalborg University (AAU) of Denmark and the University of International Relations (UIR) in Beijing, China.

We plan to publish *JCIR* twice a year (in April and October) with one issue each in English and in Chinese. *JCIR* uses the online Open Journal System (OJS), through which submission, reviewing, revising and acceptance are carried out electronically. Most importantly, *JCIR* is an open-access journal that gives readers globally access to its articles.

*JCIR* is being published by Aalborg University Press, a partnership that can safeguard the standard and profile of the *Journal* and help ensure its continued high quality.

### **Scope and Objective of *JCIR***

Forgotten is the triumphalism of the “End of History” as the world has been greatly transformed since both the terrorist attack of 11 September 2001 and the global financial crisis starting in 2008, when the “First World” - i.e. the US-led international order and its own security and economy, along with the Eurozone of Europe - suffered the worst of the critical downturn and economic recession. At the same time, the world is witnessing the upsurge of emerging economies, the so-called “Second World”, such as the BRICS, especially China, that are reshaping the international order to suit their interests and reflect their rising status.

Since the dawn of the new millennium, China’s rise has become one of the central focii of global attention; the evolution of Chinese society and its external role are opening a new phase of relations on the world scale. Heuristically, the long and dramatic transformations that

have taken place in China in the 20th and 21st centuries make it an ideal “case study” for research on political and economic development and social change. Over the past decade, China’s “indispensable” role in influencing international politics and national policies has been increasingly recognized.

With regard to international relations as defined by the existing US-led international order, China’s size and integration with the world economy and polity are seen to contribute to growing uncertainties concerning the future of the capitalist world system and the established norms, values and rules of the game. China’s dynamism has unleashed intended and unintended challenges and consequences for the functioning of the liberal world order. One of the contemporary global pivotal concerns is about how external factors helped to shape China’s internal transformations and how China’s inner changes now contribute to reshaping the world.

Against this background, the establishment of *JCIR* aims to present timely and in-depth analyses of the nexus between major developments in contemporary China and its international relations. *JCIR* intends to give special attention to views and issues that do not receive sufficient attention in mainstream discourses, particularly on themes that are related to the rise of China in the capitalist world order. The *Journal* is committed to publishing informed and insightful analyses from both Western and Chinese authors worldwide; to stimulate scholarly debate on present-day China in connection with its new role in the current transnational era of international relations and international political economy.

*JCIR* has a specific initiative to publish innovative critical works by both young scholars and established writers. Special encouragement is given to those authors who endeavor to develop non-conventional China-generated theories of international relations and international political economy, aiming to make innovative methodological and theoretical contributions. The *Journal* stimulates discussion and debate between different academic disciplines, offers a platform to express controversial and dissenting opinions, and promotes research that is historically embedded and contemporarily relevant.

### **Call for Papers**

*JCIR* invites the submission of original articles on China and international relations in the social sciences and humanities within a wide range of single- and multi-disciplines. All submissions that embrace China-related political, economic, social and cultural topics and its

external relations are welcome. Submissions will be refereed and revised before acceptance. Book reviews are also invited.

For detailed information about submission and reviewing, please refer to the *Journal's* homepage: <http://ojs.aub.aau.dk/index.php/cir/about>

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March 2013

## Endorsement for Journal of China and International Relations (JCIR)

*Jane Parpart and Timothy M. Shaw\**

We are delighted to be able to endorse the timely inauguration of this JCIR as the two dimensions of the Research Center on Development and International Relations (DIR) evolve: in a world of both BRICS and PIIGS, as regional divergencies increase, both development and international relations are in flux. We first taught at Aalborg University (AAU) at the start of the new millennium, as Li Xing was completing his PhD and before Goldman Sachs had popularised the acronym BRICs for the emerging markets. A decade later, DIR has specializations in China and Latin America and a joint research center with University of International Relations (UIR) in Beijing. And Li Xing is not only a professor now but his first 2010 Ashgate title on *The Rise of China and the Capitalist World Order* is being translated into Chinese and being revised and reissued in a paperback edition.

AAU and DIR are to be congratulated on facilitating this refereed interdisciplinary bilingual online journal; such technology reduces any distance which such a global program may feel in North Jutland. It also symbolises the possibilities of globalization when several of Denmark's leading industries are increasingly dependent on rapidly growing markets in China: container shipping, medical drugs especially insulin for diabetes, pork products etc. And Li Xing's latest, coedited collections are on China and the semi-periphery and China and Africa. Symptomatically, the 2013 edition of the *Human Development Report* from UNDP is on "The Rise of the Global South: human progress in a diverse world" ([www.hdr.undp.org](http://www.hdr.undp.org)).

We have been pleased to host DIR faculty and PhD candidates at our new PhD program at UMass Boston on Global Governance and Human Security and look forwards to being so hosted again in Aalborg and hopefully in Beijing. Our postgraduates should be on the cutting edge of analysis; JCIR will help them be in the *avant garde*. No one perspective or "school" has a monopoly in terms of understanding the contemporary global political economy, characterised by burgeoning "varieties of capitalism", as indicated by a range of reports at the

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turn of 2012/3 from the USNIC, OECD, PWC, Chatham House etc. As the latter argues in 'Resources Futures' (p 8) ([www.resourcesfutures.org](http://www.resourcesfutures.org)):

The political economy of natural resources is increasingly shaped by the large structural shifts under way in the world...the rebalancing of global income and power. The world must now contend not just with growing environmental threats such as climate change and water scarcities, but also with the shift in consumer power from West to East, concentration of resource ownership and the rise of state capitalism.

Such issues resonate in BRICs like China and Brazil, but in turn also in Denmark and the EU, especially its eurozone. They inform debates about what is "emerging": economies, regional powers, states and/or societies. So JCIR is being launched at an exciting time when we should all be rethinking assumptions and directions. We are confident that it will advance such informed debate about analyses and policies as the UN is already considering development desiderata post-2015 after the MDGs.

Boston, February 2013

# Security Multilateralism in Northeast Asia: A Lost Game or the Only Way to Stability?

*Camilla T. N. Sørensen\**

**Abstract:** Intensified great power rivalry between China and the U.S., ongoing regional power transition and militarisation following the “Rise of China”, continued historical mistrust and territorial disputes, heightened security competition between China and Japan, and the still unsolved security conflicts on the Korean Peninsula and in the Taiwan Strait – these are all reasons for a rather pessimistic view of whether a Northeast Asian multilateral security mechanism is ever possible. Developments in the security situation in Northeast Asia in recent years have however also underlined the need for – and the common strategic interest in – a regional multilateral security mechanism. Arguing that in order to promote long-term stability in Northeast Asia, it is expedient to work towards developing a regional multilateral security mechanism, this article explores the future prospects focusing on the most difficult questions confronting the regional states. Especially highlighted are questions of whether to focus firstly on reaching a solution to the North Korean nuclear crisis, whether to include North Korea in Northeast Asian security multilateralism from the beginning, the role of the U.S. and U.S. bilateral alliances in Northeast Asian security multilateralism, who to lead security multilateralism in Northeast Asia, and the implications of broader East Asian political and security multilateralism for security multilateralism in Northeast Asia. The article concludes that while there remain serious and difficult obstacles and challenges, there are also positive trends, which the development of a Northeast Asian multilateral security mechanism could further build on. These include a higher level of diplomatic interaction between regional states, an increased spread of a narrow form of problem-specific security multilateralism in the region as well as a strengthening of a broader East Asian political and security multilateralism that includes most of the Northeast Asian states.

## **Introduction**

The security situation in Northeast Asia in recent years has been characterised by increased tension among the Northeast Asian states with several crises developing, especially related to the territorial dispute in the East China Sea between China and Japan and to developments on and around the Korean Peninsula. It seems that Northeast Asian security especially following the “Rise of China” has moved into an unstable period, and the regional states are to face many difficult security challenges in the coming years. Consequently, the debate in the region about the value and the future development of multilateral security cooperation in Northeast Asia has intensified.<sup>1</sup> The Six Party Talks set up by Beijing in 2003 following the second

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North Korean nuclear crisis remain the only multilateral effort in Northeast Asia to manage a regional security issue. Despite not having produced tangible solutions to the North Korean nuclear crisis and the fact that the talks have now been on hold for several years, no serious alternatives to the Six Party Talks have so far been presented, and the regional states seem hesitated to totally abandon the talks. Why is this? It in many ways reflects the ambiguities and high stakes involved. On the one hand, there is growing acknowledgement among the regional states of the benefits of a multilateral security mechanism in Northeast Asia to deal with the increasingly difficult security situation. On the other hand, however, the general high degree of historical mistrust as well as uncertainty and distrust about long-term intentions among the regional states seem to prevent any strong commitment and progress in relation to regional multilateral security cooperation.

Taking a step back from current developments on specific security conflicts in Northeast Asia, this article explores the future prospects for developing a Northeast Asian multilateral security mechanism focusing on the most difficult questions confronting the regional states. Despite the “all odds against” atmosphere, especially following developments in recent months on the territorial disputes between China and Japan in the East China Sea and between Japan and South Korea in the Sea of Japan/the East Sea as well as on the Korean Peninsula following the North Korean nuclear test in February 2013, this is a crucial exercise as work towards developing a regional multilateral security mechanism is vital in order to promote long-term stability in Northeast Asia.

The first section briefly discusses firstly how to analytically define and approach Northeast Asia and secondly what security multilateralism is and why it is desirable. The second section examines theoretical arguments on regional security multilateralism in order to point to the important factors and requirements. This is followed in the third section by an overview of the situation in Northeast Asia and broader East Asia regarding developments in the direction of multilateral security cooperation. In the fourth section the theoretically derived important factors and requirements are examined in relation to Northeast Asia and main obstacles and challenges for the development of a Northeast Asian multilateral security mechanism are identified and discussed. In the fifth and main section the future prospects for security multilateralism in Northeast Asia are considered, focusing on the difficult questions confronting the regional states.

**Northeast Asia and Security Multilateralism**

Exploring Northeast Asian security multilateralism has to be based on a regional approach. It could be argued that Northeast Asia consisting of the two Koreas, Japan, China (Taiwan), Russia and the U.S. is not a region in itself, but rather a sub-region in the broader Asian region or Asian security complex that includes Northeast, Southeast, South and Central Asia, and therefore it is difficult to isolate developments in the security pattern and security dynamics in Northeast Asia from developments in the broader Asian security pattern and security dynamics.<sup>2</sup> While there are links and dependencies between the sub-regional security patterns and security dynamics in Asia, there is in Northeast Asia a relatively autonomous sub-regional security pattern consisting of the bilateral security relations between the Northeast Asian states generated primarily internally in Northeast Asia by a combination of material, geographical, historical and political factors (Yahuda, 2004: 10-11, 233-239; Kim, 2004). Northeast Asian security dynamics therefore have a substantial degree of “own security dynamics” and hence autonomy from the security dynamics set by developments in the broader Asian security pattern as well as in the global security pattern, and Northeast Asian states are more intensively focused on the security interactions and security issues that occur between them (Buzan and Wæver, 2003: 93-100, 164-165, 172-182). Consequently, an analytical approach to Northeast Asia as a relatively autonomous security complex is both feasible and beneficial.

The U.S. is not geographically a Northeast Asian state. However, due to the long historical involvement of the U.S. as well as the continued strong American military presence and alliance system in Northeast Asia, the U.S. is embedded in the Northeast Asian security pattern and security dynamics.<sup>3</sup> Because the U.S. is not geographically located in the region, the U.S. however faces other opportunities and constraints. For example, the U.S. can in principle withdraw and the U.S. also follows global security objectives in the different regions. It is important to be aware of the different opportunities and constraints that the U.S. faces compared to a state geographically “locked” in Northeast Asia as well as the global security objectives that the U.S. also follows in the different regions. Nevertheless, it is analytically necessary to include the U.S. as a security actor in the Northeast Asian security complex when discussing the development of Northeast Asian security multilateralism. This follows also from the understanding of a regional security complex in both geographical and functional terms, i.e. in terms of the patterned security interactions among the involved states.

This is an important argument as it implies that in the assessments made by for example Chinese leaders of developments in Northeast Asian security conflicts, where the U.S. is involved, it is their assessments of the potential implications for China's security situation and position vis-à-vis the U.S. in Northeast Asia that have priority.

In the field of International Relations theory, multilateralism is often defined as “the practice of coordinating national policies in groups of three or more states through ad hoc arrangements or by means of institutions” (Keohane, 1990: 731). The focus is on states' involvement and participation in regional and global cooperation and institutions. In its most simple form, security multilateralism hence refers to interaction regarding security issues or developments among more than two states. It can take a variety of institutional forms differing in its level of institutionalisation from ad hoc and loose to more permanent and formal (Evans, 2007: 104). The functions of multilateral security mechanisms are to provide diplomatic channels and information flows, encourage transparency and early notification of states' military or security-related activities, resolve misunderstandings, reduce uncertainty and prevent miscalculations over others' intentions, offer a mechanism for crisis management, promote peaceful resolutions of disputes and facilitate diplomatic exchanges needed to generate principles and visions for peace and stability (Ikenberry, 2001: 15). This is generally desirable, and specifically in a region such as Northeast Asia characterised by a general high degree of uncertainty and strategic distrust and going through a regional power transition, it is of critical importance to work towards developing a regional multilateral security mechanism.

### **Regional Security Multilateralism: Important Factors and Requirements**

Pointing to important factors and requirements for developing regional multilateral security mechanisms, this section especially draws on neo-realism, state-level or second-image theories and institutional theories. In the following analysis of the future prospects for security multilateralism in Northeast Asia, neo-realist insights are taken as the starting point, but it is useful to supplement these in order to capture the influence of the domestic characteristics of the regional states as well as of the historical and institutional legacies in the region.

In order to explain variation in security institutionalisation in different regions, neo-realists point to the different regional structural conditions such as number of, relative capabilities and geo-strategic characteristics of regional states (Duffield, 2003: 251). Such regional structural conditions serve as important incentives for and impediments to regional

security institutionalisation. Furthermore, neo-realists generally view multilateral security institutions as an instrument of the strongest states (Mearsheimer, 1995). Requirements for the development of a regional multilateral security mechanism from a neo-realist perspective are therefore that the strongest regional states have interests in this and that the regional multilateral security mechanism reflects the regional balance of power hereby reinforcing the position of states (Grieco, 1993; Ikenberry, 2001: 11). This, however, brings in the question of leadership and how to set up the multilateral security cooperation in the first place. Several neo-realists argue that the strongest state – the hegemonic power – has to play an important role in taking the lead (Gilpin, 1981; Ikenberry and Mastanduno, 2003: 6-11). The existence of an effective hegemon defining the rules and norms for the interaction between the participating states can even compensate to some extent for the absence of common interests and the presence of significant tension among the participating states.

State-level or second-image theories open the black box of neo-realism. A main argument in this literature is that there needs to be certain common domestic characteristics among the regional states in order to develop regional multilateral security mechanisms. State-level or second-image theorists hence argue that domestic characteristics are highly important for whether or not the security preferences and the security strategies of the regional states are compatible and, just as important, whether or not the regional states perceive them as being so. Domestic characteristics of the states in the region and their perceptions of one another and of developments in regional security are thus the important factors to look at. Such factors largely shape the possibilities for regional multilateral security cooperation, and differences in the patterns of such domestic characteristics are also important in explaining variation in multilateral security cooperation and security institutionalisation in different regions (Katzenstein, 1996). There is, however, no consensus in this literature on precisely which domestic characteristics – political system, level of development, national identity, political culture, ideology etc. – are most influential.

Applying an institutional perspective further contributes when seeking to point to important factors and requirements for Northeast Asian security multilateralism. The principal conceptual contribution of the institutional perspective in this context is that of path dependence (Hall and Taylor, 1996; Grieco, 1999). The argument here is that the character of regional security institutions established – or not – at one point in time has restricted the range of institutional possibilities at later junctures.

Together these theoretically-derived factors and requirements provide a useful analytical point of departure for exploring the future prospects for developing a multilateral security mechanism in Northeast Asia that goes beyond the Six Party Talks framework.

### **What is Already There? Security Multilateralism in Northeast Asia and East Asia**

Economic integration has grown tremendously in recent decades in Northeast Asia and more broadly in East Asia, but multilateral security cooperation has remained largely stagnant. One often hears the argument that Northeast Asia is simply not suited or ready for a regional multilateral security mechanism, and the security institutionalisation of Northeast Asia has been widely regarded as impossible (Timmerman, 2008: 5). In his survey of the last two decades of multilateral security proposals and activities in Northeast Asia, Rozman (2004) concludes that they have all failed, and he further argues that in the regional reality of competing nationalisms, unresolved territorial disputes, historical ghosts and intractable security problems, even modest security multilateral aspirations seem naïve. There is strong ground for this pessimistic view of whether a Northeast Asian multilateral security mechanism is ever possible. It should however not be completely written off. Actually, the increased security tension in Northeast Asia in recent years, specifically in recent months, has only further underlined the need for – and the common strategic interests in – a regional multilateral security mechanism. Furthermore, there have in recent years also been developments in Northeast Asia as well as in relation to broader East Asian political and security multilateralism supporting a less pessimistic view.

Even though there generally is a lack of multilateral security cooperation in Northeast Asia, there are some developments in this direction. The Six Party Talks set up by Beijing in 2003 to deal with the second North Korean nuclear crisis is the first – and so far the only – multilateral institutional effort in Northeast Asia to manage a regional security issue. The talks are hosted by China and include the two Koreas, Japan, China, Russia and the U.S. The logic behind the Six Party Talks is bringing together the key regional states that have stakes in Korean Peninsula issues and have the resources to establish an agreement on the North Korean nuclear crisis and also to ensure coordination, implementation and monitor mechanisms when the agreement is hopefully eventually established. The Six Party Talks framework therefore builds on a shared acknowledgement in the region that a multilateral institutional framework is necessary in order to manage, and hopefully eventually solve, the

North Korean nuclear crisis. The Six Party Talks have had its ups and downs, where arguably a milestone in the process was reached in 2005 with the September 19 Joint Statement presenting a set of principles to form a basis for common action in the sphere of regional politics and security, essentially identifying the objectives as denuclearisation of the Korean Peninsula, normalisation of diplomatic relations among all regional states, economic development on the Korean Peninsula and the pursuit of a permanent peace regime as the basis for future cooperation.<sup>4</sup> As indicated above, the Six Party Talks have come to represent the most ambitious attempt to create a multilateral institutional framework to address a regional security issue on an explicitly Northeast Asian basis, and several scholars and diplomats in the region have expressed hope that the Six Party Talks could carry over into some sort of multilateral security mechanism to deal with regional security issues beyond the North Korean nuclear crisis.<sup>5</sup> This regional multilateral security mechanism hope was somewhat institutionalised in 2007 in the form of a working group within the Six Party Talks process lead by Russia.<sup>6</sup> This “Northeast Asia Peace and Security Mechanism” working group is to promote regional security dialogue and cooperation beyond the settlement of the North Korean nuclear crisis and is thus envisioned to outlast the Six Party Talks. This further indicates how the regional states have all officially accepted in principle the vision of a permanent regional multilateral security mechanism, although ideas and interests clearly differ on how such a mechanism should work in practice (Snyder, 2008: 4; Koga, 2011: 15).

A main reason why optimistic views have developed in the region on the Six Party Talks gradually evolving into a regional multilateral security mechanism therefore builds on the way the Six Party Talks have developed from focusing narrowly on North Korea’s nuclear program to embedding this crisis in a broader regional security framework acknowledging that the North Korean nuclear crisis cannot be solved in isolation, but progress in other regional security conflicts is also necessary and that such progress requires the cooperation of all regional states. Following this, the Six Party Talks have gradually become a focal point of Northeast Asian discussions about regional stability and multilateral security cooperation. However, an establishment of a multilateral security mechanism or institutionalised security cooperation in Northeast Asia built on the Six Party Talks framework still faces many obstacles and has also seen setbacks in recent years. Actually there have been no sessions in the Six Party Talks since December 2008 and the talks as such have been on hold for several years with disagreements among the involved states on the necessary requirements and

conditions for resuming the talks. The first priority of the U.S. and Japan is still denuclearisation, which is somewhat in contrast to the first priority of China and also South Korea being stability on the Korean Peninsula and support to the small signs of economic reforms that have been seen in North Korea especially following the new leader Kim Jong-Un. What is remarkable, however, is that despite their slow pace and serious setbacks and the calls, especially among U.S. diplomats, for an alternative forum to deal with the North Korean nuclear crisis, it seems highly unlikely that such an alternative to the Six Party Talks will develop.<sup>7</sup> The Six Party Talks have hence proved surprisingly resilient and none of the regional states appear willing to abandon them altogether.

Another noteworthy development regarding regional security cooperation in Northeast Asia is the trilateral dialogue between China, Japan and South Korea, which has been in place since 2008. The trilateral dialogue so far has been more in the form of a "plus three" summit held annually between the leaders of China, Japan and South Korea (Yahuda, 2011: 109). However, the trilateral China-Japan-South Korea dialogue could develop to play a significant role for regional security and maybe even play an important role in building a foundation and an agenda for developing a multilateral security mechanism in Northeast Asia.<sup>8</sup> In support of such a vision, it is worth noticing that the three states have agreed at their meeting in May 2010 to set up a permanent secretariat for closer trilateral security cooperation and have embraced a broad set of issues such as human security, North Korea and border transparency issues.<sup>9</sup> China's relations with especially Japan, but also South Korea, have however been significantly strained recently following the heightened security competition and tension between China and Japan, especially related to the territorial dispute in the East China Sea, and China's perceived weak and ambivalent responses to the Cheonan and Yongpyong incidents in 2010.

Furthermore, relations between Japan and South Korea have also deteriorated recently especially following the visit in August 2012 by the then South Korean President Lee Myung-Bak to the Seoul-controlled island in the Sea of Japan/the East Sea known as Dokdo in South Korea, but which Japan also claims and calls Takeshima. What the implications of these recent developments are for the trilateral dialogue between China, Japan and South Korea as well as for the trilateral security cooperation and coordination between Japan, South Korea and the U.S. still remain to be seen. However, especially in Beijing and Seoul, but also in Tokyo, there are voices and efforts emphasising that a way to try to manage the increased

tension between China, South Korea and Japan is to maintain and further strengthen the institutionalisation of the trilateral dialogue and cooperation among them, especially on lower working levels as it is often also pointed out how the trilateral dialogue and cooperation between China, Japan and South Korea work rather smoothly here. Furthermore, it is also important to notice how, even in the current very tense and difficult situation, the diplomatic channels between China, Japan and South Korea have been kept open and an active dialogue has continued with calls from all sides for close consultation specifically on maritime safety issues. An important motivating factor no doubt is that the economies of China, Japan and South Korea have become so intertwined and interdependent. China, Japan and South Korea have hence developed into being each other's most important trading partners (Yahuda, 2011: 108-109). Also there are serious negotiations among the three Northeast Asian states about the establishment of a trilateral free trade agreement (FTA).

In the broader East Asian context there is a stronger tendency to seek to deal in multilateral settings with difficult security issues or disputes. This in order to keep the East Asian states committed to pursuing their national security interests without risking regional stability. The Northeast Asian states, especially China, have been very cautious towards this tendency, but also Beijing has since the mid-1990s started to engage more and more with East Asian multilateralism.<sup>10</sup> ASEAN is often in the "driver's seat" and the most important developments in the broader East Asian political and security multilateralism in recent years relate to some of the ASEAN-based multilateral institutions or arrangements such as ASEAN Plus Three (APT) consisting of ASEAN, China, Japan and South Korea, ASEAN Regional Forum (ARF) consisting of the East Asian states and the U.S., Russia, India, the EU, Australia, Canada, and New Zealand, and lastly the East Asian Summit (EAS) conducted since 2005 and consisting of the East Asian states and among others the U.S.<sup>11</sup> These three multilateral institutions or arrangements are often criticised for being merely talking shops as they seldom take any decisions as such and have no strong rules or sanctions instead relying strongly on voluntary compliance for its recommendations. This is a fair critique.

However, the East Asian states are making stronger efforts to manage tension in the region, and these multilateral institutions or arrangements by institutionalising consultation and dialogue contribute to increased confidence, communication and transparency also among the Northeast Asian states. The strengthening of the broader East Asian political and security multilateralism in recent years has therefore also had positive effects in Northeast Asia.

Recently, however, ASEAN and the ASEAN-led political and security multilateralism in East Asia are facing more challenges, which mostly relate to the question of how to deal with the changing power structure in the region, in particular a stronger China. The territorial disputes in the South China Sea, where several of the ASEAN-states also have claims and thus face Chinese claims, have especially challenged the solidarity and cooperation within ASEAN.<sup>12</sup>

### **Great Power Rivalry, Power Transition, State-level Obstacles and Negative Institutional Path in Northeast Asia**

As pointed out above, neo-realists argue that regional structural conditions can serve as important incentives for and impediments to developing a regional multilateral security mechanism. Such a mechanism furthermore has to serve the security interests of the strongest regional states and reflect the regional balance of power. In the state-level or second-image theories a main argument is that in order to develop a regional multilateral security mechanism there needs to be certain common domestic characteristics among the regional states. From an institutional perspective a significant factor is whether there is a positive path dependency. How is it then in Northeast Asia? Arguably, the regional structural conditions work against the development of a multilateral security mechanism in Northeast Asia, and there are also serious state-level obstacles as well as no positive, but rather a negative, institutional path.

Several regional great powers interact in Northeast Asia and this together with the ongoing power transition, where especially the “Rise of China” is shifting the balance of power in the region, set up particularly strong structural obstacles to the development of a Northeast Asian multilateral security mechanism. Following neo-realist logic is it increasingly difficult to set up a regional multilateral security mechanism the higher the number of regional great powers involved, especially because the regional great powers have different security interests that the multilateral security mechanism has to include and because of the higher degree of uncertainty and strategic distrust (Friedberg, 1993: 2000).<sup>13</sup> And with the ongoing power transition there is also no stable power balance in Northeast Asia on which to build the multilateral security mechanism. The on-going power transition further results in intensified regional security dilemma dynamics as well as raises new forms of anxieties among the Northeast Asian states. That is, if following neo-realist insights stressing that a requirement for the development of a regional multilateral security mechanism is that the

mechanism reflects regional great power interests and the regional balance of power, then it is particularly difficult in Northeast Asia. There is hence no enduring balance of power in Northeast Asia, and there are highly complicated relations between regional great powers. On top of this, the ongoing power transition also further complicated the leadership issue – who should and could lead and thus bear most of the initial costs and risks in setting up a multilateral security mechanism in Northeast Asia? Northeast Asia has since the end of the Second World War seen a highly U.S.-centric regional security order arranged around the U.S. bilateral alliance system – the “hub-and-spoke-system”, wherein the U.S. as a hub established bilateral alliances with Japan and South Korea among other states in Asia, backed by forward-stationed and forward-deployed American military forces. This is still the case, but to a lower degree, and this also has implications for the traditional leadership role of the U.S. in regional security.<sup>14</sup> As will be discussed further in the next section, the issue of who should and could lead the development of a Northeast Asian multilateral security mechanism is a particularly difficult question to answer. The geo-strategic conditions in the region also work against the development of a Northeast Asian multilateral security mechanism. The geographical proximity in Northeast Asia is lower than for example in Europe, where strong regional multilateral security mechanisms have been established, and from this lower geographical proximity arguably follows less security interdependence (Duffield, 2003: 253, 259; Ikenberry and Mastanduno, 2003: 14). On top of this there are several unsolved territorial disputes, which also involve issues about access to oil, gas, water and fishing grounds (Timmermann, 2008: 6). Following neo-realist logic it is therefore highly expected that Northeast Asia has a lack of regional multilateral security mechanisms and instead is dominated by a high degree of tension as well as by security unilateralism and bilateralism.

