

Chapter 2

China's foreign policy

China pursues an independent foreign policy of peace, follows the road of peaceful development, works hard to integrate the efforts to safeguard its own national interests and promote common interests of all countries, and strives for a constructive role in international affairs.¹

Introduction

2.1 China's approach to foreign policy has become considerably more open and outward-looking over the past decade, matching its increasing engagement with global trading markets.² In this context, this chapter has two parts. The first considers the factors shaping China's foreign policy, particularly China's need to secure reliable supplies of raw materials and to assert a confident national identity through its foreign policy. The second part looks at the type of diplomacy that China has adopted in international affairs, and other countries' perceptions of the intent underpinning this approach. It also examines the challenges confronting China's nearest neighbours, its key trading partners and its major strategic allies as it emerges as a political and economic force in the region and a powerful influence in world affairs.

Factors shaping China's foreign policy

The importance of economic growth and social stability

2.2 The Chinese people face an unprecedented rate of social and economic change as their country opens up to the forces of the global marketplace. China's economy is expanding rapidly, its social structures are undergoing reform and its people are being exposed to new ideas and changing expectations.³ China is a country of great size and diversity; maintaining stability in such a large country emerging from a tightly controlled and planned political, social and economic system is a major challenge for its leaders. Premier Wen Jiabao described the task pointedly:

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- 1 Office of the State Council of the People's Republic of China, 1 September 2005, reprinted in *China Daily* as Full Text of White Paper on Arms Control, 1 September 2005, http://www.chinadaily.com.cn/English/document/2005-09/01/content_474248.htm (accessed 17 November 2005).
 - 2 Chapter 2 of the committee's report tabled in November 2005 traced the opening up of China to the world and its transition from an inward-looking and closed economy to a market-oriented one engaged with the outside world. Senate Foreign Affairs, Defence and Trade References Committee, *Opportunities and challenges: Australia's relationship with China*, November 2005, pp. 7–8.
 - 3 Chapter 2 of the committee's report tabled in November 2005 discussed the range of problems facing China as the country's economy continues to expand and open to the outside world. Senate Foreign Affairs, Defence and Trade References Committee, *Opportunities and challenges: Australia's relationship with China*, November 2005, pp. 10–29.

In China with 1.3 billion people, any small problem multiplied by 1.3 billion will become a huge issue. Any big amount of wealth divided by 1.3 billion will be reduced to a small amount of per capita figure.⁴

2.3 Professor Ross Garnaut has expressed the view that the biggest test for China to sustain economic growth would arise as pressures grow within the country for democratisation of the political process.⁵

2.4 Witnesses appearing before the committee shared this view. Professor David Goodman noted the potential for conflict caused by a political structure out of step with the expectations of people living in a country undergoing significant economic and social change.⁶ Mr Garry Woodard, former Australian Ambassador to China, also commented on the magnitude of the problems confronting the leadership in China. He observed that:

...holding China together is a fantastically difficult thing for a government to do...the range of problems that China faces every day is so vast compared with ours that it was really impossible for us to understand how the leadership there grappled with them.⁷

2.5 Professor James Cotton was of the view that public opinion in China is focused on the many and serious internal problems that the country faces—ecological, economic and social.⁸ The Australian Department of Foreign Affairs and Trade (DFAT) outlined for the committee some of the specific difficulties the Chinese government faces:

There are challenges such as unemployment and disparities between the wealthy parts of China along the eastern coast and the central and western parts of China. There are disparities between urban dwellers and rural dwellers. They face challenges in terms of financial sector reform and problems with nonperforming loans. They also face huge challenges because of unemployment problems involved with state owned enterprise reform...They face challenges in terms of reforming agriculture. At the

4 See Ambassador Fu Ying, Address to the National Press Club, 28 July 2004, p. 15 and '1.3 Billion? Big Deal', *China Daily*, 11 January 2006.

5 Ross Garnaut, Professor of Economics, 'India, China and Australia: Lessons from Different Paths in Economic Reform', *The 2004 Sir John Crawford Lecture*, National Council of Applied Economic Research, New Delhi, 28 September 2004, p. 17.

6 David Goodman, *Committee Hansard*, 29 June 2005, p. 54. He stated: 'The Chinese people, Chinese society, have no problem in dealing with the pluralism that is quite clearly on the way. The problem we are facing from the outside now, particularly in government-to-government relations, is that there is an increasing tension between social and economic change in China and the unwillingness of the people who control the Communist Party at the moment to change along with those trends'.

