China and the Pursuit of State Interests in a Globalising World

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From the time of Deng Xiaoping’s economic reforms in 1978, China has adopted policies designed increasingly to enable it to take advantage of the processes of globalisation. Although it puts the emphasis on economic globalisation, its increased integration with the globalising international system poses difficult domestic and international choices for the governing regime. Domestically the growing importance of private enterprise and entrepreneurship raises difficult questions, notably about the role of the Chinese Communist Party. Internationally, there are concerns about the vulnerabilities involved in interdependence. Moreover, domestic policies to maintain stability or actions internationally to maintain sovereignty often detract from the image of a responsible international power which is needed to achieve China’s economic development in a globalising world. Despite the tensions, integration will continue.

Introduction

The Deng Xiaoping reforms of 1978 followed a long line of reform efforts in China. The idea behind the ‘open door’ reform policy that Deng introduced was not without precedent in earlier 20th-century Chinese reform debates. It had resonance, for example, in Sun Yat Sen’s thinking in the 1920s. When introduced, however, it was a major change from the orthodoxy that had been accepted by the Chinese Communist Party (CCP) in the 1950s, 1960s and early 1970s. While not understood at the time explicitly as a response to a rapidly globalising world, in practice that is what it was.

The reform policy’s objective, like that of the policy it replaced, was to make the country prosperous and secure, or ‘rich and powerful’. In practice the financial, industrial and communication processes that underpinned globalisation meant that that objective was achievable only by increasing China’s interdependence with the international community, particularly in the economic field, with major implications for its national security and its foreign policy.

Although it is now accepted that in pursuing its state interests in this way, China has been integrating with the globalising international system, differences remain over the extent and nature of that integration. Some see it as a shallow integration; for others it is more substantial. Outside observers differ over why China has accepted such integration. Is it a normative acceptance of the value of integration, co-operation and economic interdependence, representing cognitive learning by China of how the world works or ought best to work? Or is it simply tactical learning reflecting a realist view that it should integrate only so far as it must to pursue its power-seeking interests? Related to this is the question of what are China’s state interests. Internationally they obviously include security, prosperity and China’s place in the world but those terms mean different things to different people, inside or outside China. Moreover, they are linked to domestic goals, notably
modernisation, stability and regime survival. The further question is how globalisation affects what such terms mean and how they are pursued.

Deng’s reforms changed the orientation of China’s international economic policy but the underpinnings of that policy and its relationship to security had long reflected a tension between ideology and expediency. Much of the ideology has now gone but it was always coloured under Mao Zedong by practical needs. As the CCP revolution was developing in the 1930s and early 1940s, a qualified Marxist/Leninist orthodoxy in foreign policy thinking emerged. Despite a largely orthodox view of the Soviet Union as a model, China’s security concerns, reflecting the economically exploitative imperialist approach of the capitalistic West, were largely limited to how the approach affected China’s security.

Until 1945, Mao commonly spoke of the need for US links in particular. Certainly, this reflected his immediate interest in support for the conflicts with Japan and Chiang Kai-shek’s Nationalists. It also reflected, however, his longer-term concerns—doubts about Soviet intentions towards China and a recognition that only the US had the economic resources to assist China’s postwar reconstruction.1

Prospects of a more open approach to economic exchange with the US, Britain and perhaps other allied countries were closed off by Cold War anti-communism and domestic US political support for Chiang.2 United States efforts to discourage US allies from maintaining trade relations with China were eventually legitimised by Mao’s subsequent ‘leaning to one side’ (i.e. to the Soviet Union) policy, although that policy was not intended to exclude economic links with the US and Britain. China’s entry into the Korean War led to a total US trade embargo, largely followed, initially at least, by US’s allies.

In the late 1960s and during much of the 1970s, China was conducting a virulent anti-capitalist propaganda campaign aiming, among other things, for no contamination of its socialist society by foreign money or foreign entrepreneurs. Yet now, as the new millennium opens, Jiang Zemin and other Chinese leaders argue that economic globalisation is ‘a natural outcome of world economic development as well as the external environment for the economic development of all countries in the future’.3

Relying on official statements is never a totally reliable process for analysing any country but especially in China’s case. The lack of transparency of the Chinese system leaves unclear what are the motivations of the Chinese leadership. So, while leaders’ statements are important, the first part of this article looks at what China has done rather than what its leaders has said.

As Jiang’s statement illustrates, however, globalisation in China tends to be seen as largely economic, relating to markets for finance, goods and services. Although to gain from globalisation requires extensive participation in the global economy, globalisation is more than economic interdependence. It also requires integration in the sense of following the rules and norms set by the international system through its global and regional institutions. In putting China under the microscope, I explain, respectively, China’s involvement in competitive international markets; its participation in international institutions; and its adherence to international norms.

Globalisation also involves intensified and mostly qualitatively different political, social and cultural relations among states, involving exchanges of information and ideas, and major changes in the framework within which international relations proceed. While Jiang acknowledged that globalisation has brought unprecedented prosperity and development

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opportunities to humankind, he noted that it had also brought considerable risks and serious challenges. Consequently, I then analyse the effects of globalisation on China domestically and on its foreign (including security) policy.

