

# Chinese Soft Power and Its Implications for the United States

## Competition and Cooperation in the Developing World

A Report of the CSIS Smart Power Initiative

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### *Library of Congress Cataloguing-in-Publication Data*

Chinese soft power and its implications for the United States : competition and cooperation in the developing world, a report of the CSIS smart power initiative / edited by Carola McGiffert.

p. cm.

Includes bibliographical references.

ISBN 978-0-89206-558-5 (pbk. : alk. paper)—ISBN 978-0-89206-559-2 1. United States—Relations—China. 2. China—Relations—United States. 3. China—Relations—Foreign countries. I. McGiffert, Carola. II. Center for Strategic and International Studies (Washington, D.C.)

E183.8.C5C5387 2008

327.73051—dc22

2008048944

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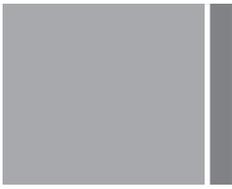
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## EXECUTIVE SUMMARY

China in recent years has been pursuing its national interests through its exercise internationally of soft power and economic power as it projects a nonconfrontational, friendly diplomacy to states in developing regions. China is using its soft-power projection to promote its own national interests, not as a direct challenge to the United States.

It is China's rapid economic expansion that is driving its state development forward, and the country's need for natural resources, viable export markets, and political influence has led China to step up its engagement with developing countries.

The measurable benefit to China of its economic and soft-power initiatives in the developing world has yet to be assessed or realized, primarily because of the future orientation of many of its programs.

Southeast Asia is the area of the world where China's use of soft power has been most significant, especially in the mainland Southeast Asian countries of Vietnam, Thailand, and Laos. China's concern for maintaining a peaceful, stable periphery drives this effort.

The focus of Chinese initiatives in many states is ensuring access to viable energy sources, and soft power plays a significant role in solidifying energy relationships in the Middle East, Africa, and elsewhere. In Latin America, China has actively leveraged soft power and economic power to maintain access to energy resources and markets as well as to gain support for its one-China policy.

In China extensive debate is ongoing regarding the source of the country's soft power and its reasons for utilizing it. China currently lacks a coordinated national soft-power strategy and views its soft power as defensive and largely reactive, a point of view intended to allay fears in other states of a China threat.

Engaging China on critical global issues such as climate change, energy, and security requires an accurate assessment of Chinese policy, exigencies, and progress in these issue areas. Thus, in the United States, also, debate is taking place about whether China's soft-power projection represents healthy competition or a strategic threat.

Viewing Chinese successes or failures in the developing world through a zero-sum framework is not an effective way for the United States to shape its policy, and such a point of view will only contribute to an adversarial relationship.

China has not sought to replace or supplant the United States in its role of security provider in the Middle East, Southeast Asia, or Latin America. Thus, U.S. policymakers must recognize China's objectives of maintaining its own internal stability and economic growth as they craft policies to ensure that the United States promotes its own policies effectively.

The United States can do more to collaborate with China in the developing world, particularly in the areas of energy, health, agriculture, and peacekeeping. If such collaboration were to take place, the United States and China would find themselves working toward a greater global public good.

# 1

## CHINA'S USE OF SOFT POWER IN THE DEVELOPING WORLD STRATEGIC INTENTIONS AND IMPLICATIONS FOR THE UNITED STATES

Denise E. Zheng

China's approach to foreign policy underwent a tremendous transformation during the past half century, shifting from the war-and-revolution period under the rule of Mao Zedong to an era of peace and development under more recent leadership. Two decades ago, China was viewed as an austere and monolithic communist country that threatened the development of democracy in Asia and elsewhere in the world—an image that was exacerbated by the callous response of the Chinese Communist Party, and thus the state, to the 1989 student protests, quashing a nascent democracy movement in China.

Today China is increasingly capitalist, modern, and globalized. Economic reforms, initiated in 1978 by Deng Xiaoping, have transformed China into one of the world's largest destinations for foreign direct investment and a vital link in global supply chains. Beijing's "go global" strategy—an incentive-driven program promoting Chinese firms to pursue rigorous investments abroad—is exemplary of China's transformation: prosperity from years of double-digit economic growth has not only made China attractive to foreign investors but has also endowed China with the capital to be a major consumer in the global marketplace.

As the world watches China transform, there is increasing anxiety that, after 25 years of remarkable economic growth, Beijing has significantly elevated its capacity to influence world affairs and that it will use this newfound strength coercively. Some experts believe that China poses a serious challenge to the United States for the role of the world's leading superpower—the first credible threat since the existence of the Soviet Union during the Cold War. Conscious of the apprehension surrounding its rise and worried that such sentiments could impede continued economic growth, Beijing has sought to attach itself to the slogan "peaceful development" in an effort to reassure others that its newfound strength is benign. Indeed, compared with the years of Mao, China today appears much more "charming"—a transformation that can at least be partially credited to its growing soft power, arguably Beijing's most valuable foreign policy tool.

Soft power is the ability to shape the preferences of others through appeal and attraction. A defining feature of soft power is noncoercive. The currency of soft power is culture, political values, and foreign policies, and when these factors are perceived as legitimate, they form group norms that have the capacity to shape behavior and motivate actions. Since the idea of soft power was coined in the 1990s by Joseph Nye, there has been an ongoing debate about whether it includes a country's military resources and economic strength. According to Nye, a well-run military with vast resources can give rise to admiration from other countries. Similarly, the prosperity of a nation's economic system (economic power) can attract other countries and cause them to

adopt similar economic institutions and policies.<sup>1</sup> Walter Russell Mead argues that the projection of a nation's economic success can attract other states to believe that its increasing influence is desirable, inevitable, or perhaps permanent. He believes that economic strength is "sticky" because countries that adopt similar economic institutions and policies will find it more difficult to leave the system.<sup>2</sup> China's growing economy is a major source of its increasing appeal in the developing world. Wealth and the potential to be wealthy are attractive, and money confers normative power and provides the means to disseminate culture and ideas. As Joseph Nye aptly states, "seduction is almost always more effective than coercion."<sup>3</sup>

Aware of the benefits of a sophisticated soft-power portfolio, Chinese leaders are aiming to deepen relationships with all regions of the world, particularly the developing nations of Africa, the Americas, the Middle East, and Southeast Asia. Beijing uses a variety of tools to increase its influence in the developing world that include economic incentives and military cooperation; however, traditional soft power has also become a growing piece of how China acquires its influence. Although the nature of China's relationships with the regions explored in this volume is largely economic, Beijing has also sought to strengthen these relationships by promoting regional economic integration and security mechanisms, emphasizing the role of the United Nations, participating in humanitarian missions, providing concessionary loans and debt relief, increasing cultural and academic exchange programs, and engaging local communities through skilled diplomats.

There is a distinct style in China's approach to relationship building: it practices an omnidirectional friendship policy that emphasizes the importance of state sovereignty and noninterference with the objective of securing stable and sustainable access to resources and opening new export markets to fuel its economy.<sup>4</sup> Differences in regional geopolitical dynamics, however, require Beijing to tailor its soft-power strategy in each of the four regions it is active.

What types of activities are the Chinese pursuing in these regions to strengthen their influence? How do geopolitical factors affect China's approach to each of these regions? Is China's soft power effective? This volume, a compilation of essays by senior CSIS scholars, is designed to take a deeper look at what China is doing in these regions and what China's soft-power activities mean for the United States. It is part of a broader project that examines the future of U.S.-China relations in 2009 and beyond.

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1. Joseph S. Nye Jr., "Think Again: Soft Power," *Foreign Policy*, March 1, 2006, <http://yaleglobal.yale.edu/display.article?id=7059>.

2. Walter Russell Mead, "Sticky Power," *Foreign Policy*, March/April 2004.

3. Joseph S. Nye Jr., *Soft Power: The Means to Success in World Politics* (New York: Public Affairs, 2004). The definition of soft power traditionally has not included economics but has evolved to include some economic activities. "Sticky power," a term first used by Walter Russell Mead in 2004, refers to economic power and is seen as separate from soft power and hard power. Mead has written that U.S. economic policies and institutions act as sticky power, attracting other countries to the U.S. system and then trapping them in it. Mead, who subdivides Joseph S. Nye's concept of soft power, also describes sharp power, sticky power, and sweet power, which together work toward what he terms hegemonic power and harmonic convergence; see Walter Russell Mead, "Sticky Power," *Foreign Policy* (March/April 2004); and *Power, Terror, Peace and War: America's Grand Strategy in a World at Risk* (New York: Knopf, 2004).

4. Jon B. Alterman and John W. Garver, *The Vital Triangle: China, the United States, and the Middle East* (Washington, D.C.: CSIS, 2008), p. 19.

# China's Soft-Power Tools

The tools of China's soft power can be classified into at least five groups: investment, humanitarian aid, exchange programs, diplomacy, and participation in multilateral institutions.

## Investment

China's investment strength is arguably its most significant and effective soft-power instrument. Growing at an average rate of 9.8 percent of real GDP per year from 1979 to 2007, China is expected to become the world's largest economy within a few decades.<sup>5</sup> In 2007, China's exports—at \$1,218 billion—surpassed U.S. exports (\$1,162 billion); also by the end of 2008, China was the world's largest holder of foreign exchange reserves, valued at \$1.9 trillion.<sup>6</sup> China reported that its overseas direct investment ([ODI], which excludes the finance sector) in 2007 was \$18.7 billion; China's cumulative ODI through 2007 is \$93.7 billion.<sup>7</sup> These trends indicate that gains from trade surpluses and foreign direct investment have afforded China the capital to pursue significant ODI. Increasing overseas ventures is a priority of China's foreign policy, and China has sought greater investments in nearly every region of the world.

China's investment strategy is heavily influenced by the need to acquire stable and sustainable supply flows of energy and raw materials to maintain a high level of economic growth. China's need for energy resources and raw materials underpins its economic gestures in the Middle East, Africa, and Latin America. Chinese money is particularly attractive to many developing countries because it does not come with the “human rights conditions, good governance requirements, approved-project restrictions, and environmental quality regulations that are tied to money from Western governments.”<sup>8</sup>

However, Chinese investment in developing countries has one condition: acceptance of the “one-China” policy that requires recipient governments to sever diplomatic ties with Taiwan and recognize Taiwan as part of China's sovereign territory.

China's investment portfolio is highly concentrated in energy and raw materials, infrastructure, and advanced technology. Energy and raw materials are needed to sustain economic growth. Roads, bridges, and dams are critical to the growth of developing countries; therefore, investment in infrastructure allows China to win the favor of resource-rich developing countries. Investment in advanced technology is driven by China's need to acquire proprietary technology—to be more competitive China needs to contribute a higher value-added to global supply chains.

Because the line between state and nonstate entities in China is not always clear, Chinese aid and investment are often indistinguishable. In many ways, this benefits Chinese interests. Because the party-state almost always owns a partial stake in China's foreign ventures, investments are much easier to execute than those that are accountable to private shareholders. Thus, China can participate in investments that may have lackluster economic returns but are perhaps politically

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5. Wayne M. Morrison, “China's Economic Conditions,” Report no. RL33534 (Washington, D.C.: Congressional Research Service, November 20, 2008), p. 2, <http://www.fas.org/sgp/crs/row/RL33534.pdf>.

6. Ibid.

7. Ibid., p. 15.

8. Senate Committee on Foreign Relations, *China's Foreign Policy and “Soft Power” in South America, Asia, and Africa*, report prepared by Congressional Research Service, Library of Congress, 110th Congress, 2nd sess., April 2008, Committee Print no. 110-46.

profitable. It is not uncommon for China to lend at concessionary rates without clear stipulations on how or when borrowers are to repay the loans and without strict contractual requirements on how the money is used. Ambiguity and a lack of transparency in China's concessionary lending make it possible for China to distort its aid flows.

There are two ways to view the soft-power dimension of China's investment activities: appealing to states through dollar diplomacy or winning friends through the appeal of noninterference. The doctrine of respect of state sovereignty can be especially attractive to developing countries ruled by authoritarian regimes. China's deepening economic relations with the regions discussed in this volume have not gone unchecked, however, and Beijing seeks to avoid confrontation with the United States over its international activities.

## Peacekeeping and Humanitarian Aid

China is an active peacekeeper. Except for France, China sends more peacekeepers to UN missions than any other permanent member of the UN Security Council. In a recent official statement, China committed itself to providing "one UN standard engineering battalion, one UN standard medical team, and two UN standard transportation companies to ongoing missions."<sup>9</sup> Health diplomacy is another significant aid program sponsored by the Chinese. More than 15,000 doctors have been sent to more than 47 African countries. Chinese doctors in Africa have treated more than 180 million African patients.<sup>10</sup> More than 2,000 Chinese medical personnel have been sent to Yemen during the past 40 years to assist with Yemen's health and medical programs and responses to disasters. In exchange, China has received access to Yemen's markets and energy resources. China's increasing need for energy security has forced it to search for oil resources and forge deep relations even with states like Yemen, which possesses only moderate deposits of petroleum.

Although precise statistics are nearly impossible to obtain, there is no question that China has markedly increased spending on humanitarian and development aid. To promote a positive image that presents China as a responsible stakeholder in the international community, national media outlets maintain heavy coverage of China's UN peacekeeping activities.

## Exchange Programs

Exchange programs are central to Beijing's public diplomacy strategy. China has significantly expanded its exchange programs to include academic, language, and cultural exchanges; political training for foreign government officials; and media training for foreign news correspondents. With the goal of promoting Chinese language and culture, China has opened more than 260 Confucius Institutes in more than 70 countries and plans to set up 500 Confucius institutes worldwide by 2010. As Chinese universities are becoming more academically competitive, the number of international students in Chinese universities has dramatically increased. From 2002 to 2004, foreign student enrollment in Chinese universities increased by 30 percent, and most students receive

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9. Philippe D. Rogers, "China and the United Nations Peacekeeping Operations in Africa," *Naval War College Review* 60, no. 2 (Spring 2007).

10. Drew Thompson, "China's Soft Power in Africa: From the 'Beijing Consensus' to Health Diplomacy," *China Brief* (Jamestown Foundation) 5, no. 21 (October 13, 2005).

scholarships or financial assistance from the Chinese government.<sup>11</sup> This funding likely accounts for significant increases in the number of students from Africa, South Asia, and the Middle East. Similarly, Chinese multinational corporations frequently sponsor exchange programs by awarding scholarships to foreigners for study in China.

## Diplomacy

China has adopted more sophisticated diplomacy, including increasing high-level leadership meetings and training a more skilled and sophisticated diplomatic corps. Beijing frequently hosts leaders of smaller countries, especially from Africa and South Asia. Showered with attention, these foreign leaders are often flattered by Beijing's hospitality. China's top leaders frequently travel to developing countries to discuss bilateral relations. Today, diplomats from China are more amiable and skilled at engaging local communities. They are educated at prestigious foreign universities, exude a higher degree of professionalism compared with earlier cohorts, and are more skilled than earlier in navigating foreign media outlets.<sup>12</sup>

## Multilateral Institutions

China has increasingly grown more active in international multilateral organizations in order to boost its international legitimacy and convey the image of a responsible stakeholder that plays by the rules. It has also successfully sought entry into existing regional groups in Central and South-east Asia, Latin America, and the Caribbean. These include the Asia-Pacific Economic Cooperation, ASEAN Regional Forum, the Forum for East Asia and Latin America Cooperation, the Inter-American Development Bank, and the Organization of American States.

China has also created several multilateral organizations, in which the United States does not participate, to support its own interests and expand its international influence. They include the East Asia Summit, the Shanghai Cooperation Organization, and the Forum on China-Africa Cooperation.

# China's Soft-Power Activities: A Regional Assessment

## Africa

The expansion of Chinese activities in Africa is primarily driven by the need for energy resources, raw materials, and access to new markets for low-cost manufactured goods. Africa is the source of 30 percent of China's imported oil.

During the past decade, China has been intensely focused on cementing ties with African countries. From 1997 to 2006, eight senior Chinese Communist Party government officials have

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11. Phillip C. Saunders, *China's Global Activism: Strategy, Drivers, and Tools*, Occasional paper no. 4 (Washington, D.C.: Institute for National Strategic Studies, National Defense University Press, October 2006).

12. David M. Lampton, *The Three Faces of Chinese Power: Might, Money, and Minds* (University of California Press, 2008), p. 128.

visited African capitals, and more than 60 African party chiefs have visited Beijing.<sup>13</sup> These high-level reciprocal leadership visits are aimed at building Sino-African cooperation on media and information management, political training for African officials, and open market access for China's cheap manufactured goods. Africa is a primary recipient of Chinese development assistance in the form of concessionary loans administered by the China Export-Import Bank; African countries are also the beneficiaries of Chinese debt forgiveness, infrastructure development, food aid, and medical assistance.

China seeks to exclusively engage officials of sitting government regimes, regardless of their political legitimacy. This adheres to China's noninterference and no-strings-attached approach to trade, investment, and development assistance. Beijing's win-win rhetoric rings favorably with African leaders who appreciate China's pragmatism. This pragmatism has led Africans to believe that China views Africa as a business partner—a more agreeable alternative to U.S. charity and proselytizing.

Because typical exchanges exist at a senior government level, China has an incomplete understanding of the culture, values, and ways of life of average African citizens. China has few Africa experts, and Africa has even fewer China experts.<sup>14</sup> There is an expanding community of Africans studying in Beijing and a significant number of Chinese communities forming in Africa, most of which are either part of the Chinese diplomatic community, businesspeople, or workers. The communities of Chinese workers, however, lead insular lives and have limited interaction with the local population, which has resulted in increasing racial tensions between local Africans and Chinese laborers.<sup>15</sup>

## The Americas

Since Jiang Zemin's 2001 visit, the Sino-Latin American relationship has deepened significantly. For the building of infrastructure alone, China invested more than \$8 billion in Brazil, \$19.5 billion in Argentina, \$1.63 billion in Venezuela, and hundreds of millions of dollars in other Latin American states.<sup>16</sup> Although the size of Sino-Latin American trade is small relative to China's other trading partners, this relationship markedly expanded as Beijing sought to obtain greater access to commodities such as iron, copper, steel, integrated circuits, and soybeans and develop the region as a potential market for Chinese-made goods.

Chinese companies have also initiated research and development and innovation partnerships with firms in the biotech, computer, aerospace, automotive, and steel industries in Latin America. In recent years, China established a biotechnology partnership with Cuban companies to produce and commercialize medical products in Cuba, built automotive manufacturing facilities in Mexico, and developed an alliance with Venezuela to share information related to energy and agriculture.

Acceptance of the one-China policy is one of the few conditions that Beijing requires of Latin American countries that receive Chinese foreign investment. Paraguay and 11 states of Central

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13. Joshua Eisenman, "The Communist Party of China's Outreach to Political Parties in Sub-Saharan Africa" (working paper, Globalization Research Center-Africa, University of California, Los Angeles, n.d.), <http://www.globalization-africa.org/papers/76.pdf>.

14. David Shinn and Joshua Eisenman, "Responding to China in Africa" (Washington, D.C.: American Foreign Policy Council, June 2008), [http://www.afpc.org/publication\\_listings/viewPolicyPaper/236](http://www.afpc.org/publication_listings/viewPolicyPaper/236).

15. *Ibid.*

16. Saunders, *China's Global Activism: Strategy, Drivers, and Tools*.

America and the Caribbean compose a significant group of states that supports Taiwanese independence. China's emphasis on acceptance of the one-China policy in Latin America, a very important region for Taiwanese sovereignty, is a strategic move to diplomatically isolate Taiwan.

## The Middle East

A thirst for energy defines China's policy in the Middle East, with all other interests playing a subsidiary role. Beijing's effort to purchase equity in Middle Eastern oil and gas companies met with failure because most oil companies in the Middle East are state owned. While 27.4 percent of U.S. imported oil was from the Middle East in 2007, nearly 50 percent of China's imported oil comes from the region.<sup>17</sup> China's demand for imported oil to sustain economic growth is the primary driver of its involvement in the region. Beijing is conscious of the fact that maintaining a positive relationship with the United States is vital to the stability of its economic growth. The potential U.S. economic retaliation against China is enough to deter Beijing from cultivating deeper relations with the Middle East beyond trade in oil. It is important to keep Sino–Middle Eastern trade in perspective—in terms of investment, the Middle East ranks last among the regions of the world. In 2005, China's bilateral trade with Middle Eastern and North African countries accounted for only 4.5 percent of its total global trade.<sup>18</sup>

China's adamant commitment to respect state sovereignty and carry out a policy of noninterference appeals to Middle Eastern leaders. Many Arab intellectuals have cited the modernization of China, also an ancient and impressive civilization, as an example the Middle East should emulate.

The Chinese see the Middle East as a conflict-ridden region where the United States has vital national interests and in which the United States is deeply involved. Consequently, China has oriented its policy in the Middle East to avoid confrontation with the United States; Middle Eastern countries are more interested in China displacing the United States than China is interested in doing so.

## Southeast Asia

China realizes the primacy of establishing good relations with its periphery for regional economic and security stability. It aims to acquire soft power by resolving border disputes, which in some cases have involved Chinese territorial concessions. China actively participates in or has assumed leadership roles in the creation of regional organizations for economic and security cooperation, including the East Asian Summit, the Asian Development Bank, the Shanghai Cooperation Organization, and ASEAN. It has contracted numerous large-scale infrastructure projects to build roads, bridges, pipelines, and power-generating facilities, particularly in Southeast Asia and Central Asian countries formerly part of the Soviet Union. Especially in Southeast Asia, China wields power in the region through its skillful diplomacy, the region's admiration of China as a model for development, and by emphasizing shared Asian values.

Southeast Asia is arguably the region where China's soft power is strongest. The assistance that China offered in the aftermath of the 1997 Asian financial crisis, when the United States was

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17. Alterman and Garver, *The Vital Triangle*.

18. *Ibid.*

missing in action, has played a significant role in the transformation of the region's attitude toward China. The depth of China's trade, investment, and aid relationships with countries on its periphery grants China significant influence in Asia.

## China's Soft-Power Performance

Although Beijing has devoted significant effort to increasing its soft-power capability, the extent to which China's soft power has actually increased is often exaggerated. Two recent public opinion studies conducted by the Chicago Council on Global Affairs and the Pew Global Attitudes Project suggest that China's real soft-power achievements are not as impressive as some analysts suggest. In other words, the statement that the world finds China more charming is not entirely supported by empirical evidence.

The soft power of the United States still exceeds that of China by a substantial margin, even in China's own neighborhood. In a study conducted by the Chicago Council on Global Affairs, which surveyed public opinion in Japan, South Korea, Indonesia, Vietnam, the United States, and China, the United States was regarded by every state (with the exception of China) as the most influential in the key areas of soft power: economics, culture, human capital, diplomacy, and politics.<sup>19</sup> A majority of respondents saw China as a future leader of Asia; however, it is uncertain whether Asian states see this as an entirely positive thing. In fact, the United States is seen as a stabilizing and countervailing force in the Asia region as China takes on a greater role.

Trends in international opinion toward China reflect similar results. According to a Pew Global Attitudes Project released in July 2008, which surveyed 21 countries in all regions of the world during the year preceding publication of the study, the United States has improved its image in ten states while China's image has improved in only two states.<sup>20</sup> Three states view the United States less favorably today than a year ago, and nine states view China less favorably. Although China's influence in world affairs is seen as strong, particularly in Asia and Africa, an overwhelming number of countries perceive that China acts in a unilateral fashion.

Both of these public opinion studies indicate a worrisome disconnect between how China perceives itself and the world and how the rest of the world perceives China. Domestically, the Chinese believe that China's expanding influence is viewed positively and is welcomed by the rest of the world. Many countries have a considerable degree of apprehension about China's rise, however, and are unconvinced that China is irrevocably on the path of peaceful development. Yet, one unmistakable finding is that developing countries have a significantly more positive view of China's rising influence than developed countries, suggesting that China's soft power strategy in Africa, Latin America, and Central Asia are yielding results.

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19. Christopher B. Whitney, project director, "Soft Power in Asia: Results of a 2008 Multinational Survey of Public Opinion" (Chicago: Chicago Council on Global Affairs and the East Asia Institute, 2008).

20. Bruce Stokes and Richard Wike, "How the World Feels about China and China Feels about Itself and the World: Results from the 2008 Pew Global Attitudes Survey" (presentation at Carnegie Endowment for International Peace, Washington, D.C., July 29, 2008), <http://www.carnegieendowment.org/files/Carnegiepresentation7-29-08.ppt>; see also "Chinese Celebrate Their Roaring Economy, As They Struggle with Its Costs," Pew Global Attitudes Project, Washington, D.C., July 22, 2008, <http://pewglobal.org/reports/display.php?ReportID=261>; and "Global Unease with Major World Powers," Pew Global Attitudes Project, Washington, D.C., June 27, 2007, <http://pewglobal.org/reports/display.php?ReportID=256>.

## Organization of This Book

Before examining China's influence in the developing world through the lens of soft power, it is important to ask: Is China's charm offensive part of a grand strategy aimed at challenging the U.S. influence in the world? Do China's leaders view soft power as a critical element of Chinese foreign policy? In the next chapter of this volume, Bonnie S. Glaser and Melissa E. Murphy offer insight into the ongoing debate on soft power within Chinese intellectual and leadership circles. Their research shows that, although the concept of soft power as an effective foreign policy tool has gained favor in the minds of Chinese leaders and thinkers, China has yet to develop a comprehensive, coherent national soft-power strategy.

The chapters that follow examine in greater detail China's activities in regions of the developing world, and they bring together a set of critical issue areas in Chinese foreign policy considerations (that is, demand for energy resources, cross-strait relations, global climate change, and China-Russia-U.S. relations). Specifically, each chapter seeks to outline broadly Beijing's approach to increasing its influence in the regions through traditional soft-power methods, economic incentives, and military cooperation; each chapter also employs case studies as evidence and provides policy recommendations on how to move toward a more constructive relationship with China—one that protects and promotes U.S. national interests and the global public good.

In chapter 3, Jennifer Cooke discusses China's activities in Africa, drawing attention to the purpose, implementation, and motivation of Beijing's investment and assistance programs in the region and how they are inextricably linked to China's need for energy resources and raw materials. Cooke provides an apt illustration of Beijing's use of respect for state sovereignty and noninterference policies in the region and the lure of China's promises of economic opportunity.

Katherine E. Bliss outlines China's approach to engaging countries in the Latin American region in chapter 4. She provides an overview of Beijing's diplomatic, cultural, and military relations with the region and explains the important link to China's agenda of promoting its one-China policy to strategically isolated Taiwan.

China's deepening relations with the Middle East is the subject of chapter 5, by Jon B. Alterman. Alterman clarifies the intricate triangular relationship that exists among the United States, China, and the Middle East and describes how oil and political dynamics shape this triangle.

For Southeast Asia, China is one of the most important external powers. In chapter 6, Derek J. Mitchell discusses China's influence in mainland and maritime Southeast Asia. He explains how China's economic power and shared territorial borders with Southeast Asian states are important factors that define the relationship. Mitchell also discusses how diversity in prosperity, political systems, and culture in the region produces equally divergent reactions to China's charm offensive.

Chapters 7, 8, 9, and 10 explore a set of vital issue areas in Beijing's foreign policy considerations. Edward C. Chow writes about the political and economic dimensions of China's demand for energy resources; Johanna Mendelson Forman and Susana Moreira explain the delicate tensions that exist among China, Taiwan, and Latin America; Julianne Smith and Jesse Kaplan discuss Beijing's climate change policies and seek to dispel the common narrative of Chinese obstructionism in the advancing international efforts to address climate change; and Andrew C. Kuchins illustrates the deepening ties between China and Russia and explains the importance of strengthening the U.S.-Russia bilateral relationship to ensure international stability.

# 2

## SOFT POWER WITH CHINESE CHARACTERISTICS THE ONGOING DEBATE

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### Summary Points

- International observers have raised concerns about the expansion of China's soft-power influence around the world and its implications for the United States. However, Chinese thinking about soft power and its role in Chinese foreign policy have been largely neglected in the formulation of these assessments.
- Soft power is currently a hot topic in China. The mainstream intellectual view is that culture is the core resource of a state's power. This view has been embraced by China's leadership, resulting in expanded funding for the development of China's cultural soft-power resources at home and its expansion abroad.
- Despite intense interest at the highest circles, China has yet to develop a comprehensive, coherent national soft-power strategy, although there are disparate policies toward this end. China's soft-power policy remains largely ad hoc and primarily reactive, aiming to counter the China-threat theory and improve China's image abroad.
- As China expands its national power and assumes a bigger role on the international stage, it is possible that Beijing will promote Chinese socialist values as an alternative to Western values and seek to assertively promote the China development model. At present, however, China's top leaders are seeking to avoid competition and confrontation with the West, and especially with the United States.

China's emerging power and its future impact on international stability are among the most intensely debated topics in international relations. Much attention has been paid to analyzing China's "hard power," which refers to the ability to use military and economic means to coerce or induce another nation to carry out a policy or course of action. In recent years, China's "soft power"—the ability to get what a country wants through attraction rather than coercion or payments<sup>1</sup>—has also become the focus of considerable research. Concerns have been raised regarding the expansion of China's soft-power influence around the world and its implications for the United

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\* The authors would like to thank former CSIS intern Lin Zhang for her help in conducting research for this article. The authors also wish to express appreciation to the Chinese scholars and officials from Beijing and Shanghai who agreed to be interviewed. We have respected their preference to remain anonymous and therefore do not cite them by name.

1. Joseph S. Nye Jr., *Bound to Lead: The Changing Nature of American Power* (New York: Basic Books, 1990).

States.<sup>2</sup> The view that China’s “charm offensive” is part of a grand strategy aimed at challenging the world’s remaining superpower has resonated with many.<sup>3</sup>

Those who espouse this view attempted to examine Chinese influence in various parts of the world, but they neglected to investigate Chinese thinking about soft power and its role in Chinese foreign policy. In recent months, some scholars have begun to fill this gap in the literature by examining China’s internal discourse on soft power.<sup>4</sup> This paper seeks to contribute to this intellectual effort by offering insight into the evolution of the debate on soft power in China, particularly why the Chinese leadership has embraced the mainstream intellectual view that culture is the “core” resource of a state’s soft power. We also examine how Chinese scholars have moved beyond Joseph Nye’s original theoretical framework to develop what can be termed “soft power with Chinese characteristics,” notably considering the domestic and foreign policy aspects of soft-power development as an organic whole. The paper concludes that, despite intense intellectual debate and leadership interest, China has yet to develop a comprehensive, coherent, national soft-power strategy although there are disparate policies toward this end.

China’s soft-power policy emphasizes culture and is largely ad hoc and primarily reactive, aiming to combat the perception internationally that China poses a threat. As China expands its national power and assumes a bigger role on the international stage, it is possible that Beijing will promote Chinese socialist values as an alternative to Western values and seek to promote the China development model assertively. Today, however, these policies are advocated by only a minority of Chinese scholars and have not been embraced by the Chinese leadership, which remains largely cautious and risk averse.

## Two Waves of Intellectual Debate

In the 1990s, following publication of Harvard professor Joseph Nye’s book, *Bound to Lead*, the discussion of soft power remained largely theoretical and confined to academic circles in China. Scholars focused on the question of what soft power was and how it should be defined in the Chinese context. They disagreed on the best translation of the foreign term “soft power,”<sup>5</sup> but Nye’s basic hypothesis regarding a state’s capacity to exercise both hard and soft power found a receptive audience in China.

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2. Joseph S. Nye, “The Rise of China’s Soft Power,” *Wall Street Journal*, December 29, 2005; Jean A. Garison “China’s Prudent Cultivation of ‘Soft Power’ and Implications for U.S. Policy in East Asia,” *Asian Affairs: An American Review* 32, no. 1 (2005): pp. 25–30.

3. See, for example, Joshua Kurlantzick, *Charm Offensive: How China’s Soft Power Is Transforming the World* (New Haven: Yale University Press, 2007).

4. See Young Nam Cho and Jong Ho Jeong, “China’s Soft Power: Discussions, Resources, and Prospects,” *Asian Survey* 48, no. 3 (May–June 2008); Joel Wuthnow, “The Concept of Soft Power in China’s Strategic Discourse,” *Issues & Studies* 44, no. 2 (June 2008); Hongying Wang and Yeh-Chung Lu, “The Conception of Soft Power and Its Policy Implications: A Comparative Study of China and Taiwan,” *Journal of Contemporary China* 17, no. 56 (August 2008); and Li Mingjiang, “Soft Power in Chinese Discourse: Popularity and Prospects,” Working paper no. 165 (Singapore: S. Rajaratnam School of International Studies [RSIS], Nanyang Technological University, September 2008).

5. Three different Chinese phrases are used for soft power—*ruan shili*, *ruan quanli*, and *ruan liliang*. In Hu Jintao’s political report delivered to the 17th Party Congress, he used the term *ruan shili*. Nevertheless, scholars and even officials continue to debate the appropriateness of the term.

The Chinese scholar credited with publishing China's first article on soft power is Wang Huning, who was handpicked by former president Jiang Zemin to serve as deputy director of the Policy Research Office of the Chinese Communist Party (CPC) and under Hu Jintao was promoted to head the office and also appointed to the powerful Secretariat of the CPC Central Committee. Writing in the journal of Fudan University where he was a professor, Wang evaluated Nye's theory regarding the resources of soft power: culture, political values and ideas, and foreign policies. It is noteworthy—given the central role subsequently accorded to culture in the exercise of China's soft power—that back in 1993 Wang focused on culture as the main source of a state's soft power: “if a country has an admirable culture and ideological system, other countries will tend to follow it. . . . It does not have to use its hard power which is expensive and less efficient.”<sup>6</sup>

Discussions about soft power really took off in China in the mid-2000s. As the issue moved beyond academic explorations of Nye's theory and Chinese theorists expanded upon Nye's original conceptual framework to formulate “soft power with Chinese characteristics,” it captured the attention of China's leadership as well as the general public.<sup>7</sup> Soft power is currently a hot topic in China—a search of both academic databases and popular Web sites yields a plethora of articles, leadership speeches, polls, and blog entries on the subject. In the lively debates that have swirled around the formulation of the domestic and foreign policies necessary to build China's “comprehensive national power [*zonghe guoli*]—the combined weight of economic, diplomatic, and military power necessary to guarantee China what it terms “appropriate influence on the world stage”—soft power has featured prominently. From the reevaluation of Chinese traditional culture and search for a “socialist core value system,” to following the “scientific development concept” and establishing a harmonious society; and from the debate over “keeping a low profile” versus “getting something accomplished” [*taoguang yanghui* vs. *yousuo zuowei*], to combating the “China threat” theory and establishing a harmonious world, soft power has been a common thread.<sup>8</sup> As one think-tank expert explains: “There is consensus now, in the second wave of debate, that soft power is critical for China.”<sup>9</sup>

Given the mixed reception for Nye's theory in the United States, the question arises as to why it achieved such popularity in China. One possible explanation is that the theory resonates with traditional Chinese concepts; for example, Confucianism extols a king who relies on moral force not physical force, believing that the kingly way [*wang dao*] will triumph over the hegemon's way [*ba dao*].<sup>10</sup> Another explanation is propitious timing. Nye's theory was introduced into China as the country was undertaking an in-depth investigation into the rise and fall of great nations, seeking not only to escape the fate of the Soviet Union but to transform China into a great power.

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6. Wang Huning, “Culture as National Soft Power: Soft Power,” *Journal of Fudan University* (March 1993).

7. A popular CCTV series, *DaGuo Jueqi* [The rise of great nations], reportedly commissioned by China's leadership, ran in 2006; the focus on the importance of soft power in the rise of great nations sparked a major debate both inside and outside of academia.

8. *Taoguang yanghui* is sometimes translated as hiding one's capabilities and biding one's time, and it is portrayed as a strategy that seeks to secretly build up Chinese power. See, for example, Office of the Secretary of Defense, *Annual Report to Congress: Military Power of the People's Republic of China 2008* (Washington, D.C.: U.S. Department of Defense, 2008), [http://www.defenselink.mil/pubs/pdfs/China\\_Military\\_Report\\_08.pdf](http://www.defenselink.mil/pubs/pdfs/China_Military_Report_08.pdf).

9. Expert affiliated with a Chinese think tank, interview with authors, September 2008.

10. Expert affiliated with a Chinese think tank, interview with authors, October 2008; see also Shaohua Hu, “Confucianism and Contemporary Chinese Politics,” *Politics & Policy* 35, no. 1 (2007).

Scholars like Shen Jiru from the Chinese Academy of Social Sciences (CASS), concluded that the Soviet Union, which was equal to the United States for a time, “lost the whole game due to a flaw in its soft power.”<sup>11</sup> Chinese intellectuals and the party leadership were persuaded that in order to achieve—or indeed recover—great-power status, China needed to build both hard and soft power.<sup>12</sup> Furthermore, the value of hard power, particularly military strength, as an effective means of securing national interests was judged to be on the decline, while the value of soft power was on the rise.<sup>13</sup>

There is general agreement that while China has made strides in enhancing its hard power, it is lagging dramatically in soft power. The soft-power discussion among Chinese experts asks whether China’s soft power should remain reactive—aimed largely at improving the country’s image—or become proactive. In particular, a debate is unfolding about whether the so-called China model of development could or should be exported. There also continues to be disagreement on what the main source of China’s soft power is; how to build it; how to promote it; and to what ends to use it.

## The China Soft-Power Debate: Two Main Schools of Thought

Against the wider background of the debates on China’s foreign and domestic policies, two main schools of thought have emerged around which the discourse on China’s soft power is centered. The mainstream view, held by China’s leading sociologists and philosophers, is that “the core of soft power is culture,”<sup>14</sup> echoing the opinion first expressed by Wang Huning in the 1990s. The minority view, held by some international relations experts, does not deny the importance of culture but focuses instead on how soft-power resources are used, concluding that political power is the core of soft power. The culture school has had the greatest impact on policymaking: the central role of culture in the exercise of soft power has been embraced by China’s leadership and will be discussed in more detail below.

For the leading proponent of the culture school, Yu Xintian, soft power includes thoughts, ideas, and principles as well as institutions and policies, all of which operate within the context of, and cannot be separated from, a nation’s culture. Yu, director emeritus of the Shanghai Institute of International Studies (SIIS), believes “the more fashionable the ideology, the more people will accept it and the greater the possibility to build the country’s soft power.”<sup>15</sup> China’s ancient history and traditional culture are viewed by most scholars as a valuable source of soft power for attracting not only East Asian neighbors with whom China shares a Confucian heritage but also the wider international community.<sup>16</sup> One leading analyst believes that China’s modern-day emphasis

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11. Shen Jiru, “Do Not Ignore the Importance of Soft Power,” *Liaowang*, no. 41 (October 1999).

12. A number of Chinese scholars point out that prior to the nineteenth century China was a world superpower. In 1820, China accounted for 30 percent of world GDP. They “believe China’s decline to be a historical mistake which they should correct.” See Yan Xuetong, “The Rise of China in Chinese Eyes,” *Journal of Contemporary China* 10, no. 26 (2001).

13. Shi Yinhong, “China’s Soft Power and Peaceful Rise,” *Zhongguo Pinglun*, no. 118 (October 2007).

14. Leading Chinese intellectual, interview with authors, October 2008.

15. Yu Xintian, “The Role of Soft Power in China’s Foreign Strategy,” *Guoji Wenti Yanjiu*, March 13, 2008.

16. Cheng Yugang, “Build China’s Soft Power within the Context of Globalization,” *Guoji Guangcha*, February 2007.

on development, stability, and harmony has universal appeal and could supplement, though not replace, U.S. values.<sup>17</sup> Other scholars go even further and hold that traditional Chinese values such as giving priority to human beings [*yi ren wei ben*], harmony between humankind and nature [*tian ren he yi*], and harmony but difference [*he er butong*]<sup>18</sup>—repackaged by the CPC as the concepts of harmonious society and harmonious world<sup>18</sup>—could provide an alternative to Western values. Global problems such as poverty, environmental degradation, and regional conflict might be better addressed by the adoption of a Chinese rather than Western approach, some Chinese maintain.<sup>19</sup>

The view that culture is the core soft-power resource has been bolstered by China's observation of U.S. soft power. The Chinese note that even as the George W. Bush administration's pursuit of a unilateral foreign policy, attempt to export democratic ideals, and the recent financial crisis have undermined America's other soft-power resources, U.S. cultural soft power nevertheless remains strong. Even critics of U.S. foreign policy or political values watch U.S. movies, drink Coke, and eat at McDonald's. People's University professor Fang Changping points out: "The key reason for the decline of American soft power is due to 'what America does,' while 'what America is' still holds powerful attraction—one of the reasons that the United States still wields an edge in the domain of soft power."<sup>20</sup>

With this in mind, some scholars, including Hu Jian, deputy director of the Center for Russian Studies at the Shanghai Academy of Social Sciences (SASS), warn of the deficit in China's "cultural trade" with the West;<sup>21</sup> and others emphasize the importance of using cultural media to promote China's image and raise its profile on the international stage.<sup>22</sup> In so doing, China can resist the image and values imposed on it by the West and assert its own discourse rights.<sup>23</sup> Anger over Western media coverage of protests in Tibet and the Olympic torch relay in the spring of 2008 revived longstanding suspicions that U.S. "cultural hegemony" was being used to weaken and destabilize China and led to calls for Beijing to combat this challenge.<sup>24</sup> The view of Shanghai Jiaotong University professor Li Haijuan that "the competition of cultural power is the core of soft power contention" is shared by many Chinese.<sup>25</sup>

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17. Leading Chinese scholar, interview with authors, October 2008.

18. "Harmonious society" is the end goal of the "scientific development concept," a policy program that seeks to balance China's pursuit of economic growth with paying equal attention to solving social welfare issues and putting the "people first." See "CPC Central Committee Decision on Enhancing Ability to Govern," Xinhua, September 26, 2004. The "harmonious world" concept, unveiled by Hu Jintao at the Asia-Africa summit in April 2005, calls for the establishment of a new international political and economic order based on multilateralism, mutually beneficial cooperation, and the spirit of inclusiveness. See "Hu Calls for Harmonious World at Summit," *China Daily*, September 16, 2005.

19. Chinese scholars from leading think tanks and universities, interviews with authors, October 2008; see also Li Mingjiang, "Soft Power in Chinese Discourse," p. 6.

20. Fang Changping, "Comparison of Chinese and U.S. Soft Power and Its Implications for China," *Shijie Jingji Yu Zhengzhi*, July 1, 2007.

21. Hu Jian, "China's Responsibilities and the Road of Peaceful Development," *Xiandai Guoji Guanxi*, July 20, 2007.

22. Li Geqin, "The Growth of a Great Power and China's Image Building," *Xiandai Guoji Guanxi*, no. 10 (2008).

23. Expert affiliated with a Chinese think tank, interview with authors, September 2008.

24. Qiao Liang, "The New Soft Power Competition," *Xiandai Guoji Guanxi*, no. 5 (2008).

25. Li Haijuan, "Soft Power Competition and Cultural Strategy," *Mao Zedong Deng Xiaoping Lilun Yangjiu*, Issue 12 (2004): pp. 49–54, quoted in Li, "Soft Power in Chinese Discourse," p. 17.

## Chinese Leadership Embraces Culture as Core of Soft Power

The Chinese leadership has needed little convincing about the core value of culture in soft power. Culture is viewed as a fulcrum of international competition by the CPC: “To speak plainly some powerful foreign nations wish to use culture as a weapon against other nations, and for this reason we must work hard to raise our country’s ‘soft power.’”<sup>26</sup> The CPC has frequently charged the West with pursuing a policy of “peaceful evolution”—a surreptitious attempt to undermine the party’s legitimacy through the infiltration of Western culture and political values. Since reform and opening up began in 1978, campaigns against “bourgeois liberalization” and “spiritual pollution” have been launched. President Hu Jintao declared in a 2006 speech: “The one who takes commanding point on the battlefield of cultural development will gain the upper hand in fierce international competition.”<sup>27</sup> The discourse on soft power reinforced the notion that the party had to get culture right.

In the past two decades a vibrant debate has accompanied the search for a unifying ideology—or socialist core value system—to replace the now defunct Maoism-Marxism and to offer an alternative to Western values. Although no consensus has yet been reached, interim steps have included the rehabilitation of once vilified traditional schools of thought—Confucianism, Taoism, and Buddhism.<sup>28</sup> There also has been recognition that, in addition to building China’s economic or “material civilization” (hard power), the nation needs to build a “spiritual civilization” (soft power). The then president Jiang Zemin announced the decision on building socialist “spiritual civilization” at the 15th CPC Congress in 1998. An “Outline on National Morality,” combining Chinese traditional values and socialist core values, was issued in 2001.<sup>29</sup>

At the 16th CPC Congress in 2002, China’s cultural system reform (CSR) was launched. Although not explicitly employing the term soft power, propaganda chief Liu Yunshan noted that “the strategic position of the building of culture in the documents of the Party’s guiding principles” underscored the “extreme importance of building culture.”<sup>30</sup> Liu added that “the power of culture” is “becoming an important component in integrating national power and international competitiveness.” With an eye on soft power, CSR was aimed at making “socialist culture with Chinese characteristics a powerful attraction and inspiration not only to the Chinese people, but to the people throughout the world.”<sup>31</sup>

In an internal speech to the party’s powerful Foreign Affairs Leading Small Group [*zhongyang waishi gongzuo lingdao xiaozu*] in January 2006, President Hu Jintao said that “the enhancement of China’s international status and international influence must be reflected both in hard power including the economy, science and technology, and national defense power and in soft power

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26. “Soft Power: China Takes Measures to Bolster Its Global Cultural Prowess,” China Media Project Online, December 19, 2007, <http://cmp.hku.hk/2007/12/19/797>. Not surprisingly, the works of Samuel Huntington are very popular in China.

