



China's Global Activism

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Outline

- **Overview**
- **Drivers of China's Increasing Global Activism**
- **Tools of Chinese Global Influence**
- **Explaining China's Global Activism**
- **Outlook for the Future**
- **Implications for the United States**



Overview

- **China's long-term grand strategy:**
 - Rapid growth to maintain domestic stability
 - Compromise on strategic interests when necessary to maintain growth
 - Build comprehensive national power
- **Foreign policy moves on largely independent strategic and economic tracks**
- **Multiple tools available to China to exert influence, but economic tools most important**
- **China has greatly expanded influence in Asia, Latin America, Africa, and the Middle East**



Pattern of China's Global Activism

- **Strategic track driven by international threats and opportunities and by China's changing role in the global balance of power**
 - Fear of possible U.S. containment/subversion
- **Economic track driven by development needs and China's changing role in the world economy.**
 - Demand for economic inputs and access to export markets follows logic and geography independent of strategic concerns
- **Timing and pattern of increased Chinese global activism affected by both factors**



Phases of China's Global Activism

- **Overcoming post-Tiananmen isolation and end of the Cold War diplomacy (1989-96)**
- **Reassuring Asian neighbors and building constructive relations with the United States and European powers (1996-1999)**
- **Dealing with U.S. hegemony (1999-present)**
 - Efforts to balance against U.S. power
 - Efforts to encourage more independent role for current and potential great powers
 - Improving relations with Asian neighbors



Key Drivers of China's Global Activism

- **Securing inputs for the economy**
- **Protecting China from a potential U.S. containment strategy**
- **Expanding Chinese political influence**
- **Pursuing commercial interests**



Driver: Securing Economic Inputs

- **Soaring demand for oil and gas imports**
- **Distrust of international energy markets**
- **Increasing demand for commodities**
 - **Copper, steel, iron ore, cement, aluminum**
- **Geographical distribution of energy and resources dictates where China must go to secure supplies**



Driver: Preventing Containment

- **Improving relations with bordering countries**
 - Resolving land border disputes
- **Building ties with current and potential great powers**
 - Russia, Europe, India
 - Encouraging independent international role
- **Geography and power dictate focus of Chinese efforts**



Driver: Expanding Political Influence

- **Isolating Taiwan**
- **Protecting Chinese interests from adverse international actions**
- **Advancing Chinese diplomatic goals**
- **Limiting Japan's international role**
- **Efforts global in nature, with emphasis on developing countries and regional organizations**
 - **Taiwan diplomacy adds a geographic focus**



Driver:

Pursuing Commercial Interests

- **Opening markets for Chinese goods and labor**
- **Building national champions, brands, and distribution networks**
- **Acquiring advanced technology**
- **Global in nature, but increasing focus on trade and investment with developing countries**



Tools of Chinese Global Influence

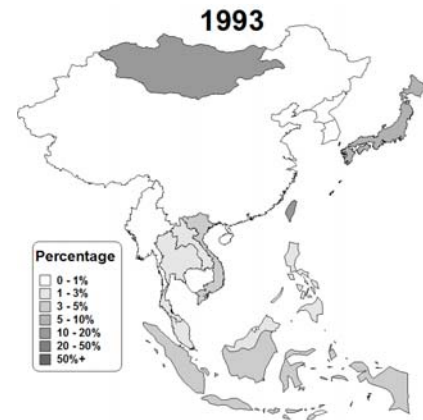
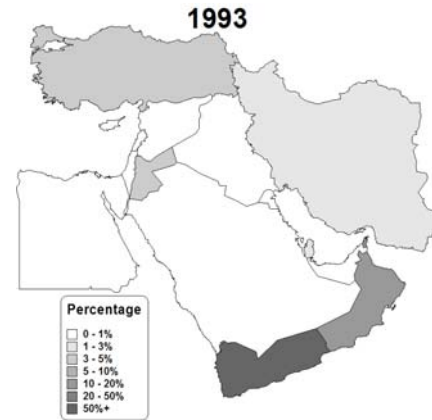
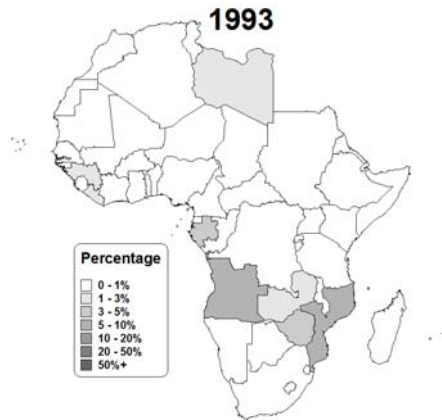
- **Economic Power**
- **Diplomatic Efforts**
- **Defense Cooperation**
- **Soft Power**
- **Military Power**