How Far Has China Integrated in the Global Market System?

If we accept that the international system is now basically capitalistic and market based, then how far China looks to market solutions is an indicator of how it sees itself achieving its priority interest in ‘modernisation’. Despite the trade embargoes, in practice China’s trade grew with the West in the 1950s and until the late 1960s. Trade, however, remained marginal to China’s largely autarchic economy, foreign investment was not permitted and central planning did not permit trade to provide the economic signals and incentives/disincentives needed to facilitate increased productivity or contribute generally to an efficient and competitive use of China’s economic resources.

China’s trade started to grow rapidly in the 1970s, notably with Japan from 1972, but also with the US after their normalisation of relations in 1978. By 1980, China’s exports amounted to 6 per cent of GDP; in 1998, the figure was 22 per cent. World Bank figures show that in 1997 China was the second largest recipient of direct foreign investment (DFI) after the US. Given China’s high domestic savings, inward capital flows, although large, made only a relatively small contribution to capital investment in China. Its contribution has been crucial, however, in supplying technology and entrepreneurship. There is foreign involvement, for example, in some two-thirds of China’s total exports.

In most areas China is clearly becoming more market oriented in its international dealings. Governmentally this is reflected not just in its readying of its economy for World Trade Organization (WTO) membership but also in participating in international activities that respond to market processes and in removing or reducing many of the barriers to market operations. There are still many more to be reduced or removed. China has still a long way to go in restructuring its enterprises, commercialising its banking system and consolidating its fiscal reforms as well as liberalising much of its service sector. Price controls, although widely eliminated, are still prevalent and there is still much arbitrary involvement of party officials. In parts of the service sector, notably telecommunications, security concerns have intervened; hence the limits to foreign ownership in the WTO bilateral agreements with the US and Europe. Generally, however, China has accepted the economic interdependence that market integration implies despite the vulnerabilities associated with it.

All countries participate in market processes because they believe it is in their interest to do so. One could ask whether China accepts the importance of market mechanisms and the institutions that underpin them, including in the co-operative provision of public goods. China has been increasing the openness of its system and providing more public information on its trade and investment mechanisms in a variety of contexts through the Asia Pacific Economic Co-operation forum (APEC) and elsewhere. Countries other than China may have a better understanding of the long-term aspects of self-interest, such as the diffuse nature of reciprocity and that understanding may take some time to be internalised widely within China, but that too is starting to happen.

China’s participation in APEC is based on acceptance of diffuse reciprocity and reflects

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its increasing comfort with multilateral processes in the economic field. Moreover, its integration in the regional economic system, apart from the extensive trade and investment exchanges, is reflected in its response to the Asian economic crisis. Not only was its resistance to devaluing its currency helpful, but China contributed substantially to the rescue packages for Thailand and Indonesia.

China’s energy policy illustrates its international market integration. China’s energy demand is growing rapidly and will constitute a major demand on global energy sources. It is currently heavily dependent upon the Middle East, which makes it vulnerable in two respects. It sees the Middle East as potentially unstable and heavily influenced politically by the US. It also feels the vulnerability of its dependence on the sea lanes carrying oil from the Middle East.

Alternative supply sources for China’s oil and gas include Russia and the other CIS states. China is seeking closer relations with energy-rich Kazakhstan, among others, including investing in its energy projects. China could seek to dominate the CIS states and especially Kazakhstan but that would bring it into overt competition with Russia. Moreover, instability in the east would be a negative factor for investors in energy developments looking eastward rather than to the west for politically stable transport routes. In any case, as elsewhere, China has sought a stable external environment for its economic development and therefore peaceful and cooperative relations along its borders.

China has moved from attempting energy self-sufficiency largely for economic reasons. There are large additional resources still available in existing fields in Xinjiang and elsewhere within China but the economics of development and of transport limit their exploitation. In practice China has substantially integrated into the global energy market through increasingly market-oriented vertically integrated state enterprises: now, notably, China’s National Petroleum Corporation (CNPC) and China Petrochemical Corporation (Sinopec). China’s energy enterprises have been investing globally for some time—in the US and Latin America as well as the Middle East, Russia and the other CIS states. They are starting to enter into strategic alliances with international oil majors and Chinese enterprises have participated in joint ventures for the provision of services to the energy industry globally. At the same time, foreign companies are involved significantly in China’s domestic oil products and petrochemicals markets.

Overall, therefore, China’s economic response to globalisation has been a mix of substantial and increasing market integration in many areas but of shallow integration in others. Considerable differences remain compared with the situation in developed countries; but some of those are themselves not fully integrated in some sectors, notably agriculture and in various service sectors. There are, however, also increasing similarities and common practices, and globalisation pressures are making exceptions increasingly costly.

How Far Has China Integrated Institutionally?

