CHINA ANALYSIS

GEOPOLITICS ON CHINESE TERMS

ABOUT

Strategic culture, power balances and the analysis of geopolitical shifts are a long-standing Chinese obsession. Academic institutions, think tanks, journals and web-based debate are growing in number and quality. They work to give China's foreign policies breadth and depth.

China Analysis introduces European audiences to the debates inside China's expert and think-tank world, and helps the European policy community understand how China's leadership thinks about domestic and foreign policy issues. While freedom of expression and information remain restricted in China's media, these published sources and debates are the only available access we have to understand emerging trends within China.

China Analysis mainly draws on Chinese mainland sources, but also monitors content in Chinese-language publications from Hong Kong and Taiwan. Reports from Hong Kong and Taiwan reflect the diversity of Chinese thinking, with occasional news and analysis unpublished in the mainland.

Each issue of China Analysis in English is focused on a specific theme, and presents policy debates which are relevant to Europeans,. It is available at www.ecfr.eu. A French version of China Analysis exists since 2005 and can be accessed at www.centreasia.org.

Introduction by François Godement

China's strategy is changing, and few would claim today that it follows Deng Xiaoping's old dictum "bide our time and build up our capabilities." China's international stance and its main foreign policy goals are often thought to be immutable – the product of its strategic heritage, of a long history of coping with neighbours and the West, and above all of reluctance towards active participation into the international system. How much this view has become obsolete is made crystal-clear in this issue of China Analysis, which brings together various strands from members of China's strategic community.

The game changer, of course, has been the supercharged growth of the Chinese economy, which strategists expect, at least implicitly, to continue. It is no longer taboo to write about China overtaking the United States as the world's first economic power. The idea of China as a strong military power and a 'healthy great power mentality' are becoming common sense for the Chinese public. This would also seem to imply that China's earlier victim mentality - the psychological consequence of the 'century of humiliation' by the West - is quickly fading away. Yet a well-known Party School figure generously broadens the picture to "five centuries of colonisation, pillage, oppression, and marginalisation" of China by the West. Presumably, the present triumph is as great as the agony which preceded it.

However, Chinese experts' view of the global power shift now under way is informed by realism. In a lucid and semi-detached style, the head of Shanghai's leading foreign policy think tank looks at the countries which go down and those which go up, while being fairly alert to the coalitions and contradictions which may quickly arise or melt among any one of the world's groupings of countries. The world he anticipates is clearly in permanent flux. He and others warn about the enduring nature of the US global leadership, even if it is no longer within a system of institutions.

Not much is made of the nationalist and populist trends among China's population that are so often highlighted by Western media. Rather, there is at times a whiff of a uniquely Chinese school of international relations. It posits a world without a definite power centre, in which the long-term winners are those who avoid conquest and forestall any hedging coalition against their rising interests. Yet this defensive and cautious approach based on conflict avoidance is a temporary strategy intended to be applied while China rises. Ultimately, a China which has completed its ascent will "let its writ run without constraint".

These views from China's strategic community do not necessarily fully explain China's present diplomatic posture with its partners. They underline the need for patience with the US, forgiveness towards a weakening Japan and common ground with the BRICs. Yet in the past months there has been a rarely seen sequence of geopolitical and military incidents or at least irritants with the United States, Japan, India and Vietnam. Conversely, our sources emphasise what they believe is Europe's untenable status within international institutions, yet present-day bilateral Chinese diplomacy towards Europe has become once again patient in form, if not very active in substance.

One is left with two possible conclusions. One is that past recipes for dealing with China – for instance the 'responsible stakeholder' concept, which was never fully accepted by China in any case – are quickly becoming out of date. China may not be revisionist in its approach to the international order – strikingly, our sources often emphasise the willingness to compromise that they see, and perhaps hope for, in their fellow citizens. But neither is it much interested in norm-setting beyond the principle of non-interference and a world that would seem to revolve without any guiding hand.

The second possible conclusion is that China's strategic community is itself in flux. There may be little jingoism among some of its members, and even some foreboding about the risks for China of overstepping beyond safe limits for action. But it is very hard, given an understandable enthusiasm for China's successes, to draw the map for China's future strategy and influence. Even the rather natural attraction to other emerging partners is less a permanent anchor than a tactic to avoid "strategic encirclement" and a point by point search for common interests. Perhaps one thing is clear: when China says it does not seek alliances or alliance politics, we should believe it.

1. The power shift: winners and losers

by François Godement

Source:
Yang Jiemian, *Considerations on the four groups of nations and the particular features present in the restructuring of international power*, in *Shijie jingji yu zhengzhi* (World economics and politics), no. 3, March 2010, pp. 4-13.

Four groups of countries and institutions have characterised the international order in the period from September 11th 2001 to the global financial crisis of 2008, according to Yang Jiemian, chairman of the Shanghai Institute of International Studies (SIIS): those who are winning, those who are on the defensive, those who are losing their influence, and those who are in decline (得势，守势，失势，弱势，*deshi, shoushi, shishi he ruoshi*). The rules of international relations are changing as power shifts towards the Pacificand as the world becomes more multi-polar. . The transition from old to new order is not straightforward; Yang recognises that as countries come together and split apart in the post-Cold War world, coalitions, convergences and groupings rise and fall quickly. But although he is cautious on specific details – Yang invokes the "complex", "diversified", or even confused (复杂, *fuza*) nature of the new world – he is convinced of two things: the hour of the emerging powers has come, and China's great power strategy must be based on a turn towards Brazil, India, and Russia.

