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## Non-committal Entanglement: China's Foreign and Security Policies 20 Years after Tiananmen

Twenty years after the events on Tiananmen Square, or the "June 4th incident" (*liùsì shìjiàn*) in Chinese, internal matters still determine the directions of Chinese foreign policy. Because of its unbalanced levels of economic and political development, China's internal situation has become more complex, while the political leadership finds it increasingly difficult to handle domestic political and social problems in a pragmatic manner. Additionally, social discontent, populism as well as political factionalism and clientelism make maintaining the centralistic *status quo* and keeping institutions at bay a delicate balancing act for the leadership in Beijing.

The necessity to back up economic development by external trade as well as engagement in commodity and increasingly investment markets makes it practically impossible to separate internal and external politics. Yet, despite the growing global interdependencies Beijing exactly tries to do this. In order to be able to maintain control over its development, China is still highly protective of its economy. It rejects external interference with increasing decisiveness and tries to cover up internal social and political issues and tensions that could have an

impact on foreign policies. In so doing, China leaves the rest of the world guessing about its intentions and possible future commitments in international affairs.

In international affairs China remains a pragmatic player that gradually tries to define the level of its international engagement while confronting numerous internal and external limitations. During recent month stronger appearances in military affairs and global economy have made headlines, indicating that a more pro-active stance can be expected. Officially Beijing is committed to dialogue relations and cooperation. As regards issues of common concern such as climate protection, external development, trade and security China has invited cooperation. Yet, binding international agreements are still rare. Beijing avoids International engagements that would delimit Beijing's scope of action and develop an independent international identity. All these factors have made China one of the most controversially discussed international players of today.

Its increasing international economic weight and punishment of those disregarding its international status have raised caution

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### Abstract

China is one of most the controversially discussed international players of today. The events on Tiananmen Square in June 1989 have lastingly tainted the image of the CCP leadership abroad and has led to misperceptions about China's internal political landscape. Yet, today as the position of the CCP is weaker than ever before the government's failure cannot be in anyone's interest. With its pragmatic orientation without a formally differentiated political system, the leadership is doomed to perform efficiently and bring social and economic development forward. However, in international affairs Beijing has earned itself a reputation of implementing "going-it-alone" policies and although it is in China's interest to cooperate internationally on global governance issues, Beijing has been slow in committing itself to formal cooperation.

A non-committal foreign policy will in Beijing's view provide China with scope for action to react fast to internal and external needs and the policy brief below will explain where and how.

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among policy-makers abroad. Sanctioning China for internal matters and international actors, such as the EU or the US, have refrained from such measures. Additionally, increasing international acceptance of China's complex domestic situation and elite composition have significantly changed the international perspective.

This policy brief suggests that closer engagement with China needs more in-depth expertise on China's domestic situation and political settings. Only in this way the expectancy-capability gap towards China's foreign policies can be overcome. Beijing needs to cooperate and engage in solving international issues in a way that does justice to its international status. Demands for active and binding cooperation and the input of Chinese perspective on common approaches must take place in output-oriented dialogues and on an equal basis. In strategically difficult situations indirect cooperation might help Beijing to engage and cooperate on a greater number of issues. In this way China can become proactive without directly standing in the international lime light or act in ways that affect internal sensitivities.

### **Internal Politics - Now and Then**

During the past two decades the political landscape in China has fundamentally changed. Yet, the new political elites have in common a concern for social stability, pragmatic policies which prioritize economic

development and fostering the next steps of economic transformation

In terms of government stability the position of the Chinese Communist Party (CCP) is arguably weaker than ever before. In the one-party-system it is taking not only all credit but also blame and shame for success and failure of the country's economic and social development. Since the Tiananmen incident ideological legitimacy has receded and was replaced by a pragmatic attitude, if not a pragmatist ideology. The government is doomed to perform and react fast to problems arising from China's economic growth.

In China the close connection between social stability and elitist interests are at the centre of political considerations and is a determining factor in many policy areas including external relations. The government gains its strength and legitimacy from effective macro-management and its ability to respond fast and efficiently to economic and to lesser extent social challenges. While Beijing has demonstrated the ability to respond to rising inflation and the current financial crisis relatively quickly, it has constantly facilitated the country's economic development.

With rising living standards in urban centres and the East coast the leadership's pragmatism was well-received by the relatively rising stratum of wealthy Chinese. Macro control and social policy programmes such as land reform, agricultural tax cuts, regulation of the housing

market or social security reforms have helped to counterbalance some side-effects of rapid economic growth and to adapt to a fundamentally transforming society.