Unlike the Soviet Union, since 1971 China has been basically working within the Western–led international system. At no time has it moved to be part of an alternative system, as the USSR had with Comecon, but rather sought to join and make changes from within the existing Western institutions. This is not simply as a member of the UN and its agencies but also, subsequently, in China’s relatively rapid involvement in economic institutions set up by the West after World War II. China joined the World Bank and the

7 Xiaojie Xu, *Oil and Gas Linkages between Central Asia and China: A Geopolitical Perspective* (Houston, Baker Institute, Rice University, 1998).
International Monetary Fund, for example, in 1980. It became a party to the GATT Multifibre Arrangement in 1984 and applied to rejoin the GATT in 1986.

Western commentators still talk of a need to integrate China into the world community. As Iain Johnston observed, however, this is based on the questionable assumption that China is somehow outside the global community. If judged in terms of participation in international institutions, China has integrated extensively with the international system and is substantially a complying part of that order. Its involvement in international institutions is very extensive. In fact, Johnston argued that it was overinvolved in intergovernmental organisations (IGOs). As with its substantial involvement in non-governmental organisations (NGOs), that may reflect China’s view of what is expected within the international system of a great power or may simply result from bureaucratic happenstance. In economic terms, however, Lardy has suggested that China had integrated in the global economy more effectively than Japan.

China, however, remains a dissatisfied power in the international institutional context, like Japan and a number of other countries. China’s concern is that reform is needed in the international economic system, notably because globalisation affects and perpetuates economic inequalities in developing countries, China among them. It feels that its weakness in the international trade field has been exploited by the major powers. It is also concerned about the dominance of the international institutions by the US. At various times the question has been whether China’s dissatisfaction with the international system would lead it to disruptive behaviour. The experience of China’s participation in the international financial institutions, notably the International Monetary Fund and the World Bank, suggests largely conforming, but not inactive, participation. Experience in the UN and its agencies has similarly indicated efforts to conform rather than disrupt. China has entered few vetoes in the Security Council, usually preferring to abstain except where its direct interests, notably over Taiwan, are concerned. In general it does not propose revisionist forms of international and security regimes.

China has also gained, moreover, from the confidence building, diminished mistrust and increased political understanding that have come from its participation in regional economic institutions, notably the Pacific Economic Cooperation Council (PECC) and APEC. Its participation has been generally constructive and these processes have provided useful mechanisms for learning about the impacts of globalisation. China now participates fully in regional technical meetings, such as the regular meetings of the Asia–Pacific central bank governors.

China’s participation in the WTO will be more complex and will need firmer assurances from China. The changes required of China to accede to WTO membership, and as reflected in the requisite pre-WTO bilateral negotiations, involve a major commitment to the capitalist trade and economic order. Nevertheless, similar expectations of reasonably conforming behaviour would be widely held for reasons of face (China as a responsible great power) and helped by a domestic Chinese constituency that is concerned to counter domestic protectionist pressures and to gain the increased efficiencies seen as coming from international competition.

In the regional context, China initially regarded multilateral security discussions as

9 A recent example is in Regional Dynamics and Future U.S. Policy (Hawaii, East West Center, 2000), Senior Policy Seminar, p. 45.
devices potentially designed to constrain China. China preferred bilateral approaches but it did, somewhat reluctantly, join the multilateral ASEAN Regional Forum (ARF) and, although still cautious about the dominance of the major powers, now accepts that such dialogue encourages the US and Japan as well as China in regional cooperative behaviour. In other words, China has been able to participate in the international system without fears that it would be disruptive being realised.

China’s Adherence to International Norms

China’s objective of being accepted as a responsible state in a globalising international society will be judged in terms of its adherence to that society’s rules and norms. Globalisation raises the importance of multilateralism and international law as central to the international system. At the 15th Party Congress, China’s leaders moved from a dominant preference for bilateral dealings to accepting multilateralism as a way to resolve differences. Moreover, the articulation by Chinese leaders of a need for increased Chinese interest in international law is also seen as a response to globalisation.

In the economic arena, accepted international norms are not normally difficult to specify. Institutions were established after World War II which embodied specific norms of economic behaviour that could seemingly be pursued separately from political questions and those norms have been modified within those institutions as circumstances or interests dictated.

The argument is sometimes put that China does not have a normative approach to its participation in the existing international economic system. Certainly, China is unlikely to value economic interdependence on the grounds that it leads to political reform and eventually to acceptance of Western forms of democracy. Increasingly, however, Chinese analysts acknowledge that economic interdependence does reduce the likelihood of war and that the pressures of globalisation make international co-operation more necessary and inevitable.

More generally, China still sees less gain to China in the general benefits—the social, political and cultural exchanges—that come with increased economic exchange and with globalisation than would many Western countries. These are Deng’s ‘flies’ that unavoidably come in through the open window, and China is concerned to minimise these effects.

Political norms have been less precisely defined by the international community and are more changeable. China is an Asian country and has sought to integrate increasingly with Asia and has become part of the regional multilateral framework. In practice, as a consequence of the colonial period, most Asian societies give priority to international norms of political independence, territorial integrity, national unity, non-interference in domestic affairs and peaceful resolution of disputes, norms that are comfortable for China. Asian societies give high priority to the norm of peaceful settlement of international disputes rather than military aggression and subversion. China, as a member of the ARF, has accepted, with other members, the principles of the ASEAN Treaty of Amity and Cooperation, which provides for peaceful settlement of disputes.