27. “Hu Jintao Speech to Literary and Art Circles,” *Renmin Ribao*, November 12, 2006.

28. For an in-depth discussion of this period, see Jing Wang, *High Culture Fever: Politics, Aesthetics, and Ideology in Deng’s China* (Berkeley: University of California Press, 1996).

29. The building of a socialist “spiritual civilization” is an ongoing process. President Hu Jintao’s theoretical contribution is the moral guidance of “the eight honors and eight disgraces” [*ba rong ba chi*]; See “Commentator on Socialist Concept of Honor, Disgrace,” *Renmin Ribao*, March 18, 2006.

30. Liu Yunshan, “Hold High the Banner of Advanced Culture,” *Renmin Ribao*, December 11, 2002.

31. *Ibid.*

such as culture.”<sup>32</sup> The leadership’s official sanction of soft power and the core role of culture were clinched when the term was included in Hu Jintao’s work report to the 17th CPC Congress in October 2007.<sup>33</sup> Hu said: “Culture has increasingly become an important source of national cohesion and creativity and an important factor in the competition of overall national strength,” and he added that China must “enhance the country’s cultural soft power [*wenhua ruanshili*].”<sup>34</sup>

In sum, the Chinese leadership has recognized the importance of soft power in achieving comprehensive national power, and has accepted the mainstream academic view that the core of soft power is culture. For the CPC, it has reinforced the importance of building a socialist core value system that can strengthen “the cohesiveness of the Chinese nation.” It is based upon this “unifying guiding ideology” that China can expand its cultural soft power overseas.<sup>35</sup> According to one leading scholar, “officially and unofficially, the development of the nation’s soft power has been regarded as a pressing task and is near the top of China’s list of priorities.”<sup>36</sup>

On a practical level, this has meant increased government funding for the development of China’s cultural soft-power resources at home and its expansion abroad. In 2004, the State Council set up a leading small group to oversee the establishment of Confucius Institutes (CIs), which are tasked with disseminating China’s culture and language to the world. The first institute in the United States was set up at the University of Maryland in 2004; there are now more than 40 CIs across the United States, and there are 260 in 75 other countries worldwide. Funds were also made available for a series of high-profile cultural events and international exchanges, including the China Year in France in 2003, China Year in Russia in 2007, major exhibitions in the United States and United Kingdom, as well as the Beijing Olympics in 2008 and the Shanghai Expo in 2010.<sup>37</sup> It was reported that the central budget for cultural undertakings in 2006 had risen 23.9 percent compared with 2005, reaching 12.3 billion yuan. The budget for diplomatic spending on soft-power activities in 2007 was set to rise 37.3 percent to 23 billion yuan.<sup>38</sup> The Ministry of Foreign Affairs is also considering setting up an office to coordinate public diplomacy, emulating the U.S. State Department’s Office of Public Diplomacy and Public Affairs.<sup>39</sup>

The government has also backed the study of topics related to soft power and tasked China’s leading think tanks with conducting research.<sup>40</sup> Following a lecture given to China’s 25-member

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32. Ma Lisi, “Primary Thoughts on Soft Power Development in China,” *Literature of the Chinese Communist Party*, no. 5 (2007). The Leading Group reportedly includes Hu Jintao, Xi Jinping, Liu Yunshan, Liang Guanglie, Meng Jianzhu, Dai Bingguo, Liao Hui, Yang Jiechi, Qiao Zonghuai, Wang Jiarui, Wang Chen, Geng Huichang, Chen Deming, Li Haifang, and Ma Xiaotian. See Alice Miller, “The CCP Central Committee’s Leading Small Groups,” *China Leadership Monitor*, no. 26 (Winter 2008).

33. The inclusion of soft power, a foreign theory, in a CPC official document is highly unusual, according to a leading Chinese intellectual, in an interview with authors, October 2008.

34. “Full Text of Hu Jintao’s Report to the 17th Party Congress,” Xinhua, October 24, 2007.

35. “17th Party Congress Demands Boosting Cultural Creativity ‘Soft Power,’” Xinhua, December 28, 2007.

36. Pang Zhongying, “The Beijing Olympics and China’s Soft Power,” Brookings Institution, September 4, 2008, [http://www.brookings.edu/opinions/2008/0904\\_olympics\\_pang.aspx?p=1](http://www.brookings.edu/opinions/2008/0904_olympics_pang.aspx?p=1).

37. A great deal was written about the Beijing Olympics in the promotion of China’s soft power. For example, see Pang, “The Beijing Olympics and China’s Soft Power.”

38. “Soft Power, A New Focus at China’s Two Sessions,” Xinhua, March 14, 2007.

39. Senior expert affiliated with a Chinese think tank, interview with the authors, November 2008.

40. Think tank and university experts, interviews with authors, July–October 2008. Following publication in March 2004 of the “CPCCC Opinion on Developing Social Sciences and Philosophy,” funds were made available through the National Social Sciences Fund for research into topics related to soft power. The

Politburo, CASS scholar Li Chongfu noted that, since taking office, “Hu Jintao and Wen Jiabao have attached greater importance on the study of social sciences from a strategic vantage point, looking at it as an important component part of the country’s ‘soft power’” and “further sounding the bugle call for the reviving China’s soft power.”<sup>41</sup>

In 2006, the leadership issued a Five-Year Plan for Cultural Development. The plan devotes an entire chapter to the “go global” strategy for Chinese culture, encouraging the media and culture-related enterprises to “expand Chinese culture’s coverage and international impact.”<sup>42</sup> Noting that a country’s cultural soft power depends not only on its attractiveness but also “whether it possesses strong propaganda methods and strong propaganda capabilities,” China aims to “form public opinion powers commensurate with China’s international status.”<sup>43</sup> In January 2007, the prestigious Fudan University hosted a high-level meeting to discuss a public relations strategy to promote China’s soft power.<sup>44</sup> According to the *South China Morning Post*, the government has earmarked 45 billion yuan to make over its media. The 24-hour international television channel, CCTV 9, which already has English, Spanish, and French services, is planning new services in Russian and Arabic. The state-run news agency Xinhua is also planning to open more bureaus overseas.<sup>45</sup>

## Culture versus Politics

Although the culture school has apparently won the support of China’s leadership, not all scholars agree that it is the core of soft power. The minority view does not deny the importance of culture but focuses instead on how soft-power resources are used, and concludes that a state’s political power and power of manipulation, not its culture or attractiveness, are the essence of soft power.<sup>46</sup> The leading proponent of this school, Qinghua University professor Yan Xuetong, argues that “to reinforce the soft power of China, the critical issue is to strengthen political power. Starting with politics is not the same thing as starting with culture.”<sup>47</sup> For Yan and his colleague, Xu Jin, soft power consists of international attractiveness, international mobilization capability, and domestic mobilization capability.<sup>48</sup> Yan and Xu are so far the only scholars to attempt to quantify China’s soft power, concluding that it is currently one-third that of the United States.<sup>49</sup> To catch up, the

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China Institutes of Contemporary International Relations, Central Party School, SIIS, and SASS are among the institutions that in the past carried out or currently are engaged in such studies.

41. “Central Leadership Attaches Importance to ‘Soft Power,’” *Wen Wei Po*, October 4, 2006.

42. “Apparent Text of the ‘Outline of the State Cultural Development Program for the 11th Five-Year Period,’” Xinhua, September 13, 2006.

43. “17th Party Congress Demands Boosting Cultural Creativity ‘Soft Power,’” Xinhua, December 28, 2007.

44. Meng Jian and Qian Haihong, “A Public Relations Vision for China’s Soft Power Construction,” *Journalism Quarterly* (February 2007).

45. “China Plans Global Media Expansion,” Agence France-Presse, January 14, 2009.

46. Leading Chinese intellectual, interview with authors, October 2008.

47. Yan Xuetong, “Political Application of Cultural Resources,” *Huanqiu Shibao*, August 2, 2007.

48. According to Yan and Jin, international attractiveness comes from two sources: the national development model and cultural attractiveness. International mobilization refers to the influence exerted by a country without the use of coercive force, mainly through its strategic relations. Domestic mobilization refers to the domestic political support of a country gained without the use of coercive force, mainly domestic support from elites and ordinary people for the government. See Yan Xuetong and Xu Jin, “A Soft Power Comparison between China and the United States,” *Xiandai Guoji Guanxi*, January 20, 2008.

49. Ibid.

scholars believe China must rebalance its domestic development and establish a harmonious society—social equality and justice—as the political basis for soft-power construction. Yan and Xu also proffer the controversial idea that China should “rethink its nonaligned policy” and make “increasing the number of strategic allies the main aim of soft power construction.”<sup>50</sup>

Among Chinese international relations and policy experts who emphasize the importance of politics over culture, there is growing interest in foreign policy and institutions in soft power. According to Su Changhe, a professor at the School of International and Diplomatic Affairs, Shanghai International Studies University, soft power is evident in a state’s ability in international institution building, agenda setting, mobilization of coalitions, and its ability to fulfill commitments.<sup>51</sup> Other scholars stress the importance of China’s participation in multilateral diplomacy, overseas assistance programs, and peacekeeping operations.<sup>52</sup> To develop soft power, Jiaotong University professor Guo Shuyong urges China to become fully integrated and more active in the international system, and he even proposes that China send troops under UN auspices in the event of what he terms a “just war.”<sup>53</sup> Having recognized that the country lacks many of the tools of soft power, China is attempting to catch up. The Ministry of Education and Communist Youth League, for example, have set up a Chinese version of the U.S. Peace Corps and they encourage university students to spend time volunteering overseas, especially in Africa.<sup>54</sup>

Returning to Nye’s original conceptual framework, some scholars believe China’s foreign policy is also a key source of soft power. China’s long-standing opposition to the use of force, its preservation of state sovereignty and territorial integrity, its noninterference in other countries’ internal affairs, and its opposition to economic sanctions as well as its latest concept of building a harmonious world resonate with many nations. Thus, China has achieved some success: according to a recent study of UN voting behavior, the balance of power has shifted from the United States and European Union to “China and Russia, which defend national sovereignty and non-intervention in sovereign countries. . . . Over the past decade support for Chinese and Russian stances on human rights issues has soared from less than 50% to 74% in the UN general assembly.”<sup>55</sup>

## Soft Power and the Debate on China’s Guiding Foreign Policy Theory

There continues to be a strong link between the discourse in China on soft power and the broader debate on China’s foreign policy. In recent years, Chinese scholars have increasingly questioned the wisdom of continuing to adhere to Deng Xiaoping’s dictum that China should keep a low profile in international affairs; many ask whether it is time for China to assume a more proactive posture commensurate with its rising status as an international power. This is known as the *tao guang yang hui* vs. *yousuo zuowei* debate.<sup>56</sup> At the same time that this debate has intensified,

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50. Ibid.

51. Su Changhe, “The International System and China’s Soft Power,” *Guoji Guan cha*, February 2007.

52. Chinese scholars from think tanks and universities, interviews with authors, China, October 2008.

53. Guo Shuyong, “New Internationalism and Soft Power Diplomacy of China,” *Zhejiang Renmin Chubanshe*, December 2007; Guo Shuyong, “Just War and China’s Rise,” *Shishi Chubanshe*, July 2006.

54. Danna Harman, “Young Chinese Idealists Vie to Join Their ‘Peace Corp’ in Africa,” *Christian Science Monitor*, June 27, 2007.

55. “Hemorrhaging of Western Influence at UN Wrecks Attempts to Push Human Rights Agenda,” *The Guardian*, September 18, 2008.

56. In the fall of 1989, in the wake of the Tiananmen incident and the upheaval in Eastern Europe, Deng Xiaoping allegedly made a statement that advised caution in foreign policy. Many people claim that

concerns about China's rise, especially the expansion of its influence in regions such as Africa, Latin America, and Southeast Asia, have fueled the China-threat theory. The criticism of China in the press has undermined China's attempts to expand its soft power and has put the goal of building a positive image of China around the world at risk.<sup>57</sup>

To combat an increasingly negative image of China in the developing world, a white paper was issued in 2005 on "China's Path to Peaceful Development."<sup>58</sup> Then in August 2006 an unprecedented foreign affairs work conference was convened in Beijing that gathered together members of the Politburo, provincial governments, and foreign policy and military leaders as well as heads of China's major state-owned conglomerates. The guiding theme of the conference was that internal and external environments are inextricably linked. The key objective was to ensure that Beijing's external activities support, rather than undermine, China's domestic development priorities.<sup>59</sup> The decisions issued at the conclusion of the conference not only reflected this overall priority but also reaffirmed the guiding theory of Deng's *taoguang yanghui* in the conduct of China's foreign affairs and officially recognized the importance of culture in foreign policy and the promotion of soft power.<sup>60</sup> In his speech to the conference, Premier Wen Jiabao said: "We should expand cultural exchanges with other countries. Cultural exchanges are a bridge connecting the hearts and minds of people . . . an important way to project a country's image." Wen also called "to promote Chinese culture and its appeal overseas."<sup>61</sup>

In the ongoing discourse on soft power, some scholars view China's traditional foreign policy as an obstacle to soft-power promotion. The principle of noninterference, for example, has subjected China to criticism for not being more proactive in helping to solve problems in Sudan and Myanmar.<sup>62</sup> Other Chinese scholars argue that soft power has little to do with the source of power but is instead about whether the international community accepts a nation's policies and strategic choices as well as to what extent those choices accord with most nations' interests.<sup>63</sup> For others, hard power and soft power are complementary and not separable.<sup>64</sup> SASS deputy director Huang

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he used the phrase *taoguang yanghui* as part of a longer 24- or 28-character slogan. However, there is no evidence that Deng actually uttered the slogan; it may have been attributed to him by others. The gist appears to come from a September 1989 meeting of the Central Committee when Deng stated, "In short, my views about the international situation can be summed up in three sentences. First, we should observe the situation coolly. Second, we should hold our ground. Third, we should act calmly. Don't be impatient; it is no good to be impatient. We should be calm, calm and again calm, and quietly immerse ourselves in practical work to accomplish something—something for China." *Deng Xiaoping Wenxuan* [Selected works of Deng Xiaoping], vol. 3, p. 321, <http://web.peopledaily.com.cn/english/dengxp/vol3/text/d1020.html>.

57. The Pew Global Attitudes Survey project, among others, reported a sharp increase in concerns about China's rise after 2004; see <http://pewglobal.org>.

58. For a discussion of the peaceful rise-peaceful development debate, see Bonnie S. Glaser and Evan S. Medeiros, "The Changing Ecology of Foreign-Policy Making in China: The Ascension and Demise of the Theory of 'Peaceful Rise,'" *China Quarterly* 190 (2007): pp. 291-310.

59. See Bonnie S. Glaser, "Ensuring the 'Go Abroad' Policy Serves China's Domestic Priorities," *China Brief* (Jamestown Foundation) 7, no. 5 (March 8, 2007).

60. Experts in China's foreign policy, interviews with authors, January 2007, in China.

61. Wen Jiabao, "Our Historical Tasks at the Primary Stage of Socialism and Several Issues Concerning China's Foreign Policy," *Renmin Ribao*, March 7, 2007. According to several Chinese sources, this article was the speech that Wen Jiabao delivered at the August 2006 foreign affairs work conference.

62. Leading Chinese scholar, interview with authors, July 2008.

63. Zhu Feng, "China Should Give Priority to the Rise of Soft Power," *Huanqiu Shibao*, April 30, 2007.

64. Guo, "New Internationalism and Soft Power Diplomacy of China."

Renwei argues that “if hard power is a constant value, soft power should be a variable or multiplier, which could magnify comprehensive power or significantly weaken it.”<sup>65</sup>

## Other Features of the Debate: Soft Power with Chinese Characteristics

Although most Chinese scholars work within the parameters set by Nye’s original soft-power theory, others have expanded beyond his conceptual framework. CPC Central Party School professor Meng Honghua believes that, when analyzing China’s soft power, the theory needs to be enriched with Chinese practice.<sup>66</sup> What also differentiates China’s soft power debate is that—in contrast with Nye, who viewed soft power primarily as a means of improving the international standing of the United States—the Chinese approach to soft power is holistic: the domestic and foreign policy aspects of soft-power development are conceived as an organic whole. For example, the idea of “establishing a ‘harmonious society’ domestically and establishing a ‘harmonious world’ internationally” is seen as providing a “comprehensive framework for the ongoing development of China’s soft power.”<sup>67</sup> Most Chinese scholars agree that soft power must be developed not only internationally through the promotion of Chinese culture overseas, public diplomacy, and pursuit of peaceful development but also at home through making China’s culture, as well as economic and political values, attractive to both a Chinese and an international audience.<sup>68</sup>

During the past decade, the downsides of China’s emphasis on economic growth—income inequality, regional disparities, environmental degradation, corruption—and the social unrest it has engendered have become increasingly apparent and sparked a major debate on China’s development strategy.<sup>69</sup> A number of scholars argue that this focus on economic hard power has also been to the detriment of soft power. The implied risk to the overarching goal of building China’s comprehensive national power has bolstered calls from inside and outside the party for the leadership to undertake wider political and socioeconomic reform.<sup>70</sup> In the opinion of Shi Yinhong, for China to be an inspiration to the world, China first needs to be an inspiration to its own people. He questions what value China offers the world beyond economic growth when it “still has a long way to go to realize basic freedoms or rights.”<sup>71</sup>

Many scholars therefore welcomed the decision to rebalance China’s development strategy, which was officially adopted by the party at the 17th CPC Congress in October 2007. The so-called scientific development concept (SDC), the end goal of which is to establish a harmonious society, is a policy program that seeks to balance China’s pursuit of economic growth with paying equal

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65. Huang Renwei, “Soft Power and National Security,” *Xuexi Yuekan*, January 2003.

66. Meng Honghua, “An Evaluation of China’s Soft Power and Promotion Strategy,” in *China’s Soft Power Strategy*, ed. Meng Honghua (Zhejiang: Zhejiang Renmin Chubanshe, 2007).

67. Fang, “Comparison of Chinese and U.S. Soft Power and Its Implications for China.”

68. Scholars from leading think tanks and universities, interviews with the authors, July–October 2008; see also *Ibid.*

69. For a discussion of this debate, see Melissa Murphy, “Decoding Chinese Politics: Intellectual Debates and Why They Matter,” Report of the Freeman Chair in China Studies (Washington, D.C.: CSIS, January 2008), [http://www.csis.org/media/csis/pubs/080129\\_murphydecoding.pdf](http://www.csis.org/media/csis/pubs/080129_murphydecoding.pdf).

70. Scholars of political science and diplomacy, interviews with authors, July, September, and October 2008; see also “PRC Scholar Discusses Need for China to Develop ‘Soft Power,’” *Liaowang*, November 7, 2005.

71. Shi, “China’s Soft Power and Peaceful Rise.”

attention to solving social welfare issues and putting the “people first.” The program also promises political reform in the form of “democracy with Chinese characteristics.”<sup>72</sup> According to Pang Zhongying, the SDC represents a major “transformation in the thinking, strategy and policy about developments in China, and it will contribute to the growth of China’s ‘soft power.’”<sup>73</sup> Hu Angang, a professor at Qinghua University and an adviser to the Chinese government, opined that China’s harmonious-society undertaking is “more influential and alluring than American democracy and human rights. What is soft power? This is China’s greatest soft power.”<sup>74</sup>

Fudan University professor Chen Yugang, however, holds that further discussion of China’s political system reform, particularly improving China’s good governance and combating corruption, is necessary.<sup>75</sup> According to Beijing University professor Qian Chengdan, the lack of institution building, especially failure to instill the rule of law, continues to impede the development of China’s soft power.<sup>76</sup> Still other scholars are far more pessimistic about the party’s commitment to political and socioeconomic reform, and they doubt the future prospects for China’s soft power.<sup>77</sup>

While ostensibly related to China’s international standing, the soft-power discourse continues to influence and be influenced by the debate about domestic reform. A number of scholars, noting the important role nongovernmental organizations (NGOs) play in the exercise of soft power, are boldly calling for the development of China’s civil society.<sup>78</sup> Fang Changping argues that China must “recognize the unique role played by NGOs in cultural diffusion and exchanges.”<sup>79</sup> Another scholar points out that, although China has good government-to-government relations with many countries, the lack of people-to-people interaction is undermining its soft power; the scholar proposes a bigger role for independent, not government-backed, NGOs.<sup>80</sup> Yu Xintian also believes that to improve its soft power and image, China must learn to work with foreign media and international NGOs through the development of domestic NGOs, which are currently in “a fledgling state.”<sup>81</sup> Of course, this presents a dilemma for the Chinese government, which recognizes it cannot do the work of NGOs, while it remains wary of allowing such organizations to operate outside of its control.<sup>82</sup>

In short, there appears to be consensus among Chinese intellectuals and the leadership on the imperative to build China’s soft power, which begs the question: To what ends? For those who believe that soft power is something that can be deliberately cultivated, its development is seen

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72. The concept, which is identified with the Hu-Wen administration, was first proposed during the 4th Plenum of the 16th CPC Party Congress in 2004. It has sparked a major debate inside and outside the party; see Murphy, “Decoding Chinese Politics.”

73. “PRC Scholar Discusses Need for China to Develop ‘Soft Power.’”

74. “Hu Angang: Harmony Is Also the Last Word; It Has Become China’s Greatest Soft Power,” *Zhongguo Xinwen She*, October 12, 2006.

75. Chen Yugang, “Build China’s Soft Power within the Context of Globalization,” *Guoji Guangcha*, February 2007.

76. Qian Chengdan, “Institution Building to Support Soft Power,” *Liaowang* 11 (March 12, 2007).

77. Leading Chinese intellectual, interview with authors, October 2008.

78. Wang Yizhou, “Who Is Afraid of NGOs?” *Dongfang Zaobao*, July 24, 2008. While the Chinese government remains highly suspicious of NGOs, it is interesting to note that one of the authors was recently asked to speak to a delegation of mid-level Chinese government officials to Washington, D.C.; the subject was the role of U.S. civil society and soft power.

79. Fang, “Comparison of Chinese and U.S. Soft Power and Its Implications for China.”

80. Leading Chinese scholar, interview with authors, October 2008.

81. Yu, “The Role of Soft Power in China’s Foreign Strategy.”

82. Senior expert affiliated with a Chinese think tank, interview with authors, November 2008.

as necessary to build China's comprehensive national power, to rebalance China's growing hard power, and to refute the China-threat theory. They believe soft power can secure a stable and peaceful international environment and facilitate the acceptance of China's rise internationally. It can also defend and advance Chinese interests: "China has to substantially increase its soft power in order to play an active role in international competition."<sup>83</sup> The debate on soft power in China now revolves around the question of what comes next: After China determines its core socialist value system, should China actively promote its values as an alternative to Western values? Can socialism with Chinese characteristics combined with capitalism serve as a development model for developing nations? There is also interest around the world in the relationship between U.S. and Chinese soft power: Is the relationship zero-sum, so that an expected increase of U.S. soft power under President Barack Obama will result in a decline in Chinese soft-power appeal?

## Reactive versus Proactive Soft Power: The China Model

The discourse on soft power has overlapped with the wider domestic debate on China's development strategy and the foreign policy debate of *taoguang yanghui* vs. *yousuo zuowei*. Where all three intersect is in the latest discussion on the so-called China development model: whether it could or should be exported; whether China should deliberately use its soft power to promote its influence; and how these efforts would affect U.S.-China relations.

In 2004, Joshua Cooper Ramo published an article entitled "The Beijing Consensus," which put forward the theory that China's model of development offered developing countries an alternative to the Washington Consensus.<sup>84</sup> The theory remains contentious among both Chinese and Western scholars; some dismiss the idea that such a development model even exists.<sup>85</sup> Meanwhile, Chinese officials eschew the phrase altogether because it implies a challenge to U.S. values and could therefore result in an unwanted confrontation with the United States.<sup>86</sup> However, the idea of a uniquely Chinese model of development has captured the imagination of many Chinese scholars as well as the general public.<sup>87</sup> The success ascribed to the model flies in the face of Western criticism of China's gradual economic and political reform and offers the possibility of China competing as an equal on the international stage and provider of an alternative to Western political and socioeconomic development. Certainly much has been written about the China model, and it has attracted the interest of countries from Latin America, Africa, South Asia, and the former Soviet republics, making it already a major source of China's soft power. Chinese scholars and officials remain divided, however, on whether the model could or should be deliberately exported.

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83. "Commentary: Upgrading National Cultural Soft Power," *Renmin Ribao*, December 29, 2007.

84. Joshua Cooper Ramo, *The Beijing Consensus* (London: Foreign Policy Centre, 2004), <http://fpc.org.uk/fsblob/244.pdf>. The Washington Consensus, a term coined by economist John Williamson in 1989, is a 10-point strategy for economic and political development that has formed the cornerstone of U.S.-led multilateral institutions.

85. For example, see Scott Kennedy, "The Myth of the Beijing Consensus" (paper prepared for conference, "Washington Consensus vs. Beijing Consensus," National Taiwan University Center for China, May 30, 2008), <http://www.indiana.edu/~rccpb/Myth%20Paper%20May%2008.pdf>.

86. Leading Chinese scholar, interview with authors, in China, October 2008.

87. See Yu Keping, "China's Model: Experience and Lessons," in *The Chinese Model and Beijing Consensus*, ed. Yu Keping (Beijing: Social Sciences Press, 2006).

A number of scholars, including Meng Honghua, point out the deficiencies in the China model and warn about the high price China has paid for its economic development.<sup>88</sup> Shi Yin-hong is “doubtful that the model of seriously imbalanced development could be of such extreme importance . . . developing countries did not and should not take it as a model.”<sup>89</sup> Another scholar also believes China cannot export the model because development is an ongoing process; it has not yet been perfected and it is not possible to know whether the model is sustainable in the long run. Even if it proves successful, this scholar commented, it should supplement, not replace, the Western model.<sup>90</sup> Some have the view that the model is based on China’s unique development experience led by the CPC and can succeed only if the importing country adopts a communist political system. One outspoken scholar contends that no country should aspire to follow a model in which there is no real harmony or justice, and that a model based on a one-party state has little soft-power value as it will never appeal to developed countries.<sup>91</sup>

Mainstream scholars also continue to hold the view that China’s development model should not be propagated abroad because doing so would fuel further fears about China’s rise. According to one leading intellectual, “Our economic model has provided soft power but the government hesitates to use it out of concern that it will increase the China-threat theory.”<sup>92</sup> Following the guidance of *taoguang yanghui*, these experts argue that China’s soft power should remain defensive and reactive—primarily aimed at allaying fears about China’s rise, improving China’s image, and clearing up misunderstandings about its intentions.<sup>93</sup> Chinese officials in particular seek to avoid being seen as challenging the United States by setting up an alternative set of values to guide international society. According to one senior official, “China has never been expansionist and has not pushed a development model on others. This is a very important point. China will never try to export a development model.”<sup>94</sup>

A minority view asserts that the China model can and should be exported. University of International Relations professor Zhang Mingqian argues that China’s experience provides “a successful ‘development model’ of socialist market economy for the international community, thereby making China an alternative ‘model’ for others to choose or follow.”<sup>95</sup> Fang Changping believes that in order to achieve its soft-power objectives, China should push for international acceptance of its development model.<sup>96</sup> According to one scholar, “today people feel more confident and feel they can discuss Chinese power, both hard and soft. What can China contribute to the world, people ask?”<sup>97</sup> In the wake of the financial crisis, scholars are also beginning to question the infallibility of the U.S. model and believe that the China model has something to offer.<sup>98</sup> These views support a more proactive soft-power policy.

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88. Meng, “An Evaluation of China’s Soft Power and Promotion Strategy,” in *China’s Soft Power Strategy*.

89. Shi, “China’s Soft Power and Peaceful Rise.”

90. Chinese scholar, interview with authors, October 2008.

91. Leading Chinese intellectual, interview with authors, October 2008.

92. Leading Chinese intellectual, interview with authors, October 2008.

93. Chinese think-tank scholars and university intellectuals, interviews with authors, July–November 2008.

94. Senior Chinese official, interview with authors, November 2008.

95. Zhang Mingqian, “Sustainable Influence and Big Power Mentality,” *Xiandai Guoji Guangxi*, September 20, 2008.

96. Fang, “Comparison of Chinese and U.S. Soft Power and Its Implications for China.”

97. Chinese scholar, interview with authors, September 2008.

98. Senior expert in a Chinese think tank, interview with authors, November 2008.

According to Yang Jiemian, director of SIIS, in the process of reshaping values in the international system:

China faces challenges in promoting its cultural legacy, adapting to the trends of history, and occupying a high moral ground. Along with the transition of the international system, various nations are attempting to inject their own concepts into the values of the international system. Western nations are now actively promoting so-called “democratic values foreign diplomacy,” stressing so-called Western-style concepts of democracy and human rights, causing principles and values to become a new and key area of competition. Although China’s hard power has improved exponentially, its organizational resources within the international system are inadequate; its soft power lags behind, and in the competition of values and international opinion, it is dealt a lower hand. The questions of how to develop a conclusive set of values with Chinese characteristics, inject certain Chinese elements into the international system, and increase the appeal of the Chinese model to developing nations are among the issues to be resolved in China’s future foreign diplomacy.<sup>99</sup>

## Does China Have a Soft-Power Strategy?

Joseph Nye’s theory on soft power has captured the imagination of Chinese scholars and the general public and stimulated a lively debate on how to increase and employ China’s soft power. Importantly, the Chinese leadership has been keenly interested in and has sanctioned the debate since its inception. For the CPC, the discourse on soft power reinforces the importance of culture in building comprehensive national power—a goal that is deemed essential to protect and advance China’s national interests. China’s unrelenting pursuit of comprehensive national power combined with the country’s opaqueness regarding its intentions as an emerging global actor has, however, set off alarm bells around the world. In addition to long-standing concerns about the purposes to which China may put its growing sources of hard power, including its expanding military capabilities and burgeoning economic might, worries are increasing about the objectives of China’s quest for soft-power influence.

The Chinese have attached priority to the aggrandizement of soft power, with a focus on culture. Domestic policy has focused on building a spiritual civilization and socialist core value system as well as the goal of establishing a harmonious society that will make China an attractive model not only for its own people but also for others around the world. Soft power in foreign policy has centered on cultural diplomacy: establishing Confucius Institutes and cultural exchanges with other countries and expanding Chinese media and other cultural enterprises overseas. China has also promoted the concept of a harmonious world in part as its contribution as a “responsible stakeholder” in the international system.

From the Chinese perspective, the primary purpose of building up the country’s soft power has been defensive, not offensive.<sup>100</sup> The popularity of the China-threat theory and calls to contain or curb China’s rise have threatened to scuttle the goal of amassing greater comprehensive national power, which is essential if China is to reclaim what it believes to be its rightful place as a major

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99. Yang Jiemian, “Chinese Diplomacy and Theoretical Innovations of 30 Years of Reform and Opening Up,” *Guoji Wenti Yanjiu*, November 13, 2008.

100. Chinese think-tank scholars and university intellectuals, interviews with the authors, July–November 2008.

global player. In tandem with propagating the peaceful-development policy, the imperative of China's soft-power promotion has therefore been to improve China's image abroad. According to a senior Chinese official, "China is using soft power with the objective of creating an international environment that is favorable to China's development."<sup>101</sup> In line with the foreign policy guideline to keep a low profile and eschew being a leader, China continues to assiduously avoid being perceived as challenging the United States, either through the use of hard power or soft power.

Despite intense intellectual debate and leadership interest, China has yet to develop a comprehensive, coherent, national soft-power strategy, although there are disparate policies toward this end.<sup>102</sup> There has been no coordination among ministries or agencies that would carry out a soft-power policy, and no central leading group or leader has been assigned to oversee soft-power promotion. The proposal to include soft power in the 17th CPC Congress work report was made not by the Ministry of Foreign Affairs but by the Ministry of Culture.<sup>103</sup> The Ministry of Education continues to oversee the Confucius Institutes with no apparent coordination with embassies overseas.<sup>104</sup> Meanwhile, the CPC's Central Propaganda Department is promising to "increase the cultural soft power" of China through intensifying "efforts to 'export' cultural products and services, and strengthen the international influence of Chinese culture."<sup>105</sup> To date, however, there has not been any effort to establish benchmarks for assessing progress in promoting culture as the core of soft power.

In the short run, China's soft-power policy will likely remain largely ad hoc and primarily reactive, aimed at combating the China-threat theory and focused on promoting cultural soft power. The leadership will likely continue to proscribe official discussion of the Beijing Consensus as part of a deliberate effort to avoid the appearance of challenging the United States. Over the long term, however, the picture is less certain. There are already calls for China to "formulate a comprehensive strategy for building the nation's soft power"<sup>106</sup> and to place greater emphasis on politics, foreign policy, and institutions in the promotion of China's soft power. As China enlarges its comprehensive national power and assumes a leading role on the international stage, the domestic debate will heat up over whether Chinese socialist values should be promoted as an alternative to Western values and whether the China development model should be exported. It is noteworthy that the debate among intellectuals over *taoguang yanghui* vs. *yousuo zuowei* continues despite leadership efforts in August 2006 to signal that it is premature to adopt a proactive foreign policy. In time, a more proactive Chinese soft-power policy is possible.

It remains to be seen, however, whether China's soft power—culture, political values, foreign policy—will present a challenge to the soft power of the United States. In a 2008 Chicago Council on Global Affairs survey on soft power in Asia, where China's historical and cultural links are the strongest and would presumably have the greatest impact, China's cultural soft power rated only as "middling" and continues to trail behind not only the United States but also Japan and South

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101. Senior Chinese official, interview with authors, November 2008.

102. Chinese think-tank scholars and university intellectuals, interviews with the authors, July–November 2008.

103. Chinese official, interview with authors, November 2008.

104. Senior official with the embassy of the People's Republic of China, interview with authors, October 2008.

105. "Li Changchun Spoke at National Propaganda, Ideological Work Conference," Xinhua, January 23, 2008.

106. Ambassador Shen Guofang, "The Theory of Harmonious World and China's New Diplomacy" (speech reported in *Shijie Zhishi*, July 1, 2007).

Korea.<sup>107</sup> Certainly, some on both sides of the Pacific view soft power in zero-sum terms. However, as long as there is a willingness on both sides to seek cooperation rather than confrontation, there is no reason why both sides cannot work together in the area of soft power. China is increasingly recognizing that the challenges facing the world require global solutions, and China is willing to learn from and work with the United States in this endeavor. In contravention of its long-standing policy of noninterference in other countries' internal affairs, for example, Beijing has applied limited pressure on the leaders of Sudan, North Korea, and Burma to persuade them to modify their objectionable policies. In addition, China is currently reviewing its overseas development aid program in response to criticism that its aid policies are undermining the objectives of the United States, the European Union, and other sources of assistance to the developing world. As China continues to build its soft power and debates what ends it should serve, the United States and other countries should continue through engagement to help shape the choices that China makes. By so doing, we can increase the possibility that China will act as a responsible and stabilizing influence in international affairs.

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107. Christopher B. Whitney, project director, "Soft Power in Asia: Results of a 2008 Multinational Survey of Public Opinion" (Chicago: Chicago Council on Global Affairs and the East Asia Institute, 2008).

# 3

## CHINA'S SOFT POWER IN AFRICA

Jennifer G. Cooke

### Summary Points

- Africans generally view China as a positive influence. There is no single African perspective on China, but survey data indicate that in a sampling of African countries, the number of people who view China as a positive influence in their country is very close to—and in some cases surpasses—those viewing the United States as a positive influence.
- China's assistance to Africa is growing but is dwarfed by U.S. levels. Since the first Forum on China-Africa Cooperation in 2000, China has made a systematic effort to expand and give greater profile to its soft-power policies in Africa. Although explicit soft-power commitments—in health; humanitarian assistance; and academic, professional, and cultural exchange—are growing, they are not yet anywhere near U.S. commitments in these areas.
- The principal source of China's soft power in Africa is the strength of its economy and its economic engagement. China's expanding trade and investment with the continent and the proliferation of Chinese-led infrastructure projects reflect a fundamentally more optimistic view of Africa's future than Western engagement, which remains driven primarily by humanitarian programs and, to an increasing extent, security interests. Many Africans see China's economic engagement in their countries as more pragmatic and in line with African priorities for the continent, and that gives China an important stake in seeing the continent take off economically. Beyond the “sticky” power of actual trade and investment, the cachet of China as a rising global superpower is profoundly appealing and drives a desire to tie African economies more closely to China's ascension to global economic preeminence. The U.S. financial crisis is seen in many quarters as a powerful indictment of the Washington consensus and may continue to seriously undermine the inspirational power of the U.S. economic model.
- China's respect-for-sovereignty rhetoric still resonates for many Africans. China's often expressed respect for sovereignty and territorial integrity and its policy of noninterference resonate for obvious reasons with many African leaders. But they resonate too with many Africans who view Western lecturing on human rights, economic liberalization, and democracy as condescending and hypocritical. The lack of conditionality or broad consultation attached to Chinese assistance and loans allows projects to be implemented quickly, with visible and often immediate results.
- There are some signs of blowback to Chinese engagement from civil society as well as some signs that China is willing to be flexible. The African context is changing, and African governments increasingly must take account of countervailing pressures within their societies,

within the business sector, and in civil society. In a number of countries where political space is expanding, the role of China is increasingly debated and the notion of win-win engagement challenged. Pressures will mount on African governments to build a more robust and strategic approach to deals made with China. In several instances, civil-society groups have pushed back hard on their government for particular aspects of Chinese engagement, and in some cases China has subsequently shifted its approach.

- The United States can do more to encourage economic engagement and infrastructure in Africa. In addition to missed business opportunities, the United States may be losing soft-power potential as more aggressive and forward-looking investors—in China, India, Brazil, and Russia—gain ground in Africa. The U.S. government could do more to encourage and support U.S. investors in Africa. Given the priority that Africans attach to building infrastructure and the catalytic development effects that such projects have, the United States should seek to do more in strengthening African transport, port, and power infrastructure. Virtually every Millennium Challenge Account compact signed with African states has a major infrastructure component, a clear indication of the priority that African governments attach to these projects.
- The United States should strengthen support to governance and civil society. The United States should ratchet down its rhetoric on democracy promotion, which for many Africans rings hollow and sanctimonious. But the United States should at the same time increase its support to strengthening African governance capacities, including provision of technical capacity, greater support for institutions of oversight and accountability, and support for civil society and the media. Ultimately, these will be the institutions that ensure that increasing engagement by China and others is managed strategically and in a way that benefits African countries' citizenry, environment, and economic future.
- The United States can do more to engage in collaborative efforts with China in Africa and to engage China, African governments, regional organizations, and civil society more systematically to mitigate potential tensions and conflicting interests. Both China and the United States have expressed willingness to engage on collaborative projects in Africa, but although there will almost certainly be long-term benefits to such collaboration, it will take a stronger upfront investment of political will and attention to launch these efforts. Health, agriculture, and peacekeeping capacity are areas of potential collaboration in Africa, and more global issues of climate change, food security, and clean and efficient energy use (areas that the Chinese leadership has emphasized in recent international forums) could be taken up in the African context. Likewise, in areas of tension and disagreement—arms sales, transparency, approaches to conflict resolution, environmental safeguards—the United States should ensure systematic, senior-level engagement with Chinese and African leadership to find common ground and mitigate conflict.

## Overview

China's rapidly expanding engagement in Africa has provoked a range of reactions in both Africa and the West. In Africa, these reactions are fueled in some cases by hopes for what China can bring to the continent in trade, investment, and alternative development partnerships; in other cases by fears of what a seemingly insatiable demand for energy, resources, and export markets will mean for fledgling economies, weak governments, and disenfranchised populations. In the

West, China's mix of economic engagement and soft power has spurred some fears that Western influence in Africa will thereby be diminished and that investments in governance, transparency, and accountability will be undermined, particularly in states rich in natural resources but whose governments lack legitimacy or national vision. In contrast, there is acknowledgement that healthy competition for trade, investment, and soft power may ultimately benefit Africa's economic and developmental growth. Ultimately, the challenge will be whether African governments and their people can harness external engagement—China's as well as other key players'—to their eventual national benefit.

In this new expanded phase of engagement in Africa, China has placed special emphasis on soft-power aspects of its engagement, playing both to African audiences and to a broader international stage, where it seeks to portray itself as a nonthreatening, responsible global power. The jury is out on how this strategy will play out. Multiple audiences require a complex mix of strategies, and as China's engagement on the continent goes forward, it may have to recalibrate some of its soft- and hard-power approaches. This will be most challenging in African countries with weak and unpopular governments, particularly as countervailing nongovernmental forces become increasingly powerful and vocal.

Chinese officials and academics often point out that in its engagement with Africa, China is “crossing the river by feeling the stones,” and to date there have been adjustments of approach in response to popular African reactions. There are aspects of China's soft-power engagement that the United States can learn from, and there are reserves of U.S. soft power that have been underutilized in recent years. This is an opportune time for the United States and others to engage China on areas of common interest, to strengthen African capacities to manage the intensifying competition that China and others bring to the continent, and to preemptively work to mitigate potential areas of disagreement.

## China's Evolving Interests and Expanding Engagement

China is not a new power in Africa, but its engagement has expanded dramatically in the past 15 years, most notably since China went from a net energy exporter to a net importer in the mid-1990s. Its expansion in Africa is linked most directly to the requirements of China's rapidly growing economy, especially in energy resources, minerals, and other commodities. But that expansion is accompanied by a strong diplomatic push to build friendly partnerships with African governments, to gain support in international forums for China's ambitions and worldview, and, in the long-term, to create markets for Chinese goods and services. Taiwan is less of an issue than previously because only four African countries—Burkina Faso, Gambia, Swaziland, and São Tomé and Príncipe—maintain ties and recognition.

### Energy, Natural Resources, and Package Deals

China has made an explicit commitment to expand trade and investment opportunities with Africa. At the 2006 Forum on China-Africa Cooperation (FOCAC), it pledged to more than double China-Africa trade from \$40 billion in 2005 to \$100 billion by 2010, to increase from 190 to 440

the number of African exports subject to Chinese duty-free treatment, and establish a \$5 billion China-Africa development fund to encourage Chinese companies to invest in Africa.<sup>1</sup>

China's biggest plays have been in Africa's oil producers: Sudan, Angola, and Nigeria. Africa accounts for 30 percent of China's overall oil imports, and this share is set to rise during the next decade. But Chinese officials are quick to point out that, contrary to perceptions in the West, China is not "gobbling up" Africa's oil resources. China's share of total African oil production is approximately 9 percent, compared with the U.S. share of 32 percent and Europe's share of 33 percent. China comes late to the oil game, however, and on a level playing field would not likely be as competitive as more established Western oil companies. In Sudan, this is not an issue because Western companies are reluctant or prohibited by sanctions to invest there. In Angola and Nigeria, China has boosted its competitiveness with an array of diplomatic, security, and lending practices, the details of which are not always transparent and publicly available.

Angola, for example, is a major recipient of China's largesse and package deals, and with China's ample stock of capital, money poses little constraint. In 2006, a consortium led by China's SINOPEC and Angola's SONANGOL bid a combined massive \$2.2 billion in signature bonuses for two oil tracts, for which Western companies ExxonMobil and BP bid only \$120 million and \$15 million, respectively.<sup>2</sup>

Concessional loans are another vehicle through which to cement ties. Beginning in 2004, China's Exim Bank offered Angola a \$2 billion oil-backed loan to fund reconstruction of the country's infrastructure, destroyed by decades of war.<sup>3</sup> This came at a time when the international community and the International Monetary Fund were using Angola's shortage of liquidity to press for reforms in transparency and governance. According to Angola's deputy prime minister, Aguinaldo Jaime, China came to Angola with critical assistance at a time when the international community refused, insisting on excessive and unreasonable conditions to more robust assistance.<sup>4</sup> The initial Exim loan was followed in September 2007 by a second \$2 billion.

These loans are not entirely without conditions. As Alex Vines and Indira Campos explain,<sup>5</sup> projects proposed for funding by the credit line are approved by a joint committee of the Angolan Ministry of Finance and the Chinese Ministry for Foreign and Commercial Affairs. Once approved, China proposes several Chinese companies to undertake the work, and eventual disbursements are paid directly into the contractors' accounts. China brings its own materials, equipment, and workers—reportedly tens of thousands to date—despite the desperate need in Angola for employment. For now, the Angolan government's urgent priority is reconstruction, and it has not yet insisted in any dramatic way for better terms for Angolans. As the sense of urgency subsides—and should civil-society groups find their voice on these issues—the government may be more prepared to drive a harder bargain with the Chinese.

Relations with mineral-rich countries may be less complex, but deals are struck with similar incentives and levels of opacity. In April 2008, the Democratic Republic of the Congo signed a \$9

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1. As of May 2008, \$1 billion had been committed to this fund.

2. "Going Off the Deep End For Oil," *Business Week*, June 26, 2006.

3. Alex Vines and Indira Campos, "Angola and China: A Pragmatic Partnership," in *U.S.-China Engagement in Africa*, ed. Jennifer Cooke (Washington, D.C.: CSIS, July 2008).

4. Aguinaldo Jaime, deputy prime minister of Angola (address to a CSIS conference about China in Africa, via digital video conference, December 5, 2007).

