



TAKING OFF AS A GLOBAL POWER?

China's Foreign Policy "Grand Strategy"

By Sven Gareis, Ph.D.



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Taking off as a Global Power? China's Foreign Policy "Grand Strategy"

By
Sven Bernhard Gareis, Ph.D.

China as a Global Actor

The People's Republic of China has long been a very visible actor in international politics. With 1.4 billion inhabitants, it is the most populous country in the world, with a land mass of 9.6 million square kilometers bordering 14 states in East, South, and Central Asia. China has a long Pacific coastline, along which it claims vast areas of the South China Sea. A nuclear power since 1964, the People's Republic of China has the largest armed forces in the world, numbering approximately 2.3 million soldiers. China has been a permanent member of the UN Security Council since 1971; for many years, it has figured prominently in all decision making processes with global impact.

But after the internal turmoil and erratic foreign policy of the Mao regime, and also during the reform and opening process initiated by Deng Xiaoping in 1978, the People's Republic long remained a hesitant and rather passive actor on the international scene. In view of all the doubts and uncertainties about the possible outcome of this unprecedented attempt at modernization, and given China's dependence on the international community's constructive support, Deng decided to opt for a course of restraint in foreign policy, particularly since the international community had started to observe the reform process with increasing skepticism after the Tiananmen massacre of June 4, 1989. The strategies of *taoguang yanghui* (韬光养晦, to bide one's time) and *budangtou* (不当头, not to claim leadership) were meant to allay suspicions and create a favorable environment for China's further development, which has since that time made enormous progress: in 2010, China became the world's second largest economy, with a gross domestic product of approximately \$5.9 trillion; by 2009, it had already surpassed Germany as the world's largest exporting nation.

As part of its "go out" strategy (*zouchuquzhanlüe* 走出去战略) launched at the turn of the millennium, China has not only bought its way into global trade and industry, but has also found new sales opportunities for its own products. Its foreign currency reserves – more than \$3.5 trillion in 2012¹ – not only guarantee the U.S. financial sector's liquidity thanks to China's heavy investment in U.S. bonds (China holds over a trillion dollars in U.S. government debt and is thus the largest foreign creditor of the U.S.), but also attract hopeful glances from Europe, which, in times of debt crisis, would welcome the People's Republic's financial engagement. In the G-20, China's influence with regard to the creation of a new international financial architecture is growing. China has deliberately gone global to meet its energy and raw material requirements. For countries in Africa and elsewhere, it also represents an attractive alternative to the usual donors in multilateral development cooperation such as the World Bank Group. Among the Permanent Five of the UN Security Council, China is the largest troop provider for UN

¹ U.S. Department of Commerce, United States Census Bureau, "2012: U.S. Trade in Goods with China," <http://www.census.gov/foreign-trade/balance/c5700.html>.

peacekeeping missions. It is also the largest emitter of greenhouse gases and, as a result, is confronted with huge environmental problems on its own territory as a consequence of its relentless pursuit of economic growth.

For better or for worse, China is becoming increasingly interconnected with the rest of the world. As recently as 1999, Gerald Segal raised a question of interest to all: “Does China Matter?” Segal came to the conclusion that “China matters far less than it and most of the West think, and it is high time the West began treating it as such.”² More than a dozen years later, however, the answer is very different: in the 21st century, there is no getting around China in international politics. The question is not if, but how China will make its way to the top and become a truly global power. Whether its ascent to power will – as China has repeatedly declared – take place as a “peaceful development” (*heping yu fazhan* 和平与发展) or as “Rising to the Challenge”³ will remain a subject for international debate in academia and politics.

Carried on the wings of its continuing economic success, China has indeed opted for a more comprehensive, self-confident, proactive, and often tougher approach in its foreign policy, at the regional as well as at the global level. So while cooperation with the flourishing People’s Republic of China offers many opportunities, there is also a great deal of uncertainty and mistrust as to its future political course.⁴ The criticism focuses on the above-mentioned principle of *taoguang yanghui*, biding one’s time, which has become a centerpiece of Western “China threat perception”⁵ because it supposedly implies a lack of transparency in China’s foreign and security policy. The United States, in particular sees China as the only real challenge to its global supremacy. It therefore observes China’s growing political and military influence with a certain degree of mistrust and – as U.S. President Obama pointed out in November 2011, when he announced that the U.S. would increase its engagement in the Asia Pacific region – has decided to opt for a policy of preventive containment of China.⁶ In Germany and Europe, this unease about China is reflected in popular stereotypes such as “the Red Dragon”⁷ or “The Rivals”⁸ or “China: The Challenge.”⁹

From a neorealist perspective, China is a new powerful actor attempting to change structures in the international system for its own benefit, which means that China could compete with and, possibly, confront the established powers, especially the United States. In contrast to this view,

² Gerald Segal, “Does China Matter?” *Foreign Affairs* 78, no. 5 (September/October 1999).