7 Garry Woodard, *Committee Hansard*, 27 June 2005, p. 27. Mr Woodward was Australia's Ambassador to China 1976–1980.

8 James Cotton, *Committee Hansard*, 13 September 2005, p. 7. Professor Cotton is a professor of politics at the Australian Defence Force Academy.

moment around 700 million citizens are still underemployed in the agriculture area. They also face huge infrastructure problems, which can pose a threat to growth.⁹

2.6 Managing evolving social and political forces as the economy expands and the Chinese people are exposed to new ideas will be very difficult. The Chinese leadership is acutely aware of the possible dangers stemming from the rapid social and economic changes occurring in their country, acknowledging that social conflicts are emerging 'in great numbers and in more varied forms'.¹⁰ In June 2005, President Hu Jintao stated that over the coming decades China faces problems and contradictions 'more complicated and thorny than others' as its moves from a planned economy to a market economy, with its social structure and ideological setup also in a state of transition.¹¹

2.7 China's Ambassador to Australia, Her Excellency Madam Fu Ying, has also referred to the potential for domestic social instability:

China's development is not all rosy and is not without challenges. The gap is widening between the east and west, between the rural and urban areas and between the haves and have-less. It gives rise to social issues that threaten stability.¹²

2.8 Internal unity and accord in China is of paramount concern to the Chinese leadership which places a heavy emphasis on building a 'harmonious society'. On many occasions, the Chinese government has stated its commitment to paying close attention to social stability.¹³ It appreciates that a continuation of China's economic development is vital to managing changes in Chinese society—that economic prosperity promotes social stability and vice versa. Indeed, Chinese leaders consider sound economic growth as the 'material foundations for a harmonious society'.¹⁴

2.9 The increasing integration of China's economy with the outside world means that China's economic prosperity is closely connected to the economic wellbeing of the global economy. The United States' Deputy Secretary of State, Mr Robert

9 DFAT, *Committee Hansard*, 13 September 2005, p. 47.

10 'Building harmonious society crucial for China's progress: Hu', *People's Daily Online*, 27 June 2005, http://english.people.com.cn/200506/27/eng20050627_192495.html, (accessed 20 February 2006).

11 'Building harmonious society crucial for China's progress: Hu', *People's Daily Online*, 27 June 2005, http://english.people.com.cn/200506/27/eng20050627_192495.html, (accessed 20 February 2006).

12 Her Excellency Madam Fu Ying, *Transcript of speech at the National Press Club*, 28 July 2004.

13 Premier Wen Jiabao, *Report on the Work of the Government*, 5 March 2005.

14 Premier Wen Jiabao, *Report on the Work of the Government*, 5 March 2005. See also Senate Foreign Affairs, Defence and Trade References Committee, *Opportunities and challenges: Australia's relationship with China*, November 2005, p. 16.

Zoellick, stated succinctly that 'China clearly needs a benign international environment for its work at home'.¹⁵ Chinese leaders also make a clear connection between the international situation, internal social stability and economic growth.

2.10 They openly acknowledge that China's diplomacy must serve the country's economic development.¹⁶ They espouse a foreign policy that clearly recognises the importance of global stability to their country's economic prosperity and their own political legitimacy. In February 2005, Madam Fu Ying, stated that China's imperative is to maintain security through stability and growth:

Traditionally, the term 'security' is related to military posture and defence forces. But for China...the greatest security concern is to ensure an environment for continued economic development.¹⁷

2.11 Premier Wen reinforced this view:

The international situation is undergoing complex and profound changes. Peace and development remain the themes of our times. The road of China's socialist modernization drive is a road of peaceful development. China's intentions in taking this road are to take advantage of favourable conditions presented by world peace to develop itself and better safeguard and promote world peace through its development.¹⁸

2.12 Having friendly relations with its trading partners is vital to China's economic development and forms a central plank in its foreign policy.

The importance of securing reliable supplies of essential resources

2.13 In order to drive its continuing economic development, China is becoming increasingly dependent on a steady, secure and substantial supply of energy resources.¹⁹ A number of analysts contend that China's growing appetite for energy presents a serious challenge to its economic growth rate.²⁰ Domestic supplies cannot meet China's demand for raw materials and China relies heavily on overseas

15 Robert B. Zoellick, 'Whither China: From Membership to Responsibility?', Remarks to National Committee on U.S.–China Relations, New York City, 21 September 2005.

16 Zhang Qiyue, Foreign Ministry Spokesperson, *Press Conference*, 21 October 2004.

17 Her Excellency Madam Fu Ying, Speech at Australian Strategic Policy Institute, Canberra, 17 February 2005, http://www.aspi.org.au/pdf/Madame_Fu.pdf (accessed 9 August 2005).

18 Premier Wen Jiabao, *Report on the Work of the Government*, Part VII, 5 March 2005.

19 See the first part of the committee's report. Senate Foreign Affairs, Defence and Trade References Committee, *Opportunities and challenges: Australia's relationship with China*, November 2005, pp. 23–6.