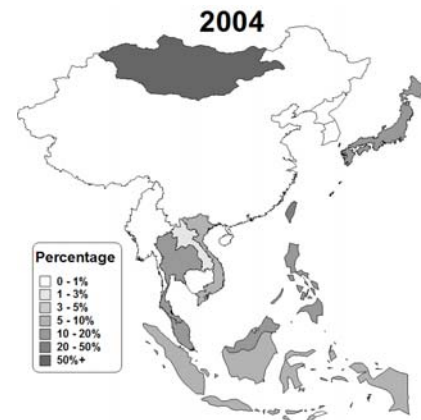
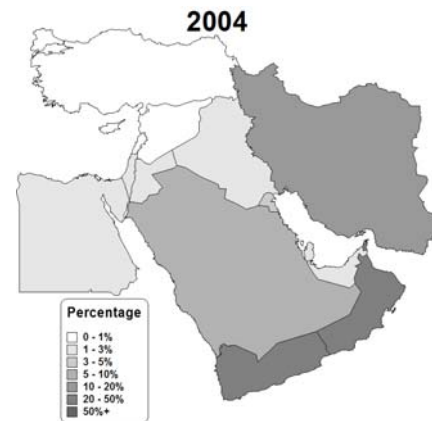
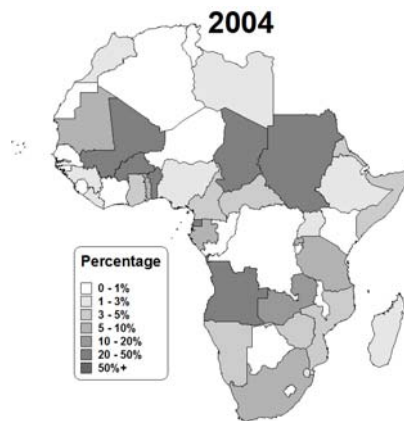
Economic Tools: Trade

- **Europe, United States, and Japan are China's top export markets**
 - China runs large trade surpluses with U.S. and EU
- **Growing Importance of China market**
 - Asia becoming increasingly dependent on exports to China
 - Regional production networks
 - China top market for Japan, South Korea, Taiwan
 - Chinese demand also helping commodity/resource producers
- **Free-trade agreements and commercial diplomacy**
- **Increasing emphasis on developing countries**