The major winners, in Yang's opinion, are the emerging powers (新兴大国, *xinxing daguo*): China, India, Brazil, and South Africa. Already on the rise, they were further strengthened by the financial crisis, which they weathered better than the older industrialised countries, and they are in the process of gaining equal representation within the international system, along with a new ability to make their voices heard. Yang includes among the winners regional and international organisations that have accumulated considerable wealth – he does not specify exactly which organisations he means, but he is probably referring to OPEC and the Gulf States.

Those on the defensive include the United States, the IMF, and the World Bank. The United States began to lose its unchallenged dominance at the end of the Cold War. Its central role in the decision-making process of institutions like the IMF and the World Bank has helped it to remain relevant, but its position has become less secure as the world economic crisis unfolds.

Europe, Japan, and Russia are all suffering a major loss of influence in the new order. Europe has gradually lost its status as the second most important player on the international scene, and it is currently the target of projected reforms to the global system. It is going to have to accept the transfer of voting rights at the IMF and the World Bank, and the French and British permanent seats on the UN Security Council are also under threat. Japan is no longer the world's second largest economy, and its influence is in decline. Russia's position, according to Yang, is a little more complicated. Although it has undergone huge economic losses, it could benefit from the reform of the international system as outlined later in the article. The developing countries are the fourth of Yang's groups: marginalised from the international system, they are without power or influence.

Economic blocs and military alliances like NATO as well as the United States' bilateral alliances in the Asia-Pacific region are increasingly showing their limitations in the new multi-polar world. America is trying to reinforce its system of classical alliances by forming new coalitions on issues like terrorism, nuclear proliferation, and Iran's weapons programme, but despite its efforts, economic liberalisation and transversal forms of co-operative outreach are giving a new shape to globalisation. Yang's "groups" (群体, *qunti*) are well suited to the new era in international relations because of their flexibility, responsiveness, and fluidity – they are not blocs as traditionally understood, but neither are they simply statistical or impressionistic groupings. He makes five points about the new groups:

1. Their appearance represents a "historic step", an evolution in international relations from influence based on hard power to a new supremacy of soft power, which Yang says will help bring about harmonious international development. The rise of countries like China, India, Brazil, and South Africa coincides with a new central role for the "non-Western experience" (非西方的政治理念, *fei xifang de zhengzhi linian*) in the international system. China's contribution to this new world culture is its goal of global harmony, while India brings to the table its defence of independence and equality, and Islam adds its aspiration towards equity between cultures.

2. In response to the emergence of these groups, the major powers are beginning to prioritise international co-operation, abandoning formal structures and standards to search for pragmatic and effective ways to work together on the many issues that bring them together, like counter-terrorism, the financial crisis, climate change, and anti-proliferation.

3. The world is getting more complex. The US is facing internal difficulties, from opposition to Obama's "New Deal" to growing dissatisfaction with the situation in Afghanistan. The countries that are losing their influence, like the EU and Japan, are still pretending to equality with United States and at the same time working to preserve their advantages over the new powers. As for Russia, while much of its international strategy is focused on its neighbouring territories, it also uses its relations with the United States, Europe, Japan, and China in the service of its domestic

interests. With all this jockeying for position, the emerging powers must establish ways for the developing countries of the Southern hemisphere to co-operate, and must integrate these new frameworks into the North-South co-operation already being led by the industrialised countries.

4. Each country draws up its strategy with a view to seizing the advantage. The United States has created a "multi-polar partnership" to try to protect its leading role within the multilateral system. To ensure their security and protect their future gains, the emerging powers are joining with other groups to set up "norms of co-operation based on shared principles". The countries whose influence is declining are also making strategic adjustments: Europe is advocating power based on shared norms and putting its hopes for the future on closer integration, and Japan has launched the idea of an "Asian community". Only the losers are short on strategy – they have no goals beyond looking for more cooperation with other powers, in the hope that it can help them get out of their subordinate position.

5. The current state of affairs has not existed for long. The United States and Europe are still hoping – and working – to recover (恢复, *huifu*) their former ascendancy, to restore their privileges, and to regain their leading roles in international affairs.

Yang thinks these groups provide a more viable alternative to the old system, because the new challenges facing the whole of humanity – like terrorism, North-South relations, climate change, global pandemics and epidemics, world population growth, dwindling resources, and cross-border crime – are better dealt with using soft power and low-level politics rather than hard power and top-down politics. Even cold and hot conflict between nations has largely been replaced by financial, commercial, or environmental "war", conducted via the Internet and in the realm of public opinion. Globalisation has made it more difficult and less effective to use force to resolve disagreements. The developed powers, especially those under American influence, retain their deterrence capability and their powers of coercion, but they are not keeping up with the need to develop non-traditional security measures. Established alliances have had to be supplemented by "coalitions of the willing" and partnerships based on benefit-sharing.