20 Wayne W. Morrison, 'China's Economic Conditions', *CRS Issue Brief for Congress*, 26 May 2005. See also, Senate Foreign Affairs, Defence and Trade References Committee, *Opportunities and challenges: Australia's relationship with China*, November 2005, pp. 23–5.

producers for these essential resources. This reliance places China in a vulnerable position.²¹

2.14 The Chinese leadership is keenly aware of the difficulties facing China in satisfying its energy needs. At the beginning of 2005, China noted that supplies of energy, raw and processed materials and transportation had increased significantly over the previous two years but that supply lagged well behind demand for coal, electricity, petroleum and transportation.²² Madam Fu has stated:

The rising demand for energy and mineral resources is posing another serious challenge, as our own supply is not adequate to meet the demand. It is estimated that, by 2010, China will have to import one third of its mineral needs. By 2020, half of China's consumption of oil and gas will depend on overseas sources. We clearly need wisdom and farsightedness in managing our growth.²³

2.15 China is the world's second largest oil consumer, accounting for eight per cent of global consumption. From 1994 to 2005, its crude oil imports have increased at a rate of 13 per cent annually.²⁴ China's preoccupation with securing its energy supplies is reflected in its foreign policy. China has announced that it would 'carefully organise the import of energy, raw and processed materials, key technologies and major equipment that are badly needed and in short supply in China'.²⁵

2.16 Accordingly, China is deliberately cultivating special relations with countries rich in the natural resources it needs to drive continuing economic development.²⁶ It is becoming a major energy player in the Middle East and Africa. The China National

21 Two researchers from the Hong Kong University of Science and Technology have contended that secure energy supplies, economic growth and the political fortunes of the Chinese government are inextricably linked. They argued that China's access to foreign resources is 'necessary both for continued economic growth and, because growth is the cornerstone of China's social stability, for the Chinese Communist Party'. David Zweig and Bi Jianhai, 'Feeding the Dragon', *Australian Financial Review*, Reviewed 9 September 2005, p. 1.

22 Part II, *Report on the Implementation of the 2004 Plan for National Economic and Social Development*, submitted to the Third Session of the 10th National People's Congress, 5 March 2005.

23 Her Excellency Madam Fu Ying, *Transcript of speech at the National Press Club*, 28 July 2004.

24 Mr JianJun Tu, 'The strategic considerations of the Sino–Saudi oil deal', *China Brief*, vol. VI, issue 4, 15 February 2006, p. 3.

25 Part III, section 7, *Report on the Implementation of the 2004 Plan for National Economic and Social Development*, submitted to the Third Session of the 10th National People's Congress, 5 March 2005 and *Report on the Work of the Government*, delivered by Premier Wen Jiabao at the Third Session of the 10th National People's Congress, 5 March 2005.

26 Kerry Dumbaugh, 'China–U.S. Relations: Current Issues and Implications for U.S. Policy', *CRS Report for Congress*, updated 8 July 2005, p. 13. See also Annual Report to Congress, *The Military Power of the People's Republic of China, 2005*, Office of the Secretary of Defense, p. 1.

Offshore Oil Corporation (CNOOC) holds significant investments in oilfields in Iran, Sudan and Nigeria. In January 2006, China and Saudi Arabia signed an agreement on oil, natural gas and minerals cooperation in which Saudi Arabia promised to increase annual oil and gas exports to China by 39 per cent.²⁷ The same month, China and India signed a series of energy cooperation agreements designed to promote strategic cooperation for resources.²⁸ As well as developing broader government-to-government diplomatic, trade, investment, aid and military links to secure its supply of energy from overseas sources, China is also placing a high priority on protecting its supply lines.²⁹

The role of national identity in shaping China's foreign policy

2.17 A third significant factor shaping China's foreign policy is its desire to promote the nation as a world leader worthy of the highest respect. The U.S.–China Economic and Security Review Commission noted that China as a polity and a society enjoys international recognition for its own sake. It stated that China and many of its citizens are 'extremely proud' that Beijing will host the 2008 Olympics. It also claimed that the Chinese press routinely overplay 'mundane meetings between Chinese officials and other countries, even when the country or meeting is strategically unimportant'.³⁰ The Commission suggested that the Chinese government also uses the appearance or reality of international respect to buttress the legitimacy of its domestic actions and circumstances.³¹

2.18 China, indeed, takes pride in its new image as a responsible world power and 'a member faithfully following international rules'.³² Its leaders use every opportunity to promote China's international standing, not only by highlighting recent

27 Mr JianJun Tu, 'The strategic considerations of the Sino–Saudi oil deal', *China Brief*, vol. VI, issue 4, 15 February 2006, p. 3.

28 See 'China, India and the oil market', *Economist*, 19 January 2006, http://www.economist.com/research/articlesBySubject/displayStory.cfm?story_id=5420659&subjectid=381586 (accessed 16 February 2006).