Regionally, a limited concept of co-operative security is developing in the ARF—the idea that security can be achieved through co-operation. This is limited so far to conflict prevention through confidence and security building measures and to shaping the normative structure rather than containing or ending conflict.\(^{13}\)

The norms of a global security system are limited; such a system hardly exists outside the UN principles and international arms control processes. China’s acceptance of multilateral arms control processes has increased, although like other major powers, it often participates in arms control arrangements in ways that minimise constraints on its own military capabilities. China’s participation still falls short of what the West regards as satisfactory, but the evidence is incomplete. Moreover, the debate is highly politicised: China’s modernisation of its nuclear arsenal ‘is seen as a threat’; when the US does the same it is explained as ‘necessary for national security’. Despite extensive US criticism of China’s slowness in adopting arms control provisions, China is a member of the International Atomic Energy Agency and the Nuclear Non-Proliferation Treaty. It has signed the chemical and biological weapons conventions and China proposes to proceed with ratification of the Comprehensive Test Ban Treaty despite its rejection by the US Congress.

Nominal acceptance of principles does not ensure adherence in practice, and China is widely regarded as being ready to use the military instrument. In practice this is probably limited to questions of sovereignty, and commonly only in response to others’ use of force. Apart from the predominantly sovereignty-based issue of the Spratly Islands, probably given more attention than warranted, Taiwan is now the major example. So far at least, this has involved deterrence rather than physical use of force. For China, the global norms of sovereignty and the UN principle of non-interference in the domestic affairs of sovereign states remain fundamental. They reflect not just its past history of outside interference but also of its current concern to maintain the legitimacy and unity of the Chinese state. China not only sees its legitimacy dependent upon maintaining its sovereignty over Taiwan but also, with some justification, sees threats of outside interference in the case of Tibet and Xinjiang. Thus its support for the UN is strong both because of its membership of the Security Council but also because it values principles the UN Charter represents.

Its emphasis on these norms led China to differ from the West on issues such as Iraq and Kosovo. China feared that changes to existing norms might provide precedents to override sovereignty with, at some stage, direct application to China. China’s view on this is shared with many others in Asia. While China’s concern about sovereignty makes it more inflexible in its negotiating stands on Taiwan and perhaps the Spratlys, its emphasis on sovereignty, reflecting its belief in the inviolability of borders, might suggest that it is less likely to violate the borders of others.

Nevertheless, China has gradually made small compromises over its sovereignty. It accepted conditionality on IMF loans, it recognises that WTO membership involves domestic intrusions, it accepts US inspections of compliance with intellectual property rights agreements, and inspection requirements under international arms control conventions and environmental agreements.

Globalisation has given greater influence to NGOs, notably in the human rights arena. China’s 1989 crackdown in Tiananmen Square put its human rights performance under
critical scrutiny internationally both for genuine humanitarian reasons and as a political weapon. After a long period of resisting international governmental and NGO pressures for discussion of its human rights practices, China gradually, if reluctantly, accepted that China’s human rights are a valid subject for international discussion. That acceptance has been further reflected in China’s signature of, in addition to the UN convention on economic rights issues, the convention on political human rights issues.

China’s implementation of those conventions leaves a lot to be desired and it has not accepted fully the West’s principles. It has, however, argued its case within the system—the United Nations Human Rights Commission (UNHCR). In response to critical resolutions in the UNHCR and criticisms elsewhere, China allowed international groups to examine its human rights processes and it published a white paper on China’s human rights.19 Its poor, if generally improving, political human rights performance reflects both problems of implementation and of significant differences on some basic Western human rights principles; on these it often shares the views of some other Asian states such as Singapore, Malaysia and Vietnam.

In a number of respects, and in response among other things to the pressures of the need to participate in globalisation processes, China has moved towards the West in common acceptance of international norms. As Zhang noted, given its integration with the global system, it has acquired a substantial stake in the existing international order.20 Yet, in addition to concerns about the alienating impact on Chinese culture, China’s leaders clearly differ from, and feel threatened by, the West’s promotion of democracy and political human rights as universal norms, the new Western norm of justified intervention on humanitarian grounds, and the promotion of universal labour and environmental standards. The international environment has become an important issue on which the international community is developing norms. China suspects that the environment pressure coming on it is being used to reduce its international competitiveness. Nevertheless, China has become increasingly responsive to global environmental interdependence, although continuing divisions over these norms between developed and developing countries are reflected in China’s approach.

The Domestic Response to Globalisation

As Deng saw in 1978, the survival of the CCP as well as the unity and stability of China depend upon sustained economic growth. Globalisation has helped it achieve a major leap in prosperity. It has posed problems for its leaders, however, in terms of maintaining domestic stability. China is now facing considerable stresses on its political and social systems as a result of globalisation and the associated modernisation of its society, facing the Party with difficult choices. In assessing China’s response, and where it might go in the future, it is helpful to understand, first, how the changes occurred in thinking that accompanied the response to globalisation.