The four main groups in Yang's schema have their points of convergence as well as their disagreements, both within their own groups and in relation to the others. Each of the G20 countries is hoping to dominate the agenda on reform of the international financial system. The BRIC countries are internally divided between producers and consumers of energy. The developed countries are "playing chess" with the developing ones over co-operation on climate change and the future of the carbon economy. And while China and the United States may disagree over human rights, Tibet, and Xinjiang, they share a desire to resolve the financial crisis quickly and to restore economic stability. All the leading countries are aware of their interdependence, and have taken on board the lessons of the great depression of the 1930s and the Asian crisis of the 1990s. But equally, they each hope to draw up their own rules for the new international system, and to stake out the most favourable positions for themselves.

Using data from the IMF and the Carnegie Foundation, Yang argues that the economic centre of gravity is shifting definitively towards the four emerging powers, China, India, Brazil, and South Africa, and he adds Russia and Mexico to this grouping. This observation leads him to two geopolitical conclusions. Firstly, he thinks that the rapid expansion of regional organisations is an important and welcome development; without them, international anarchy could well have broken out already. Yang cites here the ASEAN charter, the Lisbon treaty, and the rise of other free trade areas, all of which, he says, have compensated for the failure of the WTO in the Doha round of trade talks.

More importantly – and this is probably the real point of Yang's article – as China becomes a major power (在强国之路, *zai qiangguo zhi lu*), it needs to co-operate on strategy and on natural resources with the other emerging powers such as Brazil, India, and Russia. These countries have dynamic economies. They see the UN as being central to the international system, they favour multilateralism, and they share a respect for national sovereignty. The Doha round proved that China, Brazil, and India have more influence than ever before, a new role underlined by the fact that these countries are also all members of the G20. Faced with the ongoing crisis in the West, the Chinese economy, which has "both heads facing outwards" (两头在外, *liangtou zaiwai*), needs to find new ways of getting resources and new outlets for its exports.

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Yang argues that if China seriously intends to uncouple its economy from that of the West, it must gain access to Russia's energy stocks and work together with India to reduce its energy gap. These countries – and China with them – must also close ranks within the international system. Now that the renminbi is beginning to be seen as an international currency, China should get Brazil and India to agree to diversify reserve currencies and work to reform the international monetary system. China must come together with these partners to support a non-traditional security system and to defend the Kyoto protocols on climate change, with different responsibilities laid down for emerging countries. In Copenhagen, the emerging countries were able to completely undermine the exclusive leadership of the developed countries. They must stick together, and co-operate with the developing countries, if they are to resist the pressures and splits instigated by the developed economies.

The increasing power of the emerging countries is the most important new development in international relations, and it is having an unprecedented impact on the historic privileges of the West. Chinese diplomacy needs the support of the other emerging powers to be more effective in international relations. It will take another 15 to 20 years to be fully realised, but the coming decade will see the world enter the first stages of a new multi-polar international order.

2. China's strategic choices

by Mathieu Duchâtel

Source:
Li Limin[1], "Global geopolitical changes and China's strategic choices", *Xiandai guoji guanxi*, no. 4, April 2010, pp. 1-10.

The international order is changing rapidly in the wake of the global economic crisis, and Chinese commentators agree that China needs to alter its foreign policy to keep up. Li Limin's article, "Global geopolitical changes and China's strategic choices", outlines several trends that come up again and again in Chinese discussion on the topic. He says that China can offer an alternative model to Western liberalism by drawing on its own cultural traditions; he writes that China's rise to power represents an entirely new phenomenon and that previous history is no guide to the changes now occurring in international relations; and he suggests that China must forestall any coalition of states opposed to its rise by building a strategic counterbalance to its potential challengers.

The changes in world geopolitics in the twenty-first century, according to Li Limin, are a consequence of the irreversible shift of the global centre of gravity to the east (权力东移, *quanli dongyi*) and the emergence of new international relationships, to which geopolitical theories of the past no longer apply. These developments have been brought about by globalisation, by the economic success of the Asia-Pacific region, and by new information technologies that have transformed the nature of conflict. According to Li Limin, these three forces are rendering obsolete five underlying premises that were previously central to global strategy-making. These premises are as follows:

1. The idea that global power must reside at a geographical "centre". In the past, the centre always had power over the periphery, whether through colonisation in the nineteenth century, conquest in the first half of the twentieth century, or centralised control during the Cold War. But, in Li Limin's view, the emergence of the Asia-Pacific region will see the erosion of the Christian values that justified the global domination established by the Western powers. They will be replaced by Confucian values like harmony (和谐, *hexie*), universal concord (大同, *datong*), co-existence and co-prosperity (共存共荣, *gongcun gongrong*). In the new international order, in which the Asia-Pacific region will take the lead in proposing and implementing initiatives, the operational logic of domination and geopolitical control will give way to the logic of co-operation.

1 Li Limin is a research fellow at the China Institutes for Contemporary International Relations who specialises in geopolitics, strategic studies and Chinese foreign policy.

