



Wednesday, July 14th, 2021

Chinese foreign policy in the age of Xi Jinping: a
“fundamental” shift or staying the course?
An analysis of the Xi presidency’s foreign policy direction

Matthew Enright
Supervisor: Dr. Roland Paris
Graduate School of Public and International Affairs
University of Ottawa

Table of Contents

ABSTRACT	2
LIST OF ACRONYMS	3
INTRODUCTION	4
SECTION 1: CONFLICTING VIEWS OF CHINESE FOREIGN POLICY	6
SECTION 2: METHODOLOGY AND TERMINOLOGY	9
What does a “fundamental” shift imply?.....	9
How would we recognize it?.....	10
SECTION 3: AREAS OF ANALYSIS	12
CHINA’S REGIONAL AND MILITARY ASSERTIVENESS	13
The South and East China Seas.....	13
Defence Spending and Procurement.....	16
Cyber Warfare.....	18
Taiwan.....	19
Hong Kong.....	21
Has the bar been met?.....	24
CHALLENGING GLOBAL INSTITUTIONS	31
Asia Infrastructure and Investment Bank.....	31
Shanghai Cooperation Organization.....	34
A shift in the underlying policy goal?.....	36
CHINA’S FORCEFUL ECONOMIC POLICIES	42
“One Belt, One Road”.....	42
State-Owned Enterprises and Domestic Regulations.....	45
‘Fundamental’ or significant?.....	48
SECTION 4: CONCLUSIONS AND IMPLICATIONS	55
BIBLIOGRAPHY	63
APPENDICIES	69

ABSTRACT

Since coming to office in 2012, Chinese President Xi has sought to reform his country's foreign policy and depart from long held precedents that have been in place since Deng Xiaoping. However, has there been a "fundamental" shift in Chinese foreign affairs, or should it be interpreted as something more tempered and nuanced? To answer this question, I draw upon Charles Hermann's (Texas A&M) and Kjell Goldmann's (University of Stockholm) methodologies concerning fundamental changes to foreign policy, including how to recognize and interpret such changes. I then apply this framework to the current Xi administration and assess whether it meets the bar of a "fundamental" departure in foreign policy from previous generations of Chinese leadership in key areas of analysis: China's regional and military assertiveness, its challenge to global institutions, and finally its forceful economic policies. I conclude that while there have been significant changes within Chinese foreign policy over the last decade, apart from the Belt and Road Initiative and its soft power implications, no other area of analysis meets the standard to be considered fundamental.

LIST OF ACRONYMS

SCS – South China Sea
CPC – Communist Party of China
PRC – People’s Republic of China
CMC – Central Military Commission
ROC – Republic of China
PLA – People’s Liberation Army
PLAN – People’s Liberation Army Navy
PLAAF – People’s Liberation Army Air Force
PLA SSF – “ “ Strategic Support Force
ECS – East China Sea
OBOR or BRI – One Belt, One Road or Belt and Road Initiative
SCO – Shanghai Cooperation Organization
AIIB – Asian Infrastructure and Investment Bank
SOE – State-Owned Enterprise
NDL – Nine-Dash-Line
CNOOC – China National Offshore Oil Corporation
A2AD – Anti-Area Access-Denial
KMT – Kuomintang
HKSAR – Hong Kong Special Administrative Region
PPP – Purchasing power parity
GDP – Gross domestic product
FTT – Forced technology transfer
SASAC – State-Owned Assets Supervision and Administration Corporation
IP – Intellectual property
FDI – Foreign direct investment
KLP – “Keeping a low profile”
ADIZ – Air defence identification zone
EEZ – Exclusive economic zone
SIPRI - Stockholm International Peace Research Institute
MDB – Multinational development bank
ADB – Asian Development Bank

INTRODUCTION

Since 2012, Xi Jinping has ascended to the height of Chinese political power, first as General Secretary of the Communist Party of China and Chairman of the Central Military Commission (Commander of the PLA), then as president from 2013. Since then, Beijing has taken an increasingly aggressive stance on the world stage that has prompted concerns throughout the world about the longevity of the liberal international order, China's increasing perception as a threat and the possibility of a conflict between China and the west at some point in the future. To be sure, the evolution of Chinese foreign policy has important implications and will continue to do so for years to come; however, this paper is concerned with developments of the past decade.

For the purposes of this paper, the period of analysis and comparison with the Xi presidency will begin in the Deng Xiaoping era (1977-1989), through the administration of Jiang Zemin (1989-2002) and conclude with the government of Hu Jintao (2002-2012). These three governments represent several decades of relative continuity in Chinese foreign relations following Deng Xiaoping's rise to paramount leader at the end of the era of Chairman Mao.

This Major Research Paper will endeavour to answer the question: has there been a "fundamental" shift in Chinese foreign policy during Xi Jinping's presidency? The first section of the paper will outline the scholarly debates surrounding the issue, including arguments for and against, drawing on works that approach the question from both a western and Chinese perspective. The second section will discuss what a "fundamental" shift implies – the theoretical core of this paper – and how such a change can be recognized, both in general and specifically in relation to Chinese foreign affairs. The third section then

applies this framework to three aspects of China's foreign policy that can be analyzed, compared and contrasted against the previous period of relative continuity: China's regional and military assertiveness, its behavior towards global institutions, and its international economic policies. The fourth section of the paper will consider the implications of my findings and identify questions for further research.

While there have been important and significant changes in recent years, this paper will argue that there has *not* been a "fundamental" shift in Chinese foreign policy under President Xi as I shall define the term : namely, "the redirection of [an] actor's entire orientation towards international affairs"¹. Instead, this piece will explain how what may be perceived as "fundamental" is, in reality, less extreme, more nuanced, and in fact more a continuation of existing and long-established policies.

¹ Hermann, "Changing Course."

SECTION 1: CONFLICTING VIEWS OF CHINESE FOREIGN POLICY

This topic is accompanied by a diverse and lively debate, comprised of both Chinese and western scholars, proponents and dissenting opinions alike.

Johnathan Tepperman, the Editor-in-Chief of Foreign Policy argues that there can be no question of China's new direction under President Xi, from its aggressive use of the People's Liberation Army Navy (PLAN) in the South China Sea to assert claims that aren't recognized under international law, or the elevated and increasingly worrisome threats directed towards Taiwan, and the reliance on huge State-Owned Enterprises (SOEs) in undercutting foreign competition within China and the region². Moreover, he argues that this change is self-evident given the way Xi has centralized all power (political, bureaucratic, and military) unto himself since his becoming the paramount leader and used a ruthless anti-corruption campaign to remove and imprison those within the party who are a threat to his longevity. Ergo, Tepperman asserts that the changes he believes have taken place are made possible because of the abandonment of the traditional role of collective leadership within the Chinese Communist Party (CPC)³.

Elizabeth Economy, a senior fellow of both Stanford University's Hoover Institution and the Council on Foreign Relations, argues that there has been a systemic change in Chinese foreign policy. Moreover, this change began with the 2008 global financial crisis when many opined that this was the beginning of the "inevitable decline" of the United States, and therefore, would leave room for China to begin its rise⁴. She emphasizes China's regional security interests and how they became a personal agenda for the president, such

² Tepperman, "China's Great Leap Backward – Foreign Policy."

³ Tepperman.

⁴ Economy, "China's Imperial President: Xi Jinping Tightens His Grip."

as the ongoing territorial dispute in the South China Sea. In 2010, while still Vice President of the PRC, Xi chaired the Leading Group charged with oversight of the communist party's official policy in the South China Sea⁵. Since then, the People's Liberation Army Navy, commonly known as the Chinese Navy, has been used to assert Chinese claims in the South and East China Seas, more to the point, Xi remarked in 2014 that "it is for the people of Asia to run the affairs of Asia, solve the problems of Asia, and uphold the security of Asia"⁶, a verbal broadside of sorts to the United States as well as portentous warning of what may come.

Of course, there are dissenting opinions as well. Dr. Jinghao Zhao, an Associate Professor in Asian Studies at Hobart and William Smith Colleges argues that China's 'core interests' have remained intact and essentially unchanged since President Xi came to power in 2012⁷. Furthermore, he stresses that Xi himself has been consistent in his public appearances that China "will never give up on its legitimate rights and interests", with particular emphasis on security, sovereignty and development goals⁸.

According to Xu Jin and Du Zheyuan, Senior Research Fellows at the Institute of Economics and Politics and the Chinese Academy of Social Sciences respectively, the current 'thinking set', meaning the ideas that help guide and shape an actor's behavior, is still very much that of the Deng Xiaoping era⁹. This is best understood through the principle of 'keeping a low profile', or KLP, which Xu and Du argue is still a mainstream school of thought within Chinese political circles. They point to comments made by two senior

⁵ Economy.

⁶ Economy.

⁷ Zhou, "China's Core Interests and Dilemma in Foreign Policy Practice."

⁸ Zhou.

⁹ Xu and Du, "The Dominant Thinking Sets in Chinese Foreign Policy Research."

Chinese officials, the first of them the late Wu Jianmin, the former Chinese Ambassador to France and the Netherlands. In 2009 he remarked to the Chinese News Service that “China’s rise still has a long way to go, and it is just beginning to see some achievements; as such Deng Xiaoping’s thinking on ‘keeping a low profile and playing a certain role’ will continue to apply for at least one hundred years”, and until his death in 2016 he made several other comments to state media reemphasising his initial statement. Second, Xu and Du point to Dr. Qu Xing, himself a seasoned diplomat and former president of the Institute of International Studies in the Chinese Ministry of Foreign Affairs. Like Ambassador Wu, Dr. Qu believes that the principles of KLP are still relevant, albeit for more pragmatic reasons, those being that China lacks hard power relative to the West, and that “the global imbalance in power has not been corrected”¹⁰. This of course is a reference to the eras of Pax Britannica, Pax Americana, and the Century of Humiliation, all three of which represented a shift of power from the east to the west, first in the case of the British Empire and now the United States.

¹⁰ Xu and Du.

SECTION 2: METHODOLOGY AND TERMINOLOGY

What does a “fundamental” shift imply?