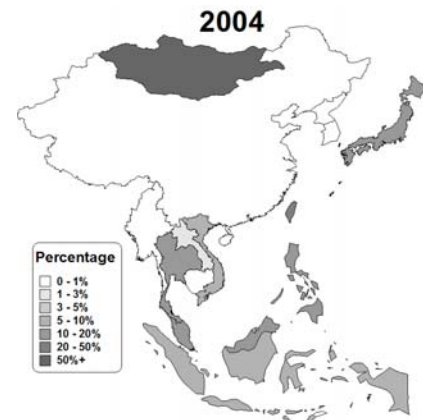
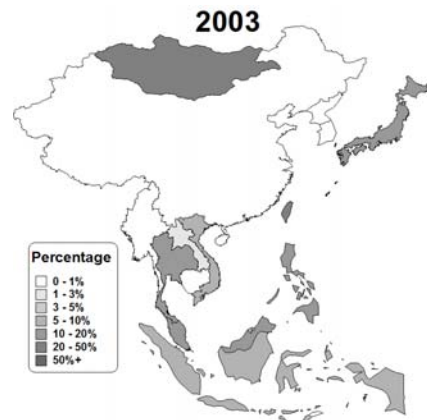
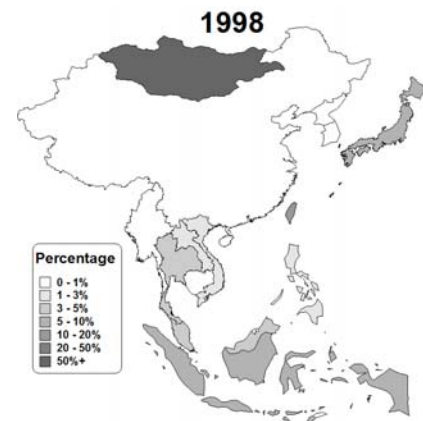
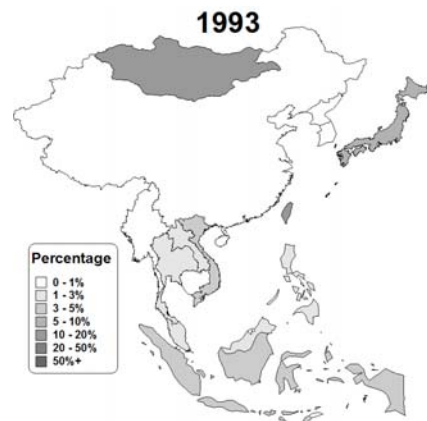
Economic Dependence: 1993



Economic Dependence: 2004



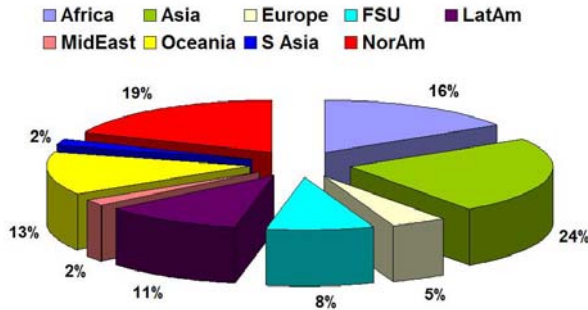
Asian Dependence on China



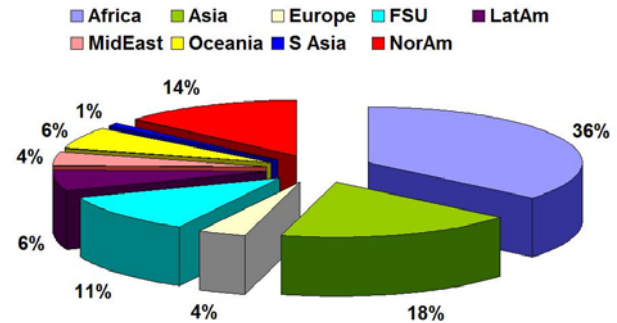


Increasing Chinese Outbound FDI

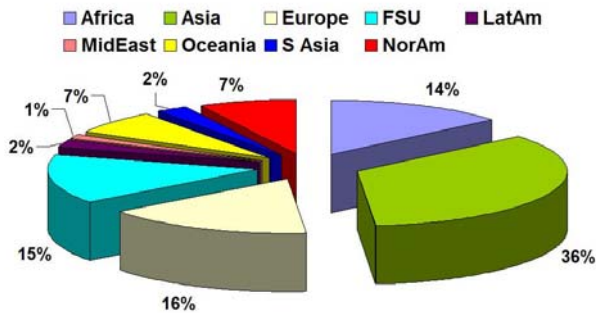
1993 Chinese Outbound FDI Excluding SARs & FDI Havens