2. The concept of a national living space. After the tragedies of the two world wars, no great power can use this concept to justify its appetite for power or its drive to control the world's natural resources. But, Li Limin suggests, as well as lacking legitimacy, the concept of creating national living space is counter-productive, since it leads states to make strategic errors. Li Limin bases his argument on the theses of defensive realism, arguing that conquest itself is responsible for the destruction of empires; he intends here to assuage Russian concerns over Chinese migration into Siberia.

3. The concept of "geopolitical pivots". As theorised by Zbigniew Brzezinski, geopolitical pivots are points of strategic importance which any would-be global power must control. But according to Li Limin, instead of aiming to control at all costs the Straits of Malacca or the Suez Canal, states are beginning to see the logic of co-operative action, for which there is already a model in international collaboration to combat piracy in the Gulf of Aden. In this vision of future international interactions, global players will exercise power through networks without needing to control key nodal points.

Each country must accept the values of the Asia-Pacific region if they wish to play a legitimate role in it.

4. The West's Manichean approach to international order. The Asian Pacific countries, by focusing on the principles of national sovereignty and non-interference, are helping to change the Western designation of some countries as "good" and others as "bad", depending on how they measure up to Western values.

5. The utility of warfare. The conflict in Afghanistan has shown that wars waged by the great powers cost more than they bring in (得不偿失, *debu changshi*). Limin suggests that concepts of classical Chinese culture, such as universal love (兼爱, *jian'ai*), non-aggression (非攻, *feigong*), and respect for the precept that "the man of goodwill has no enemies" (仁者无敌, *renzhe wudi*), could be widely adopted if they were promoted on the world stage.

Based on these new conditions, Li Limin proposes two objectives for China's future foreign policy. Firstly, China's emergence as a great power must be peaceful, both in the process by which it comes about, and in its exercise of power once it has reached its goal. Secondly, China must prevent other states coming together to oppose its rise out of a feeling that their security is threatened, or out of hostility to Chinese values. Li Limin believes that this is a real possibility that could be exploited by the United States as part of its ongoing strategy of containment (防范, *fangfan*).

This is an expression of the classical theory of encirclement, but Li Limin's solution is a new one: he hopes to avoid isolation by constructing international legitimacy, particularly among the emerging countries, for China's way of doing things. Changing the game with regard to "traditional geopolitics" is a strategic move for China – if countries agree that the structure of international relations has been altered, new, flexible coalitions can be built based on new shared viewpoints, and so the dominance of the West in international affairs can be weakened.

Li Limin says that China needs to figure out which of its goals are of primary importance and which are secondary concerns (分清主次, *fenqing zhuci*) and thus draw up a clear list of priorities (明确重点, *mingque zhongdian*). If it is to become a world power, the country must build on its supremacy in the Asia-Pacific region, so Beijing should concentrate its strategic planning on that area. To address the different issues at play in each part of the region, China must adopt a diversified strategic approach (高分层管理, *gao fenceng guanli*). Firstly, China must increase its authority in the "old East Asia" (老东亚, *lao dongya*), the area in which it has the most cultural influence, by strengthening the ASEAN+1 and ASEAN+3, and by developing its diplomatic outreach outwards in concentric circles (多个同心圆, *duoge tongxinyuan*).

Outside "old East Asia", China should give priority to developing its influence in north-east Asia, south-east Asia, and the countries bordering China's Great West. China's presence in Southern and Central Asia should be strengthened, but for now these areas are important only in how they affect the security of Xinjiang and Tibet. China must also monitor and control, where possible, the activities in the region of the other major powers – the United States, Japan, India, Russia, and Australia. In dealing with Japan, Li Limin recommends a policy aimed at a progressive distancing of Tokyo from Washington (脱美入亚, *tuomei ruya*); China does not have to completely forget the damage caused by Japan's "war of aggression", but it should not allow old history to undermine bilateral relations.

As for the other powers, Chinese diplomacy should remain open to overtures while making it clear that each country must accept the values of the Asia-Pacific region if they wish to play a legitimate role in it (变身为亚太国家, *bianshen wei yatai guojia*). China must avoid being drawn into direct confrontation with the US over its alliances and security agreements in the region; with regard to states that have military alliances with the US, China must deal differently with those whose active intention is to contain China and those that have "other reasons" for their actions. Li Limin probably means that some states can be reassured that China poses no threat to them, and others should not draw China's hostility because they are operating under American constraint.

In Africa, Latin America, and the Middle East, where China has a historic opportunity to increase its influence, it should co-operate with local leaders on economic and energy matters and avoid intervening in local politics. In its relations with Europe, China should manage its disagreements (摩擦, *moca*), even though at present China's disagreements with Europe are few and not structural. China's European policy should aim at developing co-operation and strengthening its connections with the major European powers.

China should keep its military strategy more or less hidden from the other powers. It should be prepared to use its armed forces when necessary, but it should not foreground its military strength. However, Li Limin says that China must have powerful armed forces if it is to extend its influence beyond its traditional sphere, and since the Asia-Pacific region is central to China's interests, military control centres should be in the south-east of the country so as to be able to manage unforeseen crises in Taiwan or the South China Sea. The role of military power in China's overall strategy can be summed up in four Chinese characters (外柔内刚, *wairou neigang*): "flexible outside, firm within".

