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Structure and process

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Globalisation and China's diplomacy: Structure and process

STUART HARRIS¹

This study is concerned with how far globalisation² has affected the capacity of China, as a developing nation, to make and implement foreign policy.³

In any developing nation-state, the impact of these globalising influences, largely resulting from changes in information, communications and transport technologies, will depend significantly on that nation-state's characteristics. Most states, whether developing or developed, share a number of foreign policy influences. Externally, these include a state's geography, political and security environment, and its role in the structure of global relations; domestically, they include population size, the economy, the nature of political systems (market or socialist, pluralist or authoritarian, Western oriented or not), and ethnic and religious influences (whether an homogenous society or not).

Although often critical, being a developing country is therefore only one dimension among many. Important structural characteristics of developing countries, however, commonly include, as well as underdevelopment itself (notably shaping such process factors as weak institutions of governance, inadequate bureaucratic capabilities and technological limitations), an

¹ Department of International Relations, Research School of Pacific and Asian Studies, The Australian National University. This paper is a draft chapter for inclusion in Justin Robertson and Maurice East, eds, *Diplomacy and developing nations: Post Cold War foreign policymaking structures and processes* (London: Frank Cass, forthcoming).

² See Jan Aart Scholte, *Globalization: A critical introduction* (New York: St Martin's Press, 2000); and Stuart Harris, *Globalisation in the Asia-Pacific context*, Research Paper No. 7 2001-02 (Canberra: Department of the Parliamentary Library, 2002), <www.aph.gov.au/library/pubs/rp/2001-02/02RP07.pdf>.

³ The term China means here the People's Republic of China (PRC). When it took power in 1949, the Nationalist government under Chiang Kai-shek fled to Taiwan and as the Republic of China (ROC) disputed the PRC's claims to sovereignty of the mainland. In 1971, China gained the UN seat from the ROC, including a permanent seat on the Security Council.

underpinning ideology, external penetration, economic and political dependence, and problems of internal cohesion. Commonly, the role and views of individual leaders and of the military and other elites have greater influence than in developed countries.⁴

Although China is not unique, or no more so than many other countries, its characteristics do differentiate it from many developing countries. The per capita income level, even on a purchasing power parity basis, makes it clear that China is a developing country. Yet it is a permanent member of the UN Security Council, has a very large population, and a GNP that even under conventional measures ranks it globally between Italy and France. These differences are important yet many of the relevant factors and the international pressures on them that China has experienced, and its responses, are common to other developing countries.

Nevertheless, that it has the government organisational structure of a communist (at least nominally) or socialist state and one in which the ruling Party identifies itself with the state is important. This is not only in the form of the functional control the state exercises and how that is affected by globalisation but also how far the ruling Party's control is affected.

Although other foreign policy concerns remain important, notably its sensitivity to external threats, especially over Taiwan and any regional dominance by other major powers, two changes have been especially important: China's shift from a centrally planned economy to a marketised economy; and the Weberian shift from charismatic towards legal and rational governmental processes.

In these contexts, it is difficult to separate the influence of globalisation, however defined, from other influences. Even if we look at international influences generally, this imprecision remains.

⁴ Many of these points have been made in the chapters by Christopher Clapham and Michael Liefer in Christopher Clapham, ed., *Foreign policy making in developing states: A comparative approach* (Westmead, Hants: Saxon House, 1977). See also Merilee Grindle, 'Ready or not: The developing world and globalization', in Joseph Nye and John Donahue, eds, *Governance in a globalising world* (Washington, DC: Brookings Institution Press, 2000), pp. 118–207.

Despite extensive academic discussion of the relative importance of international and domestic, as well as personal factors,⁵ globalisation has exacerbated the difficulty of distinguishing domestic from foreign policy. China's reforms have illustrated that it is not easy to distinguish the responses of foreign policy structures and processes to domestically initiated shifts from the responses to external changes.

By way of introduction I discuss briefly how the sources of China's foreign policies have changed. These include brief comments on how some of the characteristics of developing countries outlined earlier relate to China, notably ideology, external penetration and internal cohesion; I return later to others, more immediately relevant in the present context. I then outline the structure of foreign policy making and related changes.

In particular, I consider some impacts of globalisation on the role of the state from the perspectives of the balance between state power and provincial and local government power, and an incipient civil society; of the military and the Party; and of the influence of global actors—institutions and other international players, including multinational companies (MNCs) and non-governmental organisations (NGOs).

SOURCES OF CHINA'S FOREIGN POLICY

Specific factors important in the history of China since 1949 have shaped the state's responses to external influences. While pragmatism was not absent, as illustrated by the early 1970s rapprochement with the US, Marxist-Leninist ideology was important, and at times perhaps a dominant factor, in shaping foreign policies. Its importance as a driving dynamic tended to decline, however, after China normalised international relations, especially in the 1970s and 1980s.

Internationally, until the 1970s and 1980s, China had a 'dual track diplomacy'—one track dealing with normal interstate relations and one

⁵ See, for example, Quansheng Zhao, *Interpreting Chinese foreign policy* (Hong Kong: Oxford University Press, 1996), especially chapter 1.

dealing with inter-party ties.⁶ Initially, Mao Tse Tung's belief that revolution was the way to prevent class-based war led to substantial support for national liberation movements. Consequently, party to party links included, in particular, material support for most Southeast Asian communist parties, but this support gradually came to an end over the period 1979 to 1982.