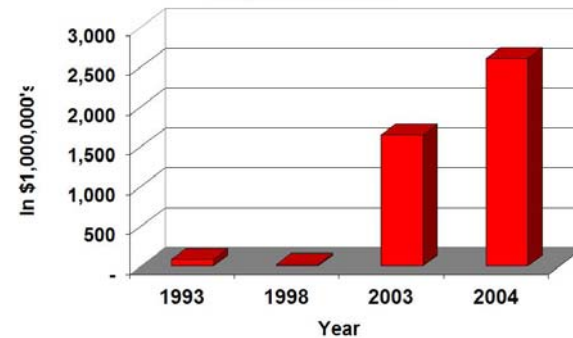
1998 Chinese Outbound FDI Excluding SARs & FDI Havens



2003-2004 Chinese Outbound FDI Excluding SARs & FDI Havens



Chinese Outbound FDI Excluding SARs & FDI Havens

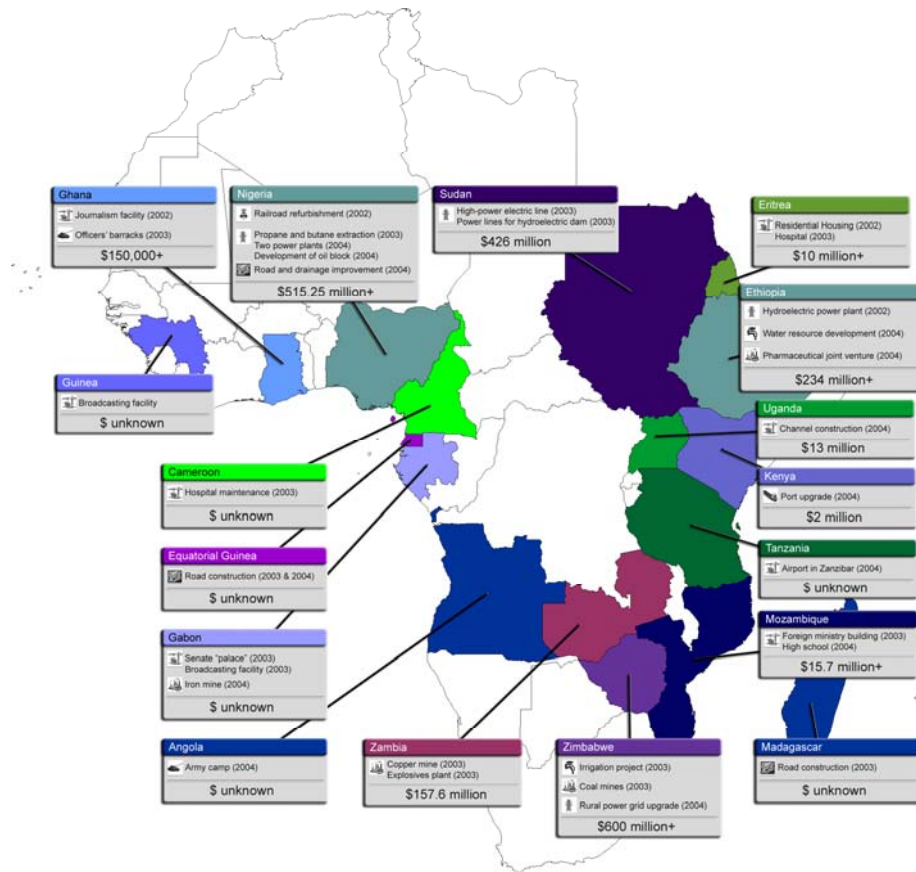




Economic Tools: Foreign Aid

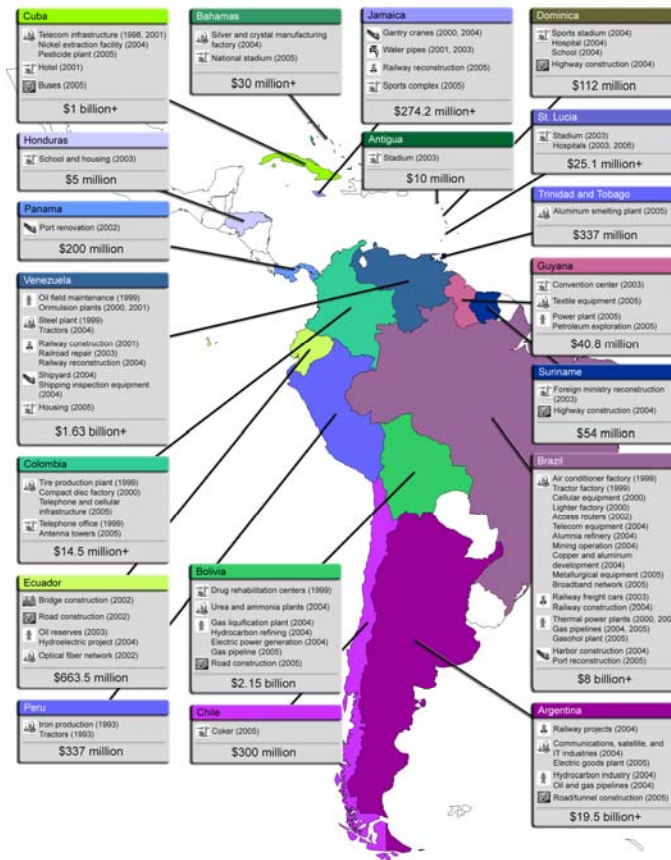
- **China becoming important donor to developing countries**
 - \$731 million in development assistance in 2004
 - Chinese aid may reach \$1.1 billion in 2006
- **Chinese aid often supports infrastructure development that expands resource access**
- **Aid often tied to purchases of Chinese goods and services**
- **“No strings attached” approach that produces political influence, especially in isolated countries**