Li Limin believes that this strategy will become increasingly easy to implement in the coming years. Between 2026 and 2037, China will overtake the United States as the leading global economic power. It will then have a wider stage on which to demonstrate its capacity for strategic initiative, "letting its writ run without constraint" (挥洒空间, *huisa kongjian*) to usher in a new era in international relations.

3. Heading off alliances against China

by Mathieu Duchâtel

Source:
Wang Junsheng[2], "The major powers and the strategic environment: new questions concerning China's international role", *Xiandai guoji guanxi*, no. 4, April 2010, pp. 28-45.

According to Wang Junsheng, the factors that are most influencing China's foreign policy at the moment are the changing relationships between China and the world's other major powers, the Chinese people's new "healthy great power mentality" (国民的健康大国心态, *guomin de jiankang daguo xintai*), and the evolution of how the world sees China. Wang argues that China's rise undermines the theory of structural realism in international relations, which says that only shifts in the global balance of power can affect foreign policy, since, as he sees it, the large-scale adjustments to which China's new power would entitle it have not in fact taken place – surely, Wang says, a new power would be expected to demand greater "security" (本国安全, *benguo anquan*) and the "right to be heard" (话语权, *huayuquan*).[3] Wang thinks that instead, perceptions are the key to international relations – and perceptions both within and with regard to China are changing all the time.

Wang Junsheng identifies a number of negative trends that can be seen in the way other countries relate to China as China's power grows. The first of these is the proliferation of trade disputes between China and the other leading powers: Wang lists the points of contention between China, the US, and the European Union since the beginning of 2010, including protectionist measures, anti-dumping taxes, and China's dumping practices. Now that China has overtaken Germany as the main exporting country, it is all the more vulnerable to a trade war. If it is to avoid this, it has "no solution but compromise" (不得不作出妥协, *budebu zuochu tuoxie*).

Wang says that "the international trend towards containing China is becoming more and more pronounced" (国际上对华防范的一面更为凸现, *guojishang duihua fanfang de yimian gengwei tuxian*). Like other Chinese analysts, Wang Junsheng is clearly taken with this formulation, and he quotes Barack Obama's declaration in 2010 that he could not accept "the United States becoming a second world power". Even in countries that are relatively friendly towards China, like Japan and Russia, Wang notes that the idea of a potential counterbalance to China's power is beginning to surface, or in Japan's case, to re-surface.

2 Wang Junsheng is a researcher at the Chinese Academy of Social Sciences, where he specialises in international relations and Chinese foreign policy.

3 This term is often used by Chinese analysts to mean a broader international acceptance of concepts formulated in China.

The smaller countries in the region are experiencing a serious "psychological anxiety about China" (畏华心理, *weihua xinli*) Wang gives the classic example of Singapore, although its distrust of China has actually been structurally inbuilt since its foundation in 1965.

As China's military and economic hard power grows, according to Wang Junsheng, Chinese people are beginning to take on a "prideful mentality" (国民自豪感, *guomin zihaoguan*). Because of this, Chinese diplomatic positions have hardened as Beijing tries to reconcile its foreign policy with the internal pressures it faces. Wang does not go into the nature of these internal pressures in detail – are they played out among the upper levels of the Party and linked to rivalries for power, or is Wang referring to the tendency to populism of some elements of government in China? Or perhaps Wang's statement is simply false, since it seems unlikely that an authoritarian government would be willing to see its foreign policy held hostage by an irrational populace.

Beijing is still generally inclined towards "avoiding conflict" (避免大国关系恶化是一条主线, *bimian daguo guanxi ehua shi yitiao zhuxian*) with the major powers, so it ignores nationalist agitation, as it showed when it allowed an American aircraft carrier to make a stopover in Hong Kong at the same time that the Dalai Lama was preparing to hold talks with Barack Obama in Washington. But although China is resisting conflict, Wang says, it is not clear that the countries that have been destabilised by China's growing power will follow suit.

The tree is not yet fully grown, but already it is exposed to the wind.

As regards the growth of a "great power mentality" among the Chinese, Wang notes that the history of the first half of the 20th century left an enduring mark on Chinese national identity, laying the ground for the current dichotomy between "Westernising everything" and sticking rigidly to an ideal of national specificity. During the war of resistance against Japan, China's major goal was winning its independence and achieving an equal standing in the concert of nations – at that time, nobody could have envisaged that China would one day be a great power. But in recent years, as the country's power has grown, China has been moving towards making a psychological break with the past.

Obviously, there are inherent problems with analysing the mentality of a nation, especially one with more than a billion inhabitants, but Wang Junsheng's analysis is worth examining just the same. He believes that the Chinese are generally a modest people, and he thinks that the Chinese population is beginning to develop an attitude of openness and tolerance (包容开放, *baorong kaifang*). He says that the Chinese see the differences between China and the West in a pragmatic, rational, and modest way (理性谦虚务实, *lixing qianxu wushi*). He backs up this assertion by pointing to a poll conducted by the People's Daily, which found that an overwhelming majority of Chinese respondents believed that China should maintain its humility and stay willing to learn from the West (74.9%), that misunderstandings between China and the West as well as Westerners' failure to understand China should be managed rationally (70.7%), and that the cultures of China and the West each have their strengths and would benefit from mutual dialogue (83.8%). Lastly, Wang Junsheng says that the Chinese have outgrown their sense of victimhood (摆脱了受虐者心态, *baituo le shounüezhe xintai*) in relation to the West and to Japan. For him, this shows China's growing maturity and indicates that the country's future development will not be hampered by a desire to seek revenge for old grievances.