5. Vines and Campos, "Angola and China."

billion loan deal from China's Exim Bank to help build major road and rail construction projects. In exchange, Chinese companies will receive mining rights to millions of tons copper and cobalt; and a joint venture of the Congolese mining company Gecamines, China's Sinohydro Corporation, and China Railway Engineering Corporation will pay back the investment from mining revenues. Many Congolese are deeply skeptical of the deal, the full details of which are sketchy, particularly given the levels of corruption within the government. "It may be win-win," said one Congolese student, "but it is China and the government in Kinshasa that are winning, not us."<sup>6</sup>

It is as yet unclear what the long-term soft-power impact of China's investment deals will be in Africa. The view of the Congolese observer is one take. Survey data seem to indicate that opinions so far align more with the view of the Senegalese president, Abdoulaye Wade:

China's approach to our needs is simply better adapted than the slow and sometimes patronizing post-colonial approach of European investors, donor organizations and nongovernmental organizations. In fact, the Chinese model for stimulating rapid economic development has much to teach Africa.

With direct aid, credit lines and reasonable contracts, China has helped African nations build infrastructure projects in record time—bridges, roads, schools, hospitals, dams, legislative buildings, stadiums and airports. In many African nations, including Senegal, improvements in infrastructure have played important roles in stimulating economic growth.

And, for those who are skeptical of the structure of these deals, Wade continues:

It is a telling sign of the post-colonial mindset that some donor organizations in the West dismiss the trade agreements between Chinese banks and African states that produce these vital improvements—as though Africa was naive enough to just offload its precious natural resources at bargain prices to obtain a commitment for another stadium or state house.

## Diplomatic Engagement

China's rising trade and investment in Africa have been matched by a major diplomatic push to foster closer ties with African governments, win support for China's worldview, and reassure Africans (and the world) of China's friendly intentions.

### **Messages: Solidarity, Sovereignty, Win-win**

China's public diplomacy emphasizes the notion of solidarity and South-South cooperation. Chinese officials are quick to point out that as far back as the fifteenth century when Admiral Zhen He made his famous voyage to the East African coast, China has never sought to subjugate, colonize, or enslave. They point to China's record of support for African liberation movements and the common interest of the developing world in creating a just, equitable global economy. China presents itself as a champion of developing-country interests in international forums, and clearly expects that that sense of solidarity will be reciprocal. Speaking at the first FOCAC in 2000, Minister Shi Guangsheng declared:

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6. Decky Kipuka-Kabongi, research intern, CSIS.

China will unswervingly side with African countries and peoples to safeguard the legitimate rights and interests of the vast number of developing countries and push for the establishment of an equitable and rational new international political and economic order. Here, let me take this opportunity to express my heart-felt thanks to African countries for your support for China's accession to WTO. China's accession to WTO will be beneficial not only to China and world economic and trade development, but also to the economic and trade cooperation between China and Africa. It is our hope that African countries will continue to render us your precious support so that China's accession to WTO will be realized at an early date.<sup>7</sup>

China also emphasizes the notion of "respect" for African countries, embodied in its policy of noninterference in the domestic affairs of sovereign countries and in an approach to conflict resolution on the continent that is seen as much less confrontational than Western interventions. This approach resonates with many African governments and indeed with many (but not all) African citizens to whom Western browbeating and condemnation seem patronizing and ineffectual. In explaining China's reluctance to sanction President Mugabe of Zimbabwe, Chinese officials and analysts explained that they were simply following the approach of the Southern African Development Community (SADC) and that if SADC changed its stance they would reconsider.<sup>8</sup>

Similarly on Darfur, Chinese special envoy Liu Guijin has stressed the need for greater diplomatic effort instead of an emphasis on sanctions, punitive measures, or military options favored in the West, a view that is echoed by a number of African leaders and African Union representatives. Likewise, China's objection to the International Criminal Court's request for indictment of Sudan's president, Omar Bashir, is a position shared by a number of African leaders, including Jean Ping, chair of the African Union Commission.

Finally, China emphasizes the win-win aspect of its engagement in Africa. This approach finds support in Africa for a number of reasons. First, there is appreciation for China's pragmatism and the idea that it comes to Africa as a business partner, not to proselytize or offer charity. Second, the perception is that economic self-interest is more likely to ensure sustained engagement than will humanitarian impulse or intermittent crisis diplomacy. Finally, the win-win notion implies that Africans are free to negotiate the terms of the arrangements, and that China will be responsive to African demands.

## **Vehicles for Diplomatic Engagement**

The most comprehensive of China's diplomatic efforts toward Africa is the triennial FOCAC. Launched in October 2000, the forum alternates between Beijing and an African country and encompasses assistance, economic development, trade, investment, and political partnerships. The 2006 summit in Beijing drew high-level delegations from 48 African countries, with 41 African heads of state present. The summit is a major undertaking for the Chinese and was reportedly the largest-ever international event held in China. FOCAC has been the venue for announcements of major Chinese commitments to Africa. At the next FOCAC, to be held in Cairo in October 2009, agriculture, food security, environmental concerns, and climate change are likely to be priority focus areas.<sup>9</sup>

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7. Shi Guangsheng, minister of foreign trade and economic cooperation of China, "To Intensify China-Africa Cooperation for a Brilliant Future" (speech at FOCAC, October 11, 2000).

8. Staff at Ministry of Foreign Affairs of China and Chinese Institute for Contemporary International Relations, interviews with author, Beijing, May 2008.

9. Analysts who specialize in Africa at the China Institute of Contemporary International Relations, interviews with author, Beijing, May 2008.

Along with FOCAC, China has a major diplomatic presence in Africa. In fact, as David Shinn points out, Beijing is more widely represented in Africa with missions on the ground than is the United States.<sup>10</sup> Beijing, which has diplomatic relations with 49 African countries, maintains an embassy with an accredited ambassador in 48 of them.<sup>11</sup> The United States, which has relations with all 53 countries, has the same number of embassies. Further, China maintains offices of a commercial counselor in 40 of those countries<sup>12</sup> and seven consulates general in 5 of them. The United States has six independent consulates.<sup>13</sup>

Visits by senior Chinese leaders are another way that China cements its relationships with African states. Since 2004, President Hu Jintao has made three trips to Africa, visiting 14 countries. Premier Wen Jiabao has visited eight African countries since 2003; and former foreign minister Li Zhaozhing, 13 countries in 2006 and 2007. These trips are not limited to African powerhouses or energy producers. They have included visits to Seychelles, Central Africa Republic, and Madagascar, none of them likely destinations for senior U.S. leadership. The impact of senior official visits, particularly in Africa's smaller states, which enjoy little global attention, can be significant in shaping perceptions and partnerships.

## Humanitarian and Development Assistance

China's aid flows to Africa are nearly impossible to quantify. Accurate data on assistance flows are not available, in part because, as a recent Congressional Research Service report points out, China's assistance "consists of grants, interest free loans, bilateral state loans, and concessional low-interest loans that are often partially commercial in character."<sup>14</sup> No single agency manages this mix of funding flows, and it is difficult to verify that pledges made in venues such as FOCAC on health, agriculture, and education are eventually fulfilled.

At the most recent FOCAC, President Hu pledged that China would:

- Deploy 100 top Chinese agricultural experts to Africa by 2009;
- Establish 10 agricultural technology centers;
- Build 30 hospitals;
- Provide \$40 million in grants for anti-malaria drugs, prevention, and model treatment centers;
- Deploy 300 Peace Corps-like volunteers to Africa;
- Build 100 rural schools in Africa;
- Train 15,000 African professionals; and
- Double the number of Chinese government scholarships for African students from 2,000 to 4,000 per year.

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10. David Shinn, "China's Engagement in Africa," in *Africa Policy in the Bush Years*, ed. J. Stephen Morrison and Jennifer G. Cooke (Washington, D.C.: CSIS, forthcoming).

11. Somalia is excluded, as are the four countries that maintain relations with Taiwan.

12. Shinn (forthcoming).

13. Ibid.

14. Senate Committee on Foreign Relations, *China's Foreign Policy and "Soft Power" in South America, Asia, and Africa*, report prepared by Congressional Research Service, Library of Congress, 110th Congress, 2nd sess., April 2008, Committee Print no. 110-46.

These commitments are important and, although relatively small compared with Western donor commitments, should prompt the established donor community to make greater efforts to coordinate engagement and assistance flows with China. China's engagement on family planning in Uganda offers an example of how a fairly low-cost, low-tech approach can nonetheless fill important gaps in existing Western donor flows.

Overall, however, the big-ticket items within the FOCAC commitments to date remain in the areas of trade and investment. This is consistent with China's win-win approach and the government's projection of itself not as a donor state but as a still-developing country keen on building South-South partnerships.

## Cultural Exchanges

China has pushed strongly to broaden cultural exchanges with Africa as well. The first Confucius Institute in Africa was established in Nairobi in 2005. These institutes are funded by the Chinese government and offer Chinese language and cultural programming to the general public. Today there are 19 such institutes in Africa.<sup>15</sup> In 2008, China pledged 20 million renminbi for education projects in South Africa, to include the teaching of Mandarin in 50 local high schools. Support for trade and cultural visitors programs is expanding with the establishment in 2004 of an African Cultural Visitors Program. Beyond the 4,000 government scholarships promised by the Chinese government to African students annually, an increasing number of African entrepreneurs are moving to China, with signs of African diaspora communities being established in a number of Chinese cities.

Equally powerful in people-to-people exchanges and popular perceptions are the large numbers of small-business entrepreneurs who have migrated from China to Africa, setting up shops not only in large capital cities but also in much smaller towns and communities. Anecdotal accounts of African reactions are mixed—language in many cases remains a powerful barrier, and in larger cities Chinese communities remain fairly close, without a great deal of social contact. This may naturally change over time and is an area that warrants further observation and analysis.

## U.S. Engagement in Africa

China's expansion in Africa comes at time when U.S. interests and engagement in Africa are growing as well. Rising energy stakes, the global "war on terror" with its emphasis on weak and failing states, the fight against HIV/AIDS, and new domestic U.S. constituencies interested and active on Africa and conflict resolution have all generated a dramatic increase in U.S. commitments. The Bush administration has launched a number of major initiatives in Africa, with historic funding levels backing them up.

Among these initiatives are:

- The President's Emergency Plan for AIDS Relief (PEPFAR) with \$15 billion over five years directed primarily at Africa and with congressional authorization of \$48 billion for an expanded program in the next five years;

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15. Confucius Institute Online, <http://www.confuciusinstitute.net>.

## China's Smart Power in Reproductive Health: Reaching Out to Uganda

Eric Little

China and Uganda have had a bilateral health relationship since the 1960s, and Chinese medical personnel have worked in Uganda since 1983.<sup>1</sup> Since that time, 11 medical teams with more than 100 doctors have served in the country.<sup>2</sup> In addition to these medical teams, the Chinese pharmaceutical company Beijing Holley-Cotec has established offices in Uganda, where it now markets a new malaria drug in the country.<sup>3</sup> Other medical ties include the provision of drugs and medical equipment worth \$40,000 and health exchange programs in which Ugandan physicians have traveled to China for medical training.<sup>4</sup> Among the most recent and innovative partnerships has been a joint venture on family planning and reproductive health, launched in 2006.

In November 2006, China hosted an international conference, with a Ugandan delegation in attendance, with the purpose of promoting South-South cooperation on reproductive health supplies.<sup>5</sup> Reproductive health services have received scant attention from the United States, largely because of continued domestic political debates, despite the President's Emergency Plan for AIDS Relief (PEPFAR), a historic effort to stem the spread of HIV/AIDS in 15 focus countries, including Uganda. This gap in the U.S. approach offered China a niche where it could capitalize on its long-standing and robust family planning capabilities, as illustrated by the National Planning and Family Planning Commission of China.

In October 2007, Wang Pei'an, vice minister of the Family Planning Commission, visited Uganda and launched a capacity-building program to be implemented by a new reproductive health service center funded by the Chinese government.<sup>6</sup> Along with infrastructural development, the package included medical equipment, an exchange program to train Ugandan health personnel in Chinese hospitals, and a commitment by China to send some of its health experts to Ugandan clinics for consultation.<sup>7</sup> This program will run through 2010 and supplements the multitude of other projects that define the Sino-Ugandan health relationship.

China's investment in family planning in Uganda illustrates how a relatively low-tech, inexpensive Chinese program was married with a clear need in Uganda. From its own experience and expertise in family planning programming, China has recognized the enormous need for family planning and population solutions in underdeveloped countries like Uganda. China has been able to fill a void left by initiatives like PEPFAR that are unwilling to engage on family planning and reproductive health issues. These programs exemplify Chinese willingness to listen, meet local Ugandan demands, and maintain a policy of noninterference and respect for sovereignty. China continues to expand its efforts with family planning programs it has set up in Zimbabwe, Mali, Nigeria, and Bangladesh and consultations on Chinese programs in South Africa<sup>8</sup> and Egypt<sup>9</sup> as well.

These programs also serve China's economic ambitions. China has clearly recognized its lack of international pharmaceutical export experience; as of 2006 it exported just over 5 percent of the world's pharmaceuticals.<sup>10</sup> The government has recognized that lack of information about developing-country priorities, lack of understanding about international pharmaceutical rules, and few relationships with international procurement organizations and distributors have been key obstacles to expanding pharmaceutical exports.<sup>11</sup> By offering programs like the family planning

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## China's Smart Power in Reproductive Health (continued)

initiative in Uganda, China can in effect learn these priorities, develop supply channels that ultimately will make global rules easier to navigate, and develop procurement and distributional relationships. Thus, in addition to gaining an edge in Africa by answering developmental needs without moral preconditions, providing health care in Uganda benefits China's emerging pharmaceutical industry by exposing a captive market to Chinese products, thus potentially opening new markets for future African consumption.

China's relationship with Uganda is a strong example of how China is using soft power to successfully and deftly broaden its influence in Africa. China gains at least short-term popularity by answering the demands of the Ugandan population while it boosts its own pharmaceutical industry. As the United States continues to debate the merits of family planning within its own global health initiatives, China will continue to fill a major gap in public health efforts in Uganda and more broadly across Africa.

From the U.S. perspective this issue points to the importance of finding a strategic and more holistic approach to future international health engagement, specifically the necessity of finding common ground on the challenges surrounding domestic cultural disputes like family planning and reproductive health. Similarly, as the United States engages with the developing world, it would do well to cultivate greater receptivity to what country leaders see as vital needs. Such a working relationship would produce greater diplomatic trust, would promote bilateral interests on a more even footing, and would serve to develop greater support for U.S. policies abroad.

### Notes

1. "Sino-Ugandan Relations," Embassy of the People's Republic of China in the Republic of Uganda, October 28, 2004, <http://ug.china-embassy.org/eng/zwx/t168251.htm>.
2. David Shinn, "Africa, China and Health Care," *Inside Asia*, nos. 3 and 4, October–December 2006, p. 14, <http://www.ccs.org.za/downloads/Inside%20AISA%20October-December%202006.pdf>.
3. Ibid.
4. "Sino-Ugandan Relations."
5. Zhao Baige, "Promote South-South Cooperation to Improve Reproductive Health Commodity Supply and Service" (speech of vice minister of National Population and Family Planning Commission of China at opening ceremony of roundtable on RH supply among developing countries, November 7, 2006), <http://www.npfpc.gov.cn/EN/en-nljs/ennljs-1.htm>.
6. "China Starts Its First Foreign Aid Program in Population, Reproductive Health," National Population and Family Planning Commission of China, October 26, 2007, <http://www.npfpc.gov.cn/en/en2007-10/news20071025.htm>.
7. Ibid.
8. "South Africa News Delegation Visited National Population and Family Planning Commission, National Population and Family Planning Commission of China, October 30, 2007, <http://www.npfpc.gov.cn/en/en2007-10/news20071030-1.htm>.
9. Ibid.; "Bolstering Health Ties with China," Egypt State Information Service, Egypt Online Archive, June 26, 2005, <http://www.sis.gov.eg/En/EgyptOnline/Archive/20050626.htm>.
10. "The Supply of China's Essential Medicines for Reproductive Health," China Training Center, Reproductive Health and Family Care, November 7, 2006, <http://www.npfpc.gov.cn/EN/en-nljs/ennljs-2.pdf>.
11. Ibid.

## China's Peacekeeping Deployments in Africa

Roy Levy

Chinese peacekeepers are deployed to United Nations peacekeeping operations worldwide, but their presence in Africa is striking. Of the roughly 2,000 peacekeepers China had deployed around the world, on average during the first nine months of 2008, 77 percent were in Africa. China is by far the largest contributor to Africa peacekeeping among the Security Council's permanent five members, with 63 percent of total P-5 contributions to the continent.

China's participation in the UN peacekeeping regime and the composition of its deployments allow Beijing to develop and nurture its national interests, maintain friendly and noninterventionist relations with recipient governments, and at the same time project the image of a responsible stakeholder on the international stage.

Sudan is a case in point. Beijing has fairly consistently opposed efforts within the Security Council to pressure or punish Khartoum, and in fact China has been among the larger suppliers of weapons to the Sudanese government. Yet, at the same time, it has deployed personnel to both the UN Mission in Southern Sudan (UNMIS) and the hybrid African Union-UN Mission in Darfur (UNAMID).

Consistent with the government's reluctance to interfere in the affairs of a sovereign state, the composition of Chinese deployments is generally on the softer side of such military interventions. Of the total number of Chinese personnel contributed to missions around the globe, 5 percent are military observers, 14 percent are police, and 81 percent are troops. In Africa, the troops component of China's contribution is even higher, at 91 percent. Troops carry out a variety of tasks and functions: in addition to combat units tasked with defending UN installations and personnel as well as local civilians in immediate danger, this component includes "enabling units" such as engineers, logistics staff, and medical personnel. And, unlike the contingents of police and military observers, which are composed of a mixture of personnel from all contributing countries, troops are deployed in their organic home units, which leaves the contributing countries with substantial influence on their deployment whereabouts and, though rare, the ability to utilize those troops for projects other than those mandated by the mission.<sup>1</sup>

In Africa, the vast majority of China's peacekeeping troops fall within the category of enabling units.

China's contribution to UNAMID in Darfur has consisted of a 315-member engineering contingent dispatched to help with the construction of camps, roads, and bridges. Beijing has recently said that it is willing to send well diggers and other relevant equipment to Darfur to solve the water shortage facing the hybrid African Union-United Nations force.<sup>2</sup> Similarly, in southern Sudan, China has contributed to UNMIS 460 engineers, transport experts, and medical personnel. In all, according to Wei Yanwei, vice director of the Peace-Keeping Affairs Office of China's Ministry of National Defense, Chinese peacekeepers worldwide have built or repaired more than 200 bridges and 7,500 kilometers of roads, airports, and water supply infrastructures, and they have treated nearly 50,000 local patients.<sup>3</sup>

The pattern is similar in Liberia, where China's 530 peacekeeping troops consist of engineering, transportation, and medical staff. Of the approximately 200 Chinese peacekeepers in the

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### China's Peacekeeping Deployments in Africa (continued)

Democratic Republic of the Congo, 175 are engineers and 40 are medical personnel who are, according to the UN Peacekeeping Best Practices Unit's chief, "providing some of the best medical support anywhere in Central Africa."<sup>4</sup>

While these various enabling units are tasked mainly with supporting the mission and its peacekeepers' needs, experience shows that, in the process, many facilities, items of infrastructure, and services that benefit local populations are also being constructed and rehabilitated. It is in this aspect of peacekeeping—the soft-security portion of nation building and reconstruction—that the greatest opportunities lie for using soft power to promote China's wider national interests. Significantly, China's largest peacekeeping contributions in Africa—in Sudan, Democratic Republic of the Congo, and Liberia—are also where it has made large investments in natural resources and where stability, infrastructure, and good government-to-government relations will ultimately redound to its economic interest.

#### Notes

1. Official of UN Department of Peacekeeping Operations, interview with author, New York, October 2008.
2. "Sudan: China to Send Second Batch of Peacekeepers to Darfur in July—Spokesman," BBC Monitoring Middle East, June 29, 2008, accessed via LexisNexis on October 5, 2008.
3. BBC Monitoring Asia Pacific, June 30, 2008, accessed via LexisNexis on October 5, 2008.
4. "UN Peacekeeping Missions," *Business Day*, October 1, 2004, <http://www.chinese-embassy.org.za/eng/zjnl/t177585.htm>; David Harland, "Why the UN Welcomes Chinese Peacekeepers" *South China Morning Post*, March 10, 2004.

- The President's Malaria Initiative, with \$1.2 billion over five years to reduce malaria-related deaths;
- The Millennium Challenge Account, which commits \$15 billion for five years, to provide countries with a proven track record in good governance and delivery of social services major funding flows to unleash their economies' potential for growth and development; and
- The U.S. Africa Command, a unified military command for Africa that pledges to build African capacities to respond to the continent's security challenges.

These are major new initiatives intended to help to bolster African health, development, and security. There is some question, however, as to whether they are having the kind of soft-power impact that might have been anticipated, given the levels of resources accompanying them.

First, this may be because humanitarian assistance from the West is taken, to a certain extent, as a given and an obligation for wealthy, developed countries. But in part it may be that, although these are things that the United States would like to do for Africa, they are not necessarily the priority list of things Africans most want. The African Growth and Opportunity Act (AGOA) has

generated some trade and employment benefits, but there has not been a concomitant, robust effort to build African trade capacities, with the result that many countries are unable to take full advantage of the agreement. Outside of oil, U.S. firms are wary of investing in Africa, and the opportunity for joint ventures, transfers of technology and know-how, training, and employment have not materialized. Africa is seen largely through the lens of assistance and security, with economic potential and investment or trade potential a distant third.

Second, while U.S. soft-power programs have increased, the United States, unlike China, still exerts considerable hard power in Africa, with airstrikes into southern Somalia that killed a number of civilians and counterterror operations in the Sahel. The United States is often accused of launching punitive measures against human rights abusers in Sudan and Zimbabwe while remaining relatively silent on human rights abusers in countries that happen to be security allies or energy suppliers. The introduction of the African Command was clumsily done, without prior explanations to Africans and with descriptions so broad and all-encompassing that many Africans believed that the U.S. Department of Defense was slated to take over U.S. policy toward Africa.

Third, although China's diplomatic presence in Africa has increased, the U.S. presence has diminished, with embassies chronically understaffed or shutting down altogether. The State Department's Bureau of African Affairs has lost personnel to assignments in the Middle East, and funding constraints hamper the bureau's leadership from making longer, multiple-stop visits in Africa. Visa regulations have slowed the visa application process considerably. The process has become a nightmare for many Africans, whose first contact with Americans or at least the U.S. diplomatic presence will often be a jaded, overworked consular officer, an exorbitant visa fee, and a protracted wait for an uncertain outcome. Potential students or visitors may well expect a more welcome reception and shorter process from Chinese counterparts.

Fourth, competition for African commodities has increased, not just from China but from India, Brazil, Russia, and even South Africa. Africa has options, and U.S. influence is thereby diminished.

Finally, global developments have an impact on African opinion. The U.S. war in Iraq, the abuses of Guantánamo and Abu Ghraib, and perceptions of U.S. unilateralism continue to take their toll and undermine U.S. rhetoric on democracy, human rights, and U.S. intentions. The current financial meltdown may ultimately have an impact as well, as Africans calculate that they may be better off staking their bets on Asia's burgeoning economies.

## Opinion Polls

The 2007 Pew Global Attitudes Project indicates that in a sampling of African countries, Chinese and U.S. influence is strongly felt, that Chinese influence is perceived to be growing more than that of the United States, and that China's influence is perceived in many cases as more positive.<sup>16</sup>

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16. Pew Global Attitudes Project, June 27, 2007, pp. 44–46, <http://pewglobal.org/reports/pdf/256.pdf>.

**Table 3.1 China, U.S. Influence Felt throughout Africa**

	<b>Influences in your Country*</b>		
	<b>China (in percent)</b>	<b>U.S. (in percent)</b>	<b>Gap</b>
Ethiopia	85	88	-3
Mali	83	66	+17
Ivory Coast	79	65	+14
Kenya	76	82	-6
Senegal	72	54	+18
Nigeria	70	75	-5
South Africa	65	66	-1
Ghana	61	69	-8
Tanzania	50	47	+3
Uganda	46	67	-21

\*How much influence do you think \_\_\_ is having on the way things are going in our country? Question asked only in Sub-Saharan Africa (and Latin America).

**Table 3.2 Growing Chinese Influence**

	<b>Influence Is Growing*</b>		
	<b>China (in percent)</b>	<b>U.S. (in percent)</b>	<b>Gap</b>
Ethiopia	85	73	+12
Mali	81	58	+23
Ivory Coast	72	48	+24
Kenya	74	66	+8
Senegal	79	51	+28
Nigeria	63	64	-1
South Africa	61	51	-10
Ghana	59	64	-5
Tanzania	77	69	+8
Uganda	47	59	-12

\*Do you think \_\_\_ influence in our country is growing, decreasing, or staying about the same? Question asked only in Sub-Saharan Africa (and Latin America).

**Table 3.3 China's Influence More Positive than America's**

	China's Influence (in percent)		U.S. Influence (in percent)		Gap
	Good	Bad	Good	Bad	
Kenya	91	6	74	16	+17
Ivory Coast	90	6	80	12	+10
Ghana	90	5	79	13	+11
Senegal	86	6	56	23	+30
Mali	84	7	63	25	+21
Nigeria	79	12	58	27	+21
Tanzania	78	13	36	52	+42
Uganda	75	13	65	24	+10
Ethiopia	61	33	34	54	+27
South Africa	49	32	55	4	-6

Based on respondents who say China/United States has at least a fair amount of influence on the way things are going in their countries. Question asked only in Sub-Saharan Africa (and Latin America).

## Recommendations

The United States and China are not on a strategic collision course in Africa. Despite differences of approaches and areas of sharp disagreement, there is ample common ground that African states, China, and the United States should exploit. China's inroads into African economies may spur greater attention and focus by U.S. companies, and there is some evidence that major U.S. firms are beginning to realize the opportunity costs of not getting a foot in the door.

U.S. soft power in Africa may be losing out to China's more pragmatic, optimistic business approach. There are areas in which the United States can emulate China's approach; areas that merit continued support whether or not they are popular with African governments; and areas where China, the United States, and Africa can strengthen collaboration and forestall potential standoffs.

Drawing lessons from China's success, the United States should:

- Place greater emphasis and priority on encouraging and supporting U.S. businesses to invest in Africa, working through the Overseas Private Investment Corporation, the Commerce Department, and Exim Bank.
- Provide greater support for infrastructure projects in transport, port facilities, and power (through the African Development Bank, multilateral initiatives, or establishment of an Infrastructure Fund along the lines of the United Kingdom's Africa Emerging Infrastructure Fund).

## Civil Society Pushes Back

China's expanded engagement in Africa is relatively recent. As Chinese government and business interests are increasingly confronted with realities on the ground, their approach to both government and nonstate actors will likely require modification. In a number of instances, African civil-society groups have pushed back on their governments regarding certain aspects of China's engagement. In some cases, African governments have responded, negotiating a change in the engagement, and China in turn has been willing (or forced) to respond. The cases demonstrate that there is no monolithic view of China's approach in Africa. Where civil society is active and informed, there have been increasing debates on the merits of China's engagement, greater demands for transparency, and pressures on governments to strike harder deals with Chinese counterparts. Ultimately, these pressures may change China's hard- and soft-power approaches in Africa.

In South Africa, trade unions protested the inflow of low-cost Chinese goods, particularly textiles. President Thabo Mbeki took the issue up with Chinese officials, and after a personal meeting between Mbeki and Premier Wen Jiabao, China agreed voluntarily to cut textile imports to South Africa by one-third, with quotas on Chinese textiles and clothing imports to be imposed for three years. Although the quota is temporary—and there is little evidence that South Africa has used the time to strengthen the competitiveness of its beleaguered textile industry—it was nonetheless an indication of the potential of African governments to demand more of their Chinese counterparts. In April 2008, South African dockworkers, backed by the Congress of South African Trade Unions, blocked the off-loading a Chinese ship carrying arms destined for Zimbabwe. A number of member states of the South African Development Community and union groups joined in the protest. Ultimately the South African high court ruled that the cargo could not be moved overland, and the ship was diverted to Angola and eventually back to China.

In Zambia, public protest greeted President Hu Jintao on his arrival in Lusaka in 2006. Chinese mining companies were accused of ignoring safety regulations and limiting trade union activities. An explosion in the Chambishi mine in 2005 killed 50 Zambian workers, and there had been frequent protests over work conditions and pay. In the 2006 elections, Michael Sata challenged incumbent Levy Mwanawasa in the presidential race, running on a populist, anti-China platform. Sata eventually lost the election, but his party made significant gains in local and parliamentary elections in the country's capital.

In Gabon, a consortium of Gabonese and international environmental nongovernmental organizations accused SINOPEC (China Petroleum and Chemical Corporation) of falsifying an environmental impact report associated with an oil-prospecting project in Loango Park. Ultimately the government ordered SINOPEC to shut down operations and withdraw.<sup>1</sup>

In these examples, popular protest worked its way through governmental channels, resulting in a renegotiation of the terms of engagement with Chinese firms or government interests. Even more challenging for China may be direct confrontations with anti-Chinese sentiment or violence, including, for example, Chinese oil workers taken hostage or killed in the Niger Delta, Ethiopia, and most recently Sudan or rising community-level antipathy toward

*(continued next page)*

### Civil Society Pushes Back (continued)

Chinese small businesses. These kinds of incidents are likely to grow as China's presence on the ground grows over time and may force an even greater shift in the Chinese policy of noninterference and reshape how the Chinese government and business interests approach community and civil-society engagement.

#### Note

1. "China's Sinopec Provokes Conservation Uproar in Gabon," Agence France-Presse, September 28, 2006.

- Continue support for the Millennium Challenge Corporation, one of the few vehicles through which the United States currently supports major, long-term infrastructure projects. The MCC neatly addresses the twin challenges of building African infrastructure and promoting accountable governance, offering incentives to countries with a record of transparency, sound economic management, and basic service delivery. While the MCC should not lower the governance bar to expand coverage to more countries, the United States might consider, through the MCC or other agencies, establishing mini compacts that focus on infrastructure but involve smaller amounts and greater oversight.
- Expand diplomatic presence in Africa. This will likely enhance soft-power influence but will at the same time serve U.S. interests in managing an expanding array of interests and initiatives in Africa. The United States should also make greater investments in consular services to expedite the visa process for visitors, students, and professionals. The U.S. government could invest greater attention and resources in cultural, educational, and science exchange programs between the United States and Africa, all areas where the United States continues to wield considerable inspirational power.

To strengthen the governance agenda, the United States should:

- Strengthen its technical and capacity support to institutions of accountability and oversight—particularly African legislatures, civil-society organizations, and the media. It should make greater efforts to engage regional organizations, particularly the African Union, in building capacity to manage and set standards for foreign investments, environmental stewardship, worker safety, employment, and transparency. The United States would do well, however, to tone down its rhetoric on spreading democracy while it works to strengthen these institutions.

To engage China and Africa on areas of common interest, the United States should:

- Coordinate efforts with China and African governments. Both China and the United States have expressed willingness to work together on assistance programs in Africa. Formal collaboration on projects—in health, agriculture, and peacekeeping training, for example—will be difficult initially to launch, given the very different U.S. and Chinese institutional structures

that administer such programs. These kinds of collaborations will take a major up-front investment of political will and diplomatic attention. But simply increasing informal coordination of efforts in a particular country or sector could bring greater efficiency of effort.

- Collaborate on global challenges. Chinese leadership has recently given much greater emphasis to global challenges of food security, climate change, the need for clean and efficient energy, and agricultural development. These themes will likely be highlighted at the upcoming FOCAC in 2009. The next administration should begin early to engage China and African governments at a senior level to find common ground on these issues and begin to build a coordinated strategy to tackle them.
- Ensure regular, senior-level contact with Chinese and African leaders to anticipate and preempt potential areas of conflict and disagreement. In the coming two years, divisions on Sudan will likely deepen, as the country embarks on what will almost certainly be a chaotic and divisive election process. That process may well generate the starkest division between U.S. and Chinese approaches and interests in Africa. The new U.S. administration should push early for engagement with senior leadership of the African Union and the Chinese government to establish common interests, benchmarks, and redlines on the Sudan election and referendum and build a multilateral consensus on the way forward.

# 4

## CHINA'S PROJECTION OF SOFT POWER IN THE AMERICAS

Katherine E. Bliss\*

### Summary Points

- China uses its diplomatic, cultural, and military relations in the Americas to secure political recognition and advantageous trade and investment conditions.
- China's economic interests in the region are focused on extraction of raw materials for use in Chinese industry and the sale of finished goods to local markets. In some sectors, such as mining, there is a perception that China focuses on economic activities at the expense of environmental protection. Although the influx of inexpensive Chinese manufactured goods is welcomed by consumers in some countries, concerns that they undercut domestic industry tarnish the reputation of Chinese products in others, including Mexico.
- Despite its close economic relationships with Venezuela and Cuba, China neither seeks to advance a revolutionary agenda in the Americas nor endeavors to play on anti-American tensions in the region.
- China's development initiatives appear to be focused on securing access to energy resources, including in Venezuela and Brazil.
- Aggressive scaling-up of cultural activities, language training, and educational exchanges may enhance Chinese understanding of and ease of movement within Latin American societies in the long term; but in the short term, relations may continue be limited by cultural differences and lack of communication.

### Overview

China's relationship with the countries of the Americas is characterized by pursuing recognition that it is the legitimate representative of China in international venues, securing the acquisition of raw materials for its industrial needs, gaining access to regional markets for the sale of its manufactured goods, and deepening political alliances in international political and trade forums.

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\* Alex Demosthenes, Rebecca Dooley, Jessica Horwitz, Joseph Kapusinski, Ariadne Medler, Jorge Mora, and Russell Prag contributed to the research on which this paper is based. Comments provided by Peter DeShazo, Francisco González, Riordan Roett, Cynthia Watson, and Jane Skanderup. Participants in the CSIS Roundtable, "China's Use of Soft Power in Developing Regions: Intentions and Implications," are gratefully acknowledged.

- Securing recognition of its sovereignty is a foreign policy priority for China, and the issue remains a challenge in the Americas, where a number of countries recognize Taiwan as the representative of China in international affairs.
- Beyond diplomatic outreach to encourage recognition and adherence to its “one-China policy,” China actively pursues its economic interests in the resource-rich region. China imports raw materials or partially processed goods to fuel its expanding industrial sector and agricultural products to feed its population. Access to Latin American markets gives China’s manufacturing plants an outlet for sales of a variety of finished products.
- Technical partnerships with regional firms in the biotech, computer, automobile, and steel industries allow China to share scientific expertise with key partners while securing access to locally available raw materials.
- Although weapons sales have characterized some of China’s overtures to militaries in the Americas in recent years, China recognizes U.S. influence in the region and avoids appearing to advance an arms race or revolutionary agenda.
- China uses the tools of “soft power” to solidify its relationships with countries in the Americas, deepen its influence, and ensure access to markets and materials.

This report provides an overview of China’s political, economic, and social-cultural ties to the Americas, with a focus on Latin America. Drawing on evidence from academic literature, the media, government statistics, and interviews with experts, it examines China’s economic relations with key countries and explores ways in which China pursues the three goals President Hu Jintao articulated in 2004 for Chinese–Latin American relations: “strengthening strategic ties and enhancing mutual political trust; taking practical and creative steps to tap the potential for economic cooperation; and attaching greater importance to cultural exchanges to deepen mutual understanding.”<sup>1</sup> The Canada-China relationship shares some characteristics of the China–Latin America relationship; however, because the nature of Canada-China relations in international trade and political forums is often distinct, it will be treated separately in some sections.

## Social and Economic Ties and Diplomatic History

Chinese economic activity in the Americas dates to the era of Spanish and Portuguese colonialism, when European merchants brought textiles, porcelain, and other goods from East Asia with them as they joined imperial flotillas making their way to markets on the other side of the Atlantic.<sup>2</sup> Inevitably some of the goods remained in the hands of locally based traders and, over time, influenced local design and consumption patterns. The famous blue and white *talavera* ceramics from central Mexico, for example, are said to have been inspired by sixteenth-century imports from China.<sup>3</sup>

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1. Jiang Shixue, “The Chinese Foreign Policy Perspective,” in *China’s Expansion into the Western Hemisphere: Implications for Latin America and the United States*, ed. Riordan Roett and Guadalupe Paz (Washington, D.C.: Brookings Institution Press, 2008), p. 38.

2. *Ibid.*, p. 27.

3. “The History of Mexican Talavera,” Squidoo.com, [www.squidoo.com/talavera-history](http://www.squidoo.com/talavera-history), accessed October 21, 2008.

Immigration from China to the Americas dates to the middle of the nineteenth century, when male laborers were brought from China to the region to work in agriculture and on railroad construction. Bad treatment of the laborers in their new homelands led many of the workers, known as “coolies” from the Hindi word for day laborer, to protest labor conditions and desert their work camps; in Peru coolies fled coastal plantations to live in cities, where they worked as shoemakers, butchers, and shopkeepers and created mutual aid societies, many of which continue to advocate for Peruvians of Chinese descent.<sup>4</sup> In late-nineteenth-century Mexico the Porfirio Díaz administration welcomed Chinese immigrants to the country’s Northwest, where their entrepreneurship and successful business ties to large U.S.-based mining companies provoked racism and grassroots opposition to their presence.<sup>5</sup> Chinese laborers also arrived in Cuba to work in sugar fields; as they migrated to cities seeking more fruitful work opportunities, they clustered in ethnic communities, making Havana’s Barrio Chino at one point the largest in Latin America.<sup>6</sup>

The complex histories of immigration from China to the Americas coupled with distinct national patterns of collecting immigration data and representing ethnicity in census materials make determining the current number of Chinese nationals and people of Chinese descent in the region difficult. Peru is estimated to have approximately 60,000 Chinese nationals living within its borders, with many more citizens of Chinese descent.<sup>7</sup> Figures for Chinese nationals living in Venezuela are comparable, with an estimated 50,000 Chinese residents in the Bolivarian Republic, while Brazil may have as many as 100,000 Chinese residents.<sup>8</sup> Mexico is estimated to have a population of 30,000 Chinese nationals, with more Mexicans of Chinese ancestry; while estimates for the number of Chinese residents in Colombia is smaller, at just 7,000.<sup>9</sup> Canada’s statistical agency reported that in 2001 the country counted more than one million people of Chinese origin living in the country.<sup>10</sup>

Most governments of the region formalized diplomatic ties with the People’s Republic of China in the 1970s. Cuba was the first nation in the hemisphere to recognize China. In a show of solidarity for a fellow revolutionary nation, the Fidel Castro regime established ties with China in 1960, declaring that it was severing its ties with Taiwan and recognizing its socialist ally instead. Chile under the Popular Unity regime recognized China in 1970, becoming the first South American country to do so. Canada’s left-leaning government under Pierre Trudeau recognized China in 1970 as well. During the next few years, many other countries in the region, including right-wing

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4. Ricardo La Torre Silva, “La Inmigración China en el Perú (1850–1890),” *Boletín de la Sociedad Peruana de Medicina Interna* 5, no. 3 (1992); Adam McKeown, *Chinese Migrant Networks and Cultural Exchange: Peru, Chicago, and Hawaii, 1900–1936* (Chicago: University of Chicago Press, 2001), 138–139.

5. Alan Knight, “Racism, Revolution and Indigenismo: Mexico, 1910–1940,” in *The Idea of Race in Latin America, 1870–1940*, ed. Richard Graham (Austin: University of Texas Press, 1990), p. 96.

6. Evelyn Hu-deHart, “Chinese Coolie Labour in Cuba the Nineteenth Century: Free Labor or Neo-Slavery?” *Slavery and Abolition* 14 (1993).

7. “Chinese Population (Most Recent) by Country,” NationMaster.com, [www.nationmaster.com/graph/peo\\_chi\\_pop-people-chinese-population](http://www.nationmaster.com/graph/peo_chi_pop-people-chinese-population).

8. “South America—Venezuela—People,” NationMaster.com, [www.nationmaster.com/country/venezuela/peo-people-chinese-population](http://www.nationmaster.com/country/venezuela/peo-people-chinese-population); “South America—Brazil—People,” NationMaster.com, [www.nationmaster.com/country/br-brazil/peo-people-chinese-population](http://www.nationmaster.com/country/br-brazil/peo-people-chinese-population).

9. “North America—Mexico—People,” NationMaster.com, [www.nationmaster.com/country/mx-mexico/peo-people-chinese-population](http://www.nationmaster.com/country/mx-mexico/peo-people-chinese-population), accessed July 15, 2008; “South America—Colombia—People,” NationMaster.com, [www.nationmaster.com/country/co-colombia/peo-people](http://www.nationmaster.com/country/co-colombia/peo-people), accessed July 15, 2008.

10. “Table 2: The Chinese Population in Canada, by Province and Territory, 2001,” Statistics Canada, [www.statcan.ca/english/freepub/89-621-XIE/2006001/tables/tab2.htm](http://www.statcan.ca/english/freepub/89-621-XIE/2006001/tables/tab2.htm), accessed October 23, 2008.

military regimes such as in Brazil, followed suit, recognizing China and affirming their acknowledgment that Tibet is part of China.<sup>11</sup>

It was not until 1979 that the United States, under President Jimmy Carter, formalized diplomatic relations with China, building on the visit of President Richard Nixon to the People's Republic in 1972.<sup>12</sup> Several decades of diplomatic relations between China and many of the region's most populous and economically strategic countries, however, have not convinced Paraguay and 11 Central American and Caribbean nations to shift their recognition from Taiwan and acknowledge the People's Republic as the sole representative of China in international venues.<sup>13</sup> Paraguay continues to recognize Taiwan, but President Fernando Lugo has indicated that he intends to pursue stronger economic relations with China.<sup>14</sup> In 2007 Costa Rica broke with its neighbors and cut its ties with Taiwan to formalize relations with China, but Central America generally, along with the Caribbean, continues to be a center of Taiwanese influence.<sup>15</sup>

Broadly speaking, diplomatic relations between China and countries in the Americas are characterized by mutual support in the international arena; the initiation and maintenance of high-level consultations on a variety of security, development, and economic issues; and expanded consular relations. Since the 1990s, China's pursuit of South-South relationships in some multi-lateral settings has enabled it to deepen relationships of solidarity and mutual support with other emerging economies. China often uses trade relationships with countries in the Americas to generate support for its political interests in the United Nations and other venues, rewarding its allies in trade and multilateral forums by using its influence to raise issues of concern to Latin American countries in high-level settings. For example, Mexico, Brazil, and Peru supported China's accession to the World Trade Organization (WTO) in 2001 (although Mexico was the very last country to back China's entry into the trade body, with the long delay in formalizing a bilateral agreement with China that reflected Mexican concerns over the threat posed by China's manufactured goods to the Mexican manufacturing sector). For its part, China joined the Group of Twenty after the Cancún trade talks in 2003 and has sided with Brazil, Argentina, and other core countries in clamoring for more equitable terms of trade for emerging economies.<sup>16</sup>

By securing observer status in intergovernmental processes in the Americas, China has worked to develop a nuanced understanding of political, economic, and security concerns in the hemisphere. To deepen economic ties with key South American nations, China participates in high-level meetings with the Mercosur members.<sup>17</sup> In 2004 China gained permanent observer status at the Organization of American States; China is also an observer of the Economic Commission on Latin America and the Caribbean.<sup>18</sup> Beyond the development of formal political relation-

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11. For a list of Latin American countries with which China maintains diplomatic relations, including the dates on which ties were formalized, see "Countries in the Region," Ministry of Foreign Affairs, People's Republic of China, <http://www.fmprc.gov.cn/eng/gjhdq/3447/>, accessed December 1, 2008.

12. "Fact Sheet, U.S.-China Relations," U.S. Department of State, April 18, 2006, [www.state.gov/p/eap/rls/64715.htm](http://www.state.gov/p/eap/rls/64715.htm).

13. "China Courts Latin America," *Jane's Intelligence Review*, February 1, 2005.

14. Shih Hsiu-Chuan, "Lugo Says Paraguay to Maintain Ties: The Incoming Paraguayan President Said on Wednesday That the Country Would Maintain Diplomatic Relations with Taiwan after He Assumes Office Today," *Taipei Times*, August 15, 2008, p. 3.

15. "China, Costa Rica Set Up Diplomatic Ties," *China Daily*, June 7, 2007.

16. Monica Hirst, "A South-South Perspective," in *China's Expansion into the Western Hemisphere*, p. 92.

17. *Ibid.*, p. 97.

18. Jiang, "The Chinese Foreign Policy Perspective," p. 35.

ships with members of regional intergovernmental bodies, China, through its Communist Party, maintains relationships with political groupings in the region, including the Socialist International Committee for Latin America and the Caribbean, the São Paulo Forum, the Christian Democrat Organization of America, and the Permanent Conference of Latin American Parties.<sup>19</sup>

With China a formal member and observer of interregional organizations, Chinese officials have the opportunity to interact directly with heads of state and other government representatives in the region. Personal relationships with leaders in the region enable Chinese officials to exert pressure on Taiwan in an effort to make it difficult for Taiwan to conduct business effectively in Latin America. For example, in 2007 China successfully persuaded Mexico to refuse to allow Taiwan president Chen Shui-bian's plane to enter its airspace after Chen attended the inauguration of Nicaraguan president Daniel Ortega, who had vowed to uphold diplomatic relations with Taiwan.

