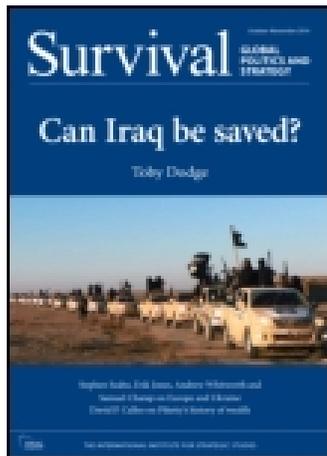


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The Smart Revisionist

Jonathan Holslag

In what has become a tradition for new Chinese presidents seeking to confirm their peaceful intentions, Xi Jinping has put forward yet another ostensibly original security concept. Describing the approach as 'common, comprehensive, cooperative and sustainable', Xi has called on countries other than China to align their diverse security interests within a common project; avoid monopolising security affairs; work towards security without exclusive alliances; and tackle the full range of traditional and non-traditional threats.¹ In line with the new security concept of former President Jiang Zemin, and the idea of peaceful development espoused by his successor Hu Jintao, Beijing now cultivates the image of China as a status quo power that is restrained in its use of military force, willing to accept international norms and prepared to actively participate in international organisations. It also supports the notion of China as a constructive power that is inclined to cooperate and strike a compromise.

There is nothing new in Xi's security concept, however, and Chinese scholars have not reached a consensus in the renewed debate about grand strategy. The praise for Beijing's forward-looking leadership and ability to pursue such a strategy is therefore misplaced. Under previous leaderships, China was reactive rather than proactive, in both economic and security affairs. Beijing managed to be flexible, and to adjust without having to compromise on the four great aspirations that it had pursued since 1949. But it

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was the security environment that changed first, not China. This strategy of adaptation has been remarkably successful. Beijing has acquired military capabilities far stronger than those of its neighbours, while provoking only limited resistance. The true bearing of its great aspirations is increasingly clear: to fulfil them, China must become the most powerful country in Asia by far, and attain the power to deter other protagonists by force. The chance that its peaceful rise will continue is therefore small. Either China's growth will run into trouble or it will become harder to maintain the peace.

Rejuvenation

Most generations of Chinese leaders have come up with a new security concept. The approach of Mao Zedong and Zhou Enlai revolved around the five principles of peaceful coexistence. Among them, sovereignty, equality and mutually beneficial cooperation were a reflection of communist China's needs as a juvenile state, and an expression of its aversion to the meddling of the two superpowers. Deng Xiaoping complemented this with the insistence that territorial disputes were to be shelved to let cooperation in other areas progress; Taiwan and the mainland were to work towards a solution involving 'one country, two systems'; states were to focus on economic development instead of military power; and a harmonious neighbourhood was to be maintained to sustain China's rise. Even then, these ideas were not entirely new. Zhou and Mao had entertained them, but they became more feasible only in a later era. After Deng retired, the changes became increasingly modest. Jiang's generation further stressed the importance of international organisations and economic interdependence. Hu's peaceful development put more emphasis on global public goods and active participation in such groups. In keeping with these incremental steps, Xi's new security concept includes only minor innovations.

At the same time, there is no point of convergence in the debate among Chinese experts. Proposals for a more secure China sprawl in many directions. Peking University's Ye Zicheng described China's grand strategy as essentially the pursuit of sustainable development, and the establishment of a harmonious society and world, peaceful relations with neighbours and a normal relationship with the United States.² Duan Peijun, professor at the

Central Party School of the Communist Party of China, argued that the main objective of the grand strategy was to deploy Chinese resources efficiently in order to build a well-off society.³ To Yu Zhengliang of Fudan University, it was more about devising a foreign policy that would mount an effective challenge to the US. Yu argued that China's foreign policy had to maintain its focus on Asia, then aim to establish a quasi-alliance with Russia, before expanding its influence in South America and Canada, and, finally, strengthening its position in the Middle East, Africa and Europe.⁴ Yuan Peng, vice-president of the China Institute of Contemporary International Relations, insisted that grand strategy largely remained a matter of bolstering 'hard power', and was similar to a national-security strategy. He also stated that the foremost objective of the leadership was to create a well-off society by the centenary of the People's Republic, in 2049.⁵ Zhu Feng of Peking University claimed that China needed a grand strategy mostly to advance its core interests. 'A peaceful rise', he wrote, 'does not blindly reject the legitimate use of force, but stresses that China not seek to change its structural position in the international system by force.'⁶ A comprehensive discussion of grand strategy was undertaken by Men Honghua, another scholar at the Central Party School. He described it as the application of economic, military and cultural resources in pursuit of *fanwei he kongjian* (a larger development space) around China, Asia-Pacific leadership and a means to avoid international isolation. In the end, he asserted, China had to be able to fight several major powers at once.⁷ For Hu Angang and Yan Yilong, scholars at Tsinghua University, China had to focus on its core interests and 'the great rejuvenation'. It should, they argued, develop an alternative to the United States' 'big stick' strategy – one that would revolve around peace, harmony, order and, preferably, the 'Chinese Dream'.⁸

