



**BRIEFING PAPER**

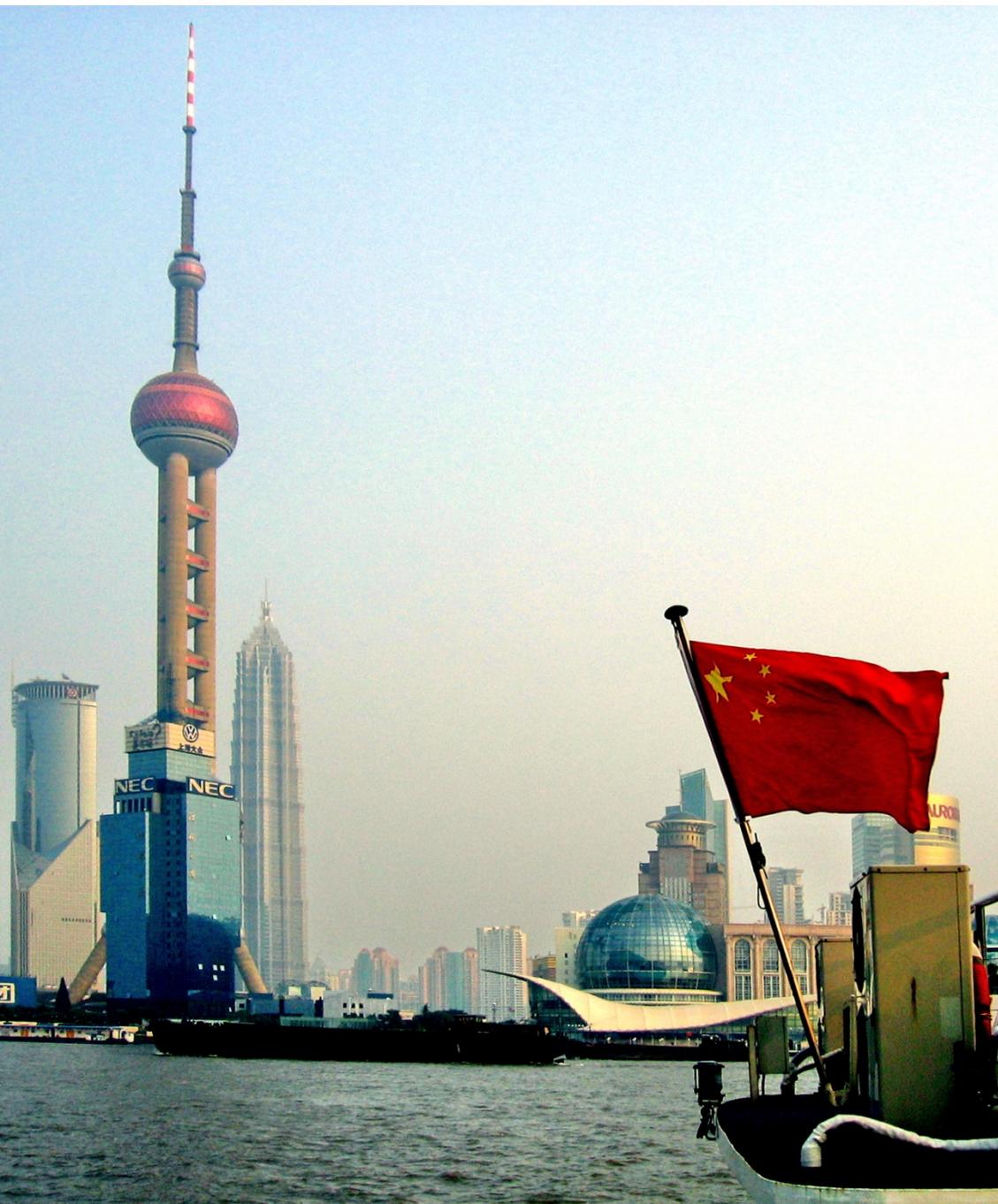
Number 7870, 19 January 2017

# China's domestic politics and foreign policy: January 2017 analysis

By Jon Lunn

**Contents:**

1. Domestic politics
2. Foreign policy
3. Future prospects



# Contents

<b>Summary</b>	<b>3</b>
<b>1. Domestic politics</b>	<b>5</b>
1.1 Xi Jinping's leadership and ideology	5
A cult of personality?	5
An eclectic ideology	5
1.2 The state of the party	6
Institutionalisation, networks and factions	6
Still credit in the bank	7
Heightened repression	7
1.3 The 19 <sup>th</sup> Party Congress and the succession	8
<b>2. Foreign policy</b>	<b>10</b>
2.1 Ideological frameworks	10
2.2 Key relationships	11
The US	11
The neighbourhood	13
Other relationships	15
<b>3. Future prospects</b>	<b>18</b>

## Summary

This briefing is an exploratory analysis of trends – drawing on the views of selected experts – in the domestic politics and foreign policy of the People’s Republic of China.

### Domestic politics

Since becoming president in 2012, Xi Jinping appears to have accumulated much more power and authority than his predecessor, Hu Jintao, ever did during his decade in office (2002-12). But the centralisation of power around Xi since 2012 could as easily reflect weakness as strength.

Xi Jinping leads a Communist Party whose legitimacy is arguably shallower than ever before. The greatest single threat to that legitimacy is official corruption. Xi has made anti-corruption the central plank of his domestic policy. These steps are intended to strengthen it in the longer-term and render it fit to retain the political monopoly it has enjoyed since 1949.

The attempt to rejuvenate the party may also be involving some reversal of processes of ‘institutionalisation’ – the creation of rules to guide political and administrative behaviour, including over leadership succession – which analysts have detected over recent decades. But for some observers the degree of institutionalisation has never been particularly deep. One view is that contestation and cooperation between different factions remains the best way of understanding what is going on in the party beneath the surface. But others are less convinced, viewing things as more fluid and informal, with networks and kinship relations playing a more crucial role than factions.