When looking at how China could change so substantially in the late 1970s, one factor, the Cultural Revolution, stands out. Not only had the 1957–1958 Great Leap Forward substantially damaged China’s economy but the associated two decades of radicalised politics culminated in the devastation of the 1966–1976 period of the Cultural Revolution and its aftermath. Although international security circumstances had improved for China, living standards had fallen absolutely and relative to those of its East Asian neighbours.

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19 Although widely criticised as an inadequate defence of China’s performance, much of the criticism missed the significance it reflects of China’s growing, if still very inadequate, socialisation on human rights. Yongjin Zhang, *China in International Society since 1949: Alienation and Beyond* (Basingstoke and New York, Macmillan and St Martin’s Press, 1998).
Deng’s initiative on his reinstatement to power was consequently more concerned with regime security and Party legitimacy than national security. The Cultural Revolution weakened the central institutions and created a constituency for economic reform; a common view is that without the Cultural Revolution Deng’s opening up and reform of the economy would not have been possible.\(^1\)

Deng’s predecessor, Hua Guofeng, planned to stimulate economic growth through major industrial projects. Deng understood, however, not only that major economic reform was required to allow the CCP to stay in power but also that the reform, to succeed, had to open China up to the international economy as Mao, for security reasons, had opened China up politically.

From its resumption of its United Nations seat in 1971, China had gradually participated more extensively in international political activities. While a few major countries, Britain and France in particular, had recognised China earlier, its diplomatic acceptance of and by many countries bilaterally moved rapidly after its entry into the UN and the early 1970s breakthrough in US–China relations. This helped China to revise its understanding of the world and of international institutions.

Deng’s approach was pragmatic, and the reforms have remained substantially pragmatic. The Chinese, however, like a doctrinal framework for changes in their policies. The concept of interdependence was not an element of China’s thinking about economic trade and exchange at the time the reforms were introduced. The need was felt to provide, if not a doctrinal framework, at least a doctrinal rationalisation.

This emerged from an intensive and wide-ranging internal economic debate in China which moved towards a new ‘worldview’. In particular, it came about through an intensive debate and systematic re-evaluation of the role of international trade.\(^2\) Especially important in the acceptance of the benefits of trade was a re-examination of the work of David Ricardo. Ricardo was well known in China as a major source of Marx’s ideas, notably the labour theory of value. Ricardo’s theory of comparative costs, the forerunner of the theory of comparative advantage, was less well known. That theory showed that trade, rather than being exploitative or immiserising, could provide mutual gains to those participating.

Consequently, by the mid 1980s, interdependence, to which China had shown hostility a decade earlier, was gradually acknowledged in the discourse of China’s leaders as something of which China could take advantage. This required China’s leaders to abandon many deeply rooted assumptions about the nature of the international environment. As a result of this internal debate, they came to see the new world order as ‘in conformity with the objective needs of the development of modern productive forces’.\(^3\) They acknowledged this higher stage of economic development needed more than national markets. They came to accept and internalise, if often grudgingly, the reality of one world market with capitalism as the prevailing force, the international division of labour as an objective necessity, and a need for economic co-operation globally and regionally, including the need for socialist regimes to cooperate with capitalist ones. As a consequence, China changed from arguing for radical change in the international system in the 1970s to arguing for gradual change within the existing system in the 1980s.

There were political problems to be overcome and vested interests to be accommodated. Not all leaders were able to accept the changes and strong opposition to the reforms

\(^{1}\) See, for example, Yang Liwen, talk to Foreign Correspondents Club, Beijing, Agence France Presse (11 April 2000); Susan Shirk, *The Political Logic of Economic Reform in China* (Berkeley, University of California Press, 1993), p. 13.


remained well into the 1990s. The solutions Deng adopted to meet these problems influenced the outcomes of the reform policies. To ensure bureaucratic support and to maintain the Party’s central role, Deng gave Party cadres an implementing role in the reform process. As a consequence, the stage was set for widespread rent seeking and corruption in China. The cadres became the gatekeepers and, like gatekeepers generally, sought a price for gatekeeping. Structural reforms could also be deferred by provincial leaders and the resultant need to maintain subsidies to a large and inefficient state sector helped stimulate inflation as well as perpetuate inefficiency. This led ultimately to a hope to change the inefficient state-owned enterprises (SOEs) into profitable conglomerates along South Korean chaebol lines as implied in Jiang’s 1997 report to the 15th Party Congress. This hope may now have dimmed with the financial pressures of the growing SOE bank debts and needs for rapid adaptability in the face of globalisation.

The learning process was also required in practical aspects of the implementation of the reforms. The Special Economic Zones were consciously experimental. More generally, the opening up to foreign trade and investment in the late 1970s and early 1980s ran into problems because of a lack of understanding of the interrelations with domestic macro-economic policies leading to the need to cancel international contracts because of the overheating of the economy.

