

China's Foreign Policy Under New Leaders: Continuity or Change?

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Introduction

With the leadership transition in China now firmly under way, what can we expect on the Foreign policy front. Before and after the Party Congress there has been a lot of speculation about whether China's new leadership was more or less inclined than the previous one to pursue domestic economic and political reform. Reform in this context was generally conceived by the authors as some thing that would benefit both China and the Rest of the World. Here we examine the implications of leadership change for China's Foreign policy. In my view the broad direction of China's Foreign policy has been clearly set during the last few years (post 'Great Recession'), with the full participation and approval of the new Party Secretary and Chairman of the Military Commission, Xi Jinping. However, the manner in which this policy will be implemented is still in the process of being worked out and this will be done by the new leadership in the next few years. Thus we may see a mix of continuity in broad direction with change in the manner in which it is detailed and implemented.

Precursor: Changing Policy Towards India

From 2003 to 2005 India-China relations made genuine progress, culminating in the signing of an agreement by Chinese Premier Wen Ji Bao on his visit to India in April 2005. Two important elements and indicators of progress were,

- (a) The deal on Indian recognition of Tibet as a part of China in return for China's recognition of Sikkim as a part of India.
- (b) An upgraded joint boundary commission that finally seemed to be coming to a grip on the boundary issue.

This was an indication that party elements supporting 'Peaceful rise,' were dominant till 2005. This was also reflected in Chinese policy towards Taiwan, namely the Pan-Blue visit of Taiwanese to China in April 2005 and the subsequent Hu-Len Chen meeting. However, even in the case of Taiwan the soft (peace) line-hardline balancing Act was visible in the passing of the Anti-Secession law in China, which said that China could use force if Taiwan declared formal independence.

However, in 2006 there were indications of the emergence of differences within the Chinese leadership on policy towards India. On the one hand President Hu Jintao's visit to India in November 2006, seemed to go pretty well, with a fairly positive Joint Declaration at the end of the visit. On the other hand, just before the visit, the Chinese Ambassador to India, Sun Yuxi gratuitously queered the pitch by bluntly claiming that the Indian State of Arunachal Pradesh was entirely a part of China.ⁱ Wiki leaks later reported that both the Indian and Chinese leadership were surprised by this undiplomatic (in your face) statement prior to a goodwill visit of the Chinese Party Chief and President. A number of other pinpricks to India followed, such as refusal of visas to residents of Jammu and Kashmir.ⁱⁱ

In May 2007 China refused to grant a visa to an Indian Administrative Service (IAS) officer from Arunachal Pradesh, suggesting that there was a viewpoint within the leadership arguing for a tougher stance on the India-China border issue. It is possible that the hardline viewpoint, generally associated (by scholars) with the PLA, were drawing negative implications for China from the Indo-US Civil Nuclear Agreement signed in July 2005 and that this negative view took about a year to emerge and even longer to be heard and discussed in the Standing Committee.

A more forceful stance by China also became visible in the South China Sea from 2007. It was not until the Sichuan riots and the anti-Han agitation in Tibet in 2008 (followed by the Uighur (Urumqi) riots in Xinjiang in July 2009), that the balance of power between the hard line and the “peaceful rise” viewpoints began to shift towards the former. The IAEA and NSG approval of the India Nuclear agreement in August 2008 and September 2008 respectively, probably strengthened the hardline viewpoint in the Standing committee. In fact China’s earlier position that India had the right to acquire “Nuclear Weapons” and thus have the “Nuclear Weapons State” status, began to weaken. As a consequence, China started issuing stapled visas to residents of Jammu and Kashmir in 2008.ⁱⁱⁱ Further, in an unprecedented move that violated the accepted convention that multilateral institutions ignore political disputes in their loan proposals, China formally opposed in March 2009, the granting of an ADB loan to India in which part of the loan was for a project in Arunachal Pradesh.^{iv}

Global Financial Crises and Great Recession

2008 was also the year of the US triggered Global Financial Crises. With the whole World including China affected by the October 2008 financial market collapse and each country engaged in a fiscal and monetary stimulus to stave off permanent damage, it took a year to recover and realize the differential impact the crises would have on China’s economy (and its position in the World) relative to the USA and Europe. This immensely boosted the confidence of a majority of the leadership and the ambitions of the hardline elements. It appears that the increased confidence vis-à-vis the USA and the West was enough to convince the majority to take a tougher stand on India. One manifestation of this was the refusal to grant a China visa to an Indian General who was to lead an official military delegation to China in June 2010. The only ground for refusal was that he headed the Northern Command of the Army under whose jurisdiction the defense of J&K and India’s North Western border with China came. India responded by cancelling the visit. More importantly this tougher Chinese stance was applied around the same time to a third front, the East China and South China Seas.