The party does still have credit in the bank with the Chinese people. Although there have been economic warning signs in recent years, overall growth rates have remained high enough to maintain acquiescence. High-levels of public discontent about the increasingly predatory behaviour of some party officials at the local level do not yet appear to be translating into discontent against officials at the centre – even though they are often equally implicated.

The spectre of the collapse of the Soviet Union is never far from the minds of the party leadership. From that has come a heightened intolerance of those who, in its view, threaten the future of the system in China. This perspective has triggered the most severe human rights crack-down for many years.

As we approach the half-way point in the ten-year ‘leadership cycle’ that was apparently established under Hu Jintao, we might reasonably expect the party’s 19<sup>th</sup> Congress in late-2017 to offer some insights on the succession. But there are still no formal rules that govern the succession process and Xi may yet decide that he would like to stay on beyond 2022. One indication of how it is going to play out may be whether two possible successors from the ‘sixth generation’ – both 53 years old – are promoted at the Congress to the party’s top body, the

Standing Committee. They are Sun Zhengcai, the party secretary of Chongqing Province, and Hu Chunhua, the party secretary of Guangdong Province.

## Foreign policy

There continues to be much debate about the goals and objectives underpinning China's foreign policy today. The key point of contention is over whether China wants to supplant the US at the global level, achieve overall parity or is happy to play second-fiddle, with the important proviso that its 'core interests' in Asia are recognised.

Some have argued that the Chinese leadership views the country as "both a great power *and* a rising power at the same time". Others claim that in many ways China's approach to foreign policy is profoundly pragmatic, upholding and sustaining global rules where they "make life easier". In this view, China is the "ultimate utilitarian power", with no aspirations to "overwhelm the rest of the world".

Maybe – but China does seem to have some non-negotiable 'bottom lines' on foreign policy. Least negotiable of all is the 'One China' policy, under which Taiwan's future can only be as part of the People's Republic of China, although it remains willing to allow for different interpretations of what it means. If this policy is seriously called into question by the new US Administration under President Donald Trump, China's approach to foreign policy could shift rapidly away from pragmatism.

## Future prospects

In 2015, the experienced China expert David Shambaugh was widely criticised when he announced the beginning of the end of the Communist system in China.

'System failure' in China is widely considered a very unlikely prospect for now, including by Western governments. But such dramatic reversals nearly always are – until they happen. For all China's achievements over the past 40 years and the opportunities that many experts say lie ahead, complacency would be unwise. The Chinese leadership is not complacent.

What about democratisation? Under Xi Jinping, the odds on China evolving towards liberal democracy, as some hoped and anticipated a decade or so ago, appear to have lengthened significantly. This leaves the most likely scenario a combination of attempts at proactive reform and reactive "muddling through".

But the risk factors are not purely domestic in nature. Now that China is a global political and economic player, the impact on it of international events inevitably deepens. There is also an increasingly direct connection between the foreign policy achievements of the Communist Party and its domestic legitimacy. A major crisis in the US-China relationship could destabilise the country. Another severe global economic down-turn might have a similar impact.

# 1. Domestic politics

## 1.1 Xi Jinping's leadership and ideology

Since becoming president in 2012, Xi Jinping appears to have accumulated much more power and authority than his predecessor, Hu Jintao, ever did during his decade in office (2002-12). Some have declared him to be the People's Republic of China's<sup>1</sup> most powerful leader since Chairman Mao. In October 2016, Xi was declared the 'core' leader of the Communist Party – a designation that, of his predecessors, only Chairman Mao and Deng Xiaoping were granted.<sup>2</sup> There have also been claims that he is developing a 'cult of personality' around himself similar to that which surrounded Mao and that Maoist techniques and ideas are once again in fashion.

### A cult of personality?

Xi has been given the title 'Dada' (Uncle) by some praise-singers, but claims of a 'cult of personality' should be taken with a pinch of salt. Kerry Brown has called the charge that Maoism is back as a "huge red herring".<sup>3</sup>

The context in which Xi is ruling is utterly different to that in Mao's time. Kerry Brown asserts that Xi has no more power to influence things than most Western leaders do and that his "charismatic leadership" approach is primarily an effort to get the Chinese people's attention when today there are so many other stimuli and distractions.<sup>4</sup> How successfully it does this has been seriously questioned.

Xi Jinping –  
"powerful but  
exposed"

In this sense, the centralisation of power around Xi since 2012 could as easily reflect weakness as strength. The Council for Foreign Relations has described him as "powerful but exposed" – and vulnerable if the economy slows down to below six percent growth per annum.<sup>5</sup>

### An eclectic ideology

Xi Jinping's ideological formulations appear to have little in common with the tenets of Maoism. Many observers have noted that Xi's ideology is characterised by a high degree of eclecticism, combining elements of nationalism and tradition with adherence to Marxism and socialism – while at the same time endorsing modernisation and the deepening of market-based approaches in the economic sphere.<sup>6</sup>

Where some might see contractions within such a philosophy, for Xi consistency is clearly overrated. So while outsiders tend to focus on the

<sup>1</sup> Henceforth, China for short.

<sup>2</sup> "Xi Jinping becomes 'core' leader of China", *Guardian*, 27 October 2016. This briefing does not discuss the role of Xi's number two, Premier Li Keqiang. While certainly a powerful figure, he has had a somewhat lower public profile than did his predecessor in the job, Wen Jiabao.

<sup>3</sup> Kerry Brown, "New hopes, old fears: China's 19<sup>th</sup> party congress", *Diplomat Magazine*, December 2016

<sup>4</sup> Kerry Brown, "The great stall of China", *World Today*, April/May 2016

<sup>5</sup> R.D. Blackwill and KM Campbell, "Xi Jinping on the global stage", Council on Foreign Relations, special report No. 74, February 2016

<sup>6</sup> Wenshan Jia, "How to interpret Xi Jinping's eclectic leadership style?", China Policy Institute, University of Nottingham, 2015:2

nationalism inherent in slogans like 'China Dream' and 'national rejuvenation', there are other less immediately aggressive ingredients in the mix – for example, the objective of China becoming a 'moderately well-off society' by 2021.