³ Avery Goldstein, *Rising to the Challenge: China's Grand Strategy and International Security* (Stanford: Stanford University Press; 2005).

⁴ Arbeitskreis Internationale Sicherheitspolitik *China als sicherheitspolitischer Akteur* (Berlin: FES Internationale Politikanalyse, 2011).

⁵ Guangkai Xiong, “China’s Diplomatic Strategy: Implication and Translation of “*tao guang yang hui*,” *International Strategic Studies*, no. 4 (2010), 1-4; Liqun Zhu, “China’s Foreign Policy Debates,” *Chaillot Paper* 121 (Paris: EU Institute for Strategic Studies, 2010), 51.

⁶ Barack Obama, “Remarks by President Obama to the Australian Parliament (speech, Canberra, Australia, November 17, 2011) The White House, <http://www.whitehouse.gov/the-press-office/2011/11/17/remarks-president-obama-australian-parliament>; more explicitly, Office of the Secretary of Defense, *Annual Report to Congress. Military and Security Developments Involving the People’s Republic of China* (Washington D.C.: The Pentagon, 2010), http://www.defense.gov/pubs/pdfs/2010_CMPR_Final.pdf.

⁷ *Die Welt*, November 18, 2011: 6.

⁸ *Der Spiegel* 34/2010

⁹ Hirn, Wolfgang, *Herausforderung China. Wie der chinesische Aufstieg unser Leben verändert* (Frankfurt am Main: Taschenbuch, 2006).

China presents its ideas of a “harmonious world” (*hexie shijie* 和谐世界) which, as President Hu Jintao declared before the UN General Assembly, is characterized by respect for different civilizations, by cooperation, and by mutual benefit.¹⁰ With its concepts of “peaceful development” and a “harmonious world,” China reserves the right to be a case apart and to pursue different strategic goals than the other established actors in the international system.

So considering these very different (self-) perceptions, what is to be expected of China in the future? Is this all about some plan to conquer the world or aspirations to gain a position in the multi-polar world order compatible with China’s political and economic weight? In a nutshell: will the future be about competition and conflict or about cooperation and compromise? A systematic look at the essential preconditions, goals, and approaches of China’s “grand strategy” may help to answer this question and lead to conclusions about where the country is going in the international system. In the following pages, an attempt will be made to address these concerns.

Strategic Interests and Goals of China’s Foreign Policy

A strategy is, in its most basic definition, the relationship between goals, means, and context: what does an actor wish to achieve by which means in interacting with his environment?¹¹ The strategy of a state finds its expression in the pursuit of national interests and in the use of the instruments of power available, while at the same time – at least in civilized societies – taking into account the interests and capabilities of the other actors in the system and the political cultures of their societies. A “grand strategy” or overall strategy is a sort of wire diagram: all resources, capabilities, and partial strategies in the area of politics, the economy, the military, culture, and society are set to point towards one overarching goal. This does not mean that the state uses its instruments of hard and soft power deterministically or automatically; at the operational-tactical level of daily politics, flexibility and weighing the odds in different situations is always required. A grand strategy is like a compass by which a state’s representatives may, should, or must be guided, depending on their competence and status.

An analysis of China’s grand strategy needs to be based on a determination of whether a guiding principle for the People’s Republic’s political behavior really exists. In contrast to the United States, which regularly publishes national security strategies, China has thus far not presented any such document. The white papers on China’s national security strategy, which have been published since 1998¹² remain rather cursory, and what they say about peaceful development and the harmonic world order sounds much too ornate to allow anyone to discern an effective strategic approach behind those words. However, as Gudrun Wacker¹³ accurately observed with regard to China’s grand strategy, there may be no need for more explicit statements. The outlines of a grand strategy can actually be reconstructed from official statements and from the political and academic discourse, but most of all from the political leadership’s decisions and actions.

¹⁰ *China Daily* September 16, 2005.

¹¹ For what constitutes a strategy, see Martin Wagener, “Über das Wesen der Strategie,” *Österreichische Militärische Zeitschrift*, no. 4 (2010), 443-453; Joachim Raschke and Ralf Tils *Politische Strategie. Eine Grundlegung* (Wiesbaden: Taschenbuch, 2007).

¹² For example, see *China’s National Security in 2010* (Peking: Information Office of the State Council, 2011).

¹³ Gudrun Wacker, “China’s Grand Strategy,” in *Chinas Aufstieg: Rückkehr der Geopolitik?* (Berlin: SWP-Studie, 2006), 3, 61-66.

