Emerging Trends in China’s Foreign Policy: Opportunities and Challenges Ahead

Renu Rana
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Abstract: There is confluence of views over the rise of China as a global leader in world economy and politics. Having said that, one needs to also understand that the recent years have been challenging for the Chinese state. The challenges did not only emerge from within but also from the external uncertainties. The challenges ahead of China are ever rising and these are shaping up Chinese state’s perception on range of global issues. The paper focuses on these challenges which threatened China’s growth and diplomatic projections and how the Chinese leadership had to engage in addressing insecurities and forge pathways for the future. In this context, the paper examines the new trends in China’s foreign policy since 2008 global financial crisis and how these trends shaped some of the major policies pertained to world politics. The paper also attempts to sketch the pattern in China’s external behaviors which was directly correlated with its domestic growth and national interests.

Keyword: China’s foreign policy, challenges, opportunities, leadership, 2008 global crisis, core interests.

1 PhD candidate in International Politics at the School of International Politics and Public Affairs (SIRPA), Fudan University, Shanghai, PR China. Her core research areas comprise of international politics, international regimes, nuclear non-proliferation, and security studies. She also specializes in Chinese politics and diplomacy, Chinese economy, SCO, China-India-US relations, Asia & Southeast Asia. During her academic and professional stint, she has contributed to various journals. She has presented papers at several international conferences and seminars in China, the United States, India, Japan, Hong Kong, Kazakhstan, S. Korea, to name a few. Email: rana.renu@outlook.com

I. Introduction

The 20th century brought phenomenal changes to global politics and economics. The global wars and global expansion of commerce are the two prime polemics which continued to influence the relations between nation-states. The global relations witnessed major recalibrations in terms of global institutions, foreign policies, and the *realmpolitik*. Fundamentals of antagonism between nation-states traversed beyond ideological matters towards applied and contextual realities. Nation-states which dominated the earlier centuries using the spectrums of policies revolving around traditional polemics have witnessed major shifts as new leaderships sprouted across global south and nation-states in the periphery.

Asia is one of the vibrant geographical domains which witnessed political, social and economic remaking. Within Asia, China emerged as the leading nation-state, which recently shifted the balance of strategic calculus and global growth projections. In the previous century, China struggled to integrate its economy with the global economic affairs and in such attempt, followed the quick and instinctive growth patterns. As the economy paved way for more stimulus growth, it had to mitigate the conservative diplomatic and political approaches to safeguard its economic interests. If such was the scenario on the external economic and political fronts, the leadership which often followed the golden framework set by the Communist Party of China (CPC) also played significant role in mapping the opportunities and challenges facing China internally. For example, the past National Party Congresses of CPC have been significant in syncing the goals internally and listing priorities and mission to carry out the primary transitions in tandem. The Party Congresses held since 1997 appears to have accommodated the pressing issues including that of structural reforms in the economy policy, reemphasis on core interests, etc. in the form of policies internally as well as in the foreign policy decisions of the state.

The fundamental changes at global scale, in the context of end of Cold War, end of bi-polar world, etc., created opportunities and room for China. It is growingly imperative to study new emerging trends in China’s foreign policy and how it is learning to manifest its rise
globally. If one examines the present context of China’s foreign policy, it cannot be denied that former competitors of China now share economic and political ties with it. China is more integrated economically with the rest of the world than it was ever before. As well as, there have been significant changes in China’s ability to respond and adjust reflected in a combination of strategic flexibility and diplomatic resilience, which also deserve greater attention and scrutiny (Johnston and Ross 2010). Along with the status and responsibilities, also came endless opportunities and challenges to China.

As China became increasingly significant player in the global economy and politics, its leaders faced multiple challenges, both from within and outside. Looking from the foreign policy perspectives, one of the significant tasks before the Chinese policy makers were to define how it wanted to be perceived in the region and beyond (Haenle et. al. 2013). Though China’s economic growth started embracing dynamism since late 1970s, China witnessed rapid rise in its economic strength since 2008 by effectively tackling the 2008 global financial crisis. China developed new dimensions of internationalizing its goals and ambitions which are directly connected with internal growth dynamics. The ‘One Belt, One Road’ initiative (Silk road and Maritime Silk Route, now commonly known as Belt and Road Initiative or BRI) is one of the examples to elaborate how China dreams to fulfil the role of the ‘responsible stakeholder’ globally.

1.1. Contextualizing the research

The present research paper focuses on how the challenges faced by Chinese leaders are multi-dimensional and how this builds pressure on leaders to re-position their long-standing positions over critical global matters. More global integration brings complex set of challenges for the Chinese leaders. The core of research deals in encapsulating the inconsistent policies China has been facing externally. While China is reluctant to negotiate on its ‘core principles’ (核心利益) it faces growing pressure to take a stand of responsibility and stakeholdership.5

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4 China has already held two BRI summits, the first in May 2018, and second in April 2019, since it launched the Belt and Road initiative as a defining characteristic (then known as Silk Road Economic Belt and the 21st Century Maritime Silk Road) of its foreign policy agenda in 2013 (Council on Foreign Relations. 2019c; The World Bank. 2018)

5 The 2011 white paper on China’s Peaceful Development listed its core interests as - 1) state sovereignty; 2) national security; 3) territorial integrity and national reunification; 4) China’s political system established by the Constitution and overall social stability; 5) basic safeguards for ensuring sustainable economic and social development (People’s Republic of China 2011).
Chinese policies often represent distorted vision of its priorities and harmonizing the policies internally stand top on its strategic chart.

The research paper is divided in six sections. Following the introduction to the research paper, the following section focuses on reflections over studies on China’s foreign policy. This section talks about the mass of literature on China’s strategic culture and the transformations it went through since the last century by two prominent categories of scholars, namely – a group of Chinese scholars, who look at the systemic urgencies as prime levers of change in China’s foreign policy making and China’s rise and secondly, those non-Chinese scholars who look at China’s foreign policy more in terms of its ambition to be super power and how this is exercised in cases of strategic reflexives.