## 1.2 The state of the party

Xi Jinping leads a Communist Party whose legitimacy is arguably shallower than ever before. The greatest single threat to that legitimacy is official corruption. Kerry Brown has described the party elites as "drowning in temptation".<sup>7</sup> It has been reported that there are now more billionaires in China's National People's Congress than there are on Capitol Hill in Washington, DC.<sup>8</sup>

The party's elites –  
"drowning in  
temptation"

Xi – a scion of that elite and with wealthy family members – has made anti-corruption the central plank of his domestic policy. This has included moves against very senior party figures such as Zhou Yongkang. While in the short-term such actions disrupt the party, they are intended to strengthen it in the longer-term and render it fit to retain the political monopoly it has enjoyed since 1949.

Returning again to Kerry Brown, he wrote in December 2016:

[...] in some ways, the whole trajectory of the Xi leadership since 2012 has shown clearly that the most intense and searing fears in China are those of the party, about the party.<sup>9</sup>

### Institutionalisation, networks and factions

The attempt to rejuvenate the party may also be involving some reversal of processes of 'institutionalisation' – the creation of rules to guide political and administrative behaviour, including over leadership succession – which some analysts have detected in recent decades. There is currently debate about whether this reversal might be permanent.

For some observers the degree of institutionalisation has never been particularly deep, pointing out that the party has always been – and must remain, if it is to survive in its current form – above the law and mistrustful of the state, or any non-political forms of governance.<sup>10</sup> They argue that power has always been highly personalised at the top of the party.

Institutionalisation has always co-existed with other forms of organisation within the party. For some, contestation and cooperation between different factions remains the best way of understanding what is going on beneath the surface.

But others are less convinced. Kerry Brown views things as more fluid and informal, with networks and kinship relations playing a bigger role

<sup>7</sup> Kerry Brown, *The new emperors* (London, 2014), p197

<sup>8</sup> "For Beijing, the tycoon class can never rise above the party", *South China Morning Post*, 25 March 2016

<sup>9</sup> Kerry Brown, "New hopes, old fears: China's 19<sup>th</sup> party congress", *Diplomat Magazine*, December 2016

<sup>10</sup> Slavoj Žižek, "Can you give my son a job?", *London Review of Books*, 21 October 2010

than factions.<sup>11</sup> In his view, the most important networks within the party are the elite and business.<sup>12</sup> For all the party's mass membership, in 2014 he calculated that China was effectively being run by a small elite of 2,500 "high-level cadres", a third of whom were based in Beijing.<sup>13</sup>

### Still credit in the bank

Despite the overarching challenge of combating corruption within its ranks, the party does still have credit in the bank with the Chinese people. Although there have been economic warning signs in recent years, overall growth rates have remained high enough to maintain acquiescence. High-levels of public discontent about the increasingly predatory behaviour of some party officials at the local level do not yet appear to be translating into discontent against officials at the centre – even though they are often equally implicated.<sup>14</sup> The party is proving quite skilful at allowing expressions of "contentious politics", which have been very much on the rise, provided they are within acceptable limits; these act as a safety-valve.<sup>15</sup> There is also some evidence that not all levels of local governance are viewed with hostility. Woodman refers to a continuing culture of "local citizenship" in the context of the work of resident and village committees.<sup>16</sup> But public loyalty to the party can be decidedly transactional these days.

### Heightened repression

There is a widespread sense within the party that the Hu Jintao period was not nearly as successful as it could have been in laying the foundations for China's future development and stability. The spectre of the collapse of the Soviet Union is never far from the minds of the party leadership.<sup>17</sup> From that has come a heightened intolerance of those who, in its view, threaten the future of the system. This perspective has triggered the most severe human rights crack-down for many years.<sup>18</sup>

The crack-down has affected civil society activists across the board. Also heavily affected have been China's vast "borderlands" – most notably, Tibet and Xinjiang – where any challenge to the country's territorial integrity has long been met with repression. The importance of what happens in these areas should not be understated. Some argue that the 2009 riots in both areas brought Hu Jintao's limited programme of

The spectre of the collapse of the Soviet Union

<sup>11</sup> Brown, *The New Emperors*, p37-8

<sup>12</sup> Brown, *The New Emperors*, p218

<sup>13</sup> Brown, *The New Emperors*, p20

<sup>14</sup> Meg Rithmire, *Land bargains and Chinese capitalism: the politics of property rights under reform* (Cambridge, 2015); Rene Trappel, *China's agrarian transition: peasants, property and politics* (Lexington, 2016)

<sup>15</sup> Wenfang Tang, *Populist authoritarianism: Chinese political culture and regime sustainability* (Oxford, 2016); E.S. Hui, "The labour law system, capitalist hegemony and class politics in China", *China Quarterly*, June 2016

<sup>16</sup> S. Woodman, "Local politics, local citizenship? Socialised governance in contemporary China", *China Quarterly*, June 2016

<sup>17</sup> A. Greer Michaels, "Lessons learned in China from the collapse of the Soviet Union", China Studies Centre, University of Sydney, policy paper series, January 2013

<sup>18</sup> For more details, see Human Rights Watch's [China and Tibet](#) webpages

political relaxation to a grinding halt – since which it has never really resumed.<sup>19</sup>

The party's reform efforts under Xi Jinping do not appear to include political relaxation in any shape or form. But it is well aware that its power to suppress dissent continues to be vulnerable to social and technological changes over which it will be a perpetual struggle to keep control.

Tibet and Xinjiang remain sources of anxiety for the party today, despite ongoing attempts to strengthen Han dominance in both regions. Meanwhile the party's difficulties over recent years in containing agitation for genuine democracy in Hong Kong has now awakened a small pro-independence movement there.