This paper will conduct a compare and contrast analysis of President Xi’s foreign policy course against his three predecessors: Deng Xiaoping, Jiang Zemin and Hu Jintao. The purpose is to determine if Chinese foreign policy has changed fundamentally or not, examining the three areas of analysis previously described. For example, within the regional and military assertiveness section, is China’s current policy in the South China Sea a continuation of previous administrations, or is it a fundamental shift? There are several terms and definitions that this paper will draw upon to answer the research question as its laid out, the first is a “fundamental” change. Dr. Charles Hermann, professor of political science at Texas A&M University and a previous advisor to former Secretary of State Henry Kissinger, describes it as a “change in [a] state’s entire orientation in world affairs”¹¹. He elaborates further by emphasizing the significance of a fundamental shift because of its implications; “[w]ars may begin or end, economic well-being may significantly improve or decline. Alliances may be reconfigured”¹². Furthermore, such a shift also “involves dramatic changes in both words and deeds in multiple issue areas with respect to the actor’s relationship with external entities”¹³. Dr. Hermann continues by stating that “typically, reorientation involves shifts in alignment with other nations or major changes of role with an alignment”¹⁴. Finally, these are exemplified in the past foreign of the United States concerning the Vietnam War, and how following the conflict, the US underwent a prolonged

¹¹ Hermann, “Changing Course.”

¹² Hermann.

¹³ Hermann.

¹⁴ Hermann.

period where it was reluctant to use 'large-scale force' as a part of its foreign policy¹⁵. For context, this piece was written in 1990, therefore preceding the Gulf War, which arguably represents another such shift.

These definitions will underpin the analysis of this entire paper. For example, Taiwan has been a key piece in Chinese foreign policy since the end of the Chinese civil war when governance of the mainland was assumed by the Communist Party, following Chiang Kai-shek's defeat. Since then, the People's Republic of China (not to be confused with the Republic of China, Taiwan's formal name) has maintained that the island is politically part of the mainland and that at some point will come back under the control of the CPC. A fundamental shift concerning Taiwan would equate to Beijing abandoning its long-held goal of retaking the island and recognizing the sovereignty and independence of the ROC. In short, a fundamental change in how China approaches foreign policy across the three areas of analysis must correlate to a specific strategy that was not the primary goal in the past. While this is a high bar to meet, it emphasizes the importance and significance of what a fundamental shift means and implies, and therefore why it necessitates such a substantive turn in policy in order for this standard to be met.

How would we recognize it?

Recognizing a fundamental shift is the key to this paper's argument. Dr. Kjell Goldmann, professor emeritus of political science at the University of Stockholm argues that by recognizing "either a new act in a given situation or a given act in a situation

¹⁵ Hermann.

previously associated with a different act or a new act in a new type of situation”¹⁶ that would indicate a fundamental change in policy. This is supplemented by what he terms “stabilizers” in foreign policy, those being “a variable affecting the likelihood that such an event will in fact set of process of change in motion, and/or, the extent to which a process of change will be carried through and produce a change in policy”¹⁷. Moreover, what makes this significant is that the given “[actor] must perceive as likely that these [conditions] will occur more than once or a restricted number of times”¹⁸, this would indicate that the state in question believes or has confidence in long-term success or sustainability of their policy change. In short, we would know that a fundamental shift has taken place because of the presence of an act or actions that significantly depart from previous policies, of which the given actor is confident enough in its success and continued occurrence that it undertakes the change.

This can be systematically applied to the actions of the current administration and then compared with the previous three generations of Chinese leadership to examine whether or not a fundamental shift has taken place. For example, and to continue with the South China Sea, what was China’s goal through its foreign policy in the SCS under Deng Xiaoping? What were the actions taken by his administration in order to meet that? How does that compare to today? What is the objective of President Xi? How has his government acted to secure it? Therefore, if the actions of the Chinese have changed because the underlying policy goals have altered, that would signify that a fundamental shift has taken place in China’s foreign policy. More to the point, these changes should also be recognized

¹⁶ Goldmann, “Change and Stability in Foreign Policy.”

¹⁷ Goldmann.

¹⁸ Goldmann.

as fundamental (not simply because of the policy), but as the level of policy “restructuring” corresponds to “major changes in the scope, goals, and strategy of foreign policy”¹⁹. Put simply, the shift in policy is only part of how one recognizes it as fundamental; the strategy itself (the manner it is achieved) is an equally important factor.

SECTION 3: AREAS OF ANALYSIS

The following section will undertake an extensive analytical comparison between China’s current foreign policy actions, and that of the preceding generations of Communist Party leadership. These ‘areas of analysis’ have been chosen for several reasons, first, they represent both the hard and soft power elements of foreign policy (coercion and influence). Therefore, this allows for a broader analysis that will provide a more complete examination than would otherwise be the case if only one ‘type’ of power was discussed. Second, the core themes of Chinese foreign policy under President Xi are presented as part of these sections, and each area offers subcategories for a more in-depth discussion. As a result, they are best positioned to provide a determination of whether a fundamental shift has taken place, as they are broad enough to offer conclusions yet not so narrow that their relative importance in Beijing’s foreign policy is not questionable.

This section will follow a consistent framework throughout, beginning by offering the major developments of the given ‘area’ and their significance. Once all are presented, this will be followed by applying this paper’s methodology to these events. Finally, a conclusion will be given based on whether those changes meet the necessary standard to

¹⁹ Gustavsson, “How Should We Study Foreign Policy Change?”

be deemed 'fundamental'. This section will begin with the examination of China's regional and military assertiveness.

CHINA'S REGIONAL AND MILITARY ASSERTIVENESS

The first area of analysis will focus on China's regional and military assertiveness from several different perspectives, including its policies in the South and East China Seas, its defence spending and procurement strategy, developments in its cyber warfare actions and capabilities, and finally Taiwan and Hong Kong. For this area to meet the bar of a fundamental shift, there would have to be several departures from past policies. First, Beijing would have to move beyond resource exploitation in the SCS and ECS. Second, its military procurement strategy would necessitate a departure from hardware designed for littoral, territorial and maritime defence, to regional or global power projection. Third, China's cyber assets would have to be refocused from being used predominantly for corporate espionage, and relatively low-level attacks on state governments to a more aggressive stance in supporting its hard power capabilities. Finally, and most significantly, a fundamental shift concerning Taiwan and Hong Kong would translate into either a recognition of Taiwanese independence or an invasion of the island. In the case of Hong Kong, a complete absorption of the region into the PRC is the sole logical possibility.

The South and East China Seas

China's maneuverings in the South and East China Seas have arguably been the most overt displays of a more aggressive regional policy; from its establishment of an air defence identification zone (ADIZ) far beyond its maritime borders, to the use of the PLAN to

support offshore oil drilling in disputed waters, or the construction of bases in the South China Sea complete with anti-air and anti-ship weaponry, these are all worthy of examination. To begin, in November 2013 the PRC established an air defence identification zone in the East China Sea that heavily overlaps both Japanese and Taiwanese airspace, and the southwest portion of South Korea's own ADIZ²⁰. Beijing made it clear that all aircraft entering the zone would be required to register flight plans, despite the fact that there is significant overlap with other states. Like the debate over jurisdiction in the SCS, which will be discussed further along, China's use of the identification zone concerns contested historic claims in the region, in this case of the Senkaku Islands, known as Diaoyu in the PRC. The Chinese claim that the islands were part of past dynasties, however control and administration has been Japanese since 1985, with American governorship from the end of the Second World War until their return to Japanese civilian rule in 1972 as part of the Okinawa Revision Agreement. Therefore, the central government's claim to the islands lacks legitimacy, and one might argue that as China's strength grows relative to that of Japan it feels emboldened and that perhaps this is an opportunity worth seizing.

In the SCS, China has attempted to justify the totality of its actions both in recent years, and in the past, through what it calls the 'Nine-Dash-Line', an unrecognized maritime border that stretches as far south to Malaysia, east to the Philippines and west to Vietnam. Beijing asserts that the line is representative of its historic claims in the South China Sea, that while Chinese sovereignty in the SCS was not consistent due to the changing nature of borders in pre-modern times, is sufficient to justify them²¹. However, the NDL crosses into

²⁰ Osawa, "China's ADIZ over the East China Sea."

²¹ Malik, "HISTORICAL FICTION: China's South China Sea Claims."

the exclusive economic zones (EEZ) of the aforementioned states as well as a Brunei, which by the 1982 United Nations Convention on the Law of the Sea reaches 200 miles off the coast of any given state²². All affected states have disputed China's assertions, leading to the Philippine government bringing a legal case against the PRC to the Permanent Court of Arbitration (PCA) in 2013. After three years of deliberations (which China refused to participate in), the court ruled that China's claims lacked any legal basis, violated international law and its historic claim to the SCS does not constitute a legitimate right²³²⁴.

Despite the ruling, which China rejected, it has persisted and embarked on a campaign of building numerous artificial islands built upon coral reefs and shoals that are now home to various military installations for both the PLAN and the People's Liberation Army Air Force (PLAAF), which was termed the 'Great Wall of Sand' by retired US Admiral Harry Harris Jr. in 2015²⁵. Located predominantly in the Spratly Island archipelago, the facilities are home to both anti-air and anti-ship weaponry that is used for what's called Anti-Area Access Denial or A2AD; using asymmetric weapons systems to prevent opposing forces from gaining access to a particular area²⁶²⁷. In this case, the bases are used in an attempt to prevent regional states, such as the Philippines and Vietnam from accessing the area. Moreover, these islands have been used as staging grounds by Chinese forces to intimidate and harass American warships and aircraft as well.

With all this in mind, what is the significance of the South China Sea? What is it about this region that is noteworthy beyond the important issues of sovereignty and

²² "United Nations Convention on the Law of the Sea."

²³ Perlez, "Tribunal Rejects Beijing's Claims in South China Sea - The New York Times."

²⁴ "The South China Sea Arbitration (The Republic of Philippines v. The People's Republic of China)."

²⁵ Harris Jr., "Speech to Australian Strategic Policy Institute."

²⁶ Phillips, "Images Show 'significant' Chinese Weapons Systems in South China Sea."