The third section on Post-2008 Global Financial Crisis: The New Trends in China’s foreign Policy limits itself within the framework of China’s resilience in dealing the global crisis of a large scale and protecting its domestic economy being shred in crisis. The Global financial crisis boosted China’s ambitions further as it underlined it’s unformidable position in global scheme of things. The following sections on Exploiting Opportunities and on Challenges Ahead highlight how China has to act proactive and mitigate the external and domestic challenges simultaneously. These sections enunciate what transpires going ahead and how China prepares to lead the global affairs.

I.2 Methodology and Conduct of research

As it comes to the conduct of research, it involves the use of primary and secondary sources. It is primarily empirical and analytical in nature and adopts causal comparative framework to analyze the facts and data descriptively. Plethora of research exits which talks about emergence of new centers of power in this century. Most of the literature elaborates on how some of the country after passing through transformative stages challenge the hegemony of the Western powers in the global affairs. However, not much have been written on what drove these nation-states to this position whereby they are not only challenging the global structure of relations and institutions, but also shaping the normative tendencies and practices.

II. Reflections over studies on China’s foreign policy

When one talks about new studies in China’s foreign policy making, the works by Chinese scholars as well as the non-Chinese scholars are significant. Some of the prominent
western scholars who have worked on China’s foreign policy and related aspects of it include Alastair Johnston, David Shambaugh, Michael Swaine, Robert Ross, and Shaun Breslin among others. Among Chinese scholars who have published on China’s foreign policies, some of the prominent names include Yan Xuetong, Wang Jisi, Tang Shiping, Niu Xinchun and Luo Yuan.

The studies of works by these categories of scholars, some of them cited in the paper, highlight a few new elements and drivers of the emerging trends in its foreign policy. As Alastair Iain Johnston and Robert S. Ross in their book *New Directions in the Study of China’s Foreign Policy* points out that the changes and the increased scope of the study on China’s foreign policy has been accompanied by emphasis on Chinese sources, which include China’s publication explosion consisting of memoirs, documents from 1949 to 1979: mostly news sources from Xinhua, Renmin Ribao, CPC and China’s publishing explosion (Deng era witnessed the widening of publishing and semi-commercialization of media leading to broadening of Chinese foreign policy agenda); interviews & social surveys on research tools; digital revolution having implications for substantive issues in Chinese foreign policy (centrality of Taiwan issue, role of history, emotions & norms, demise of Maoist ideology, growth of interdependence, some security issues in the northeast Asia); shift from a theoretical and methodologically narrow to new methodologies, i.e., agent-based modelling (ABM); different evolving contours (as a result of expedited exposure to the outward world; and more exchange with the outside world); study of its foreign policy vis-à-vis globalization (Johnston and Ross 2010: 379-412).

As China underwent phases of development and shifts in policy-making, it gave rise to a new dimension, stimulating studies which would cover extended subjects and themes. On the other hand, most of the policies and strategies which were carried out by the Chinese leaders also witnessed colossal shifts. Thanks to the research undertaken by the Chinese universities and think tanks which limitedly but also silently influenced the policies of the state leaders.

This is comparatively a new trend, which was missing in the past and these new ideas and thinking enjoy the benefit of being considered for their studies. The creation of research centers, in particular the university-based research centers may give an impression that the leadership may end up using the think tanks to promulgate their ideas but these also function to let the leaders know the effects of certain policies. The recently announced *Education Action*
Plan of BRI in July 2016 prioritizes establishing research centers with objectives to “respond to the enormous challenges and opportunities faced by our countries in economic development, resource utilization, ecological preservation, and so on”, and “for specific countries and areas and work with counterparts from target countries to carry out research in fields such as economics, politics, education, and culture” (Belt and Road Portal 2017). The purpose of such initiatives is not mere getting reflection on policies and research on certain issues for the government but also into preparing the universities in China as a center of gravity to rise as a leading power in global education (Rhoads et. al 2014). The increased investments in the university research is not independent of China’s ‘Made in China 2025’ and its increased focus on R&D investments.

III. Post-2008 global financial crisis: new trends in China’s foreign policy

Not to ignore that China’s evolving approach to sovereignty and intervention since 1989 can be seen in its act of pragmatism. China gradually brought a fundamental change in its commitment to absolute sovereignty. China’s attitude to multilateral intervention became increasingly flexible. For example, from 1990 to 1998, the Chinese approach underwent a change from limited approval to tentative involvement in multilateral intervention, where Beijing supported initial UN Security Council resolution (UN SC 660) condemning Iraq and demanding Iraqi withdrawal from Kuwait (Allen Carlson 2006: 222, in Johnston and Ross). By mid-1990, China’s position was of cautious acceptance (Carlson 2006: 224) but it continued to oppose West’s intervention in most internal crisis. Year 2001 was a watershed period in China’s integration with global comity of economic affairs. Post-WTO accession, China cruised to achieve wider acceptability at global forums. The end of Cold War and China’s accession infused new Chinese literature on opportunities for China. Chinese leaders used global multilateral forums to reiterate their rise. However, the new dynamics brought in by China’s accession to the WTO and its inevitability in global commerce accelerated pace of China’s road in to global politics and economics.

In last three decades, the international environment remained peaceful compared to first-half of the 20th Century. Many factors have affected the course of China’s grand strategy in last one decade. First, there is a significant change in the relative power vis-à-vis US and neighboring countries. Alongside China, the neighboring countries including India, Japan, Vietnam are also prospering and growing stronger which poses new challenges to China and forced China focus on its neighboring diplomacy. Second, International dynamics underwent
major changes in past few decades. Though one cannot rule out any possibility of low-intensive issues creating problem for the regional peace, but majority of strategists deny any possibility of any world war, which follows the path of more economic engagement than military competition. Third, the domestic scenario in China witnessed remarkable changes including the methods of the domestic institutions to bring in sustainable measures of governance for instance, the introduction of the social credit system across many states (People’s Republic of China 2014b).