The Northeast Asian states have very different political, economic and cultural systems and there is therefore a low degree of political, economic and cultural homogeneity in Northeast Asia, which also impedes the development of multilateral security mechanisms in the region. Beyond that, differences in levels of development also make it more difficult to find common ground on security issues. There also remain several unsolved historical issues among the regional states, most of these related to Japanese wartime atrocities and the enduring enmity towards Japan in the region, and these historical issues have increasingly become intermingled with the changing – and strengthening – role of domestic public opinion and also mixed up with the territorial disputes and growing nationalisms in several of the

regional states (Duffield, 2003: 254). Consequently, the different domestic characteristics of the regional states, unsolved historical issues between them and their often negative perceptions of each other represent enduring obstacles complicating even the mere task of initiating and maintaining dialogue on security issues and developments, not to mention the actual creation of a regional multilateral security mechanism (Duffield, 2003: 261). Also the actual and potential political and economical instability in some of the regional states generate uncertainty and distrust about their future intentions and security behaviour.

Historically, multilateralism was not a prominent organising principle for the U.S. security strategy in Asia as it was in Europe after the Second World War. In contrast to Europe, where the U.S. involvement especially due to the power-sharing arrangement between the U.S., the USSR, Britain and France and the prior existence of the Western Union, quickly got a multilateral character, a comparable security arrangement was not set up in Asia (Duffield, 2003: 257; Grieco, 1999: 336-337). The U.S. instead set up the above-mentioned “hub-and-spoke system”, and this U.S.-led bilateral alliance system still dominates the region. There were thus no strong efforts to develop multilateral or collective security arrangements, especially in Northeast Asia.<sup>15</sup> Northeast Asia therefore has no positive multilateral institutional basis or multilateral institutional infrastructure to build on – the region rather has a negative path dependence or negative multilateral institutional legacies.

Following from the above examination of the theoretically-derived important factors and requirements, it is clear that efforts to develop a multilateral security mechanism in Northeast Asia face many serious and difficult obstacles and challenges. Are there however ways to work against, or rather around, these obstacles or challenges? And in this process, what are the most difficult questions confronting the regional states?

### **Future Prospects for Developing a Multilateral Security Mechanism in Northeast Asia**

Despite the serious and difficult obstacles and challenges, the development of a multilateral security mechanism in Northeast Asia should not be completely written off. Judging from debates in the International Relations environments in several of the regional states, the on-going regional power transition following especially from the “Rise of China”, but also from the “normalisation” of Japan and from the U.S. “pivot” or “rebalancing” strategy in East Asia, has rather created growing interests in re-examining the possibilities for developing a multilateral security mechanism in Northeast Asia. Drawing on the preceding sections and

interviews conducted by the author with International Relations scholars in China, Japan and South Korea as well as with Japanese and American diplomats, such a re-examination is in focus here.<sup>16</sup> The starting argument is that in order to promote long-term stability in Northeast Asia, it is expedient to work towards developing a regional multilateral security mechanism. In the process the Northeast Asian states however confront a number of difficult questions.

*Whether to focus firstly on reaching a solution to the North Korean nuclear crisis?*

When discussing the future prospects for developing a multilateral security mechanism in Northeast Asia it often ends up in a debate about what has to come – or be solved – first and what the security issues to cooperate on are. Especially there is in the region a debate among scholars and diplomats about the need to solve the North Korean nuclear crisis first or move on with working on a regional multilateral security mechanism as part of the efforts to reach a solution to the North Korean nuclear crisis. A key argument has been that it is necessary for the Six Party Talks to be successful in handling the North Korean nuclear crisis in order for the Six Party Talks to provide a departure point for a Northeast Asian regional security mechanism.<sup>17</sup> This has also been the policy of several of the participating states, in particular the U.S. Most often the reason put forward is that it will be difficult to focus on other security issues as long as the North Korean nuclear crisis is still looming. It is also argued though, especially by several South Korean scholars, that gradual progress in regional multilateral security cooperation could contribute to solving the North Korean nuclear crisis and that a more permanent security structure could develop in parallel with a resolution to the North Korean nuclear crisis, and furthermore that solving the North Korean nuclear crisis will require that several other disputes and security conflicts in the region are also solved.

The way that the Six Party Talks have developed addressing also other disputes and security conflicts in the region, e.g. the issue of normalisation of relations between North Korea and Japan and the U.S., indicates that gradually a common position has developed among the participating states that the North Korean nuclear crisis cannot be solved in isolation, but requires progress in other regional disputes and security conflicts, which further entails the cooperation of all regional states. Others argue however that handling the North Korean nuclear crisis is the only common security concern in the region and therefore a Northeast Asian regional security mechanism is more likely to become semi-permanent in the event that North Korea-related issues continue to be a preoccupation and a focal point for

regional security cooperation on a protracted basis or if issues of North Korean political stability and economic reconstruction are put on the agenda for regional multilateral security cooperation that extends beyond the nuclear issue.<sup>18</sup> The point is that if North Korea is no longer a regional security concern, then there are no other common security concerns keeping the regional states working together. The development of a multilateral security mechanism in Northeast Asia thus depends on North Korea continuing to be a common security concern.

While it is highly unlikely that the security concern regarding North Korea and the security situation on the Korean Peninsula will be gone anytime soon, there is still a need to think about other security issues, where the regional states have common interests in coordinating and cooperating. Often mentioned are non-traditional security issues such as transnational crime, piracy, illegal immigration or disaster relief. The logic behind is that on such non-traditional security issues all Northeast Asian states should be interested in coordination and cooperation. Furthermore, it is often highlighted how there more generally and from a long-term perspective also should be common interests among all Northeast Asian states in establishing confidence and security building mechanisms (CSBM) in the region, which in time could include issues such as greater transparency in military modernisation, the observation of military exercises and the development of “incidents at sea” arrangements. CSBMs like these could play a critical role in mitigating the security dilemma dynamics in the region and function as a form of conflict-prevention mechanism also. Cooperation on energy security, including joint exploration and development of energy resources, is also often mentioned as having high potential for multilateral cooperation among Northeast Asian states, and there is already a working group established on this issue within the Six Party Talks framework.<sup>19</sup>

Following from the above, it hence seems feasible and desirable to try to focus on gradually building the foundation of a regional multilateral security mechanism on non-traditional security issues, where there are common interests among Northeast Asian states. However, the abiding presence of the more traditional and high-level security issues among regional states makes this functional approach difficult. The counter-argument therefore is that the regional states need to solve some of their bilateral disputes and security conflicts first, e.g. that Japan and China first need to settle the territorial dispute in the East China Sea.<sup>20</sup> On the other hand, it is also argued that these bilateral disputes and security conflicts are better settled as the development of a regional multilateral security mechanism moves

ahead as such development would gradually build more trust among regional states and stronger common interests.<sup>21</sup>

An important issue related to this debate also is whether there are enough strong common interests and willingness among regional states to regionalise security issues and bilateral disputes, e.g. deal with the Taiwan issue or take up the territorial disputes between China, Japan and South Korea on a regional scale. At the moment this does not seem realistic. What rather seems realistic, and what there seems to be a developing agreement about among regional scholars and diplomats, is a continued emphasis in the region on more issue-oriented security cooperation and ad hoc security arrangements – kind of a narrow form of problem-specific security multilateralism, where the focus is on functional cooperation rather than institutional development as is currently seen in relation to e.g. transnational crime and disaster relief.

All in all, the Six Party Talks framework is likely to continue to constitute the starting point for any effort to develop a Northeast Asian multilateral security mechanism, but the focus is not only on the North Korean nuclear crisis. However, this also means that a Northeast Asian multilateral security mechanism will continue to be pursued only in a way that is consistent with and conducive to progress in relation to the North Korean nuclear crisis.

*Whether to include North Korea in Northeast Asian security multilateralism from the beginning?*

As examined above, there is a debate in the region about whether deeper multilateral security cooperation in Northeast Asia is possible as long as the North Korean nuclear crisis exists. However, there is also an argument about simply trying to ignore North Korea and go ahead. This relates to the debate about whether or not to include North Korea – should and could North Korea participate in any development of a multilateral security mechanism in Northeast Asia? There generally seems to be an agreement that in order to ensure long-term stability on the Korean Peninsula and more generally in Northeast Asia, it is necessary to include North Korea eventually, but whether North Korea has to be in there from the beginning is more debatable.

An often-mentioned argument for just going ahead without North Korea is that unlike the other regional states, which have embarked on economic reforms and are globally integrated, North Korea apparently continues to view Northeast Asian regionalism

exclusively through the prism of immediate security interests and geopolitics. That is, in the multilateral political and security forums, where North Korea participates, e.g. in ARF, North Korea is often seen to taken a defensive and narrow posture as well as hold on to a strong and often xenophobic nationalism, stick to traditional views on sovereignty and strongly resist any interference in domestic affairs arguing also that North Korea is targeted by the multilateral political and security processes.<sup>22</sup> Such North Korean behaviour and positions arguably make it difficult to move anywhere on developing a regional multilateral security mechanism with North Korea in there from the beginning. The inclusion of North Korea therefore needs not only a change in the North Korean behaviour and positions but also a genuine wish from North Korea to be included and participate, which arguably is not there now. A possibility mentioned in the debate is also to gradually develop some criteria for membership of a regional multilateral security mechanism and a set of joint principles, and if North Korea – as well as the other regional states – is willing to meet these criteria and commit to the set of joint principles, then North Korea should become a member and if not, then the other regional states should still seek to encourage North Korean participation and draw North Korea closer.

Thus, it would be an open process, where all regional states know what is required to be a member of the regional multilateral security mechanism. Furthermore it is highlighted that if the Six Party Talks eventually succeed in producing some kind of package solution regarding the North Korean nuclear crisis, then North Korea would also necessarily become enmeshed in a variety of new diplomatic and technical arrangements, which could further help building up the administrative and technical capacity of North Korea.

As indicated above, it is likely that North Korea's reconstruction and integration into the regional economic, political and security order will remain a focal point for regional multilateral cooperation in the economic, political and security sphere for some time to come, also going beyond the North Korean nuclear crisis. There seems to be some agreement in the region that the central objective of any regional multilateral security mechanism should be to integrate North Korea into the regional economic, political and security order.<sup>23</sup>

#### *The role of the U.S. and U.S. bilateral alliances in Northeast Asian security multilateralism?*

Another important question in the debate in the region is whether the development of a multilateral security mechanism in Northeast Asia can develop at the same time as the U.S. strengthens its bilateral alliances with Japan and also South Korea as well as its role in

broader East Asian security, as has been the case in recent years. The U.S. has traditionally not seen any contradictions between the U.S. bilateral alliances and the establishment of a multilateral security mechanism in Northeast Asia (Snyder, 2008: 6). However, the question is if other regional states, especially China, share this view. Arguably it could be possible to have a multilateral security mechanism in Northeast Asia as a supplement to both the U.S. bilateral alliance structure and the evolving broader East Asian multilateral political and security arrangements centred on APT, ARF and EAS, but only if the U.S. bilateral alliances could alleviate the concerns of third parties, e.g. China. This no doubt would require a lot of diplomatic work and creativity in designing what Koga (2011: 15-17) has termed “a new regional security nexus” that allows U.S. regional allies to have more diplomatic autonomy in nurturing and building an open regional community while strengthening security ties with the U.S.

The main issue here is if U.S. bilateral alliances can exist without being directed against other regional states, but instead seek to involve or engage other regional states whereby bilateral and multilateral security arrangements work for the same aim – enhanced multilateral security dialogue and cooperation in Northeast Asia. Then there could be a possible coexistence of U.S. bilateral alliances and a multilateral security mechanism in Northeast Asia, but again this seems difficult especially seen in the context of developments in recent years in Sino-U.S. security relations with an increasing degree of strategic distrust (Lieberthal and Wang, 2012). In China, among Chinese International Relations scholars, the prevailing analysis of the U.S. “pivot” or “rebalancing” strategy in East Asia is that the U.S. is increasingly trying to encircle and contain China by strengthening its bilateral alliances and security relations with East Asian states and generally by strengthening the American military presence in the region.<sup>24</sup> Furthermore, the increased security tension in Northeast Asia in recent years has apparently reinforced the traditional priority of – and the traditional security rationale behind – the alliance with the U.S. in both Japan and South Korea.

#### *Who to lead security multilateralism in Northeast Asia?*

Then there is also the issue about leadership, where neo-realist insights point to the need for a hegemon or a leader in developing regional multilateral security mechanisms. With the higher degree of great power rivalry between the U.S. and China in recent years and the ongoing power transition in the region it seems particularly difficult both to identify a leader and to

reach broad regional consensus and support for a leader. The U.S. as the strongest economic and military power as well as the traditional security guarantor in the region would be the first leader candidate (Cossa, 2009). The Obama-administration also seems committed to a stronger multilateralism and has generally moved away from the more skeptical view of the previous Bush-administration on multilateralism. However, it still remains questionable whether the Obama-administration has the credibility, vision and will to be a driving force behind the development of a Northeast Asian security mechanism. More specifically, the Obama-administration has on the one hand continuously indicated willingness to engage more strongly with existing multilateral security mechanisms in Asia and to keep the commitment to a multilateral framework and a comprehensive package in relation to the North Korean nuclear crisis. On the other hand, however, the Obama-administration has, as discussed above, also strengthened its bilateral alliances in East Asia presenting these as the core of the U.S. security strategy in the region and has also focused on promoting and building new strategic partnerships and security relations with regional states in the broader East Asian region as part of the U.S. "pivot" or "rebalancing" strategy launched in 2011.<sup>25</sup> This increases uncertainty in Northeast Asia regarding U.S. long-term intentions and hinders U.S. leadership, where especially a stronger China as well as North Korea likely will resist participation in a U.S.-led regional multilateral security mechanism. It is equally, if not more difficult, to envision Japan leading any multilateral security process in the region, especially because of Japan's unsolved historical and territorial disputes with several of the other regional states as well as because of domestic, including constitutional, constraints and the strong Japanese priority of its security relations with the U.S. South Korea has been a strong advocate of a multilateral framework to deal with the North Korean nuclear crisis and a range of other unsolved security problems in the region (Evans, 2007: 107). But whereas South Korea might facilitate such a framework, it is doubtful whether South Korea has the resources or the domestic consensus to take the lead in developing a regional multilateral security mechanism, also because the North Korean issue is still the "filter" through which South Korea sees and approaches all other developments in regional security. Lastly it is also very difficult to see China take the lead. On the one hand China would still be too insecure and not comfortable with security multilateralism. And on the other hand, especially the U.S. and Japan would still hold too high a level of distrust regarding China's long-term intentions. A growing concern not only in the U.S. and Japan, but more generally in Asia, is how to engage a "rising" China

and promote what the U.S. has termed "responsible" Chinese great power security behaviour, and this concern has only grown further after what is perceived as an increasingly assertive, and even aggressive, Chinese security behaviour in the region in recent years (Yahuda, 2011: 107; Swaine, 2010). Besides, it is difficult to know what kind of multilateralism Beijing would have in mind for the region – would it for example include the U.S.? It remains unclear whether Beijing has any clear idea about whether a multilateral security forum with the U.S. included is the preferred setting for taking up and solving regional security issues.<sup>26</sup>

*The implications of broader East Asian political and security multilateralism for security multilateralism in Northeast Asia?*

It is therefore difficult to point to a leader to push for the development of a Northeast Asian multilateral security mechanism. This supports a stronger focus in the region on broader East Asian multilateral political and security initiatives and arrangements as also pushing for such developments in Northeast Asia. The reasoning behind is that all the Northeast Asian states participate in ARF and, except North Korea, also in EAS, and generally it seems that for example the discussion of CSBMs works better in ARF settings than in any specifically Northeast Asian setting.<sup>27</sup> Therefore, the argument goes, it could be that taking the difficult security issues between Northeast Asian states "out" of Northeast Asia and into a broader regional forum with more states who could act as mediators involved, , could help decrease both security dilemma pressures and mutual distrust as well as the domestic constraints on the Northeast Asian states. Progress in the broader East Asian multilateral political and security initiatives and arrangements therefore could also help to increase confidence among the Northeast Asian states and gradually strengthen the basis for a Northeast Asian multilateral security mechanism.

Furthermore, it is highlighted how this could also be facilitated with more concrete initiatives such as for example expanding and specifying the ASEAN Treaty of Amity and Cooperation (TAC), which emphasizes the peaceful resolution of international disputes and non-interference principles, to Northeast Asia. China, Japan, South Korea, Russia, North Korea and recently in 2009 also the U.S. have acceded to the ASEAN TAC. Subsequently, the overall idea is that the development of a Northeast Asian multilateral security mechanism could adopt a "nesting" within broader East Asian political and security multilateralism, where there has been a positive trend in recent years with deeper multilateral political and security cooperation, and such a positive trend would then also have a positive influence on

multilateral security cooperation in Northeast Asia. Further, such "nesting" within broader East Asian political and security multilateralism arguably would also more generally support a development seen in Northeast Asia in recent years, where diplomatic interaction between Northeast Asian states has reached a higher level on a bilateral and trilateral basis and in the context of broader East Asian multilateral political and security processes. This is for example in the form of regular senior-level strategic and economic dialogues and military-to-military relationships as well as in the form of the expanding and gradually institutionalising trilateral dialogue between Japan, South Korea and China. Also highlighted as positive in this regard is the growing layer of non-governmental processes and networks on security issues involving research institutes, universities and civic associations that now work across Northeast Asia.<sup>28</sup>

### **Security Multilateralism in Northeast Asia is Impossible, but Inevitable**

There are many difficult questions to be answered and difficult choices to be made on the way to developing a multilateral security mechanism in Northeast Asia. In particular following the increasingly tense security situation in the region recently with serious crises developing among the Northeast Asian states, it looks very difficult. However, there also seems to be a growing need for – and a growing acknowledgement of common strategic interests in – developing a regional multilateral security mechanism among Northeast Asian states. That is, despite the fact that ideas and interests clearly differ on how a regional multilateral security mechanism should look and how it should work in practice, there nevertheless appears to be a growing shared vision among Northeast Asian states of such a mechanism. With intensified great power rivalry between China and the U.S., ongoing regional power transition and militarisation following the "Rise of China", continued historical mistrust and territorial disputes, lack of common economic, political and cultural bases and a negative institutional path, all odds are against it. There are however also positive trends. These include a higher level of diplomatic interaction between regional states, an increased spread of a narrow form of problem-specific security multilateralism in the region as well as a strengthening of a broader East Asian political and security multilateralism that includes most of the Northeast Asian states. The development of a multilateral security mechanism in Northeast Asia could further build on these positive trends. It will be a long process, but it seems, as also noted by Evans (2007: 107), that "multilateralism in Northeast Asia is impossible, but inevitable".

## Notes

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<sup>1</sup> This article draws on interviews with Chinese International Relations scholars, Japanese International Relations scholars and diplomats, South Korean International Relations scholars and American diplomats conducted in Beijing (School of International Studies at Peking University, China Institute of Contemporary International Relations), Tokyo (National Institute for Defence Studies, Japanese Ministry of Foreign Affairs and the U.S. Embassy) and Seoul (Institute of Foreign Affairs and National Security) in November and December 2010 and again in Beijing (School of International Studies at Peking University) in May and September 2012.

<sup>2</sup> For the theory on regional security complexes see Buzan (1991), who defines a regional security complex as a group of states geographically close and with strong security interdependence between them, and his main argument is that security is a relational phenomenon, not merely a result of the distribution of relative capabilities among states, and as threats operate better over shorter distances, the security interactions with one's closer neighbours often have top priority and are more intense.

<sup>3</sup> Cf. also e.g. Timmermann (2008: 1-18) and Kim (2004: 12), who specifically argue that any strictly "geographical" approach would hide rather than reveal the critical role of the U.S. in Northeast Asian security. It is also worth noting that China recognizes the U.S. presence in regional security by referring to the U.S. as an "Asian-Pacific" power, which is also the reference used by the U.S. itself.

<sup>4</sup> The Six Party Talks have despite several interruptions produced three joint statements since 2003, and all of these reflect consensus among the Northeast Asian states on the establishment of certain principles and concrete action for disabling North Korea's nuclear weapons program.

<sup>5</sup> Cf. note 1 above. See also Koga (2011: 6).

<sup>6</sup> In 2007 with the February 13 Joint Statement five working groups were established within the Six Party Talks process to deal with specific disputes and security issues. One of these is a working group on the development of a "Northeast Asia Peace and Security Mechanism".

<sup>7</sup> Cf. also Haggard and Noland (2009: 129).

<sup>8</sup> This ambition and generally a stronger emphasis on trilateral dialogue and cooperation between China, Japan and South Korea is especially expressed by South Korean International Relations scholars – author's own interviews with South Korean International Relations scholars conducted in Seoul (Institute of Foreign Affairs and National Security) in December 2010. See also Snyder (2008: 6) and Koga (2011: 14).

<sup>9</sup> See also Valencia (2010).

<sup>10</sup> The Chinese security strategy, especially since the mid-1990s, with its emphasis on reassurance of East Asian states about "the peaceful rise" of China and its promotion of a

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long-term process towards multipolarity fits well with the overall focus of ASEAN on balancing great powers in the region by leading and promoting regional multilateral cooperation and integration. Furthermore, the ASEAN-states have played an active role in promoting China's accession into the ASEAN-led multilateral political and security arrangements in East Asia as a way to try to constrain a stronger China and gradually establish mutual trust.

<sup>11</sup> The U.S. joined the East Asian Summit (EAS) in 2011 and indicating the high U.S. commitment and priority given to East Asia and specifically the EAS, American President Obama participated in the EAS in 2011 and again in 2012.

<sup>12</sup> At the ASEAN summit in 2012, the ASEAN-states for the first time in ASEAN's 45 years history did not manage to reach a joint statement especially due to disagreements on how to handle the South China Sea disputes.

<sup>13</sup> This follows also from Waltz' (1979: 161-193) argument that multipolarity is the most unstable and conflict-prone polarity especially due to the high potential for misunderstandings, miscalculations and shifting alliances.

<sup>14</sup> The argument is not that the U.S. is in strong decline and the U.S. bilateral alliances are breaking up. However, the security situation in Northeast Asia and more broadly in Asia is undergoing restructuring and this also challenges the traditional U.S. leadership role and U.S. bilateral alliances.

<sup>15</sup> Arguably the U.S. security guarantees to both Japan and some of the other Asian states just after the end of the Second World War also made it less necessary for Japan and those other Asian states to reconcile and develop their own security cooperation.

<sup>16</sup> Cf. note 1 above for the details on interviews.

<sup>17</sup> Cf. also e.g. Haggard and Noland (2009: 119, 125).

<sup>18</sup> Cf. also e.g. Snyder (2008: 5).

<sup>19</sup> Cf. also e.g. Haggard and Noland (2009: 131).

<sup>20</sup> Cf. also e.g. Timmerman (2008: 8).

<sup>21</sup> Cf. Valencia (2010) for a rather specific suggestion on how to do this in relation to maritime territorial conflicts in Northeast Asia, where he argues for the establishment of a maritime code of conduct.

<sup>22</sup> Cf. also Evans (2007: 109).

<sup>23</sup> A process of de facto economic integration is - despite the caution of the North Korean regime - already occurring, dominated by North Korea's bilateral relations with especially China, but also South Korea (Haggard and Noland, 2009: 124).

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<sup>24</sup> Cf. also Swaine (2012).

<sup>25</sup> As part of the U.S. "pivot" or "rebalancing" strategy, Washington has in recent years strengthened its alliances with Japan, South Korea, Australia, Thailand and the Philippines as well as its security dialogue and cooperation with Singapore, India, Indonesia, New Zealand, Malaysia and Vietnam. For further on the U.S. "re-engagement" with East Asia, see also Koga (2011: 9-10).

<sup>26</sup> See also Zhu (2010: 52-53).

<sup>27</sup> Cf. also Evans (2007: 111).

<sup>28</sup> There are thus several non-governmental Track II security forums in Northeast Asia, most prominently the CSCAP (Committee on Security Cooperation in the Asia-Pacific) and the NEACD (Northeast Asia Cooperation Dialogue).

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# China's Self-perception of Its Security Situation: The Nexus of the Internalities and Externalities

Peer Møller Christensen and Li Xing\*

**Abstract.** The objectives of this article are, firstly, to provide a framework for understanding the nexus between the studies of the rise of China and international security issues in a combination of both internal and external perspectives; secondly to show how internal and external environments are having an impact on the official formulation of China's security understanding and policy; and thirdly to conceptualize the "Chinese self-perceptions" of its security concerns from the perspectives of its historical memories and legacies of security experiences, its political debates on national power and status, and its justified international role. The article especially emphasizes the importance of studying the Chinese concept of national and international security, and examining how China perceives itself, the world, and China's place within the existing international order. The article's methodological approach is to explore China's increasing awareness of the interplay between *unconventional* and *conventional* security relationships and how the understanding of the nexus between the internalities and externalities plays an indispensable role in China's formation of its security perceptions. One of its key methods is to analyze the official Chinese formulations of its security policy, as reflected in a series of policy papers, called white papers, during the first decade of the new century.

## Introduction

Currently, if one searches online information for China-related literature, one would be surprised to find that there are dramatic numbers of publications on the "security implications" around topics such as "China rise", "China threat", "China challenge", and so on. However, much of this literature tends to take a similar analytical path: the way of thinking and the logic of reasoning regarding how observers *outside* of China interpret the security implications of China's rise. Their commonality is an attempt to reply to or focus on outsiders' speculations regarding China's outward intentions. Hence, there is an imbalance between the massive production of writings about the external security perception of China and the comparatively limited literature on how the *Chinese themselves* understand their security environment in the nexus between China's rising and the world order.

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Another limitation in the studies of the rise of China and the international security implications is the fact that the mainstream international relation theories, especially the theories of international security such as realism, are the products of a certain historical period and circumstances. They are the reflections from a particular social and political order. To apply the assumptions and premises of these conventional theories to China studies in today's new circumstances of globalization and transnational capitalism, which reflect a transformed social and political order, is to neglect the limitation of their application.