Wang Junsheng concludes that "the tree is not yet fully grown, but already it is exposed to the wind" (树未大而先招风, *shuweida er xian zhaofeng*): although China does not yet have all the attributes of a great power, it is exposed to internal and international pressures that are forcing it to behave as one. But the key to China's emerging strength is to be found within the country and not in external relations, Wang says – the main factor behind China's burgeoning great power status is its own population. As China continues on its path towards greater influence, he thinks that it might be possible to avoid the structural realists' prediction of an opposing coalition to counterbalance it. China must as a matter of absolute necessity maintain a low profile and reach out with concessions both to the major powers and to smaller countries if it wants to continue its rise to power peacefully and in peace.

4. Rebuilding global governance with the BRICs

by Olivier Moncharmont

Sources:
Nan Dou, “Making a cool analysis of the BRIC platform”, *Nanfang dushi bao*, 21 April 2010.
Zhang Youwen, “The origins of the cooperation between the BRIC countries”, *Qiushi*, 19 April 2010.
Ma Yanfang, “BRIC: the construction of a diversified and stable international monetary system”, *Jinrong shibao*, 19 April 2010.
Dang Jianqun, “What is the significance of Western coverage of the BRIC summit?” *Guangzhou ribao*, 19 April 2010.
Zhao Haijuan, “The BRIC summit: an encouragement to transform the structure of world governance”, *Zhongguo jinggi shibao*, 15 April 2010.
Liu Xiaowen, “The rise of the BRIC group: a more balanced world”, *Zhongguo zhengquan bao*, 15 April 2010.
Liu Jianfei, “The year 2009: the major changes in the international structures for co-operation”, *Xueshi shibao*, 18 March 2010.

The rise of the BRIC countries was noted as early as 2001 by Goldman Sachs’s chief economist Jim O’Neill, who described their growth potential in a report that was the first to coin the term.[4] The acronym stuck and was adopted by the countries themselves when they set up their first forum for discussion and co-operation in 2009. The second official BRIC summit was opened in Brasilia on 15 April 2010 by Brazil’s President Luiz Inácio da Silva,[5] and Chinese commentators are giving considerable attention to the political and economic policy directions that have come out of the talks.

Writing in *Qiushi* , Zhang Youwen[6] describes the background of the BRIC countries and the context in which the Brasilia summit took place. Beginning in the 1980s, Zhang says, the BRIC countries managed to seize “the historic opportunity provided by globalisation and its industrial revolution” in exploiting their respective advantages over the countries of the West. As proof of their success, Zhang points to their average GDP growth between 1999 and 2008: 3.33% for Brazil, 6.99% for Russia, 7.22% for India, and 9.75% for China, compared to 2.8% for the USA and average global growth of not more than 3%. Like most other Chinese commentators, Zhang Youwen stresses the current and potential clout of the BRIC group, containing as it does 42% of the planet’s population within 26% of its landmass, as well as the role the BRIC group has played in supporting growth during the current economic crisis. Zhang points out that the position of these states within major international financial institutions like the IMF and the World Bank is being upgraded. On 25 April 2010, the 186 members of the World Bank increased the voting rights of the emerging and developing countries by 3.13%, giving them a total of 47.19%, while China’s own share rose by 2.77% to 4.42%.[7]

The first official BRIC summit was held on 16 June 2009 in Yekaterinburg in Russia, following discussions between the heads of state of Brazil, Russia, India, and China in July 2008 in Hokkaido, Japan. Zhang Youwen notes bilateral relationships between China and its three partners have also strengthened in tandem with multilateral co-operation. In May 2009, China and Brazil signed a joint communiqué to advance the Sino-Brazilian strategic partnership, calling for an increase in the two countries’ investments in energy supplies, science and technology (especially space exploration), agricultural and industrial trade, and financial services. Russia and China have always had strong bilateral relations and have worked together on joint initiatives on energy, technology transfer, and trade and banking. In New York on 23 September 2009, Presidents Dmitri Medvedev and Hu Jintao also signed a 2009-2018 co-operation programme between the Russian regions of the Far East and Eastern Siberia and those in the north-east of China. China is India’s main trading partner, and in January 2008 the two countries signed a document summarising their “shared perspectives for the 21st century” in more than ten strategic sectors.