Circumstance, not vision

There seem to be as many Chinese strategies as there are scholars discussing them. To some, China's strategy remains an economic one essentially focussed on rebalancing the domestic economy and improving industrial competitiveness. To others, it centres on the pursuit of esteem and 'soft power', as well as the promotion of the Chinese Dream. Still another

group contends that China's current security strategy revolves around the development of great-power relations – that is, a new *modus vivendi* among the world's most influential states based on a recognition of China as one of them, along with mutual respect, military restraint and pragmatic coordination.

Although the contemporary debate cannot reveal much about China's security concerns and objectives, history can. In fact, China's most important aims have been clear since 1949. The first objective has been sustained control of strategic frontier lands such as Yunnan, Tibet, Xinjiang, Inner Mongolia, and so on. Officially, that has been achieved, but, in reality, these

areas remain restive. The second goal has been to reinforce the position of the Communist Party at the centre of modern China by maintaining security, bringing back stability and promoting growth. The third aim has been to attain respect for China's sovereignty: on paper, by gaining diplomatic recognition; in practice, by resisting the interference

of other great powers. The final objective has been to recover so-called 'lost territory': Taiwan, the disputed islands in the South China Sea, a large part of the East China Sea and areas of contested borderland in the Himalayas.

These goals have been remarkably static during the past 65 years, running as a red line through most Chinese policies. Yet the policies themselves, and the ways in which China has coordinated its use of resources, have been dynamic, even erratic. China's leadership is often credited with possessing great visionary qualities in its use of economic resources. But the reality is more complicated. The first Five-Year Plan led to excessive dependence on the Soviet Union, which supplied most of the technological know-how that Beijing required and financed 4% of China's official budget.⁹ The second major reform was the Great Leap Forward, which ended in disaster. The third was one of import substitution, which caused large trade deficits (by 1984, the trade deficit in capital goods was equal to 170% of China's GDP).¹⁰ That was followed by opening up, which led to an uncomfortable dependence on foreign investors. The fifth reform was, accordingly, an effort to develop national champions as an alternative, but the vast investments in

China has moved from one excess to the other

industry this required made China more dependent on exports.¹¹ This was followed by a policy of aggressive financial support for exports. As a result, in 2013, foreign loans (to allow other countries to purchase Chinese products) and export-tax rebates equalled 3.4% of China's GDP.¹²

It is unclear what the next stage will be. The government promises yet another rebalancing, this time away from exports and investments, and towards consumption. But whether this will work remains to be seen. The slowdown of 2013–14 has not been accompanied by a rebalancing.¹³ China's economic policies have thus moved from one excess to the other, a pattern that was not always anticipated. In the mid-1980s, for example, the party leadership came to the conclusion that the first stage of the opening-up had led to excessive dependence on Japan. As Vice-Premier Li Peng put it, 'China should rely mainly on its own products instead of importing large amounts of equipment.'¹⁴ By the late 1990s, the leadership had concluded that the effort to persuade foreign companies to produce more inside China had important downsides, and that Chinese companies were increasingly outmatched by their competitors. This realisation led Beijing to call for the creation of '30–50' large state companies able to compete with foreign giants.¹⁵