²⁷ Mastro, "How China Hid Its Global Ambitions."

international law? Like the Suez and Panama canals, the SCS is a choke point of the global economy, what Robert Kaplan, author of *Asia's Cauldron*, calls "the throat of the western Pacific"²⁸. The SCS is effectively the most important maritime highway in the world that accommodates a third of all traffic globally, of which 80 percent of China's oil imports traverses²⁹, therefore it represents a massive strategic interest to the PRC. More to the point, the SCS also contains a vast wealth of untapped oil and natural gas, China estimates that it could be as high as 130 billion barrels and 900 trillion cubic feet respectively, although that figure is disputed³⁰. The state-owned China National Offshore Oil Corporation has poured over \$20 billion USD into developing drilling platforms in the hopes of capitalizing on these figures. This helps to shed a bit of light on why the PRC has been so assertive; China requires an enormous amount of energy imports to keep its economy going, much of its current supply comes from the Persian Gulf. Therefore, the potential for new production far closer to home that would strengthen the country's energy security, is a plausible explanation.

Defence Spending and Procurement

In recent years China has become second only to the United States in terms of military spending, however there is considerable scepticism that the annual figures published by the Ministry of Finance are accurate, and that the true amount is much higher. Beijing announced a 6.8 percent increase in spending for 2021, officially putting total

²⁸ Kaplan, *Asia's Cauldron*.

²⁹ Kaplan.

³⁰ Kaplan.

defence expenditure at 1.35 trillion yuan (\$208.47 billion USD)³¹. Despite this, the Stockholm International Peace Research Institute (SIPRI), the foremost thinktank for military expenditure analysis reported in 2020 that the budget was likely much closer to \$252 billion USD³². Moreover, according to SIPRI there has been a 76 percent increase in Chinese defence spending from 2011 to 2020³³. While this is certainly alarming, does it mean there has been a fundamental shift in policy? Well, to what end? Long term increases in defence expenditure do not inherently mean a state's goals have changed. The majority of these increases have been focused on naval procurement to strengthen China's presence in the South China Sea and beyond. As of 2018, the PLAN is comprised of 330 surface warships and sixty-six submarines, and by 2050 both the Defence Intelligence Agency and US Naval Intelligence estimate that number will reach 550 ships; of which 450 will be surface vessels³⁴.

China is also in the midst of an aggressive and ambitious stealth and multi-role fighter development program, the most notable are the FC-31 and the Chengdu J-20 which are thought to fill roles similar of the US F-35 and F-22 fighters³⁵. The FC-31 is designed to be a multi-role air superiority fighter, but what makes it significant is that it's also meant to be carrier based, which suggests that China will also build an aircraft carrier fleet to extend its reach throughout the region. At present, the PLAN consists of just one fully operational vessel that was originally built by the Russians during the Cold War, and its second ship and first of native design, is still undergoing sea trials³⁶. At present, the modus operandi

³¹ Lun Tian, "China Defence Spending Gets Mild Boost amid Economic Caution | Reuters."

³² "World Military Spending Rises to Almost \$2 Trillion in 2020 | SIPRI."

³³ "World Military Spending Rises to Almost \$2 Trillion in 2020 | SIPRI."

³⁴ Fanell, "CHINA'S GLOBAL NAVAL STRATEGY AND EXPANDING FORCE STRUCTURE."

³⁵ Joe, "The FC-31, China's 'Other' Stealth Fighter."

³⁶ Ben, "China's Newest Aircraft Carrier Now Conducting Sea Trials."

appears to be using its expanding fleet to police its maritime territories, support its expanding holdings of artificial islands, protecting the Chinese mainland, and yes, like NATO vessels, keep the shipping lanes open and functional.

Cyber Warfare

Former Secretary of State Henry Kissinger writes in his book *World Order*, that the scale of China's cyber operations is on an unprecedented scale³⁷, moreover at the time the book was published in 2014 the US had undergone a wave of reported Chinese cyberwarfare operations that targeted US government agencies and businesses³⁸³⁹. Despite cyberwarfare being a relatively new development, China has invested heavily in it, and like the US military has created an entire command to oversee it, the PLA Strategic Support Force (SSF)⁴⁰. The SSF was formed as part of the complete overhaul to the PLA by President Xi in 2015, which saw the component commands of the military consolidated and reorganized from seven to five, of which the SSF was formed with responsibility for cyberwarfare, space, electromagnetic and psychological operations⁴¹. While cyberattacks attributable to China are not a new development in themselves, there has been a significant uptick in their frequency since Xi came to power. Indeed, the former Obama administration spent a considerable amount of time negotiating a so-called 'cyber agreement' with Beijing meant to halt the rising number of mutual cyberattacks⁴². However, while this was

³⁷ Kissinger, *World Order*.

³⁸ MacAskill, "Obama to Confront Chinese President over Spate of Cyber-Attacks on US."

³⁹ BBC, "Obama."

⁴⁰ Gertz, *Deceiving the Sky*.

⁴¹ Costello and McReynolds, "CHINA STRATEGIC PERSPECTIVES 13."

⁴² Davis and Sanger, "Obama and Xi Jinping of China Agree to Steps on Cybertheft."

followed by a downturn in reported attacks by China, the election of Donald Trump and his hostile attitude toward Beijing saw that number reverse itself in a short period of time.

The Centre for Strategic and International Studies recently reported that between May 2020 and April 2021, there have been thirty-one suspected or confirmed incidents of cyberattacks that have been directly linked to or associated with the Chinese state⁴³. Meaning that the attacks originated from state-sponsored groups or as part of a PLA Strategic Support Force operation. What's more, because China's relies more on asymmetric capabilities and tactics, its cyber operations programs are seen as a key part of targeting vulnerabilities within the US military, those being its global communications network, integrated positioning and targeting systems, and satellite reconnaissance and intelligence gathering capabilities⁴⁴. These, as author Bill Gertz describes in his book *Deceiving the Sky*, are regarded as the "Achilles' heel of American military power"⁴⁵. To that end, should there ever be open conflict between China and the US, these systems would almost certainly be among the first targets of PLA cyberattacks, along with strategic infrastructure such as power generation stations and civilian telecommunications networks.

Taiwan

There is likely no other core interest within Chinese foreign policy as important as the Taiwanese question, not simply because of the value of the island and the significance it represents to China, but because of the underlying theme of sovereignty and territorial

⁴³ "Significant Cyber Incidents | Center for Strategic and International Studies."

⁴⁴ Gertz, *Deceiving the Sky*.

⁴⁵ Gertz.

integrity. Since Chiang Kai-shek and his Kuomintang (KMT) fled the mainland in the dying days of the Chinese Civil War, the Communist Party has been immovable in its assertions that Taiwan remains a part of China, and that any attempts at a formal declaration of independence, will invariably lead to war. There remain elements of the cross-strait relationship that are unchanged, such as the Taiwan Relations Act of 1979, which says that the United States by act of Congress is obliged to defend Taiwan should they be attacked by the PRC⁴⁶. Moreover, the US has been the single largest provider of defensive weaponry to Taiwan since the Republic of China (ROC) took up sole governance of the island. Kishore Mahbubani, the former Singaporean Ambassador to the UN argues in his book *Has China Won?* that despite attempts by the former Trump administration to normalize relations with Taiwan, the status-quo remains⁴⁷. The unprecedented phone conversation between President Trump and Taiwanese President Tsai Ing-wen in 2016, which was followed with a visit by US Secretary of Health and Human Services Alex Azar in 2020, marks the first high ranking American official on the island in decades^{48,49}, yet despite this it appears more performative than substantive. There is a significant difference between the HHS Secretary and the Secretary of State visiting the island, and while the later did not do so, traditional US policy remains the same. Moreover, maintaining the existing circumstances is in the long-term interests of both the US and China, the former as it ensures a strong democratic 'ally', and also for China, because as Mahbubani writes "the continuation of a social and

⁴⁶ Mahbubani, *Has China Won?*

⁴⁷ Mahbubani.

⁴⁸ Gearan, Rucker, and Denyer, "Trump's Taiwan Phone Call Was Long Planned, Say People Who Were Involved."

⁴⁹ Hancocks, "Alex Azar Arrives in Taiwan, Marking the Most Senior US Visit in Decades - CNNPolitics."

political laboratory indicate[s] how a Chinese society functions under a different political system”⁵⁰.

Furthermore, the Communist Party still claims the island as a province and the United States still strongly discourages any attempt of a formal declaration of independence, which lowers tensions between the PRC and ROC as well as contains the threat of PLA invasion of Taiwan. Freedom of navigation operations continue in the Taiwan Strait as they have for decades, and Beijing will occasionally issue aggressive, yet not bellicose, press statements to indicate its displeasure. Yet in recent months the central government has become more aggressive in its posture and now regularly sends fighters and bombers into Taiwan’s airspace as a show of force, such as twenty-five nuclear capable bombers this past April⁵¹, airspace which China claims as part of its Air Defence Identification Zone, as previously discussed.

Hong Kong

In recent years, Hong Kong has been undergoing a series of political convulsions. Beginning with the attempt by Chief Executive Carrie Lam to pass an extradition bill that would allow for citizens of Hong Kong to be sent to the mainland to serve prison sentences, leading to intense city-wide protests for nearly a year⁵². This was interpreted as a backdoor attempt by Beijing to have dissents arrested and extradited to China where they would be at heightened risk of torture, and arbitrary detention in a legal system which the Chief

⁵⁰ Mahbubani, *Has China Won?*

⁵¹ BBC, “Taiwan.”

⁵² BBC, “Hong Kong-China Extradition Plans Explained.”

Justice of the Supreme People's Court himself has said there is no judicial independence⁵³. The Hong Kong Special Administrative Region (HKSAR) owes its relatively open political and legal system to the handover of Hong Kong by the United Kingdom to the PRC in 1997, which was agreed to in the 1985 Sino-British Joint Declaration. By the terms of the agreement, 'One Country, Two Systems' was to last for fifty years, therefore at least until 2047, with the same political and capitalist economic structures that had existed under the British, and a just legal system which must be stipulated as part of the Hong Kong Basic Law. Additionally, while the Chief Executive is chosen by the Election Committee established as part of the accord, its membership (overwhelming pro-Beijing) has gone further by declaring that the legislature will be expanded to include an additional thirty members to be selected by the committee⁵⁴.