The objectives of this article are to 1) provide a framework of understanding the nexus between the studies of the rise of China and international security issues in a combination of both internal and external perspectives; 2) show how internal and external environments are having an impact on the official formulation of China's security understanding and policy; and 3) conceptualize the "Chinese perceptions" of its security concerns from the perspectives of its historical memories and legacies of security understanding, its political debates on national power and status, and its justified international role. The article especially emphasizes the importance of studying the Chinese conception of national and international security, and examining how China perceives itself, the world, and China's place within the existing international order. The article's methodological approach is to explore China's increasing awareness of the interplay between *unconventional* and *conventional* security relationships and how the understanding of the nexus between the internalities and externalities plays an indispensable role in China's formation of its security perceptions.

The official view of China's security situation is affected by the last decades of change in the country's place in the global economy on the one hand; and on the other hand by the different assessments among political leaders and opinion-makers on how the country's security situation is affected by these changes. This process includes a widespread popular national pride arising from China's thousand-year old history as a cultural, economic, and political power. Internationally, the Chinese government is met with new expectations and demands from the outside world as to how the political leadership in China handles its recovered position as a world power. All these factors come into play when the Chinese government is formulating its view of China's security situation in light of global economic and political developments. In the following sections we will analyze the official Chinese formulations of the security situation of the country, as reflected in a series of white papers (policy papers), authored by the Chinese government in the first decade of the new century,

and furthermore we will try to compare these formulations with the changes in China's political and economic position in the global world occurring in the same period, and include a description of reactions from the Chinese media and intellectual opinion-leaders on the changes in the official formulations which can be observed during this period.

### **Historical Evolution of China's Self-Understanding of its Security Situation**

One of fundamental reasons for the constant failure of the West in interpreting China's security understanding and predicting its transformation is the failure to understand and interpret China's past and present. Unlike Western nation-states, China's sense of "national identity" including its "nationalism"<sup>1</sup> – a term not familiar to most Chinese – comes from its long history as a "civilization-state"<sup>2</sup> (Pye, 1990, 1993). That is to say, to apply the unit of analysis of "nation-state" (a term that has its historical root in the formation of the modern nation-state system in Europe) to China is paradoxical.

The Opium Wars in the mid-19th Century, when Western powers forced the Chinese empire to its knees and opened its market to foreign commercial interests, was a historical turning point that gave the Chinese national feeling a serious blow that has characterized the Chinese view of the relationship between China and the rest of the world up to the present day. Declining from its previous hegemonic "Middle Kingdom" status, whose size and strength gave the Chinese empire a position as a natural political and cultural center of the world, dominating and protecting the surrounding "barbarian" nations and kingdoms, and receiving respect and tributes in return, China was then reduced to a semi-colonial empire with reduced autonomy and little impact on its immediate surroundings. The Chinese empire was divided into foreign concessions such as Taiwan, a war concession to Japan following its further defeat in the Sino-Japanese war in 1895, and parts of the kingdom such as Tibet slipped completely out of the central government's control. The hundred years between the Opium Wars and the inception of the People's Republic in 1949 are perceived in China as "a century of humiliations"<sup>3</sup> where the basis for the Chinese "victim mentality"<sup>4</sup> was founded, and it has been influencing the perceptions and worldviews of generations of Chinese, both ordinary Chinese and the ruling elite alike.

With the revolution of 1949, which created hope for building a new Chinese national self-awareness, China, alongside the rest of the Soviet-dominated Communist bloc, saw themselves as representatives of global progress, and this was further emphasized as China –

after the break with the Soviet Union in 1960 and during the Cultural Revolution – proclaimed itself to be the world's socialist vanguard. Its relative material poverty meant little in comparison to the pride of being a frontrunner in the global struggle for a better society. At the same time the humiliation after the Opium Wars put a special emphasis on national unity and defense of national sovereignty. This perception has meant that the People's Republic of China after its founding in 1949 identified with post-colonial countries and together with these countries at the Bandung Conference in 1954 formulated principles of international relations ensuring sovereignty and non-interference. These principles have their justification in the loss of national independence during the colonial period and are at the same time closely linked to the Western European view of international relations from the Treaty of Westphalia.

During the early 1970s the Chinese perception of its security was associated with its understanding of its position in the world system. Such an understanding was conceptualized by the Maoist “Three World” concept, which was one of the first Chinese contributions to the general debates at the UN in 1972 after the People's Republic overtook Taiwan's seats both in the General Assembly and the Security Council. According to Mao's “Three World Theory”, 1) the First World, the superpowers, refers to the United States and the former Soviet Union. They were considered to be imperialist and China's primary enemies, and the USSR was regarded as the most aggressive of the two superpowers because it was a newcomer and a rising superpower; 2) The Second World, the superpowers' allies, refers to those middle-range powers including Western imperialists and Japan. They were the political forces that could be allied with as part of an international united front against the superpowers; 3) the Third World, refers to the vast number of developing countries and nations of the Non-Aligned Movement. They shared with China a fundamental interest, and they were the most reliable revolutionary force in opposing the superpowers. Ironically and interestingly, this “Three World Theory” has returned like a boomerang today, directed at China itself, because China is in some ways seen as the new emerging and thus most “aggressive” superpower in many parts of the world.

In the 1960s and 70s China faced a dual security crisis: internally, the Cultural Revolution movement which split the Chinese Communist Party (CCP) through the “two-line struggle” and politically fractionalized the entire population, caused grave internal instabilities; externally, the Chinese government perceived the primary security threat to come

from the USSR, considered to be the most dangerous of the two superpowers due to a number of reasons such as the USSR's expansionist aggressiveness, its occupation of Afghanistan, and especially its support to the Vietnamese regime in its conflicts with China, which led to the Chinese invasion of Vietnam in 1979. Therefore, an alliance with the United States was sought, and the success of the China-US rapprochement led to the "invitation" to China to be a part of the US-led capitalist world order. The Chinese open-door reform since the end of 1970s further integrated the country into the capitalist world system especially in the global division of labor.

*The economic reform and the transformation of China's security understanding*

China's feeling of being the spearhead of the socialist world revolution disappeared abruptly after Mao's death, when his heirs characterized the late Chairman's national and international policies as a failure which had left the Chinese people stuck deep in poverty. The Chinese could no longer feel that they constituted the world's political avant-garde, and had only their low standard of living left over. From the late 1970s, driven by economic reforms and foreign investments, China's economy grew explosively, and this gave new force to the pride of the Chinese nation. All statistical forecasts predict that China's rapid economic growth within a few years will make it the world's strongest economy. China's ascent to economic and political greatness seems inevitable, but the Chinese government, in its own words, does not strive to achieve hegemony, only to regain its "historical place" in the world, as its size, population and millennial culture justifies for it.

Thus, the turning point in the post-Mao regime's understanding of China's security was the transformative change in the worldview of Chinese ruling elites with regard to both internal and external security conceptualizations. Rather than the danger of "external invasion", internal underdevelopment and poverty was the most serious national security threat. The CCP's ruling status was in serious crisis, which might have been remedied by the rapid implementation of reforms aimed at speeding up economic development and the "four modernizations".<sup>5</sup> The possibility of world war was less likely, and the main global desire was for peace and development. The prevailing opinion was that China should give up its revolutionary policy and be part of the global "third wave" of industrial revolution. In the following three decades, the entire paradigm of Chinese domestic and foreign policies have

been based on Deng Xiaoping's advice of "Tao Guang Yang Hui"<sup>6</sup>. The focus of China's security concern has been internally oriented.

However, ironically, after three decades of reform and development, the side effects of China's economic achievements have begun to manifest themselves as grave security concerns for the entire nation. Each generation of post-Mao leadership had to swallow and adjust the problems inherited from the previous ones, such as from Deng Xiaoping's "Cat Theory"<sup>7</sup>, to Jiang Zemin's "Three Represents"<sup>8</sup> theory, and to Hu Jintao's "Harmonious Society" and "Scientific Development Concept"<sup>9</sup>.

Now, after the CCP's 18<sup>th</sup> Congress in 2012, Xi Jinping, as the new leader of China, is facing tremendous socio-economic, socio-political and cultural-ideological problems, termed the "Ten Grave Problems":<sup>10</sup>

1. No breakthroughs in economic restructuring and the construction of a consumer-driven economy.
2. Failure to nurture and grow a middle class.
3. The rural-urban gap has increased.
4. Population policy lags behind reality.
5. The bureaucratization and profit-incentivization of educational and scientific research institutions shows no indication of being ameliorated and this continues to stifle creativity.
6. Environmental pollution continues to worsen.
7. The government has failed to establish a stable energy-supply system.
8. Moral lapses and the collapse of ideology. The government has failed to build an effective and convincing value system that can be accepted by the majority of its people.
9. "Firefighting" and "stability-maintenance" style diplomacy lacks vision, strategic thinking and specific measures.
10. Insufficient efforts in pushing political reform and promoting democracy.

The above list of social, economic and political problems is seen, as demonstrated by the own words of the new CCP leader Xi Jinping, as threatening the "survival of the Party and the state", i.e. the highest national security concern. These concerns, ironically, come from within, not from without. It is expected that in the years to come the new government under Xi Jinping will have to take measures to address these internal problems.

## **Policy Analysis of Chinese Security Conceptualization**

### *From “peaceful ascent” to “peaceful development”*

In the first decade of the 21st century, the Chinese government presented two concepts that summarize the prospects of China's domestic and international political developments. First it introduced the concept of "peaceful ascent" (*heping jueqi*), which for a few years had a prominent position in official statements from the Chinese government, but after extensive public debate was replaced by “peaceful development” (*heping fazhan*). This concept had been the official choice since 2005, when the Chinese State Council Information Office published the white paper, *China's Peaceful Development Road* (2005), until 2011, when the State Council introduced a new white paper with the almost identical title, *China's Peaceful Development* (2011). Although the concept of "peaceful development" in the period 2005 to 2011 remained unchanged, the official interpretation changed in light of the global financial crisis which in the meantime has struck the global economy, and the more-strained relations between the U.S. and China emerging in the wake of this crisis.

### *“Peaceful ascent”*

The concept of “peaceful ascent” was formulated by Zheng Bijian from 2002 onwards in a series of speeches and articles in which he functioned as a spokesman for Chinese government viewpoints. That Zheng Bijian could play this role is no coincidence. As Hu Jintao, Secretary General of the Communist Party of China from 2002 to 2012, had the post of Director of the Communist Party's Central Party School in Beijing, Zheng was assistant principal of the school, and he has maintained the close ties to President Hu Jintao and the party leadership even after he resigned as assistant principal to take over as chairman of the “China Reform Forum”.

Zheng says that in 2002 he formulated the concept of “peaceful ascent” as a counterweight to the two perceptions which, at that time, were widespread in the West: the fear of a “threat from China” and the notion of “China's coming collapse”. It was feared in the West on the one hand, that China's growing economic power and international influence would make the Chinese leadership act in a “revisionist” manner in relation to the international order, and that this would require major changes in the international balance of power. On the other hand, it was feared (and according to some Western scholars seen as

inevitable) that Chinese economic and social disruption could have a significant negative impact on the rest of the world. Faced with these notions Zheng now argued that the fear of China was unjustified because the Chinese government since the start of economic reforms in the late 1970s had based its economic development on a desire for a peaceful world and therefore was in no way interested in challenging the existing world order or creating conflicts. The word “ascension” signaled, on the other hand, an expectation that economic growth in China would continue in the coming years and lead to a continued improvement in the country's place in the international economic hierarchy.

Since the start of economic reforms and opening to the outside world in the late 1970s, China has, according to Zheng Bijian, benefited from globalization. The combination of market-oriented reforms and its voluntary entry into the global division of labor, where China has assumed the role of “workshop of the world”, i.e. a place whereto production based on manual, not particularly skilled work has flowed. This has created the basis for the impressive growth of China's economy since the beginning of the reform period. Continued economic development must, according to the plans set by the Chinese government, lead to a situation where China in 2050 – one hundred years after the Chinese revolution in 1949 and 70 years after the start of economic reforms – must have evolved into a modern, industrialized state with a socialist democracy on its own merits. If these development perspectives are to be fulfilled, a world characterized by peace and stability is a precondition. The state's growing interdependence of which China is a part creates a growing interest in joint solutions to common problems. Zheng Bijian stresses that China, unlike previous emerging powers, will not base its ascent on colonization, hegemony or wars of aggression. When Western powers were no longer able to find necessary resources within their own borders, they occupied colonies and based their continued industrialization on the looting of these colonies. Germany and Japan were trying to achieve superpower status by launching large-scale aggressive wars, and the Soviet Union based its status as a superpower on military hegemony. The basis for the US economy is still a use of energy by far exceeding the global average. In contrast, China will base its industrialization on its own strengths and will try to solve resource problems caused by China's new role as the "workshop of the world" through equitable agreements on import and extraction of raw materials and energy resources with resource-rich countries, increased efficiency in energy consumption and technical development. According to Zheng Bijian, Chinese development's need for international stability is matched by a corresponding

need for internal stability in the country. A harmonious society where the significant social and regional disparities in living conditions of the Chinese population are remedied is an equally important prerequisite for continued economic growth in China. The concept of “peaceful ascent” in this way summarizes the international and domestic political conditions for Chinese development to succeed.

In relation to Taiwan, Zheng Bijian will not rule out the use of military power to enforce a reunion. Zheng, like the Chinese leadership and the majority of the Chinese population, perceives Taiwan as an inseparable part of China, and any claim for independence for Taiwan may, in his view, legitimately be countered by military means. In this context he refers to the American Civil War which primarily aimed to keep the American Union together and supports this with a reference to a famous quote by Lincoln where he stresses that civil war for him not was about abolishing slavery, but was aimed at maintaining the rebellious southern states in the union and thus securing national unity.

Zheng Bijian’s concept worked for a few years as the officially recognized summary of the Chinese leadership’s perception of international politics, and the concept was used on several occasions by the two most senior members of the new Chinese leadership, General Secretary and President Hu Jintao and Premier Wen Jiabao.

It may be said (Su Jianguo, 2006) that Zheng Bijian’s very liberal-minded belief in globalization at this time distanced him from the realistic idea of multipolarity which had been prevalent during the previous Chinese leadership with Jiang Zemin at the head. With their demand for the recognition of multipolarity, the Chinese government at that time challenged the unipolar position that the United States had achieved at the end of the Cold War when bipolarity collapsed, and it signaled a desire for change in the existing international order. With the concept of “peaceful ascent” the Chinese leadership, fed into the fears that could be found in the West that an ever-stronger China with increased strength could require changes in the global distribution of power.

#### *Behind the discussion of the concept of “peaceful ascent”*

Zheng Bijian’s presentation of the concept of “peaceful ascent” and the Chinese leadership’s use of the concept soon gave rise to extensive discussions in China (Glaser and Medeiros, 2007).

The left wing of the political spectrum criticized the concept for being devoid of ideological substance, and critics on the far left pointed out a missing awareness of the role of “imperialism”, “U.S. imperialism” or “neo-imperialism” in international politics. Within the Chinese military there was a fear that the idea of "peaceful ascent" would weaken the will to continue the ongoing modernization and strengthening of the Chinese military. Some intellectual opinion-leaders believed that it was impossible to imagine that China would implement a peaceful ascent when such a thing was without historical precedent, and that it was unfair that China should renounce its “ascent” if it could not be implemented by peaceful means. In addition the concept and theory of "peaceful ascent" was criticized for weakening China's ability to use military force in connection with the future reunification with Taiwan, and some intellectuals described the idea of implementing reunification with Taiwan by peaceful means as naïve.

On the liberal side of the political spectrum, concerns were expressed that the concept could promote nationalist attitudes in the population, and the very concept of "ascension" gave rise to criticism because the use of this image would serve to reinforce the fear of China's rising power which already existed in the world. This latter criticism has probably been the reason why “peaceful ascent” was replaced by the concept “peaceful development” in 2005.

However, the discussion about the ascent of great powers did not disappear from the Chinese media. In November 2006 the central Chinese TV channel CCTV aired a documentary series of 12 episodes entitled *Great Power's Ascension* (Daguo Jueqi). The series described how Portugal, Spain, Holland, England, France, Germany, the USA, Japan and Russia had succeeded in establishing themselves as major global powers, and based on this series the discussion about the possibilities and prospects of China's ascension was continued, even though the concept had been removed from the official discourse.

Basically, there are three aspects of “ascent” in relation to China's self-understanding of its security policy. The term can have negative connotations in the direction of threats to the existing international order. At the same time, it refers to the notion of “Middle Kingdom”, China's historical position as regional hegemon. Furthermore, the term “ascension” underscores that China's five principles of international relations, according to the Chinese government must be respected without compromise.<sup>11</sup>

*“The Peaceful Development Road” (2005) and “Peaceful Development” (2011)*

The 2005 version of the white paper - *The Peaceful Development Road* - continued the arguments about the relationship between the strategy for China's internal development and its international position, which was previously presented under the heading of “peaceful ascent”, but now, as a consequence of the extensive discussion, the concept “ascent” had been replaced by “development”.

Six years later the same Information Office again published a white paper in 2011 on the subject and with the almost identical title of *Peaceful Development*. What is the difference between the two versions of the policy papers? The international situation was fundamentally different in 2011 from the situation when the former white paper was released in 2005. The Chinese leadership could in the first years of the new century look back at its role as a lifeline for the other Asian countries during the Asian financial crisis in 1997-98. China, with its currency policy and financial support to the Asian countries, accomplished what IMF had failed to do i.e. to rescue the other East Asian countries from the crisis. China's role as savior gave the country a positive image in most Asian countries. In 2011 a number of years had passed by, marked by the much more extensive global financial crisis which started in 2008 and gradually developed into a genuine economic crisis. This new crisis placed China in a position somewhat different from its position during the Asian financial crisis. China was one of the countries that fared best through 2008, the first year of the crisis; but during the further development of the crisis, a growing criticism of China's currency policy has been formulated, primarily by the United States and Europe, but some Asian countries that compete with China on the world market are also accusing China of manipulating its currency and thus achieving competitive advantages for Chinese products. The Chinese currency policy is seen as making it more difficult for these countries to work their way out of the economic crisis. The new white paper is formulated in a new international situation, and therefore in many areas some changes in the policy formulations can be found.

The positive impact of globalization on the world and China is emphasized in language similar to the liberal-oriented tone of the previous white paper. China is defensive against criticism for its role in the resolution of the 2008 crisis; the white paper emphasizes China's efforts to establish a “global economic governance mechanism, reform the international financial system, and participate in multilateral coordination of macroeconomic policies” through international organizations such as the G20, to put the global economy back onto its

feet. The white paper also stresses that the Chinese government is striving to change its economic structure from dependence on exports and investment as economic growth engines, towards an economy which is also based on growth in domestic consumption. Growing demand from Chinese consumers would lead to increasing needs for imports to China, thereby improving export opportunities for the rest of the world.

The strengthening of the US position and the new Chinese position of strength as one of the main emerging countries, the BRICS, has led the white paper to stress the requirements for a “new and more just world order” with multipolarity, in which the emerging economies in particular may have a more important role, but where the situation of developing countries in general is also improved (Khanna, 2009). Today’s world is moving towards multipolarity and economic globalization progresses. There is a growing need for changes in the international system and the world is facing historic challenges. Especially the emerging economies, but also growth regions and new non-governmental organizations are benefiting from globalization, but the globalization praised by the white paper is not a globalization where national sovereignty becomes less important and, as in the EU case, transferred to supranational institutions. Nor is it a globalization where national sovereignty can be overridden to implement “humanitarian intervention”. China will continue to defend its core interests: sovereignty, security, territorial integrity and reunification.

### **China’s Security and the World Security: Two Sides of the Same Coin**

China’s remarkable economic growth in the past three decades has already made its security concerns and the world security matters more and more intertwined: the Chinese currency (Chinese *Yuan*) has become a subject of contention; China's trade has raised concerns for workers and firms in both developed and developing countries; its demand for energy has led to competition and conflict; and the effects of its own overseas investments especially in the former colonies of Europe have begun to be felt painfully by the West. Beijing’s policies on finance, currency, trade, military security, environmental issues, resource management, food security, raw material and product prices are increasingly seen as having consequences for the economies of millions of people outside China’s boundary because China’s shifts in supply and demand cause price changes leading to adjustments in other countries. Some scholars and opinion-makers argue that China is increasingly becoming an “indispensable country”, similar

to the position of the United States as an engine of global economic growth in the post-War decades.

The transition from “peaceful ascent” to “peaceful development” expresses a fundamental change in Beijing’s self-understanding of its security policy; both the content and the extent of the interdependence are emphasized. China's security must be understood in the context of the new “multipolar” world order, where the old hegemon declines and the ascent of new emerging powers gives China more leeway in the international arena (Khanna, 2012; Li, 2010; Li and Christensen, 2012). China's security becomes less focused on the past and more on present and future security problems, perceived as associated with the capitalist world order. The notion of “development” is seen as referring to “mutual benefits” and “interdependence”, while the connotation of “ascent” can be misperceived as “one-sided” and “self-centered”. China is also burdened, however, at the same time by the fact that the country's economic security especially its energy security is increasingly global and interdependent (Pan and Zhu, 2006). According to a survey study on the Chinese public’s security perceptions (Jung, 2012), the top security concerns for the majority of Chinese are not economic and military threats from the outside, but internal energy shortage. On the one hand, the country gains prosperity and competitive advantages for its development, but on the other hand the room for “independent” maneuvering is becoming more and more constrained.

The new white paper is thus characterized by a much more assertive tone than the former. Although it still maintains the need for globalization, interdependence and the need for international cooperation, the desire for change in international power relations is underlined, based on the knowledge that the global economic crisis has weakened the developed world, while the emerging economies, the BRICS, have gained strength and influence, a development which had already started before the economic crisis, but apparently has been reinforced by it.

The new white paper gave rise to various reactions. Zheng Bijian was not slow to point out that for many years he has been emphasizing the importance of the "interest convergence" the white paper mentions, and thereby underline the continued emphasis on the positive impact of globalization on China.

Shortly after the publication of the white paper, territorial disputes in the South China Sea were growing, and as a consequence, reports appeared in parts of the official Chinese press, suggesting a less “peaceful” attitude towards the outside world would be more

appropriate. In October 2011 the journal *Global Times* published an article entitled, “*Do not take peace for granted*”. Vietnamese and Philippine naval vessels had seized Chinese fishing vessels in the South China Sea. According to the article, the other states advancing territorial claims in the area had misunderstood the welcoming attitude and willingness to negotiate expressed by the Chinese government. According to the author of the article, demands on a more consistent position of the Chinese Government have been articulated from various sectors of society. If the conflict develops and becomes serious, the Chinese government will not be able to ignore these demands, and some form of military response might be necessary. Also the *People’s Liberation Army Daily* (Jiefangjun Bao) responded to the white paper. On the last day of 2011 it published an article which has attracted a lot of attention in China, in which it stated: “Now peaceful development has become state reasoning in China, but to take the peaceful development path should never mean sacrificing China’s core interests. Sovereignty, security and territorial integrity will always be the state’s core interests” (Zheng and Fei, 2011). This is a clear indication that the domestic division in the understanding of security in China is growing, demonstrating nationalist, internationalist, realistic or liberal attitudes, and showing the growing importance of various interests stemming from political, economic and social spheres of society.

#### *The externalities of China’s security understanding*

China’s economic growth in recent years seems to have prompted Western powers – primarily the United States – to adopt a strategy based on realpolitik (Mearsheimer, 2006, 2010), that is what China perceives as a containment strategy, whose main elements are: continued military support for Taiwan; continued security alliances with South Korea, Japan, Australia and the Southeast Asian countries, all of which participate in the Southeast Asian territorial dispute with China: a partial alliance with India; criticism of China’s growing influence in Africa and Latin America; as well as condemnation of Chinese policy in Tibet particular and the human rights situation in the country in general.

Although distrust in and opposition to the US-led liberal world order do exist among Chinese politicians, intellectuals and students, the Chinese leadership is not clear about what the consequences of its full integration into the Western-dominated world order may be. Both the West and China are caught in a difficult situation where they, as they say in China, are “riding a tiger”<sup>12</sup> and it is by no means clear how they can descend from the tiger. Many

Chinese feel that their security is now controlled by market forces, and that they no longer have any choice but to accept and follow the market's basic logic. But the evolution and the logic of the market is shaped by Western cultural and religious norms and values which in turn promotes specific forms of social relations between people, which is very different from Chinese traditions. Many of the Chinese concerns over the liberal world order are caused by the contradictions between internal market forces and deeply rooted Chinese nationalism and cultural norms. China is now faced by two conflicting priorities: to benefit from the capitalist world, and at the same time maintain its own political and national identity. There is an important contrast between, on the one hand, the Chinese distrust of the West and Japan which is rooted in historical experience, and on the other hand, the country's intense desire to join the club of advanced Western countries and revitalize the "Middle Kingdom". With its continued economic growth and growing military power, China will force the West to recognize its "Chinese characteristics", while joining the existing capitalist world system.

For the West China's ascent is perceived by some to be one of the most important economic forces in rescuing the capitalist world system from further decline, and it is hoped that China's integration into this system will fundamentally change the country and its political system while increasing the Chinese government's sense of responsibility for the solution of international problems. But an unforeseen consequence is that China's continued success is increasingly recognized as an alternative model to modernization. Chris Patten, the former British governor of Hong Kong, has stressed that China is "the first example of a country that has fared surprisingly well in the international system, while challenging the basis of this system" (as quoted in *BBC News* 2008). The rise of China and its increasing demand for internal security (resources and growth) and for external recognition (rule-settler, not just rule-follower) have additional unforeseen consequences affecting the security of the surrounding world (Jacques, 2009).

The "Chinese model", termed the "Beijing Consensus" (Ramo, 2004), is often interpreted by Western opinion-makers as Beijing's attempt to gather as much influence as possible so that it can change the rules in the direction it wants. The "Beijing Consensus", especially with its emerging "soft power" impact in the semi-periphery and periphery parts of the world, is perceived by some as a great challenge to US hegemony (Kurlantzick, 2007; Nye, 2004). Here, the security implications are not just economic and military, but ideological and political. However, Chinese public opinion has a pluralistic understanding of the world

order, a multipolar international system; and according to a survey study, most Chinese do not support an alternative China-led world order and institutions, but would prefer to become a mediator of conflicts between nations (Jung, 2012). This indicates that the Chinese public supports the status quo of the existing world order as long as China's rising status and its national security concern is recognized and respected.