Similarly, it would be hard to describe China's foreign policy of recent years as a proactive shift towards integration with global society. Since the early 1970s, China has indeed been eager to strengthen its relations with the rest of the world, in search of diplomatic recognition, economic opportunity, security and status. But it often leant against an open door, as the rest of the world tried as least as hard to strengthen ties with China. Consider Japan in the 1960s: Tokyo was almost desperate to develop relations with Beijing, despite China's revolutionary turmoil. Even before the dust settled and the pro-Soviet camp of Lin Biao disappeared, Washington spearheaded rapprochement via Secretary of State Henry Kissinger's secret diplomacy with Beijing. Subsequent diplomatic progress facilitated American overtures to Southeast Asian countries and a rapprochement with South Korea. The problem of the Soviet Union resolved itself. The federation's decay in the 1980s allowed Beijing to extract humbling concessions from Moscow, such as the withdrawal of troops from Mongolia. It only had to wait for the collapse to turn the tables completely. In all these developments, other

states took the initiative, something that was also true for China's accession to regional organisations such as the Association of Southeast Asian Nations (ASEAN), the Asia-Pacific Economic Cooperation forum and the Asian Development Bank. In the 1980s, it was ASEAN that invited China to participate in trade fairs and, later, a greater level of political dialogue.

However tempting it is to regard China's integration with the rest of the world as a product of its proactive leadership, this is not the case. The evolution of Chinese military posturing has not been different in that regard. Chinese leaders' concern about overburdening the economy with large military budgets was present from the start. Important party members warned that intervention in the Korean conflict could further weaken China. One year into that war, Mao considered pulling his troops back, but was overruled by Moscow. In subsequent armed conflicts (with Taiwan, India and the Soviet Union), Beijing consistently tried to avoid long, escalating confrontations. The government was ultimately allowed to trim the military budget – from official spending levels of more than 10% of GDP in the 1960s to around 2% in the last two decades – by the change in its security environment: improving relations with the US, the concomitant assurances about Taiwan, the weakening and collapse of the Soviet Union, and so on.¹⁶ This trend occurred despite a rapid rise in personnel costs and the fact that the military also had to relinquish many of its most treasured assets, which ranged from hotels to arms factories. Military doctrines also adjusted to revolutions in warfare spearheaded by the two superpowers. So too did the scope of Beijing's military aspirations. Even if Mao had already insisted that China become a naval power, the country's navy was only deployed on an important mission when expanding maritime trade made this necessary. As had happened with most trading powers in the past, the flag followed trade. Mission creep rather than grand strategy shaped the behaviour of the People's Liberation Army.

Flexibility without compromise

For all the attribution of visionary and forward-looking qualities to Beijing, China has been more reactive than proactive. Yet it reacted in a way that allowed for deeper integration with the international community, changed

Chinese society and led to important adjustments in its norms and standards. China shifted from ideological radicalism to political pragmatism. It changed from offensive struggle to defensive military restraint. It moved from the sidelines of international organisations to the centre stage. There is no denying that China has become more peaceful, cooperative and constructive as an international actor. And the price that it had to pay was modest. Beijing managed to adjust without having to compromise on its four central aspirations. It made some concessions on less important disputed regions, such as the mountainous areas also claimed by Central Asian countries and small parts of the land border with Vietnam and Myanmar. On all the important contested territories, however, it did not budge an inch. Border negotiations with India remain deadlocked. A swap of the eastern sector, called Arunachal Pradesh, for the western sector, named Aksai Chin, would be beneficial to both sides, but China continues to stick to its claim over both parts, does not want to compromise over smaller areas in the central sector and continually pushes for the maximal interpretation of the Line of Actual Control, even where historical borders are not clearly defined. Beijing has taken a similar position on the South and East China seas. Its claims have not changed for decades, with the possible exception that some Chinese officials seem to have replaced the infamous 'nine-dashed line' in the South China Sea with a slightly more nuanced delineation of the exclusive economic zone around some of the larger islands, a definition that still asserts Chinese control over most of the waters.

The same is true with regard to arms-control and security issues. For example, China has signed up to, and abided by, the nuclear Comprehensive Test-Ban Treaty.¹⁷ But, like other states, it has done so without giving up its ability to continually improve its nuclear weapons. In fact, the treaty has been a major incentive for China to develop more advanced simulation programmes, and to thereby improve its capacity to build a more powerful nuclear deterrent. China has also joined the Non-Proliferation Treaty.¹⁸ From the available information, it appears that it has put a brake on the export of nuclear-weapons systems, even to Pakistan. It has thus adjusted, but this came only after the most critical know-how had been delivered to its three strategic partners: North Korea, Pakistan and Iran. Having done