29 See for example, David M. Lampton, 'Paradigm Lost: the Demise of "Weak China"', *The National Interest*, Fall 2005, p. 78.

30 U.S.–China Economic and Security Review Commission, One Hundred and Ninth Congress, First Session, November 2005, p. 146.

31 U.S.–China Economic and Security Review Commission, One Hundred and Ninth Congress, First Session, November 2005, p. 146.

32 China's participation in the 'Six-Party' talks provides an example of where China is clearly proud of its work. Thomas J. Christensen wrote: 'the six-party process is particularly important as it relates to China. Government officials and commentators alike in China understandably took special pride in the agreement that was reached. Chinese news articles discussed how the PRC's role in the process was praised around the world. Beijing had played a major leadership role in bringing the joint statement to fruition, and the news media hailed Beijing's newfound diplomatic confidence and influence'. *China Leadership Monitor*, No. 16, p. 5. See also Foreign Ministry of the People's Republic of China, Foreign Minister Li Zhaoxing Gives Year-end Interview to People's Daily, 20 December 2005 and paragraph 9.36 in chapter 9.

achievements and contributions, but by reflecting on China's long and rich history—one that few countries can match. For example, in a speech at the National Defence Academy of Japan, Ambassador Wang Yi stated:

China's peaceful development is rooted in its 5000 years of history which in fact extends spiritual support for its development road.

This year marks the 600th anniversary of Chinese Ming navigator Zheng He's voyages to the west. At his time Zheng He's fleet was the strongest in the world, visited South East Asia for six times and once reached as far as North Africa. However, as former Malaysian Prime Minister Mahathir said, Zheng He's fleet brought trade of cargo and spread culture and friendship without war or invasion, which is totally different from the later European and US colonists. Such a tradition of regarding moralities as neighbour and emphasizing great virtue, as a major component of the Chinese culture, has extended today.³³

2.19 The above quotation shows that in cultivating its sense of nationhood, China has chosen to plant its identity in a perceived long tradition of friendship and cooperation with other countries; of 'valuing peace and good neighbourliness'.³⁴ Indeed, China's national story is now one of a people who have overcome obstacles and are achieving success by keeping to their chosen path of peaceful development. The story is a compelling one and is clearly woven into Chinese foreign policy.

2.20 In public pronouncements, Chinese leaders link domestic harmony with broader aspirations for world stability and cooperation between nations. They hold that only a united and stable China can achieve higher international status. Both the national and international narrative is infused with notions of peace, cooperation and development:

The Chinese nation loves peace and advocates that nothing is more valuable than peace and all nations should live in peace and harmony. Subjected to untold external aggression and suppression in its modern history, China fully understands how precious peace is. At present, the Chinese people are concentrating on development and nation-building along a road of peaceful development. China needs a long-lasting and stable international environment of peace for her development, which, in turn, will promote world peace and progress. China, holding high the banner of peace, development and cooperation, will remain committed to pushing forward

33 Ambassador Wang Yi, 'To keep your Words is Really Good Faith and to Stop the Use of Weapons and Avoid War is Truly Military', Speech delivered at the National Defense Academy of Japan, 2 November 2005.

34 Ambassador Li Zhaoxing, 'The U.S. Should Not Feel Threatened by China's Emerging Role in International Political and Military Arena', November 2000, <http://us.chineseembassy.org/eng/shxx/sggyth/t34779.htm> (accessed 25 November 2005).

the process of international arms control, disarmament and non-proliferation.³⁵

2.21 In recent times, the Chinese government has often made public reference to the 'Five Principles of Peaceful Coexistence'. The principles are: mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence. They were the product of Sino-Indian negotiations in 1953-54 and have since been adopted in various international documents.³⁶

2.22 Notably, these values have recently been repackaged as 'not just principles for peace, but also principles for development'.³⁷ Premier Wen has argued that in applying the principles to the economic realm, all nations should respect the right of countries to make independent economic decisions, their equal right to participate in competition on a level playing field, and their access to mutual benefit and economic success.

Summary

2.23 China's national identity shapes its foreign policy and influences its implementation. In strained relations where national identity is a significant factor, for example in China's relations with Japan and Taiwan, a sound appreciation of China's history and its sense of self as an advocate for peace and stability is integral for countries managing any dispute with China.³⁸

2.24 The three major forces shaping China's relations with the outside world—the need for regional stability, the drive to secure energy supplies and its national identity as a good neighbour and responsible world citizen—have given rise to a foreign policy whose first principle is 'peaceful development'. The following section looks in greater detail at China's public diplomacy and how other countries respond to it.

35 Full Text of White Paper on Arms Control, 1 September 2005, <http://fmprc.gov.cn/eng/zxxx/t209613.htm> (accessed 12 February 2006) and also reproduced in *China Daily*.