Despite the extradition bill being withdrawn by Chief Executive Carrie Lam, the protests persisted which led to a brutal crackdown by Hong Kong police. Consequently, as part of the central government's crackdown over the protests, the Hong Kong National Security Law (HKNSL) of 2017 was enacted by the legislature and approved by the National People's Congress (NPC), China's ceremonial parliament, in Beijing. This bill represents the most significant, and potentially fundamental shift, in China's position towards Hong Kong since the handover. The act itself is extensive yet there are several provisions worth examining, first, peaceful protesters could be imprisoned for up to ten years if the presiding judge deems that the protests have foreign links⁵⁵. Second, the Ministry of State Security

⁵³ Reuters, "China's Top Judge Warns Courts on Judicial Independence."

⁵⁴ The Associated Press, "Pro-Beijing Committee to Elect Some Hong Kong Legislators, Increasing Central Government Control | CBC News."

⁵⁵ Young, "The Law of the People's Republic of China on Safeguarding National Security in the Hong Kong Special Administrative Region."

(MSS) has the authority to operative in Hong Kong and is immune to any existing Hong Kong law in pursuant of Chinese national security interests⁵⁶, meaning that any actions it carries out in Hong Kong are effectively legal; it would not be a stretch for this to include torture. Finally, foreigners who criticize the regime while outside of Hong Kong could be immediately arrested when entering the city, and of course all other provisions apply.

Before Beijing imposed the National Security Law, Hong Kong represented something of an enigma, as a quasi-democratic enclave within a much larger authoritarian state, which gave rise to greater levels of free speech, press and political association than would ever be permitted on the mainland. While the protests included a very limited number of voices calling for independence, it has been opined that what most residents of Hong Kong sought was simply the maintenance of the status-quo, and the democratic rights that were guaranteed through One Country, Two Systems⁵⁷. Papers such as Apple Daily and the South China Morning Post (SCMP), have been known to frequently criticize the central government in Beijing, the latter far less frequently since its acquisition by Alibaba Group. Therefore, it's reasonable to assert that the law its representative of short-term goals, rather than long term ambitions; in the days and months following the law's application, hundreds of pro-democracy activists, human rights lawyers, and even former candidates for the Legislative Council have been arrested⁵⁸. Additionally, Jimmy Lai, the billionaire owner of the Apple Daily was also detained and charged under the act and has since been sentenced to twenty months of preliminary detention⁵⁹. The arrest of such a high-profile

⁵⁶ Young.

⁵⁷ Human Rights Watch, "Hong Kong: Activists Apparently Arrested for Supporting Free Expression."

⁵⁸ BBC, "National Security Law."

⁵⁹ Ramzy and May, "Hong Kong Arrests Jimmy Lai, Media Mogul, Under National Security Law."

individual appears to send two equally important messages; that dissent will not be tolerated, and that wealth and status will not shield you from prosecution. The bottom line is that the rights that Hong Kong residents could count on can no longer be taken as a given and that the CPC will likely only strengthen its grip on the city in the coming months and years.

Has the bar been met?

So, do any of these actions depart in a fundamental shift from past decades? The implementation of the ADIZ in the East China Sea, while an unexpected new development does not appear to be in response to a fundamental policy shift in Beijing. Of course, that begs the question, what was the original intent? Much like the NDL, the zone appears to be an attempt by China to assert its ‘sovereignty’ over what it claims is its territory, however this does not represent a significant departure from existing policy, merely a more assertive posture than its previously adopted. If the underlying policy goal has changed, then it would be reasonable to expect that the PLAAF would be enforcing the zone, rather than expecting compliance, and yet the United States has routinely sent bombers through the ADIZ in defiance of it⁶⁰. Yes, China is likely taking a pragmatic approach, as engaging the USAF kinetically would lead to a conflict that Beijing is not capable of winning, that said, if there has been a fundamental shift, then one would assume that China would enforce the ADIZ and view it as an extension of its mainland airspace that it would undoubtedly defend. Moreover, while it’s true that the three preceding administrations did not enact something

⁶⁰ Stewart and Alexander, “Defying China, U.S. Bombers Fly into East China Sea Zone | Reuters.”

similar, it speaks to the relative strength and capability of China and not its intent. Even now, while China is far stronger than previous decades it is still incapable of fully enforcing the zone and therefore the underlying policy goal remains unchanged. For that reason, the ADIZ does not represent a fundamental shift in China's regional affairs.

The same is also the case with the developments in the SCS; while the buildup of artificial islands is alarming and illegal under international law, it does not indicate a shift in policy. Suppose the new policy objective was to either enforce Chinese rule throughout the South China Sea, displace the US Navy as the power base in Southeast Asia or to aggressively seize territory, this would lead to a military pushback by regional actors and almost certainly the United States Navy. Moreover, the Americans in concert with regional and Western allies routinely conduct freedom of navigation operations in international waters in the SCS to ensure that sea lanes remain open and unobstructed⁶¹⁶². In any case, it would only harm Chinese interests since most of its energy imports come from the lanes in the SCS and that any sort of open confrontation to dominant the South China Sea by force would be a catastrophic failure of strategy. Where the methodology of this paper is concerned, Deng Xiaoping maintained a distinctively low-key position while he embarked on his opening up of China, and while China has routinely pressed its claims in the SCS since 1947, Deng never pursued a policy similar to Xi. This holds with Jiang Zemin, who as a devotee of Deng was committed to maintaining positive relations with the United States, and likewise did not forcefully impose Chinese claims in the SCS. One could assert that Hu Jintao was perhaps more assertive than his predecessors, however he was committed to

⁶¹ Ng, "US Warship Transits South China Sea to Challenge 'Unlawful Maritime Claims' | South China Morning Post."

⁶² Reuters, "U.S. Calls German Warship's Plan to Sail South China Sea Support for Rules-Based Order."

economic issues and expanding trade policy with foreign partners, furthermore the strength of the PLAN relative to the US at the time was considerably less than at present. Finally, as previously discussed what seems most plausible is that the actions taken by Beijing to assert its control of parts of the South and East China Seas has far more to do with potential oil and gas deposits, and that its claims are much more likely a fig leaf than legitimate. Therefore, the underlying policy objective appears to remain consistent, exploiting nature resources rather than fundamentally altering its approach to the SCS.

What of its defence spending and procurement strategy? To be sure, the PLANs achievement as the world's largest navy in numerical terms is certainly worth analysis, however the intrinsic problem here is the question of quantity over quality, or more eloquently put, the technological sophistication and capabilities of Chinese assets in comparison to its Western, but primarily American counterparts. Despite China's heavy investment in stealth fighter technology, a surge in ship building and investments in aircrafts carriers, the level of sophistication between the PLA and the US military is more like a chasm. The most obvious challenge for the Chinese is that technologies like stealth are new developments and nuclear propulsion remains out of their reach. More to the point, the United States has been developing such technologies since the advent of radar (or radio detection and ranging), by the United Kingdom during World War Two, with notably aircraft such as the F-117 Nighthawk and the B-2 stealth bomber. Additionally, the US carrier fleet is all nuclear based which effectively gives them an unlimited range for roughly twenty to twenty-five years.

Finally, the overall capabilities of the Chinese naval, particularly their operating range is limited given that the PLANs only naval installation outside of its mainland

facilities and those in disputed SCS territories, is in Djibouti. The Chinese navy still relies on traditional fueling methods which requires supplies ships to be included in ship convoys, refueling stops in friendly nations or doing so in ports that have been purchased as part of the Belt and Road Initiative (BRI), which will be discussed in the coming pages. Due to its limited range, the PLAN cannot be classified as a blue-water navy, that is one with global power projection capabilities, but as a green-water navy which is confined mostly to littoral waters⁶³. When taken together, it is reasonable to assert that maritime territorial integrity and security is still what the PLAN looks to achieve through its spending strategy, not power projection like that of the US Navy. This could be an area of potential change in future years, given the time it takes to design, build, and test new assets, however in this case, the PLAN defence procurement strategy remains in line with previous decades; regional security within China's immediate sphere, and an emphasis on smaller warships such as corvettes, destroyers, and submarines. As a result, this does not meet the methodological requirements to be considered a fundamental shift.

On cyberwarfare, China has made significant strides in recent years, particularly as a result of the reforms to the People's Liberation Army command structure in 2014/15. As discussed, this has led to a surge in cyberattacks directed at both the United States government and American businesses by both the PLAs Strategic Support Force and state-sponsored hacking groups. Yet, to call this a fundamental shift based solely on the number of incidences and how often they occur, would not be accurate. Suppose that China had decided to alter its core policy position on cyberwarfare, what would it look like? To be sure, the same methodological formula applies, represented by a goal associated with a

⁶³ Dessen, *Interpreting China as a Regional and Global Power*.

new act that was not linked to a previous one. However, the danger with cyberwarfare is that more potent and targeted attacks directed at strategic assets will certainly provoke a response. In this context, nuclear weapons policy during the Cold War serves as a metaphorical example; the nature of the US policy MAD, or mutually assured destruction was that a first strike on either side would inevitably lead to retaliation, hence the acronym. Therefore, should China attack a civilian telecom system, or a meat processing facility, a hydroelectric dam or even a nuclear power plant that would represent a fundamental shift because it demonstrates that China would be deliberately attempting to cause material damage that might lead to loss of life. Moreover, despite the increasing frequency of PLA cyberattacks, there has yet to be a reported case of there being a clearly ordered attack directed at strategic US infrastructure. Its current actions of using cyberwarfare for corporate espionage and hacking US government systems should be likened more to poking a bear and hoping not to provoke a response. Therefore, because the underlying policy remains intact, that is using cyberwarfare as a tool for long-term strategic interests, this significant development should not be considered fundamental.

Taiwan is the clearest of all these subthemes and therefore the simplest to render a judgment on. Owing to the clear line of demarcation that maintains the status-quo in the Strait and what would provoke action on the part of either the PRC or the United States; the former a move towards independence and the later any attempt by the PLA to invade Taiwan. Furthermore, nothing concerning the fate of the island has altered since 1979 because of the passage of the Taiwan Relations Act, and China has simply been unable or unwilling to challenge the US and its supremacy in previous decades. More pointedly, China's strength relative to the United States during the Deng, Zemin and Hu

administrations was such that moving to take the island by force would have made no logical sense. Despite the moves by the Trump administration to normalize its non-diplomatic relations with Taiwan, there is no substance attached to it, and what it could provide the ROC, it already does, such as joint training exercise and arms sales.