High-level visits also characterize active diplomatic engagement between China and key countries in the region. Following China's accession to the WTO and in conjunction with the November 2004 Asia-Pacific Economic Cooperation (APEC) summit in Chile, Hu Jintao made a major diplomatic trip to the region, visiting Brazil, Argentina, and Cuba on the heels of the APEC summit and concluding at least \$30 billion in investment deals while on the road.<sup>20</sup> In 2008 alone, Presidents Alan García of Peru, Hugo Chávez of Venezuela, and Michelle Bachelet of Chile have all made state visits to China, while President Luiz Inacio Lula da Silva of Brazil met with Hu Jintao in Japan on the margins of the Group of Eight meetings in Hokkaido Toyako. Mexican president Felipe Calderón visited China in July of 2008 for the third meeting of the China-Mexico Binational Commission, which allows the two nations to review accomplishments and needs in the diplomatic area. With the APEC summit scheduled to take place in Peru in November of 2008, Hu Jintao is expected to make another trip to South America.

In recent years Latin American countries, including Argentina and Peru, have opened consulates or expanded consular outreach in China, reflecting the expanded trade and travel between China and South America. In June of 2008 Canada's embassy in Beijing announced it would open new four visa centers to manage the increasing number of requests by Chinese nationals to travel to Canada.<sup>21</sup> In 1988, China and Cuba agreed that, because of their close relationship, passports would no longer be required for travel between the two countries.

Despite China's expansion of diplomatic relations with the region and its effort to learn more about the Americas through participation in regional intergovernmental bodies, it seems clear that China neither seeks to advance a revolutionary agenda nor desires to become entangled in regional anti-U.S. tensions. In the past some observers reported the common impression that China's regional diplomatic efforts were somewhat undermined by the perception that Chinese diplomats do not speak Spanish or Portuguese well and lack familiarity with the region's politics or customs. However, in recent years China has prioritized training on Latin America for its public officials and has developed a cadre of younger diplomats and international relations specialists well versed in the region's languages, politics, and cultures and poised to assume important leadership positions in the coming decades. Adhering to its stated foreign policy principles of harmony

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19. Ibid.

20. Vanessa Bauza, "A Show of Ideological Solidarity from China," *South Florida Sun-Sentinel*, November 21, 2004; "China Courts Latin America," *Jane's Intelligence Review*, February 1, 2005.

21. "Canadian Visa Application Centres (VACs) Open in Beijing, Shanghai, Guangzhou and Chongqing," Government of Canada, October 17, 2008, <http://geo.international.gc.ca/asia/china/immigration/beijing/default-en.asp>.

and nonintervention in other countries' domestic affairs, China undertakes diplomatic activities to ensure its political recognition, to gain access to materials and markets, and to further technology and energy partnerships while it maintains neutrality in the face of regional tensions with the United States.

## Access to Raw Materials and Consumer Markets

Although securing recognition for its sovereignty and elevating the profile of global South-South issues in international forums are key political concerns for China, the country's principal interest in the Americas appears to be economic, as China views the region's abundance of natural resources as important to its potential for continued economic growth and development. At the same time, China sees the region's growing and increasingly prosperous population as a potential market for its finished products. Trade between China and the countries of the Americas has grown considerably since the 1990s. Trade flows and investment patterns are uneven, however, as some commodity-exporting countries such as Chile and Peru have benefited greatly in recent years from China's hunger for copper and other metals, while Mexico and the Central American countries have viewed the influx of inexpensive manufactured goods from China as competition to their manufacturing sectors and a threat to their economic interests. How the current global financial crisis will affect China's demand for industrial metals from the Andean countries remains to be seen.<sup>22</sup> It may be that China will concentrate its economic overtures on a few select exporters of raw materials while seeking to expand its manufacturing opportunities in others.

China's investments in the region are growing but are nevertheless relatively small compared with its investments elsewhere. To facilitate investments, Chinese and Latin American businesses met in November 2007 in Santiago for the first China-Latin America Entrepreneurs Summit, which involved at least 300 representatives from the region.<sup>23</sup> A second roundtable took place in October of 2008 in Harbin.<sup>24</sup> The World Economic Forum on Latin America, which took place in Cancún in 2008, featured several sessions on China and Latin America.<sup>25</sup>

Since the 1990s China has sought to secure favorable access to primary products in the Americas, with the government signing bilateral trade agreements to facilitate Chinese companies' access to oil and gas, agricultural products, and raw materials. During the past two years, agreements on energy resources have featured prominently in China's engagement in Latin America.<sup>26</sup> In 2007 Cuba and China signed an agreement to boost economic and commercial relations in the energy

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22. For example, Chile's Codelco reports that the price of copper, the country's principal export, has halved in recent weeks. Lisa Yulkowski, "Copper Super Cycle Over: No. 1 Producer Codelco," Reuters, October 23, 2008, <http://www.reuters.com/article/marketsNews/idUSN2344959020081023?pageNumber=1&virtualBrandChannel=0>.

23. "The First China-Latin America Business Summit Opened in Chile," China Council for the Promotion of International Trade, December 12, 2007, [http://english.ccpit.org/Contents/Channel\\_410/2007/1212/79933/content\\_79933.htm](http://english.ccpit.org/Contents/Channel_410/2007/1212/79933/content_79933.htm).

24. "The Chinese-Latin American Entrepreneurs' Summit," Northeast.cn, October 17, 2008, <http://english.northeast.cn/system/2008/10/17/000084463.shtml>.

25. "Programme at a Glance" (World Economic Forum on Latin America: Securing a Place in an Uncertain Economic Landscape, Cancún, Mexico, April 15-16, 2008), [http://www.weforum.org/pdf/Latin\\_America/ProgrammeGrid\\_LA08.pdf](http://www.weforum.org/pdf/Latin_America/ProgrammeGrid_LA08.pdf).

26. François Lafargue, "China's Strategies in Latin America," *Military Review* 86, no. 3 (May-June 2006), pp. 80-84.

sector.<sup>27</sup> In the same year, Venezuela and China agreed to form a joint development fund to help boost Venezuelan oil exports to China from 150,000 barrels a day to nearly 800,000, with Venezuela contributing \$2 million to the fund and China \$4 million. In 2008 Venezuela and China took additional steps to bolster their energy relationship, agreeing to build a refinery in China to process Venezuela's heavy-grade oil, with the goal that Venezuela will ship one million barrels of oil to China per day by 2010.<sup>28</sup> Although it appears that at least for the moment plans remain in place, the recent drop in the price of oil may raise questions about the long-term prospects for this project. In 2008 the Chinese Petroleum and Chemical Corporation (SINOPEC) signed an agreement with Brazil's Petrobras to construct a 974-kilometer gas pipeline known as GASCAC. The new pipeline will connect with the 303-kilometer GASCAV network initiated in 2004 and completed in 2007 and will complete the GASENE system connecting the southeastern and northeastern gas terminals in Brazil; under the terms of the agreement, SINOPEC will design, engineer, and supply materials for the pipeline running north to south in Brazil, with financing from the China Development Bank.<sup>29</sup>

Although many analysts consider the volume of trade between Latin America and China to be comparatively small, it has increased substantially in recent years. In 2007 the total trade between China and Latin America reached \$102.6 billion, with trade between China and Brazil, Mexico, and Chile accounting for nearly 60 percent of the total. China has signed free-trade agreements to facilitate its access to raw materials (copper, nickel, lumber, and bauxite), semiprocessed products (wood pulp, slag, and oils) and agricultural commodities (soybeans, poultry, fish, sugar, and fruit). In 2005 China formalized a free-trade agreement with Chile, and in June of 2008 Peru announced that Peru and China would sign an agreement during the fall 2008 APEC meetings in Lima.

Although the overall trend is that China imports raw materials from the Americas and exports manufactured goods and electronics back across the Pacific, it is notable that China also imports aerospace hardware and other high-tech products from the region, primarily from Brazil and Canada. In 2007 Brazil's aerospace company, Embraer, sent the first ERJ 145 regional jet plane to the Grand China Express air carrier.<sup>30</sup> Several Canadian telecommunications firms export wireless technology to Chinese industry. Reflecting increased trade between the two countries, Canada announced in the summer of 2008 that it plans to open six new trade offices in China.

Exports from the Western Hemisphere to China do not account for a significant share of China's overall imports, but China's demand for products from Latin America has had a positive effect in stimulating the Latin American export sector, according to analysts.<sup>31</sup> Chinese products account for an increasing share of goods imported into the Western Hemisphere, and Latin America has a trade deficit with the PRC even though individual countries have positive trade balances

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27. "Cuba, China Sign Agreement to Boost Cooperation in Energy Sector," BBC News, December 20, 2007, <http://www.uofaweb.ualberta.ca/chinainstitute/>, accessed August 13, 2008.

28. Brian Ellsworth, "Venezuela and China Boost Ties with Refinery Deal," Reuters News, May 10, 2008, <http://www.uofaweb.ualberta.ca/chinainstitute/>, accessed August 13, 2008.

29. "China's Sinopec Signs Brazil Pipeline Construction Deal with Petrobras," TradingMarkets.com, January 21, 2008, <http://www.tradingmarkets.com/.site/news/Stock%20News/1007664/>, accessed October 23, 2008.

30. "Embraer entrega primeiro jato produzido na China," <http://www.embchina.org.br> [in Chinese], October 5, 2007.

31. Kevin P. Gallagher and Roberto Porzecanski, "China Matters: China's Economic Impact on Latin America," *Latin American Research Review* 43, no. 1 (2008): p. 189.

with China.<sup>32</sup> Importantly, Chinese companies have initiated partnerships with local firms in the biotech, computer, aerospace, automotive, and steel industries, leading in some cases to the sharing of research and technical innovation. In 2007 the Chinese automaker First Automobile Works announced that it would begin exporting cars to Mexico while working with Mexico's Grupo Salinas to set up a plant for domestic production of the \$6,000–\$7,000 models.<sup>33</sup> China and Cuba have established a biotechnology partnership to produce and commercialize medical products in Cuba.<sup>34</sup> While producing medical supplies in Cuba may transfer technical skills from Chinese experts to Cuba's manufacturing sector, biotech firms from the Americas share knowledge with their Chinese counterparts as well. For example, Canada's Micronix recently established a joint venture to produce influenza vaccine in Hunan Province using proprietary technology.

Partnerships for development characterize the relationship between countries in the region and China. In 2001 Venezuela and China established a high-level commission to explore development issues of mutual interest. Under the Strategic Alliance for Joint Development, Venezuela and China exchange information related to energy and agriculture, China has supported the extension of a national irrigation system in Venezuela, and the two countries have committed to improve food safety practices to improve trade outcomes. A joint financing fund or "heavy fund" announced in 2007 and with an initial capitalization of \$6 billion provides funding for the range of projects being carried out by both countries.<sup>35</sup>

But if China's development relationship with Venezuela centers on the provision of infrastructure to Venezuela using Chinese capital, China's development partnership with Canada is markedly different. The Canadian International Development Agency (CIDA) has an office in China, where it works with government and local populations to sharpen a focus on human rights, governance, and democracy. As China undertakes its own outreach and foreign assistance activities in Latin America, Africa, and elsewhere, it may draw on its experience interacting with CIDA and other assistance agencies.

## China's Projection of Soft Power in the Region

To deepen its political and economic ties with its key partners in the Americas, China has developed a diverse portfolio of cultural and technical outreach activities designed to foster communication and cooperation between the people of China and the region. These initiatives include exchanges of military personnel; funding for programs to facilitate the study of Chinese language and culture; support for traveling art exhibits, dance troupes, and sports teams; and collaboration in scientific and technical ventures.

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32. Ibid.

33. Elizabeth Malkin, "Chinese Maker to Sell \$7,000 Cars in Mexico," *New York Times*, November 23, 2007.

34. "China, Cuba to Launch Biotech Venture," Caribbean Net News, October 20, 2006, <http://www.caribbeanetnews.com/cgi-script/csArticles/articles/000038/003816.htm>.

35. Darcy Crowe, "Venezuela, China Create \$6 Billion Joint Development Fund," MarketWatch, November 6, 2007, <http://www.marketwatch.com/news/story/venezuela-china-create-6-billion/story.aspx?guid=%7BA11A6BCC-6EFD-438D-8603-57246D6F29B5%7D>.

## Military Relations

Beginning in the 1970s, most countries in the Americas that had recognized China diplomatically began to exchange military attachés with China, thereby formalizing military-military relations. Beyond the exchange of military contacts, military-military relationships include the sale or donation of military hardware by China to countries in the region, including satellites and intelligence-gathering equipment; joint training exercises; and visits by planes and naval ships. While some experts consider the quantity of arms sales from China to the region to be marginal, they do note that by donating equipment and sponsoring visits by Latin American military officers to People's Liberation Army (PLA) facilities, China is deepening military relations with regional counterparts as it familiarizes its friends in the Americas with its practices.<sup>36</sup>

The PLA and the Latin American militaries have developed several kinds of exchanges to familiarize officers with counterpart personnel and missions. The PLA has hosted Latin American students at Beijing facilities, where they study artillery, engineering, logistics, intelligence, and communications.<sup>37</sup> Since the program's inception, military officers from Brazil, Chile, Colombia, and Venezuela have participated regularly in the study program, while Mexico and Peru have sent students less frequently. More than 100 officers from at least 12 countries have graduated from PLA programs related to military doctrine and national defense. At the same time, the PLA sends annual delegations to visit its military counterparts in most countries in the region, with reciprocal visits by senior Latin American military officers.<sup>38</sup>

Technical assistance also characterizes China's military outreach to Latin America. In 2004 Brazil and China signed an agreement to facilitate military exchanges as well as logistical and scientific cooperation, strengthening the relationship started in 1988 with the first plans for the China-Brazil earth research satellite (CBERS). China supplies less-wealthy countries such as Guyana and Bolivia with military hardware, uniforms, tents, field kitchens, and engineering equipment.

In some countries, China's approach appears to be based on a hybrid of hard-power and soft-power approaches. In Cuba, China has operated a signal intelligence station in Bejucal since 1999 while providing the Cuban government with equipment to block Radio Martí signals from the United States. Having signed an agreement to strengthen cooperation between Chinese and Cuban armed forces in 2000, China also provided most of the 5,000 computers and televisions for the cyber-university at a former Soviet base outside Havana.<sup>39</sup>

Support for peacekeeping initiatives has also been an important aspect of China's military experience in the region. Since 2004 China has contributed members of its riot police team from the Ministry of Public Security to the United Nations Stabilization Mission in Haiti, providing another opportunity for Chinese participants to familiarize themselves with the doctrines of the participating Latin American militaries.<sup>40</sup>

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36. Alejandro Kenny, "China's Presence in Latin America: A View on Security from the South," *Military Review* 86, no. 5 (September–October 2006): pp. 60–66.

37. Loro Horta, "China on the March in Latin America," Asia Times Online, [www.atimes.com](http://www.atimes.com), June 28, 2007.

38. *Ibid.*

39. "Cuba, China Sign Military Cooperation Protocol," CNN, December 28, 2000, <http://www.latinamericanstudies.org/cuba/protocol.htm>, accessed August 13, 2008; see also Bill Gertz, "China Claims Sales of 'Logistical Items,' Not Arms," *Washington Times*, June 14, 2001.

40. Hirst, "A South-South Perspective," p. 95.

# China's Military Diplomacy and Engagement in Latin America

Stephen J. Flanagan

Beginning in the 1970s, most countries in the Americas that had recognized the People's Republic of China diplomatically began to exchange military attachés with Beijing, thereby formalizing military-to-military relations. As China's diplomatic and economic activities in Latin America have grown significantly since 2001, its military engagement has also expanded but remains fairly limited in comparison with its priority areas of East Asia, Africa, and Eurasia. The principal elements of China's military relations with Latin American governments have been high-level visits and military educational exchanges. Beijing has also welcomed port calls by Latin American naval vessels in China and has sent People's Liberation Army (PLA) doctors, engineers, and cultural groups to Latin America. China has sold or donated limited quantities of low-end military equipment to Latin American governments, and it remains a marginal weapons supplier in the region. China's military diplomacy has focused on a few countries that are significant economic partners—Brazil, Chile, Argentina, and Cuba. Unlike the Russians, Chinese leaders have avoided provocative actions that challenge U.S. predominance in hemispheric security affairs. That said, Beijing is patiently building relationships throughout South America with an eye to expanding its influence, opening defense markets, and eroding U.S. dominance.

## High-Level Visits and Specialized Exchanges

Visits by high-level PLA officers and defense officials have become a major feature of Chinese diplomacy in Latin America. More than half of the Chinese military exchanges with Latin America have been with countries that are significant economic partners, particularly as sources of natural resources—Brazil, Chile, Argentina, and Cuba. Senior Chinese officers visiting Latin America in recent years have included the chief and deputy chief of the General Staff, service chiefs, military district commanders, the commander of Chinese nuclear forces (Second Artillery Division), and many political commissars.<sup>1</sup> In turn, nearly all Latin American chiefs of defense and ministers of defense have accepted invitations to visit Beijing. The PLA has also expanded its participation in cultural events in the Western Hemisphere to include visits by military bands, acrobatic troupes, and choral groups. Chinese military attachés have become more active in the region and perform representational functions, observe military exercises, and participate in conferences where they can influence public discussion.

Port calls in China by Latin American navies have also increased in recent years, including visits by ships from Chile, Colombia, Mexico, and Peru. The only visit by Chinese naval vessels to Latin America took place in 2002, when the PLA Navy (PLAN) conducted its first circumnavigation of the world. Although the PLAN has increasing capabilities to undertake operations far from the PRC's territorial waters, Beijing appears to have made a conscious decision to avoid provoking concerns in Washington or Latin America about growing Chinese military activity. The Chinese military has also sent specialized personnel such as doctors and engineers to various countries in the region, including Argentina, Bolivia, Ecuador, and Peru.

Chinese fighter jets and transports were featured in air shows in Argentina, Brazil, Chile, and Peru. Chinese companies linked to the PLA have become more active in defense exhibitions and trade events in the Americas. While the Chinese are not a major arms supplier to the region, they

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## China's Military Diplomacy ... (continued)

have used donations of military equipment to garner influence and possibly open doors to future weapons sales. For example, after Evo Morales came to power in 2006, China gave Bolivia 43 military vehicles as well as engineering and logistical equipment. These donations were part of a military cooperation agreement between the two countries, under which the Chinese provided \$1.2 million of military assistance in 2007 and \$2 million in 2008 for artillery, mortars, and riverine craft. These donations could be a factor in the Bolivian Air Force's interest in acquiring the Chinese J-7 fighter to replace its aging U.S. A-7s.<sup>2</sup>

Brazil is a major focus of Chinese attention in the Western Hemisphere. In 1993 China and Brazil established a strategic partnership pledging increased political dialogue, expanded trade and investment, and cooperation on a variety of joint projects. This partnership is also designed to showcase South-South cooperation, advance the influence of both countries in the international system, and diminish U.S. dominance. In 2004, China's defense minister and his Brazilian counterpart signed an agreement to promote cooperation on logistics and procurement, military training and exchanges, and expanded scientific and technological cooperation.<sup>3</sup> Brazil is also interested in acquiring Chinese missile, communications, and other advanced technology.

Beijing and Brasilia have strengthened space cooperation, initiated in 1988, with the development of the China-Brazil earth research satellite (CBERS). CBERS is one of the major satellite systems designed to monitor the earth's environment and resources. China provided 70 percent and Brazil 30 percent of the costs of development. Three satellites have been launched and two more are planned for deployment in 2010 and 2013, with costs to be shared equally. In 2007 China and Brazil agreed to share low-resolution digital images with African nations at no cost. The third CBERS satellite, launched in 2007, is assessed to be equipped with two low- and one high-resolution digital imaging systems. The high-resolution system has some utility for military reconnaissance and intelligence collection worldwide.<sup>4</sup> CBERS is providing both countries with soft-power influence and hard-power information.

## Military Educational Exchanges

In recent years, more than 100 officers from various services of 12 Latin American countries have attended PLA military academies. Latin American officers have received training in operational, management, and leadership issues at a variety of intermediate-level professional military education institutions. A number of senior Latin American officers have also been invited to participate in the four-and-one-half-month course on grand strategy at the PLA National Defense University (PLANDU) in Beijing.<sup>5</sup> The PLANDU program is designed for international officers—although the faculty and some students are Chinese—but it is separate from the regular senior-level professional military education for PLA officers. Latin officers attending these courses have come from countries such as Argentina, Brazil, Chile, and Colombia that have a long-standing tradition of sending officers to U.S. military academies.

The Latin American participants at PLA schools are exposed to very different views of civil-military relations, the global power balance, and grand strategy than they would have obtained at U.S. or European defense academies. The participants also take field trips to major Chinese cities, defense industries, and historical sites, where they are exposed to China's growing prosperity and technological capabilities. In addition to inviting Latin American officers to study at PLA schools, the Chinese government has also offered scholarships to Latin American officers to attend language and culture courses at leading civilian universities in China.

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## China's Military Diplomacy ... (continued)

The PLA has also sent officers to courses in Brazil, Chile, Argentina, Mexico, Venezuela, and Cuba, but in much smaller numbers, probably owing to the limited number of Spanish- and Portuguese-speaking PLA officers. In 2007 approximately 40 officers from the Americas studied in China, while only 6 PLA officers studied in Latin America.

## A Long-Term Strategy

China is using military diplomacy, educational exchanges, and medical and technical assistance in a measured way to support its broader political and economic interests in Latin America. China has made inroads in the region during the past few years, particularly between 2002 and 2007 when provisions of the American Servicemembers Protection Act (ASPA) blocked funds for U.S. military training and education programs as well as financing for weapons purchases from being provided to governments, including 11 in Latin America, that had not agreed to bar extradition of U.S. citizens to the International Criminal Court.<sup>6</sup> China's military engagement activities have deepened bilateral relations with countries of the Western Hemisphere, enhanced China's regional influence, and could open the door to future arms sales and other forms of security cooperation.

### Notes

1. "China's National Defense in 2006," Information Office of the State Council of the People's Republic of China, <http://www.china.org.cn/english/features/book/194421.htm>.
2. See Loro Horta, "In Uncle Sam's Backyard: China's Military Influence in Latin America," *Military Review* (September-October 2008): p. 40.
3. Jorge I. Domínguez, "China's Relations with Latin America: Shared Gains, Asymmetric Hopes" (working paper, Weatherhead Center for International Affairs, Harvard University, June 2006).
4. *Annual Report to Congress: Military Power of the People's Republic of China, 2008* (Washington, D.C.: U.S. Department of Defense, 2008), p. 27, [http://www.defenselink.mil/pubs/pdfs/China\\_Military\\_Report\\_08.pdf](http://www.defenselink.mil/pubs/pdfs/China_Military_Report_08.pdf).
5. Horta, "In Uncle Sam's Backyard," p. 48.
6. "Posture Statement of General Bantz J. Craddock, U.S. Army, Commander U.S. Southern Command," House Armed Services Committee, March 16, 2006, pp. 26-27, <http://www.dod.mil/dodgc/olc/docs/TestCraddock060316.doc>. The FY 2007 Defense Authorization Act, signed into law on October 17, 2006, modifies ASPA to end the ban on international military education and training assistance to affected countries. Restrictions on foreign military financing remain in place. See Clare M. Ribando, "Article 98 Agreements and Sanctions on U.S. Foreign Aid to Latin America" (Washington, D.C.: Congressional Research Service, March 22, 2007), <http://ciponline.org/facts/070322crs.pdf>.

## Cultural Relations

Public diplomacy efforts to acquaint citizens of the Americas with its language, culture, and society play an important role in China's work to strengthen ties with the region. China's cultural outreach includes language instruction; teacher and student exchanges; the establishment of cultural institutes; sister-city programs; and traveling art, film, and historical exhibitions. Over time, these relationships have expanded from formal government agreements to include festivals and celebrations organized by community organizations.

Formal agreements on cultural exchange, including language instruction, are a key component of China's relations with the region. In many contexts, however, cultural relations have expanded

to include informal activities as well. For example, in 1986 Peru and China signed a cultural agreement providing for the exchange of students and practices regarding cultural heritage protection. By 2008 this had expanded to include a series of agreements on economics, technology, cultural exchange, medical quarantine, and media relations. In Argentina, Chinese immigrants play important social and economic roles at the neighborhood level, where they operate an estimated 4,000 grocery stores. Chinese New Year celebrations in Buenos Aires's Chinatown attract hundreds of thousands of participants. The cultural relationship between China and Canada has grown more complex since Canada recognized China in 1970. Formal agreements regarding cultural exchanges in the 1990s paved the way for "Beijing Cultural Week" in Canada in 2001 and "China's Tibet Cultural Week" in 2002.<sup>41</sup> In anticipation of the 2008 Olympics in Beijing, the Chinese government contributed to the construction of a Casa de Beijing in São Paulo. It opened on August 8, just as the Olympics were getting under way, and it provides a venue for martial arts instruction, film and art exhibitions, and educational activities.

The celebration of Chinese holidays and customs has also sparked community-organized festivities in Brazil. In São Paulo the city's Chinese community organizes a yearly Chinese New Year festival, held each year in the city's Liberty Plaza.<sup>42</sup> In Brasília, where devotees of the martial art tai chi chuan have been meeting to exercise together for more than 30 years, the practice schedule has been declared an aspect of the city's "cultural patrimony" and has been incorporated into the Federal District's calendar of official events.<sup>43</sup> Venezuela and China have formalized a cultural exchange program for the period 2006–2008, including exchanges in arts, film, literature, and music.<sup>44</sup>

Although China has historically encouraged awareness of its language and culture through diplomatic outreach, teacher exchanges, and formal education agreements, its efforts to bolster awareness of China's language, politics, and society have intensified during the past four years thanks to the inauguration of university-based Confucius Institutes. Started in 2004 in South Korea as a way to integrate Chinese language instruction, cultural studies, and teacher training into established university settings, Confucius Institutes have proliferated worldwide. In Canada there are now at least five Confucius Institutes, and in 2006 China and Mexico celebrated the opening of the first Confucius Institute in Latin America at Huaxia Chinese Cultural Institute in Mexico City; a second center opened in Mexico at the Universidad Autónoma de Nuevo León in Monterrey in 2007.<sup>45</sup> China now maintains Confucius Institutes in Colombia and Peru, with plans under way for institutes in Argentina, Cuba, and Chile.<sup>46</sup>

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41. See also "The Rise of the Dragon: The Growing Importance of China to Canada's Culture Goods Trade," *Focus on Culture: Quarterly Bulletin from the Culture Statistics Program* (Statistics Canada) 15, no. 3.

42. "Liberdade abriga festa do Ano Novo chinês em São Paulo," *Folha Online*, February 10, 2007.

43. "Relações culturais Sino-brasileiras," *Embaixada da Republica Popular de China no Brasil*, February 26, 2008, <http://www.embchina.org.br/por/whjl/t410251.htm>, accessed July 15, 2008.

44. "Programa de Intercambio Cultural Entre el Gobierno de la República Bolivariana de Venezuela y el Gobierno de la República Popular China," [http://www.venezuela/org.cn/cooperacion\\_files/ACUERDOS-SUS.pdf](http://www.venezuela/org.cn/cooperacion_files/ACUERDOS-SUS.pdf).

45. See "Centro de Estudios y Certificación de Lenguas extranjeras: Instituto Confucio," <http://ccl.uanl.mx/content/view/15/28/>, accessed July 21, 2008; "China Grants Nameplate to 1st Confucius Institute in Latin America," [http://www.gov.cn/misc/2006-02/16/content\\_201172.htm](http://www.gov.cn/misc/2006-02/16/content_201172.htm), accessed September 8, 2008. The flow of Chinese students to Canada rose between 1998 and 2003 but began to decline in 2004; see "Are Chinese Students Losing Interest in Canada?" *Asia Pacific Bulletin* (Asia Pacific Foundation of Canada), August 6, 2004.

46. "Firman convenio para creación de Instituto Confucio en Colombia," [http://www.spanish.xinhua-net.com/spanish/2007-11/03/content\\_516373.htm](http://www.spanish.xinhua-net.com/spanish/2007-11/03/content_516373.htm), March 11, 2007; "La Universidad Católica se une al Insti-

In addition to Confucius Institutes, teacher training, student exchanges, and people-to-people exchanges characterize China's cultural outreach in Latin America. The China Scholarship Council (CSC) oversees a wide range of educational activities worldwide, and in 2007 CSC recruited 10,000 students and scholars to study in China. The CSC has formal recruiting agreements with ministries and universities in Brazil, Canada, Colombia, Cuba, Dominica, Mexico, Peru, and Venezuela.<sup>47</sup> Cuba and China have held periodic educational dialogues and exchanges since establishing diplomatic relations in the 1960s, and in 2001 the two countries formalized a bilateral agreement on education, with China offering 30 Cuban students scholarships to study in China each year. In 2003 the Chinese embassy in Mexico reported that the two countries had held five meetings regarding education exchange and that China had sent 18 professors to Mexico to teach at the Colegio de México and the Universidad Nacional Autónoma de México. At the same time, China reported having sent a total of 329 grantees to Mexico and that Mexico had sent 156 students to China, where they studied Chinese language as well as traditional medicine, acupuncture, and martial arts.<sup>48</sup> Venezuela and China maintain a similar student exchange program, with China providing Venezuela 10 grants each year for students to study for a master's degree or doctoral-level degree in China.<sup>49</sup> China and Colombia formalized an educational exchange after President Alvaro Uribe's 2005 trip to China, where he was reportedly impressed by the Spanish spoken by Chinese university students and announced he would initiate an educational exchange program. In the spring of 2006, 21 Chinese students arrived in Colombia to undertake study at 13 universities, with all expenses paid by the Colombian government.<sup>50</sup>

Some relationships have moved beyond supporting language and cultural instruction; for example, in the summer of 2008 Deputy Premier and Education Minister Shirley Bond of British Columbia, Canada, visited China to share best practices in education policy.<sup>51</sup> With nearly 35,000 Chinese students studying in Canadian institutions of higher education each year, the relationship offers opportunities to exchange information on a variety of approaches to student recruitment, school management, and teacher training.

Beyond education, China uses tourism, cultural exchanges, and media outreach to foster ties of solidarity and understanding between Chinese citizens and those from Latin America. Since 2003, China has formalized tourism agreements with Cuba, Argentina, Mexico, Brazil, Chile, Peru,

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tuto Confucio," *Noticias PUCP*, [http://www.pucp.edu.pe/noticias\\_pucp/index.php?option=com\\_content&task=view&id=2827&Itemid=14](http://www.pucp.edu.pe/noticias_pucp/index.php?option=com_content&task=view&id=2827&Itemid=14); "Gracias a un convenio con la Embajada China, se crea Instituto Confucio en la Pontificia Universidad Católica de Chile," [http://www.universia.cl/portada/actualidad/noticia\\_actualidad\\_print.jsp?noticia=134145](http://www.universia.cl/portada/actualidad/noticia_actualidad_print.jsp?noticia=134145), August 21, 2008; "Confucius Institute to Be Opened in Argentina," [http://news.xinhuanet.com/english/2008-05/22/content\\_8228279.htm](http://news.xinhuanet.com/english/2008-05/22/content_8228279.htm), accessed October 21, 2008; "China, Cuba Urged to Exchange More Students," [http://english.gov.cn/2008-09/05/content\\_1088839.htm](http://english.gov.cn/2008-09/05/content_1088839.htm), September 5, 2008; "Across Latin America, Mandarin Is in the Air," *Washington Post*, September 22, 2006, sec. A; "Confucius Institutes in Canada," [http://www.confuciusinstitute.net/confucius\\_institutes/search](http://www.confuciusinstitute.net/confucius_institutes/search), accessed October 21, 2008.

47. *Annual Report*, China Scholarship Council, 2007, pp. 14–15, <http://en.csc.edu.cn/Nianbao/>.

48. "China-Mexico," Embajada de la República Popular de China en México, <http://mx.china-embassy.org/esp/zmgx/t44249.htm>, accessed October 23, 2008.

49. "Cómo solicitar una beca para estudiar en China," <http://becas.universia.net/VE/be-ca/12740/como-solicitar-be-ca-estudiar-china.html>, accessed October 23, 2008.

50. "Chinos viajan a Colombia para mejorar su español," <http://noticiasrcn.com.co/content/chinos-viajan-a-colombia-mejorar-su-espanol>, accessed October 19, 2007.

51. "Minister Visits China to Build on Education and Economy," Ministry of Education, British Columbia, Canada, [http://www2.news.gov.bc.ca/news\\_releases\\_2005-2009/2008EDU0085-000971.htm](http://www2.news.gov.bc.ca/news_releases_2005-2009/2008EDU0085-000971.htm).

and Venezuela, designating them “approved destinations” for Chinese travelers. Having approved-destination status means that Chinese tourists are permitted to undertake leisure travel to that destination using approved tourism groups. In an effort to lure some of the 500,000 tourists who visit the United States to extend their trips south of the border, the governor of Mexico’s Federal District plans to send a replica of the Angel of Independence to China to familiarize potential Chinese tourists with Mexico’s culture and history.<sup>52</sup> Sister-city exchanges with 50 cities in Latin America facilitate understanding between urban residents in China and the Americas.

## Science and Technology

Scientific and technical cooperation activities form a key component of China’s outreach to Latin America and Canada and involve both government and the private sector. In 1993 Brazil and China announced a “strategic relationship” to foster trade, science, and technical exchanges and cultural ties, with China providing the CBERS 1 and 2 satellites to Brazil for remote sensing purposes.<sup>53</sup> In 2005 the China Great Wall Industry Corporation was contracted to design, manufacture, test, and orbit the VENESAT-1 satellite for use by Venezuela and Uruguay.<sup>54</sup> In Canada the private sector is taking the lead in considering how to foster cooperation on environmental issues with China; and in June of 2008 a coalition of companies, provincial agencies, and the Canada-China Business Council met to consider how to nurture environmental cooperation between the two countries. In May 2007 China and Cuba signed an agreement on cooperation in the areas of biotechnology and biomedical sciences, with commitments to cooperate on such projects as vaccines as well as medical and agricultural biotechnology; at the same time, they also signed an agreement on science, innovation, and intellectual property rights, agreeing to work together on issues related to renewable energy, nanotechnology, bioinformatics, and information technology as well as natural resources and the environment.

Scientific education and training characterize China’s outreach to the Americas as well. Through an agreement between Mexico’s Dirección General de Cooperación Técnica y Científica and China, Mexican scientists have traveled to China to attend such courses as an “International Training Workshop on Technology and Utilization of Biomass Gasification” or training on “Bamboo Technologies.”

## Attitudes

Recent polling during the run-up to the 2008 Olympic Games in Beijing suggests that residents in Latin America maintain fairly favorable views of China and the Chinese people, although residents of some countries are concerned that China’s growing military and economic influence may harm them in the long run. According to Pew Global Attitudes polls taken in 2007 and 2008, the percentage of those in Brazil and Mexico who view China favorably fell while it rose slightly in Argentina. The June 2008 survey showed that Mexicans and Brazilians were divided on whether they believed China respects their country’s point of view, and a significant minority in Mexico believes China has already replaced the United States as the world’s leading superpower. In all

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52. Manuel Durán, “Busca GDF turismo chino,” *Reforma*, July 22, 2008, <http://www.reforma.com/ciudad/articulo/452/903809/>.

53. CBERS—Satélite Sino-Brasileiro de Recursos Terrestres, <http://www.cbbers.inpe.br/?content=introducao>, accessed August 17, 2008.

54. “China to Orbit Venezuela-Uruguay Satellite in 2008,” RIA Novosti, April 2, 2008.

## Chinese Investments in the Cuban Biotech Industry

Karen Meacham

Although China's investment portfolio in Latin America is highly concentrated in energy and raw materials, advanced technology and biotechnology specifically have stimulated interest and serve as catalysts for a stronger relationship between China and Cuba. This growing partnership has opened significant Asian markets to Cuba. For China, the partnership offers access to Cuban biotechnology expertise—and a presence in the Western Hemisphere just 90 miles off the coast of the United States.

Cuba's strength in biotechnology stems from a long history of investment in its own nation's health, scientific, and medical research and delivery. As a result, Cuba boasts some of the best health indicators of any country in the developing world. Its infant mortality rate is lower than that of the United States and several other large industrialized nations. Cuba has made considerable advances in biotechnology, including the development of the world's first vaccine for meningitis B, has developed a pesticide for dengue-carrying mosquitoes, and is an exporter of one of the most effective hepatitis B vaccines in the region. Cuba is working to market its expertise and products on the global market and, as an example, is advancing its TheraCIM hR3 anti-cancer therapy through a joint venture with Germany.

During the past two decades an economic partnership between China and Cuba has developed. According to Cuba's National Office of Statistics, trade in goods to China in 2007 was roughly \$2.7 billion. Though hard to measure, this number has been boosted by expanded Chinese investments in the Cuban biotechnology industry. Since 2000, several successful Chinese-Cuban biotech pharmaceutical companies have emerged.

Biotech cooperation between China and Cuba began in earnest in 2004 when Chinese and Cuban officials signed a memorandum of biotechnological cooperation during Chinese president Hu Jintao's visit to Havana. The goal of the memorandum was to amplify cooperation and deepen the economic and commercial ties between the two countries. Following the agreement, in 2005, the first joint Chinese-Cuban biotech entity, Biotech Pharmaceutical, set up a plant in Beijing. Biotech Pharmaceutical was created with the specific purpose of bringing Cuban research and pharmaceuticals to China and began by making monoclonal antibodies to treat Chinese cancer patients. Since 2006, China and Cuba have created two new biotechnology firms: ChangHeber Pharmaceuticals, which produces interferon and other compounds; and, most recently, Beijing Neurotechnology Limited, which will develop, produce, and commercialize neurotechnological products.

China's recent economic growth and increasing global power have cast a new light on this relationship. Beijing's interest in Cuba has produced more frequent high-level meetings; rapidly expanding levels of economic cooperation; and numerous exchanges in the areas of science, technology, and defense. Chinese investment in the Cuban biotechnology industry specifically has opened many doors to the global market for Cuba and is expected to continue to grow.

three countries, those polled believed that China's growing military power has negative implications for the region, while China's growing economic power was viewed positively by Brazilians and Argentines but not by Mexicans. The data regarding Mexicans' negative perception of Chinese economic activities were consistent with a Pew poll in spring of 2007 and may reflect concerns over Chinese competition with Mexico's manufacturing sector. Approximately one-third of those polled in Argentina, Brazil, and Mexico believe China will replace the United States as the world's leading superpower. A majority of those polled in Argentina, Brazil, and Mexico said they believed China's growing military power negatively affects their country. In the 2007 Pew poll, 61 percent of Venezuelans had a favorable view of China, 70 percent thought China's growing military power was good for Venezuela, and 81 percent thought China had some influence on Venezuela.<sup>55</sup>

More research needs to be done on the extent to which Chinese business practices or popular perceptions of Chinese economic activities affect domestic politics, but population concerns over environment, health, and labor issues seem to loom large in Canada and Latin America. In Peru's mining sector, where the Chinese company Chinalco has gained influence in the copper-mining sector, the company's plan to relocate the town of Morococha in order to expand extraction activities at the 15,000-foot Mt. Toromocho has created tensions as some residents consider the compensation package offered by Chinalco to be too small.<sup>56</sup> In July 2008 workers at the Shougang Hierro mine in Peru went on strike for the second time during 2008 to protest conditions at the facility, claiming the Chinese enterprise must do more to address the concerns of laborers as well as residents of the nearby town, where the company controls access to water, electricity, and property. Concerns over tainted products from China have also raised tensions in Central America, where cough syrup containing a Chinese-origin component contaminated with diethylene glycol killed more than 300 patients in Panama in 2006.<sup>57</sup> In Canada, recent government-issued alerts regarding the prospect of melamine-tainted snacks imported from China have provoked consumer frustration and supermarket recalls of comestible goods.<sup>58</sup>

## Recommendations

- Initiate exchanges on product safety with China and key countries in the region, perhaps through the APEC Health Working Group or APEC Food System networks. This could shed light on recent issues of concern related to diethylene glycol and melamine contamination and raise the issues in an environment focused on information sharing rather than blaming and finger-pointing.
- Use existing bilateral mechanisms such as the Strategic Economic Dialogue and Ten-Year Plan as well as the U.S.-China Global Issues Forum, or perhaps the APEC Sustainable Development Working Group, to explore links between natural resources extraction and conservation to

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55. "Global Unease with Major World Powers: Rising Environmental Concern in 47 Nation Survey," Pew Global Attitudes Project, June 27, 2007, <http://pewglobal.org/reports/display.php?ReportID=256>; "Global Economic Gloom—China and India Notable Exceptions: Some Positive Signs for U.S.," Pew Global Attitudes Project: 24 Nation Pew Global Attitudes Survey, <http://pewglobal.org/reports/display.php?ReportID=260>, June 12, 2008.

56. John Simpson. "Peru's 'Copper Mountain' in Chinese Hands," BBC News, June 17, 2008.

57. Walt Bogdanich and Jane Hooker, "From China to Panama, A Trail of Poisoned Medicine," *New York Times*, May 6, 2007.

58. Precious Yutangco, "Pretzels Containing Melamine Recalled," *Star*, October 1, 2008.

reinforce the importance of incorporating environmental stewardship into overseas economic activities.

- Facilitate exchanges on selected aspects of regional free-trade agreements, showcasing labor and environment agreements within the North American Free Trade Agreement, the Central America-Dominican Republic-United States Free Trade Agreement, and the U.S.-Chile Free Trade Agreement to encourage China to be a more responsible trade partner.
- Organize exchanges related to science and technical cooperation on a regional basis, perhaps under the auspices of the Organization of American States.

# 5

## CHINA'S SOFT POWER IN THE MIDDLE EAST

Jon B. Alterman

### Summary Points

- China's interest in the Middle East is shaped by its energy needs. China was self-sufficient in oil until the early 1990s, but since then it has become more engaged in the Middle East.
- Increasing patterns of cross-border investment suggest growing ties.
- China's growing profile in the region accompanies the Middle East's growing dissatisfaction with the United States.
- Middle Eastern countries are more interested in China displacing the United States than China is interested in doing so.

### Overview

China's interest in the Middle East has grown steadily in pace with its energy interests in the region. Self-sufficient in oil until 1992 or 1993, China has steadily become a significant oil importer, with something over half of its annual imports coming from the Middle East. The growing importance China attaches to the Middle East puts the country in danger of confrontation with the United States, which has been the unparalleled power in the region since the British withdrawal from the Persian Gulf more than three decades ago. Chinese officials are keenly aware of the advantages of supplementing the United States in regional affairs, but they show little interest in supplanting the United States. China's current engagement in the Middle East has almost no military component, and the consequence is that China remains reliant on the United States to secure the energy supply that is the country's lifeblood. Instead, China has pursued a patient and quiet strategy of building a wide array of commercial interests in the region, supplemented by diplomatic gestures and cultural ties.

Many Middle Eastern countries seek to use a relationship with China to supplement their bilateral relations with the United States and sometimes to give themselves the freedom of greater distance from Washington. China is playing the game well. Unlike the Soviet Union, whose frequently heavy-handed reach in the Middle East often prompted countries to flee for the U.S. security umbrella, China's approach is to entice with economics and flattery. In addition, it studiously avoids forcing countries to choose between the United States and China. China's economic expansion and its example as an ancient but rapidly modernizing society also far exceed the draw of the former Soviet Union. As a result, Middle Eastern states have been eager to deepen their ties with China.

# Trade in Energy and Other Goods between China and the Middle East

At the heart of Beijing's interest in the Middle East in the early twenty-first century is energy security. According to the International Energy Administration, in 2004 China produced about 54 percent of the oil it consumed. The rest was imported, and about half of it has come from the Middle East. China's energy shortfall is projected to grow rapidly, and the International Energy Agency estimates that by 2030 China will need to import 75 percent of its energy.<sup>1</sup> Chinese analysts note that countries that industrialized in earlier periods enjoyed few constraints as they ensured access to energy, and energy shortfalls could hobble China's rapid economic development.

China's exports of goods and services to the oil-based economies of the Middle East are the flip side of its energy imports from that region, and they have also expanded rapidly. The Middle Eastern oil states are major consumers of Chinese light manufactured goods, machinery and equipment, vehicles, foodstuffs, and engineering and labor services. Bilateral trade has skyrocketed; since 2000, Chinese exports to the Middle East have increased more than seven times while imports have grown five times.<sup>2</sup> In 2006, total Gulf Cooperation Council (GCC)–China trade stood at more than \$40 billion, the vast majority of which was Middle Eastern hydrocarbon exports to China.<sup>3</sup> More broadly, total Chinese trade with the Middle East exceeded \$76 billion.<sup>4</sup>

Still, it is important to see China's Middle Eastern trade, including oil imports, in the perspective of China's overall trade figures. In 2005, for instance, China's total two-way trade with Saudi Arabia, then its number one oil supplier, represented just 7.6 percent of two-way China-U.S. trade, 8.7 percent of China-Japan trade, and 1.1 percent of China's total exports and imports.<sup>5</sup> China's two-way trade—including Chinese oil imports—with all Middle Eastern and North African countries accounted in 2005 for only 4.2 percent of its global trade. There is a steady but gradual growth in Sino–Middle Eastern trade, but China's global trade is simply so great that the entire Middle Eastern region still plays a relatively minor role.

In absolute terms, however, Sino–Middle Eastern trade is growing, and investment is growing in ways that will promote trade long into the future. Unlike Western countries, China is a growing energy market with extensive opportunities for infrastructure investment. In 2004, SINOPEC (the China Petroleum and Chemical Corporation, China's second-largest oil firm after China National Petroleum Corporation) joined with Saudi Aramco and the American firm ExxonMobil to undertake a \$3.5 billion refinery complex at Quanzhou in Fujian Province, tripling its refining capacity and allowing it to process “distressed” Saudi crude. The project was a win-win enterprise, giving China long-term supply and Saudi Arabia an outlet for distressed crude, which has fewer buyers. Sino Saudi Gas, a joint venture of Aramco and SINOPEC, is jointly exploring for gas in

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1. *World Energy Outlook* (Paris: International Energy Agency, 2008), p. 105.