so, it became reluctant to join Western countries in pressuring these states to relinquish their nuclear-weapons programmes. In the case of Pakistan, it went on to supply significant dual-use technology for civilian power plants that are being developed by Chinese contractors. This is not to say that China is alone in such a practice, but it does mean that Beijing's signature on the Non-Proliferation Treaty should not be regarded as an important gesture of adjustment. China has also signed up to agreements with Southeast Asian countries to promote peace and stability, such as the Declaration on the Conduct of Parties in the South China Sea (in 2002) and the Treaty of Amity and Cooperation in Southeast Asia (in 2003). The country has shown restraint in the use of its military since signing these accords, but has merely continued a trend apparent since the end of its 1988 naval battle with Vietnamese forces over Johnson South Reef in the Spratly Islands.¹⁹ At the same time, Beijing has shown its resolve in different ways, sending in constabulary agencies, deploying an oil rig, and keeping its rapidly expanding and modernising Southern Fleet at hand primarily to display Chinese power. The sheer size of China's naval build-up, however, and its increasingly robust naval exercises reveal a widening gap between the promise of restraint and the power of its capabilities.

China's integration with the global trade regime came with painful economic reforms, but led to unparalleled gains in revenue, technology, experience and access to foreign markets. Since its accession to the World Trade Organization (WTO) in 2001, China has effectively lowered most of its tariff barriers.²⁰ However, it has gone on to support its exports in different ways: by preventing the rapid appreciation of its currency, encouraging the transfer of trillions of dollars from Chinese households to the corporate sector, and handing out hundreds of billions of dollars more in export credit and tax rebates. Technically, it is hard to see these policies as a violation of the international trade rules that China signed up to. Moreover, Chinese officials correctly state that other major countries also intervene in trade through financial and industrial policy. China has thus turned to free trade without compromising its industries, and is taking an offensive interest in promoting free trade to advance its exports. Beijing is also gradually gaining the confidence to go beyond the current rules of the WTO. It has, for instance,

proposed a new trade agreement with ASEAN states that would liberalise investment rules and the services market.²¹ It can afford to do so because it has become stronger, and it is the strong that profit from free trade.

Nor has membership of regional organisations constrained Beijing's freedom of action when defending its interests. China has joined a growing number of such groups, actively participated in their meetings, proposed new initiatives on security and trade, and even invested in their institutional capacity. So, if membership and participation are the benchmarks, China has again adjusted. But this has not forced it to compromise on its four great aspirations. In fact, it has helped to advance them. The cover of regional organisations, such as ASEAN and the Shanghai Cooperation Organisation, has allowed China to mitigate the distrust of its smaller neighbours; promote its trade interests; develop some military confidence-building measures; push initiatives to combat piracy and terrorism further up the agenda; and still play on the divisions between other members when they attempt to form a front against Beijing. In this way, it has deflected criticism of its allegedly unfair competitive practices and South China Sea policies through ASEAN, and warded off complaints about its construction of a dam on the Mekong River via the Asian Development Bank's Greater Mekong Subregion programme.²² China's behaviour in the last few decades could therefore be described as 'flexibility without compromise'.

Beijing's acceptance of some international organisations and increased cooperation with other countries does not mean that it accepts the global order. The repercussions of the four strategic aspirations, the core of its grand strategy, remain that it has to profoundly change the international order and thus the distribution of power. Control over its frontier lands has already allowed China to secure huge resources in terms of population, energy, farmland, fresh water, and more. Together, these make China's potential for power larger than that of other major Asia-Pacific states, such as India and Japan. The party's desire to maintain control by turning China into a high-income country implies that its economy must become larger than all others, and that it must acquire even more resources.²³ Japan would

*Beijing is gradually
gaining confidence*

be dwarfed by such growth. Only India has the demographic potential to match China, but it lags way behind economically, and many of its natural resources are smaller. China will require greatly strengthened economic power to fulfil its fourth aspiration: the recovery of lost territory. Given the resolve of other Asian countries to stick to their claims, the reunification of the motherland ultimately requires China to be able to win wars with its neighbours, eventually even those allied with the US. Beijing's grand strategy might resemble that of a status quo power, but the attainment of its great aspirations will inevitably require that it change the structure of the Asian order, become the largest power in the region and gain the ability to shape the behaviour of its neighbours.