Deng’s reforms were also to be gradual. This has been even more of a problem for China’s leaders in the face of globalisation pressures. The difficulties of transformation and of moving gradually were greater than expected. China’s leaders know, however, that they have to find ways to maintain economic growth. This now must come not just from added resources but increasingly from greater efficiency. This they see coming from two things: a greater role for private sector involvement; and increased international competition. Formal moves to permit increased private ownership have been made grudgingly given the major ideological involving involved. Private sector activity, however, tended to move ahead of formal government approval, with tacit acceptance by Beijing.

There were setbacks. While after the June 1989 events China said the open policies would continue, the relaxed view that had been taken of the growth of the private sector changed, with a sharp fall in the numbers of individual enterprises and private firms. This was not reversed until Deng’s 1992 ‘southern tour’, when the reform program was put back on track and enlarged. The private sector, including agriculture, now accounts for at least half of China’s GDP. Ultimately, in March 1999, the National Peoples’ Congress changed China’s Constitution to elevate the private sector from ‘a complement’ to the public economy to ‘a major component’ of China’s socialist market economy. In January 2000, the State Council announced plans to remove all obstacles to developing the private sector, except in areas of national security importance. For China’s leaders, however, the dilemma remains how to square with a socialist market economy their understanding that future economic and employment growth, to absorb labour force growth and those laid off from state-owned enterprises, will have to come largely from the private sector.

The expectation of greater efficiency from international competition explains, among other things, China’s interest in WTO membership and a favourable US decision on PNTR (permanent normal trade relations, previously most favoured nation treatment). It also explains why a responsible international image and domestic stability is important in achieving China’s modernisation objectives.

Domestic resistance to change has continued both in principle and by those adversely affected by the reforms. The anti-reform ideologues within the Party under Deng Liqun were active before the 15th Party Congress. The criticisms levelled in the 1990s in popular

books such as China Can Say No and then China’s Road: Under the Shadow of Globalisation were such that the Chinese government, in seeking to defend its economic reforms and its efforts to gain membership of the WTO, needed to pursue a strong media campaign to counter the criticisms.

Mao was not alone in seeing danger in the idea of ‘peaceful evolution’, originally put forward confrontationally by John Foster Dulles, then US Secretary of State.  Although rejecting the radical xenophobia of the 1960s and 1970s, Deng was also concerned about the need to avoid ‘bourgeois liberalism’ in all its forms. China’s current leadership still sees ‘peaceful evolution’ as among the risks and serious challenges of globalisation. The pursuit of democracy as a universal value is also seen by China’s leaders as a threat to the regime and to the stability of Chinese society.

These concerns have emerged particularly over information technology (IT). China’s leaders came to recognise that globalisation is a consequence of rapidly changing technologies and that China was falling behind in science and technology (S&T). Enhancing S&T has become a major priority in China’s international policy, as well as in its domestic policy, through education, including study overseas by Chinese students, and through various forms of exchange.

The leaders, however, have embraced globalisation. In Zhu Rongji’s speech to the 21st Century Forum in Beijing in June 2000 he said, ‘we shall take a more enthusiastic attitude to [taking] part in economic globalisation’. Although this reflected the continued emphasis on economic globalisation, his problem is that accepting flows of goods, services, investment capital and technology also requires acceptance of information and ideas. While seemingly economic, such exchanges also convey major political ideas and understandings. China’s participation in the IT revolution, although still limited, is a priority but offers the political dilemma of loss of political control of information exchanges and China is looking for ways to monitor the use of IT. Nonetheless, the increasing spread of IT accentuates other pressures for political reform that result from the ‘modernisation’ process in China associated with economic development and globalisation, including increased capabilities for individuals. Periodic efforts to tighten political and ideological control, such as the crackdown on the Falun Gong, seem short-term rather than long-term solutions.

The question of political control also emerges from the redistribution of economic power away from the centre. The provinces have grown in relative importance in terms of economic power. This inevitably involves political power, and a growing decentralisation of power is not entirely offset by Beijing providing greater regional representation in the Central Committee.

Although Deng Xiaoping’s reforms sought the survival of the CCP, largely as a result of those reforms substantial concerns now exist about the role of the Party and how it maintains its position in a modernising society. This is related to but separate from China’s leaders’ problems over popular discontent with corruption, unemployment and the pain associated with the benefits from China’s WTO membership. The 1997 15th Party Congress saw attempts to reshape the Party’s approach in a number of respects, including redefining socialism. Three years later another attempt has been made to adjust the Party to China’s changed society through Jiang’s references to the three ‘represents’. These are calls for Party development to represent the development needs of the advanced forces of production, of advanced culture, and of the interests of the greatest majority of the Chinese people.  Behind this obscure language are fundamental ideological issues for China’s

27 See, for example, report of a Jiang Zemin address, Xinhua Domestic News Service, FBIS-Chi-2000–0629 (29 June 2000).
leaders. Two explicit issues in particular are the role of the private sector, discussed earlier, and the question of class.