As far as social micro-management is concerned severe shortcomings exist especially in areas such as anti-corruption and public services. Here many observers identify Beijing's Achilles' heel. Although social stability is a concern shared by all political elites, they have failed to effectively address the central problems of corruption and nepotism. Both issues are origin of many other problems such as environmental pollution, labour standards, misuse of power by officials or land expropriation at the local level. Hence, pragmatism prevailed in social reform as long as it did not concern matters of party reform and control over provincial and local leadership. Yet, problems caused from out of the ranks of the CCP are not a secret and in recent years even top-level functionaries were not immune to utmost punishment.

The elite constellation and their interests have been a central determinant for social stability since 1989. Although the constellation has substantially changed for today's leading party factions cooperation is a matter of survival. The gatherings on Tiananmen Square took place on the occasion of the decease of former Secretary General of the CCP Hu Yaobang. The students demonstrated against prevailing

nepotism. Hu was considered as a liberal reformer who followed his pragmatic “seeking truth from facts” motto and sought to achieve a generation change in the leading ranks of the party. He was forced to resign after in 1986-87 student demonstrations had taken place against the slow pace of reforms and, perhaps, an opening to Western ideas.

According to the information available today, inner-party competition eventually led to the violent turn on Tiananmen in 1989. Disagreements existed about generational succession and accelerated reforms in response to the rampant inflation of the time. The old guard of the party back then regarded this as an intolerable “liberal attitude” and instead championed re-centralisation of economic control and averting of further Western influence.

In the late 1980s a significant part of the intellectual elites in China supported political reform and democratisation. Affinity to Western-style economy and political system was widespread amongst Chinese intellectuals. In the aftermath of the crackdown in 1989, however, the liberal intelligentsia was seriously weakened. Ideological struggles inside the party ceased to exist and with increasing economic growth the public underwent a de-ideologisation. During the 1990s the public ideological void was in parts filled by nationalist ideas. Publications such as the controversial book *China can say no* fuelled sentiments in the public. The nourishment of nationalist sentiments that gradually

replaced affinity to the West and pro-liberal ideas by Western “China bashing” are still not yet entirely understood. Similarly the question of whether nationalism serves the CCP’s interest or eventually might pose a threat to its rule remains unanswered..

The 5th generation leadership under President Hu Jintao still draws its lessons from the trends between 1986 and 1989: Whereas internal party struggles should not be publicly displayed, public order and social stability are paramount. Today leadership transitions in Beijing are unprecedentedly smooth, yet the leading elites are by no means cohesive or free from fundamental disagreements. Informal groups competing over policy competence and power have replaced ideological differences as Beijing’s priority to create a sustainable basis for managing China’s economic transformation in times of crisis does not allow (open) zero-sum inner-party power games. Because of common issues such as the challenges of effectively managing the impacts of international markets in China’s export driven economy, elites are bound to cooperate.

The inner-party political factions are primarily based on the kind of party career their members have been going through. Ideational differences only result from their social standing and experience. The so-called “team of rivals” (*zhengdi tuandui*) in the Politburo under the leadership of Hu Jintao consists of *tuanpai* (*gongqing*

*tuan bangpai*) and *taizi* (princes). *Tuanpai* means Youth League Faction and is derived from their membership in the Youth League of the CCP (*Zhongguo Gongchanzhuyi Qingniantuan*). The leaders coming from this group have absolved a bottom-up party career in the provinces. They are aware of social problems and tend to popular policies dealing with problems on local level. Due to their down to earth upbringing the *tuanpai* pursue a quasi-ideological focus on stability based on the concept of “harmonious society”. Current president Hu Jintao, Premier Wen Jiabao as well as possible future leader Li Keqiang can be considered as members of this camp.

The faction of *taizi* or “princes” is composed of the offspring of former high-ranking political elites who grew up in the East coast provinces. They usually pursued their careers in the private sector and are said to act in the interest of China’s economic elites and rising mid-income classes. Prominent representatives are the rising political heavyweight Xi Jinping or former Minister of Commerce and current Party Secretary of Chongqing municipal province Bo Xilai. Their economic agenda is targeted at market liberalization, support of the economic sector and the growth of GDP.

In the current economic situation with the international financial crisis impacting on China’s economy and social stability the two factions cannot afford to engage in infighting. The indirect social pressure on the party to

effectively deal with economic challenges is immense. A civil society that could buffer social discontent does not exist in China. The government needs to make up for this weakness by continuing to put the economy first, transforming it faster than initially intended, overcoming institutional inertia and rapidly responding to emergent social discontent. Repressive measures alone might no longer be enough in handling the situation. In view of these circumstances, the second weakness of balancing disunity among the nomenclature is still a substantial precondition of government stability.