To conclude, the assessment of historian John Fitzgerald, writing over 20 years ago, still seems relevant today. He too warned that it is the party itself that:

[...] may well present the gravest danger to the unity of the state, to a far greater degree than other 'traditional' sources of fracture in the geography, culture, language, local society and regional economies of China. The People's Republic is not just a centralist state but a single-party state, and the effectiveness of the central government is heavily dependent on the vitality and discipline of the Communist Party.<sup>20</sup>

### 1.3 The 19<sup>th</sup> Party Congress and the succession

As we approach the half-way point in the ten-year 'leadership cycle' that was apparently established under Hu Jintao, analysts are turning to who might succeed Xi Jinping in 2022. He will be 69 by then. The same applies to Premier Li Keqiang, who will be 67.

If this timeframe is followed, we might reasonably expect the party's 19<sup>th</sup> Congress in late-2017 to offer clear insights on the succession. But some experts believe that it may not be that simple.

There are still no formal rules that govern the succession process. What emerged under Hu was an informal arrangement which could be scrapped. Xi's efforts to accrue more personal power since 2012 could pave the way for him to stay on beyond 2022 – to 2027 or even 2032. This might mean that the next generation of leaders, known as the 'sixth', entirely misses out.

The current convention that leaders should retire around the age of 68 could also be abandoned, at least in the case of some of the leadership. Finally, there is uncertainty about the future size of the Politburo's

Current members of the Standing Committee:

**Xi Jinping** (63 years old)

**Li Keqiang** (61)

**Zhang Dejiang** (70)

**Yu Zhengsheng** (71)

**Liu Yunshan** (69)

**Wang Qishan** (68)

**Zhang Gaoli** (70)

<sup>19</sup> Zhixing Zhang, "Centripetal and centrifugal forces at work in the nation-state", *Stratfor*, 23 September 2014

<sup>20</sup> John Fitzgerald, "The history of the death of China", in D. Goodman and G. Segal (eds), *China deconstructs. Politics, trade and regionalism* (London, 1994), p48

Standing Committee – its ‘inner cabinet’. It has oscillated in size (between five and nine) over recent decades.<sup>21</sup>

On the face of it, up to five places look like they might be up for grabs at the 19<sup>th</sup> Congress. But there has been speculation that the Standing Committee might reduce in size after the Congress.

Kerry Brown advises us not to get overly obsessed with who walks out for the “photo-shoots” at the end of the 19<sup>th</sup> Congress – or, indeed, who is standing next to whom in them.<sup>22</sup>

These uncertainties make prediction a treacherous business. Perhaps the most judicious approach is to identify important things to look out for at the Congress. They include:

- Whether any of the sixth generation of leaders make it onto the Standing Committee. The current favourites to do so are:  
[Sun Zhengcai](#), 53, the party secretary of Chongqing Province  
[Hu Chunhua](#), 53, the party secretary of Guangdong Province<sup>23</sup>
- Whether any of the following senior party figures make it onto the Standing Committee:  
[Zhou Qiang](#), 56, President of the Supreme Court  
[Li Zanshu](#), 56, Director of the General Office of the Communist Party  
[Zhao Leji](#), 59, Director of the Organisation Department of the Communist Party  
[Wang Huning](#), 61, Director of the party’s Central Policy Research Office  
[Han Zheng](#), 62, the party secretary in Shanghai  
[Sun Chunlan](#), 66, head of the United Front Work Department of the party’s Central Committee – and, if successful, the first woman ever to be on the Standing Committee (but her age and gender may count against her)<sup>24</sup>
- Whether [Wang Qishan](#), the head of the Central Discipline Inspection Commission, and a particularly close ally of Xi Jinping’s in the campaign against corruption, remains on the Standing Committee – and in what role<sup>25</sup>
- Whether the size of the Standing committee changes

---

<sup>21</sup> Kerry Brown, “New hopes, old fears: China’s 19<sup>th</sup> Party Congress”, *Diplomat Magazine*, December 2016

<sup>22</sup> Kerry Brown, “New hopes, old fears: China’s 19<sup>th</sup> Party Congress”, *Diplomat Magazine*, December 2016

<sup>23</sup> Jonathan Brookfield, “The race to China’s 19<sup>th</sup> Party Congress”, *Diplomat*, 17 October 2016

<sup>24</sup> Jonathan Brookfield, “The race to China’s 19<sup>th</sup> Party Congress”, *Diplomat*, 17 October 2016

<sup>25</sup> Kerry Brown, “New hopes, old fears: China’s 19<sup>th</sup> Party Congress”, *Diplomat Magazine*, December 2016

## 2. Foreign policy

### 2.1 Ideological frameworks

There continues to be much debate about the goals and objectives underpinning China's foreign policy today. The key point of contention is over whether it wants to supplant the US at the global level, achieve overall parity or is happy to play second-fiddle, with the important proviso that its 'core interests' in Asia are recognised.

China's official foreign policy objectives under Xi Jinping are "the rejuvenation of the nation" and (the rather opaque) "striving for achievement".<sup>26</sup> This has involved a much higher international profile, moving away from the approach initiated by Deng Xiaoping in the 1980s.

Wenshan Jia argues that China is indeed "trying to shift the global power structure".<sup>27</sup> Sceptics point to its growing assertiveness and proactivity in Asia, not least over its territorial claims in the South and East China Seas, and its rapid military modernisation as evidence of its mounting ambitions.

But Peter Nolan says that China has a strong interest in achieving its objectives through "peaceful international relations" and is not strong enough to challenge US hegemony. Its growing exercise of soft power – deploying loans, economic initiatives like 'One Belt One Road' (OBOR) and Confucius Institutes – is consistent with this approach.<sup>28</sup> China has been a major beneficiary of economic globalisation. For Christopher Hughes, it is more likely to continue shaping it so that it is consistent with national sovereignty than seek to undermine it.<sup>29</sup> This view was confirmed by Xi Jinping's 17 January 2017 speech at the World Economic Forum in Davos, Switzerland.<sup>30</sup>

Arguing that the Chinese leadership views the country as "both a great power *and* a rising power at the same time", Zeng and Breslin suggest that while its approach to foreign policy may not be governed by a single vision, it is becoming a "norm and system shaper (if not yet maker)".<sup>31</sup> Kerry Brown says that in many ways China's approach to foreign policy is profoundly pragmatic, upholding and sustaining global rules where they "make life easier". In his view, China is the "ultimate utilitarian power", with no aspirations to "overwhelm the rest of the world".<sup>32</sup>

Is China "trying to shift the global power structure"?