To start with, a state's foreign policy strategy defines vital goals and interests. In the case of China, a grand strategy goes hand in hand with the country's internal development. From the very beginning, the domestic reform process (*gaige* 改革) launched by Deng Xiaoping has been inextricably linked with China's opening to the outside world (*kaifang* 开放), which means that without foreign know-how, money, and access to international markets, the intended "four modernizations" in economics, technology, agriculture and the military would probably never have happened. The renewal of China had become necessary after the turmoil of the Mao regime in order to regain the population's trust in the communist party as well as to maintain the political order and the country's territorial integrity. The "four modernizations" are part of the mandate of heaven (*tianming* 天命), which traditionally gives legitimacy to the political regime and serves to uphold the communist party's monopoly of power.

During a Chinese-American dialogue on strategy, State Councilor Dai Bingguo, the most powerful decision maker in China's foreign policy after Head of State and Secretary General of the Communist Party Hu Jintao, has – given the lack of a codified catalogue of interests on the one hand and the post-millennial inflationary use of the term "interests" on the other – formulated the three core interests (*hexinliyi* 核心利益) of the People's Republic as follows:

- 1) Continuity of the political system and safeguarding of the country's national security
- 2) National sovereignty and territorial integrity and
- 3) The stable development of China's economy and society.¹⁴

Thus, the central point of reference in China's grand strategy is the country itself, even though its definition of interests includes external dimensions and determinants. In order to further advance its internal development, China still needs a stable and friendly environment. This applies first of all to its direct neighborhood, but – as a result of China's rapidly increasing interconnectedness with basically every region of the world – it is also true on a global scale. China's economic growth is based on industrial production and the export of the goods it produces, therefore access to resources and energy and the security of trade routes are of vital importance. As a consequence, the prevention of dangerous conflicts and confrontations as well as alliances against China rank at the top of the People's Republic's foreign policy agenda. In China's political concept, a harmonious world is a determining factor – if not the essential prerequisite – for a successful social system (*hexieshehui* 和谐社会).

At the same time, China is concerned with its role in the world: the Middle Kingdom (*zhongguo* 中国) existed for thousands of years, but suffered a dramatic decline in the "century of shame" (*bainianquru* 百年屈辱) before the People's Republic was founded in 1949. Today, China has returned as a global power¹⁵ that wants to be respected and appreciated as a responsible player in the top league of the international system. More than anything, it wants to be on an equal footing with the other top league players, a claim China has made repeatedly and sometimes gruffly. There is a high degree of mistrust in China towards the United States because this is the only power that – although unable to prevent the further rise of China – might still be able to slow it

¹⁴ Michael D. Swaine, "China's Assertive Behavior. Part One: On "Core Interests," *China Leadership Monitor*, no. 34 (2010), http://carnegieendowment.org/files/CLM34MS_FINAL.pdf.

¹⁵ Konrad Seitz, *China: Eine Weltmacht kehrt zurück* (Munich: Taschenbuch, 2006).

down drastically. In the following pages, this analysis will show the emergence of conflicting interests due to domestically-motivated principles of pragmatic cooperation on the one hand and a desire for self-assertion and having one's own way on the other. As a result, there are certain contradictions in China's grand strategy and in the use of its instruments of power.

Background: Domestic Imperatives and Historical Experience

In spite of China's rapid rise, it cannot be ignored that the People's Republic is faced with significant domestic challenges that have a strong impact on its strategic courses of action.¹⁶ Although China is the world's second largest economic power, it ranks only 101 out of the 187 states covered in the United Nations' Human Development Index,¹⁷ which means that its socio-economic development and standard of living are just about average on a global scale. Despite the political leadership's unparalleled achievement of eradicating hunger and the worst poverty of its billion-strong population within a few years, the Chinese economic miracle also produced a deeply divided society with enormous social disparities between urban and rural dwellers, and between the rich coastal areas and the much poorer, underdeveloped provinces in the center and the west of the country. This imbalance causes not only strong internal migration, with about 200 million rural workers moving to the booming megacities, but also growing unrest and rage over corrupt officials and authorities or ruthless employers, all of which erupt in tens of thousands of riots and revolts every year.