2. Lee Hudson Teslik, “Backgrounder: China-Gulf Economic Relations,” Council on Foreign Relations, June 4, 2008, [www.cfr.org/publication/16398/chinagulf\\_economic\\_ties.html](http://www.cfr.org/publication/16398/chinagulf_economic_ties.html).

3. “With Cash to Burn, China and Mideast Eye Each Other's Riches,” *Financial Times*, September 6, 2007, <http://search.ft.com/ftArticle?queryText=China+and+GCC+trade&y=0&aje=true&x=0&id=07090600687&ct=0>; “Delegates Push for Closer Ties between GCC and China,” *ArabianBusiness.com*, September 3, 2007, <http://www.arabianbusiness.com/499054-hina-gcc-investment-set-to-surge>.

4. *Direction of Trade Statistics Quarterly* (Washington, D.C.: International Monetary Fund, December 2007): pp. 96–97.

5. *China Statistical Yearbook 2005* (Beijing: China Statistics Press, 2005), 740–741.

Saudi Arabia's Empty Quarter. In 2006, China and Saudi Arabia agreed to build jointly an oil storage facility capable of holding 62.9 million barrels of oil on the Chinese island of Hainan adjacent to an economic development zone where SINOPEC was building an oil refinery; Saudi Arabia also invited Chinese firms to participate in infrastructure developments worth \$624 billion.<sup>6</sup> From both the Saudi and Chinese perspectives, the deals made sense, and the Saudi oil minister, Ali Naimi, has remarked that Asia is the logical market for the Middle East.

Outside of oil, Middle East producers have sought to take advantage of China's ongoing construction boom, and appetite for raw materials more broadly. China's demand for aluminum, for example, is predicted to rise 20 percent annually until 2010.<sup>7</sup> The Persian Gulf is well placed to meet this demand, as local production of the metal has increased dramatically, with the number of aluminum extrusion presses (key inputs in aluminum production) rising from 25 to 85 in the Middle East in 2007 alone. While 90 percent of product goes to the local construction sector, much of the surplus capacity is exported to Asian markets.<sup>8</sup>

Chemical and petrochemical manufacturing has flourished in the GCC as well. The Saudi Basic Industries Corporation (SABIC) exports to China annually \$2 billion of goods like fertilizers, synthetic fabrics, iron, steel, and plastics.<sup>9</sup> Following President Hu Jintao's April 2006 visit to Saudi Arabia, SINOPEC and SABIC, the largest chemical production company in Saudi Arabia, signed a joint venture agreement to create an ethylene derivative production facility in Tianjin, in northern China. SINOPEC will invest \$1.7 billion in the venture, scheduled to open in fall 2009.<sup>10</sup>

The composition of China–Middle East trade is very much consistent with the Chinese strategy of using comparatively cheap labor to produce low-cost goods, from ready-to-wear fashion to cars, in abundance. To cite a few examples, in early 2004, a significant amount of consumer goods on the Libyan market was of Chinese origin, reflecting trends elsewhere in the region (the value of official Chinese exports to Libya rose from \$216 million in 2003 to \$1.3 billion in 2005).<sup>11</sup> Egypt projects that China will replace the United States as its largest trading partner as early as 2012 and is aiming to increase its share of Chinese exports and re-exports to Europe through the Suez Canal by lowering transit fees.<sup>12</sup> The Middle East also constitutes a major market for Chinese car and motorcycle exports, which have grown dramatically since 2000.<sup>13</sup> According to the World Trade Organization, China exported to the Middle East (excluding North Africa) \$1.35 billion in

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6. "China's Hainan Kicks Off Oil Storage Project," *Platts Oilgram News* 85, no. 247 (December 14, 2007): p. 3; "HK Paper: China, Saudi Arabia to Jointly Build Hainan Oil Reserve Base," *Wen Wei Po*, January 24, 2006.

7. Xiao Yu and Damien Ryan, "Citic to Construct Smelter in Egypt," *International Herald Tribune*, September 12, 2006, <http://www.ihf.com/articles/2006/09/11/bloomberg/bxcitic.php>.

8. "Aluminum Extrusion Rides Region's Construction Boom," *gulfnews.com*, February 20, 2008, <http://www.gulfnews.com/business/Construction/10190986.html>.

9. "China Inks Energy Deals with Saudis," *Taipei Times* (Associated Press), April 24, 2006, <http://www.taipetimes.com/News/world/archives/2006/04/24/2003304288>.

10. "Sinopec to Set Up JV with SABIC," *China.org.cn*, February 1, 2008, <http://www.china.org.cn/english/business/241713.htm>.

11. "Economic Cooperation between China and Libya," Embassy of the People's Republic of China in the Great Socialist People's Republic Libyan Arab Jamahiriya, February 12, 2007, <http://ly.china-embassy.org/eng/jmgx/t297043.htm>.

12. "Chinese Chemicals Giant Launches Middle East Expansion in Egypt," *ExpansionManagement.com*, January 5, 2007, <http://www.expansionmanagement.com/cmd/articleDetail/articleid/18256/default.asp>.

13. Thomas Lum and Dick Nanto, *China's Trade with the United States and the World*, Report no. RL31403 (Washington, D.C.: Congressional Research Service, January 4, 2007).

automotive parts and another \$2.19 billion in other transportation equipment, including motorcycles.<sup>14</sup> To help meet its goal of bringing Middle East trade to \$100 billion by 2010, from \$51.3 billion in 2005,<sup>15</sup> China has been investing heavily in marketing infrastructure. The United Arab Emirates (UAE) is quickly becoming one of China's most important trading partners in the Middle East, and there are reports of Chinese goods flooding UAE markets. More than 1,000 Chinese companies are in the UAE, and the emirate of Dubai is home to Dragon Mart, a 150,000-square-meter mall and one of the largest regional showcases of Chinese consumer goods.<sup>16</sup>

The Middle East is both a supplier and a recipient of capital. As a supplier, it seeks markets that promise the highest returns, and the recent boom in oil prices has made the GCC states the biggest capital holders in the Middle East. GCC investors poured some \$540 billion offshore in 2002–2006, 11 percent of which went to Asia.<sup>17</sup> While the United States was the principal destination for most Gulf money in the 1970s, a desire for greater returns, combined with anger at the United States and a fear that antiterrorist zeal would inhibit the movement of capital into and out of the United States, has pushed many to consider alternative markets. GCC investors in this regard see China as a particularly promising prospect for investment given the high returns possible there. One high-profile example is the purchase by the Kuwait Investment Authority (KIA) of \$720 million worth of shares in the Industrial and Commercial Bank of China (ICBC), which is China's largest bank.<sup>18</sup> In announcing the purchase, KIA's managing director noted that "this participation demonstrates Kuwait's deepening economic ties with China as well as showcases the long term strategic value of KIA as a core investor. This participation also marks the beginning of KIA's long term strategic investment plan in China, which KIA hopes to extend to many other sectors."<sup>19</sup> The Qatar Investment Authority also invested \$206 million in ICBC, and the bank will be opening a branch in Doha and is planning another in Dubai.<sup>20</sup>

Yet parts of the Middle East are consumers of capital as well, particularly the energy-poor states in the Levant and North Africa. Jordan, for example, has opened its first car manufacturing plant. Hebei Zhongxing Automobile of China has partnered with the Iyas Company for Manufacturing Automobiles and the Jordan Investment Board to build a \$30 million facility to produce cars for sale to Arab and Eastern European markets.<sup>21</sup> In addition, Jordanian engineers will train

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14. "Statistics—Technical Notes," World Trade Organization, [http://www.wto.org/english/res\\_e/statis\\_e/its2003\\_e/technotes\\_e.htm](http://www.wto.org/english/res_e/statis_e/its2003_e/technotes_e.htm).

15. "Middle East Next Hot Global Market for China Manufacturers—Global Sources Survey," Global Sources, June 4, 2007, <http://www.prnewswire.com/cgi-bin/stories.pl?ACCT=104&STORY=/www/story/06-04-2007/0004600622&EDATE=>.

16. "What to Do in Dubai: Dubai Dragon Mart," Dubai City: Your Online Guide, 2008, [http://www.dubaicity.com/what\\_to\\_do\\_in\\_dubai/dubai\\_dragon\\_mart.htm](http://www.dubaicity.com/what_to_do_in_dubai/dubai_dragon_mart.htm); "Chinese Deputy Prime Minister Zeng Pei-yan's Visit to Dragon Mart," 2005, <http://www.chinamexmart.com/english/news/20050614.htm>.

17. *Strengthening MENA's Trade and Investment Links with China and India*, p. 53.

18. "Kuwait to Buy Large Stake in IPO of Chinese Bank," *International Herald Tribune*, September 25, 2006, <http://www.ihf.com/articles/2006/09/24/business/hot.php>.

19. "Kuwait Investment Authority Is a Cornerstone Investor in Industrial and Commercial Bank of China," Kuwait Investment Authority, n.d., <http://www.kia.gov.kw/KIA/Press+Room/Press+Releases/EN/PressRelease.htm>.

20. "ICBC Says to Set Up First Gulf Branch in Qatar," Reuters, February 1, 2008, <http://www.reuters.com/article/fundsFundsNews/idUSPEK18526420080201>.

21. "Chinese Manufacturer Opens Jordan's First Car Plant," Middle East Business Intelligence, February 12, 2008, [http://www.meed.com/news/2008/02/chinese\\_manufacturer\\_opens\\_jordans\\_first\\_car\\_plant.html](http://www.meed.com/news/2008/02/chinese_manufacturer_opens_jordans_first_car_plant.html).

in China as part of the agreement and then return to manage the local plant.<sup>22</sup> In Egypt, the China Export-Import Bank granted a \$16.3 million loan to the Egyptian Holding Company for Cotton Spinning and Weaving to refurbish a polyester factory, as well as a \$20 million loan to renovate the Cairo International Conference Centre (CICC) and build its hotel.<sup>23</sup> The Citic Group, China's largest state-owned company, also plans to invest \$800 million in an aluminum plant in Ismailia, and most of the output of that plant will go to China.<sup>24</sup> Aluminum of China (Chalco), China's largest aluminum producer, signed an agreement in October 2007 with Malaysian and Saudi partners to build a \$3 billion aluminum facility in Saudi Arabia.<sup>25</sup> Finally, the China National Chemical Engineering Company (CNCEC) contracted with the Al-Kharafi group of Kuwait to construct a \$700 million chemical plant in Fayoum, Egypt.<sup>26</sup>

The World Bank estimates that Egypt is now one of the main destinations for Chinese green-field foreign direct investment, with contracts for joint ventures totaling \$2.7 billion in 2006.<sup>27</sup> Meanwhile, in Algeria, the "largest construction sites are virtually run by Chinese firms,"<sup>28</sup> and Chinese workers account for half of all foreign workers in the country.<sup>29</sup> China currently has more than \$18 billion in projects in Algeria alone, largely in construction but also including water conservation, telecommunications, and energy. Algeria has become China's most important project contracting market worldwide, with more than 300 agreements with no less than 30 companies.<sup>30</sup>

## China's Use of Its Military in the Middle East

China sees trade as a relatively uncontroversial way to extend its influence in the Middle East. When it comes to military affairs, Beijing treads far more lightly. China has been a major beneficiary of the enormous U.S. efforts to maintain stability and security in the greater Middle East. Chinese leaders are not completely content with Washington's management of regional security affairs and have sometimes pursued policies and trade relations that undermine U.S. efforts, yet they have avoided challenging U.S. predominance or major policy initiatives. In response to U.S. pressure, Beijing has curtailed certain arms sales to Iran and supported UN Security Council efforts to encourage Iran to suspend its uranium enrichment program.

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22. "Jordan to Establish First Car Assembly Plant," Al Bawaba, February 4, 2008, <http://www.albawaba.com/en/countries/Jordan/221834>.

23. "China Invests \$16m for Textile Makeover in Egypt," Embassy of the People's Republic of China in the Arab Republic of Egypt, November 21, 2005, <http://eg.china-embassy.org/eng/dsxx/t223560.htm>; "Economic and Commercial Report for the Month of November 2005," Embassy of India in Cairo, [http://www.tradeindia.com/newsletters/country\\_focus/country\\_focus\\_3\\_jan\\_2006\\_cairo.html](http://www.tradeindia.com/newsletters/country_focus/country_focus_3_jan_2006_cairo.html).

24. Xiao Yu and Damien Ryan, "China to Construct Smelter in Egypt," *International Herald Tribune*, September 12, 2006, <http://www.iht.com/articles/2006/09/11/bloomberg/bxcitic.php>; "China and Egypt Go Hand in Hand," Jane's Information Group, January 18, 2007, [http://www.janes.com/security/international\\_security/news/jiaa/jiaa070118\\_1\\_n.shtml](http://www.janes.com/security/international_security/news/jiaa/jiaa070118_1_n.shtml).

25. Soraya Permatasari and Theresa Tang, "MMC and Chalco Plan Saudi Aluminum Plant," *International Herald Tribune*, October 4, 2007, <http://www.iht.com/articles/2007/10/04/business/sxmmc.php>.

26. "Chinese Chemicals Giant Launches Middle East Expansion in Egypt," ExpansionManagement.com, January 5, 2007, <http://www.expansionmanagement.com/cmd/articledetail/articleid/18256/default.asp>.

27. *Strengthening MENA's Trade and Investment Links with China and India*, p. 61.

28. *Ibid.*, p. 59.

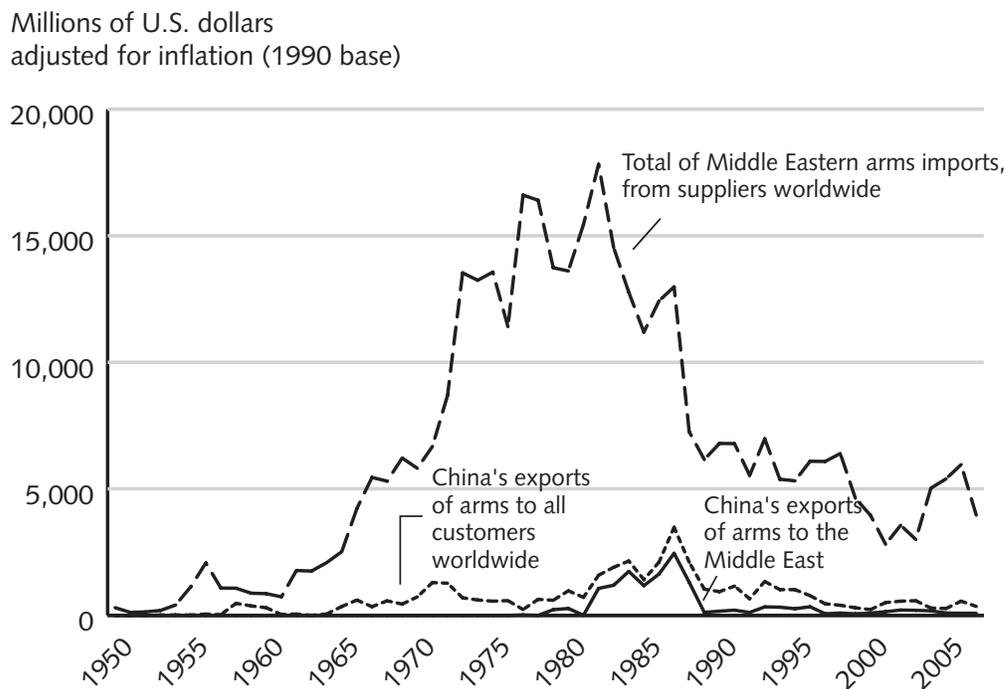
29. John Gee, "Middle East-Chinese Trade Ties Renew Old Links," *Washington Report on Middle East Affairs*, July 2007, p. 25.

30. Chinese embassy official no. 1, interview, Algiers, November 16, 2008. By far the largest contracts are to build two-thirds of a highway that runs East to West across the country and to build subsidized public housing.

China's military engagement in the Middle East has included arms sales and transfer of dual-use technologies, participation in the UN peacekeeping mission in Lebanon (UNIFIL), and very limited military-to-military contacts.

China has not always been so cautious. During the 1980s, China was the world's third-largest arms exporter, accounting for 8 percent of the total arms trade by 1989. The Middle East was a major destination for inexpensive Chinese small arms and low-end military equipment. Beijing sold weapons to both sides during the Iran-Iraq War, and other clients included Syria, Saudi Arabia, Jordan, Oman, and Egypt.<sup>31</sup> While Chinese exports to the Middle East during the 1980s made up the majority of China's global arms trade, its share of total Middle East arms imports was rather small. During the past 20 years, countries with sizable resources, including most buyers in the Middle East, have been able to afford more technologically advanced U.S., Russian, and European weapon systems, and China is now a minor supplier to the region. By 2007, China's share of global arms exports shrank to less than 1.5 percent. Figure 4-1 shows Chinese arms sales to the Middle East between 1950 and 2007.

**Figure 1. China–Middle East Arms Transfers**



Source: Arms transfer database, Stockholm International Peace Research Institute, [http://www.sipri.org/contents/armstrad/output\\_types\\_TIV.html](http://www.sipri.org/contents/armstrad/output_types_TIV.html).

Notes: Figures are SIPRI trend indicator values expressed in millions of U.S. dollars at constant (1990) prices; all data were generated on December 9, 2008.

31. Richard F. Grimmett, *Conventional Arms Transfers to Developing Nations, 1999–2006*, Report no. RL34187 (Washington, D.C.: Congressional Research Service, September 26, 2007), <http://www.fas.org/sgp/crs/weapons/RL34187.pdf>; see also the SIPRI Arms Transfers Database, Stockholm International Peace Research Institute, [http://www.sipri.org/contents/armstrad/at\\_db.html](http://www.sipri.org/contents/armstrad/at_db.html).

Beijing still exports some arms and munitions to several Middle Eastern states, including more advanced weapons systems. Iran is China's largest arms client in the region. Recent arms sales to Tehran have included 40 TL-10/C-701 anti-ship missiles and 6 air surveillance radars, delivered between 1998 and 2004. In addition, China sells kits for a weapon system that the Iranians are licensed to assemble locally. These include approximately 280 C-802/CSS-N8/Saccade anti-ship missiles, approximately 1,000 QW-1 Vanguard portable surface-to-air missiles, and, most recently, C-801/CSS-N-4/Sardine anti-ship missiles. An Iranian-made Chinese C-802 anti-ship missile hit an Israeli warship during the 2006 Israel-Hezbollah conflict.<sup>32</sup> Some of these arms sales to Iran run counter to Beijing's interest in reducing military risks to shipping in the Persian Gulf, but they reflect countervailing imperatives to maintain good relations with a leading energy supplier and growing trading partner.

The extent of China's involvement in the Iranian nuclear program is unclear, but suspicion over technology transfer from China to Iran has long centered on uranium enrichment and ballistic missile technologies. In 2004 and again in 2007, the U.S. government imposed sanctions on several Chinese companies for allegedly selling dual-use technologies to Tehran.<sup>33</sup> Furthermore, recent attempts by the West to constrain Iran's ballistic missile ambitions were hampered by Beijing and Moscow, both of which have vested interests in Tehran's ballistic missile and space program.<sup>34</sup>

China has tried to burnish its image as a responsible stakeholder and gain some influence in the Middle East peace process through its engagement in the United Nations Interim Force in Lebanon (UNIFIL). In early 2006, China deployed 182 engineers to UNIFIL to support rehabilitation of infrastructure damaged during the Lebanese civil war. Following the 2006 summer war between Israel and Hezbollah, despite the fact that one Chinese observer was killed by Israeli shelling of a UN observer post, Beijing offered to increase its contributions to UNIFIL to 240 in response to UN calls for assistance in expanding the scope of the mission. During visits to France and Italy, two other major UNIFIL troop-contributing countries, Premier Wen Jiabao pledged to increase China's contingent to 1,000 troops and to provide \$5 million in humanitarian assistance to Lebanon.<sup>35</sup> China has not fulfilled this higher troop pledge. During 2007–2008 it has had about 343 People's Liberation Army (PLA) troops deployed in southern Lebanon, primarily field engineers engaged in repair of infrastructure and de-mining activities, along with 60 personnel who staff a UNIFIL field hospital.<sup>36</sup>

Chinese military-to-military contacts in the Middle East have been significantly lower than in other regions of the world, including Africa and Latin America. Since 2001, high-level PLA officers have visited counterparts in Egypt and Syria on a number of occasions and have also gone to Jordan, Lebanon, and Israel. China has hosted senior military officers from Iran, Kuwait, UAE, Syria, and Qatar.

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32. Alon Ben-David, "Hizbullah Hits Israel's INS Hanit with Anti-Ship Missile," Jane's Information Group, July 18, 2006, [http://www.janes.com/defence/news/jdw/jdw060718\\_1\\_n.shtml](http://www.janes.com/defence/news/jdw/jdw060718_1_n.shtml).

33. Robin Wright, "Iran's New Alliance with China Could Cost U.S. Leverage," *Washington Post*, November 17, 2004, <http://www.washingtonpost.com/wp-dyn/articles/A55414-2004Nov16.html>.

34. Ariel Cohen, "Russia, China Boost Iran's ICBM Program," UPI.com, October 3, 2008, [http://www.upi.com/Security\\_Industry/2008/10/03/Russia\\_China\\_boost\\_Irans\\_ICBM\\_program/UPI-80291223055428/](http://www.upi.com/Security_Industry/2008/10/03/Russia_China_boost_Irans_ICBM_program/UPI-80291223055428/).

35. Sam Knight, "China to Send 1,000 Peacekeepers to Lebanon," *Times on Line*, September 18, 2006, [http://www.timesonline.co.uk/tol/news/world/middle\\_east/article642625.ece](http://www.timesonline.co.uk/tol/news/world/middle_east/article642625.ece).

36. Department of Peacekeeping Operations, "Monthly Summary of Contributors of Military and Civilian Personnel," United Nations, <http://www.un.org/Depts/dpko/dpko/contributors/>.

## China's Detachment from Middle Eastern Regimes

Overall, China has had a strikingly unsentimental approach to the Middle East, which sometimes stands in contrast with the often emotional overlay as Middle Eastern states search for an alternative to reliance on the United States. Many Middle Eastern states have had long and involved histories with the United States, but they see China as an investment in their future. Contemporary Middle Eastern views of China are similar to Middle Eastern views of the United States a century ago, when many in the Middle East looked to the United States to rescue them from European imperialism. Aloof from the struggles that had tested the Middle East throughout the nineteenth century and largely without clients in the region, the United States was viewed by an earlier generation of Middle Easterners as precisely the kind of honest broker that could help forge states from the ashes of the Ottoman Empire. President Wilson's championing of the idea of self-determination had helped buff U.S. credentials, and although there was disappointment in some quarters that the United States would not accept the mandate for Palestine, the refusal served to reinforce the notion that, unlike European countries, the United States sought neither power nor subjects in the Middle East. Contemporary Middle Eastern views of the United States tend to take the opposite view, seeing the United States inheriting the role of imperial Britain and shaping its policies in such a way as to advance imperial power at the expense of subject peoples.

It was confidence in the sincerity of U.S. anticolonialism a century ago that paved the way for U.S. influence in the Middle East. The United States was in the practice of sending businesspeople, not viceroys, and was welcomed in the region because of it. Lacking both scholarship and administrative experience in the Middle East—and with few Americans other than missionaries who had spent much time in the region at all—the United States won affection for exercising a light hand in Arab lands. One hears echoes of these views in early twenty-first-century perceptions of China. External pressure for political reform in the Middle East has generated significant concern among Arab regimes. Not only has the Iraqi example been particularly frightful, but no regime is eager to open space for opposition movements that may threaten its power. President Bush's "freedom agenda" has been the embodiment of this U.S. effort, and U.S. allies and enemies alike in the Arab world have sought to block its effectiveness. Although the particularities of individual regimes may differ, there is widespread agreement among Arab states that U.S. pressure for reform is unwelcome.

Beyond this opposition to U.S. democracy efforts is an appreciation of China's avowed disinterest in Arab reform. Arab regimes and intellectuals alike hold China as a model: it is a lucrative trading partner and objective observer in international affairs, but it is absent from their domestic politics. China makes no claims on Arab regimes as to their treatment of the opposition, human rights, or elections, nor is it in the Chinese Communist Party's interest ever to do so.

Some countries, such as Egypt, seem especially eager to court Chinese interest. Egypt capitalizes on its status as both a Middle Eastern country and an African one to elicit attention. Egypt is one of the United States' most important allies in the Middle East, and it has received more than \$60 billion in U.S. aid since the Camp David peace treaty with Israel was signed in 1979. Looking forward, Egypt will not only look to the West. Egypt is the cochair of the Forum on China-African Cooperation, and its minister of the economy vows that, before long, China will become Egypt's leading trading partner.<sup>37</sup>

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37. "The New China Syndrome," *Business Today Egypt*, November 2007, <http://www.businesstoday-egypt.com/printerfriendly.aspx?ArticleID=6998>.

## Decline of U.S. Prestige and Increase in Respect for China in the Middle East

Public opinion polls have borne out the precipitous decline of the standing of the United States in the Middle East. Although the causes for this shift are still debated, the succession of the Palestinian issue and two U.S.-led wars (in Iraq and Afghanistan) have largely paralleled the downturn. Strikingly, publics in even U.S. allies like Jordan, Egypt, and Morocco have grown sour about the U.S. role in the Middle East and the state of its relationships with local regimes. Whether this changes with the introduction of a new administration or new policies is unclear, but the recent trend has been undeniable.

In a 2006 Arab public opinion survey conducted by Shibley Telhami and Zogby International, 78 percent of respondents listed their views of the United States as either somewhat or very unfavorable.<sup>38</sup> Jordan, Saudi Arabia, and Morocco, all U.S. allies in the region, had the highest percentages of very unfavorable views of the United States. Similarly, Jordan, Egypt, and Morocco had the lowest confidence ratings in the United States.

In addition, stringent new visa requirements and screening of Arab travelers have made visiting the United States more frustrating, and an increasing number of Arabs are looking to universities in Britain, Australia, and New Zealand because of easier visa processes.<sup>39</sup> Similarly, congressional opposition to the Dubai Ports World deal in early 2006 and recent fears about Arab sovereign wealth fund investments have increased apprehensions in the Middle East.<sup>40</sup> Overall, as more Arabs doubt their prospects for visiting or studying in the United States, fewer personal connections are being forged.

Conversely, Middle Eastern views of China have risen dramatically in recent years. In the same Telhami-Zogby International poll, respondents ranked China second after France as the country they would most like to be a superpower in a world with only one superpower.<sup>41</sup> According to the Pew Global Attitudes Project, Egyptians were twice as likely to have a favorable view of China as an unfavorable one in 2007, and Kuwaitis were three times as likely.<sup>42</sup> Gallup found in 2008 that 40 percent of Middle Eastern publics approved of China's performance as a world leader compared with 17 percent that approved of the U.S. performance.<sup>43</sup>

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38. "Anwar Sadat Chair for Peace and Development University of Maryland/Zogby International 2006 Annual Arab Public Opinion Survey," Brookings Institution, Saban Center for Middle East Policy, Washington, D.C., February 8, 2007, <http://www.brookings.edu/views/speeches/telhami20070208.pdf>.

39. "Restrictions in U.S. Prompt Arabs to Study Elsewhere," *Washington Post*, December 19, 2007, <http://www.washingtonpost.com/wp-dyn/content/article/2007/12/19/AR2007121902501.html>; "New Zealand Universities Attract over 300 Saudi Arabian Students," [workpermit.com](http://www.workpermit.com/news/2007_02_07/new_zealand/saudi_arabia_scholarship_university.htm), February 7, 2007, [http://www.workpermit.com/news/2007\\_02\\_07/new\\_zealand/saudi\\_arabia\\_scholarship\\_university.htm](http://www.workpermit.com/news/2007_02_07/new_zealand/saudi_arabia_scholarship_university.htm).

40. "U.S. Lawmakers Criticize Ports Deal," BBC News Online, February 21, 2006, <http://news.bbc.co.uk/2/hi/americas/4734728.stm>.

41. "Anwar Sadat Chair for Peace and Development University of Maryland/Zogby International 2006 Annual Arab Public Opinion Survey."

42. Jordanians, Lebanese, Palestinians, Israelis and Moroccans were all evenly split. Pew Global Attitudes Project, June 27, 2007, p. 39, <http://pewglobal.org/reports/pdf/256.pdf>.

43. "China's Leadership Better Regarded Outside the West," April 29, 2008, <http://www.gallup.com/poll/106858/Chinas-Leadership-Better-Regarded-Outside-West.aspx>; "U.S. Leadership Approval Lowest in Europe, Mideast," April 2, 2008, <http://www.gallup.com/poll/105967/US-Leadership-Approval-Lowest-Europe-Mideast.aspx>.

China is new to the Middle East and offers an inspiring model for how an ancient civilization can grow and prosper in the modern era. Arab intellectuals have particularly seized on this point, and numerous articles and statements have identified China's path to modernization as worth studying for the Arabs. Naguib Mahfouz argued that Arab societies should diversify what they borrow from abroad to include lessons from China, as its historical and social traditions resemble the Middle East's more closely.<sup>44</sup> An author writing recently in a newspaper in the UAE suggested that the "China model" proves "there is another pathway for governments of the world to follow in order to successfully pursue economic growth."<sup>45</sup> Abdel-Moneim Said of the Al-Ahram Centre for Political and Strategic Studies in Cairo noted the discrepancies between Arab and Chinese responses to grave social challenges and concluded that China's path to development had something to offer Arabs.<sup>46</sup>

China's improving image is due in some measure to charity. For poorer Middle Eastern countries such as Yemen, China has provided substantial health aid and medical assistance in return for small but ever increasingly significant market access and energy supplies.

More than 2,000 Chinese medical personnel were sent to Yemen in the past 40 years,<sup>47</sup> and 163 members serve there now.<sup>48</sup> In July 2007 China's health aid to Yemen was formalized with a memorandum of understanding on health care,<sup>49</sup> in keeping with China's recent pledges to deepen health cooperation with all Arab League nations.<sup>50</sup> Because Yemen has only two physicians for every 10,000 people, Chinese assistance makes a material difference to many Yemenis and has done so for decades.<sup>51</sup>

China's interest in Yemen is not purely altruistic. Yemen has abundant natural gas, a \$3 billion annual trading relationship with China, and a strategic location astride the Bab el Mandeb and opposite the Horn of Africa.<sup>52</sup> As one of the poorest countries in the Arab world, with only moderate natural resources and a relatively low purchasing power parity (\$2,750 compared with the UAE's \$37,000), Yemen might seem like a surprising investment for China. Yet China has managed to

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44. "China for Us," Al-Ahram Weekly Online, Issue no. 571, January 31–February 6, 2002, <http://weekly.ahram.org.eg/2002/571/op6.htm>.

45. Mohammad Ben Hwidan, "Al Arab wal-Namudhaj al-Sini [Arabs and the Chinese example]," *al-Bayan*, March 6, 2008, <http://www.albayan.ae/servlet/Satellite?c=Article&cid=1201709073896&pagename=Albayan%2FArticle%2FPrint&sType=print>.

46. Abdel-Moneim Said, "Shared Past, Different Futures," Al-Ahram Weekly Online, Issue no. 756, August 18–24, 2005, <http://weekly.ahram.org.eg/2005/756/op3.htm>.

47. *Ibid.*

48. Economic and Commercial Counsellor's Office of the Embassy of the People's Republic of China in the Republic of Yemen, September 13, 2007, <http://ye.mofcom.gov.cn/article/ddfg/division/200709/20070905093449.html>.

49. Ministry of Health of the People's Republic of China, n.d., [http://www.moh.gov.cn/sofpro/cms/previewjspfile/ldzz/cms\\_0000000000000000087\\_tpl.jsp?requestCode=22550&CategoryID=5927](http://www.moh.gov.cn/sofpro/cms/previewjspfile/ldzz/cms_0000000000000000087_tpl.jsp?requestCode=22550&CategoryID=5927).

50. "Action Plan of the China-Arab Cooperation Forum (2008–2010)," Foreign Ministry of People's Republic of China, <http://www.fmprc.gov.cn/eng/yfgk/t466439.htm>.

51. Chinese embassy official no. 1, interview, Algiers, November 16, 2008. China has similar agreements with many developing countries, dating back to the 1960s. Under a long-running program, China has paired its provinces with individual foreign countries, sending medical personnel on two-year tours. Between 1963 and 2007, China sent 2,700 people from Hubei Province to Algeria; it has 116 medical personnel currently in Algeria at 11 different sites.

52. Chris Zambelis, "Burgeoning China-Yemen Ties Showcase Beijing's Middle East Strategy," Association for Asian Research, July 07, 2006, <http://www.asianresearch.org/articles/2899.html>.

reap benefits from its investments. It has found strong market access for its goods in Yemen, with trade between the two countries reaching \$3 billion in 2005.<sup>53</sup> Providing medical assistance is one way China courts Yemen by humanitarian means, thus deepening its relationship with an increasingly important country in the region.

The increased public and elite interest in China has manifested itself in growing educational and tourist links. Centers for studying China are multiplying in the Middle East. About 1,500 Egyptian college students study Chinese annually, and up to 1,000 Egyptians outside of universities can study at the Chinese Cultural Center and the Egypt-China Friendship Association.<sup>54</sup> Ain Shams University hosts the largest Chinese department in Africa, with 500 undergraduate Chinese majors, while Al-Azhar hosts 200 students of Chinese.<sup>55</sup> Cairo University also launched its own China program in 2004 with China's vice minister of education in attendance for the opening ceremony, and the Chinese government donated 1,000 Chinese-language books and magazines to support the department.<sup>56</sup> In 2005, Egyptian and Chinese education officials agreed to establish the "Egyptian Chinese University" in Cairo, making it the first Chinese university in the Middle East.<sup>57</sup> In September 2008, China and Egypt signed a protocol to open a Chinese school on the outskirts of Cairo. According to an Egyptian newspaper, parents of 1,500 children applied for 87 kindergarten spots in the inaugural year. The school cost \$3.75 million to build; the protocol calls for China to build a similar school in each of Egypt's 29 governorates.<sup>58</sup> In addition, about 300 professionals receive training in technical subjects every year in China, largely under a Chinese initiative to train 10,000 Africans as part of the Forum for Chinese-African Cooperation.<sup>59</sup>

In Saudi Arabia, Saudi students are studying directly in China on scholarships awarded by Chinese companies operating in Saudi Arabia.<sup>60</sup> The Chinese government is also offering scholarships directly to students and professionals for further training.<sup>61</sup>

Each Middle Eastern country does not seem equally eager to develop cultural ties with China. In Algeria, for example, which has seen bilateral trade explode from \$290 million in 2001 to an estimated \$4 billion in 2008, there are few opportunities to learn Chinese, even as the demand for people who speak both Chinese and Arabic is growing. According to the Chinese embassy, a proposal to the Ministry of Education to open a Confucius Institute has gone unanswered, and the

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53. "China-Yemen Trade Volume Hits 3 Billion U.S. Dollars in 2005," Xinhua, January 25, 2006, [http://english.peopledaily.com.cn/200601/26/eng20060126\\_238422.html](http://english.peopledaily.com.cn/200601/26/eng20060126_238422.html).

54. Jiang Bo, Chinese embassy in Beijing, e-mail correspondence, November 21, 2008.

55. Tu Longde, "Chinese Craze' Rising along the Nile," Hanban (Chinese Language Council International), October 12, 2004, <http://english.hanban.edu.cn/market/HanBanE/412128.htm>.

56. "Chinese Studies Available in Egypt's Top University," People's Daily Online, October 10, 2004, [http://english.peopledaily.com.cn/200410/10/eng20041010\\_159608.html](http://english.peopledaily.com.cn/200410/10/eng20041010_159608.html). Apparently, although the agreement has been signed, a formal partnership between Beijing University and Cairo University has not yet been implemented.

57. "China, Egypt Sign Agreement on Establishing Chinese University," China Education and Research Network, April 27, 2005, [http://www.edu.cn/Internationaledu\\_1499/20060323/t20060323\\_124312.shtml](http://www.edu.cn/Internationaledu_1499/20060323/t20060323_124312.shtml).

58. "The Chinese Arrived," Al-Ahram Weekly Online, Issue no. 915, September 18–24, 2008, <http://weekly.ahram.org.eg/2008/915/eg4.htm>.

59. Jiang Bo, e-mail correspondence.

60. "Near East Meets Far East: The Rise of Gulf Investment in Asia," Economist Intelligence Unit, 2007, [http://www.arcapita.com/media/pdfs/EIU\\_WhitePaper-web.pdf](http://www.arcapita.com/media/pdfs/EIU_WhitePaper-web.pdf).

61. Roula Khalaf, Richard McGregor, and Sundeep Tucker, "The Great Bridge of China: How Energy-Hungry Beijing Hews Its Mideast Links," FT.com, February 12, 2007, <http://www.ft.com/cms/s/0/582bb7aeba3d-11db-89c8-0000779e2340.html>.

Chinese language classes at the National Library cannot meet the demand. Many Chinese companies have resorted to teaching their Algerian workers informally.<sup>62</sup>

A growing source of cultural exchange is tourism. The number of Chinese tourists worldwide is predicted to reach 100 million by 2015, creating a lucrative market that Arab businesses hope to reach.<sup>63</sup> The Egyptian Tourism Authority is basing part of its future tourism strategy on attracting Chinese tourists.<sup>64</sup> Since China and Egypt signed an agreement in October 2001 to open Egypt to Chinese tourists, 35,000 Chinese visited Egypt in 2005, and that number is set to grow above 80,000 in coming years.<sup>65</sup> China is eager to develop tourism to countries such as Egypt as a way to help address the stark trade imbalance between the two countries—a balance that is currently 10 to 1 in China's favor. The anticipation of Chinese tourism helps drive Arabs into Chinese language classes in the hope of tapping into the China trade. Chinese tourism to Dubai more than doubled between 2004 and 2006 simply upon the introduction of direct flights by Emirates Airlines.<sup>66</sup> Three hundred Egyptians visited Beijing in the summer of 2008--they were the cast, orchestra, and crew for a Cairo Opera House production of *Aida*, the opera Giuseppe Verdi wrote to commemorate the opening of the Suez Canal.<sup>67</sup>

China also has stepped up its efforts to reach Arab audiences with an Arabic version of *China Today*. The monthly magazine has a regional office in Cairo, and some two-thirds of its regional distribution of 15,000 copies goes to Egyptian readers. *Al-Sin al-Yawm*, as it is titled, is a slickly produced magazine of more than 80 pages with articles clearly targeted at an Arab audience. Each issue contains a section entitled, "We're All East," highlighting joint activities between Arabs and Chinese, in addition to sections on Chinese life ("A Changing Society"), Money, and Economy. Recent issues have closed with eyewitness accounts of an Arab in China, entitled, "In a Coffeehouse on a Chinese Street."

While *al-Sin al-Yawm* is in many ways an impressive publication, it also highlights just how much more energy Western countries have put into building ties in the Middle East than China does today. For all of its ambition, *al-Sin al-Yawm* is a far less ambitious effort than the U.S.-produced, now-shuttered *Hi* magazine, an even glossier effort that compared favorably to top-quality lifestyle magazines in the United States. China's efforts at teaching foreign languages pale when compared with the far more ambitious efforts the British Council (which directly trains between

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62. Chinese embassy official no. 1, interview, Algiers, November 16, 2008.

63. "Chinese Tourists Welcomed in Foreign Countries," People's Daily Online, February 15, 2008, <http://english.people.com.cn/90001/90782/92900/6354887.html>.

64. "Shifting Tourist Sands," Al-Ahram Weekly Online, Issue no. 777, January 10–18, 2006, <http://weekly.ahram.org.eg/2006/777/eg3.htm>.

65. "Chinese Ambassador Welcomes First Group of Chinese Tourists to Egypt," People's Daily Online, May 6, 2002, [http://english.peopledaily.com.cn/200205/06/eng20020506\\_95200.shtml](http://english.peopledaily.com.cn/200205/06/eng20020506_95200.shtml); "Interview: Egypt Welcomes More Chinese Tourists," People's Daily Online, October 20, 2006, [http://english.peopledaily.com.cn/200610/20/eng20061020\\_313829.html](http://english.peopledaily.com.cn/200610/20/eng20061020_313829.html). Also Chinese embassy official, interview, Cairo, November 20, 2008.

66. Lu Haoting, "Arabian Flights," ChinaDaily.com.cn, December 31, 2007, [http://www.chinadaily.com.cn/bw/2007-12/31/content\\_6360999.htm](http://www.chinadaily.com.cn/bw/2007-12/31/content_6360999.htm); "Emirates Set to Serve Dubai-Shanghai Route Twice Daily," Travel Café, August 26, 2007, <http://www.travelscoop.co.nz/emirates-set-to-serve-dubai-shanghai-route-twice-daily/>.

67. "Cairo Opera Aida to Be Performed in Beijing," CriEnglish.com, July 8, 2008, <http://english.cri.cn/4026/2008/07/08/164s378011.htm>.

20,000 and 25,000 Egyptians in English every year),<sup>68</sup> as well as the U.S. Agency for International Development. Both the United States and the United Kingdom, as well as other Western embassies, sponsor a wide range of cultural programs that touch on everything from arts to life skills. The United States brings more than 500 Egyptians, ranging from promising youth to rising government officials, to the United States each year at U.S. government expense.<sup>69</sup> The British Council's budget in Egypt alone is £7 million per year,<sup>70</sup> a number that seems more impressive when one considers the low per capita income in Egypt.

Chinese diplomats in the Middle East profess some confusion at why their relatively modest efforts at cultural bridges, very much along the lines of what the United States and other Western powers have done for more than a half century, draw so much concern from the West. They seem especially confounded because the U.S. interest in the Middle East appears to largely be driven by security, and current Chinese policy is content with U.S. leadership on that issue. One Chinese diplomat in Algeria was especially pointed: "How about you do security," he said, "and we do business?"<sup>71</sup>

The growth and dynamism of China—combined with its avowed disinterest in power politics—make it a country of increasing interest to governments and populations in the Middle East. Up to now, it has been careful to arouse little opposition and to benefit from the U.S. security umbrella without explicitly supporting it. Cultural diplomacy is, for China, still in its early phases, and Chinese diplomats artfully reinforce basic commonalities with regional governments to build sympathy.

Equally clear is that China is trodding a well-traveled road, building precisely the kinds of language programs and exchanges that have been the bread and butter of Western cultural programs for decades. China benefits now because people in the region see it as a country of remarkable promise, yet one which is not seeking to exploit the peoples or resources of the region in a neocolonial way. That is, Middle Easterners see Chinese policy in their region principally as an exercise of soft power rather than hard power. China's commitment of peacekeeping troops to Lebanon in 2006 combined with the dispatch of a naval ship to guard against pirates off the Somali coast in 2008 suggest that Chinese power in the region is destined to become more balanced between hard and soft power over time. As Chinese influence in the Middle East grows, China will find itself saddled with many of the same liabilities that have constrained outside powers for centuries. China's increasing emphasis on soft power in the Middle East is a sign that it understands just how difficult it will be to guarantee its interests in the region as the country's exposure increases, and it is a likely precursor to greater hard-power efforts as well. Making greater efforts in the Middle East is no guarantee of achieving greater results, however, as U.S. and British policymakers—and others—have learned all too well.

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68. Reena Johl, assistant director, Communications and Business Support Services, British Council, Cairo, e-mail correspondence, December 18, 2008.

69. Haynes Mahoney, public affairs officer, U.S. Embassy, Cairo, telephone conversation, December 11, 2008.

70. "Media in Society," British Council, Middle East and North Africa, <http://www.britishcouncil.org/annual-report/nena2.htm>.

71. Chinese embassy official no. 2, interview, Algiers, November 16, 2008.

## Recommendations

- Engage Chinese partners in consequence management exercises so as to increase a sense of Chinese responsibility for the actions of its trading partners.
- Involve China in efforts—such as naval patrol protocols in the Gulf—to contribute to stability in the Middle East.
- Because China’s growing engagement in the Middle East is inevitable, the United States needs to help create patterns of cooperation with China on regional security issues so China’s growing role is in the direction of cooperation rather than conflict.

# 6

## CHINA AND SOUTHEAST ASIA

Derek J. Mitchell and Brian Harding

*“When the elephants fight, the grass gets trampled.”—African proverb*

### Summary Points

- China has been successful since the mid-1990s in allaying regional fears that it will be a military aggressor or economic threat.
- China has become the most important external power for many countries in Southeast Asia.
- Southeast Asian nations will seek at all costs to avoid having to choose between the United States and China in their international relations. By and large, these nations detect the possibility of a buyer’s market and will seek to engage China and the United States as well as other major powers such as Japan, India, Australia, and others to maximize their interests and policy flexibility.

### Overview

Southeast Asia stands out from the three other regions of Chinese engagement examined in this report—Africa, Latin America, and the Middle East—owing to its proximity and potential to become a Chinese sphere of influence. Rather than merely competing with other powers for influence in the region, China may be seeking to become the region’s paramount power, with the explicit goal of reducing the influence of, if not expelling, the leading external powers, most notably the United States, from the region.