"The ultimate utilitarian power"?

<sup>26</sup> Dingding Chen, "Chinese foreign policy needs major reform", *Diplomat*, 12 August 2014

<sup>27</sup> Wenshan Jia, "How to interpret Xi Jinping's eclectic leadership style?", China Policy Institute, University of Nottingham, 2015:2

<sup>28</sup> Peter Nolan, "State, market and infrastructure: the New Silk Road", China Development Forum, March 2014

<sup>29</sup> Christopher Hughes, *Chinese nationalism in the global era* (London, 2006), p151

<sup>30</sup> For the full text of Xi Jinping's Davos speech, click [here](#).

<sup>31</sup> Jinghan Zeng and Shaun Breslin, "China's 'new type of Great Power relations': a G2 with Chinese characteristics?", *International Affairs*, July 2016

<sup>32</sup> Kerry Brown, "Does China really want to lead the world order?", *Diplomat Magazine*, December 2016

Maybe – but those core interests in Asia must mean that China has some non-negotiable ‘red lines’ on foreign policy. Although it remains willing to allow for different interpretations of what it means, least negotiable of all is the ‘One China’ policy, under which Taiwan’s future can only be as part of the People’s Republic of China.<sup>33</sup>

If this policy is repudiated by the new US Administration under President Donald Trump (see below), China’s approach to foreign policy could shift rapidly away from pragmatism. There is a minority of Chinese policy-formers who believe that an eventual clash with the US is inevitable. An alliance between them and an inflamed public opinion could be difficult for the current leadership to control, triggering domestic instability as well as escalating international tensions.

## 2.2 Key relationships

### The US

This is by far the most important relationship for China’s foreign policy.

During his election campaign, the statements of new US President, Donald Trump, appeared to suggest that he might tear up the rule-book in East Asia if he triumphed. He strongly criticised China on trade issues and currency manipulation while apparently downplaying the value of US alliances in the region. Then, fresh from his victory, in early December he spoke by telephone with Taiwan’s president, Tsai ing-Wen, going on to question the validity of the ‘One China’ policy, which has been the cornerstone of China’s relationship with the rest of the world since the 1970s.<sup>34</sup>

Trump questions the ‘One China’ policy

The US has endorsed the ‘One China’ policy since 1972. It broke off diplomatic ties with the Republic of China (Taiwan) in 1979 and switched recognition to the People’s Republic. Over the following 40-plus years there were no direct communications between the leaders of the US and Taiwan.

However, Trump really set the cat amongst the pigeons when he said after that call:

I fully understand the ‘One China’ policy, but I don’t know why we have to be bound by a ‘One China’ policy unless we make a deal with China having to do with other things, including trade.<sup>35</sup>

He reiterated this view during January 2017 as his inauguration approached.

Under President Obama, the US made a ‘pivot to Asia’. This more assertive policy was welcomed by US allies in the region, whose bargaining power with China it was in part designed to ballast. But the

---

<sup>33</sup> Taiwan’s official name is the Republic of China.

<sup>34</sup> [“Q&A: Donald Trump, Taiwan and the ‘One China’ policy”](#), *Daily Telegraph*, 13 December 2016

<sup>35</sup> [“Trump says US not necessarily bound by ‘one China’ policy”](#), *Reuters*, 12 December 2016

## 12 China's domestic politics and foreign policy: January 2017 analysis

policy was not intended as a direct challenge to China's rise.<sup>36</sup> For some observers, Trump's approach may be.

There is now considerable uncertainty and apprehension in a region which has been compared by one academic with Europe in the run-up to World War I.<sup>37</sup> Edward Luce has claimed: "Without realising it, US voters appear to have opened the gates to a new cold war".<sup>38</sup>

China initially blamed Taiwan for somehow tricking Donald Trump into speaking with Tsai ing-Wen. It was already suspicious of Tsai, criticising her for refusing to endorse the '1992 Consensus', under which China and Taiwan agreed to acknowledge that there is 'One China', while keeping their different interpretations of what that means. Following the telephone call, China stepped up aircraft exercises close to or in Taiwan's airspace and briefly seized a US underwater drone conducting a surveillance operation in the South China Sea.<sup>39</sup> In the Chinese media, anti-US nationalist sentiment is on the rise.<sup>40</sup>

Until now the prevailing view has been that inevitable China-US tensions can be mitigated by their enmeshed economic relationship and that 'win-win' scenarios are eminently possible – a perspective described by Brantly Womack as "sustainable rivalry".<sup>41</sup>

This may yet prove still to be the case. But the US does seem set on a much tougher stance towards China under President Trump. In recent days, the incoming Administration has been talking about winning a trade war between the two countries (Xi Jinping has said both would be losers) and has said that it wants to stop China's island-building in the South China Sea – and could even try to block Chinese access to those islands (the Chinese media has said that this might lead to "devastating confrontation").<sup>42</sup>

The only genuine indication of a less confrontational US approach has been the appointment of Terry Branstad – a man described as "an old friend of the Chinese people" by a Chinese foreign ministry spokesperson – as Trump's US Ambassador to China.<sup>43</sup> Branstad's appointment suggests that pragmatic deal-making could prevail in practice. But it is uncertain how much influence over policy he will have.