Nevertheless, symbolically, ideology remains important. Even with the reform process underway, ideology remained because of the Chinese Communist Party's (CCP) relations with other communist parties, although now this is basically important only with North Korea and Vietnam. Moreover, ideology is still a legitimising element in China's policy, including foreign policy discourse. Substantively, however, it remains at best mostly a marginal influence.

For China, the history of past substantial external intrusions and encroachments by Western countries over long periods remains important, as do memories of Japan's occupation of Manchuria and its aggression against China in the Pacific War. The subsequent sense of threat and security concerns from the US, India, the USSR, Indochina, Japan and, following the end of the Cold War, the US again, still affects China's thinking over foreign policy, and not just on Taiwan. Also important is China's concern to restore its international status as a major and responsible power.

It is not uncommon for developing countries in particular to use foreign policy initiatives for domestic political purposes. China has also pursued foreign policy initiatives for domestic political purposes in the past, as in Mao's bombarding of Taiwan's offshore islands, Quemoy and Matsu, in 1958.⁷ Nevertheless, although China's leaders are often accused of stimulating 'Chinese nationalism' linked to various territorial disputes, these claims have limited validity.

⁶ William Heaton, 'China and Southeast Asian communist movements: The decline of dual track diplomacy', *Asian Survey* 22(8) 1982, pp. 779–800; and Yongjin Zhang, *China in international society* (London: Palgrave Macmillan, 1998), pp. 28ff.

⁷ Thomas J. Christensen, *Useful adversaries: Grand strategy, domestic mobilization, and Sino-American conflict, 1947–1958* (Princeton: Princeton University Press, 1996).

Despite the presence of various ethnic minorities, what might be termed 'China proper' is basically cohesive; those minorities have little international significance. Within 'China proper', differences, notably in rates and levels of economic progress at a regional level and in regional international linkages do exist but, while increasingly important in a foreign policy as well as a domestic political sense, are not politically threatening.⁸ Beyond 'China proper', Beijing remains especially sensitive to threats and vulnerabilities relating to sovereignty over Taiwan, Xinjiang and Tibet, and for this reason, the maintenance of sovereignty is its prime foreign policy priority. Also influencing its foreign policy is geography, notably China's central position in the landmass of Southeast and Northeast Asia, its fourteen land borders, and a number more of sea borders. Many of these borders have until recently been disputed, and some are still contested.

Although aid and concessional trade was an important policy instrument in the 1950s and 1960s, historically China's economic weakness was a constraint on China's foreign policy, and to a degree limited China's range of foreign policy interests. That may still be a factor, if increasingly less so today. Resource availabilities for the foreign policy institutions, however, have largely ceased to be a constraint.

Given our interest in globalisation, the question remains as to when globalising influences started to have an impact on China's approach to foreign policy. History shows that in the twentieth century China's aim to modernise and be part of the international system was frequently articulated. This returned as the fervour of self-reliance diminished with the 1970s reforms. In the early post-1949 period, some external influences were evident of the rapid changes taking place in the international environment. Yet at this time, the Western international system was trying to exclude a USSR-leaning China while, notably in the late 1960s and much of the 1970s, a self-reliant China was challenging the legitimacy of the international system.

⁸ Shaun Breslin, 'IR, area studies and IPE: Rethinking the study of China's international relations', CGSR Working Paper No. 94/02 (Coventry: Centre for the Study of Globalisation and Regionalisation, University of Warwick, April 2002).

The challenge to the existing system changed after the Cultural Revolution (1966–76). The decision by Deng Xiaoping to introduce the ‘reform and opening up’ process in the latter part of the 1970s,⁹ in its form rather than its motivation, can be seen as a response to the economic and technological pressures that constituted at least economic globalisation.¹⁰

The direction that Deng took in seeking economic reform could have been inward looking, the wish of then premier Hua Guofeng. Deng’s view was affected by internal political competition with Hua but that it was outwards directed also reflected Deng’s better appreciation of global changes. He recognised that China was falling behind economically and understood the need for China to adapt and respond to those changes to achieve the economic development he saw as crucial for the Party’s survival.

In the post-revolution decades, the PRC sought to lead the post-colonial Afro-Asian nations and to identify with developing countries, encouraging radical action in various developing countries, mainly in Asia. Gradually, however, China’s position became more ambivalent. It is not a member of the Group of 77 developing countries (G77) nor does it want to be a leader or speak for the developing countries. It does, however, often represent their interests in international organisations. In the World Bank, China emerged as a responsible spokesman for the developing countries, voicing moderation and pragmatism. Because it emphasised self-reliance and prudence, however, this was not always welcomed by the developing countries.¹¹

For present purposes I take the start of the globalisation influences on China as being reflected in China’s reform and opening up to the outside world of the late 1970s. Rather than challenging the legitimacy and rationality of the international system, China gradually accepted, willingly or not, that it was now a member of that international system and that changes to that system would have to come from within.

⁹ Beginning at the Third Plenum of the Communist Party Central Committee in December 1978.

¹⁰ Stuart Harris, ‘China and the pursuit of state interests in a globalising world’, *Pacifica Review* 13(1) February 2001, pp. 15–30.

¹¹ Harold Jacobson and Michel Oksenberg, *China’s participation in the IMF, the World Bank and GATT: Towards an economic order* (Ann Arbor: University of Michigan Press, 1990), p. 132.