36 'The Five Principles of Peaceful Co-existence', *People's Online Daily*, http://english.people.com.cn/200406/28/eng20040628_147763.html (accessed 15 February 2006).

37 'Five principles of peaceful coexistence also principles for development: Chinese premier', *People's Daily Online*, http://english.people.com.cn/200406/28/eng20040628_147790.html (accessed 16 February 2006).

38 Dr Denny Roy, a Senior Research Fellow at the Asia-Pacific Centre for Security Studies, has attributed China's insistence on reunification in part to political reasoning which holds that 'unity is associated with national strength, and division with weakness. The Chinese nation will not be healthy or happy without unification because this aspiration is deeply ingrained in the hearts of all Chinese, according to PRC commentators'. 'Cross-Strait Economic Relations: Opportunities Outweigh Risks', *Asia—Occasional Paper*, Pacific Center for Security Studies, April 2004, p. 1.

Peaceful development and smile diplomacy

2.25 In formulating China's foreign policy, the current Chinese leadership have been guided by the country's needs as a major economic force. The focus is on contributing to a politically stable world to ensure continuing economic development for China and its trading partners. China's message to its people and the international community clearly articulates a desire to cultivate friendly relations with other nations:

China pursues an independent foreign policy of peace, follows the road of peaceful development, works hard to integrate the efforts to safeguard its own national interests and promote common interests of all countries, and strives for a constructive role in international affairs.³⁹

2.26 As noted earlier, China needs stable and amicable relations with the outside world to ensure its future economic growth and prosperity. This reliance explains the centrality of 'peaceful development' in its stated foreign policy:

China's intentions in taking this road are to take advantage of favourable conditions presented by world peace to develop itself and better safeguard and promote world peace through its development...China will continue the process of opening up and promote cooperation with all other countries on the basis of equality and mutual benefit, concentrate on development and work to preserve a long-term peaceful international environment and an excellent neighbouring environment. China will never seek hegemony and will always remain a staunch force safeguarding world peace and promoting common development.⁴⁰

2.27 One China analyst termed this approach of co-opting the interests of neighbours through open trade, joint ventures and investment as a 'smile strategy', another as 'the charm offensive'.⁴¹ The exercise of influence in this manner is often referred to as 'soft power', which one U.S. analyst has described in the following terms:

Soft power is the ability to get what you want through attraction rather than coercion or payments. When you can get others to want what you want, you do not have to spend as much on sticks and carrots to move them in your direction. Hard power, the ability to coerce, grows out of a country's

39 Section II: China's Basic Policy and Position, Text of the White Paper on Arms Control, *China's Endeavours for Arms Control, Disarmament and Non-Proliferation*, 1 September 2005.

40 Section VII: Following the Road of Peaceful Development and Independent Foreign Policy of Peace, *Report on the Work of the Government* delivered by Premier Wen Jiabao at the Third Session of the Tenth National Peoples' Congress, 5 March 2005.

41 Dick K. Nanto and Emma Chanlett-Avery, 'The Rise of China and its Effect on Taiwan, Japan and South Korea: U.S. Policy Choices', *CRS Report for Congress*, 12 April 2005, p. 1; David Shambaugh, 'China Engages Asia', *International Security*, vol. 29, no. 3, Winter 2004–05, p. 67.

military and economic might. Soft power arises from the attractiveness of a country's culture, political ideals, and policies.⁴²

2.28 In contrast to influencing other nations through military or economic might, cultivating soft power involves using a more indirect form of influence—legitimacy. In the Chinese context, this aura of legitimacy is being pursued by China portraying itself as the 'good neighbour' in the region and the responsible global citizen. Specifically, their exertion of soft power constitutes an effort to alleviate prevailing concerns among East Asian countries of zero-sum consequences from China's rise.

2.29 When analysing soft power diplomacy, the importance of legitimacy can not be understated. If China is seen to be acting in the interests of regional peace, stability and prosperity then a valuable store of public trust within other nations in the region is accumulated.

2.30 China's growing economic influence has already captured the attention of its neighbours, who are increasingly looking toward China for regional leadership. Indeed, China's public diplomacy strategies build on its economic success, enabling it to pursue a greater role in the region and more broadly in world affairs.

2.31 To gain the trust and respect of other countries and to garner support for its foreign policies, China, in pursuit of its peaceful rise image, has shown a preparedness to listen to, and co-operate with, them. It should be noted, however, that at times China appears to depart from its smile diplomacy. For example its recent attitude toward Japan has not been conciliatory and seems to contradict China's 'peaceful development' approach. On the issue of Taiwan, China has consistently argued it is 'an internal Chinese matter that brooks no outside interference'.⁴³ (see paragraph 2.38 and chapters 7 and 8).