Success

It is a misconception that revisionism concerns only military aggression or efforts to destroy the existing order of international relations, institutions and rules. In essence, revisionism is a desire to change the international order, which has implications for the distribution of power. Such a stance creates a situation in which the conservative interests of the incumbent powers, the status quo countries, are as much of a problem as the ambitions of the revisionist. China has been a revisionist power in a status quo guise. Its great aspirations demand that it revise the structure of the regional order. It is hard to blame China for having this goal. Its attempts to become a rich country are understandable, as are its efforts to control the frontier lands. They reflect a desire for restoration and security. Yet the search for security is a search for power. Even though Beijing's claim on almost all of the South and East China seas is more difficult to justify, its claims on various islands often make as much sense as those of other countries. But the prospect of a China that towers above the rest of Asia is frightening. A pre-eminent China would challenge the privileges of the strong, particularly Japan and the US, and become more able to shape the terms of interaction with weaker states. The Chinese leadership has been aware of that dilemma since the outset. Mao reassured Asia that China would never become a hegemonic power. Deng even proclaimed that, were China to gain such ambitions, other countries would have the right to overthrow it. At the same time, Mao and Deng

still seemed to surmise that China would face more resistance as it grew, and that conflict would merely be postponed.

That uncertainty has never entirely disappeared. Jiang spoke of a period of strategic opportunity that China had to seize in order to grow.²⁴ He and other politicians of the third generation also stressed the global trend of peace and cooperation, yet confirmed China's persistent concern about the intentions of the US; the privileges of the West in terms of wealth and the capacity to set international norms; and the revolutions in military affairs. The fourth generation put even greater emphasis on a peaceful rise and, indeed, used it as the central narrative of its foreign policy. Under Hu and Prime Minister Wen Jiabao, Beijing seemed almost to assume that it could win the battle without fighting, and fulfil its great aspirations simply by surmounting resistance with trade. They continued to refer to major strategic uncertainties and challenges, but their pledges to peace became even more unwavering and were accompanied by equally energetic participation in a sprawl of dialogues and exchanges.

The claim of a peaceful rise often seemed to be so pervasive that officials came to believe in it themselves. It has been very difficult to measure this evolution accurately, of course, but many leaders gave the impression that they had indeed become acclimatised to the principles of peace and cooperation. State Counsellor Dai Bingguo, for instance, could be very firm in negotiations, but relentlessly sought options to diffuse tensions and prevent stalemates. Wen made it his trademark to launch emotional pleas for cooperation, both in public and in private. The foreign minister of the time was almost the embodiment of mild-mannered diplomacy. Young diplomats often seemed to be genuinely convinced that China had it right and was earnest in its peaceful intentions, but also that interlocutors in Tokyo and Washington did not always understand the country.

China's peaceful rise of recent decades has been self-made. It has become routine to praise Beijing's achievement of lifting hundreds of millions of citizens out of poverty. That accomplishment is even more remarkable in light of China's environment. In 2000 the country generated 14% of Asia's GDP and had 37% of its population.²⁵ In 2012 those proportions had changed to 37% and 35% respectively. This period saw a rise in per capita GDP of 9% in

China, and 5% in Asia as a whole. China's exceptional gains were even more obvious in trade. In 2000 it accounted for 12% of Asia's exports. By 2012 this figure had reached 36%.²⁶ This still masks the fact that China focused on increasing its share in manufacturing. In 2012 it generated 41% of exported manufactured goods and 52% of exported, labour-intensive manufactured goods – the kinds of products that developing countries need to produce in order to trigger labour-intensive growth.²⁷

China did all that while continuing to enjoy peace. The last soldier to die on a Chinese border was an Indian guard who lost his way in the Himalayan mist in 1989.²⁸ Even if the US continued to show resolve in protecting its interests, none of the other Asia-Pacific powers resorted to military force to stop China's rise, or to oppose its territorial claims. At the same time, China's own military capabilities expanded rapidly. Its share of Asian defence spending increased from 4% in 1990 to 35% in 2013.²⁹ The country's official defence expenditure is now by far the largest of any Asian state, and is only slightly less than that of Japan, India and South Korea combined.³⁰ This has resulted in larger investments in human resources, with troops receiving higher salaries and better training.³¹ It has also allowed for larger investments in equipment. In 2013, China spent an estimated \$56–60bn on military research, development and acquisition.³² At the beginning of the century, China relied entirely on imports for advanced weapons; 13 years later, it had indigenised the development and production of most key systems and, importantly, subsystems such as engines, sensors, data links and missiles. China commissioned more fighter jets, navy ships and military satellites than all of its neighbours put together.³³ As a result, Beijing could dramatically increase its military presence along its border and in adjacent seas. Its armed forces have also gained the ability to raise the costs for its challengers, probably enough to gain the upper hand in short conflicts with Taiwan and other neighbours over the South China Sea.