China on the other hand has held the line when it comes to what it views as American meddling in its 'internal affairs', yet for all its rhetoric and aggressive and irresponsible actions (like buzzing Taiwanese ships or sending fighter squadrons into ROC airspace), there has been no concrete evidence of a change in underlying policy vis-à-vis Taiwan. In fact, there are truthfully only two legitimate paths forward that would indicate such a shift; either Beijing moves to take Taiwan militarily, or it accepts an eventual Taiwanese declaration of formal independence, and in either case it has not happened. For that reason, Taiwan does not represent a fundamental shift in Chinese foreign policy.

Finally, Hong Kong. Surely the events of the past year indicate a reorientation of policy? Not so, as ever, if a fundamental shift has occurred the state in question must have re-evaluated and changed its position systemically on a given issue. Yes, Beijing has violated the Sino-British Joint Declaration, yes, the democratic rights that were agreed to in the accord have been severely curtailed, and yes, the imposition of the National Security Law is a frightening development. However, they do not amount to a fundamental change in Beijing's orientation to Hong Kong and as stated in the introduction to this paper, some changes are more nuanced than they seem at first glance. The current circumstances amount to China increasing its control over the HKSAR, particularly in its legal affairs, and maintaining the façade of a quasi-democratic city-state. Yet the PRC has not demonstrated by its actions that it intends to fully reintegrate Hong Kong back into the mainland yet.

Furthermore, what has likely stayed the central government's hand from completely doing away with Hong Kong as a special administrative region, is its position as an important global financial centre. What's more, absorbing the city fully into the mainland, and abrogating One Country, Two Systems completely could lead to severe capital flight and a mass exodus of foreign businesses and relegate Hong Kong to just another city on China's southern coast. As a result, this does not indicate a fundamental change as the basic objective appears to remain intact, despite the ongoing situation.

CHALLENGING GLOBAL INSTITUTIONS

The second area of analysis will focus on China's challenge to global institutions. This will be done by examining its own multilateral forums such as the Asia Infrastructure and Investment Bank (AIIB) and the Shanghai Cooperation Organization (SCO) and how these are both indicative of an attempt to exclude the United States by creating institutions with similar roles and functions to those of the World Bank, Asian Development Bank (ADB) and the North Atlantic Treaty Organization (NATO). A fundamental shift in this instance would be met by the following: first, the AIIB would not only need to be capable of displacing its Western counterparts, but actively attempting to do so. This would be indicative of China departing from previous generations by demonstrating that it no longer seeks to work within the existing order. Second, the SCO as its currently constituted would need to pose a clear and legitimate challenge to NATO. This would show that Beijing has developed significant defence partnerships within its region and would be prepared to support its partners militarily if needs be. Moreover, this would exemplify two things that would further indicate a fundamental shift, first that the PRC is unable to counterbalance the US and allied presence in the region on its own. Second, that the ongoing and growing foothold of the US in the Asia-Pacific represents a long-term threat to China's strategic interests.

Asia Infrastructure and Investment Bank

The foundation of AIIB in 2015 by the central government was something of a watershed moment, while China has a well-documented history of using the existing international order for its own benefit despite routine attempts at pushing the boundaries

of the regime and in some cases simply ignoring them, it has never been so bold as to create institutions that parallel the present system⁶⁴. The organization is structured as a multinational development bank (MDB) with a focus on sustainable economic development and infrastructure connectivity⁶⁵, however what it most concerning about it is that its voting structure is disproportionate to the number of members it has. The AIIB is dominated by China with a 26.5728 percent share of voting power, moreover regional nations comprise 73.1572 percent of total voting power which emphasizes that while there are Western partners, this is an organization centered around Asian nations⁶⁶. Comparable Western bodies have a more balanced shareholder structure, such as the World Bank where the largest voting member is the US with 15.9 percent⁶⁷.

Of course, the shareholder structure in itself is not the reason why the AIIB poses a threat to its western counterparts, but because the speed at which it has thrust itself into the MDB playing field could potentially displace more established players like the ABD. At the time of its founding in 2014, the AIIB receiving initial funding of \$100 billion USD, approximately two thirds of the total funding of the Asian Development Bank and half of the World Bank⁶⁸⁶⁹. Furthermore, the organization's establishment was met with widescale praise with fifty states immediately pledging to join it, this has been followed in recent years by numerous Western countries like Germany, France, the United Kingdom, Canada, and Australia despite serious pushback from the United States out of concern for the

⁶⁴ French, *Everything under the Heavens*.

⁶⁵ AIIB, "About AIIB - AIIB."

⁶⁶ AIIB, "Members of the Bank."

⁶⁷ The World Bank, "Top 8 Countries Voting Power | World Bank Group Finances."

⁶⁸ The Economist, "Why China Is Creating a New 'World Bank' for Asia."

⁶⁹ Kurlantzick, *State Capitalism*.

viability of the present system⁷⁰. This has been attributed as part of a containment strategy by the US government because it perceives the Asian Infrastructure and Investment Bank as a potential threat to both the ADB and the World Bank.

Howard French, the former reporter for the Washington Post and bureau chief for the New York Times, writes in his book *Everything Under the Heavens* that the body is illustrative of the PRC's desire and will "to become a powerful, across-the-board geopolitical actor"⁷¹. Not just because China sees this as an end in itself, but as a means to do so with enormous potential to capitalize on the region's vast infrastructure needs, which by most accounts exceed \$8 trillion USD, and only continue to grow⁷². This has given Beijing an opportunity to leverage its influence in the region and perhaps even undermine existing development work by its competitors. Furthermore, the bank's founding is a sign that China has quietly downgraded its involvement and commitments with other multilateral financial organizations in an effort to prioritize bodies that it has extensive control and influence over⁷³. This includes the New Development Bank that was founded at roughly the same time with the other members of the BRICS nations (Brazil, Russia, India, and South Africa) in 2014⁷⁴. Planning for the AIIB first began during the 2008 financial crisis when Beijing began to make its position on existing financial bodies known, not least because its economic growth only continued despite the severe downturn in the West. The then Governor of the People's Bank of China Zhou Xiaochuan stated that it was time for the

⁷⁰ BBC, "UK Support for China-Backed Asia Bank Prompts US Concern."

⁷¹ French, *Everything under the Heavens*.

⁷² Economy, *The Third Revolution*.

⁷³ Friend and Thayer, *How China Sees the World*.

⁷⁴ Friend and Thayer.

Yuan to replace the USD as the world's reserve currency, given its relative strength against the former at the time⁷⁵.

Furthermore, unlike the PRC's aggressive hard power policies in the South China Sea, the AIIB represents a consistent strategy of bolstering its soft power throughout the region and the world. Edward Luce asserts in his book *The Retreat of Western Liberalism* that China's pattern of using development banks to inject billions of dollars in Central America, Africa and Asia has been successful because "[i]n contrast to its Bretton Woods competitors, China's lenders offered loans without attaching pro-democracy strings"⁷⁶. As previously discussed, the Obama administration raised serious concerns with the British accession to the group, and one of its primary issues was that the AIIB commitment to anti-corruption and democratic governance was questionable at best. This certainly questions the long-term viability of the existing system and if the AIIB represents a fundamental shift in Chinese foreign policy by undermining the status-quo through much looser lending measures.

Shanghai Cooperation Organization

If there is an Eastern 'version' of NATO, it would be the SCO. Known previously as the Shanghai Five until 2001, the group is a multi-national military, economic and political 'alliance' comprised of eight full member states, and an additional fourteen countries in various standing: observer, dialogue partners and guest attendees. The body prioritizes sovereignty and economic development over democratic progress and universal human

⁷⁵ Kai and Huiyun, "GAME OF INSTITUTIONAL BALANCING: CHINA, THE AIIB, AND THE FUTURE OF GLOBAL GOVERNANCE."

⁷⁶ Luce, *The Retreat of Western Liberalism*.

rights and in recent years has been an important tool in Beijing's international affairs⁷⁷. However, in recent years its primary focus has been related to security, be that counterterrorism, counter-narcotics, or energy infrastructure security⁷⁸. Additionally, regional security concerns, particularly in Afghanistan have given the SCO and increased relevance given the departure of the International Security Assistance Force in 2014 and the ongoing withdrawal of US forces this year⁷⁹⁸⁰. Furthermore, like NATO the SCO is useful in addressing trans-national security issues because it provides a forum for regionally coordinated policy, not least of which because challenges like organized crime and terrorism in Asia are often multinational⁸¹.

So why is the SCO significant? The body is the first significant attempt by Asian powers, predominantly Russia and China, to have coordinated diplomatic, economic and security policies across all member states. All of which Beijing has an outsized role and influence in given its size in any number of facets, economic, demographic, military, diplomatic, etc. Therefore, what is significant about the Shanghai Cooperation Organization is that China can effectively use the group to bring its members states within its sphere of influence, and further draw them away from the West and the United States. For example, the PLA has conducted extensive training exercises from partner nations, and in 2014 alone the Chinese military oversaw sixteen such⁸². In specific states, such as Uzbekistan and Tajikistan, the US armed forces routinely conducted joint exercise during the Bush

⁷⁷ Kurlantzick, *State Capitalism*.

⁷⁸ Cabestan, "The Shanghai Cooperation Organization, Central Asia, and the Great Powers, an Introduction."

⁷⁹ Cabestan.

⁸⁰ Cooper, Schmitt, and Gibbons-Neff, "Pentagon Accelerates Withdrawal From Afghanistan - The New York Times."

⁸¹ Aris, "The Shanghai Cooperation Organization: 'Tackling the Three Evils'. A Regional Response to Non-Traditional Security Challenges or an Anti-Western Bloc?"

⁸² Economy, *The Third Revolution*.

administration and well into the Obama presidency, since then the PLA has held regular drills with both⁸³. Furthermore, this is also significant because China also increases its influence with these partners at the expense of Moscow, as Central Asia lies within Russia's traditional sphere of influence, not least of which because it once formed part of the Soviet Union. This suggests that China feels confident enough to deepen its ties with such states despite the potential pushback. With all this in mind, does the SCO represent a fundamental shift of Chinese foreign policy? For instance, is Beijing using the Shanghai Cooperation Organization as a means of challenging NATO? This will be discussed in the coming pages.