Much of the economic modernisation and growth on which the Party will depend for its legitimacy will come from the economic, technological and entrepreneurial elites, many of whom do not fit within Party structures and would not traditionally fit within the approved class. Jiang noted at the 15th Party Congress that the reforms that had taken understanding of socialism to a new level involved moving from ‘taking class struggle as the key link to taking economic development as the central task’ as well as opening up China’s society and moving from a planned to a (socialist) market economy. Just as at that Congress, he seemed to redefine the private sector, ‘semantically stretching the skin of the socialist market economy’ to include the non-public sector, so, in the case of class, the Party may either move away from a class-based party/state or, as seems more likely, redefine class to include the economic, technological and entrepreneurial elites.

The implicit issues being addressed, however, are the pressures for political reform, pressures that are likely to increase as globalisation continues, challenging the one-party system itself.

**Globalisation and China’s Foreign Policy**

Just as in the domestic field, in the foreign policy field globalisation poses difficult choices for China. On the one hand, to pursue its modernisation objectives, China wants, and needs, to show itself as a mature and responsible member of the international community; on the other hand, actions it takes domestically to maintain stability or internationally to maintain its sovereignty often detract from that image.

China’s emphasis on the traditional maintenance of territorial integrity remains, as the mainland’s concern for Taiwan, Tibet and Xinjiang indicates. Globalisation imposes other international relations issues on states and peoples. In China’s case, in particular, regime security is critical to its leaders and this is predicated on maintaining legitimacy. Legitimacy depends upon a number of things, particularly domestic stability and unity, but a critical factor is economic progress.

In a globalising world economy, restricting economic activity to within national borders increasingly limits the gains from trade and the restricting nation’s prosperity but at the same time opening up to the international system increases vulnerability to conditions beyond national control. Some of those vulnerabilities have changed China’s ideas of security.

The increased interdependence of China’s economy has important implications for China’s security and China has articulated these concerns. It is now possible to see China’s national security concerns as less of a military kind than ‘resting on its economic and technological edge’. Threats to China’s security would then come from the pressure that can be put on it in economic terms.

Consequently, as a result of China’s growing economic interdependence, China has focussed increasingly on its economic security. This is illustrated in China’s 1998 Defence White Paper:

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Economic security is becoming daily more important for state security. In international relations geopolitical, military security and ideological factors still play a role that cannot be ignored, but the role of economic factors is becoming more outstanding, along with growing economic contacts among nations. … more and more countries regard economic security as an important aspect of state security.\(^\text{31}\)

The concept of economic security was important to China even before the economic crisis gave it a new dimension. The vulnerabilities of concern before the Asian economic crisis, in addition to periodic business cycle and market fluctuations, were mainly political pressures that countries—mainly the US—could apply as a result of economic dependency. These included the threat or application of sanctions and the possibility of US withdrawal of PNTR treatment of China’s exports. China’s worries on this particular score should be substantially ameliorated now that the US Senate has passed PNTR. Instability of the international financial market has become a more specific security concern since the Asian financial crisis that began in 1997. To the extent that under globalisation solutions remain in the hands of governments, China seeks solutions to these vulnerabilities much as others do. As well as bilateral negotiations, this includes membership of international rules-based institutions, such as the WTO, with support for reform of their rules where needed, as in the IMF. It also includes the use of its own economic power or potential, such as shifting capital, equipment and technology sourcing from the US to Europe and Japan and, in the case of energy, looking to diversify supply sources.

In the case of energy, we noted earlier that China feels vulnerable with respect to its sea lanes, particularly for oil from the Middle East. It probably accepts, however, the benefits of the US’s role in keeping open the international sea lanes;\(^\text{32}\) it may not like that but the alternatives, such as greater Japanese naval activity in the region, seem probably worse.

Market variability does worry China’s leaders. It is an interesting irony, given the periodic tensions between the two countries, that China’s security is now judged as very dependent on the continuing success of the US economy, however much that is a dependence China would like to lessen. China understands, however, that significant changes in China’s policy of involvement in the international system are not an option.

Problems of the growing rich and poor divide under globalisation feature regularly in China’s rhetoric in part because the developing countries see China as their leader. Moreover, while China is content to be part of the international system, it wants that system to be multipolar rather than, as at present, unipolar. It does not expect multipolarity to eventuate soon, however, and has realised it cannot do much to speed the process. Despite its ambivalence towards the US, it sees the relationship with the US as critical in large part because of the economic gains from that relationship, both as a market and as a source of technology. However problematic the relationship, it is one that remains important to China.

So what does this mean in terms of China’s state interests? There are contending visions of China’s state interests. Nevertheless, official statements reaffirm regularly the maintenance of the main lines of the reform program. Zhu Rongji consistently reaffirms the objective of increasing China’s openness to the international economy; the foreign minister, Tang Jiaxuan, in 2000 repeated the basic line of Jiang’s report to the 15th Party Congress that ‘peace and development’ are the main themes of the time.

Questions arise about the longer-term purpose or consequences of China’s modernisation. China is certainly seeking modernisation both as a means of improving the living


\(^{32}\) Feigenbaum, ‘China’s Military Posture and the New Economic Geopolitics’. 
standards of its people and to provide for security. Part of that security, we have already observed, is the security of the regime and its link with the performance of the economy. China’s objectives put considerable weight on status and being taken seriously in the international community globally as well as regionally. It wants to be sufficiently powerful not to be vulnerable to foreign attack or to the kind of predations experienced in the past. As China’s economy has grown, it can be seen as a competitor or rival to other major powers, notably the United States and Japan. Some observers see as problematic its military modernisation objectives, unsure whether China will be part of the solution or part of the problem of world order.