I deal with economic interdependence later. Politically, China has only a limited degree of direct dependence, having passed through and beyond direct dependence on both the Soviet Union and then in the 1980s on the US. China is now relatively free of the direct influence of foreign interests. Political penetration has not been a major issue. This is so even if anti-Japanese and anti-US feelings sometimes emerge, usually in response to some external or externally-driven event. This has, at times, led to criticism that the foreign ministry in particular has been too conciliatory. China does have a dependence relationship internationally in respect of Taiwan. It depends upon the international community not to give diplomatic recognition to Taiwan and this requires considerable foreign policy effort.

The end of the Cold War, and the decline of global communism, contributed great uncertainty to China's worldview. The international fallout from the 1989 Tiananmen tragedy, and US unchallenged predominance were major contributions to this uncertainty. The Gulf War of 1991, while helping China to overcome the international opprobrium of 1989, also complicated a position that otherwise offered the benefit for China of removing any sense of direct threat to its security. Eventually, however, despite the on-off confrontation with the US, China gradually saw itself as playing not just a regional but a global political role, now an important influence on its diplomacy.

FOREIGN POLICY MAKING STRUCTURE

As a socialist country, the Chinese political system is based on a tripolar structure—the state, the Chinese Communist Party and the military, with the Party dominant.

The formal party organisational structure includes the Party Congresses which, at the national level, unlike the early post-revolution decades, now meet regularly every five years. They have set the broad directions of policy, notably since the end of the Cultural Revolution. Between Party Congresses, the formal decision making power is with the Political Bureau (Politburo) and more particularly its Standing Committee.

One member of the Standing Committee normally takes responsibility for foreign affairs as the Head of the CCP Central Foreign Affairs Leading Small Group (FALSG), one of a number of such groups created in 1958 to handle particular issues. Perhaps indicating the increased importance of

foreign policy, in 1998, a paramount leader took over the leadership of the FALSG for the first time, when Jiang Zemin became the chair, with vice-premier and ex-foreign minister Qian Qichen as deputy.

This Party group is meant to implement and coordinate foreign policy decisions and has no staff of its own. It has provided a link between Party and state institutions and with the military through its membership (usually including ministerial or vice-ministerial level officials of the military and state ministries). Although formally not a decision making body (it is defined formally as a 'decision-making consulting body'), in reality the FALSG plays a pivotal role in the decision making process.¹² In a context in which coordination between political, military and economic decision-makers has grown in importance, its policy role remains substantial; but coordination across groups—as across economics and politics—appears not always to be effective.¹³

The impact of globalisation on the foreign policy making structure has been substantial. The importance of China's institutions in the foreign policy field has varied over time, as political influences and rivalries changed their role. As noted earlier, in the PRC's early decades, Mao largely dominated major foreign policy decisions, initially not without disagreements but disagreements became less as he gradually concentrated his own power. A dominant role for the 'core' leader remained, however, until relatively recently at the same time as institutionalisation of decision making gradually increased.

The institutional arrangements have changed over time but a high concentration of power remains only partly constrained by the increased complexity of decision making. The pressure of business is such that, other than major decisions, issues are handled routinely within the bureaucratic institutions. It remains true, however, that the paramount leader or 'core' wields the ultimate foreign policy decision making power if usually in

¹² Lu Ning, *The dynamics of foreign policy decisionmaking in China*, second edition (Boulder: Westview Press, 2000).

¹³ There is an additional LSG on Taiwan chaired by Jiang and, as with the FALSG, includes military representation. Cross Strait relations are not seen as foreign policy issues and the international aspects of Taiwan policy—ensuring the continuing international support for China's 'one China' policy—fall more directly under the purview of the FALSG.

association with one or a few members of the Politburo making up 'the nuclear circle'.¹⁴ That core can in practice override decisions of the Politburo, but this is unlikely in the event of major decisions, as on a major policy shift or ultimately on war and peace, if only to legitimate important decisions. Nevertheless, this capacity does reduce predictability in these areas.

Leaders' preferences remain important. It has been true in the past, and could be again, that domestic power shifts could shift foreign policy attitudes. Thus the last of the third generation leaders, Jiang and Zhu Rongji have been seen as Western oriented. Whether leaders of the fourth generation will pursue reform as strongly and deregulate as firmly remains a question. On the other hand, continuing modernisation is now widely accepted as basic to regime legitimacy.

The National Peoples' Congress (NPC) has a role in foreign policy implementation in approving international agreements and treaties. Although basically a rubber stamp process until recently, it has demonstrated a degree of independence of late in domestic matters at least; nevertheless, it was not given the opportunity to debate China's World Trade Organization (WTO) decision.

There have been several major structural reorganisations of the foreign policy bureaucracies, from Deng's 1976 reform at the end of the Cultural Revolution to those of 1992 and 1998. Thus, although, until 1998, the Foreign Affairs Office of the State Council provided the staff support for the FALSG, that office was abolished in the administrative reforms of that time and the task passed to the Ministry of Foreign Affairs (MFA). The MFA's structure has long been similar to that of other foreign ministries in most large countries, with orthodox geographic and functional departments and with now some 227 overseas missions, of which 159 are national embassies (as against 46 just before the Cultural Revolution). Following its establishment in 1949, the MFA's initial embassies were all in communist countries, and its early ambassadors were all from the military.¹⁵ Robert

¹⁴ Lu Ning, *The dynamics of foreign policy decisionmaking*, p. 9.