A shift in the underlying policy goal?

What is consistent about the AIIB is that it clearly furthers Chinese interests, and yet the fact the numerous Western nations like the United Kingdom, Canada and Italy have all joined demonstrates that those interests are not mutually exclusive to those in the West. This is perhaps the most obvious sign that those in the West do not view the AIIB as a threat, but perhaps a boon to the present global financial regime. The act of creating a new MBD alone does not qualify this as a fundamental change, furthermore, what is to say that the AIIB can't work in a complementary fashion with the World Bank and ADB? One would argue if that were the case, and Beijing was attempting to establish parallel organizations to compete with existing ones, Western nations would do their utmost to quarantine them and double down on its own. That said, while the United States has taken a more hawkish view on the AIIB, this can likely be attributed to its continued rivalry with China as a strategic competitor, or adversary.

⁸³ Cabestan, "The Shanghai Cooperation Organization, Central Asia, and the Great Powers, an Introduction."

On its commitments to anti-corruption measures and financing tied to democratic governance, this goes to the legitimacy of the organization. While it has been noted that many global financial bodies tie their funding to such commitments, this is what gives them legitimacy in the eyes of Western nations. Suppose for a moment that over time the AIIB prioritized economic development over all other considerations (with no care for anything democratically related), logically those key Atlantic and European states that are party to the bank would simply depart. Furthermore, while loans without democratic strings are attractive to a variety of authoritarian states throughout Asia, there is only so much funding that Beijing is capable of putting forward without the participation of Western counterparts. Finally, were this to become the case, credible MBDs and global lenders could threaten a funding embargo should such states opt for AIIB funding while double-dipping into Western institutions. This is all to say that the present regime remains because there is no credible alternative to replace it, and while the Asian Infrastructure Investment Bank is an important development, it is not significant enough to disrupt the status-quo.

Moreover, the AIIB's current funding may be substantial, yet it does not compare to the endowments of existing bodies such as those mentioned as well as the International Monetary Fund and the European Investment Bank, the former with \$440 billion USD in primary financing in 2020 alone. If the AIIB truly indicated a fundamental shift in Chinese foreign policy, it would need to have been established with initial funding that could challenge the existing structure. Doing so would represent a push to displace and even replace the Bretton Woods regime and others; however, at its current size the AIIB can only supplement other international financial bodies. This also appears to be more of an attempt by Beijing to further its stature as a significant and important state actor in global affairs

rather than an endeavour to become a rule-setter. As a result, the Asian Infrastructure Investment Bank does not represent a fundamental shift in Beijing's foreign policy because its founding does not indicate an attempt to overturn the present regime (therefore indicating a reorientation in its international affairs), but a desire to complement the existing system.

What of the SCO? Do it and its purpose represent a fundamental shift? While the SCO may be referred to as the 'Asian NATO', or 'NATO of the East', there is not much to earn it that distinction, except perhaps that it is unique amongst other Asian multilateral organizations. Furthermore, the body has a far more nefarious underbelly, that being the use of a coordinated counterterrorism and security policy in order to exchange political dissidents who are wanted in their home states⁸⁴. It has also been a tool to ensure that democratic movements are uprooted, to enforce a broad crackdown against dissent which is all under the guise of security cooperation⁸⁵.

From a military perspective, NATO Article 5 commits its members to the principle of collective defence, meaning an attack on one is an attack on the whole, that is not the case with the SCO. While there are extensive military exercises held by its membership and deep arms trading, the Shanghai Cooperation Organization is not a truly integrated body. There is no single operational command structure with battlegroups from all participating nations that fall under its jurisdiction. NATO on the other hand has had a unified command authority, Allied Command Operations (ACO), which controls its operations worldwide

⁸⁴ Luce, *The Retreat of Western Liberalism*.

⁸⁵ Economy, *The Third Revolution*.

under the auspice of the Supreme Headquarters Allied Powers Europe (SHAPE), the command of which has always been held by a full US general.

Furthermore, notwithstanding the criticism of NATO given it outlived its original purpose, it remains a relevant organization and an important body at promoting continental European defence and security. This has only regained the significance it lost at the end of the Cold War, considering intense Russian aggression in recent years. In short, NATO has a single underlying purpose, despite it embarking on other deployments such as the International Security Assistance Force (ISAF) in Afghanistan, countering Russia still remains its core purpose. The SCO has no such comparable goal, and there are any number of reasons for this: religions and ideological values, political systems, long-standing inter-partner rivalries, the list is long. This final point needs to be emphasized as demonstrates that the SCO is more political than anything else, the inclusion of both India and Pakistan may seem like an important development yet there are still simmering tensions between both countries from its most recent skirmishes in Kashmir⁸⁶. The comparison would be if Germany and France had perennial border clashes over Alsace and Lorraine, while being still party to the NATO. Furthermore, despite the regression in Turkish democracy, NATO remains a grouping of liberal-democratic states that share values and ideology, in part why it remains until today.

This is the inherent weakness of the Shanghai Cooperation Organization, there are as many members as there are competing interests and while they may have some overlapping agendas, such as the spread of authoritarianism, the SCO's lack a single unified

⁸⁶ Council on Foreign Relations, "Conflict Between India and Pakistan."

goal will be to its long-term detriment⁸⁷. Moreover, what seems more likely is that member states will use the SCO as a means to an end for their own interests, especially Russia and China vis-à-vis countering American influence in Central, South and Southeast Asia respectively, given that the organization is dominated by both states⁸⁸. More to the point, the SCO is also essential to energy interests for both the Russians and Chinese; in 2014 Moscow and Beijing signed a \$400 billion USD gas deal, which the security cooperation between members is essential is safeguarding those interests⁸⁹. Again, this implies that the body is more a front for the interests of both states, the other members could arguably be along for the ride, so to speak, and the economic and security benefits that might come with it. While the SCO does cooperate extensively on security and anti-terror operations, it does not rise to the same level of operational cohesion that is a key aspect of NATO.

This is critical, as China is a staunch defender of its sovereignty, surrendering some of that authority and allowing other states command and control over PLA units (in the same fashion that Canada does with CAF troops in NATO deployments) seems highly unlikely. Previous Chinese administrations further this argument, all three former governments have never altered their stance on China's sovereign position and 'cooperation' that took place under Deng was done from an ideological standpoint given his regime was still in the midst of the Cold War. The SCO was established under Jiang Zemin and both he and his successor, Hu Jintao, have never publicly indicated that they intended to reform the body with NATO-like structures. To be sure, this would not have been a uniquely Chinese concern, other members like Russia are also jealous of their own

⁸⁷ Ambrosio, "Catching the 'Shanghai Spirit.'"

⁸⁸ Saha, "The Future of the Shanghai Cooperation Organization."

⁸⁹ Saha.

authority⁹⁰. In short, the Shanghai Cooperation Organization does not represent a fundamental shift in Chinese foreign policy because the underlying policy goal does not indicate an orientation shift in its international affairs, merely a conduit for existing policies such as energy security, political persecution, and anti-democratic strategy.

⁹⁰ Cabestan, "The Shanghai Cooperation Organization, Central Asia, and the Great Powers, an Introduction."

CHINA'S FORCEFUL ECONOMIC POLICIES

The third and final area of analysis will explore Beijing's assertive economic policies by way of the Belt and Road Initiative and its state-owned enterprises. It will demonstrate how they are being used to strengthen economic integration with China, shift the economic centre away from the United States and the west, deepen the dependence states have on the PRC, and exploit foreign companies that operate on the mainland through predatory economic policies. In this final section, a fundamental shift will have taken place should the following be present: Beijing will have used the BRI in two ways, first, as a means of ensuring that states throughout the region and the world are economically beholden to the PRC. This would mark a departure of using the existing economic system to its own benefit and inverting the system to make certain that other state's prosperity will be tied to Beijing's own fortunes. Second, there would need to be demonstrable evidence that China has shifted away from non-interference in other states affairs, to using the Belt and Road Initiative to assertively bolster its soft power and influence over countries. Regarding SOE's, if a fundamental shift has taken place, then they would need to be a key player not just in China's domestic economic affairs, but internationally as well. Furthermore, there would need to be an indication that state-owned enterprises are becoming more dominant and that the reforms initiated by Deng Xiaoping are in some way being reversed.

“One Belt, One Road”

In 2013 at a summit in Kazakhstan, President Xi announced plans for the Silk Road Economic Belt (SREB), a modern-day successor to the historic Silk Road that once

connected the East and West from Roman times until the Renaissance⁹¹. Months later, he gave a speech in Indonesia which presented China's intention to create a Maritime Silk Road (MSR), these two projects are collectively known as the Belt and Road Initiative (BRI), or One Belt, One Road. (OBOR)⁹². They are a massive program of infrastructure projects (ports, roads, railways, and airports) spread throughout much of Asia as well as Europe, the Middle East, and East Africa. Over sixty countries joined initially or stated their intention to do so which has since grown to 125, the key point is that once completed they will all be linked to China in some manner⁹³⁹⁴. Although the BRI lacks an official, authoritative map on exactly what is to be achieved, its widely viewed as a vessel to pursue "decades-old Chinese diplomatic and economic initiatives in Asia"⁹⁵.

There are several reasons why the Belt and Road Initiative is significant, first because it is an attempt by Beijing to create a "China-centered economic order in Asia" while at the same time playing a game of geo-politics by undermining attempts by the United States to negotiate the then-Trans-Pacific Partnership (now known as the CPTPP)⁹⁶. The potential for the BRI is substantial, as it could encompass sixty-four countries, 4.4 billion people and a total economic value of roughly \$21 trillion USD⁹⁷. Furthermore, the BRI is emblematic of how times have changed, and with it a corresponding shift in economic importance. In previous decades China's economy was not large or developed enough to have enticed other nations to join something like the BRI, and its own growth

⁹¹ Gerstl and Wallenböck, *China's Belt and Road Initiative: Strategic and Economic Impacts on Central Asia, Southeast Asia, and Central Eastern Europe*.

⁹² Gerstl and Wallenböck.

⁹³ Chatzky and McBride, "China's Massive Belt and Road Initiative."

⁹⁴ Mahbubani, *Has China Won?*

⁹⁵ Rolland, "China's 'Belt and Road Initiative.'"