The lessons learned from recent trends are that China needs a strong, and to great extent resistant and independent economy that is less vulnerable to international economic trends. This again reflects China's overall international policy outlook. Beijing's policy-makers are aware that they cannot handle problems alone. They seek to combine their need for cooperation with their requirement of pursuing independent foreign policies.

### China "Going Out"

China's international engagement has been a substantial ingredient of its successful economic development. China was considered as one of the central driving forces of globalisation. In return it got increasingly entangled in international affairs and dependent on international markets. Beijing's international engagement, however, is also a matter of internal

controversy, not least due to external pressure and attempts to integrate the country into existing international systems. In order to maintain its scope for action Beijing's political elites try to keep their hands untied.

China's intensive international engagement on all continents and its increasing stakes in international markets and security make it an essential and indispensable player in an increasing number of international policy-areas. At the same time it is commonplace that China's foreign policy is to a great extent driven by its internal developmental needs. These needs involve securing and accessing energy and commodity supplies and the attraction of FDI in industries that add value to products made in China.

In order to achieve the economic transformation away from exports as one of the main drivers of economic growth, an upgrade of production and technological know-how and access to research and development is necessary. A more favourable merger and acquisitions environment would be an advantage for China.

Interest based explanations alone, however, cannot account for all determinants of China's international engagements. The central problem lies with the assumption that China is an internally unitary actor with a singular interest pursued by centralised decision-making.

First, the degree of China's international entanglement and integration as well as of the opening of its markets has

been a matter of ongoing controversy. Failures and success are playing into the hands of respective advocates. Already China's access to the WTO in 2001 met with strong opposition inside China. The main argument was that China gives up its independence to an organisation that does not act in its interest.

Second, China has not found its international identity yet. The question remains what kind of contributions China will make to international affairs beyond measures that help establishing its position in global markets. At the same time the alternatives to the existing world order are still a matter of debate inside China.

Third, Beijing's attempts to gain greater access to resource markets in the developing world were not based on a so-called "soft power" strategy to begin with. In order to provide its economic growth with a sufficient amount of energy and resources and fulfill the preconditions for investments into one of the most important global assembly lines, Beijing needed to build up a viable industry.

Today most of China's biggest state-owned enterprises are in the resource sector.

Yet, accessing international energy markets was difficult as China had to compete with technologically advanced multi-national firms who have dominated markets for decades. Besides, it has risked affecting sinecure and getting into conflict with existing interests. At the same time small countries in Africa,



Central and Southeast Asia have sought to diversify their relations in order to avoid dependencies on China or other players.

China's so-called soft power strategy has entered the centre of attention in recent years. It involved unconditional loans and aid as well as donations such as hospitals and stadiums to countries in Africa and Asia. Yet, the success of these efforts should not be overestimated. Beijing is still confronted with a fundamental image problem. The appeal of China's engagement developing countries lies in unintended "side-effects". Beijing's non-interference policy paired with non-conditionality of trade and assistance, opening of markets to products and its political rhetoric of equal partnership beyond donor-recipient relations in the developing world have created a framework for success. At the same time it has inevitably offered an alternative and welcome development model to its trading partners that does not touch the interests of existing political elites. In Europe first initiatives were launched to complement existing approaches and recently a EU-China dialogue to discuss respective Africa policies was established.

Fourth, calls by Europe and the United States for China to engage in tackling global governance issues and become a responsible stakeholder do not contradict China's interests per se. China has shown interest in cooperating in issues of

international security or climate change.

Two major hold-ups, however, explain Beijing's hesitance to fully engage in issues of global concern. Existing Chinese institutions often do not yet possess the capacities and the know-how to deal with newly arising issues as they are primarily equipped to deal with domestic issues. Therefore expectancies are usually too high as regards the ability of Chinese institutions to deal with international issues. Especially in external development China's role as an active donor is relatively new. Whereas China has considerable know-how in harnessing FDI for development, political development issues are an ambiguous issue. Although political stability in developing countries is in China's interest, Beijing's interference in other countries' political affairs, which go beyond what is possible inside China itself, would send the wrong signals to the public.

In sum, despite its rapidly increasing involvement in international markets and global interests, China has tried to keep its foreign policy independent as much as possible. This approach has helped to maintain a flexible scope of action, which allows separating internal and external uncertainties as far as possible. This has not always helped to avert impacts on Chinese society on symbolic level and the rise of nationalist sentiments.

Over the past two decades Beijing has maintained its international approach of maintaining a low profile. The

current financial crisis has helped China to willingly or unwillingly gain greater weight in international economy. Increasing demands towards China to accept a proactive role in solving the crisis have brought it to the centre of attention. Yet, Beijing remains hesitant in responding to international demands and letting external factors determine its foreign economic and security policies.