### **Conclusion**

Chinese modern history is crucial for understanding the country's security situation, as is reflected in official formulations and in debates among the country's intellectuals. China's initial position as the "Middle Kingdom" gives rise to a desire to regain past status and respect. Meanwhile, "the century of humiliations" after the Opium Wars and hostility from the West throughout the Cold War created a profound skepticism towards the outside world. This contradictory picture of China's position in the world: on the one hand a thousand-year kingdom that deserves respect and recognition, and on the other hand a nation subjected to constant pressure from an unfriendly environment, shines through in the official formulations, as expressed through the above-mentioned white papers published by the Chinese government. The global economic crisis has underscored the interdependence of the global economy, of which China through its economic reforms has become an integrated part, and has strengthened the Chinese aspirations for a position as an equal partner, and has at the same time sharpened some of the conflicts caused by fear in the surrounding world of what the fast growth of China's economy will mean for international economy and politics. The Chinese government experiences a growing power in the international system, and at the same time a growing pressure on its economic performance, energy security and the political legitimacy of the regime itself.

The Chinese government describes the country's development in relation to the international order as a peaceful process, and underlines the global interdependence that the openings to the outside world and the invitation of foreign investments have been important parts of. This interdependence requires, according to the Chinese leadership, mutual respect for each country's integrity and security needs. Experiencing semi-colonial history with the above-mentioned historical trauma, the Chinese government is not yet willing to sacrifice its historical national integrity, and this may be one of the main reasons for the apparently irreconcilable Chinese position in the current disputes in the South and East China Seas. In

these current conflicts, it is also obvious that the Chinese perception of the country's security situation is not as clear as it may appear in official statements. Behind it loom a number of different views and interests which influence Chinese foreign policy, but are all rooted in the same history and cultural tradition.

The dilemma China is facing at the moment is serious. China has not yet developed its own vision and own values in relation to a world order where its perception of security is shared by the rest of the world. The old imperial order based on “great unity and harmony” (*Tian Xia*) (Callahan, 2008; He, 2003; Wang, Feiling, 2011; Wang, Mingming, 2012) creates several problems with its neighboring countries, because an order like that presupposes an indisputable China-based historical and cultural hegemony. This will create skepticism in both the USA and the countries in the East and Southeast Asian region.

China and the Western powers both have an interest in a stable world order, and China definitely has an interest in a more harmonious society. However, there is a discrepancy between China's own security perceptions and what the external world has imagined China's security ambitions to be. At the moment it is important for the US-governed international order to recognize that China's internal transformation inevitably will lead to a change of the global order and that the liberal world order will have to accommodate the possibilities and limitations caused by the ascent of China, but also accept the fact that when China has “mounted the tiger”, the country will be doomed to either stick to its course and stay mounted or fall off.

## Notes

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<sup>1</sup> The concept “nationalism” is very often misinterpreted and misrepresented. In many situations it is intertwined with another related notion of “patriotism”. Sometimes the official doctrines of patriotism and the public opinions of nationalism converge, but at other times they are pointing to different issues.

<sup>2</sup> Pye's notion of “civilization-state” is purposefully meant to point out the fact that the logic and premises of “nation-state” are not entirely applicable to China. The historical emergence of the “nation-state” as a concept and a unit of international relations is a relatively contemporary phenomenon, and was formally derived from the Treaty of Westphalia. The political and cultural legitimacy of a nation-state is based on sovereignty and ethnic identity within a defined territorial unit. Historically and culturally, China was not familiar with, and was not shaped by the nation-state framework of understanding.

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<sup>3</sup> The notion of a “century of humiliation” refers to the period between the first Sino-British Opium War (1839) and the end of the Chinese Civil War (1949), during which the political incursions, economic exploitation, and military aggression by foreign imperialist countries are regarded as the key factor that undermined the historical glory of the Chinese civilization and humiliated the Chinese nation.

<sup>4</sup> The notion of “victim mentality” is connected with China’s painful experience of the “century of humiliation”, and it has dominated the Chinese consciousness of its relations with the Western world. It is one of the central factors that instigated Chinese revolutions in the 20th century, including the communist revolution, and has shaped China’s foreign policy and international relations since the founding the People’s Republic in 1949.

<sup>5</sup> “Four modernizations” refers to modernizations in the four areas: agriculture, industry, science and technology and defense.

<sup>6</sup> “Tao Huang Yang Hui” is a Chinese idiomatic expression. It is literally translated as “hiding brightness, while nourishing obscurity.” The connotation of this expression has been used to describe Deng Xiaoping’s reform policy in the 1980s and 1990s, during which he advised China “to bide its time and focus on building itself”, i.e. to focus on China’s internal development without extending its time and resource to external affairs.

<sup>7</sup> It refers to Deng Xiaoping’s internationally famous saying, “it doesn’t matter whether the cat is white or black, as long as it can catch the mouse.” This quotation denotes a strong sense of pragmatism. It was seen as playing an emancipatory role in the early reform period when China was deeply involved in ideological debate about “socialism” vis-à-vis “capitalism”.

<sup>8</sup> The “Three Represents” is part of the ideological reconstruction of the CCP in the critical period of dramatic societal transformations during the period of the former President Jiang Zemin. It refers to the three areas which the CCP represents 1) the requirement to develop advanced productive forces, 2) an orientation towards advanced culture, and 3) the fundamental interests of the overwhelming majority of the people in China.

<sup>9</sup> The term first came out in 2006 in a speech by President Hu Jintao, who had the political agenda to carry out a new vision for China’s development direction at a time when Chinese society was highly imbalanced and polarized due to huge social injustice and inequality. The current version of “Harmonious Society” has been incorporated into a broader development concept called the “Scientific Development Concept” that has been ratified into the Party’s Constitution by the 18th CCP Congress.

<sup>10</sup> For a detailed description of the Ten Grave Problems, please refer to “The Ten Grave Problems Facing China”, post by Geremie R. Barme. Available at <http://www.thechinastory.org/2012/09/the-ten-grave-problems-facing-china/>

<sup>11</sup> The official term is “The Five Principles of Peaceful Coexistence”, which was originally formulated as part of an agreement between China and India in 1954. The five principles are: 1) Mutual respect of territorial integrity and sovereignty; 2) Non-aggression; 3) Non-interference in internal affairs; 4) Equality and mutual benefit; 5) Peaceful coexistence.

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<sup>12</sup> “Riding a tiger” is a Chinese expression describing the dilemma of the unfortunate situation of sitting on the back of a tiger, and at the same time have difficulties in stepping down from the tiger.

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# The Strategic Triangle in the 21st Century: Implications for Sino-Russian Relations

*Denis Burakov\**

**Abstract:** Over the course of the Cold War, the relationship between the USSR, China, and the USA had been influenced by power shifts within a tripolar system, also referred to as the strategic triangle. Following four dyadic power shifts, the balance of power within the strategic triangle changed in favor of the United States in the late 1980s. After a decade of U.S. hegemony, triangular politics gained momentum under the guise of “multipolarity” which Russia and China propagated in the late 1990s. The Sino-Russian “strategic relationship directed towards the 21st century” subsequently proved to be nothing more than a shield against U.S. unilateralism in global affairs. Economic cooperation between Moscow and Beijing is largely unbalanced, inasmuch as China, not Russia, has been playing a major role in bilateral trade. Military and political aspects of the Sino-Russian relationship are greatly influenced by Russia and China’s relations with the United States. The only sphere where Chinese and Russian interests by and large coincide has been foreign policy. China’s transformation into an independent power in world affairs will obviate the need for the Sino-Russian strategic partnership and pave the way for direct U.S.-China rivalry.

## Introduction

Since the 1950s, the relations between the Soviet Union, China, and the United States have witnessed a number of consequential geopolitical reconfigurations caused by power shifts within a tripolar system, also referred to as the “strategic triangle”. Following the Sino-Soviet split in the late 1950s, the United States, China, and the Soviet Union pursued *Realpolitik* policies vis-à-vis each other, seeking to contain the power capabilities of their rivals by means of triangular politics, that is, to manipulate relations with one country so as to gain leverage over another country (Lieberthal, 1979: 7). The empirical study by Goldstein and Freeman (1991) indicated the existence of such a triangular system of complex, asymmetrical connections among U.S.-Chinese, U.S.-Soviet, and Sino-Soviet relations. The study also showed that triangular influences had a direct impact only on the Sino-Soviet dyad (Goldstein and Freeman, 1991: 30). These influences within the strategic triangle will be analyzed through Morgenthau’s (1948) theoretical framework of the power balance within tripolar systems. Accordingly, power balance is a process whereby the ability of state A to dominate

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state C is balanced, if not outweighed, by state B's power, while B's power over C is balanced by the power of A (Morgenthau, 1948: 184). In other words, if relations among units changed in favor of the United States, the Soviet Union's power would be diminished. Conversely, if the balancer state, China, gained advantage over the United States, the Soviet Union's power would be secure. China or the Soviet Union's worsening or improvement of relations with the United States would therefore cause dyadic power shifts within the system.

Four developments marked the realignment among the three powers during the Cold War: the Sino-Soviet alliance of the 1950s, the Sino-Soviet split of the 1960s, the Sino-American rapprochement of the 1970s, and the Sino-Soviet rapprochement of the 1980s. As the prominent realist scholar Kenneth Waltz observed, "feeling American antagonism and fearing American power, China drew close to Russia after World War II and remained so until the United States less, and the Soviet Union seemed more, of a threat to China" (Waltz, 2000: 38) Lowell Dittmer (1981) posited a causal nexus between military confrontation between the USSR and China and U.S.-Soviet *détente* in the 1960-70s, arguing that the dispute between China and the Soviet Union was caused by the "disintegration of the rigid structure of bipolarity at the end of the 1950s" (Dittmer, 1981: 493) The balance of power within the strategic triangle changed in favor of the United States in the 1980s due to the Soviet Union's structural decay and China's inability to contain U.S. power in Asia. Because U.S. power vis-à-vis the Soviet Union could not be balanced by China, a power shift among the states ensued. As a consequence, China and the Soviet Union joined efforts at counterbalancing U.S. power at the end of 1980s. For this partnership was based on the pursuit of national interests and geopolitical counterbalancing, the relations between Moscow and Beijing went through cycles of change in the following decades. But most importantly, China's inability to contain U.S. power following the collapse of the Soviet Union witnessed the disruption of the power balance within the strategic triangle.

After a decade of U.S. hegemony, triangular politics gained momentum under the guise of "multipolarity" in the late 1990s when China and Russia embarked on countering U.S. global power and establishing a new axis of cooperation. Common security interests and geopolitical calculations generally united Russia and China against U.S. military actions throughout the 1990s and 2000s. The Sino-Russian "strategic relationship," however, is nothing more than a shield against U.S. unilateralism in global affairs. Economic cooperation between Moscow and Beijing is largely unbalanced, inasmuch as China, not Russia, has been playing a major role in bilateral trade. It is also worth noting that military and political spheres

of the Sino-Russian relationship are greatly influenced by Russia and China's relations with the United States. The only sphere where Chinese and Russian interests by and large coincide has been foreign policy. The two powers purport to share a vision of a "multipolar world," but as Dittmer (2004: 221) noted, "neither partner shares an ideology or a coherent international vision beyond their endorsement of multipolarity."

As long as the United States remains a dominant power within the strategic triangle, it will be hypothesized, China and Russia will attempt to counterbalance U.S. influence. Thus, the strategic triangle's political dimension remains important for Sino-American, U.S.-Russian, and Russo-Chinese relations alike. The aim of this research is to examine triangular developments during the 1980s-1990s and their implications for the following decades. The paper will also provide insight into the evolution of the Sino-Russian relationship in the 21st century, and the economic data offered by Itoh and Kuchins (2011) and Moshes and Nojonen (2011) will be assessed for the analysis of trends in Sino-Russian economic relations. Moreover, it will be argued that the relations within the strategic triangle are still mainly influenced by the United States' behavior, and China and Russia's cooperation in the world arena should be perceived as a reaction towards U.S. policy.

### **Literature Review**

Although post-Cold War political scientists and historians tend to apply the concept of a strategic triangle in their analyses of triangular relations among world powers (see, for example: Wilborn, 1996; Garver, 2002), such comparisons are oftentimes premature and unrealistic (Pant, 2004: 20). The USA-PRC-USSR strategic triangle, however, proved to be the quintessential example of such a tripolar system. Notwithstanding large amounts of qualitative work on the strategic triangle throughout the 1970s and 1980s (see Gottlieb, 1977; Lieberthal, 1979; Dittmer, 1981), the exact timing of the triangle's emergence remains in doubt. While Hyland (1981: 137) contended that the strategic triangle emerged as a result of the Sino-Soviet feud in the 1960, Dittmer (1981: 485) considered the Sino-American rapprochement in the 1970s to be the starting point for triangular politics. Kenneth Liebethal (1979) scrutinized the trends within the strategic triangle in the 1970s, contending that the possibility of influencing the Soviet Union's behavior through U.S.-Chinese relations was the key question for U.S. foreign policy during this period. By the end of the decade, however, the United States lost an ability to use its improved relations with China so as to gain leverage over the Soviet Union. Accordingly, U.S. foreign policy under the Reagan administration

failed to play the “China” card against the USSR, which began to pursue normalization with China in the late 1980s. Russian scholars Voskressenskii (1999) and Galenovich (2001) offered a historical background to the most pressing issues (particularly border concerns) in Sino-Soviet relations during the 1980s and early 1990s. Wishnick (2001a) traced the history of Sino-Russian relations from Brezhnev to Yeltsin and provided a rigorous analysis of the events that caused shifts in relations between China and Russia after the end of the Cold War. Rozman (1998) and Garnett (2001) each presented somewhat skeptical prognosis of the Sino-Russian strategic relationship’s future. Larson and Shevchenko (2010), Wilson (2004), and Bellacqua (2010) covered the post-Cold War relations between China and Russia, while Zhu (2006) offered insight into U.S.-Chinese relations in the 21st century, arguing that China has benefited from U.S.-dominated international system and will likely continue to do so. Dittmer (2004) and Kotkin (2009) have presented the most recent evaluation of the strategic triangle among the United States, Russia, and China. Opining upon the reset in relations between Moscow and Washington, Kotkin argues that “China will retain the upper hand, not only in its bilateral relationship with Russia but also in the strategic triangle comprising China, Russia, and the United States” (Kotkin, 2009). Grant (2012) conducted a comparative study on China and Russia’s attitude towards global governance and discussed the main impediments to Moscow and Beijing’s deeper engagement in global processes (U.S. unilateralism in world affairs and its dominant role in global institutions).

### **The Sino-Soviet Rapprochement in the Context of Strategic Triangle**

It is rarely disputed that enmity and mistrust toward the Soviet Union brought China and the United States together in the 1970s. American diplomacy, actuated in accordance with Henry Kissinger’s realist ideals, sought to play the “China” card in its fight against the Kremlin. The China factor in U.S. foreign policy thus played an important role in calculations about how to manage the United States’ adversary relationship with the Soviet Union (Talbot, 1981: 82). China, for its part, was seeking to pursue normalization with the United States in order to counterweight the Soviet Union. Galenovich (2001) noted that China’s posture vis-à-vis the Kremlin in the 1970s was openly aggressive. Beijing called for creating a joint front against the USSR, ceased to recognise the 1950 treaty of Friendship, Solidarity, and Mutual Assistance, and repeatedly demanded the Soviet Union withdraw its forces from Mongolia, halt assistance to Vietnam, and reduce the troop presence along the Sino-Soviet border (Galenovich, 2001: 1). Beginning in 1979, the first talks between China and the Soviet Union

were terminated when the Soviet Union conducted the invasion of Afghanistan (Hyland, 1981: 138).

In the early 1980s, a shift in the power balance occurred. The Soviet Union's deteriorating relations with the United States, troubled economy, and declining defense capabilities made the Kremlin seek ways of invigorating its relationship with China. At that juncture, the Chinese leadership was discontented with U.S. foreign policy toward the Taiwan issue (i.e. increased contacts and arms sales), U.S. criticism of the human rights situation in China, and Washington's unwillingness to provide industrial technology so coveted by Beijing. The above-mentioned factors played a key role in bringing China and the Soviet Union together after 1985 when the Sino-Soviet rapprochement commenced.

In March 1982, the then Soviet leader, Leonid Brezhnev, in his Tashkent speech opined upon China as a "socialist state" and strongly criticized the U.S. "two China" policy, thus sending a signal to Beijing that Moscow was ready for renewing a dialogue (Wishnick, 2001a: 75). In response to Brezhnev's appeal, the Chinese leadership subsequently announced its determination to conduct "independent foreign policy" aimed at improving relations with both the Soviet Union and the United States without attaching itself to any big power (Goldstein, 1990: 122). As a consequence, the Soviet Union and the People's Republic of China began a round of talks devoted to the normalization of Sino-Soviet relations and resolution of border disputes. The results of negotiations, albeit not as fruitful as parties had envisioned, had a significant impact on the increased levels of trade between the two nations. The volume of trade, for instance, skyrocketed from \$300 million in 1982 to \$1.2 billion in 1984 (Voskressenskii, 1999: 244). However, three crucial challenges, the so-called "three obstacles," which had been thwarting rapprochement between Moscow and Beijing since the beginning of the 1980s, remained. Beijing still expressed its dissatisfaction with the deployment of Soviet troops along the Sino-Soviet border, the Soviet Union's support for Vietnam's occupation of Cambodia, and the Soviet invasion of Afghanistan in 1979. The Soviet leaders Andropov and Chernenko fell short of achieving any substantial progress on these issues largely due to the short tenure of their offices. It was Mikhail Gorbachev who gave impetus to the normalization of Sino-Soviet relations after ascending to the Communist Party's leadership in 1985.

The Soviet response to addressing the "three obstacles" in Sino-Soviet relations was reflected in Mikhail Gorbachev's speech in Vladivostok on July 28, 1986. In his speech, the new Soviet leader signaled his willingness to resolve the main points of contention between

Moscow and Beijing. Gorbachev announced his decision to reduce the number of troops along the Sino-Soviet border and withdraw a considerable part of the Soviet contingent from Mongolia and Afghanistan by the end of the year. The Soviet leader, however, stopped short of giving concessions on the Soviet support of Vietnam's occupation of Cambodia. Only two years later when the Soviet Union began withdrawing forces from Afghanistan, Moscow suggested Hanoi should follow suit (Su, 1989: 115), and in December of that year Vietnam withdrew its troops from Cambodia. Thus, by the end of 1980s China and the Soviet Union made significant progress in overcoming the impasse in the relationship and were gradually moving toward full normalization.

Nevertheless, the two countries had different motives underlying their pursuit of better relations. While China was seeking to establish a peaceful milieu within the strategic triangle in order to focus on its economic development, the Soviet Union sought to restore the ideological nexus between the two communist countries (Voskessenskii, 1999: 247) with an intent to avert a possibility of a two-front conflict, and boost the Soviet economy. During Gorbachev's first visit to China in 1989 for the Sino-Soviet summit in Beijing, Chinese and Soviet leaders reached a mutual understanding on how to improve the Sino-Soviet relations. Accordingly, Mikhail Gorbachev and Deng Xiaoping agreed that the new relationship would be based on the principles of peaceful coexistence and mutual respect, would not be aimed against any third country, and the ideological factor would not play any role in the normalization of Sino-Soviet relations. The aforementioned goals were reflected in the joint Sino-Soviet communiqué of 1989. According to the document, the Soviet Union and People's Republic of China agreed to develop their relations on the basis of the five principles of peaceful coexistence, including respect for international norms such as sovereignty, noninterference, and peaceful resolution of disputes (Wishnick, 2001a: 105). Further, any attempt or action by any country to impose its own will on others and seek "hegemony in any form" would be discarded by Moscow and Beijing.

The end of Sino-American confrontation following the decay of the Soviet Union removed the main rationale behind U.S.-Chinese cooperation, and the image of an opening China was replaced overnight by an image of a defiant China ruled by dictators (Zhu, 2006: 90). A month after the Sino-Soviet summit, the Chinese leadership witnessed a hitherto unseen degree of public discontent. The Tiananmen crackdown sparked harsh criticism from the United States which imposed sanctions against China. The Soviet Union, on the contrary, issued a response stating that the events in China were an internal affair, and suggested

political dialogue as a means to resolve social problems. Besides, it was not in Gorbachev's interests to undermine the overwhelming progress in Sino-Soviet relations achieved during the previous four years of his tenure. Socio-economic problems in the Soviet Union (mass protests in Tbilisi, Georgia and other Soviet republics) also made Gorbachev refrain from open criticism of China's violent quelling of the protests in Beijing. In the final analysis, the events in China made the Soviet leadership consider the consequences of liberalization that had been gaining momentum since the beginning of *perestroika*, while a fragile rapprochement between the two countries after two decades of confrontation dissuaded Gorbachev from taking a more assertive stance towards Beijing. The Soviet Union soon became embroiled in painful process of disintegration, and Sino-Soviet relations were no longer atop the Kremlin's agenda. The Soviet Union and the communist bloc in Eastern Europe subsequently began to unravel.

In sum, the Sino-Soviet rapprochement in the second half of the 1980s was caused by important power shifts within the strategic triangle between the USA, USSR, and PRC. The United States under the Reagan administration was determined to economically exhaust the Soviet Union, thus eliminating it as a major geopolitical threat, while engaging China in order to maintain a strategic advantage in containing the USSR. In light of the worsening economy and political stagnation, the Soviet Union began to reverse its course toward China in the early 1980s for economic, political, and security reasons (Tucker, 1995-96: 518). China, for its part, was also looking forward to resolving disputes with the USSR because of the security threat emanating from the troop presence along the Sino-Soviet border and around China (i.e. Vietnam and Afghanistan). Although the "three obstacles" constantly stymied negotiations between the Soviet Union and China under Brezhnev, Andropov, and Chernenko, Sino-Soviet relations began to mend after Mikhail Gorbachev's ascension to power, and by the end of the 1980s most disputes were resolved.

The normalization of Sino-Soviet relations did not have a long-lasting impact, however, for the Soviet Union and China failed to achieve substantial progress in their economic cooperation. Because Sino-Soviet trade was markedly lower than trade between China and the United States, China considered U.S.-Chinese relations more important. The volume of Sino-Soviet trade amounted to \$2 billion by 1985, whereas Sino-U.S. trade had already reached \$6 billion by 1984 (Mills, 1986: 543). Thus, although the strategic triangle by and large lost its military component after the end of the Cold War, its political and economic implications remained important well into the following decades.

**Disruption of the Power Balance: Sino-Russian Relations in the 1990s-2000s**

The looming collapse of the Soviet Union was greeted with alarm in Beijing. The Chinese leadership grew increasingly cautious of the political transformation in the Soviet Union, and reacted with criticism to the plans of restoring capitalism in the former communist country. Moreover, China was openly supportive of the putschists (the KGB generals), who attempted to preserve at least the core of the Soviet Union by carrying out a coup in August 1991. After Boris Yeltsin quelled the *putsch*, Beijing accused Russia's new leader of dismantling the socialist system, damaging nascent Sino-Russian relations (Wishnick, 2001a: 122). Yet, in spite of mounting ideological differences between China and the Soviet Union, relations between countries were expanding in 1990 and 1991.

During the Chinese Prime Minister Li Peng's visit to Moscow in April 1990, the Soviet Union and China signed a number of agreements on mutual cooperation in the spheres of border security, economics, science and technology, and peaceful use and research of space (Xia, 1997: 24). The most important among them was the agreement on guiding principles of mutual and balanced force reductions and confidence-building measures along the Sino-Soviet border. According to this agreement, China and the Soviet Union expressed their commitment to reduce their troop presence to the lowest level in the area of the Sino-Soviet border, which would pave the way for good neighborly relations based upon mutual security (Yuan, 1998: 8). Further, during Jiang Zemin's visit to Moscow in May 1991, Moscow and Beijing made significant progress on border issues. Mikhail Gorbachev and Jiang Zemin signed an agreement on the "Eastern Section of the Sino-Soviet Border," which settled 98 per cent of the 7,400 km border stretching from Russia's Vladivostok to Eastern Tajikistan in the Central Asia (Moltz, 1995: 516). Under this agreement, China also received once fought for Zhenbao (Damansky) Island and was allowed free navigation on the Amur River. However, further progress on border-related issues was disrupted by the dissolution of the Soviet Union following the signing of the Belavezha accords in December 1991.

The new leadership of Russia became more focused on forging closer ties with the West, and with the United States in particular, rather than with authoritarian China or the former Soviet Republics, which Russia nevertheless considered its exclusive sphere of interests. Russian foreign policy thus prioritised Moscow's adherence to democratic values, pluralist institutions, and respect for human rights. This Western-centrism in Russian foreign policy making pioneered by Minister of Foreign Affairs Andrei Kozyrev in the first part of the

1990s could be defined as quixotic, for it expected Russia to be accepted as an equal by Western countries (despite its lack of geopolitical power) and deemed emphasis on relations with China tantamount to the rejection of Western values and identities (Lo, 2002: 23). Although Wilson (2004: 192) argued that Russia's new political elite was largely uninformed and uninterested in China, the new leadership nonetheless deemed Sino-Russian relations necessary and, therefore, did not fully discard them.

By the end of 1992, the Kremlin's pro-Western sentiment gradually began to subside in light of growing U.S. influence in global affairs, especially during the Gulf War in Iraq, and internal opposition to the Kremlin's pro-Western foreign policy. In response to the above-mentioned concerns, during his first visit to China in December 1992, President Boris Yeltsin proclaimed that Russia was seeking balanced relations in both Europe and Asia, admitted common interests between Moscow and Beijing, and also noted that the Taiwan issue was primarily China's internal affair (Rozman, 1998: 400). For its part, China sought to establish better relations with Russia due to the growing diplomatic isolation and sanctions levied against Beijing in the aftermath of the Tiananmen upheaval. Furthermore, China considered the Sino-Russian relationship a counterweight to American influence and a partnership, which would subsequently give way to a multipolar world (Wishnick, 2001b: 800). Thus, the desire to shape a new international order based on multipolarity as opposed to U.S. hegemonism resonated with Beijing and Moscow alike. In his 1994 article in *Foreign Affairs*, Russian Foreign Minister Andrei Kozyrev accordingly maintained: "The international order in the 21st century will not be a *Pax Americana* or any other version of unipolar or bipolar dominance. The United States does not have the capability to rule alone ... the nature of modern international problems calls for solutions on a multilateral basis" (Kozyrev, 1994).