⁹⁶ French, *Everything under the Heavens*.

⁹⁷ French.

was dependant on the US economy and the extent that American industries would invest in the country, which Deng Xiaoping described as “swallowing the pill of humiliation”⁹⁸.

However, with the Chinese economy the world’s largest in PPP terms, and perhaps nominally over the coming decade, Beijing’s ability to forge large economic partnerships is no longer predicated on American “involvement”, so to speak. Its economy is robust and diversified and has quickly become the lifeblood of economic growth in East Asia, as well as the largest trading partner of nearly every country in the region, notwithstanding numerous countries in other parts of the world. More to the point, China intends for there to be at least \$2.5 trillion USD in trade with BRI states by the end of 2025, and given its primacy in Asian trade, the country seems to be well on the way to that goal⁹⁹. This is all to illustrate that the Belt and Road Initiative is a serious and credible bid to shift, or restore as it has been described in China, the economic centre to the East.

OBOR also represents a significant opportunity for Chinese state-owned enterprises for two reasons. First, BRI projects will primarily be built by SOEs which allows China to gain a major economic foothold in the given country as well as having operational authority over the specific project, be it a port, railway, etc.¹⁰⁰. While SOEs will be analyzed in the next section from a domestic Chinese context, they play a significant role in executing Xi Jinping’s agenda. Moreover, Belt and Road projects also include the purchase of existing strategic infrastructure, such as the 2016 acquisition of the Port of Piraeus in Athens, by the China COSCO Shipping Corporation¹⁰¹. The sale was widely criticized in Western

⁹⁸ Mahbubani, *Has China Won?*

⁹⁹ Friend and Thayer, *How China Sees the World*.

¹⁰⁰ The Associated Press, “Beijing Trumpets Massive \$500B Belt and Road Foreign Infrastructure Project | CBC News.”

¹⁰¹ Reguly, “China’s Piraeus Power Play: In Greece, a Port Project Offers Beijing Leverage over Europe.”

capitals as giving Beijing a beachhead in Europe, since then the port has become the second largest container port in the Mediterranean and the largest such for passenger traffic, firmly indicating that China's soft power through the BRI is taking hold¹⁰².

Finally, the Belt and Road Initiative is also a potent and effective geopolitical tool against the United States as well as regional competitors. Like the AIIB, loans granted through the BRI come with relative few requirements compared to those from Western nations and organizations. Therefore, these infrastructure development projects threaten to undermine US and EU development aid which comes with stricter conditions, such as regular financial reporting, anti-graft, and corruption measures as well as independent monitoring. Moreover, due to the policies of the Trump administration, and the isolationist and nationalist stance it took, this gave China an opening to fill the gap in countries that were in serious need of financial assistance. From a geopolitical perspective, this means that BRI participants will be drawn further into the Chinese sphere of influence as well as becoming more economic dependant on Beijing, which has advantages given the PRC has no concern for democratic principles and actively promotes authoritarianism. This will be discussed further during the analysis of whether these developments constitute a fundamental shift.

State-Owned Enterprises and Domestic Regulations

Despite the economic reforms that took place in China under the three previous generations of leadership, the largest corporations in the PRC remain state-owned, and in 2019 they accounted for an estimated 39 percent of China's GDP¹⁰³. In fact, Beijing

¹⁰² Reguly.

¹⁰³ Zhang, *How Much Do State-Owned Enterprises Contribute to China's GDP and Employment?*

maintains the largest 'portfolio' of SOEs in the world, all of which are subordinate to the State-Owned Assets Supervision and Administration Corporation (SASAC) of the State Council, China's highest administration authority. They can be found across all sectors, such as finance, utilities, and construction, with recognizable firms such as the Industrial and Commercial Bank of China, at present the largest bank in world by assets. These firms continue to dominant the Chinese economy, benefitting from favourable state laws that support and promote continued industry monopolies, as well as revenues that are bolstered by low interest loans, unattainable by non-SOEs, accusations that China has dismissed for years¹⁰⁴.

Why is this significant? For several reasons, first, these firms present a barrier for foreign western counterparts seeking to establish themselves in China. The anti-competitive nature of state-capitalism (China cannot accurately be described as communist), and state-owned enterprises means that corporations, and indeed governments, considering FDI in the PRC need to carefully consider the ramifications of doing so. These include FTTs, which will be discussed in the next few pages. Second, given SOEs intimate nature with the central government, they receive subsidies frequently, particularly in aviation and tech research and development despite the SASAC having \$31 trillion USD in net assets in 2018, if these figures are credible¹⁰⁵. Finally, state-owned firms also serve as a powerful tool for the ruling leadership, and above all President Xi, in maintaining centralized control over the economy, and by extension the Chinese people. These corporations can be used for propaganda purposes, corporate espionage both in

¹⁰⁴ Khan et al., "The Sensitivity of Firms' Investment to Uncertainty and Cash Flow."

¹⁰⁵ Tang, "China's SOE Reforms Must Encourage Competition, Provide Subsidy Transparency."

China and around the world, soft power diplomacy in poorer nations and as a means of acquiring strategic resources and assets at rates other governments cannot afford.

The partner of sorts, and the hallmark of the domestic regulations for foreign companies operating in China is the so-called forced technology transfer (FTT). This is where the central government has required that businesses transfer intellectual property (IP) so that domestic Chinese industries can gain access to a particular market¹⁰⁶, if not those companies are barred from operating on the mainland. The practice requires a Chinese firm to 'partner' with a foreign one and maintain a majority stake of their operations in the PRC. Elizabeth Economy writes in her book *The Third Revolution* that since 2015 that the state has only expanded and strengthened the rules and regulations concerning FTTs. They are not only used to gain access to a particular firm or industry IP, but to ensure that Chinese corporations (and indeed the Communist Party) have control over and access to cutting edge technologies. In recent years this has become of greater concern particularly surrounding foreign direct investment (FDI) in the United States and the west. The reason being is if Chinese firms (and by extension Beijing) can gain access to valuable technological developments through a forced technology transfer, there is less of a reason to invest in foreign firms to acquire IP when it can be compelled through state law¹⁰⁷.

In fact, there are several industries which have a blanket requirement for either a joint venture or a FTT with a foreign minority stake, these include petroleum and gas exploration, auto manufacturing, education, aviation, medicine, and pharmaceuticals¹⁰⁸.

¹⁰⁶ Economy, *The Third Revolution*.

¹⁰⁷ O'Connor, "How Chinese Companies Facilitate Technology Transfer from the United States."

¹⁰⁸ O'Connor.

FTTs in China are a long-running concern, and Beijing has been accused of linking approvals of FDI to whether a foreign firm consents to a transfer, which would break China's specific commitment it made when it joined the World Trade Organization in 2001¹⁰⁹. However, in practice this is difficult to prove, and China frequently disregards and dismisses rulings against it that it does not agree with. That said, as part of the 'trade-war' brought on during the Trump administration, China made a concession to no longer use 'administrative means' to coerce a corporation into a FTT, in effect conceding the practice and committing to ending it¹¹⁰. This was put into force by the Foreign Investment Law, passed by the National People's Congress and effective as of January 1, 2020. However, given the body is widely accepted as a ceremonial rubber stamp, two things are unclear. First, whether the law will be applied given China has at times used its legal system selectively. Second, whether the Politburo Standing Committee (the top body of the Communist Party and effectively the ruling council in China) has adopted a similar measure requiring the central government to comply. With all this in mind, have either SOEs or China's domestic economic rules met the bar to be considered a fundamental shift? This will be analyzed in the following pages.

'Fundamental' or significant?

Of all items discussed in this paper, the Belt and Road Initiative is the most ambitious attempt by Beijing to re-orient its foreign policy. Yet does it meet the methodological bar to be considered fundamental? This section will argue that it does, as the BRI and domestic economic policies are indicative of a complete geopolitical and

¹⁰⁹ Qin, "Forced Technology Transfer and the US-China Trade War."

¹¹⁰ Qin.

geo-economic policy reorientation that is meant to expand and deepen its soft power throughout Asia and beyond. Xue Li, the Director of the International Strategy Research Office in the Chinese Academy of Social Sciences has described the BRI as “an attempt and a pathway for China to change from being a regional power with worldwide influence to a world power with comprehensive power”¹¹¹.

One of the most evident omissions in the Belt and Road Initiative, is India’s absence, this of course is driven by the economic and political rivalry between both states. Even though there is quite a bit of potential for India should it choose to join the BRI, the China-Pakistan Economic Corridor has effectively rendered it a moot point as it will include construction through Pakistani-occupied Kashmir, which is also claimed by New Delhi¹¹². This is unlikely an absentminded mistake, but rather an overt Chinese attempt to insert itself into the Indo-Pakistani conflict, which given the PRC’s longstanding relationship with Islamabad, is significant but unsurprising. What’s more, China has committed to spending up to \$60 billion USD on the corridor, which once completed will connect the PRC to the Port of Gwadar, on Pakistan’s southern coast¹¹³. This in effect grants Beijing direct access to the Persian Gulf as well as streamlining existing trade routes by going through Pakistan to China’s western borders, as opposed to sailing across the Indian Ocean, through the Straits of Malacca and northward through the SCS to ports on the Chinese coast.

Further, since states who participate in BRI projects do so with large amounts of existing debt, when payment for the loans is called due, many countries are unable to repay which leads to the projects being seized as collateral or repaired through strategic

¹¹¹ French, *Everything under the Heavens*.

¹¹² Mahbubani, *Has China Won?*

¹¹³ Chatzky and McBride, “China’s Massive Belt and Road Initiative.”

resources. For example, the Coco Coda Sinclair Dam in Ecuador was financed by a \$1.7 billion USD loan from Beijing, this was part of a much larger \$19 billion USD package meant to improve various infrastructure across Ecuador¹¹⁴. When the dam was completed in 2016 it was evident that Quito was unable to repay the loan, which only continued to grow due to the 7 percent interest rate, as a result China now receives 80 percent of Ecuador's oil exports (at a discount) until the loan is repaid¹¹⁵. The New York Times also alleges in its profile of the project that China has then resold the oil at a considerable profit. There are plenty of other examples that fit this pattern, from Malaysia, Sri Lanka, Tajikistan, and numerous states throughout Asia. This behaviour has been termed "debt-trap diplomacy" by Indian academic Dr. Brahma Chellaney, where a state or organization uses debt as a means of expanding and exploiting its influence over a smaller, less powerful one¹¹⁶.