At the same time, the involvement in international politics brought fundamental changes in China’s external behavior. China’s involvement in the international institutions greatly contributed to its own growth and national interests. For instance, China became world’s second largest economy in 2010 after almost ten years of its accession to WTO. Also, China is seen as more responsible state than before due to its active role in tackling security issues, be it nuclear issue in Korean peninsula or humanitarian intervention. Carlson (in Johnston and Ross 2010: 221) attributes these changes in its foreign policy to “social learning” of the Chinese foreign policy elites to international norms (United States’ use of limited sovereignty for its national interests and global norm of humanitarian multilateral intervention in protection of human rights).

The 2008 global financial crisis hit every corner of the global economy. Chinese economy which amassed growth through modelling export-oriented growth did out sustain shocks and not let the financial crisis stop thwarting its dominance. The collapse of developed economies underlined the resilience of Chinese model it developed. Chinese emerged to give an alternative to growth and Anglo-American model of pacing growth and speculations. With the demographic dividend and persistent performance, 2008 turned out to be the arch of Chinese entry in the next level of game.

While Chinese growth was affected, the efforts of the Chinese were largely commended. China’s GDP growth rate fell from 13 percent in 2007 to 9 percent in 2008 (National Bureau of Statistics of China 2009). The export demand slowed during the second half of 2008, hitting China’s GDP and exposing limitation in ‘extremely high export dependency’ (Yu 2010). The real time change in China’s foreign economic and global political outlook began taking a final turn post-2008. The post-2008 economic policies of Chinese government indicate how China vowed to follow conscious but inclusive policies to register robust internal growth and protections from external shocks and at the me time using the lessons to rise more firmly.

Four components can be attributed to China’s Grand Strategy in post-2008 years. One among those is maintaining internal stability which has become one of the top priorities for the
Chinese leadership. By establishing the internal stability, the expansion of national power remains prime deliverable. As a result, expanding comprehensive national power remained on top of Chinese strategic priorities. While internal peace required broadening and reinforcing the intent of Chinese power, it would have been near impossible without permissible international conditions. The creation of favorable international environment was third but one of the critical attributors of Chinese foreign policy, which was pursued by the Chinese leadership by maintaining stable relations with major powers, accommodative policies towards neighbors and developing countries, and re-vitalizing the role of multilateral institutions. Lastly, but most importantly, mainland China continued to pursue peaceful reunification with Taiwan.

With the growing necessities to maintain balance in its approach and rise as nation with economic and political might, China’s rise is no more a concept but a reality. China’s rise is reflected in its strong economic growth and rapid military modernization (Jakobson 2013). Over a last decade, China has emerged from a ‘leading developing country’ to ‘responsible caretaker’ in international economy (Gottwald and Duggan 2011). The new leadership under the guidance of President Xi Jinping embarked on a road of diplomatic rapprochements with so called Chinese characteristics or Chinese style. National sovereignty and the interests of the people not only forwarded as the core concern but it packaged the overall situation of domestic reform and development. As emphasized by President Xi during the Central Foreign Affairs meeting held on November 28-29, 2014, “China’s relations with the rest of the world are going through profound changes; its interactions with the international community have become closer than ever before. China’s dependence on the world and its involvement in international affairs are deepening, so are the world’s dependence on China and its impact on China” (Xinhua 2014).

China’s role and participation in international institutions also witnessed a qualitative change and not merely a quantitative race towards achieving the legacy through number as it was the condition during the Cold War. China was the founder member of international institutions such as Shanghai Cooperation Organization (2001) and BRIC grouping (2009; later on, BRICS in 2010), the Asian Infrastructure Investment Bank (AIIB)7 (2015) apart from actively pursuing the active participation in the Association of Southeast Asian Nations (ASEAN), Regional Comprehensive Economic Partnership (RCEP) and World Trade Organization (WTO) negotiations. China became a member of WTO in 2001 and remained actively engaged in its negotiations and deliberations.

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7 The AIIB initiative was taken in October 2014.
While China grew out of its shoes, from an agrarian economy to the manufacturing economy, it learnt the trick to play a role in soft-balancing the Great Power Diplomacy. Consistent with this new trend, China’s strategic partnership with Russia showed increasing soft-balancing tendencies. One contributing factor is the Chinese perception that American global hegemony came to an end (Zhang Banghui 2010: 45).

Though China has been critical of the great power relationship, it continued to pursue full partnership with the United States (US) (Zhang 2010: 42). Its US-policy was thus designed to pre-empt the United States’ fear that China might in the long run challenge the United States’ role as a global powerhouse. Since the mid-1990s, Chinese foreign policy revolved around the central goal of diffusing potential containment action by United States. As a result, until recently, China rarely challenged the United States on global, regional, or bilateral issues but this relationship was redefined in recent past due to rise of China as a confident global power.

China also acted smartly to use the regional influence to shape the regional political and strategic dimensions. As it has been observed, China’s role in regional orders largely was confined to increasingly institutionalized participation and it did not actively seek to influence the directions, agenda or operations of specific regional institutions. But not to overlook the fact that this trend is undergoing a major shift, as now, with its rising power and confidence, China is pushing for greater regional leadership and even the reshaping of regional orders (Zhang 2010: 49). New trends in China’s foreign policy also include a geopolitically oriented economic and security strategy and the centrality of soft power. For instance, Li Jie, Director of Policy Planning in the Chinese Foreign Ministry, argues that Japan’s weakness in global influence is a result of its lack of soft power, even though it is the world’s second-largest economy (Li Jie 2007 in Zhang Banghui 2010: 58). It is no surprise that China recently insisted on deploying soft power strategy to shape international norms and rules.