The rapid economic growth of the last few decades was accompanied by a large-scale destruction of the environment. The consequences can be felt throughout the country and they increasingly affect people's lives. Apart from the aging population and ethnic disputes, the reduction of social inequality by creating a society based on modest, but reasonably fairly distributed income (*xiaokang* 小康) and a solution to the severe environmental problems represent the most important challenges the Chinese leadership will have to overcome the "scientific development program" (*kexuefazhanguan* 科学发展观), guidelines laid down in the party constitution by Secretary General Hu Jintao in 2007. The implementation of this concept, which is supposed to lead the way towards a "harmonious society"¹⁸ based on sustainability and proper balance, requires, however, an annual economic growth rate of at least seven per cent. Falling short of this target means that there will be no sustainable increase in prosperity, no fair redistribution of income, and no structural transformation from resource-intensive industrial production to more environmentally friendly economic activities. Just like Deng Xiaoping in the beginning of the reform era, Hu Jintao and the fifth generation of leadership around Xi Jinping and Li Keqiang that succeeded him at the 18th National Congress in 2012, know that China will not be able to meet these challenges on its own; the country will need to continue to cooperate closely with the rest of the world. During the 11th Ambassadors' Conference in Beijing, Hu Jintao presented this close link between a more active foreign policy and China's internal development as a guideline for Chinese diplomats: "In the new situation, diplomacy must rely on, serve, and promote the development. It should focus on the task of ensuring growth, people's lives, and stability."¹⁹ This internal agenda determines the order of priorities in China's foreign policy.

¹⁶ Susan L. Shirk, *China: Fragile Superpower* (New York: Oxford University Press: 2007).

¹⁷ UN Development Program, *Sustainability and Equity: A Better Future for All. Human Development Report 2011* (New York: Basingstoke, 2011).

¹⁸ See Gudrun Wacker and Matthias Kaiser, *Nachhaltigkeit auf chinesische Art* (Berlin: SWP-Studie, 2008), 18.

¹⁹ *Xinhua*, July 20, 2009.

As to China's place in the world, the decline of the advanced civilization that resulted in the status of a semi-colony in the 19th and 20th centuries is deeply engraved in the People's Republic's collective memory. This memory is constantly kept alive by the political leadership. At the beginning of the 19th century, China's share of the world economy amounted to about 33 per cent. By the time of the foundation of the People's Republic it had declined to barely 5 per cent.²⁰ Ever since the first Opium War (1839-1842), China has been the victim of invasions and conquests by foreign powers, never able to offer any substantial resistance. On the contrary: internal conflicts such as the opposition of numerous Han Chinese groups against the declining foreign rule of the Manchurian Qing Dynasty led – according to the Chinese interpretation of events – to internal weakness that turned China into a pawn in the hands of external powers.²¹

In China's long history, internal stability and external influence (i.e., to be respected by other states), have proven to be mutually dependent: if there is chaos inside the country, there will be problems (attacks) from the outside (*neiluan waihuan* 内乱外患), which implies that internal strength is the best guarantee for protection from outside attacks. At a time when Chinese nationalism is on the rise as a result of the vacuum of collective identity left by the end of the communist ideology, demonstrations of external strength also serve the purpose of increasing respect for the political leadership inside the country. From this point of view, the speech by Chinese foreign minister Yang Jiechi during the Munich Security Conference in 2010 carried a message for the public at home and abroad: "Just like any other country, China will adhere to its principles and defend its hard-won equal rights and legitimate interests whenever its vital interests and concerns are at stake."²²

This domestic policy-based definition of foreign policy strategy puts the Chinese leadership again and again in the awkward position of pursuing conflicting goals: whenever pragmatic flexibility is required to promote stability or economic interests, such as with the Taiwan issue, with relations to the U.S. or to Japan, or with territorial disputes in the South China Sea, the desire for national self-assertion often leads to a type of behavior that international partners perceive as dominant at best, but often as boastful or even aggressive. As long as China's main concern is its own development, the country will be well advised to give priority to cooperative action over nationalist confrontational behavior.

Activities and Guidelines

As explained above, China will only be able to maintain the dynamic economic growth required for its further internal development if it strengthens its regional and global ties. This will increase the number and diversity of Chinese interests worldwide and, consequently, the number and diversity of activities and principles required for safeguarding those interests.

²⁰ Angus Maddison, *Chinese Economic Performance in the Long Run* (Paris: OECD Development Centre, 2007): p.44.

²¹ For details, see John K. Fairbank and Merle Goldman, *China. A New History* (Cambridge and London: 2007); see also Klaus Mühlhahn, "China als Halbkolonie," in Mechthild Leutner and Klaus Mühlhahn (Eds.) *Kolonialkrieg in China. Die Niederschlagung der Boxerbewegung 1900-1901* (Berlin: Links Verlag, 2007), 27-31.

²² Chinese Embassy, "Rede des Außenministers der VR China, Yang Jiechi, auf der Münchner Sicherheitskonferenz," February 5, 2010, <http://de.chineseembassy.org/det/zt/Themen/>.