A Trip and A Forecast come True

In 2006 I was invited to Beijing by the IMF to speak on India-China trade. To my surprise and delight I also received an invitation for a seminar at the Central Party School in Shanghai.^v On the flight from Beijing to Xian on China South West airline I chanced on the map of China at the back of the airline magazine. I was intrigued to see a continuous dotted line encompassing virtually the entire South China Sea, implying that it was a part of China. A few days later on a flight from Xian to Shanghai on China South East Airline, I found an identical map in the airline magazine. This appeared to go well beyond the “nine dotted line” or “nine dash line” adopted by China in 1949. On my return from this fascinating and highly enjoyable trip to China, I made a prediction (to friends in the international relations community) that after China had settled the Taiwan and Tibet (and Uighur) issues to its satisfaction the focus of Chinese National interest would shift to the South China. At that time I did not have the faintest inkling that a Global financial crisis was imminent, which would accelerate this process by a couple of decades!

The Giant Begins to Stir

In May 2009 China submitted a note verbal to the United Nations Commission on continental shelf, extended claims embodied in the “nine dotted line” covering about 2 million square kilometers of sea area within the dotted line or 80% of the South China Sea.^{vi} Chinese writers have referred to these as “historical waters,” “water territory,” “ocean territory,” “maritime territory,” or “territorial seas.” In early 2010, reports began to emerge of Chinese officials, referring

to the South China Sea as a “Core Interest,’ or core national interest.’ In May 2010, Secretary of State Hillary Clinton was reported to have said that Chinese officials had referred to the S China Sea as a ‘core interest.’ Till then the officially acknowledged “core national interests,” that China would use force if necessary to preserve, were Taiwan, Tibet and Xingjian. At the ARF meeting in Hanoi in July 2010, Foreign Minister Yang Yiechi clarified in response to complaints from ASEAN countries about the S China Sea tensions, that, “China is a big country and others are small country and that is just a fact.” In September 2010 China clashed with Japan on a Trawler incident and retaliated by halting Rare Earth exports to Japan. In the spring of 2011 Chinese Marine Surveillance ships clashed with Philippine and Vietnamese survey ships.

In May 2012 China started issuing E passports, which it was later discovered (news broke only in November 2012) contained a map of China that included Arunachal Pradesh, Aksai Chin and the South China Sea as part of China.^{vii} Analysts have made statements down-playing the significance of this move, but to the *author it is the culmination of a process of a five year debate within the party and a signal of China’s international aspirations/agenda for the next 5 years.*

China’s Foreign Policy under Xi Jinping

The Global financial crises has exposed to China the weakness of the US and European economy and political systems. This and the fact that it could continue to grow at a reasonable rate have convinced a majority of Chinese leaders that they are now a Great power that can stand up to the US. There is a significant minority that understands the weakness of the Chinese economy and political system and is therefore more inclined to a softer approach of “peaceful rise.” However the new majority is more hardline in its approach to international relations and security. China is therefore likely to adopt a great power approach to foreign policy in which it is willing to use its economic, financial, diplomatic and military muscle to push its interests. It is also expanding its ‘core’ or ‘near core’ interests to include the South China Sea. In this process the smaller States on its periphery, most of which happen to abut the S China Sea, are the most likely to feel the heat, if their national interests clash with those of China. It will continue to militarily strengthen its “Access denial” strategy vis-à-vis the USA, and while continuing to probe US resolve, likely take a harder line towards countries like Japan that it views as its proxies.

India in Chinese Foreign Policy

India is in a somewhat anomalous position. On the one hand, India is the third largest economy in the world. Even though it is 40% of the Chinese economy, it was the same size as China as recently as 2003. Viewed from China’s perspective it currently looks like a very chaotic place that is unlikely to close the gap with China. On the other hand it is home to the Dalai Lama and borders the Tibetan Autonomous Region of China, “a core national interest” of the Chinese leadership. Thus policy has fluctuated between soft and hard line, depending on developments in Tibet and the international situation. There is in our judgment a high probability that China’s approach to India will continue unchanged from one that has emerged since 2007, which is to lay down an extended claim (beyond what Premier Chou en Lai officially offered to settle on decades ago), freeze the border discussions till such time as India concedes its bottom line demand (seemingly including Tawang and its religiously significant monastery) and continue to develop relations on other fronts. This policy is likely to continue till such time as *either,*

(a) India’s medium term growth rate exceeds that of China and the Chinese party leadership is persuaded that the Indian economy has started closing the economic gap with China (catch up).^{viii} In this case a reasonable solution of the boundary question may become feasible. India must therefore continue to pursue greater economic and diplomatic interaction and co-operation with China so that those elements in China who still believe in “peaceful rise” are in a position to make a convincing case for a resolution of the border issue.

or

(b) The passing of the Dalai Lama, creates a threat of turmoil in Tibet and an opportunity to replace him with a docile 'Party Lama' inside Tibet. In this case the probability of the hardline viewpoint in China arguing in favor of "teaching India a lesson" will rise sharply. Thus it is imperative for India to strengthen its defenses and diplomacy to effectively deter an attack, by raising the cost and risk to the attacker.