For China’s current leaders, like Deng before them, their national development strategy accepts that economic power is the most important factor in a comprehensive idea of national power which goes beyond military security to embrace overall strength, giving greater emphasis to economic development, scientific modernisation and technical advance and including social and political stability. That for China the military does not receive the priority of earlier times reflects a lesson drawn, among other things, from the collapse of the Soviet Union, which happened despite its military power. That position is helped by the absence of any particular international threat to China.

China under Deng specified ‘four modernisations’: of agriculture, industry, science and technology, and national defence. The military was, and remains, last. It is possible to see this as merely putting economic development first so that ultimately the military will be able to modernise and China to become militarily powerful—and so regain sovereignty over areas held in the days of the Middle Kingdom. Except in the case of Taiwan, this seems improbable. China now accepts, for example, Outer Mongolia as a sovereign democratic government.

China’s long-term intentions are hard to assess, probably for China as well as for those outside China. Realists have long seen economic power as an important basis for developing military power or for coercion. Those of a more liberal bent see economic power achieving other goals, including increasing security. Realists are sceptical of the liberal belief in learning and of changes in worldviews and note that as the economy grows, so can the military. They believe that capabilities determine state action and that states will, in consequence, continue to face the same security imperatives and pursue the same objectives as other great powers, including building a strong military. Yet learning has occurred in China, including the understanding that economic regime changes and the spread of interdependent market-based systems constrain states’ freedom to go to war, reduce misperceptions and create large vested interests against war. Economic development now warrants a higher priority as a means to global influence (as well as to domestic prosperity and regime legitimacy).

This is clearly consistent with what the Chinese leadership has said and indeed done. The question is whether, as realists are inclined to believe, this is a temporary phase in China’s thinking or whether the shift in thinking has been a more permanent one.

For China, as for other states, the costs of using force have increased in hard material terms and the gains are less clear. Chinese analysts have also accepted that globalisation puts increasing weight on ‘soft’ power and influence. China already seems to be giving greater weight to its international image in a number of contexts, including those concerned with arms control. More generally, it is increasingly sensitive, if not always consistently,

34 Harsh critics of China, Richard Bernstein and Ross Munro, in The Coming Conflict with China (New York, Alfred Knopf, 1997), seem to accept this.
about actions that might give weight to the China ‘threat’ argument and could jeopardise its economic development and political influence.

As part of a broader concern about the dependence of its economic development on a stable international environment, China has negotiated peacefully over existing border disputes in a range of historically contested contexts, often where animosities have long histories. Particularly notable has been the mixed bilateral/multilateral process leading to the resolution of borders along some 7000 km between China and Russia and the other members of the CIS, including several places where military conflicts occurred in the recent past. Apart from adopting confidence-building and preventive diplomacy measures in the Russia/CIS context, China has been negotiating over existing border disputes elsewhere, such as with India and Vietnam, and deferring more difficult problems to the future, as with the Senkaku Islands and perhaps the Spratlys. Sceptics see this deferral as delaying the solution until China is stronger. Alternatively, it could simply be a way of avoiding conflict when a solution is not evident.

What has remained common to China’s objectives in its foreign policy has been its desire to have a role in the international community commensurate with its own beliefs in its merits. China has shown, however, a willingness to accept the costs of global interdependence as well as the benefits, even if, like other countries, it sometimes argues about the costs.

Endpiece

In the last 100 years, China’s often tragic history has been one of at times wanting closer and at other times wanting more distant links with the wider international community. Globalisation, ultimately, gave the Chinese little choice. China has accepted that that is how the world works and that they can benefit from it. Although globalisation was not new, once China recognised that its rapidly increasing pace, range and intensity made the costs of staying outside unacceptable, the change China undertook was remarkably swift. It has tried to be selective in what it has accepted and what it has not. This has been difficult and will become more so. China understands that the international system with which it is integrating is dominated by the West. It accepts that, if not happily. It wants a greater say in how that system works but it knows that that depends upon China developing greater comprehensive national power, hence the overwhelming priority on economic development.

Great benefits have come to China from its reform program. Not all are from globalisation itself. China’s rapid development of agriculture came from domestic reforms seen as part of the broader changes made necessary in adjusting a command economy that was increasingly failing to provide economic development. Today, although governments throughout the world have to cope with the consequences of globalisation and its impacts on their policy options, in China’s case the stresses and tensions are greater. This is because its problems in the transition from a command economy, and the pains of reforms, are adding to changes imposed by the economic and intellectual interdependence associated with globalisation. It is also difficult because of the pressures for political reform that globalisation implies.

Major tensions and stresses now exist in China’s economic and political sectors. Fear of internal disorder is a major basis for continuing support in China for the CCP. Maintaining order while pursuing continued economic development and accommodating greater political freedom will be a major challenge. Failure will have devastating effects, and not just for China.