2.32 Even so, China would prefer to be seen as an advocate for global harmony: to have its style of diplomacy based on attraction rather than coercion. In its submission to this inquiry, the Embassy of the People's Republic of China (PRC) outlined China's new security concept:

Since the mid 1990s, China has been vigorously promoting a new security concept with mutual trust, mutual benefit, equality and coordination at its core, advocating the settlement of dispute through dialogues and cooperation.

- Mutual trust means that all countries should transcend differences in ideology and social system, discard the mentality of Cold war and power politics and refrain from mutual suspicion and hostility. They

42 Joseph Nye, 'Soft power and American foreign policy', *Political Science Quarterly*, Summer 2004, p. 256.

43 Willy Lam, 'Beijing Launches Multi-pronged Offensive Against Chen Shui-bian', *China Brief*, vol. 6, Issue 6, 15 March 2006, p. 3.

should maintain frequent dialogue and mutual briefings on each other's security and defence policies and major operations.

- Mutual benefit means that all countries should meet the objective needs of social development in the era of globalisation, respect each other's security interests and create conditions for others' security while ensuring their own security interests with a view to achieving common security.
- Equality means that all countries, big or small, are equal members of the international community and should respect each other, treat each other as equals, refrain from interfering in other countries' internal affairs and promote the democratisation of international affairs.
- Coordination means that all countries should seek peaceful settlement of their disputes through negotiation and carry out wide-ranging and deep-going cooperation on security issues of mutual concern so as to remove any potential dangers and prevent the outbreak of wars and conflicts.⁴⁴

2.33 Consistent with this policy, the Chinese government is using a mix of trade incentives, confidence building measures and development aid to convey to its neighbours the image of a country whose policy is 'peaceful development'.⁴⁵ It has:

- entered into cooperative trading arrangements;
- begun to resolve border disputes through peaceful negotiations;⁴⁶
- taken a more serious approach to observing its nonproliferation obligations;
- assumed an active and constructive role in the 'Six-Party' talks;
- embarked on an enthusiastic diplomatic regime of meetings and exchanges among Chinese officials and their counterparts in other countries with the focus on building bridges and cementing friendly relations;
- become an active participant in multilateral cooperation and signed agreements such as the Declaration on the Conduct of Parties in the South China Sea and the Treaty of Amity and Cooperation; and
- offered assistance to countries in need, for example following the Asian financial crisis and to those affected by the tsunami in December 2004.

44 Embassy of the PRC, *Submission P66*, pp. 13–14.

45 There are numerous references and examples taken from speeches and addresses by Chinese representatives that clearly demonstrate the image that these leaders are portraying. See for example, Speech by H.E. Ambassador Yang Jiechi, Asia Society and Council on Foreign Relations, New York, 3 December 2002.

46 Speech by H.E. Ambassador Yang Jiechi, Asia Society and Council on Foreign Relations, New York, 3 December 2002.

Behind smile diplomacy

2.34 Although China's foreign policy is designed to show China's friendly face to the rest of the world, fears about its future intentions linger. While most countries in the region publicly praise and welcome China's friendliness, some remain unsure of China's long-term ambitions and continue to engage cautiously with China.⁴⁷ For example, the Singaporean Minister for Foreign Affairs, Mr George Yeo, has observed:

The Chinese declare that it will never be a hegemonic power and insist that China's emergence will be peaceful. However, China will be judged more by its actions than by its words. China plays a major role in maintaining peace on the Korean Peninsular. China has to win over the hearts and minds of the Taiwanese people so that reunification is not only a matter of legal right but also an act of reconciliation. China can help to make the UN and the WTO work better. How China manages its growing presence on the world stage will be carefully watched by countries big and small.⁴⁸

2.35 A number of political leaders and analysts in Japan and the U.S. are particularly wary of China's rise.⁴⁹ They remain unconvinced that China's motives are benevolent, suspecting that there are more sinister reasons behind China's 'peaceful rise' rhetoric. From an American perspective, U.S. Deputy Secretary of State, Robert Zoellick, has stated that many Americans 'worry that the Chinese dragon will prove to be a fire-breather'; noting that there is 'a cauldron of anxiety about China'.⁵⁰

47 Numerous commentators refer to the uncertainty that surrounds China's long-term strategic intentions. See for example, statement of the Hon. James A. Kelly, Assistant Secretary, U.S. Department of State, Hearing before the Subcommittee on Asia and the Pacific of the Committee on International Relations, House of Representatives, 108th Congress, Second Session, 2 June 2004, p. 7; Shannon Tow, 'Southeast Asia in the Sino-U.S. Strategic Balance', *Contemporary Southeast Asia*, Singapore, December 2004, vol. 26, Issue 3. Elizabeth Economy, *China's Rise in Southeast Asia: Implications for Japan and the United States*, an updated version prepared for *Japan Focus* of an article that appeared in *Journal of Contemporary China*, August 2005, *Japan Focus*, 6 October 2005; Robert G. Sutter, 'China's Rise in Asia—Promises, Prospects and Implications for the United States', Asia-Pacific Center for Security Studies, *Occasional Paper Series*, February 2005, p. 5; David Shambaugh, 'China engages Asia: Reshaping the Regional Order', *International Security*, vol. 29, no. 3, Winter 2004–5, p. 67; Chung Min Lee, 'China's Rise, Asia's Dilemma', *The National Interest*, Fall 2005, p. 89.