Conclusion

China's Central foreign policy goal since 1980 has been to create an external environment in which China's economic growth could be maximized based on a model of growth that preserved the dictatorship of the Communist Party (the "proletariat" in Marxian terminology) within the country. The secondary goal has been to eliminate any challenge (as perceived by the party) to its "core national interests" relating to Taiwan, Tibet and Xinjiang. The US financial crisis of 2008 and the Euro crisis that followed changed the perception of the majority of Chinese and strengthened the position of the more nationalistic and hardline viewpoint in the Party leadership. Firstly the US was no longer seen as an economic role model and fount of economic wisdom. More importantly it was no longer seen as infallible or invincible, it became a "normal" country that China could compete against, not just the top dog to whom China must play subordinate role in the Global hierarchy.

The first half of Hu Jintao's leadership, from about 2003 to 2006, was characterized by a relatively more realistic appreciation of the limited role of India in any domestic strife that was occurring in Tibet. Therefore, the "peaceful rise" approach appeared to dominate China's approach to relations with India. Considerable progress was made in normalizing India-China relations and settling the border dispute. However, starting around 2006, the hardline viewpoint seems to have gradually asserted itself and policy began to change and become more aggressive from 2007 onwards, resulting in a setback to and freezing of progress in the Sino-Indian border dialogue. The relative role of unrest in Tibet vis-à-vis the dramatic improvement in Indo-US relations, is not entirely clear at this point.

From 2009, the focus of the leadership and its hardened approach appears to have shifted from traditional 'core interests' to the new frontier, the South China Sea. In 2009 the Chinese government formally submitted a map of China to the UN that suggested that virtually the entire South China sea was Chinese maritime territory. In 2010 there were hints given to top US officials that the South China Sea may be a "core interest" of China, next in importance to the traditional ones. In 2012 China started issuing E-passports that contained a map of China that left little doubt of its claims on the Indian State of Arunachal Pradesh and the South China Sea, thus putting a stamp on its foreign policy agenda for the next decade. There are also indications that China may focus its attention on the new frontier, the South China Sea, while freezing the Indo-China border dispute (and other core issues) to a more opportune time from China's perspective. This does not mean that China will give up its broader national objectives such as strengthening its maritime presence in the 'second island chain' and the Indian Ocean, only that it is likely to be relatively less aggressive and more diplomatic in its approach there, than in the South China Sea.

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ⁱ <http://www.rediff.com/news/2006/nov/14china.htm> .

ⁱⁱ There were also probing military intrusions across the line of control on the Indo-China border.

ⁱⁱⁱ “Escalating Tactics: China’s Stapled Visa Regime, “ IIT Madras, China Studies Center, 28 July 2011. <http://csc.iitm.ac.in/?q=node/39>.

^{iv} <http://www.indianexpress.com/news/indiachina-faceoff-worsens-over-adb-loan-for-arunachal/459910>. Indian express, 2009

^v My main point at the seminar was that Raul Prebisch- Hans Singer hypothesis about trade between the “Center” (developed USA) and the “Periphery” was ironically coming true for ‘China (Center)’ and the ‘Less developed natural resource rich countries’ (the periphery). At the Shanghai, party school it was fascinating to be seated next to a person heading a labor NGO, who was interested in learning about the numerous NGOs in India. I talked about the impossibility of maintaining China’s Export-Investment model after China become the largest exporter in the World and Investment passed 50% of GDP. The elements of the solution were clear: A shift in focus (1) from foreign to domestic markets, (2) from investment to consumption, (3) from manufacturing to Services. One simple policy that did all these was to lift the direct and indirect control on wage rates which were a fraction of what they would be in a market economy with a per capita GDP equal that of China.

^{vi} This was in response to a joint Malaysian-Vietnamese submission to the UN committee relating to the continental shelf beyond 200 miles.

^{vii} The map does not have an explicit reference to the Senkaku islands in the East China Sea, at the center of the China-Japan confrontation in these waters. This perhaps indicates its status as a minor territorial issue, not to be considered as a “core national interests”.

^{viii} Published growth projections (Virmani(2004, 2005, 2006)) been based on the prediction that China’s economic growth will slow below that of India by the middle of the current decade. This assumed the China’s growth would slow, while India’s growth continued at the last 10 years (6% per capita). The former seems very likely, while the latter seems a little less certain right now.