There is scope for pragmatic deal-making. The Chinese leadership will be hoping that Trump's comments on the 'One China' policy prove to be a misstep. It will shed no tears for the US-sponsored Trans-Pacific Partnership (TPP), an ambitious Asia-Pacific trade agreement reached

---

<sup>36</sup> Bonnie S. Glaser, "[Pivot to Asia: Prepare for Unintended Consequences](#)", CSIS Global Forecast 2012

<sup>37</sup> Joachim Krause, "[Assessing the danger of war: Europe in 1914 and East Asia in 2014](#)", *International Affairs*, November 2014

<sup>38</sup> "Donald Trump's collision course with China", *Financial Times*, 18 December 2016

<sup>39</sup> "MND plays down China aircraft photos", *Taipei Times*, 19 December 2016

<sup>40</sup> "[China media: Trump 'playing with fire' on Taiwan](#)", *BBC News Online*, 16 January 2017

<sup>41</sup> Brantly Womack, "Asymmetric parity: US-China relations in a multimodal world", *International Affairs*, November 2016, p1478

<sup>42</sup> "[South China Sea: China warns US over islands 'confrontation'](#)", *BBC News Online*, 13 January 2017

<sup>43</sup> "[China hails Trump's appointment of 'old friend' Terry Branstad as ambassador](#)", *Guardian*, 9 December 2016

under the Obama administration from which China was excluded, which President Trump has said will be scuttled.

The Chinese leadership will be particularly interested to see whether the Trump administration reverses its predecessor's decision not to participate in the Asian Infrastructure Investment Bank (AIIB) set up by China in 2014. This looks a distinct possibility.<sup>44</sup>

Some have gone so far as to interpret likely US abandonment of the TPP as ceding regional economic supremacy to China. This seems highly unlikely. But realignments in US policy – for example, taking a back-seat on combating climate change – could lead to China taking up the mantle of global leadership on some issues. It might then use this as an opportunity to reshape the international order in ways that are more to its liking.<sup>45</sup>

The Chinese leadership is not anxious for a stand-off. It is well aware that China is still economically and militarily the weaker party of the two. US businesses are still globally dominant.<sup>46</sup> Military parity is some way off – although it is probably less far off within the region than it is at the global level.<sup>47</sup>

But, while it is not yet ready to stand toe-to-toe with the US in Asia and would prefer to buy itself more time before even considering doing so, the Chinese leadership does have genuine 'red lines' – above all, the 'One China' policy – that will not be crossed unanswered.

## The neighbourhood

China has a complex and often fraught relationship with many of its Asian neighbours. History and rival territorial claims – most notably over Taiwan and in the South and East China Seas – underpin these tensions.<sup>48</sup>

This is not the place to go into the detail of these disputes. The main focus in what follows is on the main ways in which the countries of the region view these evolving relationships today. Here again, the posture of the US shapes the perceptions of all involved.

The Chinese leadership believes that the country is in the process of recovering its rightful position within Asia after a long period of Western eclipse. It portrays this not as a hegemonic project but as part of a process which is creating a "community of common destiny".<sup>49</sup>

Not many other countries in the region are persuaded by this vision. Indeed, to some of them it looks more like an attempt by China to

Towards a new  
"tributary system"  
in Asia?

<sup>44</sup> "[U.S. should have joined China-led infrastructure bank: Trump adviser](#)", *Reuters*, 10 November 2016

<sup>45</sup> "[Trump sinks Asia trade pact, opening the way for China to lead](#)", *Reuters*, 22 November 2016; "Global shifts give China president chance to steal limelight in Davos", *Financial Times*, 16 January 2017

<sup>46</sup> Martin Woolf, "[Why China will not buy the world](#)", *Financial Times*, 9 July 2013

<sup>47</sup> JS Garver, "America's debate over the rise of China", *China Quarterly*, June 2016

<sup>48</sup> For background on the South and East China Sea disputes, see the following Library briefings: The [South China Sea dispute: July 2016 update](#) and [The US-Japan Security Treaty and the East China Sea](#) (May 2014)

<sup>49</sup> Zhang Yunling, "China and its neighbourhood: transformation, challenges and grand strategy", *International Affairs*, July 2016, p834

create a hierarchical “tributary system” across the region of the type which prevailed prior to the rise of the West from the 18<sup>th</sup> century onwards. Whatever their other differences, regional allies of the US such as Japan and South Korea certainly do not want to see such a system emerge again.<sup>50</sup>

From China’s vantage-point, future regional relationships need not be underpinned by threats or coercion. Again, other regional countries are unlikely to be entirely reassured. But up to now the largest parties have been willing to seek mutual advantage where it can be found – not least, on trade.<sup>51</sup>

China’s deep pockets are hard for less powerful countries to resist. The recent decision of Rodrigo Duterte, the controversial president of the Philippines, to move closer to China – despite the fact that it has until recently been energetically pursuing international legal avenues against it over the South China Sea dispute – is perhaps testimony to this growing reality.<sup>52</sup> So too are ambitious infrastructure initiatives like ‘One Belt One Road’, although the geopolitical implications of such grand schemes are probably more significant in the longer-term than they are immediately.<sup>53</sup>

We have already described the ‘One China’ policy as a genuine red line for the Chinese leadership. What about the South and East China Sea disputes? Views differ. In the past, China has been willing to be pragmatic, offering to shelve such issues in return for ‘joint development’. But its behaviour in recent years has certainly been increasingly assertive. However, Wu Xinbo and Zhou Fangyin insist that this has been largely a response to the US ‘pivot’ and that the South China Sea dispute does “not rank particularly highly among China’s strategic priorities”.<sup>54</sup> This is a minority viewpoint.

Last but not least, China has to deal with neighbouring North Korea. Outside hopes that it would eventually tire of Pyongyang’s antics and bring down the curtain on the Kim Jong-un regime have not been realised and it seems unlikely that they will be in the foreseeable future.