As far as strategic and operational interests are concerned, China adheres to the traditional foreign policy guideline of the Five Principles of Peaceful Coexistence (*hepinggongchu wuxiang yuanye* 和平共处五项原则) announced in 1954, which emphasize mutual non-interference in internal affairs and reflect the importance that China places on to the principle of national sovereignty. This is the basis for China's inherently cooperative approach. The People's Republic tries to avoid conflicts that have a potential for escalation, as well as risks that might have an adverse effect on its internal development. Whenever possible, China opts for a bilateral format where it can make full use of its economic and political superiority. In its relations to more powerful states or groups of states, however, China prefers selective multilateralism: therefore the United Nations, where China tries to distinguish itself as a responsible and increasingly active member of the Security Council, ranks high on its foreign policy agenda. In the exclusive club of the Permanent Five, China faces the U.S. as an equal partner, and cites 2000 troops provided for 12 peace missions (as of October 2011) as evidence of its commitment to global peace – and at the same time promotes and defends its own interests and those of its economic partners.²³

As far as security policy and cooperation within and with military alliances is concerned, China remains more cautious, since it does not want to give up the right to take its own decisions. Nor does it want to become entangled in risky activities as a consequence of multilateral obligations. Therefore China may – as a typical free rider – concentrate on economic engagement in Afghanistan without having to participate in the costly (military) effort to create the stability required for economic activity.

There is one core interest apart from internal stability and development that the Chinese see as absolutely non-negotiable: national sovereignty and territorial integrity. This is the result of the One China Principle, to which the People's Republic adheres with iron determination: Tibet and Xinjiang are considered to be integral parts of the Chinese federation, just like Taiwan, whose independence from China exists *de facto*, but not *de jure*. China has insisted rigorously and successfully that all its international partners respect this, and has made it very clear that its core interests represent “red lines” that may not be crossed. Any transgression will be sanctioned. If European heads of government invite the Dalai Lama, relations with China will cool off; if Taiwan declares its independence, the use of force will be the result. The debate about core interests and China's more assertive stance has intensified since 2010, when U.S. media reported that China was adding the South China Sea to its list of core interests. Although Swaine proves that there are no official statements about additional Chinese claims,²⁴ the U.S. has reinforced its engagement in South East Asia in reaction to this news.

In the region, China's checkered history has been responsible for problems with some of its fourteen neighbors: in the cases of India, Russia, or Vietnam, this has led to wars as recently as the 1960s and 1970s. There are territorial disputes with India along the borders to Kashmir and Tibet and with Japan about the Senkaku / Diaoyu islands in the East China Sea. Pyongyang's nuclearization of the prolonged conflict on the Korean peninsula represents a serious setback for

²³ Sven Bernhard Gareis, “Das Ende der Zurückhaltung? Chinas UN-Politik wird aktiver und machtbewusster,” in *Vereinte Nationen* (53), no. 4, 127-131.

²⁴ Michael D. Swaine, “China's Assertive Behavior. Part One: On “Core Interests,” *China Leadership Monitor*, no. 34, (2010), 8, http://carnegieendowment.org/files/CLM34MS_FINAL.pdf.

China as a regional stabilizing power. Nevertheless, China continues to play an important role in the efforts to find a peaceful solution to the Korea issue, because it still sponsors the (suspended) six-party talks. The overarching rationale of China's policy in the region is its desire for stability based on mutual economic benefit. To achieve this goal, conflicting interests and claims are put aside.

China is represented in a number of loose but nevertheless important arrangements, including the Shanghai Cooperation Organization (SCO), different formats in the framework of ASEAN, the Association of South East Asian Nations, such as the ASEAN Regional Forum (ARF) or ASEAN +1 or ASEAN+3 (with Japan and South Korea) and finally the ASEAN Free Trade Area (CAFTA), which was launched by China in 2010 and is one of the largest free trade zones in the world. In this context, China attaches particular importance to regional arrangements that do not include the U.S. as a member – and had to suffer a bitter disappointment in July 2010 at the APEC summit in Hanoi, when a majority of Asian states argued in favor of U.S. (and Russian) membership in the East Asia Summit (EAS) initiated by China and India.

At the global level, too, China appears to be mostly a commercial power. Its foreign trade volume of \$ 2.973 trillion equals half of its gross domestic product. The large share of exports - \$1.578 trillion - is an indicator of China's dependence on international buyers of its products. At the same time, however, China imports goods worth \$1.395 trillion, so its demand-driven market is also large: it buys leading edge technology and has an enormous demand for energy and resources. China itself is rich in natural resources, but not sufficiently so to cover the ever increasing demands of an economy whose growth has been two-digit over decades. China, a former exporter of energy, has since 1990 turned into a net importer and important customer, particularly of oil and gas. In the meantime, it has become the largest energy consumer in the world²⁵ and pursues a policy characterized by stable, long-term relationships with exporting countries, the acquisition of drilling and mining rights, and a diversification of suppliers.²⁶ When China entered the global energy market as a new client at the beginning of the 1990s, it first opted for a niche strategy, trying to avoid competition and conflicts with participants of the established markets. It turned to smaller suppliers and, if necessary, even to pariah states such as Sudan, Libya or Zimbabwe, an approach that was and still is severely criticized by Western states. In the end, China's pragmatic foreign trade policy has been successful even in supplier states courted by the West (Saudi Arabia, Angola, and Nigeria), where China managed to gain access to their export markets and to gradually turn its economic power into political influence.