The smart revisionist

China's rise has been revisionism at its best: assiduous and efficient instead of noisy and antagonistic. But the contradiction between its revisionist ambitions and promises of harmony remain obvious. What, then, explains the

lack of a challenge to its ascent? On the one hand, this has followed from the leadership's success in making strategic choices and responding to domestic and international changes. The focus on economic growth proved the most efficient way to fulfil its four aspirations, and Beijing has found a formula for making rapid gains. It opened its huge labour reservoir to foreign investors and subsequently transferred a large part of its incomes into public infrastructure, industrial capacity, strategic assets abroad and bonds in important consumer markets. It also struck a balance between economic nationalism and globalism. Foreign investors were welcomed, but Beijing made sure that their know-how was transferred to national companies and that those firms retained their market share. The benefits of this approach could be seen between 2003 and 2012, during which time the share of foreign-owned industries in China's output and profits shrank back to 23%.³⁴

This success has also allowed Beijing to cultivate economic expectations in other countries. China has presented itself as an investment opportunity, an emerging investor and, thanks to its middle class, a growing market for exports. At the same time, however, it has pushed many of these countries into large trade deficits and the role of raw-materials supplier. In 2003, 119 of China's 174 trade partners had a trade deficit with the country; this figure had risen to 123 by 2013.³⁵ Raw materials accounted for 78% of their exports to China in 2003, and 86% in 2013.³⁶ These unequal trade relations were managed by efficient economic diplomacy, which cultivated relations with the domestic interest groups that gained from the trade: mostly large companies invested in China, raw-materials suppliers and governments given various forms of credit to purchase Chinese goods and services. In 2013 China's distributed external credits and loans worth more than \$165bn.³⁷

Beijing adopted a discourse of mutual gain, but made sure that the benefits it received were greater. True, its citizens made an important financial sacrifice by lending vast sums to export markets, in the form of export credit and purchases of government bonds, but this was expected to enhance China's market share and competitiveness in the long run. Credit always came with an important condition: access. As with many other Chinese economic policies, there was a false perception of generosity in this approach. In free-trade negotiations with other Asian states, few of China's conces-

sions affected its own exporters. In accepting international rules, it always made sure that they did not imperil the country's vital interests. The accommodations Beijing made in negotiations over land borders were very small and often even misleading, certainly in comparison to its tough position on more important claims in adjacent seas and on the contested border with India. Equally, codes and declarations designed to restrain the use of military force in these areas were never allowed to curb the manoeuvrability of the People's Liberation Army.

Beijing also managed to strike a balance between hard and soft power. Most of the time, China robustly countered the behaviour of other states that could harm its great aspirations. As a result, there were moments when it was perceived as unconstructive, assertive or aggressive. But Beijing often prevented the growth of that perception. Again, this was a matter of sham concessions, that is limited gestures that did not affect its important interests. It was also a matter of communication. In many tense situations, China offered to set up official dialogues, working groups and confidence-building initiatives, which, in turn, resulted in new discussions and measures but seldom produced genuine solutions to important problems. Furthermore, when confronted on territorial, security or commercial quarrels, China proved adept at setting the resolute parties against less determined stakeholders.

However, the particular nature of China's security environment was at least as important as the alleged ingenuity of its grand strategy. A study of the deepening relations between China and the rest of the world reveals that many diplomatic breakthroughs were initiated not because of Beijing's initiative but due to the policies of the other party. That was the case with Japan's pragmatic attitude during and after the Cultural Revolution; the US in the run-up to the diplomatic revolution of 1971; the overtures of many Southeast Asian countries after that event; and the humbling concessions made by the Soviet Union in the decade before its collapse. The idea that China engaged with the world is mistaken. Most of the time, it was the world that came to China.