¹⁵ Xiaohong Lui, *China's ambassadors: The rise of diplomatic professionalism since 1949* (Seattle and London: University of Washington Press, 2001).

Boardman noted in the mid 1970s that the shape of the ministry reflected no institutional embodiment of Party thinking on the structure of the international system.¹⁶ That basically remains true (see Table 1).

TABLE 1: DEPARTMENTS OF THE MINISTRY OF FOREIGN AFFAIRS OF THE PRC

General Office	Information
Policy Planning	Protocol
Asian Affairs	Consular Affairs
West Asian and North African Affairs	Hong Kong, Macao and Taiwan Affairs
African Affairs	Translation and Interpretation
Eastern European and Central Asian Affairs	Foreign Affairs Management
West European Affairs	Personnel
North American and Oceanian Affairs	Bureau for Retired Personnel
Latin American Affairs	Administration
International Organisations and Conferences	Finance
Arms Control	Supervisory Bureau
Treaty and Law	Bureau for Chinese Diplomatic Missions Abroad

Source: Ministry of Foreign Affairs <www.fmprc.gov.cn/eng/c401.html>.

There are several other state organisations with major foreign policy roles. They include the Ministry of Foreign Trade and Economic Cooperation (MOFTEC),¹⁷ that has gained some strength (relative to the MFA) given WTO membership, for which it has established a WTO department and through its role as the link with the World Bank. There is also a Foreign Affairs Department of the People's Liberation Army (PLA) (also serving the Ministry of Defence).¹⁸ The Ministry of State Security also has a less

¹⁶ Robert Boardman, 'Ideology, organisation and environment: Sources of Chinese foreign policy making', in Hannes Adomeit and Robert Boardman, eds, *Foreign policy making in communist countries: A comparative approach* (Westmead: Saxon House, 1979), pp. 112–49.

¹⁷ From 1979 to 1993, the Ministry of Foreign Economic Relations and Trade. It had other bureaucratic forms before 1979.

¹⁸ The International Liaison Department was influential when Party to Party relations were important but with the end of the Cold War, and despite extending its links with non-communist parties, it now has less influence.

than transparent foreign policy agenda. Xinhua News Agency maintains a large overseas presence to perform, in addition to normal information and propaganda functions, provision of intelligence information in raw form circulated among senior officials.¹⁹

Intellectuals and think tanks have also grown in importance since the early 1980s, in number and scope of their participation. The State Council and both major ministries have their own think tanks and there are also several within the Chinese Academy of Social Sciences (CASS) and at major universities.²⁰ There are also a number of provincial research centres, notably in Shanghai.²¹

As well as increased involvement by other ministries in economic exchanges internationally, there are various governmental or semi-governmental agencies which are involved in international activities. These range from the Central Bank to various export–import corporations, as well as People's Friendship Associations and the outreach activities of Chinese institutes of international and strategic affairs and studies. These, however, are basically within the control of the Chinese government or more specifically the Party.

The role of the military in foreign policy decision making is mainly exercised not through the Ministry of Defence, which has no policy making function, but through a Party organisation, the Central Military Commission (CMC), whereas the MFA works to the State Council.²² The CMC's role has been substantially affected by economic globalisation and its overall influence reduced. Through its General Staff Department, it does liaise with foreign military establishments and has a growing foreign affairs bureau. Moreover, the military is still influential in defence policy, and in particular areas, notably on Taiwan, border disputes and other aspects of China's

¹⁹ It acted as an interim embassy in Hong Kong until reunification was completed.

²⁰ Zhao, *Interpreting Chinese foreign policy*, pp. 106–7. See also Michael Pillsbury, 'China's research institutes', Report to the US–China Commission, 18 October 2001, <www.uscc.gov/cr1.pdf>.

²¹ See Lu Ning, *The dynamics of foreign policy decisionmaking*, pp. 141–5. A useful run down on the Beijing and Shanghai research institutes is given in the introduction to Banning Garrett, 'China faces, debates, the contradictions of globalisation', *Asian Survey* 41(3) May–June 2001, pp. 410–11.

²² There is also a less important Central Military Commission under the Defence Department.

sovereignty, in relations with the US and on military purchases of arms. It remains a member of the FALSG and although still a member of the Politburo, with the now greater civilian control of the military it currently has no member on its Standing Committee.

In the post-revolution period, most of China's leaders were from the military (usually political cadres) and many remained influential after retirement as 'elders' seen as defending the 'revolution'. The PLA's position was reinforced by its 'stabilising' role during the Cultural Revolution and then during the 1989 crisis. The military also became more involved immediately after Deng, the last leader with military credentials, died. The subsequent decline in political involvement has come from several sources. Principally, however, two sources have been central in light of the Gulf War and in Yugoslavia: its own concern to increase its institutional professionalism and to modernise the military in the light of global technological developments in military matters; and a consequence of the greater priority given by China to economic development and the related implications for foreign relations.

In specific contexts, the military's interest in arms sales to Pakistan and Iran had caused problems internationally for China and led to greater civilian control and enhanced responsibilities in this area for MFA and MOFTEC (on export controls). More generally, the PLA supported economic reform and opening up but also recognised the associated non-military aspects of security. In particular, it has recognised the imperative of a peaceful international environment for economic development but has articulated its concerns about economic interdependence and economic security.