One of the remarkable trends in recent times being enshrined in speeches talks about “Rising Global Profile” or “striving for achievement” (The New York Times 2016; Weissmann 2015). This is significantly different from a ‘keeping low profile’ of Deng Xiaoping (Clover 2017; Yan 2014). Chinese Foreign Minister, Wang Yi in 2014, reinstated the shift from “hiding ones’ capacities and biding one’s time”, to, international “role of a responsible, big country” (Consulate General of the People’s Republic of China in New York 2014; Government of China 2014). At Davos, in February 2017, President Xi emphasized China’s need to move towards self-assertion. He further indicated at China’s moving past the policy of “keeping a low profile and

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nurturing ourselves” (韬光养晦)) and asserted on China’s role in international affairs not only as a participant and contributor, but also as benefactor and leader of the international system (Kulacki 2017; World Economic Forum 2017; Jonquières 2017). On the one hand, China silently adopted the foreign policy formulation which was embedded with “new type of Great Power relations” and on the other, China also proved critical to create new multilateral institutions.

One Belt One Road was more institutional in reasserting China’s rise and its strategy to overcome the insecurities. China started generating its own strategically driven foreign policies in the form of ‘One Belt and One Road’ Policy. China pursued to link up its connectivity projects with the theme of “Community of Shared Destiny.” The vision first proposed by the President Xi in 2013, was enshrined into CPC Party constitution in October 2017. China in the process prioritized ties with peripheral geographies. On 12 November 2013, at the Third Plenary Session of the 18th Central Committee of the Communist Party of China, Chinese government adopted the decision which states:

> We will keep to the world trading system and rules, persist in bilateral, multilateral, regional and sub-regional openness and cooperation, seek more converging interests with other countries and regions, and carry out the free trade zone strategy at a faster pace with neighboring countries as the basis…We will set up development-oriented financial institutions, accelerate the construction of infrastructure connecting China with neighboring countries and regions, and work hard to build a Silk Road Economic Belt and a Maritime Silk Road, so as to form a new pattern of all-round opening (People’s Republic of China 2014).

The policy of shared destiny through omni-directional policy is seen as a method to “rebalancing” against the West. China intensified its efforts to engage in global governance than ever before. In September 2016, the successful G20 Leaders’ Summit in Hangzhou added weight to China’s claim over international economic cooperation. Following the summit, Chinese President Xi Jinping called for a closer cooperation to reform the global governance system, and advance peace and development in the world (China Daily 2016). President Xi, once again at G20 Osaka summit in June 2019, reasserted on improving global governance and called on the participants to boost economic growth across the world, while pledging China’s continued opening-up (Xinhua 2019).

China grew assertive about its sovereignty. At the same time, China evolved into a more “flexible” nation-state (Rajan 2015; Zhang 2010). In recent years, with increased number of bilateral visits, and through promotion of various mechanisms for cooperation, Chinese state took a pro-active stand to enhance the ties with the neighbors in this region. The two informal
summits with the Indian side also represent a different approach to increase the engagement. President Xi Jinping and the Indian Prime Minister Narendra Modi met in Wuhan, China for the first of its kind “informal summit” on 27-28 April 2018, which was held despite facing the setback in the bilateral relationship due to 71-day Doklam standoff (Government of India 2018). Chinese Ambassador to India, Sun Weidong appended the approach by arguing that “I think we share enormous potential for cooperation and our shared interests far out way our differences. That is why we need to focus on cooperation, make it a bigger pie and to narrow down the list of our problems and issues and do not allow any individual case at certain time to disrupt our bilateral relations” (Economic Times 2019). The Chinese side continued the trend by holding second informal summit between the two nations on 11-12 October 2019 in India. The emphasis on increased flexibility in China’s diplomacy could also be witnessed with numerous bilateral meetings between the leadership of China and the United States at various occasions despite continued trade war between two countries.

In October 2017, in his report of the 19th National Congress of the CPC, President Xi Jinping emphasized the need to work together with other countries to jointly build a “new type of international relations” (China Daily 2017). The year 2018 was the first year of the implementation of 19th National Congress set agenda. The Boao Forum for Asia Annual Conference with a theme ‘reform and opening up’ was the new beginning which also coincided with the 40th anniversary of China’s reform and opening up. China further gears up for the new prospects of deepening reforms and opening up in the new era. This was followed by the Shanghai Cooperation Organization Summit in Qingdao in June 2018. The agenda of the Summit followed the similar agenda of Chinese cooperative diplomatic efforts. The main theme of the Qingdao Shanghai Cooperation Organization (SCO) Summit was to promote the “Shanghai Spirit.”

Going a step forward, the year 2018 also marked China holding the China-Africa Cooperation Forum (FOCAC) Summit in Beijing in September.9 The main theme was the “Belt and Road”. China could use the connectivities as the basis to form commonalities with the African countries indicating how significant are the relations between China and Africa. Though the Forum was established long before BRI was conceptualized, FOCAC has now emerged as a significant framework for China’s partnerships with the African continent and has the potential to become vital platform for the projects under BRI in the region. With respect to

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9 The Beijing Declaration of Forum on China-Africa Cooperation (FOCAC) was passed in 2000 (People’s Republic of China 2000). The forum started as an extension of Chinese engagement with Africa, with the first summit held in November 2006.
the relationship between FOCAC and BRI, Kenneth King published a paper on cooperation on
education between Africa and China and how both events complement each other with
comparison of FOCAC and BRI major schemes on education i.e., *Action Plans VI and VII* with
*Education Action Plan* of BRI respectively (King 2019). The first three big events clarify the
transcending thoughts within the foreign policy makers of China who give an image of strategic
deepness in their approach and reflects how the efforts are connected and coordinated to the
rise in China’s stature as a big power. The year 2018 marked another big event in China’s
history and it was the first *China International Import Expo* which was held in Shanghai in
November 2018. The main theme was *the opening of the market*. China could use its consumer
base to attract global companies and players to display their will to work with China. The import
exhibition signaled China’s ability to influence the global markets. China organized the first
China-Africa Economic and Trade Expo in June 2019 in Hunan province of China, which was
attended by more than 1,600 guests from 53 African countries and over 3,500 exhibitors from
China and abroad (*PR Newswire* 2019). These events in last few years have turned out to be
the curtain riser of China’s transforming foreign policy and how it overcame the challenges.