48 Singapore, Ministry of Foreign Affairs, Speech by Minister George Yeo at the Annual Conference of the Council of Americas in Washington DC, 3 May 2005.

49 See for example, Robert G. Sutter, 'China's Rise in Asia—Promises, Prospects and Implications for the United States', Asia-Pacific Center for Security Studies, *Occasional Paper Series*, February 2005, p. 4.

50 U.S. Department of State, 'Whither China: From Membership to Responsibility?', Robert B. Zoellick, Deputy Secretary of State, Remarks to National Committee on U.S.–China Relations, New York City, 21 September 2005.

2.36 He also observed that other countries have doubts about China's long-term designs, prompting them to exercise caution, or 'hedge', when formulating their foreign policies:

Uncertainties about how China will use its power will lead the United States—and others as well—to hedge relations with China. Many countries hope China will pursue a 'Peaceful Rise,' but none will bet their future on it.⁵¹

2.37 Various commentators cite China's heavy investment in military capability despite the absence of an identifiable threat as inconsistent with its stated foreign policy.⁵² They also suggest that China's active engagement in multilateral fora and its advocacy of economic integration mask more ambitious goals—that it may be simply a 'tactic to leverage its longer-term strategic objective of regional domination: a sphere of influence at minimum or, as some scholars have fretted, a revitalized tribute system'.⁵³ One Japanese analyst has stated that China has embarked on a course leading to regional hegemony:

China sees the rest of the world as something to control or, failing that, to use adeptly; it basically has no idea that it should coexist with the international community. In order to advance China's national interests and their own political objectives, the rulers in Beijing have no compunctions about playing games on the international stage, mobilizing the people through various manoeuvres and appealing to international opinion with consummate skill.⁵⁴

2.38 During 2005, a number of unresolved tensions flared up in the region raising questions about China's long-term objectives. They included:

- the passing of an anti-secession law aimed at Taiwan by the National People's Congress following the stirrings of pro-independence sentiments in Taiwan that heightened tensions between China and Taiwan; and

51 Robert B. Zoellick, 'Whither China: From Membership to Responsibility?', Remarks to National Committee on U.S.–China Relations, New York City, 21 September 2005. See also Robert G. Sutter, 'China's Rise in Asia—Promises, Prospects and Implications for the United States', Asia-Pacific Center for Security Studies, *Occasional Paper Series*, February 2005, p. 5.

52 See chapter 6, paragraphs 6.31–6.34.

53 See for example, Hugh De Santis, 'The Dragon and the Tigers: China and Asian Regionalism', *World Policy Journal*, vol. 22, issue 2, Summer 2005, New York; Elizabeth Economy, *China's Rise in Southeast Asia: Implications for Japan and the United States*, an updated version prepared for *Japan Focus* of an article that appeared in *Journal of Contemporary China*, August 2005, *Japan Focus*, 6 October 2005; Bruce Vaughn, 'China–Southeast Asia Relations: Trends, Issues, and Implications for the United States', *CRS Report for Congress*, 8 February 2005, p. 3.

54 Nakanishi Terumasa, 'China Plays its History Cards', *Japan Echo*, vol. 32, issue 4, Tokyo, August 2005.

- violent anti-Japanese protests in Beijing, Shanghai and elsewhere in China about Japan's interpretation of its war history and the subsequent cooling of relations between the two countries.

2.39 Moreover, the growth in Chinese military power and capabilities at a time when China's strategic roadmap is unclear fuels concerns about the direction of China's military development and also adds to the uncertainty about China's future designs. In particular, some in the U.S. distrust China's motives behind the development of its power capability and see a fundamental contradiction in its behaviour. Richard Fisher, Jr, told the House Armed Services Committee that:

China faces no identifiable threat, yet it is building a powerful military which threatens Asian power balances, and provides incentives for China to employ force to settle a range of issues and challenges, ranging from the territorial and energy-related to the militarily strategic.⁵⁵

2.40 China's quest to secure its energy supplies could also strain relations, or even generate hostility, between China and a number of other countries. Concerns over both China's procurement of energy resources and future military intentions are discussed in greater detail in the context of Sino–U.S. relations in Chapter 4 and Chinese military modernisation in Chapter 6.