PRC projects in Middle East

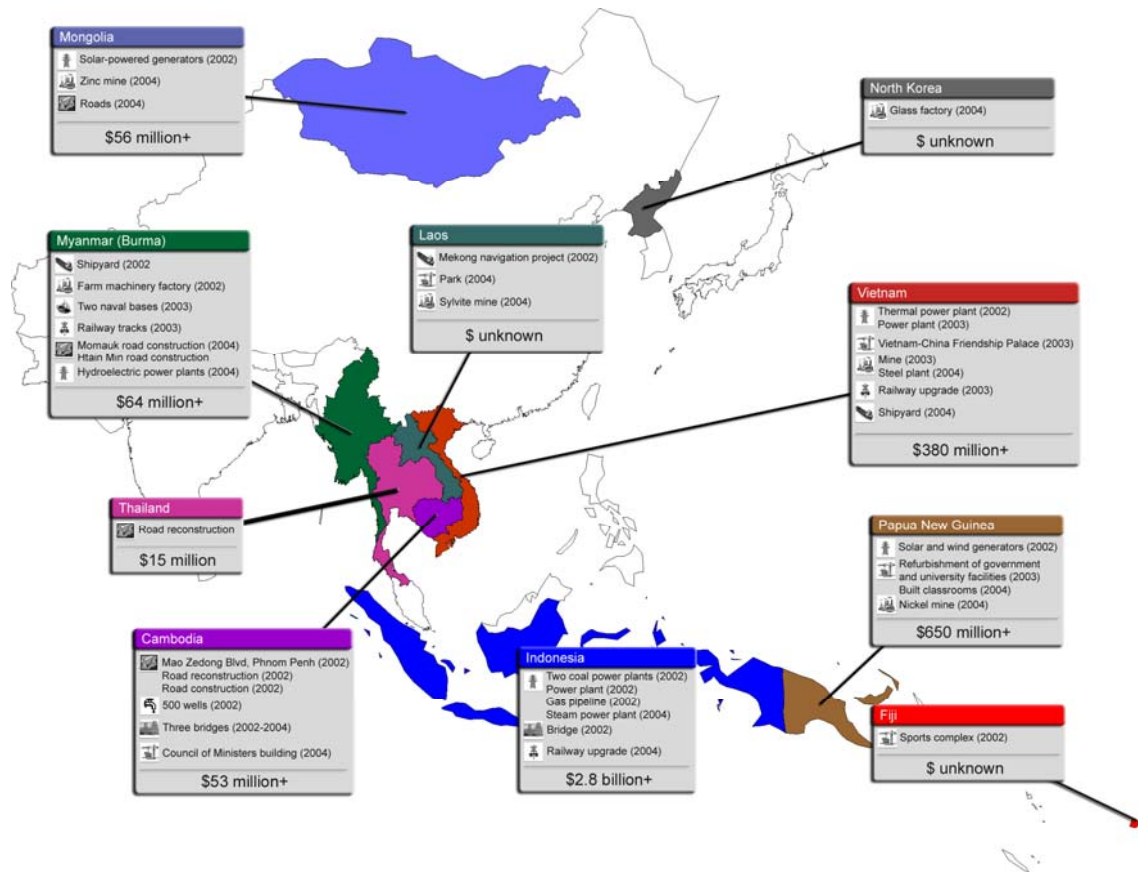




PRC projects in Latin America



PRC projects in Asia





Economic Tools: Currency

- **China has world's largest foreign currency reserves**
 - \$853 billion (February 2006)
- **Chinese role in Asian Financial Crisis**
 - China credited for stabilizing situation by maintaining value of yuan
 - Chinese participation in Chiang Mai initiative
- **China's ability to influence value of yuan to support exports**



Diplomatic Tools

- **Strategic Partnerships**
- **Leadership Travel and Meetings**
- **Regional Organizations as “influence multipliers”**
- **Exercising influence on behalf of others**