**IV. China sets to exploit the opportunities**

China’s success in approaching the rest of the world, which were termed *non-gratia* by
developed countries, turned out to be a key. China learnt from the past that there could not be
a best way to find friends than to align with those which were hurt by biases of the developed
countries. This was the principle of exploiting the contradictions. The principal which China
followed was based on its historical lessons. China’s diplomatic history underlines how China
exploited the best by manipulating some of these contradictions in international relations.
China’s role in strategizing role for global south, its intervention in the middle east, China’s
stand over military conflict in other parts of the world were different from Russia and U.S.
China’s relative success in stipulating its rise lies in this act of opportunism. China did balance
against major powers. It’s policies with Russia and United states were pragmatic without
sacrificing much of its national interest. While China made ground breaking adjustments in
some of its policies, however, the ‘core interests’ guiding the foreign policy remained supreme.

Beside policies towards great powers, China also exploited opportunities in the regional
theaters. For example, China optimally used its presence in Asia Pacific and influenced the
major global relations in this area. China played a critical role in major multilateral and bilateral
issues and remained competent power to hedge results. Not to forget China’s role in Six Party Talks reminds how China plays a big role in some of the regional matters.

China came a long way from role-building to role-modelling in last few decades, from trying to emerge as a responsible state by engaging more with the international organizations, regional multilateral forums to trying to lead the international order via institutions such as AIIB and BRI.\textsuperscript{10} However, it will be too early to call China as a revisionist state (The United States of America 2017; The United States of America 2018).\textsuperscript{11}

Another vital opportunity awaits China in the form of institutional integration. It will not be wrong to argue that China emerged as one of the leading global powers through its engagement in promoting confidence-building, cooperation, and regional security. Recently, China remained active in many international and regional forums including ASEAN Plus Three (APT), SCO, Regional Comprehensive Economic Partnership (RCEP) among others. Chinese development proved attractive for African states and other developing countries. China’s engagement with the world is more on trade and economy and not much through China-led institutions. China possess a huge potential to engage the world in “Chinese Way” through institutionalized integration i.e., AIIB, RCEP, OBOR (SR & MSR).

Several factors contributed to these opportunities for China. China experienced the journey from “isolationist” to “participative” to “leading” actor in international system in the past 60 years. Many push factors and pull factors got involved in the process. China’s need to push its economic reforms as it played a vital role in this transformation. As far as the pull factors are concerned, many countries and organizations over the time realized to include China in the international system owing to its trade potential. For instance, the IMF increased China’s voting share in 2016, almost doubling its share since 2006\textsuperscript{12} and the World Bank named a senior Chinese economist, Justin Yifu Lin, as its chief economist in 2008, the first to hold the post from a developing country (The Guardian 2008). The global financial crisis of 2008 provided China with an opportunity to redefine its role and contribution to global problem-solving (Gottwald and Duggan 2011).

\textsuperscript{10} As part of the OBOR initiative, the Silk Road Fund was established in November 2014 to sponsor Asian connectivity.
\textsuperscript{11} China along with Russia was referred as “revisionist” powers in both the National Security Strategy of the United States of American in 2017 and 2018 (The White House 2017; The White House 2018). The concept of a revisionist state refers to a state which seeks to alter the status quo distribution of power in the international setting and seek to change it to suit its interests.
\textsuperscript{12} Effective from 26 January 2016, the quota share of China has risen from 3.99 percent to 6.39 percent as per the Board Reform of Amendment. It stands at 6.41 percent and holds third largest place among IMF quotas as of August 28, 2019. (The IMF 2019; Weisbrot & Johnston 2016).
V. Challenges ahead

As China enters into a pool of opportunities to emerge as a leading global power, it confronts several external and domestic challenges. China-led institutions and organization do invite allegations of control and economic hegemony. The AIIB is often criticized for being China-led and alleged to be an attempt to alter the global economic order in China’s favor, emphasizing on no rules or less rule in contrast with the huge trail of rules and conditions attached to leading lending institutions like World Bank and International Monetary Fund (IMF) (Batra 2014).

The neo-realists (Callahan 2005, Golstein 2001 and Wacker 2006) argue for China’s challenges being dominated by the international environment and actors, downplaying the role of domestic factors such as social and political stability. On the other hand, Chinese foreign policy makers emphasized on domestic challenges more than the international ones. Looking at the challenges China faces, it can be argued that the challenges remain multi-dimensional and more inward.

Contrary to neo-realists, most domestic experts and policy makers in China view maintenance of social and political stability as a pre-requisite and a challenge before Chinese foreign policy makers (Gottwald and Duggan 2011). There is a need for a ‘more dynamic and relational approach that would allow China’s external policies and activities to be analyzed in relation to its internal affairs and domestic political economy’ (Gu 2015). In the light of increasing concern about future of China-Led initiatives including OBOR and AIIB, Chinese leaders and policy makers remain pre-occupied with internal problems. Only about one-tenth of the lengthy work report of the 18th National Party Congress of CPC, a policy guidance document for the next five years, dealt with external issues (Jakobson 2013).