2.41 Some witnesses before the committee were also qualified in their view of China's peaceful rise. Professor Paul Dibb, Director of the Strategic and Defence Studies Centre at the Australian National University, remarked that:

It all depends upon what sort of China we see emerging. There are at least two schools of thought...one is about a China which is more economically intertwined, more interdependent, modernising and, some would say, hopefully then becoming more politically democratic. I think that remains to be seen, frankly. It may be that China has invented a new model in which authoritarian Communist Party control and high standards of living have delivered what the Soviet Union could never do.

...history will tell us that the chances of competition—and you notice that I do not use the word 'conflict'—between an emerging power and the status quo hegemony has happened before, particularly with two different cultures and value systems.⁵⁶

2.42 Dr Brendan Taylor, a post-doctoral fellow at the Strategic and Defence Studies Centre, acknowledged that China's use of soft power in the region had become 'significantly more adept' over recent years and its new diplomacy 'more adroit'. Even so, he argued:

55 Testimony of Richard Fisher Jr 'China's Military Power: An Assessment from Open Sources', before the House Armed Services Committee, 27 July 2005, http://www.strategycenter.net/printVersion/print_pub.asp?pubID=76 (accessed 18 November 2005).

56 *Committee Hansard*, 13 September 2005, p. 9.

...in reality there still does exist a significant degree of fear and apprehension throughout South-East Asia, or a number of countries in South-East Asia, as to what shape China's rise will ultimately manifest itself in.⁵⁷

2.43 According to Professor Bruce Jacobs:

I think the difficulty in dealing with China, and this is a problem for most countries including Australia, is that historically—and we have to be careful about drawing a lot of things historically—China was the centre of its world and foreign relations between China and other countries were hierarchical...Most countries are stuck in this unequal relationship, and I think to some extent we have got ourselves in that situation.⁵⁸

2.44 He also stated:

If you look at the relationship with India, there is competition and I think some of the South-East Asian countries feel that China is a huge country next door to them and they have to be careful not to upset them. To some extent I think that has become our approach.⁵⁹

2.45 While China acknowledges that its intentions are sometimes questioned, it remains resolute in conveying to the rest of the world its determination to build stable and long-term cooperative relationships. China insists that its people 'are ready to work together with everyone in the world to achieve peace, development and cooperation among all nations'. In an address to the Asia Society, His Excellency, Mr Zhou Wenzhong, China's Ambassador to the United States emphasised China's stated position that it would never seek hegemony and would always remain 'a staunch force safeguarding world peace and promoting common development'.⁶⁰ He stated:

Take a look at the trail China left behind over the past decades and you will see that China is sticking to a road of peaceful development, namely, taking advantage of the relative peace in the world to develop itself and working for greater peace in the world as it becomes more developed. China never seeks hegemony. China never dreams a 'Soviet Union dream'.⁶¹

57 *Committee Hansard*, 13 September 2005, p. 15.

58 Professor Bruce Jacobs, *Committee Hansard*, 27 June 2005, p. 42. Professor Jacobs is Professor of Asian Languages and Studies at Monash University and Director of the Taiwan Research Unit. He appeared in a private capacity.

59 Professor Bruce Jacobs, *Committee Hansard*, 27 June 2005, p. 43.

60 Full Text of White Paper on Arms Control, 1 September 2005, <http://fmprc.gov.cn/eng/zxxx/t209613.htm> (accessed 12 February 2006) and also reproduced in *China Daily* and Section VII: Following the Road of Peaceful Development and Independent Foreign Policy of Peace, *Report on the Work of the Government* delivered by Premier Wen Jiabao at the Third Session of the Tenth National Peoples' Congress, 5 March 2005.

61 Mr Zhou Wenzhong, 'The Future of China–U.S. Relations', *Feature address to the Asia Society*, 22 September 2005.

Conclusion

2.46 China openly acknowledges that its diplomacy must serve its economic development. Chinese leaders espouse a foreign policy that places high importance on global stability, friendly and cooperative relations and good neighbourliness. It is deliberately cultivating special relations with countries rich in the natural resources it needs to fire continuing economic development and is presenting itself to its citizens and the outside world as an advocate for global peace. It wants to reassure the world that its 'peaceful rise' does not pose a threat.

2.47 Although unsure of China's long-term intentions, most countries publicly praise and welcome China's friendly foreign policy. Some, especially those with important economic links with China, such as Australia, are keen to strengthen their diplomatic relations but are aware that the relationship is not risk free.

2.48 The following chapters consider China's present foreign affairs stance, including its stated intention to pursue an independent foreign policy of peace and to promote the common interests of all countries. They examine how this 'good neighbour' policy manifests itself in China's relationship with other countries, and how this in turn affects Australia. The report also examines the apparent contradictions between China's stated intentions and its actions, especially where there are irritants in the relationships with the potential to cause serious rifts. The following chapter examines China's relations with its nearest neighbours in East Asia.