During Jiang Zemin's visit to Moscow in September 1994, Russia and China signed a joint communiqué, which defined the Sino-Russian relationship as a new "constructive partnership" based on the principles of peaceful coexistence, equality, good-neighborliness, friendship, mutually beneficial cooperation, and nonalignment. Further, the 1994 communiqué reaffirmed the parties' commitment to the United Nations as a mechanism for creating a multipolar world order; their mutual respect for each other as major powers; their intolerance for expansionism; and ultimately, their opposition to hegemony, power politics, and the establishment of antagonistic political, military, and economic blocs (Wilson, 2004: 147). This joint declaration reflected Moscow and Beijing's shared concerns over the expansion of the North Atlantic Treaty Organization (NATO) eastwards in particular, and the

U.S. role as a global hegemon in general. During the summit in 1994, the two presidents also signed an agreement on the demarcation of the Western part of the Sino-Russian border and expressed their willingness to increase interregional economic cooperation. In June 1995, China's Premier Li Peng attended the second Sino-Russian summit in Moscow, where the Chinese Prime Minister and his Russian counterpart Viktor Chernomyrdin confirmed their mutual support, commitment to maintaining regional stability and cooperating in global affairs. This meeting coincided with deterioration of Russia and China's relations with the United States caused by Taiwanese President Lee Tenghui's visit to the United States and Western criticism of the military intervention in Chechnya (Wishnick, 2001a: 128).

Thus, once again, a power shift in the strategic triangle caused by the U.S. aggressive foreign policy brought China and Russia together in the second half of the 1990s. This period saw a dramatic change in Russian foreign policy and Sino-Russian relations alike. In January 1996, Evgenii Primakov was appointed as Russia's new Minister of Foreign Affairs. This decision was widely perceived as a reorientation of Russian foreign policy toward the East, and namely China and India (Pant, 2004: 21). Unlike his pro-Western predecessor Kozyrev, Yevgenii Primakov, a geopolitically savvy adherent of orientalism and Eurasianism, held that Russia must reassert its interests in Asia and in the Middle East and focus more on developing multilateral cooperation with the former Soviet Republics (Wishnick, 2001a: 800). Like Chinese leaders, Yevgenii Primakov was a staunch advocate for a multipolar world, in which, according to his vision, no country would play a dominant role. The second half of the decade was marked by Russia's reassessment of its geopolitical role in the world, which policymakers in the Kremlin started to associate more with the East rather than West after Moscow's failed rapprochement with the United States.

In April 1996, Russian president Boris Yeltsin and his Chinese counterpart, Jiang Zemin, signed a joint communiqué, which proclaimed a "strategic partnership" between Russia and China and marked a new stage of partnership between Moscow and Beijing directed towards strategic cooperation in the 21st century. The two presidents reiterated their determination to seek a multipolar world and stressed that the new partnership would not be aimed at any third country. Nonetheless, given U.S. assertive policy toward the Taiwan issue and NATO expansion, Moscow and Beijing considered this "strategic relationship" an effective mechanism to counter U.S. power in the world. Furthermore, during the summit, Chinese and Russian leaders announced an ultimate goal of increasing trade toward \$20 billion by the end of the century and identified energy, nuclear power, and large-scale

construction as priorities for both sides (Garnett, 2001: 46). Besides, in April 1996, China, Russia, Kazakhstan, Kyrgyzstan, and Tajikistan signed the Shanghai agreement, which addressed such issues as confidence-building measures along the shared borders between states, and exchange of information on military exercises. A year later, significant progress was made on the reduction of troops along China's border with the former Soviet countries after the signing of a five-party agreement in April 1997.

During the 1997 Sino-Russian summit in Moscow, Boris Yeltsin and Jiang Zemin again emphasized their shared goal of establishing a multipolar world in a "Joint Declaration on a Multipolar World and the Formation of a New International Order" (Buszynski, 2010: 266). However, rhetoric aside, as China's prospects for cooperation with the United States increased, Beijing's reasons for strengthening relations with Moscow reached their limit (Rozman, 1998: 404). Moreover, economic relations between China and Russia, lagged far behind political achievements. Despite pledges to achieve the level of \$20 billion in bilateral trade, both countries fell significantly short of attaining this objective (level of \$20 billion was surpassed only in 2004). Accordingly, in 1997, only 5 per cent of Russia's exports flowed to China, and only 2.5 per cent of Chinese exports went to Russia. The prospects of joint Sino-Russian energy projects were overshadowed by the economic crisis in Russia as late of 1998. By the end of the 1990s, bilateral trade between Russia and China was in a steady decline.

### **Sino-Russian Relations after the Cold War**

The period from March 1999 to September 2001 was marked by new, hitherto unseen challenges in the international environment for Moscow, Beijing, and Washington alike. During this period, China and Russia had the strongest common interests and the greatest need for cooperation (Cheng, 2009: 152). Accordingly, two crucial factors paved the way for the Sino-Russian rapprochement at the beginning of the new millennium: (1) U.S. aggressive foreign policy and (2) political change in Russia. First, U.S. military strikes against Iraq and increasing American presence in the Central Asia; plans for creation of U.S.-Japanese Theater Missile Defense (TMD) and National Missile Defense (NMD); NATO expansion into the Baltics; and, ultimately, bombing of Yugoslavia, during which the Chinese embassy in Belgrade had been destroyed. All these developments reflected Moscow and Beijing's concerns over growing American influence, inasmuch as many of the above-mentioned events directly affected Russia and China's spheres of national interest. Second, Russia's new leader, former Prime Minister Vladimir Putin, started to pursue a course aimed, *inter alia*, at working

towards a multipolar system of international relations and creating a favorable environment for Russia's economic development upon assuming the presidency in 2000. One of the main tenets of Putin's foreign policy, delineated in the Foreign Policy Concept of June 28, 2000, was maintaining good-neighborly relations with the country's neighbors, and Russia's relationship with China (on a par with India) was defined as "one of the most important" directions of Russian foreign policy in Asia (Leksyutina, 2010).

In July 2000, Vladimir Putin paid his first official visit to Beijing, where Russian President and his Chinese counterpart issued a joint communiqué, "the Beijing Declaration," on the Anti-Ballistic Missile problem. In light of Washington's plans of withdrawing from the ABM Treaty signed between the United States and the Soviet Union in 1972, Vladimir Putin and Jiang Zemin China confirmed their strong opposition to the U.S. plans of deploying missile systems and agreed upon the essence of the U.S. National Missile Defense and Theater Missile Defense programs, which, according to the parties, was to seek "unilateral military and security advantages" (Wilson, 2004: 161). One year later, during Jiang Zemin's visit to Moscow in July 2001, Russia and China signed a historical agreement, the "Treaty for Good Neighborliness, Friendship and Cooperation," under which Moscow and Beijing agreed to develop long-term relations of friendship and equal partnership. Furthermore, the Treaty prioritized strengthening confidence in the military area and enhancing security between countries, while providing framework for moving towards a more stable regional and international environment. Under the pact, Moscow and Beijing expressed their will to uphold the strict observance of generally recognized principles and norms of international law against any actions aimed at exerting pressure or meddling in the internal affairs of the sovereign states. In addition, Russia and China agreed to develop mutually beneficial cooperation in trade, military, energy, transportation, scientific and technical spheres, and other fields. Ultimately, the parties to the Treaty voiced their determination to fight terrorism, separatism, extremism, organized crime, drug trafficking, and illegal migration in the following twenty years.

Another significant achievement in Sino-Russian relations during this period was the establishment of the Shanghai Cooperation Organization, in June 2001. Building upon the Shanghai agreement of 1996, China, Russia, Kazakhstan, Tajikistan, Kyrgyzstan along with the new member, Uzbekistan, further consolidated their relations by setting up the Shanghai Cooperation Organization with the declared objectives of strengthening mutual trust and good-neighborly friendship among the member states; encouraging effective cooperation

among the member states in political, economic and trade, scientific and technological, cultural, educational, energy, communications, environment and other fields; devoting themselves jointly to preserving and safeguarding regional peace, security and stability; and establishing a democratic, fair and rational new international political and economic order (Bailes et al., 2007).

Despite increasing cooperation between Moscow and Beijing resulting in the new Sino-Russian Treaty and the establishment of the Shanghai Cooperation Organization, both agreements lost their tremendous significance, albeit for a short period of time, in the wake of the post-9/11 realignment in global politics (Kutchins, 2010: 41). After the collision of U.S. and Chinese planes in April 2001, increased arms sales to Taiwan, and U.S. President George W. Bush's remarks about defending Taiwan by all means, Sino-U.S. relations reached their nadir prior to the 9/11 events. Likewise, U.S.-Russian relations exacerbated after the "espionage" scandal in early 2001, and were further damaged by plans of the NATO enlargement and U.S. withdrawal from the ABM treaty. For these reasons, the improvement of relations with the United States was on top of China and Russia's foreign policy agendas in the aftermath of the terrorist attacks on the United States. Accordingly, both countries sought to take advantage of the momentum in order to improve their relations with Washington during this period, but Russia even more so.

After Vladimir Putin supported the United States in its efforts to combat the Taliban in Afghanistan, Russia's President expected Washington to provide more room for negotiation on such divisive issues in bilateral relations as the second round of NATO expansion and termination of the ABM Treaty. However, just like at the beginning of the 1990s, Russia's "honeymoon" with the United States appeared to be short-lived: the Bush Administration provided too little in return for the Kremlin's support. China, for its part, also sought to resuscitate its relations with the United States after September 11. During the informal summit of the Asia Pacific Economic Cooperation (APEC) in Shanghai in October 2001, President George W. Bush and Jiang Zemin reiterated that both countries attached great importance to Sino-U.S. ties, vowed to work together to build a constructive relationship, and agreed to establish long and medium-term mechanisms for combating terrorism (Mao, 2003: 85). Nonetheless, the U.S. invasion in Iraq in 2003, spread of the "color revolutions" into the post-Soviet states, and the third round of NATO expansion in Europe made Moscow rethink its approach to relations with the United States and focus on further developing of the "strategic relationship" with China.

During Vladimir Putin's visit to Beijing in October 2004, Russia and China concluded the supplementary agreement on the Eastern section of the Sino-Russian border, which was subsequently ratified by the countries' parliaments in 2005. Furthermore, during this summit, Vladimir Putin and Hu Jintao approved the implementation guidelines of the Sino-Russian Treaty of 2001 for the next four years (Cheng, 2009: 161). Subsequently, in July 2005, the Chinese and Russian leaders issued a joint communiqué on the "International Order in the 21st Century," which reaffirmed the common goals of working toward a multipolar world previously stated by Moscow and Beijing.

During the Shanghai Cooperation Organization's Astana summit in 2005, Russia and China along with four Central Asian states released a declaration, which declared that "a rational and just world order must be based upon consolidation of mutual trust and good-neighborly relations with no pretense to monopoly and domination in international affairs" (Bailes et al., 2007). Russia and China participated in joint military exercises under the SCO's Peace Missions in 2005 and 2007, which were aimed at combining efforts at preventing a possible ethnic conflict in a third country and countering terrorism (Wishnick, 2009: 20). However, in light of the Georgian crisis and ensuing split of Abkhazia and South Ossetia in 2008, China did not express support for Russian policy toward Georgia due to dangerous ramifications of the of the republics' cessation. During the presidential meeting in Dushanbe following the Russian-Georgian conflict, China's Hu Jintao expressed his concern to Russia's President Dmitri Medvedev about the conflict and voiced his hope that the disputing parties would be able to resolve the conflict through dialogue and consultation (Yuan, 2011: 12). Nonetheless, Moscow's recognition of the breakaway regions was not welcomed by Beijing due to its concerns over the Taiwan issue and separatist movement in Xinjiang.

### **The Sino-Russian Relationship in the 21st Century**

Since the end of the Cold War, Russia and China have been the only permanent U.N. Security Council members, whose political systems are undemocratic (Grant, 2012: 16). This is one of the main reasons why China and Russia cooperate on a wide range of international issues in an effort to counterbalance the United States and other Western countries. However, there is one important difference in these countries' statuses in global affairs. China's increasing role in world politics is widely associated with its extraordinary economic growth, whereas Russia's assertive posture in the international arena stems from Moscow's nostalgia of its

former superpower status and relatively high energy prices, which allowed the Kremlin to salvage its faltering economy after 2000 (Larson and Shevchenko, 2010: 64). Thus, internal weaknesses and fears of U.S. power make Russia and China hold similar positions on many global issues. Moscow and Beijing remain strongly committed to the principle of noninterference in internal affairs of sovereign states mainly due to domestic problems and regional separatism. Further, both countries maintain relations with the pariah states, including North Korea, Iran, Cuba, Myanmar, and Syria, and object to Western sanctions against these regimes. For instance, in 2005, China and Russia blocked U.S. sanctions against Myanmar the Security Council, labeling such efforts as “meddling in internal affairs.” The same held true for China and Russia’s position on sanctions against Burma (2007), Sri Lanka (2009), Zimbabwe (2008), and, most lately, Syria (2012). With regard to regional affairs, Russia and China cooperate on trade and security issues within the Shanghai Cooperation Organization, but the latter is far from being considered a substantive body, in part, due to disputes between Moscow and Beijing over leadership in the organization (Scheineson, 2009).

The economic partnership between Moscow and Beijing remains the weakest aspect of bilateral relations. Although the volume of bilateral trade has been growing steadily throughout the previous decade reaching \$60 billion in 2010, it is still far below its potential. One of the reasons underlying slow progress in establishing closer economic ties between Russia and China is the difference in patterns of economic growth. Accordingly, the strengthening of Russian national currency and a rise in international energy and raw material prices fueled Russia’s economic growth in the 2000s. These developments had a positive impact on Sino-Russian economic relations (Moshes and Nojonen, 2011: 43). However, bilateral trade during 1996-2010 was marked by the decrease in Russia’s exports of machinery and transport equipment from 17.7 per cent to 1.3 per cent, whereas exports of raw materials to China increased from 7.1 per cent to 20.6 per cent. By contrast, China’s exports of machinery and transport equipment increased from 5.7 per cent in 1996 to 35.4 per cent in 2010, while manufactured goods started to constitute 18.6 per cent of China’s exports to Russia as opposed to 7 per cent in 1996. Despite the fact that Sino-Russian trade has been growing remarkably in the last decade (Itoh and Kuchins, 2011), the above-mentioned economic disparity in trade capacities raises grave anxieties that Russia is gradually becoming a “junior partner” in Sino-Russian economic relations, or a natural resource appendage (*pridatok*) to China (Kutchins, 2010: 33). Russia’s exports of energy resources to China are

likely to either remain on the same level or may even increase in light of Russia's inability to reform its economic structure and China's growing demand for natural resources.

### **Conclusions**

The strategic triangle among the United States, China, and the Soviet union has undergone a host of vicissitudes throughout the last four decades of the Cold War, culminating in a unipolar world order based on U.S. dominance in international relations. The collapse of the power balance within the triangular system in 1991 had a consequential impact on Sino-Russian relations and U.S.-Chinese relations alike. As regards the U.S.-Russian relationship in the new millennium, both powers attempted to forge closer ties with China, albeit not simultaneously, when relations between Washington and Moscow deteriorated. By the end of the 1990s China and Russia began to express their dissatisfaction with U.S. unilateralism, and such a stance was reflected in the countries' shared vision of a multipolar world and the concept of the "strategic relationship directed towards the 21st century." Despite grandiose proclamations of the "strategic partnership," shared vision of a multipolar world, and increased diplomatic cooperation, Sino-Russian relations are utterly lacking in substance. Much like during the Cold War, the relationship between Moscow and Beijing is based upon counterbalancing the United States in global politics, for cleavages within the strategic triangle among the three powers have generally led to the reorientation of China and Russia's foreign policies in the 1990s and late 2000s.

In so far as economic relations between Moscow and Beijing are concerned, notwithstanding increased economic interaction, neither country truly regards another as a strategic partner. Russia still considers its relations with the European Union indispensable, while the United States remains priority for China (Kotkin, 2009). This configuration is unlikely to change in the future: besides military hardware and natural resources, there is little Russia can offer to its "strategic partner." Likewise, most joint projects between Russia and China are aimed at enhancing energy cooperation through building oil and gas pipelines in Central Asia. Given the resource-oriented model of Russia's economy, Moscow will likely remain China's resource and weapons supplier for decades to come. China, for its part, has been using its "strategic" alliance with Russia as "strategic" leverage vis-à-vis Washington. Diplomatic cooperation with Moscow has helped China promote the idea of multipolarity as it relates to Beijing's national interests. It can be assumed that China's relationship with Russia will become irrelevant as soon as China becomes an independent power in global affairs.

This, in all likelihood, will mark the end of the “strategic” partnership between the two powers, paving the way for U.S.-China rivalry.

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# Strategic Knowledge Collaboration between Danish Business and Chinese Academia

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**Abstract:** Building an innovative, knowledge-based economy is crucial for the future of China, for ensuring sustainable growth. External academic relations are central to creating this innovative economy. Sino-American academic relations through brain circulation, entrepreneurship and investments have especially received research interest. The possibilities for business from a small open Scandinavian economy to build high-level relationships with Chinese academia have not been studied. This article examines the motives of a range of Danish businesses for engaging with Chinese academia and the outcomes of such engagement. Such collaboration contributes to expected areas as innovation, science and technology, research and development, and absorptive capacity in China. However, this collaboration also builds high-level networks and reputations in China for - in this case - Denmark and Danish business. This finding is overlooked in the traditional literature on innovation in China, but it is clear when including an International Relations perspective on transnational relations.

## **The Importance of Transnational Research and Development and Science and Technology for Transforming the Chinese Economy**

The Chinese economy has grown phenomenally since the open door policy from 1978. This growth has initially been based to a significant extent on manufacturing for export. China has enjoyed large comparative advantages in a very large supply of labor. This manufacturing for export has gradually grown into more and more sophisticated products, moving, for instance, from textiles to information and communication as well as electronic equipment (Huang, Gouveia and Varum, 2007).

It is, however, clear that the capital- and resource-intensive development model is neither socio-economically nor environmentally sustainable. China is, therefore, facing great challenges to transition to a sustainable innovative and knowledge-based economy. The capital- and resource-based manufacturing-oriented growth in Eastern China has created enormous social and demographic disparities and imbalances in China. In addition, China is

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facing increasing cheap labor competition from countries such as Vietnam and Indonesia for its old comparative advantage of cheap manufacturing labor. China is, therefore, hard-pressed to produce economic growth based on innovation and knowledge. Developing such an economy depends largely on the innovation, science and technology (S&T) as well as broader research and development (R&D) policies pursued by China (Huang, Gouveia and Varum, 2007; Cao, Suttmeier and Simon, 2009; Lundvall et al., 2009; Schaaper, 2009).

The fundamental role of innovation, S&T and R&D for economic growth is clearly acknowledged by the Chinese leadership as is evident in the recent “National Guidelines for Medium- and Long-Term Plans for Science and Technology Development (2006-2020)”. This plan commits China to “indigenous innovation” (*zizhu chuangxin*) (Cao, Suttmeier and Simon, 2009).

R&D activities in China have expanded rapidly in recent years and are planned to increase further in coming years. As examples, it can be noted that the revenue and output of the 53 national high-technology zones had grown to over 1,300 billion RMB in 2001 (Huang, Gouveia and Varum, 2007); the Chinese central government’s budgetary expenditures and appropriations for R&D grew from around 10 billion RMB in 1980 to over 40 billion RMB in 2002 (Huang, Gouveia and Varum, 2007); China’s gross expenditures on R&D/GDP ratio dropped from 1.5% in 1978 to about 0.6% in 1996 rising back to 1.3% in early 2000s in a much, much bigger economy (Huang, Gouveia and Varum, 2007); between 1991 and 2003, China’s R&D expenditure grew from around 15% to 75% of Japan’s R&D expenditure, from around 10% to around 40% of EU-25’s R&D expenditure, and from less than 10% to close to 30% of the R&D expenditure of the USA (Huang, Gouveia and Varum, 2007); the average R&D expenditure growth rate between 1995 and 2005 in China was above 20% as compared to around 5% for UK and USA (Huang, Gouveia and Varum, 2007); the Chinese share of global high-tech manufacturing grew strongly from 2.4% in 1990 to 12.3% in 2003 replacing European and Japanese manufacturing (Huang, Gouveia and Varum, 2007). The engagement of China in international scientific organizations, both inter-governmental and international non-governmental organizations, has grown very rapidly. This growing engagement is part and parcel of the Open Door policy of bringing S&T to China (Xu, 2008).

The Medium- and Long-Term plan for S&T outlines a growth in R&D expenditure from 1.42% of GDP in 2006 to 2.5% in 2020, increases the contributions to economic growth from technological advances to over 60%, decreases dependency on foreign technology to less than 30%, making China one of the top five countries in the world for invention patents,

and making Chinese-authored scientific papers among the most cited in the world (Cao, Suttmeier and Simon, 2009)

The determination of China to strengthen innovation, S&T and R&D has also been clear from the “markets for technologies” policy, where China has sought technology transfer from foreign companies in exchange for access to the Chinese market. This policy has made China the manufacturing center of the world, but also increased China’s dependence on foreign technology (Cao, Suttmeier and Simon, 2009).

Despite the leadership attention to innovation and the advances in Chinese S&T and R&D, China is still much-dependent on foreign S&T, and an innovative and knowledge-based economy is far away. China is still much more dependent on foreign technology than leading innovative economies of the world, and Chinese manufacturing pays dearly for foreign technology out of slim profit margins. China has suffered brain drain of its best talent. Chinese R&D is comparatively weak in basic research and much activity is in development. Most patents in China are held by foreign corporations. China trails a list of nations in ratio of R&D expenditure on basic science to Gross Expenditure on R&D (GERD) with 5% compared to, for instance, the USA at close to 20% in 2004. In light of these facts, China is pressed to become an “innovation-oriented society”, and its leadership is keenly aware of this (Huang, Gouveia and Varum 2007; Cao, Suttmeier and Simon, 2009).

#### *Technology transfer through R&D partnerships, brain circulation and foreign direct investment*

Transnational transfers of S&T have played an important role in strengthening innovation in China. This transfer is the other side of the coin of the dependency on foreign corporations for R&D in China and for transferring technology through foreign direct investments. The sophistication of the electronics and office machine industry—which is export-oriented—and the rapid rise of high-tech products in Chinese manufacturing are products of foreign direct investment. Brain drain has hindered development in China, but brain circulation through Chinese students and scholars abroad and investments by overseas Chinese have contributed to strengthen innovation in China (Cao, Suttmeier and Simon, 2009; Schwaag Serger, 2009; Saxenian and Sabel, 2008; Saxenian, 2006).

An important part of the transnational contributions to the development of innovation, S&T and R&D in China, are the many R&D centers established in China by foreign corporations. In 2009, Sylvia Schwaag Serger listed 51 foreign corporations with global R&D

centers in China (Schwaag Serger, 2009), but there are many, many more R&D centers adapting products to local markets and supporting manufacturing and sales. Danish business is also part of this trend, and the Innovation Center Denmark—Shanghai informs us of 20 companies as members of its Innovation Community with R&D in China as of the end of 2011; this list is not complete. Haldor Topsøe engaged Chinese academia intensively back in the early 1980s, and Novo Nordisk was a very early foreign biotechnology company to establish an R&D center in China in 1995 (the Haldor Topsøe and Novo Nordisk cases are discussed in detail below). The establishment of R&D centers by foreign corporations in China is well-described in the literature (Schwaag Serger, 2009).

However, the literature on the R&D involvement of foreign corporations in China overlooks the engagement with Chinese higher education and research institutions. This omission is serious, since such involvement is a potentially very important contributor to developing an innovative, knowledge-based economy in China. As the Danish cases in this paper show, such involvement can contribute to a number of areas of great importance for a future innovative, knowledge-based Chinese economy: this involvement often contributes more to basic or translational research than corporate R&D does. It contributes to training Chinese research students and qualifying researchers and research managers. Such training is a significant contribution to creating S&T human capital and absorptive capacity to expand Chinese S&T and adapt knowledge and human capital from abroad.

The transformation in China until the mid-1990s has been focused on technological innovation enhancement and high technology development, which raised the rapid growth of the Chinese economy. The past decades have witnessed increasing attention to the need for a shift in the economic growth with stronger emphasis on a knowledge-based economy via “endogenous innovation” and “harmonious development” (Gu and Lundvall, 2006).

In consequence, the Chinese government plays an important role in supporting industry growth by encouraging their innovation engagement via a series of policies, in particular, in the aspect of boosting the collaboration between industry, universities and other R&D institutions (China State Council, 2008). For example, Chinese companies have been strongly recommended to outsource R&D to local universities and government R&D institutions to improve their innovation process, while universities and other R&D institutions are encouraged to transfer their endogenous innovation products to industries with privileged conditions. Nevertheless, little has been addressed in these policies stressing collaboration between Chinese universities and foreign industry in particular.

The literature on foreign research ties with China has emphasized the development of an innovative, knowledge-based economy. Applying an International Relations perspective brings to light the important transnational relations created by such ties. Nye and Keohane's (1971) definition of transnational relations highlight how Sino-foreign academic ties channel ideas, information, talent and resources in both directions. This paper on the relations of Danish business with Chinese academia shows how such relations can build transnational elite networks between Danish business and Chinese government and academia while creating trust, reputation and credibility.

*Chinese higher education and research institutions as transnational actors*

Higher education and research institutions, including the Chinese Academy of Sciences and universities, can play central roles as transnational actors and cultural brokers between societies. They often engage to a high degree in what Nye and Keohane (1971) defined as "global interactions": moving ideas, information, talent and financial resources across borders. Universities can play a significant role for such "global interactions" connecting a range of public, private and civil society actors transnationally (Bertelsen, 2012). However, this transnational role for universities is generally overlooked in the literature on universities, which has been national or comparative and not transnational in scope (Stevens, Armstrong and Arum 2008). Stevens, Armstrong and Arum (2008) introduce the role of universities as hubs connecting sectors of society, but only touch briefly on the transnational role. Upcoming research, however, will remediate this situation (Stevens and Miller-Idriss, 2009).

Likewise, higher education and research institutions can play important roles as cultural brokers, since they can be places of cultural encounters both between national and professional cultures. Research is an exceptionally transnational activity; knowledge knows no borders and is pursued across borders (Stichweh, 1996). Academia has therefore historically been transnational and the highest levels of research particularly so. This transnationalism has been parallel to the role academic institutions have played in nation- and state-building.

Academic institutions have also been spaces of cultural encounters between professional cultures of research, industry, policy, culture, civil society, media, etc. The combination of national and professional cultural brokerage has led to particularly fruitful encounters of actors from public, private and civil society sectors across borders (Bertelsen, 2012).

This article explores the extent to which businesses of a small open economy, Denmark, are able to build connections with Chinese higher education and research institutions and through these institutions with Chinese society in a broader sense on a high level. The article explores the motivations of Danish businesses to seek collaboration with Chinese academic institutions and the outcomes of such collaboration. It seeks to explain these outcomes.

*“Sea turtles” as cultural brokers: the importance of transnational academic experience*

The importance of individuals in facilitating transnational academic relations, for instance, between Danish business and Chinese academia points to the importance of the “hai gui” or “sea turtles”: Chinese who have studied and/or worked in the West and returned to China. As will be clear from the cases below, “sea turtles” play a key role in facilitating transnational R&D and S&T relations between Danish business and Chinese academia.