In 2000, China set up the Forum on Chinese-African Cooperation (FOCAC): a format of four ministerial conferences at three-year intervals which provides a framework for cooperation with basically all African states, although the focus is still on bilateral relations. When there is talk in the U.S. and Europe, but also in Africa itself, about a new type of Chinese colonialism, China counters such claims by pointing to its quite considerable engagement in development cooperation with Africa and the enormous benefits it provides for many states and societies on the continent.²⁷

²⁵ *Frankfurter Allgemeine Zeitung*, June 8, 2011.

²⁶ For details, see Saskia Hieber, *Energiesicherheit in China* (München: Vögel, 2006).

²⁷ Ian Taylor, *The Forum on China-Africa Cooperation* (London and New York: Routledge, 2012).

Since 2003, there has been a “strategic partnership” between the People’s Republic and the European Union (EU), which, as a community of states, is China’s largest trading partner. Both sides meet annually at the summit of heads of state and government and hold a dialogue on human rights issues. But for China, the EU is not really an international actor in the true sense, so it cleverly exploits the differences between European states to promote bilateral relations with individual member countries, an approach which is much more beneficial to China. With some of them (Germany and France), China has entered into its own strategic partnership. In the case of Germany, the partnership was extended and now includes joint consultations at the government level. China maintains strategic partnerships with quite a number of countries. Loosely defined and not strongly institutionalized, they facilitate informal pragmatic relations that can easily be intensified or weakened depending on the interests of both sides.

China’s relationship with the U.S. is one of profound interdependence, with the U.S. being the most important external point of reference in China’s strategic calculations. The U.S. is the largest individual buyer of Chinese products, and China keeps investing its gigantic trade surplus in the U.S. (about \$315 billion in 2012)²⁸ in U.S. low interest bonds, financing the American budget deficit and keeping the U.S. banking sector liquid so it can give credits to U.S. consumers who, in turn, purchase Chinese goods. But in spite of this high degree of interdependence, both countries are openly suspicious of one another when it comes to power related interests.

All cooperative approaches notwithstanding, China falls into patterns of confrontational behavior again and again – be it an act of self-assertion, a historical reflex, or a reaction to nationalist tendencies among its own population. As a result, there has been a series of incidents over the last few years involving the armed forces of the Philippines and Vietnam, as well as U.S. reconnaissance forces (whose behavior has also not exactly been characterized by restraint) in the South China Sea. When the crew of a fishing cutter was caught in Japanese territorial waters in 2011, China reacted to their arrest by launching unveiled threats at Japan. In the end, however, political wisdom prevailed and neither side was ready to undermine the common goal of regional development for the sake of symbolic interests of marginal importance at best. It is to be expected that China will adhere to the principle of highly pragmatic cooperation that it has developed over the last thirty years, which includes even the most diverse partners in the international system – at least as long as China’s core interests remain unchallenged.

Tools and Instruments of Power

Given the People’s Republic’s increasing economic and political power, there is a lively discussion in many partner countries, but also in China itself, about which instruments of power the country should use to safeguard its interests in the future. The most relevant question in this context is whether the above-mentioned strategy of *taoguang yanghui* ought to be replaced with a more power-oriented claim to the status of a stabilizing power or even to leadership.²⁹ What are the instruments of power available to China and how is the political leadership going to use them?

²⁸ U.S. Department of Commerce, United States Census Bureau, “2012: U.S. Trade in Goods with China,” <http://www.census.gov/foreign-trade/balance/c5700.html>.

²⁹ Oliver Bräuner, Gudrun Wacker, and Jiajing Zhou, *Die “Harmonische Welt” und Chinas Rolle im Internationalen System: Aus chinesischen Fachzeitschriften der Jahre 2006-2008* (Berlin: SWP-Zeitschriftenschau, ZS 02, 2008). See also Jost Wübbecke, *Welche Rolle für Chinas Militär? Aus chinesischen Zeitschriften der Jahre 2008 bis 2010* (Berlin: SWP-Zeitschriftenschau, ZS 06, 2008).