While he welcomes the 2010 BRIC summit, Zhang Youwen is not convinced about the body’s viability because each of its component states has “weak points”. Brazil’s growth has suffered several fluctuations, the Russian economy is focused on exploiting its energy resources at the expense of investing in the service sector, and India has a large deficit and poor industrial infrastructure, as well as being dependent on raw material supplies and energy sources. As for the potential problems facing China, Zhang Youwen sees trouble ahead in the country’s lack of innovation, difficulties in reforming its economic system, and in the protectionist barriers under consideration by other states that could affect China’s trade flows. Zhang believes that despite their recent economic successes, the development of the BRIC countries will be held back as long as restrictions on Western technology transfers are in place, because until they are lifted, the BRIC group remains dependent on investment from the industrialised countries.

4 Jim O’Neill, “The World Needs Better Economic BRICs”, *Global Economic Paper*, Goldman Sachs Economic Research, no. 66, 2001.
5 At the BRIC summit on 15-16 April, the Chinese President, Hu Jintao cut his visit short so he could return to Beijing to oversee the response to the earthquake in Qinghai on 16 April.
6 Zhang Youwen is the director of the Institute of the World Economy at the Shanghai Academy of Social Sciences.

7 The United States has the biggest share of the votes at the World Bank, (16.4%), ahead of Japan (7.9%) and China. In 2008, the developing countries held 44% of the votes. The increase of 3% was agreed at the G20 summit in Pittsburgh in September 2009 and ratified by a meeting of World Bank’s development committee in Istanbul in October 2009. See “Voting rights at the World Bank: China reaches third place”, Xinhua, 26 April 2010.

In an article published in *Xuexi shibao* a month before the opening of the 2010 BRIC summit, Liu Jianfei[8] writes that the emergence of the BRIC group signals a fundamental change, accelerated by the world economic crisis, in the governance structure of the global economy, world finance, and the international system. The emerging economies must be given a stronger voice within international organisations. According to Liu, the creation of the G20 in Washington in November 2008 was a step forward in that it gave the developing countries a platform to discuss issues on an equal footing (平起平坐, *ping qi ping zuo*) with the developed countries and to respond effectively to the financial crisis.

This adjustment, in his view, is a fitting reward for those countries that are contributing most to economic recovery through their ability to withstand the crisis. He thinks that the G7 and G8 formats for discussion are obsolete and he hopes that the BRIC group's rise can bring about a major shift in the world's power relations with the United States. Pointing to the history of relations between the developing countries and the Western industrialised countries, or as he puts it, "five centuries of colonisation, pillage, oppression, and marginalisation", Liu Jianfei thinks that the restoration of a proper balance in international relations will take several more years yet. But he adds that this transformation "does not in itself mean the decline of the Western hemisphere".

The restoration of a proper balance in international relations will take several more years yet.

Liu Xiaowen writes in *Zhongguo zhengquan bao* that the Chinese were hoping to get three things from their partners in the 2010 BRIC summit: firstly, agreements on presenting a united front and increasing multilateral aid between the four countries; secondly, a common position on a sustainable response to the world economic crisis; and thirdly, commitments to cooperate on principles of transparency, progress, and pragmatism. Liu Xiaowen agrees with Liu Jianfei that co-operation between the BRIC countries needs to be increased and that "it does not impinge on the interests of the smaller organisations" (小范围集团, *xiaofanwei jituan*).

Zhao Haijuan's piece in *Zhongguo jingji shibao* brings together several commentators' opinions on the 2010 BRIC summit. Zhao Jinping, a researcher for the State Council development and research centre, welcomes the call by the heads of state for structural reform of global governance, but sees three stumbling blocks to its implementation. First, the major international financial institutions are ignoring the continued rise in economic power and political influence of emerging economies, and instead "are far more concerned with the fate of the economies of the developed countries". Second, the benefits of global economic governance are not shared equitably, especially when it comes to technology transfer and the movement of capital. Third, the industrialised countries are being disingenuous when they call for more responsibility from developing countries on climate change, since, Zhao says, they are distorting the wording of the UN framework agreement on climate change to force developing countries to reduce greenhouse gas emissions more than developed countries. Zhao Jinping believes that deepening co-operation between the BRIC countries can help to mitigate these "injustices".

Song Hong, director of the Institute of Research on International Trade at the Chinese Academy of Social Sciences, believes "there are great differences between the socio-economic bases, forms of government and foreign policy doctrines of the four BRICs ". Although these differences present potential obstacles to co-operation between the BRIC members, he believes that they will be outweighed by the common interests that bind them together. Xu Changwen, director of the Centre for Research on International Asian-Pacific Trade at the Ministry of Commerce, thinks that "co-operation within the BRIC group should not be extended to other partners, unless we want to make the current arrangements for multilateral co-operation even more complicated".

Nan Dou in *Nanfang dushi bao* sees the 2010 BRIC summit as marking the beginning of a new political reality. By 2050, the combined GDP of the BRIC countries will equal that of the six current leading economic powers – which leads Nan to predict that "the BRIC group will become the most important structure for co-operation in the world." Nan Dou points out that Russia was responsible for bringing the BRIC countries together as a "club", and Russia is to an extent driving the group's external policy. President Medvedev has said that the BRIC group plans not only to set up an inter-state dialogue on economic affairs, but also to work on resolving global security issues. And the Chinese press agency, *Xinhua*, has reported that "the Ministers of Foreign Affairs of the BRIC countries have issued a joint declaration aimed at advancing the Middle East peace process", in which they "call for an urgent return to peace negotiations in the Middle East, in order to establish a united sovereign, democratic, independent, and viable Palestinian State, living peacefully alongside Israel [...], reaffirm their support for a return to negotiations between Israel, Syria, and Lebanon [...], and they likewise call on Israel to freeze the settlements in the occupied Palestinian territories, and to cease the construction of new residences in East Jerusalem."[9]

8 Liu Jianfei is a researcher and the vice-director of the Institute of International Strategy at the Central Party School of the Chinese Communist Party.