Academics have therefore sometimes played the role of cultural brokers between national cultures, and especially leading academic institutions have gathered leading intellectuals across borders and served as spaces of cultural encounters. However, an important notion on cultural brokerage in this context is that, while academic institutions might foster the right framework, being a melting pot for different inputs, the ability to perform in terms of cultural brokerage is typically anchored with the individual; the cultural broker.

What characterizes the able cultural broker is an ability to code and decode in terms of values and use of linguistics (Søndergaard and Veirum, forthcoming; Søndergaard and Veirum, in progress). The cultural broker is frequently found among people who have strongly diversified life experiences and educational backgrounds. Basically, what seems to be the case is that having a diverse run will underline the individual’s ability to handle different types of information and reinterpret these in new settings. Furthermore, it seems that another central feature of the cultural broker is an ability to negotiate input. It is not only a matter of being able to handle diverse inputs, but also being able to recognize inputs that are perhaps more qualified on a given agenda. The essence being that the cultural broker is not threatened by stronger or more persuasive intellectual proposals, but is able to recognize these, and adjust them into a common agenda. This also reflects a third and vital point, which is the cultural broker as focused agent. In order to achieve results, diverse inputs must be handled, they need to be negotiated, and finally they need to be put into action. In order to

deliver in the latter context it is vital that the cultural broker is able to cut through and keep focus. Cutting through will, however, only be allowed if the preceding negotiations have been conducted in such a manner that all participants, still at the table, feel included and respected (Søndergaard and Veirum).

Therefore, when searching for gateways with higher education and research institutions, it is important not only to look for interesting professional research environments, but equally important to look for specific types of individuals. Though it might be tempting to suggest that these are predominantly found at the leadership level, given that leaders are routinely faced with negotiating and handling different viewpoints, this is far from the case. The able cultural broker might be found at almost any level of the organization. Cultural brokerage is predominantly an individual skill.

#### *Access to Chinese academia for a small open economy*

Great powers have the financial and academic resources to engage in academic diplomacy, and such states enjoy the prestige to attract attention and talent. Multinational corporations based in such states also enjoy the financial and research status to attract attention and form partnerships, for instance, in China at the highest level. This paper addresses the possibilities of a small state and its business to attract the academic attention of China and form partnerships at a high level reaching people of influence in various sectors of Chinese society.

Academic diplomacy (or science diplomacy) together with educational and research exchange and collaboration has formed part of the foreign policy strategy of great powers. The USA and the USSR each engaged intensively in building networks and socializing foreign decision-makers through education, exchange and collaboration during the Cold War (Richmond, 2003; Parmar and Cox, 2010). Today, the USA engages strategically in socializing future elites in the Middle East through, for instance, the “Tomorrow’s Leaders Scholarship Program” of the Middle East Partnership Initiative (see also Rugh, 2006).

China is also highly conscious of soft power and public diplomacy considerations (Li, 2009; Ding, 2008; Li, 2008; Kurlantzick, 2007; Lai, 2006; d’Hooghe, 2005). China has in recent years invested heavily in academic public diplomacy through the Confucius Institutes at universities around the world, teaching Chinese language and culture and connecting foreign universities with Chinese universities. The educational and research exchange between the USA and China today and in recent years is of strategic importance for both countries.

*Methodology: structured, focused comparison; discussion of case selection; confidentiality*

This study is based on a structured, focused comparison (George and Bennett, 2005) of the collaboration of Danish businesses with Chinese academia. This comparison focuses on the motivations of such collaboration and its outcomes and seeks to explain these outcomes. There are an insufficient number of cases of Danish business collaboration with Chinese academia to warrant a quantitative study. A structured, focused comparison is preferable for gaining theoretical insights from this material. Asking a set of structured, focused questions on the cases allows for drawing theoretical lessons (George and Bennett, 2005), because the comparison is “structured” by a set of general questions of motivation for and outcomes of knowledge collaboration between Danish business and Chinese academia, and because the comparison is “focused” on certain aspects of the cases, the collaboration with Chinese academic institutions.

The selection of cases is based on a discussion of the qualities of the individual cases for drawing theoretical lessons (George and Bennett, 2005). The cases are selected based on their ability to supply general theoretical lessons. It is, therefore, of central importance whether the cases are “most likely”, “least likely” or “crucial” for the theories being evaluated (George and Bennett, 2005).

The Danish businesses in this study are among the most technologically or operations-wise advanced Danish companies. As such, they are “most likely” or “crucial” cases for the ability of Danish business to build academic transnational relations at a high level in China. If these companies fail to do so, it is an important sign that a small state is significantly hampered in building such relations.

The group of cases is identified through interviews with experts on Sino-Danish business-academia R&D collaboration and with the help of the Innovation Center Denmark in Shanghai. The Center has made the membership list of its Innovation Community available. There are 20 companies on the list. These companies represent the most innovative and research-intensive Danish companies in China. The list is therefore considered to give a valid picture of the research activities of Danish business in China. The companies on the list, together with a few additional companies identified through interviews, provide a sufficient background to study the research engagement of Danish business with Chinese academia.

The collaboration of the individual businesses with Chinese academia is outlined in cases of varying length, since this collaboration is of vastly differing length, intensity and

prominence. The individual cases are based on interviews with R&D managers in China, senior R&D executives in Denmark or senior executives.

The interviews are confidential. Therefore, the motivations of the individual companies and the outcomes of their collaboration with Chinese academia are not described for the individual company cases. The motivations for this collaboration and its outcomes are discussed at the end of the paper detached from the individual company cases.

### **Danish Business Collaboration with Chinese Academia**

Our expert interviews and the advice of the Innovation Center Denmark—Shanghai have identified ten Danish companies engaging in R&D collaboration with Chinese academia, such as the Chinese Academy of Sciences and universities. This number is probably not exhaustive, since not all companies have answered our repeated attempts to contact them. However, we believe it gives a valid picture of Danish corporate R&D collaboration with Chinese academia, which makes it possible to draw valid conclusions on the motivations and outcomes of such collaboration.

Engaging in R&D in China is seen as an important and necessary strategic move for global companies wishing to operate in China but also globally. Traditionally, the first step in establishing R&D in an emerging market is local R&D to adapt products to the local market and to draw on local knowledge in the product adaptation and development. R&D for developing products for global markets is a further step ahead (Schwaag Serger, 2009). Engaging in translational or basic research in an emerging market are steps still further ahead. We see the same pattern among Danish corporate R&D activities in China. The lowest level of engagement is local product adaptation in in-house corporate R&D centers and the highest level of engagement is basic research in conjunction with the Chinese Academy of Sciences followed by universities. In this paper, we are interested in the higher levels of R&D engagement with Chinese academia.

The Danish Ministry of Science, Technology and Innovation published in 2008 a strategy for Sino-Danish knowledge collaboration (Ministeriet for Videnskab, Teknologi og Udvikling 2008). The strategy focuses on university-to-university collaboration, but there is also mention of collaboration between Danish and Chinese academia and business. There is a proposal for facilitating and funding network collaboration between public- and private-sector Danish and Chinese researchers (instrument 9). In 2007, the Danish Ministry of Foreign Affairs and the Danish Ministry of Science, Technology and Innovation opened the

Innovation Center Denmark in Shanghai, which supports the connection of Danish and Chinese business and research institutions (instrument 10). It is possible for Chinese businesses and academia to take part in Innovation Consortia with Danish partners. The strategy proposes to facilitate trainee- and internships for Chinese students in Danish business.

However, our interviews with centrally-placed Danish officials concerning Sino-Danish innovation collaboration did not yield any mention of Danish strategy to further the engagement of Danish business with Chinese academia. Also, our interviews with R&D and innovation leaders of Danish businesses working with Chinese academia did not yield any mention of such a strategy. Therefore, it seems that to Danish officials and Danish businesses there is no official Danish strategy to promote the engagement of Danish business with Chinese academia (as there was not an official Chinese strategy to promote the engagement of foreign business with Chinese academia).

*Haldor Topsøe, exceptionally early strategic research engagement with Chinese academia*

Haldor Topsøe is one of the most R&D and S&T intensive Danish companies of all. It is a globally leading developer and manufacturer of catalysts for chemical processing. It stands out for its exceptionally early research engagement with China. All the way back to around 1972 or shortly thereafter, Haldor Topsøe engaged with China in connection with the construction of a catalyst-manufacturing facility in Northern Manchuria. In 1984, leading Haldor Topsøe scientists organized a seminar for the Institute for Coal Chemistry, Taiyuan, Chinese Academy of Sciences, where they laid the foundation for a strong bond with its director Bao Han Chen. These contacts lead to an agreement of collaboration with the State Commission for Science and Technology.

In 1985, Haldor Topsøe scientists visited the Dalian Institute for Chemical Physics, where the director, Li Yuan, shared his Stanford background with that of Jens Rostrup-Nielsen of Haldor Topsøe. This connection with the Dalian Institute for Chemical Physics continues to the present day. The same year, Haldor Topsøe scientists visited a gas works in Shenyang leading to an early project with the Central Coal Mining Research Institute.

In 1986, Bao Han Chen visited Haldor Topsøe in Denmark to conclude an agreement on a demonstration facility for gasoline manufacturing. This project was approved by the European Communities in May 1989. The Tiananmen Square crackdown in June 1989 led to European and Danish sanctions against China, which put a freeze on this Danish-European-

Chinese project. In September 1989, Haldor Topsøe scientists participated in a seminar at the Dalian Institute of Chemical Physics. At this occasion, Bao Han Chen emphasized their interest in continuing to work with Haldor Topsøe, despite Japanese overtures. The European sanctions were lifted in 1990, but not the Danish sanctions, and in 1992 Haldor Topsøe had to inform the European Commission that the project could not go forward for Danish political reasons.

Between 1986 and 1991, Haldor Topsøe was engaged in a research collaboration with Central Coal Mining Research Institute and the Dalian Institute of Chemical Physics. Haldor Topsøe withdrew in 1991 from this collaboration because of intellectual property rights (IPR) concerns. After this withdrawal and the freeze on the European project, Haldor Topsøe S&T relations with China were through individual scientist's connections with the Dalian Institute for Chemical Physics.

In 2004, a leading Haldor Topsøe scientist was invited as an editorial board member of the Journal of Natural Gas Chemistry and to co-organize Natural Gas Conversion Symposium at the Dalian Institute of Chemical Physics. Today, Haldor Topsøe has no R&D in China, since all R&D is placed in Denmark. However, the company is globalizing increasingly, and R&D in China is a possibility. It is building on old ties to the Dalian Institute of Chemical Physics.

#### *Novo Nordisk collaboration with the Chinese Academy of Sciences*

Novo Nordisk is a leading Danish pharmaceutical and biotechnology company, which is the world leader in insulin development and production and diabetes treatment. Until the demerger of Novo Nordisk and Novozymes in 2000, it was also a major industrial enzyme producer. In 1997, Novo Nordisk was the very first foreign pharmaceutical company to establish an R&D center in Beijing. In 2002, Novo Nordisk opened a new R&D center in Beijing that in 2004 relocated to the Zhongguancun Life Science Park. This research center is expanding markedly, doubling its staff from 100 to 200 researchers over the next 3-4 years. The commercial R&D of Novo Nordisk in China has been described by Julie Marie Kjersem and Peter Gammeltoft (2009). This paper addresses the R&D engagement of Novo Nordisk with Chinese academia, which in this case means the Chinese Academy of Sciences (CAS).

In March 2007, Novo Nordisk and CAS signed an agreement to establish the Novo Nordisk—Chinese Academy of Sciences Research Foundation with an endowment of 2 million USD. Any associate professor (or above) at the Chinese Academy of Sciences can

apply for funding for collaborative projects with Novo Nordisk scientists and possibly scientists at Danish or Swedish universities. There are also funds for symposia, PhD or postdoctoral fellowships (Novo Nordisk ndb).

In 2008, Novo Nordisk started supporting CAS Novo Nordisk Great Wall professorships at CAS with a 1 million USD donation. The program consists of ten professorships each supported by 100,000 USD over three years recruited from the “Hundred Talent Program.” The professorships are in protein sciences and technologies, including structural biology, protein-ligand interaction, biopharmaceuticals, antibodies, immunology, inflammation, and diabetes. The positions aim to stimulate cooperation in the field of science, innovation and education between scientists at Novo Nordisk, Chinese Academy of Sciences and Danish or Nordic Universities (Novo Nordisk nda).

In 2009, Novo Nordisk established the SIBS-Novo Nordisk Translational Research Centre for Pre-Diabetes together with the Shanghai Institutes of Biological Sciences of the Chinese Academy of Sciences (Anonymous 2009, Diderichsen nd). Together with the Chinese Academy of Medical Sciences, Novo Nordisk has established the Novo Nordisk Union Diabetes Research Talent Fund in 2009 with a 1 million USD donation.

#### *Dampskibsselskabet Norden and Shanghai Maritim University: building strategic networks*

DS Norden has worked with Shanghai Maritime University (SMU) since 2005. Norden awards scholarships for outstanding students at SMU and gives awards to the best professors (selected by the students). The company invites SMU professors and students to spend time at Norden’s offices. Senior managers from Norden organize workshops at SMU twice a year.

#### *Grundfos supporting university education and standardizations work*

Grundfos works with a couple of Chinese universities. It conducts tests at Harbin Institute of Technology, where it has also donated materials for teaching. This collaboration originates in Aarhus as a sister city of Harbin, which facilitates collaboration between Aarhus companies and Harbin institutions. In Beijing, Grundfos is the only foreign company working at an equal level with Chinese actors with the Chinese Standardization Bureau. In Shanghai, Grundfos supports the seminar of a Danish-educated professor, and it gets computer models validated. A Grundfos engineer is associate professor at a Shanghai university.

*Lundbeck engaging with Chinese neuroscience key opinion leaders*

Lundbeck is a leading pharmaceutical company concerning the central nervous system specializing in neurology and psychiatry. It has until recently had R&D centers in Denmark and New Jersey, USA. In October 2011, it opened a Research center in Shanghai. Lundbeck has collaborated with Chinese researchers for the last five to six years, and the Research center is aimed to engage further with leading Chinese neuroscience research institutions such as the Institute of Neuroscience in Shanghai and the Institute of Biophysics in Beijing of the Chinese Academy of Sciences, Peking University, Tsinghua University, Fudan University, Beijing Union Medical College and the University of Science and Technology of China. In addition, Lundbeck is seeking to form partnerships and collaborations with biotech and pharmaceutical companies in China.

*CCBR clinical trials together with university teaching hospitals*

Center for Clinical and Basic Research (CCBR) is headquartered in Denmark and operates 16 sites for clinical trials around the world. These sites are usually clinics, but in Beijing it is an R&D company due to certain government registration regulations in this field. This requirement means that CCBR in Beijing cannot conduct the trials independently, but must collaborate with hospitals approved by the Chinese State Food and Drug Administration (sFDA) in the good clinical practice (GCP) context. Such hospitals are usually tier 1 university teaching hospitals. CCBR works with Beijing Friendship Hospital and Nanfang Hospital for conducting clinical trials. Clinical trials in China are either motivated by a requirement for Chinese data for a submission for approval to the sFDA, or a need for Chinese bioequivalent data. Data generated from such trials in China are also part of the global data for the specific trials.

CCBR Beijing has a general research agreement with Beijing Friendship Hospital (BFH) since year 2005 jointly conducting clinical research and basic research. Under such agreement, one medical doctor from BFH every year will come to Copenhagen receive GCP training and will be engaged in basic research for 6 months at CCBR headquarters.

*ALK Abello engaging medical key opinion leaders in China*

ALK Abello produces allergy vaccines. It introduced its first commercial product in China in 2004. China has traditionally had limited knowledge of modern science-based allergy vaccines and been limited to traditional Chinese medicine treatments. ALK Abello seeks to work with key opinion leaders in its field. It works with respiratory doctors, pediatrics and

ear, nose and throat specialists. It runs a joint hospital-based Allergy Research Centre with a key opinion leader in Guangzhou. Activities in the Center include basic allergy research and epidemiology, training and education of medical authorities and customers, quality control and local release of ALK products for the Chinese market. In the last three years, it has published 15 papers together with key opinion leaders. ALK Abello has contributed to Danish-Chinese brain circulation through “sea turtles”. It has educated a good handful of PhD students jointly between the University of Copenhagen, the Technical University of Denmark and ALK Abello in Denmark. Two of these PhDs are employed at the ALK China Research Center and play a key role connecting the company to Chinese regulatory authorities and medical key opinion leaders.

#### *Arla Foods*

Arla Foods is a major Danish-Swedish dairy company. It has been engaged in China producing infant formula for five years in a joint venture with Mengnui. Arla Foods is keenly aware of the need for Chinese data for approval reasons and Chinese research to promote its products to Chinese healthcare workers. It is currently establishing a small virtual research institute in China with a prominent international-level committee. This institute will award research grants to Chinese researchers in hospitals and universities for both basic and clinical research through its committee.

#### *Vestas*

Vestas has a large R&D center in Singapore and has worked with Tsinghua University and Xian Jitong University in Beijing, as well as supporting PhD projects. In addition the Singapore R&D center works with utilities and grid research institutes, the China Electric Power Research Institute and the State Grid Energy Research Institute.

#### *The missing cases: finance, law, culture and media*

The overview of Danish corporate R&D in China and collaboration with Chinese academia shows a clear picture of sectors. It is the pharmaceutical, food and manufacturing sectors together with a rare example from shipping. It is interesting to look at which sectors are not represented, where the services sector is markedly absent.

The financial sector is central for creating an innovative, knowledge-based economy. Financial innovation is crucial for developing the financial sector. China’s financial sector is significantly under-developed, and developing the Chinese financial sector would deliver

significant economic gains. Developing the Chinese financial sector and furthering financial innovation in China is of the highest importance (Fan et al., 2009). This paper shows the strategic importance for Danish business—and Denmark in general—of creating transnational relations with Chinese academia. It is, therefore, highly regrettable that the Danish (and Nordic, of which it forms part) financial sector seems in no way engaged with Chinese financial scholarship and research. Danish financial sector engagement with Chinese financial academia could contribute to Chinese financial innovation and to building strategic transnational relations with a sector that is crucial for Chinese development.

Another services sector absent from China is legal services, where the same argument of strategic transnational relations could be made. The absence of Danish financial or legal services R&D engagement with Chinese academia reflects that these Danish sectors are absent from China. Foreign banking and legal practice is less represented in China, which is explained by Chinese regulation of these sectors. However, in light of the strategic value of transnational relations with top academia for elite network access as described in this paper, the lack of strategic R&D engagement in banking and law is regrettable.

Denmark is a service economy, where cultural products play a large role, also in foreign trade. The relevant science for cultural services is cultural studies, humanities, and media studies. It is therefore equally regrettable that there seems to be no strategic engagement of Danish publishing and media with Chinese academia in these fields. Danish publishers could through strategic relations with leading culture and media scholars engage with the current and future editors in the broadest sense of the Chinese cultural market.

We have also interviewed large consumer products companies, which are very R&D intensive in Denmark and have large operations in China without R&D there. It appears that since they appeal directly to the Chinese consumer independently of scientific and technological gatekeepers, they do not need to engage in strategic R&D activities in China to gain access to key opinion leaders there.

#### *International property rights and R&D engagement with Chinese academia*

There are important intellectual property rights questions associated with corporate R&D activities in China. Working in China is well-known to raise IPR challenges, which become the more acute in R&D. The less R&D is “in-house” and the more it engages with outside collaborators, the more acute the IPR issues become. Corporate R&D collaboration with local

academia, therefore, raises important and interesting IPR issues, and solutions to these issues are key to facilitate such collaboration.

Issues of IPR come up in every interview about Danish corporate R&D engagement with Chinese academia, except for the shipping line DS Norden. Protecting IPR is a major concern and constraint for every other company interviewed for this study. One company strongly suspects reverse engineering from previous collaboration and has limited collaboration with Chinese academia for this reason. Central proprietary information is kept in R&D centers in Denmark, and research collaboration with Chinese academia covers basic or pre-competitive research, that is, research which cannot be directly applied commercially. The Danish company may have a first right of refusal for patenting such research carried out with Chinese academia. Some of the most S&T-wise advanced companies outright reject producing in China for fear of leakage of knowledge.

However, there are also some signs of optimism among the informants. The protection of IPR is improving in China, and Chinese authorities are increasingly aware of the importance of IPR protection in order to promote an innovative knowledge-based economy in China. However, there are important issues with the implementation at local and court levels of IPR protection.

There is also a very sanguine attitude among the interviewed companies that the only protection of IPR is continued development. One will inevitably be copied, and it is only through continued R&D that one can stay ahead of the imitators. It is through the ability to issue warranties on one's work and products and embedding one's products in broader webs of, for instance, disease management, that one can stay ahead of imitators.

### **Conclusion: Strategic Engagement with Chinese Academia for Elite Networks, Trust and Reputation, but Perhaps Missed Opportunities for Cross-Cultural Learning and Innovation**

This study shows that Danish business engages with Chinese academia and successfully creates strategic networks, builds reputation and trust, and demonstrates commitment to a future innovative, knowledge-based Chinese economy. Such results are dependent on the technological or operations standing of the company and the duration and depth of its engagement with Chinese academia. However, in their strategic motivation for this engagement, Danish business may overlook opportunities for learning from China, cultural

brokerage with the country and culturally-driven innovation in their R&D engagement with Chinese academia.

Creating an innovative, knowledge-based economy is crucial for China's future development and for securing sustainable economic development and growth. Transnational academic relations in the fields of public and private research collaboration and investment, student and research exchange and brain circulation are of central importance for furthering innovation and a knowledge-based economy in China. There is research attention to these transnational academic relations between China and the outside world. The academic relations between China and the USA, especially in terms of brain circulation and investment patterns, have received much academic interest (Saxenian and Sabel, 2008; Saxenian, 2006; Saxenian, 2005; Zweig, Changgui and Rosen, 2004; DeVoretz and Zweig, 2008; Wang, Zweig and Lin, 2011; Zweig and Wang, 2012). There has been research attention to corporate Danish R&D in China (Kjersem and Gammeltoft, 2009), but not to the research engagement of Danish business with Chinese academia.

The importance of Sino-Western academic relations for the future development of China and relations with China raise the question of the possibilities of business in a small state to create such relations. Can Danish business create high-level relations with Chinese academia, or is this the preserve of multinational corporations originating in great powers? This article shows the possibilities and limits for Danish companies in different sectors and of different sizes to build relations with Chinese academia. It shows the motivations of these companies and the outcomes.

It is clear from this study that Danish businesses can engage at a high level with Chinese academia. There is a tendency among these Danish businesses to feel that they contribute more than they are learning. The motivation for this engagement with Chinese academia is strategic and not academically motivated for the majority. However, there is also recognition of the vast talent pool in China and the quality of leading Chinese institutions. A small minority of the companies indicate the motivation of truly bilateral research cooperation.

This engagement is about building networks, spotting talents, and creating reputation and trust. Creating elite networks and building reputation and trust is considered particularly important in China, where connections matter to a large extent. This collaboration centers on building networks with the most central current and future Chinese individuals in the area of business of the Danish company. The companies emphasize ensuring brand recognition

among current and especially future Chinese decision-makers in their area of business. Especially the pharmaceutical companies highlight the importance of *key opinion leaders* among Chinese scholars and clinicians. It is considered key to introduce a new product on the Chinese market to get access to key opinion leaders, work with them and get their endorsement of the product. The same logic applies to other industries, but is stated differently. Consumer products companies appeal directly to the Chinese consumer without recourse to scientific and technological gatekeepers.

China strongly encourages technology transfer from foreign companies as is evident from the “markets for technologies” policy, which, however, has met limited success in creating indigenous innovation. In accordance with that, interviewed Danish companies emphasize the importance of being perceived as a company with a strong commitment to China, to be perceived almost as a local company. It is an important strategic motivation to show the ability and the will to engage with Chinese research institutions and to be present. It is important to show a commitment to contribute to capacity-building in China. This goal is perhaps the most important strategic motivation for most of the R&D engagement with high-level Chinese academia described in this study: building trust with Chinese political and scientific leaders and creating a reputation as a company committed to the development of China.

The interviewed companies express great satisfaction with reaching these strategic goals of networks, trust and reputation. Chinese scientific and political authorities acknowledge large and early investments in engagement with Chinese academia. The return on these investments is goodwill. Chinese decision-makers are said to highly value persistent, loyal, credible commitments to China expressed in—especially early—investments in production *and* R&D in China.

It seems clear from this study that it is possible for global, high-tech companies of even a small economy like Denmark to reach these strategic goals through investments in R&D engagement with high-level Chinese academia. Danish business does not operate in a power vacuum, but originates in a small state. Even large and technologically and operations-wise highly sophisticated Danish corporations cannot rely on the political and economic clout of a great power. According to the interviews for this study, market- and technology-leading companies do not experience this fact as a handicap. Such smallness can be overcome, for instance, by an early and persistent engagement and investments in China. However, knowledge-intensive Danish businesses are aware that the top talent of Chinese youth is

mainly attracted to American academia with Danish higher education much less well-known and attractive.

The importance of transnational academic linkages at the individual level is also clear from this study. The so-called “sea turtles”, Chinese who have studied and/or worked in the West and returned to China, play a key role as cultural brokers between Danish business and Chinese key opinion leaders in academia, practice and regulatory authorities. The small state status of Denmark is evident concerning “sea turtles”; only few “sea turtles” working for Danish companies have Danish educational or work experience, while many have US experience. This fact naturally limits familiarity with Danish research and business, but adds additional experience and networks in the global center of high-tech business and research, the USA.

In the strategic focus of the R&D engagement with Chinese academia, there is a lack of attention to aspects of learning, cultural brokerage and culturally-driven innovation in this cultural encounter. Danish business potentially risks losing opportunities of learning about China, cultural brokerage and innovating radically new products and services with this attitude.

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# The Political Economy of Chinese State Capitalism

*Li Xing and Timothy M. Shaw\**

**Abstract:** The paper intends to provide a framework of understanding the political economy of Chinese state capitalism in which China transformed from an economy owned and controlled by the state to one supervised and regulated by the state in combination with market mechanisms. It explores how China is able to combine political, economic and socio-cultural *innovations* in developing state capitalism with “Chinese characteristics”. It argues that the uniqueness of Chinese state capitalism can be conceptualized from the perspectives of: 1) understanding China as a “civilization-state” (vis-à-vis Western “nation-state”) that has a unique type of political culture and rationality; 2) examining the resilient capacity of Chinese culture and the Chinese party-state in sinicizing and internalizing foreign ideas and practices; 3) analyzing the Chinese state-market relationship in which institutional innovations, commodification of state power, and marketization of public resource play a positive role in securing a certain level of state-market-society embeddedness. But the paper also indicates the potential challenges and limitations of Chinese state capitalism.