While the Trump administration in the US has suggested that there is little to prevent it doing so, the perspective of the Chinese leadership about North Korea is different. It fears the chaos that might ensue if the regime is removed and fears the implications of Korean unification for China’s security. North Korea remains a valuable ‘buffer’ between China and South Korea that it feels it can still not do without.<sup>55</sup> And with a US anti-nuclear missile system looking likely to be deployed in South Korea

---

<sup>50</sup> Zhang Yunling, “China and its neighbourhood: transformation, challenges and grand strategy”, *International Affairs*, July 2016, p835

<sup>51</sup> [“Japan, China, South Korea kick off trilateral free trade talks”](#), *Japan Times*, 14 December 2015

<sup>52</sup> [Duterte aligns Philippines with China, says U.S. has lost](#), *Reuters*, 20 October 2016

<sup>53</sup> Tian Jinchun, [“‘One Belt and One Road’: Connecting China and the world”](#), McKinsey and Company, July 2016

<sup>54</sup> Wu Xinbo, “Cooperation, competition and shaping the outlook: the US and China’s neighbourhood diplomacy”, *International Affairs*, July 2016, p864; Zhou Fangyin, “Between assertiveness and self-restraint: understanding China’s South China Sea policy”, *International Affairs*, July 2016, p869

<sup>55</sup> [“China’s Perspective on North Korea”](#), *Geopolitical Futures*, 2 June 2016

against the North, which China believes could also be used against it, the recent Chinese *rapprochement* with South Korea may already have reached its limits.<sup>56</sup>

## Other relationships

This section of the paper offers brief observations on how China views some of its other important foreign relationships. It is not intended to be a comprehensive survey.

### Russia

Xi Jinping has talked in terms of an “eternal friendship” between China and Russia.<sup>57</sup> However, some wonder whether it is still a somewhat “one-sided love affair”, with Russia much more deeply invested in it than China.<sup>58</sup> Others doubt whether it is realistic ever to expect there to be much more than an “axis of convenience” between them.<sup>59</sup> The new US President Donald Trump appears ‘pro-Russia’ but ‘anti-China’. This could well test the resilience of the China-Russia relationship over the coming years.

A “one-sided love affair”?

While both countries do have closely aligned views in terms of international geopolitics (not least, on counter-terrorism) and the type of global order they would like to see (one based on state sovereignty), their interests are far from identical. For example, Russia is a major supporter of Vietnam, including through arms exports, with which China is at loggerheads over the South China Sea.<sup>60</sup>

Efforts to increase economic ties have also not been going entirely smoothly in recent years. There are some important geo-economic initiatives under way – for example, cooperation within the AIIB, the BRIC’s New Development Bank and the ‘Power of Siberia’ gas pipeline deal. They have also agreed to coordinate China’s OBOR and Russia’s ‘Eurasian Economic Union’, with a view to creating a ‘common economic space’.<sup>61</sup> But the level of trade between the two countries is still less than it might be. They fell well short of meeting their mutually agreed target of achieving trade worth US \$100 billion a year by 2015.<sup>62</sup>

---

<sup>56</sup> Ted Galen Carpenter, “[If China Doesn't Like THAAD, It Should Squeeze North Korea](#)”, *National Interest*, blog, 9 August 2016; “[China turns screw on corporate South Korea over US missile shield](#)”, *Financial Times*, 6 December 2016

<sup>57</sup> Catherine Putz, “[What is China and Russia's 'eternal friendship' worth?](#)”, *Diplomat*, 27 June 2016

<sup>58</sup> Catherine Putz, “What is China and Russia's ‘eternal friendship’ worth?”, *Diplomat*, 27 June 2016

<sup>59</sup> Michael Clarke and Anthony Ricketts, “[Should America fear the China-Russia relationship?](#)”, *The National Interest*, 1 February 2016

<sup>60</sup> Mathieu Duchatel and Francois Godement, “[China and Russia: gaming the West](#)”, European Council on Foreign Relations, 2 November 2016

<sup>61</sup> Mathieu Duchatel and Francois Godement, “China and Russia: gaming the West”, European Council on Foreign Relations, 2 November 2016; Michael Clarke and Anthony Ricketts, “Should America fear the China-Russia relationship?”, *The National Interest*, 1 February 2016

<sup>62</sup> Catherine Putz, “What is China and Russia's ‘eternal friendship’ worth?”, *Diplomat*, 27 June 2016

## India

Relations between China and India have been uneasy for over fifty years. Little has changed under Xi Jinping. The two countries have an unresolved border dispute and their 'neighbourhoods' overlap extensively.<sup>63</sup> They are strategic competitors and in recent decades their economic rivalry has intensified.

Under Xi Jinping, China remains the biggest supporter of Pakistan, investing \$46 billion in the China-Pakistan Economic Corridor.<sup>64</sup> Meanwhile, with India looking to strengthen its ties with the US, China has also successfully prevented India from joining the Nuclear Suppliers Group.<sup>65</sup> It has continued to block India's campaign to become a permanent member of the UN Security Council.

Of the two, China is the stronger, at least for now. Its actions suggest that, while there is plenty of scope for cooperation between the two countries, it must be on the basis that this superiority is not directly challenged by India.<sup>66</sup>

## The European Union

The Chinese attitude to the EU appears increasingly refracted through the prism of trade and investment, rather than politics and diplomacy. This reflects the fact that they continue to have very different values, interests and priorities in the political and diplomatic spheres – as confirmed by the EU arms embargo against China, which remains in place 28 years after the Tiananmen Square massacre.<sup>67</sup>

The growing preoccupation of the EU with its own internal problems over the last decade or so may also have contributed to this attitude. In 2012 Timothy Garton-Ash went so far as to claim that China now looked at the EU with "something close to contempt".<sup>68</sup>

The trade and investment relationship is also not without imbalances. According to the *Financial Times*, in 2016 Chinese direct investment in the EU was over four times larger than EU investment in China.<sup>69</sup> Only time will tell if this was an exceptional year or not, but it does raise questions about where power will lie within the China-EU relationship in future.

## The UK

Viewed by China with "something close to contempt"?