The PLA has shown itself sensitive to international opinion in order to maintain the foreign investment inflow it accepts as important for economic development.²³ There have been occasions, however, when groups within or linked to the PLA have indicated their displeasure with particular policy stances, as when a group of retired generals wrote to Jiang protesting what

²³ Tai Ming Cheung, 'The influence of the gun: China's Central Military Commission and its relationship with the military, party and state decision-making systems', in David Lampton, ed., *The making of Chinese foreign and security policy in the era of reform, 1978-2000* (Stanford: Stanford University Press, 2001), p. 79.

they saw as 'soft' policies towards the US. Overall, however, MFA has become more important in security affairs including establishing a division on arms control and prevailing on the question of membership of the Comprehensive Test Ban Treaty (CTBT) against some opposition in the PLA.

For several reasons, including the size of the country, provincial and often municipal governments maintain foreign affairs offices. They are funded locally but controlled jointly by Beijing and the province. Especially since the end of the Cold War, as economic developments moved up the foreign policy agenda, their role has changed from simply implementing Beijing's policies to pursuing provincial interests ranging from tourism, receiving provincial visitors and improving their image in the international community, largely for economic reasons.

To this end, provincial and municipal leaders travel frequently, often accompanying the large number of provincial trade delegations travelling overseas each year. Many of the provinces have also established companies or overseas offices for investment and trade purposes.

In the economic field, organisations other than the provincial foreign affairs offices, such as the Foreign Economic and Trade Commissions (FETCs), tend to dominate.²⁴ Decentralised economic management was already a feature of China's post-1949 economy but, following the reform, considerable decentralisation of economic decision making expanded to where local governments are relatively autonomous actors. This was, among other things, due to the incapacity of central planning authorities during and immediately following the Mao period and not just due to globalisation. Several writers have suggested that China is now in practice a de facto federal system.²⁵ In particular areas this has important consequences for decision making, notably with respect to foreign direct

²⁴ Peter Cheung and James Tang, 'The external relations of China's provinces', in Lampton, ed., *The making of Chinese foreign and security policy*, pp. 91–120.

²⁵ For example, see Yasheng Huang, *Inflation and investment controls in China: The political economy of central–local relations during the reform era* (Cambridge: Cambridge University Press, 1996). See also Yangian Zhang, 'Institutionalising defacto federalism in post-Deng China', in Hung-mao Tien and Yun-han Chu, eds, *China under Jiang Zemin* (Boulder: Lynne Rienner, 2000), pp. 215–32.

investment. With the gradual removal of controls on the provinces, nearly all foreign direct investment is now negotiated with and channelled through local governments rather than through Beijing.

This does not mean that ultimately the central authorities cannot control the local governments through political action but central control over the resources available to provincial leaders has greatly diminished. That the centre has to seek to achieve its objectives increasingly by seeking cooperation means that its decision making has to be more responsive to provincial interests, including in its foreign policy decisions that might impinge on those interests. Given the critical role of foreign investment, often accounting for more than 50 per cent of a province's outlays on capital projects, competition for foreign investment is a major but not the only provincial interest in China's foreign policy. More generally, especially in the coastal and border provinces, the provinces have developed international links with neighbours and with the global economy; sister city and sister province arrangements are one example. Foreign diplomatic and security policies, however, are still in the hands of Beijing and lobbying Beijing by a province—Fujian or Shanghai over Taiwan relations or Jilin over the Tumen River project—is understood to be common.

Considerable resources are invested in foreign relations. Precise staff numbers are not available but home based officials in the MFA now number around 2000, with estimated diplomatic staff overseas numbering well over 2000. There is also a 'service' contingent (translators, drivers etc.) of around 6000. Attached to the MFA is the Institute of Foreign Affairs that, while doing some research, is concerned primarily with people to people relationships, and the more research oriented China Institute for International Studies (CIIS), while the Chinese Institute for International and Strategic Studies (CIISS), attached to the military, undertakes research for several departments. The important China Institute of Contemporary International Relations (CICIR) is under the State Council. In addition, although not linked directly to the department, friendship associations exist in all provinces as well as at the national level.

More closely linked to the national departments are the provincial foreign affairs offices (FAOs). In 2001, the largest FAO, in Shanghai, had

238 staff; in Guandong, the FETC with 230 staff, was twice as big as the FAO.²⁶ Guandong's Overseas Chinese Affairs Office, with 108 staff, was also larger. Provincial expenditures in these fields has increased greatly since the reform, particularly in the coastal and border provinces. In Jiangsu, one of the larger spenders, it increased from 3.7 million yuan in 1978 to 59 million yuan in 1996.

In looking at how far China's decision making is constrained by globalisation, it is difficult to distinguish between change in general and globalisation in particular and also between constraints accepted voluntarily, as in membership of international institutions, and those that are unavoidable.

ECONOMIC REFORM

As noted earlier, China's desire for modernisation is not new. It has characterised much of the twentieth century for China. To pursue modernisation, the PRC tried two methods—following Soviet centralised economy methods and then autarchy—before deciding on market methods.

Under Mao, the quest for modernisation continued but, internationally, economic development was also an instrument of political and strategic policy, both through China's substantial aid provisions and its concessional trade. This changed with the Deng reforms, the immediate impact of which was in economic relations. Deng's reforms meant the acceptance of foreign direct investment and the increasing participation in the international trading system with the gradual reorientation to the market.