V.1. External challenges

Along with these challenges, China continues to be worried about long standing external issues including the border disputes it shares, national security, and territorial integrity i.e., South China Sea\(^{13}\) or India-China border issue (Woody 2015; Kelly et. al. 2014). Though the intensity of these issues is not as much as it used to be during Cold War due to present economic

\(^{13}\) South China Sea represents a Chinese ‘core interest’. Michael D. Swaine has attempted to define the China’s usage of ‘core interests’ in his article in *China Leadership Monitor* (Swaine 2011).
inter-dependence which contributed to the maintenance of status quo along these issues, however, it seems to have taken a different and renewed approach on the India-China border dispute issue.¹⁴

V.1.2. China’s rules or “no-rules”?

The Export-Import Bank of China in April 2019 claimed to have provided loans worth more than 1 trillion yuan (US$149 billion) for more than 1,800 Belt and Road projects (China Daily 2019), while China Development Bank has financed more than 600 Belt and Road projects totaling US$190 billion since 2013 (China Daily 2019a). The study by the Kiel Institute for the World Economy¹⁵ estimates China’s lending to the emerging markets to be a quarter of world total (CNBC 2019).

China is blamed for it compromises on standards of good-governance, labor and environmental protection, and human rights when it puts forwards the so-called ‘equalitarian’ measures and conditions. Unlike IMF, which lends money with many conditions attached i.e. improved governance, political reforms, improved human rights records, China, through AIIB, proposes no such strings attached with its model. For this reason, the initiatives taken by China in recent past including OBOR and AIIB have been perceived in geopolitical light with suspicion (Gu 2015). It is written by number of scholars that China’s guidelines to lend the loans include some ‘hidden’ ‘compliances. According to a study conducted by the Kiel Institute for the World Economy, the issue of the hidden debt is severe in countries like Venezuela, Iran and Zimbabwe. The study argued that the loans by Chinese banks are often at market rates, backed by collaterals such as oil and shorter loan period, a practice in contrast with the official institutions whereby the loans are granted to developing countries below-market rates (CNBC 2019).

V.1.3. China’s peaceful rise and the perception gap

One of the major tasks before Chinese foreign policy makers in coming decades is to overcome the mistrust it shares in its diplomatic relations with many global players such as

¹⁴ Due to recent border stand-off between China and India in Doklam area, China has reemphasized on the mechanisms to mitigate such challenges which threaten China’s integrity. As observed by the Author, China is organizing more talks and conferences, and projects to focus on the border dispute with India, besides the sudden increase in the number of institutions focusing on South Asia studies, and in particular, India.

¹⁵ The study analyses almost 2,000 Chinese loans to 152 countries from 1949 to 2017.
United States, Japan and India. The mistrust between United States and China appears to have multiplied since the onset of the trade war between the two in 2018 (The Economist 2020). Haenle suggests that China needs to make its foreign policy more conducive to development, requiring multilateral relations (Haenle et. al. 2013). China faces the issue of mutual trust with many countries including Japan over the sovereignty claims in Diaoyu/Senkaku islands, Sino-Vietnamese tensions. China faces the issue of being perceived as a threat by many global and regional players. Many neighboring countries including Vietnam feels threatened by China’s growing global influences. Though China, in last two to three decades, insisted on increasing trade, tourism, and industrial relations with Vietnam, increasing China maritime presence is being perceived in negative light by many maritime neighboring countries including Vietnam.

There have been criticisms and opposition to China’s new project too i.e., BRI. Tanner Greer (Greer 2018) argues that many Americans perceive this project as an “extension of efforts by the Chinese Communist Party to undermine the security and economic architecture of the international order. He further calls this initiative a “strategic blunder” by China. There are many roadblocks highlighted by scholars for such an initiative including large amount of debts to fund infrastructure projects, required use of Chinese firms, lack of transparency in the bidding processes by such firms. There were incidences from Malaysia and Maldives with respect to cancellation of some of the BRI projects. Such stories indicate the serious concerns by the partnering states, and the challenges China may face regarding such initiatives (Council on Foreign Relations 2019c).

V.1.4. Creating favorable international environment

The challenge to define its position in the world and at the same time, realizing its increasing and globalizing national interests in accordance with domestic and external demand is possible only if China is able to maintain favorable international environment. Though China managed to project a leading role of itself in the global economy but it a long way to go to emerge at similar lines in global politics. China’s influence in the global social and cultural spheres remains minimal (Wang 2014). Other than improving relationship with other countries, China also emphasized on protecting the interests of overseas Chinese. In October 2013, during Foreign Affairs Work Conference, President Xi emphasized on Chinese diplomacy towards the periphery, mentioning priorities for Chinese diplomacy: “upholding China’s sovereignty, security and development interests, fostering a more enabling international environment for
peaceful development and maintaining and sustaining the important period of strategic opportunity for China’s development” (Swaine 2015).

V.1.5. Global governance

In a sharp redressal of some of institutional issues, China is attempting to remove the biases by adopting a more standard view of governance. In its attempt, China has taken up a challenge to point out laws and legalities which the Chinese leaders believe carry unequal approaches. As a result, China is trying to standardize the laws covering international matters and disputes. Global governance, commonly understood as a complex set of institutions and processes that govern the various aspects of world affairs, has emerged as an opportunity for China to demonstrate its increased role in the world affairs. Governance does not only intend facts and factors covering political, economic issues but also those issues which include sustainability challenges.

While China utilized its membership and quota share in various multilateral institutions for its increased footprints in world economy, it also has to be prepared to meet the standards set by these institutions. One such instance was the denial of market economy status (MES) to China at WTO in 2016 due to opposition from United States and European Union for not meeting the standards and on the allegations of distortions in Chinese economy due to government interventions, and dumping charges. These challenges also arise from events taking place around the world, be it the tariff war with United States, or the case of Brexit, which some argue, might even make China consider unwinding its economic interdependence with the rest of the world (Johnson 2019).