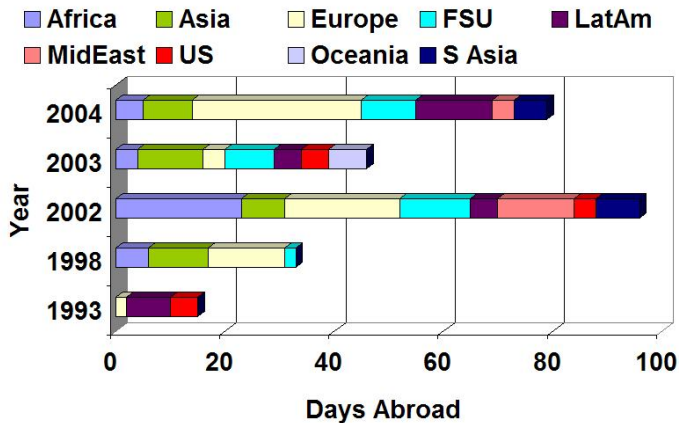
Diplomatic Tools: Strategic Partnerships

- **Brazil (1993)**
- **Russia (1996)**
- **France (1997)**
- **Saudi Arabia (1999)**
- **Iran (2000)**
- **ASEAN (2003)**
- **European Union (2003)**
- **India (2003)**
- **United Kingdom (2004)**
- **Germany (2004)**

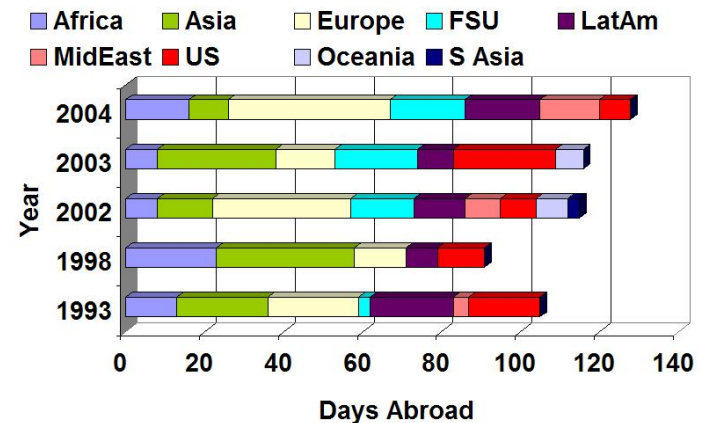


Diplomatic Tools: Leadership Travel

Combined Foreign Travel of Chinese President and Premier



Foreign Travel of Chinese Minister of Foreign Affairs



In 2002-2004, 52% of the countries visited by top leaders were oil and/or natural gas producers; 64% exported energy or another natural resource