These changes were not accepted easily. The opening up to the international economic system was a switch from the closed approach to the outside world of the ideological radicalism of the Cultural Revolution; the question of its compatibility with Marxist thought was important to much of the elite. There was thus an extended debate within China about the consistency of the concept of comparative advantage with Marxist theory. Gradually the idea that trade was mutually beneficial, and not 'exploitative

²⁶ Cheung and Tang, 'The external relations of China's provinces', p. 101.

and immiserising' was accepted and is now generally not in dispute.²⁷ This is an example of cognitive learning in the sense of a changed understanding of the way the world works.

Nevertheless, this process involved difficult choices for China. In a globalising world economy, restricting economic activity to within national borders increasingly limits the gains from trade and the restricting nation's prosperity but at the same time opening up to the international system increases vulnerability to conditions beyond national control.

The idea of economic interdependence was criticised by China in the UN in the mid 1980s yet was accepted as unavoidable by the mid 1990s. And globalisation was ultimately acknowledged by Jiang a decade later as 'a natural outcome of world economic development' from which China could gain.²⁸

China is now significantly dependent, however, upon the international economic system and especially on the US and Japan to meet its modernisation objectives. This means that to achieve those objectives it has had to change its domestic institutions and become subject to outside influences, including meeting the requirements of international institutions. China now has a large export surplus, notably with the US. It is also heavily dependent on foreign direct investment.

Since the objective of the reforms in practice was the relaxation of centralised regulation of economic activities, first in agriculture and then more widely, some reduction in state control was inevitable. For example, trade with China before the reform program was carried out by less than 20 state trading agencies; World Bank figures suggest it is now conducted by well over 200,000 private traders.²⁹

²⁷ See Stuart Harris, 'China's role in WTO and APEC', in David Goodman and Gerald Segal, eds, *China rising: Nationalism and interdependence* (London: Routledge, 1997), pp. 134–55 and the literature cited there.

²⁸ Jiang Zemin, Address to the 21st Century Forum, Beijing, FBIS-CHI-2000-0613 (13 June 2000).

²⁹ Cited in Deepak Bhattacharya and Masahiro Kawai, 'Implications of China's accession to the WTO', in Hanns Gunther Hilpert and Rene Haak, eds, *Japan and China: Cooperation, competition and conflict* (Basingstoke: Palgrave, 2002), p. 74.

Moreover, to gain the foreign investment needed not just for the capital it brings but for the technology and know-how that comes with it, policies have to be such as to attract investors. These include political stability, taxation, foreign exchange and related regulations attractive to investors, as well as the economic stability that comes with appropriate monetary and fiscal policies. In addition, it meant that China had to show itself as a mature and responsible member of the international community and fit within the international rules and norms of that community.

Some of the potential vulnerabilities have changed China's ideas of national security in two respects. Greater emphasis is now placed on economic security as a national concern. In this respect, threats to China's security would come from the political pressure that could be put on it in economic terms as well as from downturns in international economic activity. In addition, however, while domestic stability and unity are critical to regime legitimacy, economic development is itself a crucial element of the regime's legitimacy.

The desire for economic development continues to animate China's foreign policy but recognition of what is involved in its effective management has also increased. Jiang, pointing to the need for better macro-economic regulation and control, has pressed government employees to study and understand fully issues such as macroeconomic policy.³⁰

In responding to economic interdependence, it has been argued that whether learning is involved or not does not matter—it is a predicament that China has to face and what matters is how it copes.³¹ This is not the argument here. I believe that understanding the beliefs held by China's elites are important if we want to predict future responses. I would argue that learning in the international field has gone beyond adaptive learning meeting expedient needs while those temporary needs exist, to cognitive learning that has internalised the understandings. In responding to

³⁰ Jiang Zemin, in a foreword to a Chinese macroeconomic textbook. FBIS-CHI-2002-0602 (2 June 2002).

³¹ Thomas G Moore and Dixia Yang, 'Empowered and restrained: Chinese foreign policy in the age of economic interdependence', in Lampton, ed., *The making of Chinese foreign and security policy*, pp. 191–229, at p. 228.

globalisation, China's leaders have abandoned many deep-rooted assumptions about the nature of the international system.

INTERNATIONAL INSTITUTIONS

The need to adjust to the rules and norms of the international system, and membership of its institutions, was part of the influence that greater international participation forced upon China and which led to openness to, or intensification of, globalisation pressures. This has had important implications scarcely recognised even by Deng.

The Chinese move from self-reliance to opening up was especially difficult in respect of participation in international institutions. China moved slowly but deliberately to study the implications for China. Political motivations were important, notably the denial of Taiwan's participation. So, however, were more practical issues. One benefit seen from participation in the financial institutions was to understand how the international financial system worked. Understanding of the General Agreement on Tariffs and Trade (GATT) and the international trading system was gained from sending Chinese officials to participate in GATT commercial policy courses and to observe GATT processes before seeking membership.

Some of its concerns about its vulnerability will be met by the rules of the international institutions concerned with economic issues. China became a member of the World Bank and the International Monetary Fund (IMF) in 1980. Both imposed forms of conditionality on Beijing. Eventually, in the mid 1980s, China sought membership of the GATT and became a member in 2002. In accepting the obligations of membership of the GATT/WTO, China has accepted many constraints on its freedom to manage economic activity. Notably, these constraints require it to move rapidly towards a largely nondiscriminatory system of rules and regulations that prevent it favouring unduly domestic producers against foreigners but also prevent it discriminating among its trading partners. Its expectation is that this will also apply in reverse to its economic partners.