Global governance also brings validity to China’s attempt to make its rise look more peaceful. In order to make international environment more favorable to its emergence as a world leader, China needs to maintain friendly relations with major powers including United States, European Union, Russia, India and neighboring countries. At the same time, China needs to focus on non-military competition and cooperation to alleviate misunderstanding and tension with these major players (Haenle et. al. 2013). China gained a lot in recent past in terms of its economic growth and improving the image as a significant role player by engaging more with developing countries in Africa and Latin America through aids, participation in UN Peace Keeping operations.

Another major task for China to contribute to improvement of international environment is to continue its engagement in the multilateral institutions: United Nations, International
Monetary Fund, World Bank, SCO, Asia Pacific Economic Cooperation (APEC), ASEAN +3, BRICS, East Asia Summit (EAS), ASEAN Regional Forum and to implement NDB (New Development Bank) and AIIB successfully. China recently played an active role in the multilateral forum, including the Paris Declaration and the Global Partnership for Effective Development Cooperation (GPEDC) in relationship to the Millennium Development Goals (MDGs), RIO+20, the UN Framework Convention on Climate Change (UNFCCC) and the Sustainable Development Goals (SDGs). Simultaneous global negotiations on climate, development and financing for development (FFD). China has fewer fundamental disagreements with other countries when it comes to governance of international development cooperation. Rather, China gained appreciation all over the world for making ‘rapid and real progress on incorporating different Post-2015 processes (SDGs, climate change, FFD) into their national frameworks and the establishment of the AIIB to be “leaner, cleaner, greener”’ (Gu 2015).

V.1.6. Addressing issues with sustainability

The external challenges for Chinese state did not remained political or geo-strategic in nature. A newer set of challenges namely sustainable challenges along with financial and economic, also makes the Chinese state rethink its foreign policy decisions. For very long, China remained reluctant to be active participant in the global environment governance. China has been targeted for its severe pollution levels and considerable energy consumptions, including the heavy coal consumption. According to a report by World Resources Institute in 2017, China topped the chart of world’s greenhouse gas emissions, contributing to 26.83 percent of global greenhouse gas emissions (World Resources Institute 2017).

China is a latecomer in the global environment governance. China has recently attempted to not only address these challenges through various mechanisms such as green finance and introduction of environment tax but has also left its footprints through active participation in the institutions of environment protection. Chinese President Xi stressed on winning “three tough battles”, tackling pollution is one of them. Soon after the release of the three-year plan for air quality (2013), China introduced ‘war against pollution’ in early 2014, targeted at improving air quality by end of 2017, which was further extended in 2018 in the form of 2020 action plan for air pollution. This reflects the shift from its long-standing emphasis on economic development over environment protection to attention to sustainable development.
V.2. Domestic challenges

V.2.1. Public policy making and the leadership

Chinese policy makers are busy questioning China’s ability to continue with the rise because of daunting domestic issues (Jakobson 2013). Recent trends in the Chinese policy making reflects this concern and focused on bringing in far-reaching legal reforms and major structural changes. Chinese government also appears to be aware of the fact that establishing of rule of law and structural reforms would curb corruption, achieve social justice among tackling other problems. However, such policies and mechanisms are far from goal achieved. “Contradictions within the Chinese leadership, conflicting themes in public discourse and incoherent actions highlight the difficulties even for a technocratic one-party elite with a limited – albeit real and important – need to assure domestic support and legitimacy to define the global role of an ‘emerging great power’” (Gottwald & Duggan 2011).

V.2.2. Internal stability and challenge to territorial integrity

The protests in Hong Kong were untimely and Chinese states did not anticipate the disturbance would escalate the economic fabric of the entire region. The protests and disturbances in Hong Kong in 2019 posed challenges for the Chinese leadership on how to mitigate this distrust from the sections of society in Hong Kong and also to protect the social stability. Chinese state is not exception to interrelation between the stability and its international implications.

China gives utmost importance to social and economic stability of the country and the examples like these create a quick disturbance for its broad and long-term plans. In order to tackle its domestic challenges, China has put in efforts to enhance its government’s public credibility. China, in past, tried to meet this challenge of internal stability through negotiations, affirmative actions, laws and also through economic integration. For instance, Mainland China is Taiwan’s largest trading partner, accounting for almost 30 percent of Taiwan total trade which reached US$150.5 billion in 2018, up from US$35 billion in 1999 (Council on Foreign Relations 2019).

V.2.3. Population, development and slowing growth
China witnessed economic slowdown in 2015 as its GDP growth reached 6.9 percent in 2015 from 7.3 percent in 2014. It further fell down to 6.7 in 2016 and 2017, and 6.6 in 2018 (World Bank nd). There have been arguments which link further decline in China’s economy due to the tariff war with United States (Johnson 2019). Due to rise in its economic growth in last 30 years, China became highly dependent on energy-intensive heavy industry (over 60 percent of oil China consumed relied on import). China’s phenomenal growth since late 1970s created an urgent demand for energy and raw materials (EIA 2006; U.S.-China Economic and Security Review Commission 2011). Currently, China houses the World’s largest manufacturing sector and is in the process of continued industrialization and urbanization, leading to rapid increase in China’s energy consumption (Brookings 2018). Besides economic slowdown and increased energy demand and inadequate energy supply, China also faces the challenge of heightened trade tensions with many countries over the world which resulted in increased mistrust among small countries. Another major challenge China face is to improve social safety net and reduce income inequality (IMF 2019).

In order to maintain its economic growth, China recently insisted on diversifying the sources of its economic growth. China is now focusing more on outwards investments (FDIs) and innovation, service sectors, instead of remaining just a manufacturing economy. China intends to grow its R&D development to 2.5 percent by 2020 (China Daily 2017a). To maintain consistent supply of energy, China needs to increase energy efficiency. China is developing new energy sources, including nuclear power, wind power, hydropower, and natural gas, at rapid speed (Wang 2014). However, the proportion of total energy consumption covered remains insignificant (less than 10 percent), which makes China highly dependent on energy imports. One priority for China’s foreign policy makers remains to ensure that growing energy demand is met, through domestic productivity enhancements, energy conservation and adjustments in industrial structure, as well as conducting international strategic planning, making arrangements with resource-abundant countries and tackling various external threats to the energy supply (Wang 2014).