It was also important that China's neighbours did not yet face an inescapable choice between resisting Beijing or joining it, between balancing

or jumping on the bandwagon. Therefore, the Asian strategic landscape remained too multipolar. Despite the cultivation of economic expectations, in 2013 China accounted for only 15% and 11% of its neighbours' exports and foreign stock investments respectively. For most countries, there were thus still enough opportunities to diversify economic relations. Similarly, China's 2013 defence budget only accounted for 16% of Asian defence spending when Russia and the US were counted as powers in the region.³⁸ As a result, there was not yet a major threat emanating from China's military modernisation, particularly while the US maintained its military dominance of the Asia-Pacific. This is probably one of the reasons that China has recognised Washington's stabilising role; as Wang Yiwei put it, 'the challenge of Chinese foreign policy in the future is to avoid American decline from happening too fast.'³⁹

China has also benefited from the divides within and among other Asian states. Within countries, Beijing has been able to balance different economic interest groups, and has had the opportunity to play off China-friendly parts of the political elite against Sinophobic nationalists and others. Beijing has ruthlessly exploited splits between other Asian states on issues such as territorial disputes and trade relations. And there has been an inevitable misalignment of security concerns among countries close to China and those farther away. This has allowed Beijing to step up its cooperation with capitals outside of Asia when tensions rise in its neighbourhood, and to thereby retain a degree of manoeuvrability.

Dilemmas

If China has been successful in advancing its interests, this is because it has prioritised economic growth, proven able to avoid conflicts without making large concessions and, most of all, enjoyed a security environment that allows for sufficient manoeuvrability. But it has not yet attained its objectives, and there are several indications that the easy part of China's rise might be over. Firstly, there has been a decline in economic growth, profit margins, the performance of stock markets and consumer confidence. Despite Chinese officials' claims to the contrary, slowing growth is not the result of efforts to make development more durable. Again, there has been

a slowdown without a rebalancing. The share of China's GDP allocated to investments has continued to increase, at the expense of consumption, and many of these investments are troubled. The spree of investment in urban real estate has outpaced the rate at which people have settled in Chinese cities. The rise in manufacturing investment has outstripped domestic demand. And the industrial sector's dependence on exports grew from 13% in 2003 to 34% in 2013.⁴⁰

This trend is of huge importance to China's economy. The trade surplus in manufactured goods accounted for 11% of China's GDP in 2013, up from 4% in 2003.⁴¹ As a result, the Chinese government is set to introduce many

China's leaders are under greater pressure

new policies to offset the impact of rising wages on the competitiveness of its labour-intensive factories, shift manufacturing to more advanced industries, and support exporters with measures that range from export credit to exchange-rate intervention. However, this comes at a moment when its trade partners expect it to trim surpluses. Large Asian

economies such as India, Indonesia, Japan and Russia have all expressed their frustration about the imbalance in trade relations. Between 2009 and 2013, neighbouring countries imposed 95 new anti-dumping duties that affected China, 34 of which were specifically aimed at Beijing.⁴²

China's leaders are under greater pressure to share the benefits of the country's growth, not only from their own citizens but also from other states. This tension manifests itself in a much more complicated political climate. Many of China's neighbours are plagued by social uncertainty, growing public dissatisfaction with governance and dwindling political trust. As a result, some of these states hover between increasing electoral fragmentation and a new enthusiasm for strong, populist leaders. Fragmentation can provide Beijing with an opportunity to play on the internal divisions to assert its interests, but populist leadership has certain disadvantages, especially when it coincides with increasingly negative perceptions of China.

The latter dynamic is particularly apparent in the governance styles of Japanese Prime Minister Shinzo Abe, Indian Prime Minister Narendra Modi and Philippine President Benigno Aquino III. These leaders not only

show a greater tendency to balance against China, but also to push it back in territorial disputes. Banking on strong public support, Abe has done everything he can to counter China's growing presence around the Senkaku/Diaoyu Islands, and threatened to expel any Chinese force that lands there. His administration has accelerated programmes to boost Japanese military capabilities in the East China Sea. In the run-up to the 2014 Indian elections, Modi frequently railed against Chinese expansionism and swore that he would not 'bow down' to China in the dispute over Arunachal Pradesh, stating that 'I swear in the name of this soil that I will never allow the state to disappear.'⁴³ Campaign or no, Modi's stance set the markers for a tougher policy. Aquino has gone to great lengths to resist Beijing's ambitions in the South China Sea and internationalise the dispute over the Spratly Islands, and has announced \$1.8bn in defence spending to 'resist bullies entering our backyard'.⁴⁴ It remains to be seen whether these leaders will be able to balance Chinese power effectively, but their intention to do so has certainly become more pronounced.