China adheres to the concept of a state's comprehensive national power (*zonghe guoli* 综合国力) as a framework that expresses hard factors, such as the military or economic and technological strength as well as the cultural appeal of a civilization in quantifiable terms. Using the terms hard and soft power commonly referenced in Western political science, David Lampton managed to encapsulate the comprehensive character of the "Three Faces of Chinese Power" with the alliterative phrase "might, money, and minds."³⁰ China seeks power in the classical sense, it wants to achieve economic success and to gain international respect.

Since the turn of the millennium, the military – one of China's hard power factors – has increasingly become the focus of international debate about the future development of the People's Republic. And indeed, the People's Liberation Army (*renminjiefangjun* 人民解放军) has been undergoing an extensive modernization program for years. This has been accompanied by regular increases in the defense budget of ten to eighteen per cent annually. In 2011, China's (official) defense budget of about \$92 billion was the second largest in the world, but still about \$600 billion lower than the world's largest one: the U.S. defense budget.³¹

The Chinese military modernization process concentrates on the navy, the air force and the strategic missile force ("second artillery"), which includes the People's Republic's land-based nuclear weapons. In the army (with 1.5 million troops, the largest service of the approximately 2.3 million strong People's Liberation Army), the restructuring process – dedicated towards more mobility – is evolving at a more measured pace. The overall goal of the modernization effort is to enable the Chinese armed forces to wage (and win) a modern war in the information age.³²

According to its white paper on national defense 2010, China's defense policy continues to be strictly defensive, although the doctrine of "active defense" also allows for more offensive measures to be taken in response to an attack. Various armament projects such as an aircraft carrier program (the "Lianoning" a carrier bought from the stocks of the former Soviet Union and further equipped in China, was put into active service of the PLA Navy as a research and training vessel in August 2012), modern anti-ship weapons, conventional as well as nuclear-powered or nuclear weapons-capable submarines and, last but not least, air and space programs give rise to concern about China's hidden agenda, especially in the United States, but also among regional neighbors such as Japan, Taiwan, the Philippines, and Singapore. The same is true for the area of the South China Sea, where China recently held a large-scale maritime exercise with ships from all three navy commands of the People's Liberation Army.

In spite of its modernization program and the occasional saber-rattling in the South China Sea, China's military is not fit for use as a hard power instrument for power projection nor will it be in the medium to long term; it also seems that this is not really China's intent. While it is true

³⁰ David M. Lampton, *The Three Faces of Chinese Power. Might, Money and Minds* (Berkeley: University of California Press, 2008).

³¹ Stockholm International Peace Research Institute, *SIPRI Yearbook 2011* (Stockholm: SIPRI, 2011), Chapter 4.

³² For more details from the Chinese angle, see Guangkai Xiong, *International Situation and Security Strategy* (Beijing: Foreign Languages Press, 2009), 253; for the U.S. angle, see Office of the Secretary of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China* (Washington D.C.: The Pentagon, 2011) http://www.defense.gov/pubs/pdfs/2011_CMPR_Final.pdf, 34.

that the military budget is increasing considerably, it remains constant at 1.5 to 2 per cent of the gross domestic product and is therefore not a top priority on the agenda of Chinese politics. Up to now, even the most modern units of China's armed forces are clearly inferior to those of the American, Japanese, and Taiwanese militaries in terms of quality and quantity. China's internal development depends on long (Indian Ocean) and vulnerable (Straits of Malacca) trade and supply routes which, in case of a military escalation, the Chinese armed forces would not be able to protect, but which the U.S. could cut off rapidly. China does not have any military allies and friends that would take the People's Republic's side in such a scenario. The ports that China uses in Myanmar, Bangladesh, Pakistan, Sri Lanka, and Djibouti – referred to as the string of pearls – are not military bases.

So apart from China's (constructive) engagement in international military operations such as fighting piracy around the Horn of Africa or UN peace missions, its military options remain limited to its internal agenda, the borders of its territory, the Taiwan issue, and possibly the South China Sea. Here, however, China makes no secret of its intent: it wants to be capable of offering resistance and make the U.S. pay a very high price in case of an intervention into these areas of core interest. This does not mean that China intends to become a power equal in military strength to the United States. With the collapse of the Soviet Union still in mind, China will not get involved in an arms race with the United States. Instead, China adheres to a doctrine of effective deterrence with minimal military effort that has its theoretical basis in defensive realism.

As far as its soft power is concerned, China is likely to step up its efforts. The country is well aware of the negative image it has – and not only in the west – and therefore seeks to add cultural charisma to its attractiveness as a commercial partner. Charm offensives in South East Asia, generous contributions to development cooperation particularly with Africa, and Chinese language and culture classes in numerous Confucius Institutes around the world fall under the soft power category, just like the bombastic staging of prestigious mass events such as the Olympic Games of 2008 or the world fair EXPO 2010 in Shanghai.