Diplomatic Tools: Multilateral Diplomacy

- **Regional Organizations as “influence multipliers”**
 - China engaging regional organizations
 - Chinese multilateral initiatives
 - Shanghai Cooperation Organization
 - East Asian Summit
 - Leveraging bilateral and multilateral ties
- **Exercising Influence on behalf of others**
 - China has ability to block Security Council actions on behalf of other countries
 - North Korea, Iran, Sudan



Defense Cooperation

- **Arms sales declining source of influence**
 - PRC competes at low end of arms market
- **Increasing Emphasis on Military Diplomacy**
 - 100 military attache offices
 - 60 high-level military delegations in 2003-4
- **Security Assistance and Training**
 - Focused on developing countries where limited assistance is valued
- **Exports of Military Technology**



Other Tools

- **Soft Power**
 - Chinese development model
 - Promoting Chinese language/culture
 - Appeals to cultural/linguistic affinities
- **Military Power**
 - Significant in Asia (but often in negative ways)
 - Power projection limitations mitigate adverse impact in other regions



Explaining China's Global Activism

- **China's long-term grand strategy**
 - Rapid growth to maintain domestic stability
 - Compromise on strategic interests when necessary to maintain growth
 - Long-term goal of building comprehensive national power
- **Strategy provides guidelines, but not a detailed roadmap**
- **Foreign policy subordinate to domestic concerns, especially the need for economic growth**
- **Implementation challenges and conflicts of interest limit strategic coherence**



Economic and Strategic Tracks

- **Strategic track driven by international threats and opportunities and by China's changing role in the global balance of power**
 - Fear of possible U.S. actions to contain or subvert China a critical factor
- **Economic track driven primarily by development needs and by China's changing role in the world economy.**
 - Demand for economic inputs and for access to export markets follows a logic and geography independent of strategic concerns
 - China has become economically dependent on countries such as the United States and Japan
- **Chinese leaders have given priority to domestic concerns over international ones, and economic interests over strategic interests**



Implementation Challenges

- **Coordination mechanisms**
 - Campaigns
 - Leadership travel
 - Economic incentives and streamlined approval process
- **Bureaucratic interests, domestic politics, and the policy process limit policy coherence**
- **Conflicting incentives and policy implementation**



Outlook for the Future

- **Significant increase in resources devoted to international activities since 2001**
- **Economic growth underpins China's expanding influence**
- **Chinese global and regional influence likely to increase significantly in the next 5 years**
 - Chinese influence depends upon maintaining domestic stability and rapid economic growth
 - Backlash coming as promises are unmet and concerns about Chinese competition increase



Diplomatic Implications

- **China provides alternative to United States and global institutions**
 - Gives countries leverage in dealing with United States
 - Limits U.S. ability to isolate, sanction, or pressure countries
- **Chinese influence will complicate U.S. regional diplomacy**
 - Harder to engage regional organizations in support of U.S. objectives
 - China's increasing regional activism and influence in Asia could conflict with important U.S. interests
- **Chinese influence will affect U.S. ability to pursue its global agenda**



Economic Implications

- **Chinese rapid growth and demand for resources**
 - Higher global prices for energy and commodities
 - Increased competition for resource access
 - Increases in supply, improvements in efficiency could mitigate negative impact
- **Competition for global markets**
 - U.S. and Chinese economies broadly complementary
 - China is direct competitor with Asian and developing countries
- **Increasing (but still limited) Chinese ability to influence global economic rules**
 - Impact will depend on whether U.S. and Chinese interests are aligned



Security Implications

- **Power projection limitations constrain China's military influence outside Asia**
 - PLA will be an increasing factor within the region
- **Will global interests prompt efforts to build PLA into a force capable of global operations?**
 - Debate appears to be underway
 - SLOC protection, resource access key justifications



Conclusion

- **China's influence is increasing in many regions, especially where U.S. is not consistently engaged**
- **China a global player, but influence is still limited**
- **U.S.-China global relationship not a zero-sum competition**
 - Both common and conflicting interests
 - Considerable scope for cooperation
 - U.S. should seek opportunities to influence Chinese definitions of global interests and attitudes toward international norms