China's vulnerability to foreign state-inspired insecurity has also diminished as its economy has grown, simply because its own capacity for retaliation has increased. It is now vulnerable, however, to the ups and downs of the market, and particularly the financial market, for which other counters are needed. Consequently, Chinese leaders maintain large foreign

exchange reserves and in the light of their experience in the 1997 Asian economic crisis, will move slowly to deregulate their exchange rate.

China joined all the major international institutions associated directly or indirectly with the UN as well as many regional economic, social and strategic institutions. It has shown no sign of being disruptive of their activities. On the contrary it has become a supporter of the status quo. It sits on the Executive Boards of the IMF and the World Bank and is on the Governing Body of the International Labour Organization (ILO). Moreover, it has established administrative bureaucracies in Beijing that institutionalise those relationships.

WHO INFLUENCES AND MAKES FOREIGN POLICY DECISIONS?

It was noted earlier that globalisation blurs the distinction between what is domestic and what is international.

I have discussed the major official interests in China and the question remains of how other interests can or do intrude in the process of identifying, deciding and implementing foreign policies. I noted that despite considerable institutionalisation of foreign policy formulation and implementation, the Chinese leadership core remains central to the process.

The technical complexity of decision making has increased, however, and the range of foreign policy issues facing China's leaders has expanded greatly. Consequently, the leaders cannot operate as was once the case under Mao. Moreover, China's perception of its national interest has changed, or at least the understanding of how to pursue that national interest.

This is clearest for its economic interests. This understanding has come from and been reinforced in several ways. While globalisation has made available a mass of information relevant to economic development, the need for analysis and interpretation has also grown. China has met this need in a number of ways. As noted earlier, its participation in international institutions was designed in part for learning purposes, with the major international institutions being important influences to ministries and think tanks, at times to the point of stimulating criticism of the influence of those institutions.

Advice from multinational corporations and other foreign businesses and from other 'friends' was also important. Perhaps most important has been

the influence of overseas Chinese, and in particular those from, first, the close contact of Beijing with leading Chinese businessmen from Hong Kong and Singapore and then increasingly the demonstration effect of Taiwanese businesses, both taking advantage of their cultural links. Returning overseas educated Chinese students, first in communist countries and subsequently and much more intensively in the West, have also had considerable influence.

Economic interests themselves have a variety of ways by which they can affect decision making. In China, personal linkages by business leaders appear important, as well as through formal economic institutions, political consultation committees and peoples' congresses or established interest groups. Analysts frequently note the close links of Hong Kong entrepreneurs such as Li Kashong of Hutchison Whampoa with China's leaders. While Li may see this as business as usual, conspiracy theorists see Li being used by Beijing in its global strategy.³² While lobbying at provincial levels apparently takes place, and while during WTO negotiations, pressures from particular industries and their related ministries were strong, how far 'interest groups' are involved in influencing foreign policy decision making is not clear.

Although China's official foreign policy institutes have themselves become more important, other institutions are also influential, notably CASS with several of its institutes concerned with international relations. Many sub-national institutions are also important, notably the Shanghai Institute of International Studies. The growth of relatively new issues involved in the international agenda—drugs, terrorism and international crime—has added to the range of interest groups. This has helped to shift China's foreign policy decision making from a purely vertical to a partly horizontal process, even though that shift still has a long way to go.

China's membership of international organisations (governmental and non-governmental) is very large and has provided a major conduit for information and ideas. Domestic 'civil society',³³ including NGOs is only

³² See for example, Bill Gertz and Rowan Scarborough, 'Inside the ring', *Washington Times*, 12 July 2002.

³³ Comparisons with Western experience need care: 'social organisations' in China are quasi-governmental and need to have an official 'parent' and are often government funded. This can be

just starting to have any influence. In some fields, notably social issues such as the environment, health and women's rights, many Chinese NGOs have emerged. On these issues, NGOs have had an effect by pursuing subjects on which they are in communication with overseas NGOs.

This has been facilitated by the great expansion of Internet access that has substantially reduced the government's monopolistic control on information, including information globally available. China has promoted the use of the Internet, although it tries to control the uses to which it is put. The Xinhua News Agency says it has 280,000 websites and some 38 million Internet users.³⁴ Most use, however, would be through Internet cafes, periodically subjected to sharp crackdowns.

China's social organisations are mostly quasi-official and have to register with the government. A few business associations, such as the All-China Federation of Industry and Commerce, play a role in international communication. Civil society also includes academic bodies that are concerned with international affairs, such as the Beijing Society of Comparative International Studies, which has close links with the Beijing Academy of Social Sciences and with officials and ex-officials of the MFA. Any influence on foreign political policy, however, is usually indirect through personal connections and somewhat marginal.