Whether or not this is Beijing’s long-term aim, its short-term goal is to reassure the region of its peaceful intent, prevent development of anti-China coalitions, and build ties that facilitate regional stability and China’s internal development. It is doing this by seeking to build a network of friendly bilateral relations and broad engagement with the Association of Southeast Asian Nations (ASEAN) and component states. In mainland Southeast Asia (Burma, Cambodia, Laos, Thailand, and Vietnam), it seeks peaceful borders and peaceful border relationships, the linking of its landlocked provinces to the global economy, and strategic trade and resource supply routes that minimize reliance on the straits of maritime Southeast Asia. In maritime Southeast Asia (Brunei, Indonesia, Malaysia, the Philippines, and Singapore), China similarly seeks markets, natural resources, and freedom of navigation through strategic sea lanes.<sup>1</sup>

1. C. Fred Bergsten, Nicholas Lardy, Bates Gill, and Derek Mitchell, *China: The Balance Sheet—What the World Needs to Know Now about the Emerging Superpower* (New York: Public Affairs, 2006).

China's strategy in Southeast Asia has been extremely successful, transforming its image from that of an ideological provocateur into that of a welcome and pragmatic partner for peace and prosperity. This has been achieved through consistent and strategic high-level attention, adept day-to-day management of relations, and bold policy initiatives.

## The China-Thailand Relationship

Derek J. Mitchell and Brian Harding

A major non-NATO ally of the United States yet a country with long and close ties to China, Thailand serves as a useful barometer of evolving Chinese and U.S. power and influence in Southeast Asia.<sup>1</sup> While others in mainland Southeast Asia are being increasingly drawn into China's orbit, Thailand stands out as having greater flexibility in its international orientation owing to its relative prosperity, its deep ties to the global economy, and its treaty alliance with the United States. Thailand has long sought, and executed, a multidirectional foreign policy that seeks a balance of power so that the nation is open for business to all parties and independent in its international orientation. Nonetheless, China is quickly becoming Thailand's most influential external power.

### A Long, Intertwined History

Thailand's large ethnic Chinese community is testament to centuries of interaction between the two countries, and the fact that it is the most assimilated overseas Chinese community in Southeast Asia explains a great deal about why relations between the two are strong, deep, and trusting. Approximately 12 percent of Thais identify themselves as Chinese-Thai, but at least 80 percent of Thais have Chinese ancestors. They are extremely well represented in top business and political circles, and even King Bhumibol has Chinese blood on his mother's side. The only institution devoid of overwhelming Chinese-Thai control is the military, which is dominated by "indigenous" Thais.

### Government-to-Government Relations

Although Thailand has been led by a number of different governments with varying levels of affinity toward China, the trend toward enhanced engagement has been constant since 1975. These ties expanded under Prime Minister Thaksin, who made a great show of his own Chinese heritage in one of his four trips to China, famously saying that Thailand and China are "like brothers."<sup>2</sup> Also important have been frequent visits to China by the Thai royal family, particularly by Princess Sirindhorn.

Bangkok has been increasingly amenable to Chinese pressure to tighten its one-China policy and to ban the activities of irritants to China such as the Falun Gong. China came to Thailand's assistance following the 1997 financial crisis, gave Thailand's post-coup d'état government international legitimacy in 2006 as the first nation to recognize the military junta, and supported the candidacy of former foreign minister Suriakart for UN secretary-general.

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## The China-Thailand Relationship (continued)

### Trade and Investment

Economic relations with China are very important to Thailand's current and future prosperity. China is Thailand's second-largest export destination, after Japan and ahead of the United States, although a widening trade deficit is beginning to worry Thai economists, particularly in light of the coming implementation of the China-ASEAN free-trade agreement in 2010.

**Table 6.1 Thailand-China Trade, 1990–2006, in millions of U.S. dollars**

Years	Thai imports from China	Thai exports to China	Total trade volume
1990	854	386	1,240
1995	1,752	1,611	3,363
2000	2,243	4,380	6,623
2003	3,828	8,827	12,655
2006	9,763	17,962	27,725

Source: *Direction of Trade Statistics Yearbook* (Washington, D.C.: International Monetary Fund, relevant years).

Thailand and China have complementary economies and largely occupy two distinct spots in the global supply chain. Thailand's major exports to China are rubber, rice, tapioca, plastics, fruits, and electronic components. These components, along with low-value-added goods often produced by foreign investors in Thailand, are exported to China for assembly and further manufacturing and re-export. Thailand expects increasing consumption in China and the opportunity to export high-value items, such as jewelry, in the future. Meanwhile, Thailand imports the same relatively inexpensive manufactured goods that China exports throughout the world.

China has invested heavily in infrastructure in northern Burma and Laos, aiming to connect the economies of southwest China to the Indian Ocean and the Gulf of Thailand. Chinese planners have sought to increase the navigability of the Mekong River and the development of bridges, roads, and railroads that would use Thailand as a conduit for trade. While Thailand recognizes some benefits in this type of development, it remains wary of encouraging too much Chinese infrastructure investment; Thailand has observed negative effects in Burma and Laos that resulted from similar activity.

Nonetheless, small towns in northern Thailand are becoming transit points for Chinese goods moving south and Thai goods moving north. The most important port for such economic activity is Chiang Saen, a Thailand-Laos border town located on the Mekong River in the far north Thai province of Chiang Mai. Several Chinese boats dock at Chiang Saen daily and numerous Chinese traders have set up shop in the surrounding province. Although China-Thailand trade amounts to only approximately \$200 million at Chiang Saen annually and consists mainly of low-end food and raw materials, construction of a larger port just south of Chiang Saen that will be able to handle containers is scheduled to begin in late 2008. Although Chinese traders are not transforming this region as they are in neighboring Burma and Laos, Chinese businesspeople appear to be settling in.

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## The China-Thailand Relationship (continued)

Chinese investment in Thailand remains inchoate and is not expected to increase significantly in the near term. Existing Chinese investment in Thailand is limited to export-oriented goods such as garments, with the Thai domestic market a second priority. Chinese companies have been interested in investments in agriculture, but action has been limited owing to Thai regulations, which have made Laos the preferred destination for investments in plantations.

### Military Relations

Thailand-China strategic security links began in 1975 after the fall of Saigon and the withdrawal of U.S. forces from Southeast Asia. Distrustful of the U.S. commitment to Thailand's defense, particularly in the wake of Vietnam's invasion of Cambodia in 1978, Thailand explicitly reached out to China for reasons of national security. In the early 1980s Thailand purchased military hardware from China at "friendship prices," although much of this was done for political reasons and later left to rust because of its poor quality. Nonetheless, Chinese-made vessels continue to form the backbone of the Thai navy.

The 1991 Paris peace accord that settled the Cambodian crisis instantly removed the strategic foundations of Thailand's alignment with China. Nonetheless, personal ties between Thai General Chavalit Yongchaiyudh and Chinese General Chi Haotian, China's defense minister and vice chairman of the Central Military Commission from 1993 to 2003, kept bilateral military cooperation strong.<sup>3</sup> When General Chavalit became Thaksin's defense minister in 2001, relations began to thrive. Annual defense talks, the observing of one another's military exercises, and small joint exercises began under his watch. Thailand also began to import Chinese arms again and began working with China on missile technology. A demonstration of the depth of the two countries' security ties was the 2007 signing of a joint action plan by Prime Minister Thaksin's successor, Samak Sundaravej, outlining principles and steps toward enhanced engagement through 2011. Thailand also began to turn to China for military hardware for the first time since the 1980s when Chavalit became defense minister and Thailand began to purchase rocket-propelled grenade launchers and offshore patrol vessels.

Although increasing, the intensity of bilateral security cooperation between China and Thailand pales in comparison with Thailand and the United States (see the case study by Stephen J. Flanagan later in this chapter). A subtle shift, however, is under way within a Thai military, which is increasingly questioning the United States and is generally quite comfortable with China. Strings attached to U.S. assistance are increasingly irksome, and Chinese military assistance to Thailand after the U.S. suspension of assistance following the 2006 coup is appreciatively noted. Although the military might not be a naturally hospitable institution for Chinese influence, it thinks in terms of costs and strategic autonomy, thus leading it to diversify in terms of both arms procurement and strategic outlook. The result has been, and will continue to be, increasing outreach to China unless China dramatically breaks from its "peaceful rise." All in all, although the United States remains the predominant influence in military affairs, its proportion of influence is declining, with China gaining modestly.

### People-to-People Links

Aside from relatively small groups of farmers negatively affected by cheap Chinese garlic and shallots, China is viewed very positively in Thailand. Increased economic interaction with China is seen

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## The China-Thailand Relationship (continued)

to be a net positive for Thailand, largely because their economies are complementary and occupy different nodes in the global supply chain.

Interest in Chinese language study has increased as perceived opportunities have appeared. The Thai government has actively encouraged this, with 13 Thai universities hosting Confucius Institutes (out of a total 17 in Southeast Asia) and the establishment of educational exchange programs. Additionally, 800 volunteer teachers from China are teaching in Thai high schools as part of a program that began in 2003 with 23 teachers.

## Outlook

China-Thailand relations are stable, deepening, and underlined by increasing mutual trust. Their core interests align: Both China and Thailand want a peaceful neighborhood and a prosperous Greater Mekong Subregion: for China, to decrease domestic wealth inequality; for Thailand, to prevent migration from Burma into Thailand. Deep historical ties and proximity bind them.

China is emerging as Thailand's most influential external power for both government leaders and in popular perception.<sup>4</sup> Yet Thailand will not drift firmly into China's camp. It will seek to engage both China and the United States, as well as Japan, Australia, India, Russia, and Europe, as much as possible. In the end, Thailand seeks a multidirectional foreign policy that preserves its freedom to maneuver internationally and makes it open for business for all comers—a theme throughout Southeast Asia. Indeed, the United States would make things worse for itself by forcing Thailand (and others) to choose between it and China.

## Notes

1. Ian Storey, "China and Thailand: Enhancing Military-Security Ties in the 21st Century," *China Brief* 8, no. 16 (July 3, 2008).
2. *People's Daily*, July 2, 2005.
3. Storey, "China and Thailand."
4. Julie Ray, "Asian Populations Predict China's Rise over U.S.," Gallup, February 6, 2008, <http://www.gallup.com/poll/104176/Asian-Populations-Predict-Chinas-Rise-Over-US.aspx>.

## SARS: A Catalyst for an Expanded China-ASEAN Relationship

Karen Meacham

The global outbreak of severe acute respiratory syndrome (SARS) in 2002-2003 prompted a turning point in China's approach to multilateralism, transparency on public health issues, and its relationship with ASEAN. Eventual Chinese cooperation with ASEAN on SARS control and surveillance bolstered its image as a participating member of the regional community and demonstrated a new willingness to act constructively with its neighbors in response to a regional public health crisis. The SARS pandemic is considered a key factor in strengthening nonmilitary cooperation between China and ASEAN contributing to China's improved relations in the region.

China-ASEAN relations were at a low point in the mid-1990s when it was discovered that the People's Liberation Army had erected concrete structures in the resource-rich and border-disputed Spratly Islands in the South China Sea. The perceived militarization of a long-standing territorial dispute among China, Vietnam, the Philippines, Brunei, Malaysia, and Taiwan resulted in regional mistrust of China and increased solidarity among non-China countries. Compounded by weakened Sino-U.S. relations, China was pressured to reconsider its approach or face estrangement and a potential containment strategy from the United States and its allies. Although the territorial dispute was largely restrained with the 2002 signing of the Declaration on the Conduct of Parties in the South China Sea, in 2003 Chinese leaders were still searching for ways to increase cooperation with ASEAN.

SARS emerged as a transnational, organic threat with the potential to gravely affect the health and economy of all of Southeast Asia. Although China initially attempted to conceal the SARS outbreak within its borders, international and domestic pressures led leaders to ultimately adopt a more open and transparent approach to both the SARS crisis and future public health concerns. Over the course of only a few months in 2003, China and ASEAN held four special meetings on the SARS outbreak that yielded a series of agreements. Following the first ASEAN + 3 Ministers of Health Special Meeting on SARS in Kuala Lumpur in April 2003, China, Japan, and Korea committed to actions to be taken for the prevention of further SARS infections. Other meetings followed that year in Cambodia and Thailand, at which many ASEAN member countries made a point of commending China's handling of SARS. At the June 10-11 ASEAN + 3 (to include Japan and South Korea) health ministers meeting, the ministers "congratulated China for its very strong political commitment in containing SARS and its utmost efforts to improve the quality and timeliness of surveillance." In October 2003, ASEAN and China signed the Joint Declaration of the PRC and ASEAN State Leaders: A Strategic Partnership for Peace and Prosperity, a declaration that called for the respect of territory and member sovereignty, China-ASEAN free trade initiatives, and cooperation on issues of regional security. This series of meetings was an early sign that China was willing to work with ASEAN in a serious and meaningful way—a significant advancement from the strained relationship of the late 1990s. China's cooperation was not lost on the wider public health community, evidenced by a World Health Organization statement in April 2003 commending China and ASEAN on their cooperation.

The positive response to China's handling of the SARS outbreak from neighboring countries and the international community may have contributed to China's shift to a more soft-power approach to global public health. Whether or not this evolution of events was intentional, it became

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### **SARS: A Catalyst for an Expanded China-SEAN Relationship (continued)**

clear to the Chinese leaders that “enhancing mutual interests and interdependence [was] the best way to erode the ASEAN states’ perception of the ‘China threat.’”<sup>2</sup>

Multilateral collaboration and goodwill around public health remains relevant as a number of Southeast Asian countries continue to express concern over communicable diseases such as avian influenza. If the public commitment to a regional balance of power and security is any indication of future Chinese foreign policy, we may see continued transparency in public health-related issues as part of broader diplomatic strategy.

#### Notes

1. “Joint Statement of the Special ASEAN + 3 Health Ministers Meeting on Severe Acute Respiratory Syndrome (SARS): ASEAN Is a SARS Free Region,” Association of Southeast Asian Nations, June 10-11, 2003, [http://www.aseansec.org/health+3\\_sars.htm](http://www.aseansec.org/health+3_sars.htm).

2. Cheng, “The ASEAN-China Free Trade Area.”

## **A Long History of China-Southeast Asia Relations**

The governments of China and the Chinese people have interacted with Southeast Asia for centuries. A weak China at the end of the Qing dynasty and followed by Japanese aggression during the first decades of the twentieth century put China’s relations with Southeast Asia on hold, particularly among the kingdoms in mainland Southeast Asia. After the Chinese Communist Party victory in 1949 and its subsequent active and material support for communist insurgencies in every Southeast Asian country except for Singapore and Brunei during the 1960s and early 1970s, China–Southeast Asian relations reached their nadir. Formal diplomatic relations were severed with most Southeast Asian states.

Chinese engagement with Southeast Asia changed substantially in the 1980s and accelerated by the mid-1990s, as China steadily reestablished normal relations with regional states. China’s 1995 seizure of Mischief Reef in the South China Sea (claimed in various parts by Vietnam, Malaysia, Indonesia, Brunei, and the Philippines as well as China) and its steady economic evolution nonetheless reminded regional states about the uncertain prospect of China’s rise for its interests. Recognizing this situation and concerned about U.S. intentions toward it in the immediate aftermath of the Cold War, China since then has offered a lighter touch in its diplomacy, seeking to assuage regional concerns over its intentions in Southeast Asia and convince the region that China’s economic emergence is an opportunity rather than a threat. It has done this with a comprehensive strategy of engagement and with bold policy actions, most notably through constructive action during the 1997 financial crisis that struck Southeast Asia, more regular high-level contact with Southeast Asian nations and institutions, and moves to integrate itself into regional affairs, including initiating a China-ASEAN free-trade agreement and being the first major outside power to sign ASEAN’s Treaty of Amity and Cooperation.

Chinese presidents, premiers, and foreign ministers have become frequent visitors to the region. Senior officials from China also make regular visits to attend even the most minor of conferences discussing regional issues, while diplomats are posted for years in individual countries, become proficient in local languages, and demonstrate a strong understanding of relevant national

and ethnic cultures and customs.<sup>2</sup> For their part, new Southeast Asian leaders often make China their first stop outside Southeast Asia.

## Economic Engagement

The major story in China–Southeast Asia relations and the primary reason why China is increasingly relevant to Southeast Asia has been economics. Growth in trade between China and Southeast Asia since the beginning of the 1990s has been dramatic, beginning with an average 75 percent annual growth between 1993 and 2001. Although it began from a low base, bilateral trade is poised to reach \$200 billion annually by 2010. As of 2006, the United States remained the region's largest trade partner in terms of total annual volume; however, China's assumption of this leading position is imminent. A 2004 agreement to create one of the world's largest free-trade areas in 2010 by reducing almost all tariff lines to zero has been viewed as a demonstration of China's political commitment to engaging the region.

China's main exports to Southeast Asia are manufactured goods, while Southeast Asia mainly exports to China natural resources, low-value-added goods, and components for further manufacturing. This pattern may change a bit over time, but it serves as a point of resentment among some in Southeast Asia who detect a kind of neocolonial echo and are concerned about the impact on their own progression up the value chain. Indeed, rough foreign direct investment statistics suggest that Chinese investment in Southeast Asia remains limited, although it is expected to grow. According to the ASEAN secretariat, China invested a cumulative \$2.3 billion in Southeast Asia from 2002 to 2006, compared with \$13.7 billion by the United States, \$30.8 billion by Japan, and \$50.0 billion by the European Union. China ranks among the top investors in Southeast Asia's least-developed countries—Cambodia, Laos, and Burma—owing to Western concerns about local conditions and because engaging these countries more broadly has been a strategic priority for Beijing.

An important yet often overlooked feature of China–Southeast Asia trade and investment is that the predominance of Chinese business relations with the region is done through Chinese Southeast Asians.<sup>3</sup> This is a natural development on account of linguistic and cultural affinities, and as Southeast Asians of Chinese ethnicity make up the vast majority of Southeast Asia's business elite.<sup>4</sup> Although the sentiment of overseas Chinese in Southeast Asia is not unlike that of Americans of European ancestry, these communities form a unique link to China, and these citizens can serve as excellent bridges between their countries and China. A backlash against ethnic

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2. Joshua Eisenman, Eric Heginbotham, and Derek Mitchell, eds., *China and the Developing World: Beijing's Grand Strategy for the Twenty-First Century* (Armonk, NY: M.E. Sharpe, 2007); Kurlantzick, *Charm Offensive*; Mark Leonard, *What Does China Think?* (London: Fourth Estate, 2008); Derek Mitchell, "China and the Developing World" in *China: The Balance Sheet—The China Balance Sheet in 2007 and Beyond*, ed. C. Fred Bergsten, Nicholas Lardy, Bates Gill, and Derek Mitchell (Washington, DC: CSIS/PIIE, 2007), pp. 109–131.

3. Brian Harding, "The Role of the Chinese Diaspora in Sino-Indonesian Relations," *China Brief* 8, no. 16 (August 1, 2008).

4. Although it is impossible to determine the exact number of people of Chinese ethnicity in Southeast Asia, estimates range around 30 million. According to the Overseas Compatriot Affairs Commission of Taiwan, they are as follows: approximately 7 million in Thailand (12 percent of the population), 7.5 million in Indonesia (3 percent), 6 million in Malaysia (26 percent), 2.7 million in Singapore (75 percent), and smaller numbers in the remaining countries.

Chinese in one or more of these countries, which has been a recurring theme in Southeast Asian history, remains a danger, with potentially serious implications for regional relations with China. China, however, has sought to downplay its formal connection to these Chinese communities for fear of undermining their status within their home countries and to avoid suspicions about Chinese involvement in internal affairs or regional states.

## Aid

China has actively sought to expand its foreign assistance in the region, particularly in infrastructure projects in the Greater Mekong Subregion. China has also offered maritime Southeast Asia grants and soft loans, such as ones to construct major bridges in East Java and in peninsular Malaysia. In many other instances, China has offered trade credits and technical assistance. China has often won favor among regional elites—and some criticism in the West—for its unconditional aid policy in contrast with the United States and other Western donors, including leading international financial institutions that often attach labor rights, environmental standards, and governance requirements to its assistance packages. At other times, however, China's attempts to gain influence through such projects have invited a backlash from local populations (for instance, in the Philippines).

### The Mekong River Delta Controversy

One place where China's emergence is having a tangible effect on the interests of Southeast Asian countries is in the Greater Mekong Subregion, encompassing China's Yunnan Province, Burma, Cambodia, Laos, Thailand, and Vietnam. Eighty percent of the 70 million people who live in the Mekong River basin rely on the river for their livelihoods, most notably in Cambodia and southern Vietnam. China has built a series of hydropower dams upriver that have manipulated the river's flow and affected downstream countries. Beijing, fearing the societal impact of increased wealth disparity between its prosperous eastern seaboard and these landlocked western regions, sees the economic development of its western provinces of Yunnan and Sichuan to be crucial for internal cohesion.

Manipulation of the Mekong River is significantly altering ecosystems, contributing to alarming declines in fish production in Cambodia, and affecting the predictability and severity of flooding in Vietnam's Mekong Delta. All together, an environmental catastrophe may be in the offing as China supports the dredging of reefs and shoals, the construction of dams that hinder fish spawning, and massive deforestation, creating the strong possibility for future political blowback for China.

To date, the weakest of these states—Burma, Laos, and Cambodia—have remained relatively quiet about the issue, owing to considerable Chinese economic assistance and political support. Thailand and Vietnam have been more hesitant but certainly not vociferous in opposition. In the end, the Mekong River issue could become the line in the sand for the region concerning China's development practices and expose the limits of China's "charm offensive."

## People-to-People

Although public opinion polls on the subject have been few, they reveal that most Southeast Asians are comfortable with China's rise, with a remarkable 83 percent of Malaysians and 65 percent of Indonesians holding a favorable image of China in a recent Pew poll.<sup>5</sup> These results square with general perceptions of elites, who tend to view China more as an opportunity than a challenge. Nonetheless, leaders clearly have no illusions about the potential of a rising China to challenge their national security and freedom of action in the future.

China has used Chinese language instruction, for which there is strong demand in Southeast Asia, to build ties within the region. Beijing has set up 17 Confucius Institutes, including 13 in Thailand alone. Many students from these centers go on to study in China. China has begun to send an army of volunteer Chinese teachers—much along the lines of the U.S. Peace Corps—to teach Chinese in high schools in Thailand, Laos, and Cambodia, with more than 800 currently teaching in Thailand alone. Most Chinese-language students apparently are reportedly ethnic Chinese or see learning the language as a way to make themselves attractive in the business world. It remains unclear what sort of real soft power, that is, cultural attraction leading to real influence on the decisions of these countries, will result from this trend.

Last, tourism is another way the people of China and Southeast Asia are beginning to get to know one another as Southeast Asia looks hopefully at its giant neighbor as a generator of future tourists. China is the region's largest-growing source of tourists, and the region's citizens themselves are making China a preferred destination as well.

## Military Engagement

China has stepped up defense cooperation, as Chinese and Southeast Asian defense ministers and military chiefs have begun to visit one another more frequently. More substantially, China has begun to observe regional military exercises and has participated in joint exercises with Thailand. It has also begun robust officer exchange programs, offering military assistance and exporting significant military hardware over the past few years to Southeast Asian nations for the first time since the 1980s.

## Declining U.S. Attention to the Southeast Asian Region

The costs of U.S. neglect and distraction away from Southeast Asia since the end of the Vietnam War became particularly damaging to its regional position after the 1997 Asian financial crisis. While its failure to come to the region's aid in a timely fashion is a distant memory in the United States, the wounds remain raw in Southeast Asia. What is remembered, rightly or wrongly, is that the United States neglected the region at a time of crisis, and that China stepped up to assist. The 1997 financial crisis marked a turning point at which the United States began to appear less and less reliable, and China became a potential alternative source of support.

In recent years, the failure of Secretary of State Condoleezza Rice to attend two of the first

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5. "Global Unease with Major World Powers: Rising Environmental Concern in 47-Nation Survey," Pew Global Attitudes Project, June 27, 2007, <http://pewglobal.org/reports/display.php?ReportID=256>.

three ASEAN Regional Forum ministerial meetings during her tenure, even if for understandable reasons, exasperated regional players as emblematic of U.S. distraction and disregard. The U.S. failure to hold a U.S.-ASEAN summit, although one was proposed and then canceled in 2007; the U.S. failure to sign the region's Treaty of Amity and Cooperation; the apparent disinterest on the part of the United States in participating in the nascent East Asian summit; and the perceived singular focus of the United States on terrorism when engaging the region—and the world—for much of the Bush term also have contributed to disappointment over U.S. foreign policy.<sup>6</sup> U.S. global policy from Iraq to Guantánamo is also viewed with derision by both elites and publics in Southeast Asia.

Singular U.S. concern about developments in Burma has also received mixed reviews. Although most if not all ASEAN states are embarrassed by continued human rights abuses in the country, heavy U.S. pressure on them to pressure and isolate, if not expel, the country from ASEAN was deemed particularly unwelcome coming from a nation that was perceived as otherwise disinterested in ASEAN and distracted from regional affairs.

Despite the reputation of the United States, U.S. engagement of Southeast Asia has had some notable developments over the past several years. The U.S. response to the December 2004 tsunami demonstrated the unparalleled ability of the United States and its allies to come to the region's aid during times of major humanitarian crisis. U.S. capacity-building efforts—in law enforcement, intelligence, surveillance and reconnaissance, and military affairs—have been stepped up and have contributed to the growing success of regional capabilities to counter internal threats and ensure maritime security.

Since 2004, the United States has sought to put a greater focus on economic interests in the region, and in March 2008 the United States announced it had named an ambassador for ASEAN affairs, an action then followed by China, Japan, and Australia.

## What's at Stake: U.S. and Chinese Interests

The United States has interdependent strategic interests in Southeast Asia: to promote stability, prosperity, open commercial relations, and a balance of power. The United States has two treaty allies (Thailand and the Philippines) and a growing web of security partnerships in the region, relationships that are critical to projecting military power in advancement of global and regional interests.

The region remains a major crossroads of international commerce. Two-way trade with the region has grown by more than 75 percent in the past decade to more than \$150 billion annually, and U.S. direct investment is approximately \$80 billion. U.S. policies and engagement seek to prevent the emergence of a regional hegemon and the exclusion of the United States from the region by any other power or group of powers. U.S. sea dominance also serves to secure freedom of navigation and protection of sea lanes for trade and other activities from the Pacific Ocean to the Indian Ocean and Persian Gulf. U.S. interests in regional stability and development are also advanced by efforts to promote democracy, human rights, the rule of law, and religious freedom and to counter the prospect of the region emerging as a source of radical Islamist extremism.

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6. Surin Pitsuwan, "ASEAN: An Updated View from the US Needed," ISN Security Watch, March 14, 2008, <http://www.isn.ethz.ch/isn/Communities-and-Partners/Partners/Detail/?lng=en&id=51996>; Tim Shorrock, "US Global Strategy Changes Asian Perceptions," Inter-Press Service Asia-Pacific, 2003, <http://www.ipsnewsasia.net/bridgesfromasia/node/49>.

## People's Liberation Army-Thai Armed Forces Combined Antiterrorism Training: Strike-2007 and Strike-2008

Stephen J. Flanagan

The growing closeness of Sino-Thai security relations and effective use of the People's Liberation Army (PLA) for soft-power purposes are reflected in a series of combined antiterrorism exercises conducted with the Royal Thai armed forces in 2007 and 2008.

China and Thailand held their first joint search and rescue exercise in December 2005 and shortly thereafter agreed to plan a combined training exercise. The first of their training exercises, code-named Strike-2007, was conducted in Guangzhou, in south China, in July 2006. The two-week "antiterrorism" exercise involved 30 special forces troops from each country and marked the first such training China held with another country. The training was divided into three stages: combat techniques, jungle crossing, and review of special forces tactics. Senior officers from both countries said the exercise would deepen bilateral military cooperation, help deter terrorist groups, and safeguard regional peace and stability.<sup>1</sup>

Following the success of Strike-2007, the two militaries agreed to hold a second, slightly larger, and longer combined training exercise from July 9 to July 29, 2008, at the camp of V Corps of the Thai Army Special Troops in Chiang Mai. This marked the first time the PLA had sent soldiers to a foreign military base for operational training. The opening ceremony of the exercise received significant media attention in both countries. The 20-day exercise involved 24 special forces troops from each country combined into two mixed teams and was divided into four stages: basic training, skills training, combat tactics training, and a comprehensive exercise designed to strengthen readiness and capabilities to conduct combined antiterrorism operations.

Chinese military leaders expressed satisfaction with Strike-2008 and suggested it was a model of regional cooperation. Major General Zheng Qin, deputy commander of the PLA Guangzhou Military Area Command, said, "China is willing to enhance military exchange and cooperation with other countries to strengthen readiness for anti-terror operations and contribute to regional and global peace and stability." Ma Xiaotian, deputy chief of the PLA General Staff, noted that Strike-2008 contributed to international antiterrorism efforts and strengthened friendship between the Chinese and Thai militaries.<sup>2</sup>

These combined combat training exercises reflect modest but significant enhancement of Sino-Thai security relations. This soft-power use of the Chinese military complements other aspects of China's charm offensive in Southeast Asia. It is bolstered by growing exchanges of high-level military visits and training of Thai officers in Chinese military academies and training programs. More Thai officers have been attending courses at the PLA National Defense University (NDU) in Beijing, and more PLA officers are studying at Thai military academies. The courses at PLA NDU and other Chinese military academies are designed to promote understanding of China's strategic doctrine and operational practices, build personal relationships between Chinese and foreign officers, and improve language skills for foreign officers with the goal of facilitating future cooperation. Senior Thai military officers have reported that the Chinese have expressed a strong willingness to arrange for even more Thai officers to pursue training and military education in China.<sup>3</sup>

Thailand's military relationship with the United States is much more robust and multifaceted than these fledgling ties to China. The United States and Thailand conduct more than 40 annual

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### People's Liberation Army-Thai Armed Forces ... (continued)

exercises, and the May 2008 Cobra Gold exercise involved more than 12,000 military personnel from Thailand and several other countries in the region. However, the PLA's growing engagement with its Thai counterparts could, over time, erode support in Thailand for cooperation with Washington.<sup>4</sup> Some in Thailand and other ASEAN countries have been wary of the U.S. approach to counterterrorism and were well disposed to take up Chinese offers of cooperation in this area. The unconditional Chinese engagement and principles of noninterference in the internal affairs of another country have also helped Chinese military influence grow in Thailand. After the September 2006 military coup d'état in Thailand, the United States suspended \$24 million in military assistance, including for International Military Education and Training (IMET). Although the annual joint U.S.-Thai Cobra Gold exercises (which China often observes) took place as planned, Washington continued to pressure junta leaders for reforms until the December 2007 elections. In contrast, Thai coup leader Gen. Sonthi Boonyaratglin received a warm welcome in Beijing just four months after the coup, and the junta received \$40 million in Chinese military assistance. The United States remains Thailand's leading military partner, but China is building relationships and gaining influence through these combined exercises and by providing Thai officers with attractive opportunities for professional military education.

#### Notes

1. "China, Thailand Stage Combined Training of Special Troops," Gov.CN, July 16, 2007, [http://www.gov.cn/misc/2007-07/16/content\\_686577.htm](http://www.gov.cn/misc/2007-07/16/content_686577.htm).
2. "Thai-Chinese Special Forces Launch Anti-Terror Combined Training," Xinhua English, July 11, 2008, <http://english.sina.com/china/1/2008/0711/171055.html>.
3. Wendell Minnick, "China, Thai Spec Ops Forces Train," *Defense News*, July 15, 2008, <http://www.defensenews.com/story.php?i=3628257>.
4. Subin Kheunkaew and Achara Ashayagachat, "First-Ever Sino-Thai War Games Kick Off," *Bangkok Post*, July 12, 2008, [http://www.bangkokpost.com/120708\\_News/12Jul2008\\_news06.php](http://www.bangkokpost.com/120708_News/12Jul2008_news06.php).

The United States has traditionally sought to achieve its objectives in Southeast Asia largely through bilateral relationships with regional security partners, supplemented by engagement with regional forums and ad hoc emergency assistance. The United States has begun to take ASEAN more seriously in recent years, however, given its increasing relevance in regional affairs and importance as a signal of respect for regional sensibilities. Proof of this recognition was the 2007 ADVANCE program that provides five years of funding to strengthen ASEAN's institutional capacity and the appointment in 2008 of an ambassador for ASEAN affairs (the United States was the first nation to do so).

The United States has positive ties with every country in the region, save the increasingly isolated Burmese junta. Engagement with its two treaty allies has strengthened in the wake of the U.S. war on terror; both relationships had suffered from relative atrophy in the years following the end of the Cold War.<sup>7</sup> Singapore remains an increasingly important and strong "virtual ally" as well. In Indonesia and Vietnam, two populous nations that will be important linchpins of regional development and strategic balance over the coming decades, U.S. security ties are improving greatly:

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7. Victor A. Felix, "Philippine-US Security Relations: Challenges and Opportunities after the 9/11" (Carlisle Barracks, Pa.: U.S. Army War College, 2005), p. 8.

normal military-military ties with Indonesia resumed in 2005, and a U.S.-Vietnam political and security dialogue is nascent but has begun. Malaysia as well, despite its often rocky political relationship with the United States, has been a consistently constructive security partner. Partnerships with these nations have created a virtual U.S. presence in Southeast Asia through a combination of military access agreements, bilateral and multilateral military exercises with regional partners, military assistance, and strategically targeted foreign assistance.

Assuming that China does not intend to exclude the United States from regional affairs or seek to effect an Asian Monroe Doctrine over the region, the United States and China are not fundamentally at odds in Southeast Asia. Both seek regional stability and growth, curbs to religious-based extremism, and to engage economically with the region for their own development and for the sake of prosperity in the region. Maritime security and security of sea lines of communications are always at the front of their minds because of deep mutual reliance on seaborne trade for economic security.

Critical outstanding questions remain, however. Suspicions about intent during a crisis with Taiwan, for instance, have led Chinese strategists to consider developing their own capabilities to safeguard sea lanes in the face of U.S. dominance, potentially setting off rivalry in the future. There also remains the territorial dispute between China and many Southeast Asian nations in the South China Sea. China considers the entire region as a Chinese lake, which the region is loath to accept. The issue is dormant at the moment but remains a continuing source of latent tension between the region and China despite other areas of convergence and mutual interest. For this reason, among others, the region welcomes, indeed urges, greater U.S. attention to Southeast Asia as a balance to rising Chinese influence yet likewise urges constructive U.S.-China relations for the stability of the region.

## Recommendations

- Enhance efforts to effect practical cooperation bilaterally and in the region on a host of transnational issues of concern to Southeast Asia—for example, environmental protection; energy security; trafficking in humans, weapons, or drugs; humanitarian assistance; and disaster relief—to efficiently coordinate application of respective resources necessary to address these critical issues.
- Coordinate aid policies with allies—Japan, Korea, and Australia—and bring in China to ensure maximum effect on stability and constructive development of recipient nations.
- Promote a regionwide coordinated policy agenda to promote stability but ultimately meaningful political and economic change in Burma.
- Engage more regularly and meaningfully with regional official counterparts and institutions to gauge concerns and opportunities for future cooperation with China.

# 7

## CHINA'S SOFT POWER IN DEVELOPING REGIONS NEW MAJOR PLAYER IN THE INTERNATIONAL OIL PATCH

Edward C. Chow

### Summary Points

- China's entrance in international oil and gas investment is an understandable and reasonable development.
- Chinese oil companies operating opportunistically outside of normal rules of commerce may be a temporary transitional phenomenon. In the long run, China has an important stake in the success of the international system.
- China and the United States have much to gain by seeking common ground and paths forward on international oil and gas investment precisely because of our import dependence. The two countries should not allow our overlapping interests to become a source of friction or destructive competition.
- There are many potential areas for cooperation; however, they require a shift in policy perspective, active dialogue, and concrete actions.

### Overview

China shifted from a position as net oil exporter to net importer in the early 1990s. As it continues on its 30-year path of economic reform and opening to the outside world, China has become increasingly reliant on imported oil and gas. Although primary energy consumption continues to be dominated by coal, China is now the second-largest oil consumer in the world (after the United States) and the third-largest oil importer (after United States and, for now, Japan). Oil and gas imports are particularly important to the economically prosperous coastal regions of China, which have gained most from the reform process.

Perhaps it is natural then, as part of the globalization of the Chinese economy and because of limited domestic prospects, that Chinese oil companies increasingly look abroad for investment opportunities in oil and gas exploration and production. These plans have been actively encouraged by the Chinese government as part of its broader international policy and to promote Chinese participation in leading global industries such as aerospace, information, and biotechnology. The strategically important oil and gas industry is no different.

China's recent entrance into the international oil patch is occurring in a climate of heightened global competition for oil and gas resources, which are perceived to be diminishing, and of resource nationalism by producing countries, which is rapidly changing the rules of the game in

international oil and gas investing. Consequently it is often seen by the traditional players, namely Western companies and their governments, to be threatening to the international order.

The fact that almost all Chinese oil companies are majority owned and controlled by the state, albeit partially publicly traded, adds to the international concern. Chinese companies are perceived to enjoy the active support of their government in their commercial dealings, using diplomatic influence, official aid programs, a protected home market, and favorable financing. At the same time, Chinese oil companies are also constricted by the government on petroleum product pricing and other domestic measures. This serves to reinforce the impression that Chinese oil companies are instruments of state policy rather than free-market competitors.

Chinese oil companies come into the international marketplace with advantages of domestic petroleum industry experience and capabilities built during 50 years of the communist period, particularly in onshore production but also in offshore technology after 25 years of cooperation with Western partners in China. China's oil services industry is increasingly competitive in international contracting. China also offers a large and rapidly growing domestic refining market to oil-producing countries. Thus, unlike Japan in the 1980s, China arrives at the international oil patch with a running start and is therefore seen as more threatening, even before taking political considerations into account.

The relevant policy question is whether China, because of its thirst for imported energy and ability to play by a different set of rules, will fundamentally alter the largely market-oriented international oil and gas game. Or will China's willingness to pay a new-entrant's fee by purchasing dearly oil and gas assets and by using state-provided incentives outside international commercial norms be a temporary phenomenon, much like the European entrance into the global oil competition during an earlier period? Today formerly state-owned and -controlled BP, Total, ENI, and StatoilHydro participate in the international oil market according to standards of market efficiency not unlike those of other international oil companies. There are even examples in emerging markets, such as Petrobras of Brazil and Petronas of Malaysia, when these national oil companies operate abroad. Are Chinese oil companies that are spreading their wings internationally—mainly CNPC, CNOOC, SINOPEC, and CITIC—going through a similar transitional phase?

So far it is probably too early to tell as Chinese activities abroad have been comparatively short in duration by standards of the oil industry and, therefore, the evidence is necessarily anecdotal. What we do know is that the majority of the Chinese oil companies' relatively small equity production overseas is sold into the world market, just as international oil companies seek the highest-value market for their production, rather than automatically imported into China's domestic market. For example, the largest importer of Sudanese crude in 2008 was Japan, not China, although it is a Chinese company that produces most of Sudan's oil. This suggests that commercial drivers remain an important, if not overriding, factor in business decisions by Chinese companies. It also raises the question of whether China's industry behavior internationally is dictated by the government or whether it is the other way around, that is, government support is more influenced by the needs of Chinese companies as an important political constituency from a key industrial sector.

## Case Studies

### Iran

With more than 10 percent of proven world oil reserves and vast but underdeveloped natural gas reserves, Iran is a primary target for Chinese activities abroad to secure future oil and gas supplies. China can use its diplomatic influence, as a permanent member of the U.N. Security Council, to shield Iran from what it considers overly aggressive international sanctions over Iran's nuclear program.<sup>1</sup> China is also not above appealing to Persian vanity as a fellow ancient culture to solidify their bilateral relations.<sup>2</sup>

Although China is a major importer of Iranian crude oil, its attempts to take advantage of Iran's international isolation by becoming a major investor-operator of oil and gas fields in Iran nevertheless have not been met with much success. This is largely due to Iran's commercial unreasonableness and intransigence, enabled by steep rises in oil prices in recent years. It is not clear that China's use of soft power in this case has actually gained it any commercial advantage in Iranian oil deals. It is possible that, with an equally steep drop in global oil price since July 2008, Chinese patience will be rewarded with more generous terms under Iran's so-called buyback contract terms.<sup>3</sup>

The potential of future Iranian liquefied natural gas projects and exports remains an important prize that all international oil players are watching. Whether China's accommodating position toward Iran internationally will be rewarded in the future by Tehran remains to be seen. Iranians, however, have a reputation in the international industry as being tough commercial negotiators, leveraging their maximum bargaining power in the oil market of the day.

### Venezuela

With the largest proven oil reserves in the world outside of the Persian Gulf, Venezuela is another prime target for China. Its current president's vehement anti-Americanism presents both an opportunity and an embarrassment for China. Hugo Chávez has been a regular visitor to China. In his recent visit in September 2008, the Chinese foreign ministry spokesperson was careful to emphasize Beijing's wish not to let ties with Chávez's government complicate relations with Washington: "Our bilateral relations are not based on ideology, and not against a third party, and will not affect any other country's relations with Venezuela."<sup>4</sup>

Nevertheless, for Chávez, China represents an alternative to the United States for investment funds, oil-field technology, an export market, and a development path. Chinese companies are not only investors in Venezuela's oil patch but are also providers of important oil-field services. China's recent launch of a telecommunications satellite for Venezuela<sup>5</sup> and sale of trainer jets<sup>6</sup> highlight its broad range of economic capabilities on offer.

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1. Matthew Lee, "China Blocks New Iran Sanctions Talks: Diplomats," Associated Press, October 16, 2008.

2. "Iran and China Sign Cultural MOU," *Tehran Times*, November 1, 2008.

3. "Yadavaran Buyback Contract Signals Better Iranian Terms," *Oil & Gas Journal*, January 2008.

4. "Venezuela's Chávez in China, 1st Leg of Int'l Tour," Associated Press, September 23, 2008.

5. "China Launches Telecom Satellite for Venezuela," *China Daily*, October 30, 2008.

6. "Venezuela to Buy K-8 Jet Trainers from China," *El Universal*, October 31, 2008.

Nevertheless, 60 percent of Venezuelan oil exports continue to go to the United States because of the close proximity and ability of U.S. refineries to process and upgrade heavy Venezuelan crude oil into high-value light petroleum products. This situation is unlikely to change anytime soon even with the announced plans by Venezuela and China to build as many as three refineries in China capable of processing heavy grades of Venezuelan crude, to launch joint oil development in the Orinoco Belt, and to build oil tankers for Venezuela. Such multibillion-dollar investments in the oil and gas industry take many years to mature, and these projects are still in the study stage in spite of numerous recurring announcements.

Chávez's stated intention is to increase oil exports to China from a current level of 300,000 barrels per day to 500,000 barrels by 2010 and 1 million barrels per day beyond. China's provision this year of a \$4 billion assistance loan focused on rural development, fisheries, and agricultural cooperation is designed to keep Venezuela interested and to demonstrate its ability to provide a balanced economic package beyond the oil and gas industry.<sup>7</sup> Venezuela is an interesting case for examining the durability of bilateral economic relations that are based on temporary convergence of interests and convenience between Caracas and Beijing and whether this can serve as a basis for further expansion of the relationship. For example, would a Chinese company producing crude in Venezuela refrain from selling its oil to a higher-priced market on the U.S. Gulf Coast as opposed to shipping to a more distant market in China? If not, what is the value of the strategic relationship in which both the Venezuelan and Chinese governments are investing?

## Nigeria

Nigeria is traditionally Africa's largest oil producer although its leading position has been threatened recently by Angola. In Nigeria, as well as in other African countries, China has leveraged not only its assets mentioned previously in the cases of Iran and Venezuela but also the availability of easy financing,<sup>8</sup> Chinese workforce in country, investment in nonpetroleum infrastructure, and assistance with fewer strings attached than with Western donors. Nevertheless, Chinese companies face fierce competition from Nigeria's traditional major oil producers from the West. They have had to pay billions of dollars to participate in major offshore exploration plays and are equally vulnerable to kidnapping and violence against their workers in the Niger River Delta.<sup>9</sup>

Indeed here, as elsewhere in Africa, limitations on China's attractiveness as an alternative development model and a more generous business partner may actually be on display. After the initial appeal of the newcomer, it turns out that Chinese commercial demands are not much different from the West's in exploiting African natural resources. Chinese chauvinism is similar to Western racism; the use of large numbers of Chinese workers on projects disadvantages local labor; and the import of cheap Chinese goods, such as textiles, competes against indigenous products. Expectations have been raised by high-level political engagement and rhetoric, but they are difficult to fulfill on the ground.<sup>10</sup>

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7. "Venezuela and China Boost Ties with Refinery Deal," *China Daily*, May 11, 2008.

8. Vivian Wai-yin Kwok, "China Development Bank Eyes Nigerian Lender," *Forbes*, January 28, 2008.

9. "Nigerian President to Meet CNOOC Officials in Beijing," Reuters, February 28, 2008.

10. Ian Taylor, "Sino-Nigerian Relations: FTZs, Textiles and Oil," *China Brief* (Jamestown Foundation) 7, no. 11 (May 30, 2007).

## Angola

China's involvement in Angola traces back to the civil war shortly after independence in the 1970s. The relationship, therefore, is a mixed bag for the MPLA-led government in Luanda, which was supported by the Soviet Union and Cuba, whereas China initially supported UNITA forces led by Jonas Savimbi. China, however, has skillfully taken advantage of the gap left by International Monetary Fund and World Bank conditionality on transparency requirements to satisfy Angola's numerous development needs and to expand on its trading relationship as the second-largest importer of Angola crude oil (after the United States).<sup>11</sup> China offers billions of dollars worth of development aid and noninterference in Angola's domestic affairs in exchange for access to Angola's oil resources.<sup>12</sup> SINOPEC in particular has been able to acquire major positions in exploration blocks in Angola, which is the OPEC country in which production has grown most rapidly in recent years.