Made in China 2025” is a ten-year plan implemented by the Chinese government in 2015 to upgrade and shift its economy into higher value-added manufacturing sectors to increase the domestic content of core materials to 70 percent by 2025. It focuses on developing

16 China leads the chart in terms of manufacturing output (at USD 2,010 billions) and the percentage of its national output (at 27 percent of national output) that is generated by that sector, and contributes to 20 percent of global manufacturing. However, it scored 61 points of total 100 with the ranking of 13 in terms of country rankings on manufacturing environment (Brookings 2018).
Emerging trends in China's foreign policy:...

...ten high tech industries including electric cars and other new energy vehicles, artificial intelligence, next-generation information technology and telecommunications, agricultural technology, aerospace engineering, emerging bio-medicine, new synthetic materials, high-end rail infrastructure, advanced electrical equipment, and high-tech maritime engineering (China Daily 2017b; Council on Foreign Relations 2019b). Chinese foreign economic policies and priorities are trimmed and tailored to fit these priorities of the Chinese states.

The report at the 18th National Party Congress of CPC stresses China’s goal of becoming a strong maritime power, putting forward the concept of a ‘China-US new type of great power relations’, new thinking on periphery diplomacy (中国周边外交), goal of two ‘silk roads’, new thinking on ‘integrated destiny’ of China and Africa, more flexible pragmatism in Chinese leadership at domestic and international level (Wang 2014). China put forward the concept of “a new type of great power relations,” (新型大国关系) to the building of “new type of international relations” (新型国际关系), which stresses the overall need for China’s diplomacy to promote “win-win cooperation” in every type of inter-state relations (Xinhua 2014). During the central foreign affairs meeting held in November 2014, President Xi stressed on the future elements of Chinese diplomacy in upcoming decade including the pursuit of a new type of international relations stressing win-win cooperation, the closely related advancement of reforms in the international order, the proper handling of disputes over sovereignty and maritime issues, and the enhancement of CPC leadership over and the reform of the PRC foreign policy process (Xinhua 2014).

At the 19th national Congress of the CPC, the leadership emphasized once again on “a new type of international relations”, and asserted its goal to deepen relations with its neighbors, and lauded the initiatives taken to pursue its diplomatic agenda of creating a favorable external environment for China’s development through its role in BRI, AIIB, Silk Road Fund, and hosting of the first Belt and Road Forum for International Cooperation, the 22nd APEC Economic Leaders’ meeting, G20 2016 Summit, BRICS Xiamen Summit among others (Xinhua 2017). The renewed emphasis on new type of international relations emerges from its acknowledging of the challenges emanating from the transforming world political and economic equations.

Major challenges before Chinese foreign policy makers emerged from within and the periphery as well. Prof. James T. H. Tang (Tang 2011) argues that in coming decades, the ‘Periphery’ may emerge as the core within China’s foreign relations. After facing denial of
MES in December 2016, there have been instances whereby Chinese government has attempted to have taken into consideration the changes needed. The Chinese Vice Minister of Commerce Wang Shouwen asserted during a press conference in June 2018 that the government was working to ‘straighten out the relationship between the government and the market to give the latter a decisive role in resources allocation’ (Xinhua 2018). The statement came just after the release of the white paper on *China and the World Trade Organization* claiming to have fulfilled its WTO accession commitments (Government of China 2018).

**VI. Conclusion**

As China marches ahead in the global politics as a rule-maker, it is not without challenges, which majorly rise from both within as well as external dynamics. Most important challenge before Chinese foreign makers is to maintain the domestic stability to firmly carry out its policies globally. Unlike three to four decades back, the focus is again shifting inwards. Whether it is BRI or its raising questions over global governance, Chinese rise is not all about economic. The recent trade war with United States did create challenges for Chinese state and China’s response to these challenges will determine how leaders view their priorities.

Some of the trends and major shifts in China’s foreign policy discussed in the paper included China’s emphasis on soft power; challenge to United States’ stronghold in various regions and institutions of economic significance; its increased role and participation in international institution in more qualitative form as in creation of new multilateral institutions, shifting international norms, co-opting international organizations; shift in its foreign policy outlook from ‘keeping low profile’ to ‘rising global profile’; increased flexibility in China’s diplomacy; “stepping up its engagement with regional, multilateral and global orders, and actively pursuing their recalibration” (Gottwald & Duggan 2011)

While Chinese state underlines that its core interests are uncompromisable, it also takes steps to diffuse the tensions over some critical matters of regional and global interests. China is learning the art to engage even despite of having critical differences. It’s relations with India, Vietnam, Japan, United States underline the major shifts China has induced. The section on exploiting contradiction explicitly tells the wise choices Chinese state is making. It is no more rhetoric but a restrain which guides the policy orientations. While at home, the policy of experimentation continues to boost the social and economic sustainability.

In coming decade, China will narrow its focus. If it has to rise, China knows that it has to go slower and more constructive. While it rises, it makes it doesn’t create ripples. The world
peace conferences, harmonious dreams, shared destiny as some of the catch phrases which Chinese use to furnish their point of view. At the same time, in coming next five to ten years, China’s grand strategy will focus on both domestic issues i.e., focus on innovation to balance economic growth, internal stability on core and legitimate national interests including the protection of interests of overseas Chinese as well as on external challenges which are taking the leadership by surprise, i.e. trade war, protectionism. The new trends in China’s foreign policy will be more focused on mitigating the international challenges from creating adverse impact domestically.

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