## Introduction

One of the puzzling questions facing many scholars of social sciences and especially those engaged in Chinese studies is how to comprehend and interpret China’s historical transformations shaped by fundamental changes and great successes in the past three decades. What are the internal driving forces and the external influences behind these transformations? There is a general consensus that China’s success in moving from an economy owned and controlled by the state (state socialism) to one supervised and regulated by the state through combining legal means with market mechanisms cannot be achieved without an active role by the Chinese state in attaining macro-policy independence and socio-political stability. Since the mid-1990s we have witnessed the emergence of a self-confident and self-proclaimed model in China labeled with contradictory terminologies - “market economy with Chinese characteristics” or “market socialism”<sup>1</sup>. Today, the new term for China’s development by the outside world is “state capitalism”.

Some years ago, this model was coined the “Beijing Consensus”<sup>2</sup>. The “Beijing Consensus” (albeit a debatable notion), embodies the Chinese’ distinct attitudes and ways of dealing with domestic politics, economic development and global balance of power. It is

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driven by China's more than three decades of success in economic development with relative social and political stability, by China's determination to innovate an alternative development path, a strong belief in state sovereignty and global multilateralism, and a strategy to accumulate the capacities of 'asymmetric power projection', i.e. how to achieve and maintain power in an asymmetric power relation with the superpowers and the multinationals (Ramo, 2004: 3-4). The increasing popularity of the "Beijing Consensus" can be seen from a voting-debate initiated by *The Economist* on the "China model". This debate is about whether China offers a better development model than the West (*The Economist*, 2011). The voting result shows a consensus by the majority that "the global financial crisis exposed critical weaknesses in western economies. China, by contrast, suffered only a brief slowdown in its fast-paced growth before surging back into double digit expansion" (*The Economist*, 2011).

There have been internal and external debates regarding whether there is such a notion called "Chinese model", despite the fact that Ramo's notion of "Beijing Consensus" does indicate some elements of admiration that generate the worldwide debate. On the one hand, the very many social and economic problems China has been experiencing call for a reassessment on its export-oriented strategy that has contributed to a short-term prosperity and stability, but has sacrificed long-term rational development and environment (Ding Xueliang, cf. Breslin, 2011: 1326). On the other hand, China has never officially recognized a "Beijing Consensus", because the variety of economic growth engines to be found in different regions and provinces not only question the simplified understanding of the Chinese development model, but also challenge the transferability that this notion implies. Through a closer look into the Chinese growth model on the basis of survey data and archival sources, some scholars find the fact that the "Chinese model" actually bears two sides of the same coin: one aspect of the model entails free market capitalism, such as competition, liberation, privatization and entrepreneurship; while another aspect of the model emphasizes the decisive role of the state in financial and political control and in promoting state-owned enterprises (SOEs) at the expense of free competition and private entrepreneurship (Huang, 2010).

Nevertheless, a central aspect of the Chinese model that is generally agreed upon and the most distinctive characteristic of the Chinese market economy is the SOEs. Today, not only China, but also the emerging economies, own the world's largest oil companies and control three-quarters of the world's energy reserves. This situation is rather ironic and is also interesting because the previous "socialism" in the form of state-led development and state ownership was claimed to be a failure, while free market and liberal democracy were claimed

to be the “end of history” (Fukuyama, 1992). The irony today is the fact that state capitalism is spreading globally, and one crucial characteristic of state capitalism is “the existence of close ties binding together those who govern a country and those who run its enterprises” (Bremmer, 2009).

**Figure 1. The power of state-controlled companies in China, Russia and Brazil (capitalization on MSCI national stock market index, June 2011, % total)**



(The Economist, January 21)

Apart from SOEs as its central actor, state capitalism has other forms of role-player or actor, such as the rise of “Sovereign wealth funds” (SWFs). SWFs are state-owned investment portfolios, which account for one-eighth of global investment. Some liberal thinkers claim that “The rise of “sovereign wealth funds” signals the end of the neo-liberal model and challenges western states and financial institutions to develop a coherent and long-term response” (Halliday, 2008). Some policy-makers even raise the issue to the highest level of national security. A report from the US Council on Foreign Relations questions the potential strategic implications of SWFs on US indebtedness in which foreign creditors might gain potential leverage over American policy (Council on Foreign Relations, 2008). As China is the largest buyer of the US debt, the concern about the Chinese SWFs is very understandable.



**Figure 2. The list of global largest sovereign wealth funds (The Economist, 2011)**

The core free-market economies, the United States and Europe, are very uncomfortable with the rise of the SWFs that move from the semi-periphery emerging economies to the center of global financial markets. The key worrying questions are: are SWFs driven by the market or by the

state? Will states such as China use SWFs strategically as a financial and investment tool, or will SWFs emerge as an instrument of political muscle?

*Placement of discussion*

Recently the topic of “state capitalism” has really occupied global attention. Since last year, the authoritative economic journal – *The Economist* – has published a series of special reports, articles and debates on state capitalism. In one of its January issues of 2012, it claims that, “The crisis of Western liberal capitalism has coincided with the rise of a powerful new form of state capitalism in emerging markets... has been rendered more serious by the rise of a potent alternative: state capitalism” (*The Economist*, January 21). To reach to a conclusion on state capitalism is rather difficult given the complexities and complications with regard to the changing world order brought about by the transformation of international political economy, along with the emergence of transnational capitalism and the rise of the BRICS. However, this leads to a renewed discussion on the “varieties of capitalism”, which refers to two distinct types of capitalist economies: liberal market economies (LMEs) and coordinated market economies (CMEs) (Hall and Soskice, 2001).

Scholars and academics both within China and without are divided on the debate on “state capitalism” in general, and on “Chinese state capitalism” in particular. The school supporting Chinese state capitalism advocates the doctrine that the state should lead economic development and the state should shape the market, particularly in strategic industries. It sees SOEs as the stability of China’s economy and the cornerstone of its spectacular market growth. In retrospect, Chinese state capitalism was once seen by the West as a transition between communism and capitalism.

The other school of scholars, that that rejects recognizing the role of state capitalism in China’s economic success, argues that the driving forces were market dynamics unleashed by over 30 years of rural reform, private-sector growth, the national policy of opening up and globalization. They say that to attribute success to state-led capitalism would be to misunderstand the past and mislead decision-making in the future. Among critical authors, Gordon Chang, who wrote *The Coming Collapse of China* (2001), recently reiterates his prediction on the eventual fall of the Chinese state capitalism model due to, among other factors, the unfair promotion and protection of “national champion” - state enterprises - at the expense of others. Nowadays, the central debate focus is directly pointed towards China’s greatest “assets” as a global power, the so-called “state capitalism”. Many critics claim that

state capitalism is “inefficient, unfair, and can eventually breed the volatility it’s intended to suppress” (Coy, 2012). Roselyn Hsueh, the author of *China’s Regulatory State* (2011), documents how the Chinese government has regulated foreign direct investment since the post-Mao economic reform and opening started in the early 1980s. According to her studies, the central government has closely-regulated sectors with high strategic value, such as energy and telecommunication, while allowing looser regulation of nonstrategic subsectors. SOEs such as China Telecom and China Petrol can dominate local markets without the risk of facing antitrust authorities. The government has been steering cheap credit towards local champions while blocking competition from private sectors as well as foreign firms.

### **Conceptual and Analytical Approaches**

Through the lens of political economy, this paper elucidates the factors and consequences of China’s economic transformation and its unique state capitalism in maintaining high economic growth in the past three decades and in shaping the broader dynamics of global capitalism. That is to say, in many ways China’s economic growth in the past decades has been both enabled, nurtured, conditioned and constrained by global capitalism, and at the same time the successful Chinese growth model under state capitalism has heightened global competition, and accentuated the inherent contradictions of capitalist development in other countries, including many advanced economies. It can be argued that to some extent the success of Chinese state capitalism is redefining the limitation of liberal market capitalism around the world. Historically, there has been an internal-external linkage between China and the external world, intertwined with a challenge-response duality: China’s internal transformations were triggered by external challenges; meanwhile the capitalist world system had to adjust and readjust itself to the opportunities and constraints brought about by the “China factors”.

In some ways, the debate on Chinese state capitalism can be supplemented and extended from the discussion of “East Asian capitalism” in previous decades. Conceptually and theoretically, this paper draws some of its analytical references to the previous studies on state-market relations in East Asian developmental states (Evans, 1990; Haggard, 1986; Johnson, 1982; Wade, 1990; Weiss, Linda & Hobson, 1995; Woo-Cumings, 1994). Particularly in connection with the Chinese context, this paper intend to draw on the specific theoretical frameworks of a number of thinkers and scholars:

- 1) Lucian Pye (1990), Fitzgerald (1996) and Bockman (1998) who propose to use the notion of “civilization-state” to conceptualize China rather than to apply “nation-state” as a unit of analysis derived from the West-centered international relations. The notion implies that China was and still is an “empire state”, i.e. a unique historical tradition of governance, and has a unique political culture and state-society relationship. It follows that it would be a failure to apply the logic of the Western “nation state” framework to analyze and understand the evolution and development of China, including issues such as democracy, nationalism and identity. Likewise, China’s historical and cultural unity and uniqueness implies a constant “appropriation” development in the process of its national identity and territorial integrity, in other words, a continuous sinicization process. Sinicization entails a spontaneous process of absorbing foreign ideas while forcing them to be mixed with and embedded into Chinese native practices.

In order to comprehend “state capitalism with Chinese characteristics”, it is necessary to explore how external factors, historically, helped to shape China’s internal transformations, i.e. how generations of Chinese have been struggling to respond to the external challenges and attempting to sinicize external ideas in order to change China from within. One of China’s most enduring features in the 20th century has been “an unending process of internalisation of the external which we may call ‘Sinification’” (Tan, 1996: 236). The sinicization process has been historically embedded in China’s social and political transformation from a “civilization-state” to a “nation-state” as well as from a Maoist socialist state to a Dengist capitalist state (Li, 2010a; Li and Christensen, 2012).

- 2) Antonio Gramsci (1971), whose political theories provide an understanding of the “hegemony” and “passive revolution” of modern capitalism in which the leading classes are willing to adopt changes (Trasformismo)<sup>3</sup> while retaining the essential existing features of organization and mode of functioning. Seen from this perspective, it can be argued that the Chinese party-state has also been in an uninterrupted process of “passive revolution”, i.e. continuous political adaptation, reflected in the unique “embedded” reform process<sup>4</sup> as an attempt to neutralize and reduce the market *disembedding* forces caused by the structural differentiation effect. The Gramscian perspective provides a framework of understanding the new Chinese *hegemony* generated by a deliberate embeddedness struggle in a nexus of social, political and economic relations (Li and Christensen, 2010).

The post-Mao leadership undertook a modernization process through economic reforms aiming at sinicizing Western market capitalism with “Chinese characteristics” and through embracing market capitalism while incorporating China into the existing world system. China is now undergoing transformative changes through a series of processes of economic, institutional and ideological “passive revolutions”. Not only has the previous class-based party-state system been replaced by a market-based party-state system, but it has also successfully integrated itself with the capitalist world system (Li, 2010).

- 3) David Wank (2001), who provides a framework of understanding the Chinese state-market embeddedness in which the previous political power by “politics in command” is commodified to accommodate and negotiate with the market power by “economics in command”. His theory of institutional clientism, provides a good analytical tool to examine China’s unique state-market-society embedding process through the lens of patron-client ties between entrepreneurs operating private firms, and cadres staffing the party-state administrative, distributive and production institutions. This matching is realized and maintained through a dynamic relationship, neither strictly political nor purely economic in character.

Wank provides a framework of understanding China’s dynamics in state-market-society relations over the last three decades, and examines how the dynamics are generated in the process of China’s market transition. What is important is to find the unique features of embeddedness of Chinese socio-cultural and socio-political adaptation through marketizing decision-making powers and commodifying state institutions and distribution mechanisms.

**Figure 3. Historical evolution and factors of Chinese state capitalism**



Figure 3 illustrates that Chinese state capitalism needs to be understood in the context of China's century-long dramatic transformations: 1) state and society transformed from an imperial monarchy to a short-lived republic, from a weak and decentralized warlord authoritarianism to a centralized revolutionary socialist state; 2) economically it experienced a state-led industrialization based on planned economy and socialist egalitarianism to an all-round structural reform based on market mechanisms; 3) ideologically the Chinese value systems underwent transformations from feudalism to socialism and from collectivism to individualism. The figure promotes a holistic approach to explain the transformative socio-political changes of China from an "imperial civilization-state" to a "market-driven nation-state", and it emphasizes the importance of conceptualizing these transformations from its retrospective historical, cultural and political characteristics. It indicates the fact that historically there has been a challenge-and-response dynamic in China's socio-economic and socio-political transformation, which in recent times was assisted by the resilient hegemony of the party-state within the politically and culturally defined norms and values.

The conclusion this paper intends to draw is that "Chinese state capitalism" is historically evolved, politically unique and culturally specific. It is shaped by *the synergy of a series of China's historical and internal transformations and revolutions correlating with its responses to external dynamics and challenges*. The historical transformations taking place in China can be characterized as the "sinicization processes" – an internalization of changes in ideas, thoughts, value systems, and scholarship, as well as in all spheres of life. Chinese capitalism is a distinct form of state capitalism shaped and determined by its internal political reality and characterized by the active state intervention and corporative state-business relations. The emergence of new institutional entrepreneurs and their role in institutional innovations play a positive role in encouraging marketization and decentralization of state capacities and public resources without falling into economic and social disembedding. This paper's purpose is to identify the key ingredients of the "embedded relations" between the Chinese developmental state and the market mechanisms that have led to sustained economic growth for three decades. New sets of state-market-society relations are a result of the pioneering role of new sets of economic, political and social *interactions*, generating embedded rather than disembedded development.

### **From State Socialism to State Capitalism**

The Chinese market reform started much earlier than the downfall of the Soviet Union. It was conducted on a trial basis and was a step by step process. The initial success of the reform and the collapse of socialist bloc in Eastern Europe made the Chinese elite believe in the superiority of capitalist market forces and they pushed toward more radical reforms. The leading elite groups of the regime, including reformist intellectuals, began to reinterpret the notion of “socialism” by legitimating the incorporation of the market as an inseparable element of the socialist economy. The profit-oriented value system started to be politically and socially acceptable under the slogan “to be rich is glorious.” Thus, the intention behind the reformist approach was to redefine the concept of socialism in order to justify the legitimacy of the economic marketization. Socialism, according to the Dengist understanding, “can only appeal to the people with the basic goal of enriching the country and its people, not yet the higher goals of social equality and the full development of the person” (Ogden, 1996: 656). The meaning of socialist development has been redefined in the form of an uncompromising economism and its goal is “to achieve a ‘pragmatic’ adjustment of revolution to the demands of present reality” (Dirlik, 1989: 32).

The party-state elites realized that it was not in their interests to abandon “Chinese socialism” as a political ideology because it would obviously reduce their political and economic power. Nor did they want to return to the pre-reform system since the material wealth brought by the reform is very appealing. Nevertheless, they realized that economic marketization would sooner or later challenge their political power. The only way to maintain both their political power and economic interests was to quickly transform themselves into a new dominant economic class that could continue to rule through new class relations. Breaking down state socialism and replacing it with state capitalism would enable them to become not only de-facto owners of the means of production but also managers of the new economy. In this way they could capitalize on their official power while turning their bureaucratic privileges into economic advantages. At the same time they resisted political democratization under the banner of maintaining social stability because democratization would politically challenge their special position.

For a long time, the party-state elites, who were originally made up of communist members dedicated to establishing a classless society of equality, consisted then of a group of people who perceived themselves to be dedicated to socialism and were mostly interested in maintaining their privileged positions. Before the economic reform, members of the elites

enjoyed significant advantages, not necessarily in terms of income but in terms of housing, transportation, and especially in access to resource allocation. The reform might pose certain constraints to their political power and privileges but at the same time open the channel to gain material privileges under official advocacy of personal enrichment. Ironically, this evolution proved Mao's position right during the Cultural Revolution when he pointed out that the existence of "bureaucratism" and "capitalist roaders"<sup>5</sup> were right inside the Communist Party.

### **State Capitalism and State Enterprises**

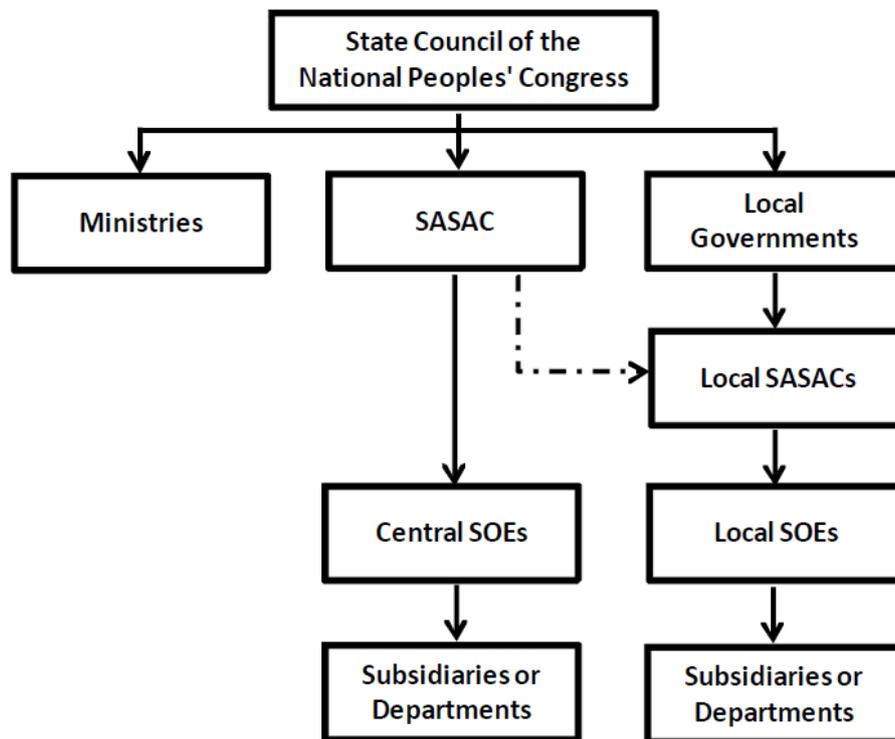
Over 30 years of rapid economic growth and comprehensive integration with the global economy, China experienced the phenomenal rise of private sectors and its increasing share of GDP during the 1980s and 1990s, when the Chinese state endeavored 1) to make the economy competitive and market-oriented; 2) to reduce the level of the government's direct intervention in economic activities; 3) to allow the market to set prices and direct material and manpower resources through market distribution channels; and 4) to allow the private sectors to have more economic freedom, and to merge the national economy more closely with the world economy (Guo, 1995: 72). Consequently, it was witnessed that there was a massive withdrawal of the role of the Chinese state from a number of social services, such as medical care, education, pension, and housing, etc., leading to many serious socio-political and socio-economic problems, such as a dramatic increase in inequality, rampant environmental degradation, and social disharmony (Li, 1999, 2006).

However, since the 21<sup>st</sup> century, the return of the Chinese state in attempting to address these problems has been witnessed. At the same, the continuing expansion of the SOE<sup>6</sup> in the proportional share in China's economy and the fall of the private sector has also been witnessed. An article in the Wall Street Journal synthesizes the organization and operation of the Chinese SOEs from a research paper:

The Chinese system is based on "vertically integrated groups" of large state-owned and related companies. Each group has a "central holding company," the State-Owned Assets Supervision and Administration Commission (SASAC), which is the majority shareholder in a "core company." That company, in turn, owns a majority of shares in the state-owned companies that comprise the group, including a finance company that is a source of finance for members. Altogether, these vertically integrated groups control some 120 SOEs, all subject to government control via SASAC.

There are intra-group linkages via joint ventures, alliances, and shareholding. Also, the Chinese Communist Party (CCP) structure exists parallel to the structure noted above. The Organization Department of the Party is decisive in choosing top managers of the SOEs, and in turn some managers hold positions in government and the CCP. “These hierarchical structures are embedded in dense networks –not only of other firms, but also of party and government organs,” and exchange and collaborate on many matters of production and policy implementation. (Lubman, 2012, with some direct quotations from Lin and Milhaupt, 2011)

**Figure 4. Relationships among SOEs, SASACs and central and local governments**



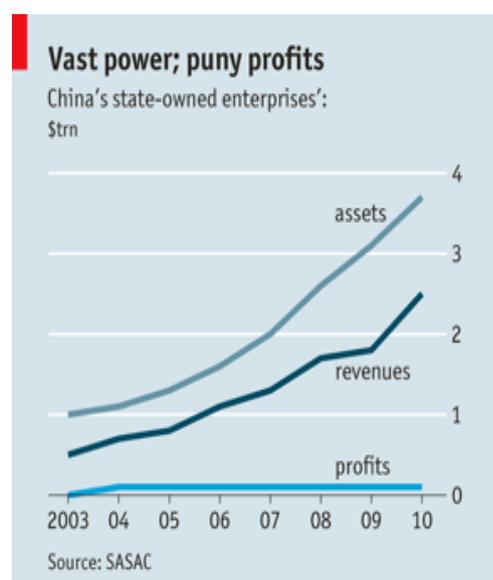
(Source: Deng, Morck and Wu, cf. Szamosszegi and Kyle, 2011: 6)

Notes: SASAC – State-owned Assets Supervision and Administration Commission of the State Council

China’s state-owned enterprises have transformed and restructured and many are among the world’s largest companies, such as China Petroleum & Chemical Corporation (Sinopec), China National Petroleum Corporation (CNPC), and the Industrial and Commercial Bank of China Limited (ICBC), etc. According to Lin and Milhaupt (2011: 2), nowadays China ranks No. 3 in the world in terms of concentration of Global Fortune 500 companies after the US and Japan, while more than two-thirds of Chinese companies in the Global Fortune 500 are SOEs. On the basis of their statistics, “As of 2010, total assets of the 120 national SOEs

equaled 62% of China's GDP; total revenues were 42% of GDP. The same year, total profits of the national SOEs were \$129 billion, more than two times the total profits of the 500 largest privately owned enterprises" (Lin and Milhaupt, 2011: 5). SOEs account for 80% of the value of China's stock market (*The Economist*, January 21). Hence, it is obvious that in order to understand Chinese state capitalism, it is indispensable to understand Chinese SOEs.

**Figure 5. The economic power of Chinese state-owned enterprises** (source: *The Economist*, November 12, 2011)



Although Chinese SOEs have been the driving forces behind China's remarkable market growth, there are still vigorous debates around the state-led development model. Very often the expansion of SOEs is at the cost of limiting private sectors and foreign companies. *Time* magazine questions whether Chinese SOEs are "a problem for the global economy" because they are equipped with unfair state-led competitive strength to outcompete other private companies, and because "China's SOEs are potentially poised to alter the rules of global

economic competition" (Schuman in *Time*, Feb. 15, 2012). Their overseas expansion cannot avoid creating anxieties from those nations where China seeks to invest, about their links to Chinese state ownership and state control. To understand the operational governance of SOEs is rather difficult because the organizational structure surrounding China's most important SOEs still remains a "black box" (Lin and Milhaupt, 2011).

It is expected that Chinese state capitalism with its gigantic growth machine of SOEs will continue to cause debate, stress and even tension both inside China and with its overseas trading partners. Chinese SOEs have been in the vanguard of China's inroad into Africa in the past 20 years or so (Xu, forthcoming).

### The Sinicization Imperativeness

Chinese state capitalism can be conceptualized in such a way that economically the Chinese economy is operated in a combination of liberal market economy mechanisms and a central-planned guideline, i.e. a mixture of the advantages of private business and the positive roles of

government. Therefore, the features of Chinese state capitalism cannot be fully described as capitalist or socialist. But the political power of Chinese state capitalism is relatively monopolized by the Chinese Communist Party with a tradition of individual “strong man” leadership. Thus, the share or competition for political power is relatively restricted and political opposition is limited. Chinese state capitalism demonstrates a strong alliance between the state, labor and industry, called *corporatism*. Its ruling legitimacy is dependent on economic performance.

#### *From a civilization-state to a nation-state*

Before we can understand the unique factors of Chinese state capitalism, we have to first of all conceptualize the historical and cultural characteristics of the Chinese state. Like all countries in the world, China has since the *1911 Revolution*<sup>7</sup> identified itself as a nation-state<sup>8</sup>. However, for many scholars, especially sinologists and cultural-historians, China was, and still remains, in possession of the essential features of a civilization-state --- the longest unbroken existing polity in the world, dating back to 221 BC: the first unified Chinese Empire - the Qin Dynasty. Unlike Western nation-states, China's sense of identity comes from its long history as a civilization-state. That is to say, to entirely apply the unit of analysis and the logic of economic and political rationality of Western “nation-state” concept, a term that has its historical root in the formation of the modern nation-state system in Europe, to understanding China has been paradoxical. In other words, the political economy of Chinese state capitalism cannot be conceptualized in line with the theoretical frameworks of political economy derived from Western nation-state logic and rationality. The notion that China is a “civilization-state” rather than a “nation-state” was first raised by Lucian Pye in a very explicit tone:

The starting point for understanding the problem is to recognize that China is not just another nation-state in the family of nations. China is a civilization pretending to be a state. The story of modern China could be described as the effort by both Chinese and foreigners to squeeze a civilization into the arbitrary, constraining framework of the modern state, an institutional invention that came out of the fragmentation of the West's own civilization. (Pye, 1990:)

The central features of China as a civilization-state can be characterized by the fundamental social and political culture defined under the “man-rule” order. This order predetermines the narrow acceptance of a mono-moral and socio-political arrangement, in which Confucianism has been the ruling ideology for Chinese empires for centuries. Under this order the state not only enjoys natural authority but is also taken for granted as the guardian of people and

society. The power of the state permits no challenge, and its power is absolute, not relative. The state enjoys much greater natural authority, legitimacy and respect, as it is seen by the Chinese as the guardian, custodian and embodiment of their civilization. The duty of the state is to protect China's unity and integrity. The legitimacy of the state, therefore, lies deep in Chinese civilizational history. The Chinese concept is completely different from how the state is perceived in Western societies.

Therefore, after China's defeat in the Opium War<sup>9</sup> and especially when the imperial system broke down in the early 20th century after the 1911 Revolution, releasing a great deal of cultural iconoclasm among Chinese intellectuals toward Confucian political and moral order, it was still very rare to find anarchist defenders of self-interested individualism. It was still commonly accepted that the state granted rights and determined their limits (Ferdinand, 1991). Likewise, during the following periods of revolutionary socialism after the victory of the Chinese communist revolution, the role of the Chinese state was radicalized with the injection of the dictatorship of the Communist Party, i.e. a party-state<sup>10</sup>, in which orthodox Marxism and Maoism became the single paradigmatic and political moral order<sup>11</sup>, where Confucian stability and harmony was replaced by class struggle and political mobilization, which were radicalized for economic development and socialist construction. The economic reform in the past three decades has gradually separated the political role of the Communist Party and the administrative role of the state (government management).