9 Alongside the BRIC summit meeting, the foreign ministers met with the Palestinian Minister of Foreign Affairs, Riad al-Malki.

Nan Dou is aware that co-operation can only go so far among countries that have basic differences in culture, geography and economic needs. Each member of the BRIC group is hoping for something different from the global economic recovery. Brazil and Russia need prices of raw materials to rise, since their economies are fuelled by the export of their natural resources, while China and India want raw materials to stay cheap to help keep down costs in the manufacturing industries that drive their growth. Although he does not elaborate the point fully, Nan Dou says that he is worried about potential disagreements within the group on China's policy on yuan-dollar exchange rates, which could lead to difficulties for China in the medium term. Nan believes that China needs to reconcile two imperatives within the BRIC group: "to ensure domestic development in a supportive international environment", without turning its co-operation into a defensive "shield" (挡箭牌, *dang jian pai*) that could obstruct its own international ambitions.

Dang Jianqun's article in *Guangzhou ribao* deals with the reaction of Western media to the 2010 BRIC summit. He says that Western analyses were all purposely pessimistic so as to emphasise the differences between the BRIC countries and discredit the new international association. But since the main objective of the 2010 BRIC summit was to disrupt the international order dominated by the Western states, and to enable the developing countries to "share the pie" of economic growth (切蛋糕, *qie dangao*), he is not surprised at the "negative" media coverage. He asks that the BRIC group be given time to demonstrate exactly what their co-operation is worth.

Ma Yanfang's article in *Jinrong shibao* gives a detailed account of the statements made by Zhang Ming, co-director of the Department of International Finance at the Academy of Social Sciences, at the 2010 summit. Ma says that in repeating the exact words of the joint declaration made by the BRIC countries on "strengthening macroeconomic co-operation ... and returning to strong, balanced, and sustainable growth", Zhang was cautioning China and India to watch out for hidden financial bubbles and to maintain control of their currencies to head off inflation. Zhang said that any return to international growth "also depends on domestic growth". While recognising that this is "easier said than done" (知易行南, *zhi yi xing nan*), he argued that China's domestic consumption should be stimulated through wage increases and by reducing waste in the public and private sectors.

The BRIC countries are eager to strengthen the international banking system and want to increase the capital holdings of the Bank for International Reconstruction and Development (BIRD) and the International Finance Corporation[10]. Zhang, however, said that investment in these development banks should only be made if the developing countries that receive finances give guarantees on how the funding will be used. Investment in developing countries, said he argued, should not be subject to "ideological" considerations; it should be purely pragmatic and independent of the Washington consensus. Zhang supports the BRIC countries' ambition of reforming the international monetary system, and suggests further exploration of the idea of creating a true international currency. However, the proposal to extend the IMF's Special Drawing Rights (特别提款权, *tebie tikuan quan*) without taking US dollar exchange rates into consideration appears to him to contradict the BRIC group's goal of "stability and predictability", since he thinks it could increase the instability in exchange rates.

Zhang advocates a realignment of the monetary policies of the major powers involving an upward revaluation of the euro and sterling, and he favours limiting countries' ability to unilaterally and excessively increase money supply. He also argued for the creation of a banking institution able to "take account of the interests of the emerging economies". Zhang does not blame the US, which he thinks has a position of influence proportionate to its global economic power, for the difficulties involved in reforming international banking institutions; instead, he thinks the problem is that "a considerable proportion" of voting rights, for example at the IMF, are taken up by "small European states like the Netherlands and Belgium".[11] It will take a concerted and sustained effort by the BRIC group, Zhang says, to "open up a breach in this system". The Chinese delegation proposed that the next BRIC summit, scheduled for 2011, should be held in Beijing.

Translation: Jonathan Hall
Editing: Justine Doody and Hans Kundnani

10 This organisation "offers loans, participations, financial packages, and management risk services as well as consultancies aimed at strengthening the private sector in developing countries".

11 The share of voting rights at the IMF depends on the contributions of its members, with one dollar being worth one vote. On 26 April 2010, the United States held 16.47% of the total voting rights, Japan 6.01%, Germany 5.87%, France 4.85%, the United Kingdom 4.85%, China 3.65%, Italy 3.19%, Canada 2.88%, Russia 2.69%, the Netherlands 2.34%, Belgium, 2.08%, India 1.88%, Mexico 1.43%, Spain 1.38%, and Brazil 1.38%. Changing the IMF charter requires 85% of the votes. The United States, with 16.74 % of the votes, can veto any attempt at reforming the system for sharing the votes. See http://imf.org/external/np/sec/memdir/members.htm.

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