During the above-mentioned 2009 Ambassadors' Conference, Head of State Hu Jintao called upon his country's diplomats to keep emphasizing what the Chinese media later so concisely labeled the four strengths of China (*sili* 四力): its growing political influence, its increasing economic competitiveness, its improved image, and its moral attraction,³³ the latter representing a rather clumsy attempt to profit from the United States' globally declining reputation and its weaker moral claim to leadership. And indeed, China can offer ample proof that its authoritarian political system, which allows for a certain degree of freedom, has been quite successful. It also advertises this model in other regions of the world, such as Africa or Latin America, where Western democracies offer cooperation only on the condition that partner countries comply with what the West calls good governance.

But China's soft power capabilities remain limited, at least for the time being. The country is still struggling with enormous internal problems, and the way minorities are treated in Tibet and Xinjiang gives as much rise to concern as the chauvinism of the dominant Han ethnic group or recurring patterns of nationalist behavior that the political leadership is not disinclined to exploit for its own purposes. A "Beijing consensus," one which might replace the Washington consensus

³³ Bonnie S. Glaser and Benjamin Dooley, "China's 11th Ambassadorial Conference Signals Continuity and Change in Foreign Policy," in *China Brief* 9, no. 22, 7-11.

on the connection between freedom and prosperity, is not yet on the horizon. However, as Wang and Nye accurately point out,³⁴ China's chances of increasing its soft power are excellent if it continues to present itself as a responsible stakeholder and avoids the bluster of the past.

Prospects: A Difficult but Predictable Actor in the International System

In conclusion, it can be said that China has been successful in implementing its grand strategy being fully aware of its strengths and weaknesses. It is characteristic of this strategy that it was not devised as a plan to be put into action, but that it evolved gradually keeping pace with the increasing economic and, consequently, political weight of the People's Republic in its interaction with the international environment. Unlike many Western democratic states China is not out on a mission, it is neither trying to persuade other states to accept its concept of a harmonious society and legitimate rule nor trying to impose it on them. Therefore the Chinese political leadership is free to act with extraordinary pragmatism.

It can also be said that China is a global economic power, but in many other areas, especially in the military and in its ability to influence and shape the culture and way of life of other states and regions, it is still a long way from being a global power. China undoubtedly has the potential to become such a global power and will most likely do whatever it can to gain that status, but it will take time. China's self confidence has greatly increased over the last few years, so it is to be expected that the country will pursue its core interests and its operational economic and political interests more adamantly, and demand even more respect as an important international stabilizing power. In view of its pronounced internal weaknesses and external vulnerability, China will also do anything it can to avoid dangerous conflicts and confrontations, especially with the United States.

In its relationship with the United States, China will most likely opt for a dual strategy of increasing economic cooperation and interdependence on the one hand and – due to its strong mistrust of American containment efforts – the development of a defense capability against the U.S. on the other. It is exactly the ambiguity of this relationship that might induce China – by using both hard and soft instruments in a clever and appropriate manner – to develop the type of smart power worthy of a genuine global player.

In the meantime, China's grand strategy will remain focused on the Middle Kingdom and its internal development. But China itself is changing in its intensive and multifaceted interactions with the international environment – and China is changing the world. There is not a single global problem that could be solved without China's participation; this makes the country an indispensable actor in the international system. For the foreseeable future, China will continue to depend on a stable and cooperative environment. It serves China's natural interests to abide by at least the most basic international norms. Instead of cultivating their fear of China's global dominance, the established powers of the old political West ought to reckon with China, take it seriously, and accept it as a partner who may at times be difficult, but also predictable.

³⁴ Jisi Wang and Joseph Nye, "Hard Decisions on Soft Power," in *Harvard International Review* (Summer Issue), <http://hir.harvard.edu/agriculture/hard-decisions-on-soft-power?page=0,0>.

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Between 1994 and 2000, he was appointed to the Academy of Information and Communication as a senior research fellow and lecturer for German and international security policy. Dr. Gareis started his professional life in 1981 as a military officer in the German army signal corps where he served in various functions until 1994. As a reserve officer, Dr. Gareis attended the International Course at the National Defense University of China's People's Liberation Army and repeatedly served on a temporary basis as a military attaché with the German embassy in Beijing/China. Dr. Gareis specializes in international security policy with a special focus on the United Nations' role in the maintenance of peace. He is a recognized expert on China and its impact on Asian and world politics. He is also interested in foreign and security policies of Germany and the European Union. As a result of intensive research in these fields, Dr. Gareis has authored and co-authored several books as well as published articles in books and journals.

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