China has so far not actively pursued strategies of becoming a world leading power and has rejected the idea of a G2 summit. However, current trends point in a different direction. Whereas China's so-called "going-out" strategy still reflects a continuity in its international economic and internal development policies, more pro-active steps in fiscal markets and military affairs have raised eyebrows and indicated that Beijing is interested in a more prominent and visible profile in international economics, finance and politics.

Albeit hampered by institutional rows and international protectionism, Beijing's elites share an interest in increasing Chinese outward FDI and uplifting of China's National Champions as international players. Resulting interdependencies and integration in international markets are not necessarily welcomed among social marketeers. Yet, in the long run preparations of the Chinese Renminbi to become a global reserve currency indicate a new trend. From Beijing's perspective such a move is rational insofar, that

trade can be pursued in its own currency and a further increase of dollar reserves can be avoided.

In military affairs the display of an increasingly powerful and capable navy has also send ambiguous signals to the rest of the world. The demonstration of increasing capabilities came at a time when cross-straight relations are improving and the Chinese navy joined international anti-piracy efforts in the Indian Ocean.

Yet, a sober analysis of China's security and foreign policy concerns disarms Western alarmism fearing Chinese ambitions to become a regional and global hegemon. In security affairs China's main concerns are of internal nature involving counter-insurgency, social unrest, terrorism and a potential conflict with Taiwan over the island's status. Internationally, neighbourhood stability remains a priority on China's foreign policy agenda. The challenges to stability and security on its doorstep are coming from North Korea, Pakistan and possible armed conflicts in Myanmar's border-regions and will dominate this agenda in the foreseeable future. China's needs to protect its trade interests and guarantee security of transport routes such as sea lanes are bound to become a greater aspect of China's international security cooperation.

In sum, China seeks to pursue a proactive and independent policy in almost all fields. This does not mean that China has been resistant to cooperation. In sensitive areas such as security,

Beijing has provided platforms for negotiations by using its good relations and standing. Most prominently it has formally hosted the so-called Six-Party-Talks, a multilateral forum aimed at de-nuclearising North Korea.

In other cases it as informally facilitated similar opportunities. Although it has not engaged in international alliances it has extensively contributed to UN missions in uncontroversial areas such as non-combat units in international peace-keeping.

The main reason for this approach is that Beijing seeks to achieve an independent standing in international affairs, and keep a backdoor open for bilateral negotiations should international efforts fail. Experiences especially during the so-called Six-Party Talks have taught China that reliance on other actors' capabilities is not always an option.

Yet, soft global governance issues that are internally uncontroversial, such as tackling environmental problems and climate change, are increasingly a matter of cooperation. China has demonstrated great interest and the matter was a central topic on the agenda of the recent EU-China summit in May 2009.

### **Outlook: Dealing with China or Challenging China?**

China's international challenges, internal constrains and narrowly defined scope of action for its foreign policies leave international observers guessing on how to deal with China and incorporate it as

actor in international politics, economic and security.

A central concern for Chinese policy-makers remains to maintain relations with others on the basis of equality. In other words: China insists to negotiate eye-to-eye with the world's major powers, including the US and the EU.

The central question for Western policy-makers in turn remains how to navigate around the expectancy-capability gap *vis-à-vis* Beijing while taking account of its internal sensitivities and delicate social and elite composition.

Western (i.e. European and US) policy-makers must find ways not to give in too much to Beijing's sensitivities and instead use their positions to engage China as partner and stakeholder in dealing with issues of common concern.

It must be understood that Beijing will not do anything that could directly or indirectly affect its core interest of internal stability. At the same time Beijing must become aware, that its unilateral approaches are affecting substantial economic, security and global governance interests and concern of other players and that it will need to behave according to its attained status in international affairs. By acting like a "*prima donna*" in international relations and making lip-service to international cooperation, Beijing risks losing its international credibility and inviting international criticism.

Over recent years commentators have repeatedly criticised the lacking effectiveness of existing dialogue

relations on all kinds of issues. Yet, in the foreseeable future there is no viable alternative to dialogue and summitry. Dialogues have been useful in gaining mutual and common understanding, furthering confidence-building, establishing viable policy networks and cooperating on non-sensitive issues. Yet, methods must be developed especially between the European Union and China in order to make exchanges more efficient and dialogues goal-oriented in the future. This may involve issue-focused multi-track exchanges and joint fact-finding in order to overcome the issue-perception gap and achieve the development of common understanding and eventually interests in many areas. At the same time approaches need to be developed to facilitate China's informal contributions to policy areas and issues deemed sensitive in China.

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