China also faces growing challenges in Taiwan. The more Taiwan and the mainland increase their economic cooperation, official exchanges and contact between citizens, the less the Taiwanese support reunification. Polls conducted by the Taiwanese Mainland Affairs Council showed that, between 2003 and 2013, support for independence grew from 16% to 19%, and support for an indefinite status quo rose from 17% to 24%. During the same period, the share of Taiwanese respondents who thought that cross-Straits relations had developed too fast went up from 23% to 33%.⁴⁵ Many Chinese experts have described Taiwan's student-led Sunflower Movement as a purely internal problem involving frustrated youngsters. However, the group's spring 2014 protest against a new trade deal with the mainland was one of the first such large-scale rallies in a long time, and sparked criticism within the Democratic Progressive Party about its new tendency towards moderation in relations with Beijing.

Resistance to Chinese plans for the recovery of lost territory is thus growing, and coincides with more assertive balancing efforts among many of China's neighbours. These states have also become more determined to weave a web of security partnerships around China. At least 20 new defence

agreements were signed between 2009 and 2013, a period in which concerns about China's alleged military assertiveness grew quickly. Vietnam stood at the centre of many of these arrangements, negotiating ten new military-cooperation accords, while Japan and South Korea signed five each. Most of these new plans focused on maritime security, and several were accompanied by statements of concern about tensions in the South China Sea. This evolution was highlighted by the fact that China only concluded one defence agreement (with Indonesia) during this period.

There is growing reason to doubt the effectiveness of peaceful development as a policy in service of China's four great aspirations. Firstly, development itself is becoming much more uncertain, as the leadership struggles to address imbalances in the economy. Secondly, it is progressively less likely that Beijing's unshakeable desire to reunify the motherland will be fulfilled in a peaceful way. Two decades of growing economic cooperation have not erased distrust between China and its neighbours, several of which have an increasingly negative attitude towards Beijing. In the same vein, the approach of shelving territorial disputes and increasing the Chinese presence in disputed areas has not lessened the resistance or resolve of other claimants. In light of all this, a situation is arising in which Beijing is expected to make more concessions to show its benign intentions just as it becomes less willing to do so, and in which China is perceived as a growing threat just as it increasingly sees its neighbours in the same way. The future of China's peaceful rise will depend not only on whether its neighbours act assertively, but also on Beijing's ability to keep a cool head in response to the trend towards balancing.

Will China falter?

The only fixed aspects of China's foreign policy are its four great aspirations, and Beijing's eagerness to pursue them. Everything else has continually changed: the way in which resources have been deployed in pursuit of these aspirations, and in which the leadership has sought to coordinate their use, both at home and abroad. Peace is not the crux of Beijing's strategy. Of course, China would benefit from a rise that did not require it to expend resources on costly wars, but it would be wrong to conclude that Beijing has made

major concessions to maintain the peace. The cooperation that developed in recent decades resulted more from the desire of other countries to establish closer relations with China than from Beijing's diplomatic overtures. In border negotiations, international organisations and economic-reform initiatives, the Chinese government has always been rather successful in preventing concessions that would imperil its great aspirations.

Now, there is gradually rising tension between these aspirations and the ideal of fulfilling them without a fight. Indeed, the more China grows, the less its central aims seem compatible with a peaceful rise. The main point is that, if China already has a grand strategy, it is a revisionist one. Whatever adjustments Beijing makes to its policy tools and stratagems, the effect of fulfilling its great aspirations would be to fundamentally change the international order by making China the most powerful country in Asia. That does not bode well for most of its neighbours, nor for rival Asia-Pacific powers such as the US. Such a change would inevitably entail a weakening of their position, privileges and security, and would make it far harder for them to defend their territorial claims in disputes with Beijing. China's dominance of Asia would force them deeper into the kind of unequal economic partnerships increasingly prevalent today.

China's revisionism is not some evil scheme rising from the deep caverns of the Communist Party. Many of its aspirations are understandable, and resemble those that other rising powers have held. But the fears of other countries are equally justified, and the resulting rise in tension has more and more in common with the preludes to great-power conflicts of the past.

Notes

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