Further expansion of China's oil relationship with Angola will be limited, however, by the country's absorptive capacity and increasing demands by Angolan authorities on the Chinese to meet local content, training, and technology transfer requirements.<sup>13</sup> It will be interesting to see whether China can avoid the effects of the resource curse in its dealings with the highly corrupt and dysfunctional Angolan government.

## Southeast Asia

In the case of Southeast Asia, China's oil and gas relations are both enhanced and complicated by a much longer historical relationship with countries in the region as well as with the presence of large and influential overseas Chinese communities. China's proximity to Southeast Asia also adds important security and regional leadership components to the picture. For example, in 2007, Indonesia's defense minister, Juwono Sudarsono, called on Northeast Asian countries, namely Japan, China, and South Korea, to help provide maritime security in the Strait of Malacca.<sup>14</sup> This also affects the traditional role of the U.S. military in securing shipping lanes in the area, along with China's increased stake as a major importer of energy from Southeast Asia, Australia, and the Persian Gulf. These broader concerns are probably more important than direct energy relations between China and Southeast Asian countries. With significant growth in population and economy, Southeast Asia as a region is rapidly developing into a net energy importer. The lone exception may be Burma, where China has skillfully taken advantage of gaps left by Western sanctions to position its companies to play a major role in the country's gas sector and for future gas imports into China.

## What's at Stake

As the two largest oil consumers in the world, China and the United States have a common interest in increased investment flows to maintain the availability of affordable imported energy and

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11. Indira Campos and Alex Vines, "Angola and China: A Pragmatic Partnership," CSIS Reports, June 4, 2008, [http://www.csis.org/component/option,com\\_csis\\_pubs/task,view/id,4510/](http://www.csis.org/component/option,com_csis_pubs/task,view/id,4510/).

12. "Angola: China's African Foothold," BBC News, June 20, 2006.

13. Paul Hare, "China in Angola: An Emerging Energy Partnership," Jamestown Foundation, November 8, 2006.

14. Chad Bouchard, "Indonesia Requests Maritime Security Help from Japan, China, Korea," Voice of America, June 3, 2007.

in the security of that supply. China has pursued overseas oil and gas ventures opportunistically where it perceives temporarily weakened Western interests. This is understandable given that wherever China views the global oil patch—Persian Gulf, North and West Africa, South America, Canada, even Russia and Central Asia—its Western oil company competition has had a decades-long head start. The success of China’s own 30-year economic reform process has been based on integrating into a globally competitive market and on conforming its economic behavior gradually to international norms, epitomized by its accession to the World Trade Organization. There is little reason to believe that this will be different in the natural resources and petroleum sectors.

The United States as the leading economic power and biggest oil importer in the world has a strong vested interest in accelerating China’s integration into global oil markets. China’s oil companies’ international investments should be welcomed rather than feared, as long as they conform to international rules of the game in which China itself will have an increasing stake once it tires of paying late-entrant fees. Increased investment from whatever source leads to incremental supply available for the overall world market in which the United States is a principal beneficiary. A mercantilist Chinese outward investment policy in a global market like oil would be self-defeating and weaken economic competitiveness, lessons that the United States can help teach by example. This means avoiding unfortunate episodes, such as overpoliticization of the failed CNOOC takeover of Unocal, that send the wrong signal.

The United States must also shift discussion of energy independence to global interdependence, in which China and the United States have the greatest stakes. Jointly the two countries can strengthen the policy framework for international investment in oil and gas to serve the global market. Our companies in various partnership combinations should *compete* on an even playing field while our governments should *cooperate* for the overall benefit of both economies.

## Recommendations

- Expand the Strategic Economic Dialogue to include traditional oil and gas investment on a global basis. Discussions to date have focused on energy efficiency, technology sales, and transfers that can sometimes be seen as intrusions on Chinese domestic policy and avoided opportunities for international cooperation outside of China and the United States.
- Promote China joining the International Energy Agency mechanisms, particularly on strategic stock sharing and on data transparency, in order to show how the international system can directly benefit China’s energy security.
- Encourage international partnerships, such as the SINOPEC-Saudi Aramco-ExxonMobil Fujian refinery upgrade project, that demonstrate the win-win-win potential of international cooperation in oil and gas investment. In general, more commercial partnerships between major Western oil companies and budding Chinese multinational companies in investments abroad would solidify international rules of the game.
- Broaden diplomatic dialogue inside regions where there are significant oil and gas investments in order to identify overlapping interests, such as stable investment conditions, and possible areas for cooperation, including in foreign assistance.
- Avoid unilateral economic sanctions that leave room for Chinese opportunism; use an active dialogue that promotes more effective multilateral economic sanctions where they are called for.

## 8

TAIWAN-CHINA BALANCING  
ACT IN LATIN AMERICA

Johanna Mendelson Forman and Susana Moreira

## Overview

Latin America is the main battleground over state-to-state representation between Taiwan and the People's Republic of China (PRC). For Taiwan, Paraguay and 11 states of Central America and the Caribbean<sup>1</sup> make up the most significant group of states supporting its status as an independent state. Were Taiwan to lose their support, it would have ties with only the Holy See and 10 small, impoverished nations in Africa and the South Pacific, dramatically weakening Taipei's claim to sovereignty.<sup>2</sup>

The struggle between China and Taiwan in Latin America intensified in 2004, when the island of Dominica severed its ties with Taipei after a pledge from Beijing of \$112 million<sup>3</sup> in aid over six years. A year later, Grenada shifted its recognition in favor of Beijing. Fighting against the tide, the Taiwanese government was able to woo the newly elected government of St. Lucia in early 2007. In May of that year, Taiwan was dealt a heavy blow when several of its allies behaved rather ambiguously at the World Health Organization's vote on Taiwan's membership: Nicaragua and Panama were absent, Haiti abstained, and Costa Rica voted nay.<sup>4</sup> Shortly after, in June, Taiwan endured yet another defeat when it lost the allegiance of Costa Rica, the first Central American country to recognize China.<sup>5</sup>

Faced with growing competition from the PRC, Taiwan has redoubled its efforts to secure the support of its allies in Latin America. The most visible instruments utilized by Taipei are frequent and highly publicized exchanges of high-level official visits: the first overseas trip of President Ma Ying-jeou of Taiwan after his inauguration was to Latin America. The main purpose of Ma's eight-day trip was to attend the inaugurations of Paraguay's president, Fernando Lugo, on August 15, 2008, and the Dominican Republic's president, Leonel Fernandez, on August 16, 2008. Ma also

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1. The countries in Central America and the Caribbean are Belize, Guatemala, Honduras, Nicaragua, Panama, El Salvador, Dominican Republic, Haiti, Saint Kitts and Nevis, Saint Vincent and the Grenadines, and Saint Lucia; see "Diplomatic Allies," Ministry of Foreign Affairs, Republic of China, 2008, <http://www.mofa.gov.tw/webapp/ct.asp?xItem=32618&CtNode=1379&mp=6>.

2. Cynthia Watson, "Adios Taiwan, Hola Beijing: Taiwan's Relations with Latin America," *China Brief* 4, no. 11, May 27, 2004.

3. All dollars cited in this chapter are U.S. dollars.

4. Tao Wenzhao, "One-China Policy Gains Latin American Ground," *China Daily*, June 19, 2007.

5. Daniel P. Erikson, "The New Challenge: China and the Western Hemisphere" (testimony before the House Committee on Foreign Affairs, Subcommittee on the Western Hemisphere, June 11, 2008).

held talks with the president of Panama, Martin Torrijos; the president of El Salvador, Antonio Saca; the president of Honduras, Manuel Zelaya; and the president of Haiti, Rene Prével.<sup>6</sup>

During the Cold War, and especially during the civil wars that raged in Central America, Taiwan played an important role in training soldiers in Taipei as part of its projection of hard power in the hemisphere. When the U.S. Congress cut off military assistance to Guatemala in 1982 because of the allegation of human rights abuses committed by Guatemala's military, the government of Guatemala turned to Taiwan to fill the training gap. Taiwan also sends military attachés to its embassies in the region.

In recent years military assistance is no longer an important part of Taiwan's diplomacy although military student exchanges are still taking place. Taiwan has used its resources more discreetly to pay for travel or expenses of visiting military officers. A more recent exception has been the ROC's Naval Academy's Fleet of Friendship, which has sailed to Latin American ports, providing future naval officers with practice in navigation and combat skills. In April of 2008 two Taiwan warships carrying 850 military cadets berthed at Puerto Quetzal for a friendship visit and exchanges in military education. Three other ships landed at the port of Acajutla in El Salvador where members of the local community were invited to tour the vessels.

Taiwan also continues to supply much needed technical and medical assistance after humanitarian or natural disasters. Furthermore, the Taiwanese government encourages investment by Taiwanese companies in allied countries through the establishment of a \$250 million fund and a central coordinating office to facilitate investment projects.

To strengthen economic ties with its allies, Taiwan has signed free-trade agreements (FTAs) with Panama, Nicaragua, Guatemala, El Salvador, and Honduras; all are in effect, save for the one with Honduras. FTA negotiations with the Dominican Republic are currently under way.<sup>7</sup> In addition, Taiwan is sharing its technological expertise through initiatives such as the Central and South America Research Center, although not very successfully.<sup>8</sup>

Taiwan's most successful tool by far in securing the support of its allies is financial assistance: for example, Paraguay has received from Taipei more than \$30 million in grants for housing projects, \$20 million for a new congress building, and still more money for scholarships. Taiwan has also become Paraguay's biggest bilateral creditor after two Taiwanese banks offered that country a \$400 million loan. On more than one occasion, this "dollar diplomacy," sometimes called "checkbook diplomacy,"<sup>9</sup> has stemmed the pressure on Taiwan's allies to switch allegiance to Beijing.<sup>10</sup> After it was reported the government of St. Kitts was considering cutting off its diplomatic ties with Taiwan, Taiwan agreed to pay for the construction of the \$8 million Warner Park Stadium there.

Taipei is increasingly under pressure because Beijing has also adopted dollar diplomacy and is offering trade preferences to pry away Taipei's allies in the region. This pressure has resulted in

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6. Tso Lon-dj, "Ma's Visit Cements Stronger Ties with Latin America," *Taiwan Journal*, August 22, 2008.

7. Yeh Fang-hsun, "First Taiwan-Held Business Summit with Central America Opens," Taiwanese Central News Agency, March 10, 2008.

8. Daniel P. Erikson and Janice Chen, "China, Taiwan and the Battle for Latin America," *Fletcher Forum of World Affairs* (Summer 2007).

9. "Dollar diplomacy" or "checkbook diplomacy" is the offer of aid or cheap loans to curry influence around the world.

10. Jiang Shixue, "A New Look at the Chinese Relations with Latin America," *Nueva Sociedad* 203 (May-June 2006).

## St. Lucia and Costa Rica

Johanna Mendelson Forman and Susana Moreira

St. Lucia and Costa Rica have been the most recent venues of the Taiwan-China struggle for sovereignty. St. Lucia is a representative case of a phenomenon—flip-flop allegiance—that has accompanied the struggle between Taipei and Beijing. Costa Rica’s case, in contrast, represents an important shift as it was one of the first instances when China’s newfound economic power was invoked to sever a long-standing relationship with Taiwan.

### Flip-Flop Allegiance: The Case of St. Lucia

Some countries have used the Taiwan-China struggle to their advantage, threatening to suspend ties with one side or the other should a demand for money be refused. The Central African Republic, for instance, has switched sides a record six times.

St. Lucia has switched sides twice. This small island state established ties with Taiwan in 1984, and friendship emerged between the country’s leader and Taiwan’s government. Thirteen years later, St. Lucia switched allegiance to the People’s Republic of China when the opposition Labor Party finally won the elections in 1997. In addition to a change in leadership, the switch was encouraged by a large assistance package offered by Beijing. Ten years later, in 2007, shortly after the United Workers Party returned to power, St. Lucia restored official ties with Taiwan. Despite China’s many contributions—for example, the free trade zone storage and office buildings (12 buildings) and the George Odlum National Stadium—St. Lucians did not incur the benefits they had expected, particularly a strong influx of Chinese tourists. For its part, Taiwan propagated new strains of fruits and vegetables and introduced agricultural techniques between 1984 and 1997. Now, St. Lucians are hoping Taiwan will keep its promise and help them diversify agriculture, boost tourism, develop livestock, and create information technology learning centers. If promises are not kept, St. Lucia hopes it can turn to Beijing for a better deal.

### Losing Ground to the PRC: The Case of Costa Rica

The switch in Costa Rica came after the election of President Oscar Arias, and diplomatic ties were formalized in June 2007. The president justified the break of the 63-year-old relationship with Taiwan on the more than 10-fold increase in trade since 2001 between Costa Rica and the PRC, Costa Rica’s second trade partner. Arias added that the switch was “an act of foreign policy realism which promotes our links to Asia. It is my responsibility to recognize a global player as important as the People’s Republic of China.”<sup>1</sup>

Since the switch, President Arias has made an official visit to China and has met with Hu Jintao. In May 2008, China’s vice premier, Hui Liangyu, visited Costa Rica. In total, the whirlwind trip led to the signing of 11 agreements focusing on economics, culture, trade, technology, tourism, immigration, diplomacy, and finance. Among the deals is a \$10 million cash donation and Beijing’s promise to pay \$72 million for the construction of a new national stadium, which will reportedly be built by 800 Chinese workers imported for the job. China and Costa Rica are also working on a free-trade agreement, which would be the second such agreement between China and a Latin American country.

*(continued next page)*

## St. Lucia and Costa Rica (continued)

The PRC hopes that its newly established relations with Costa Rica can become a showcase for its Central American neighbors. The PRC is betting on the strong potential for further deepening of trade relations and Costa Rica's proven track record of stability to ensure success.

### Note

1. "China, Costa Rica Set Up Diplomatic Ties," Xinhua, June 7, 2007; "Diplomatic Relations with China to Boost Costa Rica's Economy," Xinhua, July 26, 2007.

a number of questionable fund transfers by Taiwan that have surfaced in the past few years: In July 2008 the Costa Rican minister of housing, Fernando Zumbado, admitted to misusing the \$1.5 million he received from Taiwan to help 600 families living in poverty.<sup>11</sup> In February 2005, Guatemalan media revealed that President Alfonso Portillo received \$1.5 million from the Taiwanese government.<sup>12</sup> In September 2004 the media alleged that \$1 million was transferred from Taiwan to President Mireya Moscoso of Panama.<sup>13</sup>

In response to these scandals and to a slowing economy, Taiwan's new president, Ma Ying-jeou, has twice called for a diplomatic truce with China. Under his proposal, in order to build mutual trust toward cross-strait reconciliation, Taiwan would strengthen its relationship with its existing 23 allies but would not actively seek to establish formal ties with other countries. According to President Ma's proposal, China then would also refrain from wooing Taipei's existing allies.<sup>14</sup>

Beijing has yet to reply, but Ma has declared that this truce is being negotiated with the PRC.<sup>15</sup> As Bonnie Glaser points out, however, any diplomatic truce with China is likely to be tacit, not formal, because China is unlikely to openly acknowledge Taiwan's diplomatic arrangements that would implicitly accept Taiwan's sovereignty.<sup>16</sup>

## A Latin American Domino Effect?

Taiwanese authorities are worried about a possible domino effect triggered by Costa Rica's decision to establish diplomatic ties with the PRC. Taipei is aware that the pressure on its allies to sever ties increases as China's role in the global economy rises.

Panama is a case in point. It is one of the most strategically significant countries in Central America, where the PRC has been making significant inroads. Back in 1996 Beijing opened a trade

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11. Alvaro Murrillo, "Prosecutor General's Office Investigates Zumbado over Taiwanese Donation," *La Nacion*, July 26, 2008.

12. Erikson and Chen, "China, Taiwan and the Battle for Latin America."

13. *Ibid.*

14. "Taiwan President to Visit Paraguay, Dominican Republic in August," Deutsche-Pressre Agentur, July 13, 2008; "Taiwan's Ma Wants End to Diplomatic Race with China," Agence France-Presse, August 4, 2008.

15. Shih Hsiu-Chuan, "Ma Touts 'Diplomatic Truce' Strategy," *Taipei Times*, August 16, 2008.

16. Bonnie Glaser, senior associate, CSIS, e-mail correspondence, August 15, 2008.

office in Panama.<sup>17</sup> More recently Panama's president asked Beijing for help in the widening of the canal. Hutchison-Whampoa, a Hong Kong company with strong links with the People's Liberation Army, was granted a 50-year lease on management of key port facilities of the canal. The PRC is the largest user of the canal, and bilateral trade is booming (\$1 billion in 2007).<sup>18</sup>

Haiti, also, has been under enormous pressure from China; since 2004 the PRC has been contributing 600 police officers to MINUSTAH, the Brazilian-led UN stabilization force deployed in the island.<sup>19</sup> The PRC also leveraged its permanent-member status on the Security Council to prevent the Taiwanese premier from attending the inauguration of President Rene Préal in May 2006. China also threatened not to renew the Security Council mandate for MINUSTAH in 2007 because Haiti's UN ambassador asked that the General Assembly consider Taiwan for permanent UN membership. A desperately poor country, ignored by most of the international community, Haiti is also susceptible to the attractive offers of aid that Beijing can extend, which are made with increasingly greater ease than those from Taiwan.

Paraguay, as the only Taiwanese supporter in South America, is a key target for Beijing. Paraguay has stuck with Taiwan for 51 years, but the ruling Colorado party has been defeated for the first time in six decades and the newly elected president, Fernando Lugo, wants expanded links with economic powerhouse China. Moreover, Paraguay's membership in Mercosur prevents it from signing an FTA with Taiwan without approval from all other Mercosur members, a serious obstacle to the deepening of bilateral trade. The promise of normalized relations would undoubtedly bring significant trade benefits with China, which already buys a good proportion of Paraguay's soy crop while supplying about one-fourth of its imports.<sup>20</sup> For now, at least, doubts over ROC-Paraguay ties have been alleviated by President Fernando Lugo's recent declaration that Paraguay will "improve and consolidate relations with Taiwan."<sup>21</sup>

## Conclusions

The Taiwan-China struggle in Latin America and the Caribbean will be solved either by an improvement in cross-strait relations or by the economy. As China's economy and trade flows expand and Taiwan's decline, the gravitational pull of the mainland has grown stronger.

Taiwan's Latin American allies, it seems, are driven by economic imperatives in their dealings with Beijing and Taipei. For small and poor countries, the struggle between China and Taiwan provides an important source of much needed resources, especially when infrastructure projects have fallen out of favor among Western donors. It has become a particularly attractive proposition because diplomatic relations with one partner do not preclude efforts to attract investment and boost economic trade with the other.<sup>22</sup> For larger economies, however, China's growing importance as a source of imports and as a (potential) buyer of products, especially coffee, sugar, and soybeans, makes the normalization of relations with the PRC increasingly irresistible.

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17. Jorge I. Domínguez, *China's Relations with Latin America: Shared Gains, Asymmetric Hopes* (Washington, D.C.: Inter-American Dialogue, June 2006), <http://www.thedialogue.org/PublicationFiles/china.pdf>.

18. "Panama Schools to Teach Chinese," BBC News, December 6, 2007.

19. "More Chinese Police Arrive to Serve with UN Mission in Haiti," UN News Service, April 13, 2007.

20. Erikson and Chen, "China, Taiwan and the Battle for Latin America."

21. Tso, "Ma's Visit Cements Stronger Ties with Latin America."

22. Erikson and Chen, "China, Taiwan and the Battle for Latin America."

# 9

## THE FAULTY NARRATIVE FACT, FICTION, AND CHINA'S EFFORTS TO COMBAT CLIMATE CHANGE

Julianne Smith and Jesse Kaplan

### Summary Points

- Environmental issues have begun to feature more prominently on China's agenda. China is currently the world's largest emitter of carbon dioxide, and it is an often cited narrative that the need for a peak in global greenhouse gas emissions is incompatible with continued Chinese economic growth. In contrast with this common assumption, China has widely recognized that the threat of climate change to its national interest is real. In recent years China has begun to take significant steps to counter that threat, such as adopting the National Climate Change Plan and investing heavily in renewable energy.
- Climate change and environmental damage are already having a demonstrable negative effect on the Chinese economy as well as on internal and external political developments. Estimates have shown that environmental degradation annually costs China the equivalent of between 8 and 12 percent of its gross domestic product, and it is assumed that by 2030 China could face a water shortage equal to the amount it consumes today. Apart from concerns about the economy, agitation over industrial pollution and acid rain have already fomented domestic protests. From a security standpoint, China's increasing reliance on imported energy is of concern to its leaders because most projections show that by 2030 China will be importing 80 percent of its oil.
- Contrary to Western conceptions of authoritarianism, the Chinese government is having difficulties enforcing local compliance with federal regulations. The Chinese political system grants local officials a significant degree of autonomy, which hampers the dissemination of national initiatives across the country. Some estimates conclude that only 10 percent of China's environmental regulations are consistently enforced. At the local level increasing economic performance, creating jobs, and ensuring a high level of tax revenue still have priority over environmental protection.
- Global cooperation will be crucial for China and the United States in confronting climate change. With climate change being a truly global problem, the solution can only be comprehensive and international. The fact that the world's largest emitters are also the world's largest markets provides an opportunity. Because of the size of their economies, this could allow China, the United States, and the European Union to set de facto global standards for efficiency and emissions in key business sectors. Trilateral cooperation among the European Union, China, and the United States would effectively bar the entrance into the world economy of any country not meeting carbon emission standards.

## Overview

When it comes to China and combating climate change, everyone, from Al Gore to T. Boone Pickens, recites a common yet troubling narrative: With global temperatures rising, the need for a peak in global greenhouse gas emissions is incompatible with continued Chinese economic growth. The People's Republic of China, which recently became the world leader in carbon emissions, has completely ignored environmental considerations. Kinder critics explain that renewable energy is hopelessly expensive for developing countries. Conspiracy theorists grumble that China is determined to destroy the Pax Americana with emissions, if not with military and economic might. All, or at least most, agree that Chinese obstructionism is a primary obstacle to global efforts to combat climate change. If only the Chinese would do something, the thinking goes, perhaps the United States would have an incentive to act as well.

This narrative is familiar. It is also almost entirely wrong.

To be sure, the climate picture is alarming. Experts agree that to limit global warming to a moderately safe level of two degrees Celsius above the preindustrial norm, global carbon emissions will need to peak in the next decade and then be more than halved by 2050. Practically, this means that developed countries must have zero-carbon economies by mid-century, and developing countries must follow suit a few decades later. In quantifiable terms, the avoidable costs of climate change inaction range between 5 and 20 percent of global gross domestic product (GDP)—approximately the cost of both world wars and the Great Depression combined. The environmental, human development, and quality-of-life costs are far greater.<sup>1</sup>

Even before it passed the United States as the world's largest emitter of carbon dioxide, China figured prominently in climate change discussions. The International Energy Agency has projected that if China were to do nothing to curb emissions, it would emit more carbon dioxide during the next 25 years than the world's 26 richest countries combined. Almost every week a coal-fired—and highly polluting—power plant large enough to service all of San Diego or Dallas opens somewhere in China, and the Chinese build enough such plants annually to light the entire United Kingdom.<sup>2</sup> The Chinese coal sector alone produces upward of 16 percent of global carbon emissions.<sup>3</sup>

These numbers are sobering. In contrast with the common narrative, however, they are not sobering only to Western eyes. The Chinese widely recognize that the threat of climate change is real, and they have taken significant steps in recent years to counter that threat. To start, China has a National Climate Change Plan, something about which U.S. environmentalists can only dream, and China has mustered a wide array of legislative, economic, and governmental instruments to foster shifts to more sustainable industrial activity. China has invested heavily in renewable energy and has more stringent efficiency standards for its automobiles than does the United States. In his annual address in 2007, Premier Wen Jiabao made 48 references to “environment,” “pollution,” or “environmental protection,” and party leadership has pursued efforts at structural reform to ensure compliance with environmental regulations. However, significant gaps between well-intentioned rhetoric and concrete action remain. In addition, Chinese efforts to stem emissions are sometimes

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1. Bernice Lee et al., *Changing Climates: Interdependencies on Energy and Climate Security for China and Europe* (London: Royal Institute of International Affairs [Chatham House], 2007), p. 6; Nicholas Stern, *The Stern Review: The Economics of Climate Change* (London: Her Majesty's Treasury, 2007).

2. Keith Bradsher and David Barboza, “Pollution from Chinese Coal Casts a Global Shadow,” *New York Times*, June 11, 2006; Keith Bradsher, “Clean Power That Reaps a Whirlwind,” *New York Times*, May 9, 2007.

3. Lee et al., *Changing Climates*, p. 16.

contradictory and not always effective. The country is nevertheless on the correct path, and its recalcitrance about addressing climate change is, if not a complete myth, not an obstacle to engagement either. Villainizing China, while convenient, distorts reality and distracts from U.S. inaction.

## Why China Cares

U.S. policy debates often divorce the effects of global warming from material national self-interest. In other words, to the extent that Americans are concerned about climate change (and not everyone is), an emphasis is usually placed on pure environmental necessity. By contrast, Westerners often falsely believe that a developing country like China cannot afford the luxury of “saving the planet” when such high levels of economic growth are imperative for China’s ongoing modernization. In contrast with common Western perceptions, however, continued Chinese growth is not incompatible with combating climate change. If anything, the situation is closer to the opposite.

By all accounts, China’s economic growth during the past three decades has been remarkable, beneficial both for the hundreds of millions of Chinese it has lifted out of poverty and for all players in the integrated and, until recently, vibrant global economy. Common references to the Chinese economic “miracle” are only slightly hyperbolic.<sup>4</sup>

The Chinese know, however, that climate change and environmental damage are already having a demonstrable negative effect on the Chinese economy. The Chinese Academy of Social Sciences estimates that environmental degradation annually costs China the equivalent of between 8 and 12 percent of its GDP.<sup>5</sup> Both domestically and globally, China has far more to lose from continued pollution than it stands to gain from growth unfettered by environmental constraints. On a visible (and visceral) level, 21 of the world’s 30 most polluted cities are in China, 70 percent of Chinese lakes and rivers are contaminated, and nearly half of China’s population of 1.3 billion lacks access to clean drinking water. By 2030, China could face a water shortage equal to the amount it consumes today.<sup>6</sup>

If China maintains its present pace of emissions, Chinese agricultural productivity could decline 5 to 10 percent by 2030, at which point China would need to import 369 million tons of grain per annum, or roughly twice the amount of total global grain exports in 2007. Ten million hectares of farmland, one-tenth of China’s arable land, are polluted, resulting in a loss of a potential \$2.5 billion per year. China’s desertification is the most severe in the world, and the Chinese National Development and Reform Commission (NDRC) estimates that more than one-quarter of the country is now desert.<sup>7</sup> By 2050, production of the staple crops of wheat, rice, and corn may fall

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4. *Ibid.*, p. 5.

5. Water pollution alone costs the Chinese \$35.8 billion a year; numbers for air pollution (\$27.5 billion), weather disasters (\$26.5 billion), acid rain (\$13.3 billion), and desertification (\$6 billion) are similarly staggering. Elizabeth C. Economy, “The Great Leap Backward?” *Foreign Affairs* (September/October 2007), p. 46.

6. Lee et al., *Changing Climates*, p. 13; Nina Hachigian, Michael Schiffer, and Winnie Chen, *A Global Imperative: A Progressive Approach to U.S.-China Relations in the 21st Century* (Washington, D.C.: Center for American Progress, 2008), p. 31; John Pomfret, “A Long Wait at the Gate to Greatness,” *Washington Post*, July 27, 2008.

7. Banning Garrett, “Compelled to Cooperate: U.S.-China Collaboration on Energy, Water, Environment & Climate Change,” ISAID Insights, Policy Brief no. 1, Institute for Sino-American International Dialogue, March 2008, p. 6; Gao Guangsheng, “National Climate Change Programme of China” (presentation, Washington, D.C., September 26, 2007, <http://www.pewclimate.org/docUploads/Gao%20Guangsheng.pdf>).

by 37 percent.<sup>8</sup> As the country has taken decades to emerge from the famine resulting from Mao's Great Leap Forward, the Chinese leadership is leery of creating similar devastation, particularly in a nation with a newly emergent, fast-growing, and increasingly vocal middle class.

Environmental degradation and climate change more broadly are of course affecting more than just the economy. Agitation over industrial pollution and acid rain has already fomented domestic protests,<sup>9</sup> and expected continued decreases in agricultural productivity will continue to fuel the destabilizing internal migration to the eastern coastal cities—exacerbating the impending humanitarian disaster in which sea-level rise caused by global warming could severely damage the destination of what is already the largest migration in world history.<sup>10</sup>

Although the Chinese are mainly preoccupied with the internal consequences of climate change, they are acutely aware of their international image on this issue. Chinese leadership is intent on shedding its title as the global-warming villain, especially with the ill will its refusals to support Western initiatives on human rights and trade have engendered.<sup>11</sup> Even so, many countries' populations have negative views of China's impact on global warming. In the 2007 Pew Global Attitudes survey, more than half of South Koreans and upward of 30 percent of Japanese (34 percent), Germans (33 percent), Britons (31 percent), and Canadians (31 percent) named China as "the country doing the most harm to the global environment." These perceptions are in stark contrast with the image of a benevolent power that China wishes to cultivate.<sup>12</sup>

Finally, from a security standpoint, China's increasing reliance on imported energy troubles its leaders. According to most projections, Chinese domestic oil production will peak in 2015, and the PRC will import as much of its oil (80 percent) by 2030 as will the European Union, even though China's energy consumption will be 40 percent higher than Europe's. China already imports 47 percent of its petroleum, and the increase in its import levels in 2007 accounted for close to 80 percent of that year's increase in worldwide oil consumption. As countries with a high risk of domestic instability will meet more than half of global oil demand by 2020, and petroleum has a smaller global reserves-to-consumption ratio than either natural gas or coal, the Chinese leadership views a reduction in oil use as an important component to an assertion of independent China on an international stage.<sup>13</sup> Increased dependence on fickle petrol producers, particularly in the face of greater resource nationalism, is incompatible with the regime's vision of the reemergence of a strong China more than a century after its humiliating submission to European powers.

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8. Lee et al., *Changing Climates*, p. 13.

9. In 2007 China's minister of environmental protection, Zhou Shengxian, reported an increase in pollution-related protests for the third consecutive year. The 51,000 environmental protests that occurred in the country in 2005 show that the current number is quite substantial; see Economy, "A Great Leap Backward?" p. 47; Hachigian, Schiffer, and Chen, *A Global Imperative*, p. 23.

10. Hachigian, Schiffer, and Chen, *A Global Imperative*, p. 23. Twenty million Chinese move to cities each year; see "U.S.-China Cooperation on Clean and Efficient Transportation," Issue Brief (Washington, D.C.: Atlantic Council of the United States, May 2008), p. 6. Many experts warn that Shanghai would be one of the first casualties of rising sea levels, flooding completely by as early as 2050; see Economy, "The Great Leap Backward?" p. 44.

11. "Melting Asia," *Economist*, June 7, 2008, pp. 29–32; Garrett, "Compelled to Cooperate," p. 9.

12. "Global Unease with Major World Powers," Pew Global Attitudes Project, June 27, 2007, p. 38. In all these countries (except for South Korea) as in 34 of the survey's 37 countries, a higher percentage of respondents named the United States as the country doing the most environmental harm.

13. *World Energy Outlook 2000* (Paris: International Energy Agency, 2000); Lee et al., *Changing Climates*, pp. 2–3, 10, 40.

# What China Is Doing

China is combating pollution and climate change through changes outlined in its current five-year plan and with the use of renewable energy, cleaner automobiles, and technological innovation.

## The 11th Five-Year Plan

The centerpiece of recent Chinese efforts at combating pollution and climate change is the 11th Five-Year Plan (2006–2010), adopted at the National People’s Congress session in 2006. The typically ambitious plan mandates a 10 percent reduction in all pollutants, a 20 percent reduction in energy intensity (a measure of energy produced per unit of GDP—China’s current level is 6.2 times higher than that of the European Union), a 30 percent reduction in water use by the energy industry, and numerous industrial efficiency initiatives. The plan further specifies an additional 20 percent reduction in energy intensity between 2010 and 2020 as well as an expansion of installed capacity of wind, hydroelectric, and nuclear energy sources by 2020 and an increase of state investment in environmental protection. Initiatives associated with the plan address the need to upgrade coal-burning industrial boilers, promote combined heat and power systems, conserve energy in buildings, and even replace ordinary lighting with high-efficiency bulbs, a step that would reduce the energy used in the lighting sector by 70 to 80 percent.<sup>14</sup>

By both its own measures and those of outside analysts, China is unlikely to meet its targets. Regardless, substantial progress has occurred. In 2006, Chinese energy intensity declined 1.23 percent compared with its 2005 level—far short of the stated 4 percent annual goal, but still the first decline since the level began to increase in 2002. In the Chinese steel industry, which uses 20 percent more energy per ton than the international average, energy use decreased 7.1 percent. In the first half of 2007, declines in energy intensity nearly doubled, to 2.4 percent, and for the year as a whole approached 3.66 percent before slowing again to 2.88 percent in the first half of 2008 in the face of a volatile economy.<sup>15</sup> Although the progress in energy intensity has not yet resulted in a decrease in greenhouse gas emissions—Chinese industry is still growing so rapidly that it outweighs modest efficiency gains—the deliberate but steady increase in the success of the program testifies to the commitment of the Chinese government.

Closely connected to the 11th Five-Year Plan is the Top-1000 Energy-Consuming Enterprises Program. Representing 10 high-polluting industries, including both ferrous and nonferrous metals, petrol and petrochemical, electric power generation, mining, textiles, construction materials, and pulp and paper, the 1,000 businesses participating in the program accounted for one-third of Chinese national energy consumption (and 47 percent of Chinese industrial energy use) in 2004. Through a rigorous series of audits, personnel training, benchmarking, and mandated efficiency increases, the enterprises’ energy use has already begun to decline, with a reduction of approximately 5 percent of China’s annual carbon emissions by 2010 well within reach. The closing of

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14. Lee et al., *Changing Climates*, pp. 12, 14. The target for water consumption was reduced from 30 percent to 20 percent in early 2007; see Economy, “The Great Leap Backward?” pp. 48–49.

15. Joseph Kahn and Jim Yardley, “As China Roars, Pollution Reaches Deadly Extremes,” *New York Times*, August 26, 2007; Howard W. French, “Far from Beijing’s Reach, Officials Bend Energy Rules,” *New York Times*, November 24, 2007; Jim Bai and Chen Aizhu, “China’s Energy Efficiency Drive Loses Pace in H1,” Reuters, 7 August 2008.

inefficient and heavily polluting factories, particularly those in urban areas, has also accelerated in recent years.<sup>16</sup>

## Renewable Energy

China currently obtains 8 to 9 percent of its energy, nearly the same proportion as that of the United States, from renewable energy sources, and aims to increase the level to 16 percent by 2020.<sup>17</sup> China already has the world's largest hydro generating fleet.<sup>18</sup> These numbers are particularly impressive given the high, though declining, expense of renewable energy sources in China relative to fossil fuels: photovoltaic (PV) sources are 11 to 18 times as costly as coal, and wind power (1.7 times), biomass (1.5 times), and small water power (1.2 times) are all substantially more expensive as well.<sup>19</sup> According to many projections, renewables in China will in 2030 have the fourth-largest installed capacity of any energy source, trailing only coal, natural gas, and hydro.<sup>20</sup>

The Chinese leadership has aggressively pursued renewable energy, most concretely through the comprehensive Renewable Energy Law, which took effect in January 2006. This legislation established a national fund to spur development in renewable energy sources, and it extends discounted lending and tax preferences to companies investing in renewable projects. The law also mandates grid interconnection and, to make the sector more competitive with established sources, guarantees minimum price levels for renewable energy.<sup>21</sup> Chinese investment in renewables was between \$10 billion and \$12 billion in 2007 alone and has for the past several years placed second only to Germany's efforts in terms of funding.

To promote local innovation, Chinese law requires all wind projects to have 70 percent domestic ownership. While this discourages some international investment, it has been a boon to a thriving wind power manufacturing industry, and the country will in 2009 likely become the world's largest exporter of turbines.<sup>22</sup> China's wind power capacity increased 125 percent in 2007, moving

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16. See Jonathan Lash, "China's Climate Change Playbook Is Worth Reading," *Huffington Post*, July 23, 2008; Lynn Price and Wang Xuejung, "Constraining Energy Consumption of China's Largest Industrial Enterprises through the Top-1000 Energy-Consuming Enterprise Program" (proceedings of the 2007 American Council for an Energy Efficient Economy Summer Study on Energy Efficiency in Industry, Lawrence Berkeley National Laboratory, Berkeley, 2007).

17. Lee et al., *Changing Climates*, p. 30; Liu Zhiyan, San Feng, and Long Xiaobai, "Chinese Perspectives on Energy and Climate Security" (London: Royal Institute of International Affairs [Chatham House], Interdependencies on Energy and Climate Security Project, February 2008), 14–15, 21. The target for "new renewables" (solar, wind, and biomass) is 3 percent. In contrast, the United States eliminated a similar provision for 15 percent renewables from the 2005 U.S. energy bill, and the Energy Independence and Security Act affirmed only a congressional "belief" that the United States should obtain 25 percent of its energy from renewable sources by 2025; "Report on U.S.-China Energy Security Cooperation Dialogue," Issue Brief (Washington, D.C.: Atlantic Council of the United States, March 2008), p. 6.

18. Eric Martinot and Li Junfeng, "Powering China's Development: The Role of Renewable Energy," *Renewable Energy World* 11 (2008); "China's Clean Revolution" (London: The Climate Group, August 2008), p. 12.

19. Reinhard Bütikofer, "Clash or Cooperation? The Chinese Climate Change Dilemma" (speech, New America Foundation, Washington, D.C., June 26, 2008).

20. Lee et al., *Changing Climates*, p. 23.

21. "Climate Change Mitigation Measures in the People's Republic of China," *International Brief* 1 (Arlington, Va.: Pew Center on Global Climate Change, April 2007), p. 3.

22. "China's Clean Revolution," p. 9.

the country into fifth place globally (behind Germany, the United States, Spain, and India), and China is on pace to exceed by 200 percent its 2020 target of a 30-gigawatt capacity.<sup>23</sup>

The People's Republic is second only to Japan in PV manufacturing, accounting for 18 percent of the global total; and Suntech, a Chinese company with several international branches, is the world's third-largest manufacturer of solar cells and is listed on the New York Stock Exchange.<sup>24</sup> Although China's own use of solar technology lags far behind its manufacturing successes for the product—solar accounts for less than 2 percent of Chinese energy use, and its 80 megawatts installed capacity pales in comparison with the more than 7700 megawatts installed globally as of 2006<sup>25</sup>—China is the global leader in water heating by solar methods, which are used in 10 percent of China's 400 million households. The 40 million Chinese systems represent two-thirds of the world's total.<sup>26</sup>

In addition to its industrial initiatives, China has directed its extraordinary agricultural productivity toward energy supply, efficiency, and emissions. China is the world's third-largest ethanol producer and has converted lands covering an area half the size of the United Kingdom into bio-fuel forests.<sup>27</sup> Reforestation efforts unrelated to biomass have in fewer than two decades increased the country's tree cover by 33 percent and in the process offset between three and five billion tons of carbon emissions.<sup>28</sup> Ethanol production in 2010 is expected to be nearly double the 2006 level, and in 2020 to be 10 million tons, a nearly 10-fold increase in 15 years. Biodiesel production will increase at a similar rate over the same period. Biomass now makes up 13 percent of China's primary energy supply, compared with 3 percent in the United States.<sup>29</sup>

## Automobiles

Although industry currently accounts for 70 percent of China's energy demand compared with 31 percent in Europe and 33 percent in the United States, automobiles are now a leading source of air pollution in many Chinese urban areas; and as the Chinese middle class expands, the transportation sector will likely become the largest consumer of energy.<sup>30</sup> In most developed countries, transport has surpassed industry in energy use when per capita GDP has reached \$5,000; China's GDP is currently \$2,000, 10 times its level in 1980, and is increasing rapidly.<sup>31</sup>

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23. Ibid., pp. 8–9.

24. Ibid., p. 9; “Melting Asia,” p. 32; Bay Fang, “China's Renewal,” *U.S. News & World Report*, 140 (2006): pp. 37–40.

25. “China's Clean Revolution,” p. 9; Martinot and Li, “Powering China's Development.”

26. Fang, “China's Renewal”; Martinot and Li, “Powering China's Development.”

27. “China's Clean Revolution,” p. 6.

28. “Climate Change Mitigation Measures in the People's Republic of China,” p. 3; “Forests Help Absorb Carbon Dioxide,” *China Daily*, June 6, 2007.

29. “China to Offer Support Policies for Non-Food Biofuels,” *China Daily*, December 7, 2007; Lee et al., *Changing Climates*, p. 22; “Growth in Biomass Could Put Us on Road to Energy Independence,” *Science Daily*, April 21, 2005.

30. “China's Clean Revolution,” p. 15; Kahn and Yardley, “As China Roars, Pollution Reaches Deadly Extremes.”

31. Lee et al., *Changing Climates*, p. 15. Although the “penetration level” of automobiles in the Chinese population is only 5 percent of the level in the United States, China is expected to have more cars than the United States by 2050, or possibly even by 2040. “Report on U.S.-China Energy Security Cooperation Dialogue,” p. 6; Economy, “The Great Leap Backward?” p. 40.

## China's Green GDP Project

President Hu Jintao's Green GDP project has been a case of China abandoning its good intentions. Launched in 2005, Green GDP made use of an official government metric to recalculate China's GDP by taking into account environmental costs.

The first report, published in 2006, estimated a 3 percent annual loss of GDP for the country as a whole, reducing the growth rate to 7 percent from the official 10 percent level. Pollution was so pervasive in many individual provinces that their growth rates after environmental costs were near zero.

The resulting outcry was so severe, however, that China's National Bureau of Statistics refused to publish the second report. Eventually, the project was relegated to academia and lost its official standing.<sup>1</sup>

### Note

1. Elizabeth C. Economy, "The Great Leap Backward?" *Foreign Affairs* (September/October 2007), p. 53; Joseph Kahn and Jim Yardley, "As China Roars, Pollution Reaches Deadly Extremes," *New York Times*, August 26, 2007.

Chinese fuel efficiency standards are far more stringent than those of the United States, though they are less strict than those of Japan and the European Union.<sup>32</sup> The mandated average fuel economy of new Chinese vehicles in 2008 is 36.7 miles per gallon, whereas U.S. law requires a fleet average of 35 miles per gallon by 2020.<sup>33</sup> China has also adopted the Euro 4 standards, which the European Union adopted in 2005, and the standards will take effect in China in 2010.<sup>34</sup> As with China's Green GDP effort, regional officials have been slow to impose the cost required for the engine redesigns needed to meet the standards, and enforcement must improve before the full effects of the standards can be realized.

China has also worked to promote alternative forms of transportation. The first bus rapid transit line opened in Beijing in December 2005, and since then more than 30 similar projects have been planned or implemented throughout the country. More than 21 million electric bicycles, or "e-bikes," were sold in China in 2007, and the country's energy-efficient compact-car industry (1.64 million sold in 2007) is likewise thriving.<sup>35</sup> As multinational joint venture companies manufacture 80 percent of Chinese vehicles, more exacting Chinese enforcement of emissions and efficiency standards could have a significant and beneficial effect on other countries' transportation sectors.

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32. Lee et al., *Changing Climates*, p. 36.

33. "Climate Change Mitigation Measures in the People's Republic of China," p. 3; "Report on U.S.-China Energy Security Cooperation Dialogue," p. 6.

34. Keith Bradsher, "Trucks Power China's Economy, at a Suffocating Cost," *New York Times*, December 8, 2007.

35. Lee et al., *Changing Climates*, p. 37; "China's Clean Revolution," p. 22.

## Exports, Tariffs, and Technology

The manufacture of exports produces more than 40 percent of China's carbon dioxide emissions, and even when balanced with the emissions used in the production of imported goods, about 23 percent of total Chinese emissions are attributable to exports. Thus, the West has effectively outsourced its emissions to China, with China running an "emissions surplus" with the developed world directly proportional in size to the much ballyhooed Chinese trade surplus with the West. Because foreign companies operate much of China's industry, many of the polluting factories are Chinese in name only, and only \$386 out of every \$1,000 export dollars actually accrue to China. It is thus a stretch to describe China as the world's largest emitter, even if entities geographically in China produce more carbon than those in a different nation-state.<sup>36</sup>

China has responded to this imbalance by discouraging exports of high-carbon goods through a series of tariffs. Copper, nickel, and aluminum products are subject to a 15 percent export tax; and petroleum, coal, and coke have a 5 percent fee. The export tariff on steel, the production of which accounts for 19 percent of global energy use and 3 percent of global greenhouse gas emissions, is 10 percent. As China accounts for 34.6 percent of world steel production, this tariff has effects across the global market.<sup>37</sup>

In a further effort to encourage low-carbon manufacturing, the 2006 National Medium- and Long-Term Science and Technology Development Planning Framework laid out specific targets for energy technology development by 2020; this effort is intended to diversify Chinese energy use, pursue conservation and clean energy technologies, and help large industry achieve efficiency standards comparable with those in developed countries. High-technology industry accounts for only 10 percent of China's current GDP, and locally operating foreign companies are responsible for 90 percent of this total. The 11th Five-Year Plan prioritized research and development, aiming for it to make up 2 percent of Chinese GDP in 2010. Of this 2 percent, a significant proportion is to be devoted to energy saving and environmentally friendly technology.<sup>38</sup>

## Structural Challenges

Although China's leadership has spent much of the past half decade addressing pollution and climate change, its efforts have had decidedly mixed results. Contrary to Western conceptions of Chinese authoritarianism, Beijing often has difficulty enforcing local compliance with federal regulations. The Chinese political system grants local officials a significant degree of autonomy; and this leeway, along with a systematic lack of oversight, hampers the dissemination of national initiatives across the country. One observer has noted that China has "a long tradition of spear-heading ambitious nationwide campaigns that are all too often thwarted at the local level."<sup>39</sup> Provincial officials, most of whom have designs on advancement into the central party leadership, usually implement their own policies geared toward—in accordance with an ethos ingrained

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36. Tao Wang and Jim Watson, "Who Owns China's Emissions," Briefing Note no. 23 (Norwich, UK: Tyndall Centre for Climate Change Research, October 2007); Lee et al., *Changing Climates*, pp. 7–8.