<sup>63</sup> Rupakjyoti Borah, "[What of India and China relations?](#)", *Aljazeera*, 29 April 2016

<sup>64</sup> Rupakjyoti Borah, "[What of India and China relations?](#)", *Aljazeera*, 29 April 2016

<sup>65</sup> Deep Pal, "[China-India relations after the NSG plenary](#)", *Diplomat*, 27 June 2016

<sup>66</sup> Deep Pal, "[China-India relations after the NSG plenary](#)", *Diplomat*, 27 June 2016

<sup>67</sup> The UK's eventual departure from the EU will remove one of the strongest supporters of the EU arms embargo up to now. "[Japan fears Brexit blow to EU arms embargo on China](#)", *Financial Times*, 4 July 2016

<sup>68</sup> "[Can Europe Survive the Rise of the Rest?](#)", *New York Times*, 1 September 2012: "[China's presence on international stage grows as EU's declines, new index finds](#)", *Global Government Forum*, 19 December 2016

<sup>69</sup> "[Chinese investment in EU dwarfs flow going other way](#)", *Financial Times*, 11 January 2017

The UK's decision to leave the EU will have significant implications for its future relationship with China. But nobody can yet be sure what they will be.<sup>70</sup>

Kerry Brown had a stab at envisaging what the implications might be in a report on UK-China relations that came out before the June 2016 EU referendum. He said that:

a result to withdraw will be problematic for China, although it is unlikely to affect its attitude to London's finance centre, or, for that matter, investment; the greatest impact of possible Brexit will be to make the UK diplomatically more isolated, and more exposed in issues relating to China – particularly those concerning security [...] <sup>71</sup>

The current UK Government will likely view this assessment as overly pessimistic.<sup>72</sup>

A weaker or stronger hand to play?

---

<sup>70</sup> The Foreign Affairs Committee recently began a timely [inquiry](#) into UK relations with China.

<sup>71</sup> Kerry Brown, "[Erase and rewind: Britain's relations with China](#)", Australia-China Relations Institute, 2016

<sup>72</sup> "[Foreign Secretary discusses foreign policy priorities and trade with China](#)", FCO press release, 20 December 2016. For other views on the impact of Brexit, see: Francois Godement, "[How China Will Play the Brexit Card](#)", *Diplomat*, 14 September 2016; "[If we make post-Brexit trade deals with China and India, don't expect Britain to come out on top](#)", *Independent*, 7 January 2017

### 3. Future prospects

In 2015, the experienced China expert David Shambaugh was widely criticised when he announced that the “endgame [...] has now begun”. He cited “high levels of social inequality, inadequate provision of public goods, pervasive pollution and stagnating wages along with a slowing economy” as important factors in bringing this about.

Collapse unlikely --  
but not  
inconceivable

While contrasting Xi Jinping’s opting for repression with the attempts of the last president of the Soviet Union, Mikhail Gorbachev, to ‘open up’, Shambaugh concluded: “different tactics, same likely result.”<sup>73</sup> He did not speculate about what might come next.

Shambaugh is not the first expert to declare that the Communist system’s days are numbered. But his analysis produced a strong response in part because it involved a dramatic change of heart.<sup>74</sup> Until then, he had not been amongst those arguing that the system in China could collapse.

‘System failure’ in China is widely considered a very unlikely prospect for now, including by Western governments. But such dramatic reversals nearly always are – until they happen. For all China’s achievements over the past 40 years and the opportunities that many experts say lie ahead, complacency would be unwise. The Chinese leadership certainly is not.

What about democratisation? Under Xi Jinping, the odds on China evolving towards liberal democracy, as some hoped and anticipated a decade or so ago, appear to have lengthened significantly.<sup>75</sup> This leaves the most likely scenario a combination of attempts at proactive reform and reactive “muddling through”.<sup>76</sup> This is arguably less of a break with the Hu Jintao period than Xi Jinping might like – but, as we have seen, Xi’s power to shape domestic events may be considerably weaker than it appears to be at first glance.

The deepest threats to China’s stability over the coming period probably lie at home. But the risk factors are not purely domestic in nature. Now that China is a global political and economic player, the impact on it of international events inevitably deepens. There is also an increasingly direct connection between the foreign policy achievements of the Communist Party and its domestic legitimacy.<sup>77</sup> A major crisis in the US-China relationship could destabilise the country. Another severe global economic down-turn might have a similar impact.

Domestic and  
international factors  
are increasingly  
intertwined

<sup>73</sup> “[David Shambaugh on the risks to Chinese Communist rule](#)”, *New York Times*, 15 March 2015

<sup>74</sup> Peng Chun, “[China’s demise theory wrong and unhelpful](#)”, *Asia News Network*, 14 April 2016

<sup>75</sup> In 2009 Kerry Brown anticipated the emergence of a Japan-style democracy after 2020, with the Chinese Communist Party playing a role similar to that of the Liberal Democratic Party there. *Friends and enemies. The past, present and future of the Communist Party of China* (London, 2009), p173

<sup>76</sup> Kenneth Pomeranz, “Nightwork in Chengdu”, *London Review of Books*, 18 February 2016. He writes: “We need to stop thinking that in China the only possibilities are spectacular success or catastrophic failure: China, too, can muddle through for long periods.”

<sup>77</sup> Christopher Hughes, *Chinese nationalism in the global era* (London, 2006), p135

### About the Library

The House of Commons Library research service provides MPs and their staff with the impartial briefing and evidence base they need to do their work in scrutinising Government, proposing legislation, and supporting constituents.

As well as providing MPs with a confidential service we publish open briefing papers, which are available on the Parliament website.

Every effort is made to ensure that the information contained in these publicly available research briefings is correct at the time of publication. Readers should be aware however that briefings are not necessarily updated or otherwise amended to reflect subsequent changes.

If you have any comments on our briefings please email [papers@parliament.uk](mailto:papers@parliament.uk). Authors are available to discuss the content of this briefing only with Members and their staff.

If you have any general questions about the work of the House of Commons you can email [hcenquiries@parliament.uk](mailto:hcenquiries@parliament.uk).

### Disclaimer

This information is provided to Members of Parliament in support of their parliamentary duties. It is a general briefing only and should not be relied on as a substitute for specific advice. The House of Commons or the author(s) shall not be liable for any errors or omissions, or for any loss or damage of any kind arising from its use, and may remove, vary or amend any information at any time without prior notice.

The House of Commons accepts no responsibility for any references or links to, or the content of, information maintained by third parties. This information is provided subject to the [conditions of the Open Parliament Licence](#).