In line with this background understanding, we can comprehend that China has been struggling to adapt itself to the Eurocentric framework of nation-state logic since it was forcefully pushed into being part of the capitalist world order. However, being a civilizational state for more than two millenniums China has also been struggling to *sinicize*<sup>12</sup> the adaptation process by injecting it with strong and enduring Chinese characteristics. In China's contemporary history, this *sinicization* process includes the periods of the Chinese Communist revolution, the Maoist socialist experiments and the Dengist market capitalism (Li, 2010b). Understanding the characteristics of China as a "civilization-state" provides a framework of understanding the Chinese developmental state and its unique state-market relations reflected in the so-called "Chinese model".

#### *The economic base of the political hegemony and the rising challenge*

Both Mao and Post-Mao Chinese regimes faced unprecedented challenges to the reconciliation between the maintenance of Chinese political identity (socialism) and economic

rationality and market mechanisms (capitalism). The Chinese socialist project not only involved arenas at political, economic and ideological levels but also took place at the levels of epistemology and ontology which Mao struggled to transform during his life time. For Gramsci and Mao, the struggle to build such a project represented an extremely difficult and complex task in which many obstacles lay in the realm of culture and ideology involving interactions between various relationships, such as politics, state, civil society, class etc. The importance of studying the Gramscian hegemony approach is that it problematizes the state-society relations under state socialism and brings to light some of its complexities. Through careful reviewing Gramsci's political thought and theoretical concepts as well as their implications, we are enabled to read Marx in the conditions of modern Western capitalism as well as of the experiences of the socialist experiment.

Gramsci's hegemony theory is also adequate to explain the post-Mao transformation and the new type of hegemony generated from marketizing Chinese socialism. That is to say, that the Chinese reform practices reflect some general qualities of the Gramscian hegemony theory in which the CCP and the post-Mao leadership have been adapting themselves in a process of "passive revolution"<sup>13</sup>, and the new hegemony is realized through a reconstituted historical bloc on the basis of convergence of interests and through neutralizing the pressures of various contending forces that might otherwise trigger profound structural transformations.

Over the past decades it has been a consensus that the CCP has shown a remarkable capacity and resiliency in the governance of China's economy and political stability. An interesting dialectic phenomenon is that on the one hand, economic progress has in some aspects reduced the power and influence of the CCP. But on the other hand, economic gains and rising living standards have also softened the social demand of political liberation and have created new legitimacy for the Party and state. Eventually the CCP is in a "riding tiger"<sup>14</sup> dilemma in which the credibility of the Chinese government has come to rest on its market performance, a tendency which makes it politically vulnerable to economic setbacks (Li and Christensen, 2010).

### **The State-market Embeddedness**

#### *Understanding developmental state*

Largely inspired by the intense curiosity about this first case of rapid industrialization outside the Western cultural sphere, Japan and the East Asian newly industrialized economies became the object of various academic studies and interpretations. The World Bank published a

special report on *The East Asian Miracle* (World Bank, 1993), which generated a global debate on the various factors behind the East Asian success.

The Chinese experiences can be explained by referring to the core features of the dominant paradigm for the development of what Chalmers Johnson calls the “Capitalist Developmental State”<sup>15</sup>. China’s catching-up strategy clearly resembled the East Asian experiences: building on a strong authoritarian leadership and an elite bureaucracy pursuing developmentally oriented policies, including the direct role of the state in governing the market<sup>16</sup>. China’s success in the last three decades of economic reform has been led by a strong and pro-development state that is capable of shaping national consensus on modernization and maintaining overall political and macroeconomic stability in order to pursue wide-ranging domestic reforms. There are a few unique features of this type of developmental state which have fostered the dynamic aspects of China’s economic growth:

- 1) It sees social and economic development as the over-arching objective of the state. It creates social stability and political predictability and maintains a manageable equality in distribution in order to prevent crisis between capitalist accumulation and class/sectoral exploitation. It plays a leading role in fostering, guiding and ensuring economic growth and technological modernization over the long-term.
- 2) It puts forward national development goals and standards that are internationally-oriented and are based on non-ideological external referents. It is eager to absorb worldwide development experiences without abandoning its own policy-making sovereignty as to when, where and how to adopt foreign ideas. The state is determined to plan an active role in financial control over the economy even in face of international pressure to liberalize its financial sectors.
- 3) It sets up an infrastructure of productive forces and labor markets which target the global market so that its export-oriented economic growth is sustainable on a long-term basis. Its national education system is also designed to serve the economic growth and foreign market.
- 4) It initiates state-driven industrial policies. It recognizes and empowers bureaucratic elites capable of administering the system and decision-making without being subjected to political influence by various interest groups so that it can function professionally and independently. On the other hand, economic policy-making processes involve close government-business collaborations in order to correctly respond to market signals.

5) It believes that free market mechanisms sometimes need explicit “administrative guidance” and “directed credit” which pick up the winners or prioritize some industries over others. Public and private sectors are promoted to work together to pursue social and economic goals. Government not only regulates business enterprises but also assists them with overheads and other preferential policies. It channels foreign direct investment to target strategic private businesses while business enterprises assist government to reach social and economic goals.

6) It does not allow liberal ideologies to confuse the national consensus and does not permit the development of political pluralism that might challenge its goals. It does not see Western democracy as a political system on its own that will necessarily lead to economic and social development. It believes what a country needs at its initial developmental stage is discipline more than democracy.

#### *Commodification of state institutions and marketization of bureaucratic power*

Many people might be puzzled by some underlying questions: how does a market economy emerge from a communist system? And can the emergence of market mechanisms and communist state politics coexist? In the Chinese case, many researchers including Wank find that the resurgence of private enterprise following the economic marketization does not lead to any weakening of the patron/client relationship as neoliberal theories would argue, but rather to the emergence of a new, more commercialized or cash-based form of clientelism (Wank, 1999), which is identified as a unique feature of “a market economy with Chinese characteristics”. The interweaving of the various forms of collaboration between the public and the private reveals an interesting combination of public-private co-operatives, where the “patronage” and the land are provided by the local government while the capital comes from private entrepreneurs. For example, some co-enterprises, particularly hotels and restaurants, in which the “public status” is bestowed by the local government whereas the funds are private, are leased to private operators, etc. What the state needs is to sustain its capacity to construct and maintain institutional environments that provide positive incentives to entrepreneurs and managers at the firm level to invest in economic growth.

Based on his ethnographic study of the role of personal-social ties between private entrepreneurs and local officials Wank elucidates the vitality and dynamics behind the success of the re-organization of China’s emerging market economy. To be inspired by the theoretical thinking of Wank (1999), we can identify the Chinese state-market corporatism as a type of

“institutional clientism”, i.e. distinctive features of the interactive relations between private business and state institutions including local political structures at various levels:

- Institutional clientism implies the transformation of institutionalized social relations from monopoly to marketization of the country’s resources, either through an official’s position or through clientist ties between private actors and office-holders. It is an integrating process in which policy-making and the controlling power of state institutions are incorporated into economic calculations and business activities that reflect market commodification values.
- State policies and decision-making rationalities on resource allocation are integrated into market competition logic in which local governments compete with each other over capital and labor resources by providing a competitive local policy, local infrastructure and business environment. But they nevertheless are centered on social relations including private businesses that seek to have a share of these resources. The state’s previous direct monopoly is replaced with new regulatory monopoly aiming at both facilitating and constraining market interactions such as licensing, quota allocations etc. This type of state-market clientelist relations can promote efficiency in an emerging market because it promotes long-term calculation rather than short-term speculation.
- Institutional clientism involves a reconfiguration process in which state politics are more directed toward market competitive ends. However, the new market system cannot function independently from the political system in which the legacies of the communist party-state create and constrain processes of cooperation and competition. This is because institutions are not neutral and they are culturally and socially conditioned. The party-state has been developing strategies in order to cope with the new changes. For example, the Party is willing to co-opt new party members including the new capitalists and create new links with other emerging organizations and social forces.
- Institutional clientism is maintained through an institutional framework in line with *social trust*. The new clientelist relations promote state-market cooperation, thus avoiding an “either-or” situation, i.e. either the politics politicizes the market or the market marketizes the politics. In other words, the market itself has no objection to political authoritarianism as long as it cooperates with market mechanisms. The emphasis of clientism is aimed at the maintenance of social order and political stability and such an expectation has to be understood and incorporated into market interactions.

- Since the patron-client relationships are based on social trust that reflects the interests of both sides, private business is keen on its ties with officialdom. In this type of relationship, “power is embodied not only in the monetary gains derived from trade but also in position in network. Diffuse forms of social, symbolic, and cultural capital shape relative resources and outcomes in interpersonal bargaining” (Wank, 1999: 31). To do business is understood not solely as utility-maximizing in market transactions but as cultivating the personal and social relations (in Chinese “*Guanxi*”<sup>17</sup>). The Chinese party-state likes to dine and dance with private business so that it is able to continue to control the politics while becoming enriched and strengthened by the market.
- The public-private clientelism unveils that formal legal property rights and the definitions of an individual entrepreneur are less important than the “social environment” in determining the outcomes of business activity and market performance. In other words, having a good relationship with local Party and state officials is much more central for securing successful business than the formal ownership classification of that enterprise. Commercial rationality in China is less determined by relying on market opportunities than by cultivating strong ties with “*Guanxi*” that in turn will facilitate those market opportunities.

These characteristics of “institutional clientism” have given the Chinese state two advantages. The first is that the market reform has not brought about politically independent social forces and autonomous business interest groups which can challenge the state’s power. Although private economies have become one of the main sources of government revenue, the entrepreneurial classes still rely on the political and institutional environment to survive and prosper, and they still need the state’s protection to solve their disputes and conflicts with other subordinate classes as well as to reduce their social vulnerability and precariousness. The second is that the emergence of private enterprises in reforming China’s socialist economy has not reduced the embeddedness of organizational decision-making, but rather it has spawned the development of new forms of embeddedness. It demonstrates the institutionalization of a symbiotic relationship between private business and government officialdom as the communist system transforms into a market economy.

**Conclusion Remarks: Rising Challenges Ahead**

This paper provides a framework of understanding Chinese state capitalism from the perspectives of the transformations of contemporary China from a civilizational state to a capitalist developmental state, and the unique state-market relations reflected in the “Chinese model”. The post-Mao market transition along with the institutional reforms is characteristic of a distinctive style of state capitalism in which the marketization of the former command economy, the active role of the Chinese party-state and local government, the variety of forms of property and business ownership, the traditional culture of clientele-based social relations, the institutional legacies of socialism, and the emergence of market-based institutions all provide rich empirical context to conceptualize and theorize the “embeddedness” characteristics and the new socio-institutional hegemony in the Chinese model.

Historically China has been able to display a capacity for absorbing foreign ideas and influences and sinicizing and transforming them into parts of its native value systems, such as the sinicization of Buddhism. Also historically the CCP has been attempting to sinicize China’s development path during different periods in line with its ideological transformations, such as “Chinese Marxism”, “Chinese socialism”, and “socialist market economy or market socialism” (Li, 2010b). Is Chinese state capitalism market socialism, or vice versa?

A challenging question facing China is whether it has the ability to sustain state capitalism without further institutional reforms regarding the rule of law, governance and accountability. There has been a continuing debate within China about the sustainability of its development model. China must carefully learn the historical lessons of “middle income trap” in which, when per capita income reaches \$10,000-12,000 a year, many developing economies seemingly tend to become stagnated and stop further development due to the lack of institutional change and adaptation.

One of the further reforms that need to be carried out is in the political domains. The rise of the Chinese middle class and civil societies together with the imperative tendency of societal pluralism brought about by modern technologies such as the internet, will sooner or later challenge the political economy of Chinese state capitalism. This is because the Chinese state-market relations, in spite of their relative stability, still need to be compatible with the increasingly pluralistic social formations, i.e. social classes, civil associations, and individualism. Political change and adaption in this new critical era seem to be inevitably indispensable.

If political reform is an inevitable consequence of China's economic expansion, is the CCP willing to further modify the political system to make the political economy of the state capitalist system viable? To find the definitive answer is very difficult. But an open-ended answer is that if the CCP is able to create state capitalism with Chinese characteristics, and it has shown in the past decades a capacity of resiliency in accommodating new challenges, it will presumably be able to establish a political economy with very evident Chinese characteristics as well in the coming era of varieties of capitalism.

## Notes

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<sup>1</sup> The word "capitalism" as a socio-economic system is seen by the Chinese party-state as being politically incorrect to be applied in formal and official Chinese contexts. Therefore, such expressions like "socialist market economy" and "market socialism" are considered more politically correct than "capitalist market economy" and "market capitalism."

<sup>2</sup> The phrase comes from Joshua Cooper Ramo's book *The Beijing Consensus* (2004). It is coined to describe what he believes to be a third model of development challenging the mainstream development discourses. It denotes a path to development that does not necessarily require conforming to free-trade neoliberal dogma defined by the *Washington Consensus*.

<sup>3</sup> "Trasformismo" used by Gramsci refers to a strategy of elite politics aiming at accommodating opposing forces that may disrupt the status quo and threaten the hegemony of the elite. It includes the creation of a flexible, centrist coalition of government to isolate the extremes of the left and the right and the incorporation of extended cultural, social, economic, and political networks.

<sup>4</sup> Although it is recognized that Chinese economic reform contains many disembedding elements where the economy (market) is empowered to play its due and logical roles, there has been a strong "visible" hand to embed the market reform with political establishment and with socio-cultural settings.

<sup>5</sup> According to the Marxist original definition of "capitalist", which is defined in terms of "ownership of means of production", there would be no single capitalist in China after the nationalization of means of production

<sup>6</sup> A clear and comprehensive definition and information of China's state-owned enterprises (SOEs) can be found from Szamosszegi and Kyle (2011).

<sup>7</sup> The Republican Revolution of 1911 overthrew the last dynasty – the Qing Dynasty (1644–1911) and turned China into a republic. It is also called *Xinhai Revolution* in Chinese because the year 1911 was a *Xinhai Year* in the sexagenary cycle of the Chinese calendar.

<sup>8</sup> The emergence of "nation-state" as a notion and a unit of international relations is a relatively contemporary phenomenon formally derived from the Westphalia Treaty. The

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political and cultural legitimacy of a nation-state is based on sovereign and ethnic entity within a defined territorial unit. Historically and culturally as a civilizational state China was not familiar with the nation-state framework of understanding.

<sup>9</sup> The opium wars (1839-43, 1856-60) were fought between Great Britain and China. They began when the Chinese government tried to stop the illegal import of opium into China by British merchants. China was defeated in both wars. As a result, western powers especially the British gained significant commercial privileges and territory.

<sup>10</sup> China is a single-party state, in which the Chinese Communist Party (CCP) as the ruling party forms the government, and no other parties are permitted to run candidates to replace the ruling party. Even though China has a few more political parties, they more or less function as allied parties and as the symbol of national unity, democratic politics and political participation.

<sup>11</sup> Even the neo-Marxist theories, such as Kauskysm and Gramscianism were not accepted to exist in parallel with orthodox Marxism and Maoism

<sup>12</sup> “Sinicize” implies a process of transforming any foreign idea, value, practice and international relations into Chinese in character or to change or modify them with Chinese influences, such as the sinicization of Marxism, the sinicization of socialism and the sinicization of capitalism.

<sup>13</sup> The Gramscian notion of “passive revolution” refers to a style of state class politics in which far-reaching modifications in various societal domains are accepted by the ruling class in order to respond to organic crisis and to defuse social contradictions. This “compromising modification” aims to regenerate the realization of general consensus or consent through which social control is maintained

<sup>14</sup> The Chinese idiomatic expression of “Riding tiger” bears the dialectic implication of dilemma situation in which one enjoys the power of riding on the back of a tiger, while finding it hard to get off for fear of being bitten.

<sup>15</sup> The notion of a “capitalist developmental state” was first applied by Chalmers Johnson, who uses this term to describe the state-market relations in Japan and other newly industrialized countries, such as South Korea, Singapore, Taiwan and Hong Kong. See Johnson, Chalmers (1982) *MITI and the Japanese miracle: The growth of industrial policy, 1925-1975*. Stanford, California: Stanford University Press; and Johnson, Chalmers (1995) *Japan: who governs? The rise of the developmental state*. London: Norton.

<sup>16</sup> There is copious literature on the newly industrializing countries in East Asia, such as Evans, Peter (1990); Haggard, Stephan (1986); Wade, Robert (1990); Weiss, Linda & Hobson, John M. (1995); Woo-Cumings, Meredith (1994); etc.

<sup>17</sup> Guanxi means personal “relationship” and “connection”. In China it is the right “Guanxi” that makes a big difference in ensuring successful business. By getting the right “Guanxi”, enterprises and institutions can minimize risks, frustrations, and disappointments when doing business in China. It is acquiring the right “Guanxi” with the right people, the right network and the relevant authorities that will determine a business’ competitiveness.

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## Book Reviews

Ashley Kim Stewart\*

**MARCUS POWER, GILES MOHAN AND MAY TAN-MULLINS - *CHINA'S RESOURCE DIPLOMACY IN AFRICA: POWERING DEVELOPMENT?***

Timothy M. Shaw (ed.): International Political Economy Series, published 17 July 2012, Houndmills, Basingstoke: Palgrave Macmillan, 352 pages, ISBN: 978-0-230-22912-9.

Since the redoubled interest that China has shown in cultivating its relations with African nations, there have also been extensive and long-running debates about its aims and motivations, some of which have been quite heated and even, at times, vitriolic. *China's Resource Diplomacy in Africa: Powering Development?* contributes to these current discussions and debates in the – often somewhat murky – field of Sino-African relations, by continuing the trend of arguing that a more-nuanced view of Chinese engagement in Africa than that which has been offered in IR until relatively recently is necessary.

In this broad-scoped book, which seeks to use a novel approach in studying China-Africa relations, Power, Mohan and Tan-Mullins state that they intend to use representations of negative views of China in Africa “as a springboard to explore a number of important issues that [they] feel are vital in analysing the complex and changing relationships between China and Africa ... to factor in the rise of China in the context of major geopolitical and geoeconomic shifts ... [create] a disaggregated analysis of China-Africa relations ... [and] to reinsert African agency into the picture” (pp. 8-9). In doing so, they unlock another side of the gradually-expanding awareness in IR of a need to rethink current interpretations in the wake of the global financial crisis and transforming global economy, including the materialisation of so-called ‘rising powers’ or ‘emerging actors’.

The volume, which uses Angola and Ghana as comprehensive case-studies throughout, starts out by contextualising the conventional discourse surrounding China-Africa relations, and gives a broad overview of the mercantile, cultural and migratory facets of their lengthy history over two millennia and into that of the more-modern aid and development aspects, with their corresponding constructed narratives. In the opening chapters there is also a more-detailed analysis of the African repercussions of Chinese policies in various industries,

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sectors, and projects – including a useful comparative breakdown and summary of the four Forum on China-Africa Cooperation (FOCAC) action-plans. Afterwards there is an exploration of the development of Chinese-African trade and markets partially due to the expansion and restructuring of the Chinese economy and its international investments (including its significant policy of supporting state-owned enterprises abroad), and then an inclusive debate of to what extent China – especially because of its socialist elements – may be described as neoliberal.

This is followed in the second half of *China's Resource Diplomacy in Africa* by examining Sino-African development cooperation, comparing and contrasting it (and the various responses to it on two levels) with 'traditional' aid to Africa along historical, modality, strategic and structural lines, before scrutinising the political economy of these relationships, looking at the impact of Chinese engagement in Africa on institutions such as governance and stability, and the civil-society and media responses to it. The book later turns to environmental concerns about the Chinese presence in Africa, and looks at both the abundance of anaemic African policy-milieus and Chinese businesses' increasing awareness of – though not necessarily compliance with – corporate social responsibility. Finally, the authors consider China's approach to Africa in a geopolitical context: analysing China's past and contemporary use of 'soft power', cataloguing states and organisations currently engaging with Africa, teasing out the array of Chinese foreign policy actors, and recent policy developments.

*China's Resource Diplomacy in Africa* weaves elements of political economy, political ecology, neoliberalism, postcolonialism, globalisation, geopolitics, and IR and critical IR theories in a very interesting way into what the authors call a 'postcolonial geopolitical economy' approach to study the mounting interactions between Chinese and African governments, economic, corporate and development sectors, and the implications of these interactions, including on governance, the environment, and African civil-society. This extremely timeously-published book comes at a stage when the international order is being restructured; traditionally-dominant economies have undergone adjustments and restrictions necessitated by the global financial crisis and its aftermath, while many emerging economies – including those in Africa and Asia – not only seem to have gotten through the crisis comparatively unscathed but are positively thriving, experiencing faster growth-rates than ever. This makes a creative and novel analysis, such as the one in this book, of the qualities and growing scales of these transformations and their consequences especially important in

working towards building a conceptualisation that incorporates and explains these changes and predicts likely outcomes. One point that the book states that it intends to make but does not quite achieve, is to answer a question it initially poses: the complex issue of *how* the current understanding of international development should be transformed in light of the rise of China, except to say that it should be more-nuanced. While it is rapidly becoming a consensus in some spheres of the Sino-African relations domain that this needs to be done, this book may not contribute directly to the (likely to be long and difficult) task of fostering a comprehensively reformed re-construction of current IR interpretations of China's – and also those of other emerging actors – dealings in and with Africa.

The volume takes a wide-ranging approach, looking at the Sino-African relationship on many levels and from a variety of perspectives, which makes for a broad and comprehensive analysis and a more-balanced view. It is illustrated throughout by photographs of the range of the Chinese presence in projects and commerce in various African countries, and also deftly by images of fascinating Chinese propaganda-posters on China-Africa relations and interactions from the Stefan R. Landsberger collection, which offer thought-provoking insights into the perspectives that the Chinese government would like their citizens and those of other nations to have about their international interactions with Africa.

Marcus Power, Giles Mohan and May Tan-Mullins' well-written *China's Resource Diplomacy in Africa* will be of particular interest to China-Africa scholars and recognised as a valuable contribution to the discipline, presenting an excellent exploration of and deepening awareness about the nature and scope of Chinese interests in Africa and contextualising the concerns that have been raised about them.

**THEIRRY BANGUI – CHINA, A NEW PARTNER FOR AFRICA'S DEVELOPMENT: ARE WE HEADING FOR THE END OF EUROPEAN PRIVILEGES ON THE BLACK CONTINENT?**

Asian Political, Economic and Security Issues Series & African Political, Economic, and Security Issues Series, published March 2012, New York: Nova Science Publishers, 192 pages, ISBN: 978-1-613-24923-9.

Most of the discourse on China-Africa relations (like that of many academic fields) has tended to be Western-dominated, and has paid relatively little attention to Chinese and African opinions. Theirry Bangui's *China, A New Partner for Africa's Development: Are We Heading for the End of European Privileges on the Black Continent?* would like to redress this imbalance and provide an African voice in the discussion. It seeks to answer four questions: "Are [critical Western opinions of China's engagement with Africa] justified? Are

they shared by the African people? Is the growing Chinese presence an opportunity for the continent? What is the role of the West and especially of Europe in Africa today?” While it is not always clear that there is a definitive answer to these questions and others asked throughout the book, this volume does open a conversation about these important questions, and attempts to give a different perspective than that which has dominated the media over the last decade or so. Bangui’s standpoint is atypical in the body of Sino-African literature as it comes from his stance as a non-academic in this field, but perhaps represents a more-popular view.

The book, which is divided into three parts, starts out with a discussion of the nature and increase in the level of China-Africa interactions, including trade and infrastructure, and the viability of China as an alternative to Africa’s more-traditional Western partners. This is followed by a very brief description of the FOCAC action-plans and those of other meetings African countries have had with other emerging partners, and of the “grey areas” in Chinese-African cooperation, including conflicts between Chinese employers and African workers. There is also a chapter in which the author disagrees with Western criticisms on the issues for which China is most-often censured for not protecting and even worsening: good governance, environmental concerns and human rights, and the blame for these problems is portioned to ex-colonial powers too. The second part of the book, which is concerned with Africa-EU relations, first gives a short historical overview of them, and then a portrayal of European reactions to emerging actors in Africa. Afterwards, there is a chapter about selected European dealings in Africa (with a particular emphasis on those of France), and subsequently the final part of the book begins with some remarks on the growing potential and economies of African countries and regions, and, after that, a mention of some of the impediments to African development.

There is a growing trend in discussions on the Sino-African relationship to recognise that African agency, although often significant in directing the interactions themselves, frequently does not play a part in current IR interpretations of them. This book strongly emphasises the need for this recognition, and also the need for African agency to play a bigger part in managing future relations. There are some sweeping overgeneralisations in the book, and also an inclination in places to make statements without supporting data or concrete examples. However, other parts of the volume contain ample quotes and interviews, which help to personalise the text and offer many concrete examples as illustrations in those sections.

*China, A New Partner for Africa's Development* accuses the usual China-Africa popular commentary of being overly critical, unbalanced, and too Euro- or Western-centric. However, by attempting to mitigate this, it then falls into the same trap and makes a similar mistake. In places the book is too *uncritical* of Chinese engagements in Africa and uses the approach of pointing out that 'the West used to do it too', which distracts from the criticism but, it could be argued, fails to actually answer it. For example, the book praises the Chinese for being hard workers who do manual labour working in 12-hour shifts, but does not mention any human rights concerns in this regard, and notes that the Chinese do not have a monopoly on underpaying African workers, but does not discuss whether this exacerbates problems like fewer human rights- and employee-protections and easily-exploited workforces in some African countries.

Bangui begins the book by differentiating geopolitics from 'geo-strategy', opting to use the latter and defining it as "the implementation of operational tools to serve a great purpose of international or military policy. It is a method of political action in space, a study of power relations between powers, from all geographic angles" (xvi), but then does not appear to return to a discussion of this (or any other) theoretical position again. This volume, whose tone might be described as non-academic in places, is also somewhat out of date; for example it does not include South Africa's entry into the BRICS countries which would be relevant in a discussion about emerging actors in Africa, does not seem aware of China's own 2011 accounts of it having prioritised Africa over all other regions to which to donate its foreign aid funds since 2009, and it vastly overestimates the amount of Chinese aid, which according to the most recent and comprehensive data available now is much smaller than was previously thought.

While it offers an important viewpoint on the Sino-African debate, having been written by an African from what Thierry Bangui asserts is "an African perspective" on China's interactions with Africa, when too often the loudest voices in the commentary have been Western ones, *China, A New Partner for Africa's Development's* contribution to the academic discipline of Sino-African relations is unclear. The book is more likely to appeal to the general public than to Sino-African scholars, especially those members of the public who would like to read a more-contentious view of this increasingly-important relationship.

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