The government requires that civil society should reflect 'constructive attitudes and ways', foreign political and security issues are 'sensitive' as concerning the security of the state and the regime, and there are restricted or forbidden areas of discussion, as on the Taiwan question or on the role of the PLA in determining foreign policy.³⁵ At the same time, there is now considerable discussion of many issues of foreign political policy importance, as for example, arms control and disarmament. Media

advantageous or constricting in the Chinese context depending upon individual circumstances. See Wang Yizhou, 'China', in Tadashi Yamamoto, ed., *Governance and civil society in a global age* (Tokyo: Japan Centre for International Exchange, 2001), pp. 94–95; and although now a little dated, Zhang Ye, 'Chinese NGOs: A survey report', in Tadashi Yamamoto, ed., *Emerging civil society in the Asia-Pacific community* (Tokyo: Japan Centre for International Exchange, 1995), pp. 93–107.

³⁴ Associated Press, Beijing, 15 July 2002.

³⁵ Wang Yizhou, 'China', pp. 102–3.

discussion of economic issues, including globalisation, WTO membership and US–China relations has been vigorous. A recent study has also indicated that media presentation has been ‘balanced’ in the sense that both positive and negative arguments are available.³⁶

The growing role of domestic institutions in the foreign policy making process was noted earlier and since this involves increased bureaucratisation, an important question relates to their competence. Although generally in the early post-revolution decades, the quality of China’s administrative and management staff was poor, this was not entirely true in the foreign policy institutions.

The foreign policy bureaucracies, however, have been where major changes have taken place. Even before the Cultural Revolution, in part due to the special interest of Zhou Enlai in the quality of foreign ministry staff, Chinese diplomats became more than just ideological evangelists. A number became adept in negotiating skills and Western languages and many were capable of pursuing normal diplomatic activities including reporting world affairs at a more sophisticated and professional level. Even so, political loyalty took precedence over competence.³⁷

On how far leaders have differences on foreign policy issues, little reliable information is available. Within democratic centralism, disputes among China’s leaders should not become apparent, and consensus is usually pursued vigorously. Yet from time to time rumours emerge of strong differences (particularly over China’s policy towards Taiwan) over attitudes to the US and to a degree over WTO entry.

International influences come into China from a large variety of sources, but particularly through China’s reform and opening up, the growth of the media and technological change in communications. Now many national and regional officials, teachers, scholars, intellectuals, journalists, and

³⁶ ‘Perspectives toward the United States in selected newspapers of the People’s Republic of China’, Spring 2000 Report for the US–China Security Review Commission (College Park, Maryland: University of Maryland’s Institute for Global Chinese Affairs and the Department of Communication, 30 May 2002), p. 5.

³⁷ Xiaohong Lui, *China’s ambassadors*, pp. 105, 202.

commentators are sensitive to global developments and how China needs to fit within the emerging global community.

CONCLUSION

For developing countries, the impact of globalisation is more difficult to manage than for developed countries, institutionally and for political governance reasons. China's developing country characteristics show up less in its foreign political policy making mechanisms, and in the substantial resources it devotes to foreign affairs, than in the rigidity of its domestic legal and political institutions. This weakness starts with that of the Party organisation itself, especially in the rural areas and in the rapidly expanding private economy. In part this comes from the fact that governments tend to have a degree of monopoly over international political relationships but not over economic relations. It is also associated, in the economic field, however, with the inevitable decentralisation of decision making associated with the growth of the economy. The economic power and global linkages of regional and local authorities that has resulted has undermined to a considerable degree the authority of the central state.

In its foreign political relations, we have noted changes from the Mao era with its highly centralised policy making processes under Mao's domination and with a considerable influence of military veterans to what has been termed horizontal authoritarianism, with more players, more diverse issues, less rigidity and more flexibility. In both the political and the economic field we have seen a considerable increase in the institutionalisation and professionalism of the processes of foreign policy decision making. In the political field, while there is more collective decision making, and a wider range of influences, the Party is still well in control of major directions of policy and on important issues of policy the leadership 'core' is still able to dominate.

So far as the role of the state is concerned, I noted earlier that in economic affairs, the reform and opening up process and the related decentralising of the economy meant that direct controls were greatly reduced. The government, in consequence, has to rely increasingly on indirect controls—in the economic field, macroeconomic monetary and fiscal policy instruments and international cooperation. In the political

field, it has also increasingly sought international cooperation—globally as in arms control or regionally as with drugs and, effectively, on terrorism.

The learning process has been important and substantial. China has become increasingly aware of the importance of acting in ways that are consistent with the role of a responsible major power. There remain important differences among the elites but the dominance of the reformers has been largely maintained. In recent decades, China has moved from an emphasis on political-strategic concerns to a more all-embracing view of national interests, to accept that the international system is not invariably hostile; and to recognise the advantages of flexibility and cooperation, especially but not only in economics.

In doing so China was obliged to reject some fundamental propositions that had been strongly held previously, such as on issues of international economic cooperation and interdependence.

While there are still opponents of the pace and extent of economic reform, the reform program benefitted from the reaction to the anarchy of the Cultural Revolution and the market economy appears to have widespread public support. Even those losing from the reform process seem to blame local officials rather than the leaders in Beijing.

China is now basically a full participant in the international system. While the domestic requirements of the reform program—the need for a peaceful and stable international environment—has been a major influence on China's foreign policy, Chinese leaders travel extensively and even if to shore up support for their interests in 'one China' or other policies they cannot ignore what they hear or see. Together with the greater professionalism of the foreign policy bureaucracies, working in a more pluralised environment, China has moved towards a greater perception of common interests and acceptance of the rules and norms of the international institutions. Under influences that include, critically, those of globalisation, it shows many signs of becoming a participant not just in the international system but in international society.