37. "Climate Change Mitigations Measures," p. 3; "China's Clean Revolution," p. 15; Yiping Zhu, "Sectoral Study on the Iron and Steel Industry" (London: Royal Institute of International Affairs [Chatham House], Environment Energy and Development Program, February 2008), pp. 6, 10.

38. Lee et al., *Changing Climates*, p. 45.

39. French, "Far from Beijing's Reach, Officials Bend Energy Rules"; Economy, "The Great Leap Backward?"

under Deng Xiaoping—increasing economic performance, creating jobs, and ensuring high levels of tax revenue. Although public conformity with the official party platform is mandatory, in practice regional leaders routinely ignore environmental edicts that are difficult to implement or that restrict growth.<sup>40</sup>

Deng's emphasis on growth fostered what has been called a "culture of collusion between the government and businesses" that remains resistant to any policies slowing economic development.<sup>41</sup> The demands of national industry, not national innovation, drive regional approaches to climate change. Provincial officials have noted, for example, that desulfurization equipment for power plants uses electricity that could otherwise be sold to consumers. Local officials often have investments in or working relationships with the manufacturers and energy companies that drive provincial growth, further complicating efforts at regional enforcement. Government subsidies for environmental equipment are often wasted because of insufficient or deliberately negligent oversight, and by some estimates only 10 percent of China's environmental regulations are consistently enforced.<sup>42</sup>

Also hindering nationwide environmental efforts and the enforcement of standards is the fragmented nature of the Chinese governmental approach dedicated to pollution. Although the NDRC produced the 2007 National Program on Climate Change, no fewer than 17 government departments have been involved in various efforts at increasing energy efficiency and combating pollution. Although interagency work is commendable, the sheer number of interested entities (and the low prestige in which many are held within the Communist Party) has resulted in a morass of bureaucracy that has prevented the coherent implementation of many policies.<sup>43</sup> To cite but one of many examples, a large majority of new structures in China do not meet the federally mandated codes for energy efficiency, in part because building construction, energy efficiency formulation, and the supervision of standards are each the province of a different governmental organization.<sup>44</sup>

A related issue is the small scale of China's official apparatus dedicated to global warming and climate change. China has no energy ministry, and the Energy Bureau of the NDRC has only 100 full-time employees.<sup>45</sup> Similarly, China's Ministry of Environmental Protection (SEPA) has only 200 regular employees.<sup>46</sup>

To its credit, the central Communist Party leadership has recognized and attempted to ameliorate these problems. In April 2007, Beijing published a list of 14 provinces not complying with new environmental standards, and the public shaming, though not entirely effective, nevertheless signaled to local officials the seriousness with which the party regards environmental initiatives. The party also in the same year elevated Li Yuanchao, one of the first provincial party secretaries

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40. French, "Far from Beijing's Reach, Officials Bend Energy Rules."

41. Kahn and Yardley, "As China Roars, Pollution Reaches Deadly Extremes."

42. Bradsher and Barboza, "Pollution from Chinese Coal Casts a Global Shadow"; Economy, "The Great Leap Backward?" pp. 51–52.

43. Liu, San, and Long, "Chinese Perspectives on Energy and Climate Security," pp. 14–15.

44. Kahn and Yardley, "As China Roars, Pollution Reaches Deadly Extremes"; Lee et al., *Changing Climates*, p. 35.

45. The U.S. Department of Energy employs 11,000.

46. The U.S. Environmental Protection Agency has 18,000 on staff. Kahn and Yardley, "As China Roars, Pollution Reaches Deadly Extremes." Economy, in "The Great Leap Backward?" p. 51, gives slightly different numbers, citing 300 full-time SEPA staff in Beijing with others scattered around China, and the U.S. EPA having a Washington-based staff of 9,000. Regardless, the disproportion in scale is apparent.

to assess officials according to measures other than economic growth, to a prominent position on the Politburo. By early 2008, the central government had begun all but mandating that provincial leaders meet environmental as well as economic targets to be considered for promotions, and, according to an official survey in May, 40 percent of county-level officials believed environmental protection should be a determinant of their career.<sup>47</sup> An HSBC survey has reported more Chinese than Europeans believe climate change can be stopped, and Pew found that up to 70 percent of Chinese view environmental problems as a top global threat, more than any other nation excepting the Republic of Korea.<sup>48</sup>

On a national level, China has elevated SEPA into a cabinet-level ministry, providing it with increased staff, funding, and input into the State Council along with an enlarged mandate to include enforcement of environmental standards. To streamline efforts specifically focused on global warming, China has developed the National Coordination Committee for Climate Change, formed of members from several government departments. Prominent Chinese thinkers have recommended the establishment of a cabinet-level energy ministry or an office of energy resource savings. Although public funding, manpower, and coordination are still lacking, these recent steps are tangible moves toward the enforcement of a coherent and comprehensive national policy.<sup>49</sup>

## Opportunities for International Collaboration

Climate change is truly a global problem. Pollution knows no borders, and national boundaries do not demarcate temperature increases. As a result, the only solutions to global warming will be comprehensive and international. Global cooperation is crucial to curbing emissions and establishing standards.

The fact that the world's largest emitters are also the world's largest markets provides an opportunity. The sheer size of the Chinese economy means that collaboration with the United States or the European Union could set the "de facto global standards" for efficiency and emissions in key sectors such as industry and transportation.<sup>50</sup> The European Union, for example, is China's largest supplier of technology, foreign direct investment (FDI), and services, and it is its second-largest trading partner, accounting for 18.9 percent of Chinese external trade. European FDI in China was €9 billion in 2005, three times the level invested in the country by the United States. Coordination and standardization across the EU and Chinese markets would force much of the rest of the world into line. Trilateral cooperation among the European Union, China, and the United States would

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47. As with all Chinese government statistics, these results ought to be taken with a grain of salt. According to the survey, only 2 percent—an almost impossibly low number—said economic growth should be a career determinant. See French, "Far from Beijing's Reach, Officials Bend Energy Rules"; Richard McGregor and Mure Dickie, "Jiangsu Sets the Pace on How to Assess Officials," *Financial Times*, March 15, 2007; "Melting Asia"; see also "Chinese Officials Face Scrutiny over Failure to Meet Emission Targets," *Xinhua*, November 29, 2007.

48. "Climate Confidence Index 2007" (London: HSBC, 2007), 2; "Global Unease," p. 2.

49. Hachigian, Schiffer, and Chen, *A Global Imperative*, p. 23; Liu, San, and Long, "Chinese Perspectives on Energy and Climate Security," pp. 14–15; Antony Froggatt, "Perspectives on Energy Efficiency and Security of Supply in China and the EU" (London: Royal Institute of International Affairs [Chatham House], Energy Environment and Development Programme, February 2008), 17.

50. Lee et al., *Changing Climates*, p. 55.

effectively bar the entrance into the world economy of any country not meeting carbon emissions standards.<sup>51</sup>

Although such cooperation has thus far been elusive, owing as much if not more to U.S. reluctance as to Chinese intransigence, China is currently involved in several bilateral efforts to address issues of emissions and global warming. The FutureGen project, a public-private partnership sponsored by the U.S. Department of Energy to develop a large-scale coal gasification plant with carbon capture and sequestration (CCS) technology, includes both European mining interests and the Huaneng Group, a leading Chinese energy company.<sup>52</sup> Banning Garrett, an expert on China and climate change at the Asia Society, has called the dissemination of CCS “the single most critical near- and mid-term challenge for efforts to mitigate global warming.”<sup>53</sup> Huaneng is also leading the domestic GreenGen project, which aims to develop by 2020 a near-zero-emission plant with a 400 megawatts installed capacity powered solely by Chinese technology.<sup>54</sup>

The Near-Zero Emissions Coal (NZEC) project is a similar joint UK-Chinese initiative to study the feasibility of different technology options for CCS. NZEC is the most significant project to date conducted under the auspices of the EU-China Partnership on Climate Change, which was inaugurated in 2005; an expansion of the partnership, to which China has been receptive, would be an important step toward advancing Chinese efforts to combat global warming.<sup>55</sup>

Concerns about intellectual property rights (IPR) protection continue to hamper joint ventures with and necessary technology transfer to China. Although Western firms’ reluctance to share trade secrets in a business environment without robust IPR protection is understandable, their hesitance has a detrimental effect on Chinese innovation and, by preventing the firms from fully entering the Chinese market, on the companies’ bottom lines as well. In many respects, “technology transfer” is a misnomer—more important than the supplying of physical hardware is the training of personnel, and the need for a learning-by-doing approach, more than access to proprietary technology, drives Chinese demands in this area. An international framework on IPR would likely be more trouble to negotiate than the accord would be worth, but an assurance and action from China to treat the problem more seriously would help alleviate Western concerns.<sup>56</sup>

## Conclusions

China’s environmental efforts are far from perfect. By a legislative quirk, renewable technology in China is subject to more stringent environmental regulations than are coal plants. Despite the

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51. For an exhaustive study on opportunities for EU-China collaboration on climate change, see Lee et al., *Changing Climates*.

52. Lee et al., *Changing Climates*, p. 48; “Report on U.S.-China Energy Security Cooperation Dialogue,” p. 11.

53. Garrett, “Compelled to Cooperate,” p. 5.

54. “Climate Change Mitigation Measures in the People’s Republic of China,” pp. 3–4.

55. See “EU and China Partnership on Climate Change,” Memo/05/298, EUROPA Press Release, September 2, 2005, <http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/05/298>; “Cooperation on Near-Zero Emissions Power Generation Technology through Carbon Dioxide Capture and Storage” (memorandum of understanding, Ministry of Science and Technology, People’s Republic of China, and the European Commission, Shanghai, February 20, 2006); “Cooperation on Near-Zero Emissions Coal Technology through Carbon Capture and Storage—Phase 1” (memorandum of understanding, Department for Environment, Food and Rural Affairs, and Department of Trade and Industry, the United Kingdom, and Ministry of Science of Technology, People’s Republic of China, Beijing, December 21, 2005).

56. Lee et al., *Changing Climates*, pp. 41–43; see also Economy, “The Great Leap Backward?” pp. 57–58.

recent use of financial instruments to encourage conservation, fines for polluting are still so paltry that it is often more cost-effective for manufacturers to pay the penalty than to increase efficiency. Fewer than 10 percent of China's nearly 700 cities meet the SEPA standards for a National Model Environmental City.<sup>57</sup>

These, and others, remain serious concerns. Yet to focus solely on the remaining hurdles, particularly in the face of the mediocre record of the United States on climate change, is to ignore the potential for collaboration to which China's own actions suggest it would be receptive. In truth, few countries outside of Germany and Japan have done well in curbing emissions. Recent reports suggest that even the United Kingdom has inflated its successes in reducing greenhouse gases. And China has been far more dedicated, and far more successful, than India and other developing nations.<sup>58</sup>

The myth of Chinese indifference in the face of global warming creates a fatalist illusion that serves no purpose other than to justify U.S. inaction. China's approach to the environment is not a strategic threat. It is a strategic reassurance, a strategic challenge, and most of all a strategic opportunity. In short, the common narrative of Chinese obstructionism is an illusion.

## Recommendation

The United States should make use of China's rising interest in environmental topics and therefore enhance a trilateral dialogue on climate change. Concretely this would mean bringing together China, the European Union, and the United States to discuss this issue and its implications. Because of India's growing economic capabilities and its probable impact on environmental issues, it might also be beneficial to incorporate India into these talks. Such meetings would allow the parties to coordinate their efforts and agree on common standards for efficiency and emissions, which would be in the economic interest of the United States. These actions might be able to serve as an example and motivate and convince developing countries to join in and support the endeavor. In the longer run, these talks could perhaps be converted into new structures, for instance in the form of binding treaties or international organizations, which then might even be able to function as a model or starting point for an even broader global framework.

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57. Keith Bradsher, "China's Green Energy Gap," *New York Times*, October 24, 2007; Economy, "The Great Leap Backward?" pp. 51–52.

58. See Roger Harrabin, "UK in 'Delusion' over Emissions," BBC News, August 1, 2008; "Melting Asia."

# 10

## RELEVERAGING U.S. POWER AMID SINO-RUSSIAN RAPPROCHEMENT

Andrew C. Kuchins

### Summary Points

- The U.S.-Russian bilateral relationship is at its lowest point in more than 20 years, and there are stark divisions among our European allies about how to deal with a resurgent Russia. China offers Moscow an important leverage point vis-à-vis the West.
- The relationship between Russia and China has taken on considerable weight as economic and political cooperation between the two countries has deepened. Growing irritations in U.S.-Russia and Europe-Russia relations have redounded to the benefit of the China-Russia relationship.
- Policymakers in Washington have been slow to recognize the meteoric rise of the Russian economy, and many were caught off guard by Russia's actions in the war with Georgia.
- Russia and China have powerful and intrinsic reasons to have a very constructive relationship, but they are competitors on some key issues including energy resources in Central Asia; to what extent the partnership deepens could be contingent to a considerable extent on the actions of the United States.

The incoming U.S. administration would be well advised to review some of the principles of triangular diplomacy as practiced by Henry Kissinger in the Nixon administration during the 1970s. This is not to suggest that we live in a tripolar world today; we did not then either. The core principle is that the most advantageous position in a strategic triangle if you are *A* is to have better relations with *B* and *C* than they have with each other. The United States should be in the best position to leverage its relations with Beijing and Moscow, yet the dramatic deterioration in the U.S.-Russian leg of the triangle erodes U.S. leverage and pushes China and Russia strategically closer together, with the net result that U.S. capacity to lead on global issues is likewise eroded. The problem is not so much China-Russia rapprochement, which faces significant constraints and challenges that we outline below, but rather the collapse of U.S.-Russian relations, which is objectively not in the interests of either Washington or Moscow. The remedy that we have the most control over is the reformulation and reprioritization of policy toward Russia that shows Moscow we can accommodate some of its interests without compromising vital U.S. interests.

### Overview

Challenges and dangers in a rapidly changing international system were starkly illustrated in the summer and fall of 2008. The August war between Russia and Georgia revealed nearly 20 years

after the end of the Cold War the failure to date to reform the transatlantic European security system in a way that effectively integrates Russia. The U.S.-Russian bilateral relationship is at its lowest point in more than 20 years, and there are stark divisions among our European allies about how to deal with a resurgent Russia.

Now the financial crisis has exposed fundamental weaknesses of the global economy, causing many to question the legitimacy and effectiveness of the institutions the West has set as the standard. Russia in particular has taken the opportunity provided by the crisis to call for a fundamental reevaluation of international political and financial institutions, reorienting them away from a Western-centric model toward a model that better reflects the true balance of power, both political and economic. When China's premier, Wen Xiabao, was in Moscow in October 2008, President Dmitry A. Medvedev proposed encouraging alternative reserve currencies, including the yuan and later the ruble.

In many ways, Moscow's attitude toward China reflects Russia's sense of identity and its view of its own place in the world as a uniquely Eurasian power. Occupying the massive geographical space between Europe and Asia, Russia has often in its history experienced a split identity—between, on one hand, the Asiatic legacy of the Mongol period that began in the thirteenth century and, on the other, Westernizing reforms attempted intermittently by Russian leaders from Peter the Great to Catherine the Great to Alexander II to Mikhail Gorbachev and Boris Yeltsin. Despite this ambivalence, Russian policy toward China during the past 15 years under Presidents Boris Yeltsin, Vladimir Putin, and now Dmitry Medvedev has been driven mainly by pragmatic considerations, resulting in a gradual rapprochement and thickening of the relationship. The “strategic partnership” established in 1996 by President Yeltsin and President Jiang Zemin, which appeared long on rhetoric and short on substance when Putin assumed power in 2000, has taken on considerable weight as economic and political cooperation between Russia and China has deepened. Moscow may not wish to establish an alliance with Beijing, but growing irritations in U.S.-Russia and Europe-Russia relations have redounded to the benefit of the China-Russia relationship.

If there is one consistent thread running through Russian attitudes toward China from the Yeltsin era to the present, it is that China offers an important leverage point vis-à-vis the West. As President Yeltsin summarized in 1995:

China is a very important state for us. It is a neighbor, with which we share the longest border in the world and with which we are destined to live and work side by side forever. Russia's future depends on the success of cooperation with China. Relations with China are extremely important to us from the global politics perspective as well. We can rest on the Chinese shoulder in our relations with the West. In that case the West will treat Russia more respectfully.<sup>1</sup>

Shortly after assuming the presidency in 2000, Vladimir Putin echoed Yeltsin's line of reasoning during his first tour of Asia, when he said, “Russia is both a European and an Asiatic state. It is like a bird and can only fly well if it uses both wings.”

More broadly speaking, Russian perspectives on China and international relations tend toward traditional realpolitik considerations of the dynamics between rising and falling great powers. In this framework, Russian views of China have depended on the status of U.S.-Russian relations and Moscow's ties with the West. In the 1990s—when Russia was unhappy about U.S. support

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1. Boris Yeltsin, quoted in Alexander Lukin, *The Bear Watches the Dragon* (Armonk, N.Y.: M.E. Sharpe, 2003), p. 305.

for NATO expansion, the war in Kosovo, and the development of national missile defense—the Yeltsin administration gravitated closer to Beijing. More recently, U.S. support for democracy promotion as well as increased U.S. influence in the post-Soviet states also drove the Putin administration to seek closer ties with China. Like Yeltsin before him, Putin repeatedly invoked an improvement in ties with China as an alternative to a more pro-Western foreign policy if Washington did not pay greater attention to Moscow’s interests.

So far Dmitry Medvedev appears to be following his predecessor’s lead in foreign policy, so when he chose Kazakhstan and China for his first foreign visit as newly elected Russian president in May 2008, the signal was lost on no one. The culmination of Medvedev’s meeting with China’s president, Hu Jintao, in May of 2008 was the signing of a Sino-Russian joint declaration on foreign affairs, which claimed that Russia and China share nearly the same views on almost all major international issues, such as missile defense, opposition to expanding military alliances, a rejection of the militarization of outer space, and support for China’s position vis-à-vis Tibet and Taiwan. The two presidents also reaffirmed cooperation over bilateral energy projects and signed several important economic and trade agreements. President Medvedev was careful to make clear that strategic cooperation with China will continue, even if other countries do not like it. All of these points are standard fare for Sino-Russian joint statements going back to the 1990s.

## Trends in the China-Russia Relationship

The rhetoric from Moscow and Beijing seems to indicate that things have never been better, and certainly the economic data support this claim. Trade between the two countries has grown exponentially, reaching \$40 billion in 2007—a jump of more than 40 percent from the previous year.<sup>2</sup> And at the May meeting with Hu Jintao, Medvedev predicted that by 2010 that number would be \$60 billion. At the same time, however, these successes contain their own element of controversy. For instance, the arms industry, a long-standing cornerstone of Sino-Russian economic cooperation, has become an unexpected point of contention. After years of importing Russian military technology, the Chinese have succeeded in replicating not only Russian automatic rifles and rocket launchers, but even SU-27S fighters. Now that it can produce its own equipment, China has not only been reducing imports of Russian military technology (by as much as 60 percent, according to some analysts), it has also been exporting its own versions to formerly Russian clients such as Pakistan, Angola, Ethiopia, and Syria. So far the patent issue has not threatened to derail the substantial economic cooperation between Russia and China over military technology or other areas.

### Russia-China Economic Relationship

More broadly speaking, there is a question of how much its trade with China will benefit Russia, at least in the terms of development goals defined by Moscow. According to the “Concept of Long-term Socio-economic Development to 2020,” Russia should reduce its overreliance on exporting primarily raw materials and encourage more innovation-based development to diversify the economy. However, the composition of Russian exports to China is increasingly weighted toward raw materials, such as crude oil and timber, especially as military technology exports fall. Growing economic ties with China do little to promote diversification; the direction is, in fact, just the opposite. One clear implication of the 2020 plan is that the West, firstly Europe but also the United

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2. “Chinese Exports to Russia Expected to Increase,” *China Daily*, March 3, 2008.

States and Japan, will likely play a much greater role in both promoting Russian economic growth as well as modernizing its economy.

Another facet of the economic relationship with the potential for both success and discord has been the development of the Russian oil and gas sector. China, the fastest-growing petroleum consumer in the world, has viewed Russia as an important alternative source of oil—and to a lesser extent gas—for the past decade or so. Russia, in turn, has found the Chinese market to be a useful specter with which to frighten Western governments already nervous about tightening supplies. Until very recently, the Chinese have been mostly frustrated by the slow development of the Sino-Russian energy relationship, and they are competitors for Central Asian resources (notably in Turkmenistan, but also in Kazakhstan).

Yet, aside from money and growing demand, Chinese companies have little to offer in the development of Russian greenfields in eastern Siberia and the High North. This development will entail some of the largest capital expenditures and greatest technical challenges ever undertaken. Western companies have useful management experience and technical expertise. To the extent foreign companies are allowed to participate in the development of the Russian hydrocarbon sector, Western businesses should have a significant advantage over Chinese firms unless Russia's political relations with the West deteriorate further or the legal and business environment becomes more corrupt. Despite these advantages, however, the United States should keep in mind that during troughs in Russia's relations with the West the Chinese have come to the financial aid of Russian oil giant Rosneft twice in the past four years: first in December 2004 when China National Petroleum Corporation (CNPC) lent Rosneft \$6 billion to finance the purchase of former prime Yukos asset, Yuganskneftgaz, and again in February of 2009 when CNPC completed a \$25 billion loan package to the deeply indebted and leveraged Russian oil major (\$15 billion to Rosneft) and the similarly leveraged pipeline monopoly Transneft (\$10 billion).<sup>3</sup>

## Russia-China Ideological Affinities

Economic ties between Russia and China have undeniably played a major role in strengthening cooperation between the two, but there is an increasing ideological element to Sino-Russian relations. In spite of vastly different historical and cultural backgrounds, there are striking similarities between the maturing ideological foundations that underpin the two countries' respective outlooks on the world and their global roles. The Putin administration began promoting an emerging ideology, often described by Russians as “sovereign democracy,” which seeks to define the 1990s as a contemporary equivalent to the Time of Troubles—the years of turmoil that preceded the establishment of the Romanov dynasty in 1613, when the country was in chaos and foreign powers and organizations exerted considerable authority. According to this narrative, Vladimir Putin, when he was president of Russia, restored stability and set Russia on the road to recovery, and he did so not by abandoning democratic values and institutions but by adapting them to Russian values and traditions. Foreign Minister Sergei Lavrov described the foreign policy analogue to sovereign democracy in a January 2007 speech:

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3. “China Offers \$25 Billion Oil Loan,” *Moscow Times*, February 18, 2009. Although we do not know final details of this deal at the time of writing, it appears that the Chinese drove a very hard bargain. The deal had been negotiated going back to early in the fall of 2008, and there were a number of Russian reports complaining about onerous terms demanded by the Chinese.

The fundamental principles of Russia's foreign policy—pragmatism, multiple vectors, and consistent but non-confrontational protection of national interests—have gained broad international recognition. . . . Many countries have come to realize that a new, safer, fair, and democratic world order, whose foundations we are laying together, can only be multipolar, based on international law, and regulated by the UN's unique legitimacy and central role.<sup>4</sup>

To be sure, this kind of rhetoric is hardly new. One can easily imagine a variant of it coming from the mouth of Evgeny Primakov when he was foreign minister in the 1990s or Andrei Gromyko when he held the same position for more than a quarter century under the Soviet government. But Lavrov's rhetoric also has much in common with Chinese ideological formulations. The rhetorical and operational foundations for Chinese foreign policy have been described, tellingly, as the Beijing Consensus. As described by Joshua Cooper Ramo, the Beijing Consensus is principally a socioeconomic development model that the Chinese have successfully implemented, a model that differs considerably from the so-called Washington Consensus as promoted by the U.S. government and multilateral organizations like the International Monetary Fund and the World Bank.<sup>5</sup>

The Beijing Consensus has significant implications for foreign policy and international relations that resonate with the Kremlin's sovereign democracy. First, there is not just one correct path to development. A country must experiment to find the path best suited to its culture and traditions, and no other country or organization should seek to impose external models. Most Russians today view the advice of Western advisers and multilateral organizations as having failed and exacerbated Russia's socioeconomic problems. The typical Chinese interpretation of Russian development during the past 15 years suggests that Moscow took the wrong path in the 1990s but that the Putin administration has learned from the Chinese reform experience and has begun to correct mistakes that devolved too much power away from the state.

The other commonality between Moscow's and Beijing's views of the world concerns the ongoing shift in the global power balance from the unipolar moment of the 1990s to a genuinely multipolar world. Rhetoric supporting such a change is not new, but today there is evidence to support the conclusion that the global balance of power is indeed shifting—and the Russians consider themselves among the emerging powers. For several years now the financial and investment community has used the term BRICs to describe four large emerging economic world powers: Brazil, Russia, India, and China. Putin himself, in a speech in Munich in February of 2007, alluded to the emergence of the BRICs as a powerful stimulus toward the reordering of the world:

The combined GDP, measured in purchasing power parity, of countries such as India and China is already greater than that of the United States. Similarly calculated, the GDP of the BRIC countries—Brazil, Russia, India and China—surpasses the cumulative GDP of the EU. And according to experts this gap will only increase in the future. There is no reason to doubt that the economic potential of the new centers of global economic growth will inevitably be converted into political influence and will strengthen multipolarity.

What began as a lot of talk about supporting a "multipolar world" has since taken on greater substance, and Russia and China have cooperated on the international scene on an increasing

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4. Sergei Lavrov, Minister of Foreign Affairs of Russia (speech at Moscow State Institute of International Relations, January 29, 2007).

5. See Joshua Cooper Ramo, *The Beijing Consensus* (London: Foreign Policy Center, 2004).

## Russia and the Shanghai Cooperation Organization

Andrew C. Kuchins

Russian attitudes toward the Shanghai Cooperation Organization—an intergovernmental group comprising Russia, China, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan—reflect the broader ambivalence with which Moscow views Beijing.

The mainstream Russian view is that the SCO is essentially a Chinese project. Russia would prefer that a group like the Collective Security Treaty Organization, where Russia is the clear hegemonic leader and from which China is excluded, act as the main multilateral organization with security responsibilities in Central Asia. Even so, the Russian leadership is pragmatic and understands that Chinese influence in Central Asia, in the realms of both economics and security, is a natural outgrowth of geography and expanding Chinese power. Moscow figures it benefits if Chinese regional engagement is undertaken through an organizational format that includes Russia, and the SCO serves this purpose.

The conflict between Russia and Georgia in 2008 demonstrated the limits to Moscow's clout within the SCO. Though the August 28, 2008, summit marked the beginning of Russia's SCO chairmanship, it produced almost none of the results Moscow had hoped for, in particular over the recognition of South Ossetia and Abkhazia. Given that several SCO members, China included, have separatist concerns of their own, they were apparently reluctant to support the independence of the two breakaway regions. The Dushanbe Declaration offered support for Russia's role in settling the conflict, but it contained no explicit condemnation of Georgia's action; instead, it affirmed the need to preserve territorial integrity and respect the guidelines of international law.

Foreign Minister Sergei Lavrov attempted to minimize this diplomatic failure on Russia's part by claiming that Moscow did not in fact expect full cooperation on the part of SCO allies. And, although there was no doubt serious disappointment over this, the Georgia conflict does not appear to have strained Russia's relations with the China to nearly the same degree as with the West.

Putin's straightforward comment in 2005 that the "SCO has gone far beyond the framework of the task originally set for it" might prove ironic, however, if the SCO continues to show independence from Russia's policies.

number of issues. One example is in the United Nations Security Council, where the Chinese have consistently followed Russia's lead: over sanctions on Iran, Burma, and most recently Zimbabwe and on the importance of the territorial integrity of Serbia when negotiating the status of Kosovo.

An even more serious example of Sino-Russian coordination is the decision in 2005 by the Shanghai Cooperation Organization (SCO)—the intergovernmental group consisting of Russia, China, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan—to request clarification from the United States about its plans for withdrawing from military bases established in Central Asia after September 11, 2001. The gathering of the SCO's foreign ministers in Moscow in 2005 also included representatives of states that had recently acquired observer status—India, Iran, Mongolia, and Pakistan. In his opening remarks, Putin crowed about the fact that three billion people, virtually half the planet, were represented at the gathering. Putin noted that the "SCO has gone far beyond the framework of the task originally set for it."

## What's at Stake

The crux of what is at stake in the China-Russia relationship is no less than the future of the global order. While U.S. power, influence, and reputation may have diminished, the United States remains by far and away the global leader, and virtually any major global economic or security challenge will be insoluble if Washington, Beijing, and Moscow are not on the same page with a number of other key leading countries. The nub of the problem is that U.S. relations with Russia have been steadily deteriorating for years, thus giving Beijing more leverage with Moscow than probably either U.S. or Russian interests would prefer. For a variety of economic and security reasons, Russia should find its interests more closely tied with those of the West than with China or anybody else, but current realities seem to belie this.

Policymakers in Washington have been slow to recognize the meteoric rise of the Russian economy, and many were caught off guard by Russia's actions in the war with Georgia. Washington's perspective on Russia since the collapse of the Soviet Union too often has been colored either by enduring perceptions of Russian weaknesses with the policy response to not take it seriously or, more recently, the tendency to regard Russia's resurgence in the malign terms of a revanchist neo-imperial power. Both extreme views are neither accurate nor helpful in crafting policy toward Russia, a country that admittedly is a very difficult partner that seems to revel in being a "strategic loner."

Indeed, the magnitude and the rapidity of Russia's revival were as unexpected as they have been impressive. According to the Moscow-based investment bank, Troika Dialog, between 1999 and 2007 Russia's nominal GDP grew nearly more than six times—from less than \$200 billion to about \$1.6 trillion in 2008. Russia's foreign exchange reserves during this period grew 30 times, from about \$20 billion when Putin became president to nearly \$600 billion in August 2008. Meanwhile, average wages increased fourfold. With economic numbers like this, it is not a big surprise that Putin enjoyed popularity ratings above 70 percent. On whatever issue we look at—Iran, the Middle East peace process, gas and oil supplies to Europe and Asia, foreign investment in the energy sector—Russia is asserting its interests far more confidently than it did 10 years ago, or even 5 years ago. It is Russia's changing fortunes, along with U.S. foreign policy, that have had the most significant influence on Russia's perception of and policy toward China.

But the dramatic and ongoing massive impact of the global economic crisis on the Russian economy has revealed the weak foundations on which this growth was based. In July 2008 when the oil price reached its peak of \$147 per barrel, Russian leaders crowed about Russia's status as an "island of stability" and a "safe haven" as the impact of the financial crisis deepened around the world. But the collapse of the oil price in the fall of 2008 to about \$40 per barrel has brought Russia's economic resurgence to a stunning halt, which has no doubt shocked Kremlin leaders.<sup>6</sup> After a decade of robust growth, budget surpluses, and ruble appreciation, Russia is looking at possibly deep contraction in 2009 and massive budget deficits, and the ruble has already fallen to levels not seen since before the economic crisis in 1998. The impact of the crisis is resetting global power relationships, and it appears at this point that Chinese leverage over Russia may have increased significantly as large Russian companies struggle to meet their huge debt obligations.

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6. See Samuel Charap and Andrew C. Kuchins, *Economic Whiplash in Russia: An Opportunity to Bolster U.S.-Russia Commercial Ties?* (Washington D.C.: CSIS, February 2009).

The gradual but steady Sino-Russian rapprochement has taken place against a background of souring U.S.-Russian relations. After the terrorist attacks against the United States on September 11, 2001, Putin decided to align Russia with the U.S.-led war in Afghanistan, agreeing to allow U.S. military bases in Central Asia. He also seemed to accept quietly both a second round of NATO expansion and the U.S. withdrawal from the Anti-Ballistic Missile (ABM) Treaty. This approach caused a great deal of concern in Chinese foreign policy and security policy circles in 2001 and 2002, with many worrying that Putin was fundamentally altering Russia's balanced foreign policy in order to embrace Washington instead.

In May 2002, this second honeymoon of U.S.-Russia relations reached its apex when President George W. Bush traveled to Moscow, where he signed the Strategic Offensive Reductions Treaty that places limits on operationally deployed nuclear warheads. The United States also awarded Russia "market-economy" status, improving bilateral trade relations and bringing Moscow a step closer to membership in the World Trade Organization. However, like the first U.S.-Russian honeymoon in 1992, the post-9/11 embrace would prove short-lived. Putin had made a bold decision to support the United States unequivocally in Afghanistan, going against the recommendations of the majority of the Russian foreign policy elite; but he and his colleagues in the Kremlin quickly came to believe that his decision went underappreciated and virtually unrewarded by the Bush administration. Moscow's public protests over the U.S. decision to withdraw from the ABM Treaty, as well as to support further NATO expansion, may have been muted at the time. But Washington's actions in the fall of 2001, coming so soon after Putin had extended support to his "friend George," left the Russians disappointed and feeling that they were receiving very little in return for their support.

As 2002 wore on, it became increasingly evident that the Bush administration would take military action against Iraq in defiance of Putin and much of the international community, including China. Although Putin disagreed with the U.S. administration's decision to invade Iraq, both Washington and Moscow sought to prevent a major falling-out in the U.S.-Russian relationship. However, alarm in the West about rising authoritarianism in Russia and about Russia's growing influence on its periphery increased with Ukraine's Orange Revolution at the end of 2004. The causes of the Orange Revolution—following the Rose Revolution in Georgia, which brought pro-Western Mikheil Saakashvili to power; and preceding the Tulip Revolution in Kyrgyzstan, which toppled the Askar Akayev regime—were seen differently in Moscow and Washington. The Russian explanation for the "color" revolutions tended to emphasize the role of nongovernment organizations and politicians supported by the United States and other Western countries. The United States and its European allies argued that the upheavals came about primarily because of falsified elections and the public's dissatisfaction with corrupt governments and officials.

The positions of Washington and Moscow on these events became increasingly polarized as officials and opinion leaders in Washington argued that Putin's authoritarian inclinations led him to support dictatorship over democracy in countries on Russia's periphery. The quasi-official Russian view held that the United States was interfering in countries that Moscow considered part of its sphere of influence. The U.S. position was seen as hypocritical because Washington, in Moscow's view, cared only about regime changes that would bring in pro-U.S. governments like those of Saakashvili in Georgia and Viktor Yushchenko in Ukraine—not about real democracy.

Dmitry Medvedev's arrival to the Russian presidency led many to hope that the anti-Western sentiment that had grown so virulent under the Putin regime would begin to dissipate. Certainly Medvedev has invoked the language of cooperation with the West, as well as Russia's need for

improvements in fighting corruption and establishing the rule of law. In the foreign policy sphere, however, he has taken the Putin line, especially on such points as the recently enunciated Russian right to “privileged relations with its neighbors.” The events of August 2008 accelerated the downward spiral of U.S.-Russia relations—to the point where the possibility of an armed conflict between Russia and the United States did not seem nearly as unthinkable as it should. Since then, however, the continuing international financial turbulence has both taken the world’s focus off of the Russia-Georgia war and reinforced the need for Russia’s cooperation with the West. While it is probably wishful thinking to expect a dramatic improvement in U.S.-Russian relations any time soon, the economic challenges both countries face at least allow for the possibility that each will set hubris aside and work toward finding more constructive solutions to the problems in the relationship. To what extent the incoming administration of Barack Obama is prepared to change its policy toward Russia is unclear, but Moscow is cautiously optimistic. At the Munich security conference in February 2009, Vice President Joe Biden spoke of “pressing the reset button” in U.S.-Russian relations.<sup>7</sup> This is the right inclination, but we should not underestimate how difficult this will be given all of the toxic waste under the bridge.

Although the global balance of power may be shifting and the future of Russian-Western relations uncertain, Russian elites remain at best ambivalent about the emerging Chinese superpower. The official line from the Russian president and members of his administration tends to accentuate the positive—and it is probably true that China-Russia relations today are better than ever. But the history of China-Russia relations does not set the highest of bars, so to speak. In the 1990s, Russia engaged in lively debates about China, centering on whether it was a potential friend or foe and the advisability of selling arms and technology to Beijing. These kinds of debates, whether undertaken from ideological or regional perspectives, have largely disappeared. But this does not tell us much because public debate about even the most important domestic and foreign policy issues has been muted since the Putin years.

Russian public opinion about China tends to be quite positive, but this is probably for the most part a reflection of the fact that most Russians get their information from national television. Essentially controlled by the Kremlin, it promotes the sunny outlook on China touted by Putin and company. Research conducted by the VTsIOM public opinion research center in April 2007 noted that, although 63 percent of Russians view China as either a strategic partner or ally, 62 percent see the involvement of Chinese companies and workers in the development of mineral resources in Siberia and the Russian Far East as dangerous for Russia.<sup>8</sup> These results at first appear to signify cognitive dissonance. In reality, they probably reflect Russia’s strategic view of China as a partner with whom to contain the United States combined with a sense of economic and demographic vulnerability experienced in the Russian regions bordering China.

The Russia-Georgia war provided an interesting test of the level to which China was willing to support Russia on the international stage. The disagreement over whether to recognize South Ossetia and Abkhazia demonstrated that, while China may value its relations with Russia, it prefers to balance the relationship with Moscow against many other interests, including both internal

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7. For a detailed set of recommendations on how to improve U.S.-Russian relations, see Anders Åslund and Andrew C. Kuchins, “Pressing the Reset Button in U.S.-Russia Relations,” Policy Brief (Washington, D.C.: Peterson Institute for International Economics, February 2009).

8. “Rossiane khotiat družit’siia s Kitaem, no na rasstoianii,” Vserossiiskii Tsentrazucheniia Obshestvennogo Mneniia press release no. 674, April 16, 2007. [http://wciom.ru/arkhiv/tematicheskii-arkhiv/item/single/4397.html?no\\_cache=1&cHash=b2dfbfaa46](http://wciom.ru/arkhiv/tematicheskii-arkhiv/item/single/4397.html?no_cache=1&cHash=b2dfbfaa46).

concerns and its trade with the United States. The real test, however, will come in the long run. As Fyodor Lukyanov points out, while Russia and China may share a similar outlook on international affairs, their approaches to foreign policy are fundamentally different. Russia, especially in recent years, is known for an aggressive and sometimes even clumsily heavy-handed policy. China on the other hand tends to be exceptionally cautious in international dealings, preferring to exercise a quieter soft-power approach.<sup>9</sup> Washington should realize that while China will be reluctant to fully align with Russia, Beijing will be more than happy to take advantage of economic and security benefits of a deep fall-out in U.S.-Russia relations.

What will happen in the strategic relationship, from the SCO to cooperation in the UN to arms sales, is harder to predict. The recent finalization of the China-Russia border agreement that included the transfer of disputed land from Russia to China marks a historic achievement that Putin considers to be one of his most significant. With their long border and complicated history, Russia and China have powerful and intrinsic reasons to have a very constructive relationship. To what extent the partnership deepens, however, may be contingent to a considerable extent on the actions of the United States. If, for example, the United States were to undertake military action against Iran that was not sanctioned by the United Nations, this would undoubtedly push Russia and China closer together strategically. A U.S.-China military conflict over Taiwan would place Russia in an awkward position, but most likely Moscow would choose not to take sides. If the Europeans or the Americans removed their boycott on arms sales to China, this would over time undercut Russian companies' dominant position as a supplier. A more aggressive U.S. posture in the name of democracy promotion and human rights, if it confronted Russian interests in the post-Soviet space, would also likely push Russia and China closer together.

The Georgia conflict in the summer of 2008 strained Russia's relations with the West nearly to the breaking, but rather than finding the backing it hoped for from China and others, Russia found itself relatively alone. The dramatic impact of the global financial crisis on the Russian economy has deeply eroded Moscow's newly developed economic hubris, and the Kremlin will likely find it necessary to refocus on the structural economic reform agenda. Given the importance of trade, investment, and other economic interaction with the West, there are also signs after the war with Georgia that Moscow seeks to repair relations with Europe and the United States.

## Recommendations

- Focus more on resolving the security situation in Afghanistan as the primary front on the war on terrorism and reengage the Russians and the Chinese, who have strong interests for regional stability. Be willing to engage both the Collective Security Treaty Organization and the Shanghai Cooperation Organization in both a bilateral format as well as multilateral manner with NATO to address security in Afghanistan and the region.
- Engage the Russians with our European allies to revisit the foundations and core institutions of the transatlantic European security framework. The Georgia war made tragically obvious that the United States has simply not adequately solved this challenge a generation after the Cold War's conclusion. The best tool we have to leverage geopolitically any danger of a Beijing-Mos-

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9. Fyodor Lukyanov, "Russia Sandwiched between China and Western World," *Novoe Vremia*, June 11, 2008.

cow entente is to anchor Russia more deeply into Europe. Such geopolitical anchoring is also probably the best leverage we have to promote the evolution of effective market democratic institutions in Russia. President Medvedev has proposed talks along these lines, the Russians are unsure of the ultimate goal, and the United States has little to lose by engaging Moscow in this regard.

- Revive bilateral strategic offensive arms reductions discussions and extend Strategic Arms Reduction Treaty I verification means to jump-start the nuclear security and nonproliferation agenda. These negotiations and discussions should address strategic stability more broadly including, as recommended below, cooperation on missile defenses. Have a vision of engaging the Chinese and other nuclear powers in further cuts, maintaining global strategic stability and revitalizing the nonproliferation regime after the United States agrees with Moscow about a first round of deeper cuts beyond the 2002 Strategic Offensive Reductions Treaty.
- Reengage the Russians about missile defense cooperation in Europe from shared early-warning cooperation to joint management of theater missile defenses designed to address threats from the greater Middle East. Start with a joint threat assessment that is broader than but includes Iran. Not only will Russia be reassured about U.S. strategic intentions, but Beijing's high sensitivity to U.S.-Russian cooperation will enhance Washington's strategic leverage.
- Promote more aggressively deeper economic interdependence with Russia. This starts with repealing the Jackson-Vanik Amendment to speed Russia's accession to the World Trade Organization. Encourage Russian companies and capital to enter U.S. markets. Revive the energy partnership with Moscow.
- Expand U.S. cooperation with China and Russia on development of green, energy-efficient technologies as a wedge into promoting climate change cooperation. The United States has the largest carbon footprint, China is the fastest-growing user of energy, and Russia is the world's most inefficient user of energy.

# 11

## CONCLUSION

China has placed special emphasis on the soft-power aspects of its foreign engagement, playing both to regional audiences and to a broader global gallery to whom it seeks to portray itself as a nonthreatening and responsible international power. China's rapidly expanding engagement in the developing world in particular has provoked a range of reactions around the world.

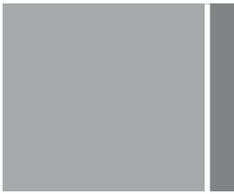
In developing regions, many hold high hopes for what China can bring to the table in trade, investment, and alternative development partnerships; others are unnerved by what China's seemingly insatiable demand for energy, resources, and export markets will mean for fledgling economies, weak governments, and disenfranchised populations. Ultimately, the challenge for developing nations will be whether their governments and their people can harness external engagement—China's and other key players' as well—to their eventual national benefit.

In the West, China's mix of economic engagement and soft power has spurred some fears that Western influence in developing regions will thereby be diminished and that investments in governance, transparency, and accountability will be undermined, particularly in states rich in natural resources but whose governments often lack legitimacy or national vision. Many Americans in particular are concerned about losing strategic influence to China. Yet, the CSIS Commission on Smart Power, cochaired by Joseph Nye and Richard Armitage, concluded:

China's [perceived] soft power is likely to continue to grow, but this does not necessarily mean that Washington and Beijing are on a collision course, fighting for global influence. First, a number of factors ultimately will limit China's soft power, including its own domestic political, socioeconomic and environmental challenges. Second, there are a number of critical areas of mutual interest between the United States and China on which the two powers can work together—and in some cases already are. Energy security and environmental stewardship top that list, along with transnational issues such as public health and nonproliferation. . . . [G]lobal leadership does not have to be a zero-sum game. China can only become preeminent if the United States continues to allow its own powers of attraction to atrophy.

We do not yet know how China's soft-power strategy will play out. Nevertheless the United States can learn from aspects of China's soft-power engagement, and the United States has reserves of soft power that it has underused in recent years.

Now is an opportune time for the United States and others to proactively engage China on areas of common interest, to strengthen regional capacities to manage the intensifying competition that China and others bring, and to preemptively work to mitigate potential areas of disagreement.



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