When taken together, all these developments do represent a fundamental shift in Chinese foreign policy. How so? First, when compared to the three previous generations of leadership, President Xi has changed the core objective of growth and reform, to economic dominance by expanding and deepening its soft power through foreign economic relations. This in turn bolsters Chinese power projection and strengthens authoritarianism. From about 1978 (and Deng's policy of opening China to the world) to roughly 2008 when Xi was appointed Vice President of the PRC, there is a clear underlying theme and objective of Beijing trying to grow its economy by using reform and multilateral organizations, and by extension American businesses to expand its own industrial capacity. During these thirty

¹¹⁴ Casey and Krauss, "It Doesn't Matter If Ecuador Can Afford This Dam. China Still Gets Paid. - The New York Times."

¹¹⁵ Casey and Krauss.

¹¹⁶ Chellaney, "China's Debt-Trap Diplomacy."

years, China embarked on a campaign of reforming its economy to allow for limited privatization of state-owned industries, foreign investment and decentralization and collectivizing of agriculture. This was followed by a reduction of trade barriers and tariffs under Jiang Zemin as well as its negotiations for accession to the WTO, culminating in it joining the body in 2001. Hu Jintao's administration capped off its economic reform and prioritized expanding its domestic service and manufacturing industries, trading base and relations around the world.

As a result of the BRI and its debt-trap diplomacy, China has been able accomplish three things. First, China has been able to create a string of unofficial PLA bases that are key refueling and resupply points when outside the South China Sea, reaching from Sri Lanka to Pakistan and all the way to the Horn of Africa. This grants China a degree of power projection that its existing forces would not be capable of without this infrastructure. Second, Beijing has begun the process of shifting the economic centre to the east through the BRI, by demonstrating that there is far more to be gained in deepening ties with the PRC without the restrictions seen from Western governments and institutions, while concurrently indebting participating nations to China at unsustainable levels. Finally, strengthening authoritarianism and those governments within China's sphere of influence has been a key pillar of the BRI. Much like China's own concerns of political revolt should economic performance dissipate, it also believes the same holds true for its neighbours. As a result, the central government has invested heavily on BRI projects on bordering states because they are seen as more easily influenced, by both Beijing as well as western powers, the common denominator is that they too believe in authoritarian governance¹¹⁷.

¹¹⁷ Rolland, "China's 'Belt and Road Initiative.'"

Finally, what of state-owned enterprises and domestic practices? Unlike the BRI its more difficult to present a conclusion on whether SOEs and their actions as a foreign policy tool indicate a fundamental shift, as laid out in this paper's methodology. To be sure, SOEs have a central role in the Belt and Road Initiative, through its funding, planning, and construction, however from a domestic perspective that is not the case. State monopolies have been a cornerstone of Chinese economic policy since Mao Zedong, and irrespective of the reforms that have taken place, they still remain so. Furthermore, while state-owned corporations as a percentage of GDP have decreased in recent years, owing in part to diversification, an increased level of services as well as technological entrepreneurship, they remain prominent enough to choke off serious competition. The very nature of China's state capitalist economic system and its domestic economic regulations are designed to ensure that state industries remain dominant. This is not to pass a philosophical judgement on capitalism versus Chinese socialism, but to point out that the inherent weakness of the Chinese model is that economic growth is driven largely from the state, not the market. This is even more relevant when considering the enormous debt load that numerous SOEs carry on their balance sheets, which has been of increasing concern since the 2015 Shanghai stock market turbulence.

Why is this relevant? Because it goes to the heart of the question of a shift; if SOEs represent one they would indicate an underlying policy reorientation. Again, it doesn't appear as though one has taken place. What would the goal be? To increase the number of SOEs relative to GDP over time? To increase control over particular industries and foreign competition? Unlikely, as both are more likely to dissuade FDI over the short and long-term. Moreover, even with the vast revenue that SOEs reap every year, \$8.51 trillion USD in

2020 according to SASAC, their profits remain stagnant and their debt to asset ratio stands at 64.5 percent¹¹⁸. Which even with a limited securities exchange system (the only way for SOEs to raise capital outside of government coffers), SOE debt has only grown. Therefore, revenue may be strong, but at their core state-owned firms appear bloated and inefficient.

On FTTs, they may not be unique to China (Indonesia and Brazil employ them to various degrees), yet its extreme level of application in the PRC requiring intellectual property transfers for market access, on top of partnerships with Chinese firms usually requiring a 51 percent majority state, is a strong disincentive for foreign corporations to operate in the country. In fact, there are already strong signs that many prominent US firms, not least of which Apple and its main subcontractor Foxconn, are shifting manufacturing to more business-friendly markets like India and Vietnam¹¹⁹¹²⁰.

For these reasons, a decisive conclusion cannot be offered. For the moment, and while there are many notably US companies exiting the Chinese market, Beijing's continued robust economic output and enormous consumer base will continue to attract foreign companies who hope to capitalize on both. However, the attraction is based purely on looking to expand away from existing oversaturated markets. Furthermore, FTTs and the recent departures of western firms indicates that there is a limit to how much corporations are willing to tolerate before moving to friendlier and less restrictive environments. As a result, this paper cannot say that a fundamental shift has or has not occurred in so far as China's domestic economic regulations are concerned.

¹¹⁸ SASAC, "Profits of China's SOEs Continue to Rise."

¹¹⁹ Laily and Cheng, "Apple Ramps up iPhone and iPad Output Shift to India and Vietnam."

¹²⁰ Lee, "Exclusive."

On SOE's, the situation is similar; there lacks a clear policy progression that would indicate a shift or not. While Deng, Zemin and Hu all attempted to privatize state industry and decrease their relative importance in the Chinese economy, President Xi has not only halted that approach, but has begun reversing it and designating state-owned enterprises as "national champions"¹²¹. Additionally, Klaus Mühlhahn, Professor of Chinese history and culture at the Free University of Berlin writes in his book *Making Modern China*, that the establishment of SASAC effectively ended the economic reform era and marked a new phase of consolidation and promotion of SOEs under the State Council¹²². What's more, prominent Chinese economist Wang Xiaoguang, deputy director of economics at the Central Committee's Party School said in 2019 that SOEs "China relies on SOEs to buffer risks from home and abroad and stand guard for the economy"¹²³. This suggests a set of critical points, first, that state-owned enterprises serve a dual economic and political purpose. That perhaps under a truly market-based economic model, Chinese SOEs might not be able to compete with foreign counterparts, not least of which because of regulations designed to favour them, loans at sub-commercial rates (from state banks), corruption and a lack of profitability¹²⁴¹²⁵. Therefore, since using state monopolies and protectionism as a safeguard against foreign competition is not a new phenomenon in China, and since they are supported by state financing which indicates an inability to compete in a free market setting, SOEs do not represent a fundamental shift as an aspect of China's foreign policy.

¹²¹ Economy, *The Third Revolution*.

¹²² Mühlhahn, *Making China Modern*.

¹²³ Cai, "China's State-Owned Firms 'Help Protect Economy from Foreign Risk.'"

¹²⁴ Cai.

¹²⁵ Cheng, "An Empirical Study of Corruption within China's State-Owned Enterprises."

SECTION 4: CONCLUSIONS AND IMPLICATIONS

To be sure, there have been significant changes in China's foreign policy direction under President Xi. The country is in the midst of reorienting its economic policies through the Belt and Road Initiative to further integrate its own economy with that of its neighbours, regional states and even those outside its immediate sphere of influence to lessen its dependence on western markets and well as heighten the reliance of the east on Beijing's own economic prowess.

China has also sought to assert itself more forcefully in the region, particularly the South China Sea, where its claims to territorial sovereignty are not recognized by other regional states or international law. By challenging the United States' long-established dominance in Southeast Asia through a surge in defence spending and procurement and expanding its capabilities in cyber and naval warfare. Most recently, the significant changes in Hong Kong, specifically the 2020 Hong Kong national security law imposed by Beijing, which considerably alters China's approach to the former British colony, a law which is in direct contravention with the Sino-British Joint Declaration.

Beijing's challenge to global institutions has also been a key part of President Xi's foreign policy, through Chinese-led organizations such as the Asian Infrastructure and Investment Bank and the Shanghai Cooperation Organization. While they've been used to undermine and question the legitimacy of the US-led international order, they are by no means capable of challenging or replacing it, and therefore do not meet the bar that constitutes a fundamental shift.

Concerning Chinese economic policies, while Beijing's domestic regulations such as forced technology transfers and patronage of state-owned enterprises do not meet the bar

as fundamental as they reinforce monopolistic policies that do not further China's position in international affairs, the Belt and Road Initiative does. This is the case as the program is an effective tool of spreading Chinese soft power through debt-trap diplomacy while at the same time strengthening its geopolitical position relative to that of regional rivals as well as the United States.

However, while the BRI indicates a fundamental shift, this is not the case in any other example, therefore the shift should not and cannot be thought of as systemic. The additional developments may be significant, yet for a shift or change to be considered "fundamental", it must reflect "a change in the state's entire orientation toward world affairs"; this is not the case in the remaining areas of analysis discussed in this paper. These recent developments may best be understood as significant, yet ongoing, or in progress. Much in same way that Deng Xiaoping began a new era of Chinese political development, one should think of Xi Jinping as doing something similar; by embarking towards a goal of a more assertive, powerful, and dominant China that may no longer need to 'keep a low profile' and operate outside the liberal international order should it choose to do so. There may be a point in the near future, or perhaps in later decades, when China does implement a fundamental shift in its foreign relations, yet at present this is not the case, however they remain significant, nonetheless.

One of the challenges with this research question is that the situation in China continues to evolve; President Xi is still in office and is likely remain so for many years. Since the Communist Party named Xi the "core leader", an honour not bestowed since Chairman Mao, and abolished terms limits for the general secretary of the party, little

stands in the president's way to extend his tenure for the foreseeable future¹²⁶. Therefore, there are several potential areas of research that can branch out from this paper.

First, to what extent will Chinese foreign policy change given the influence of domestic circumstances? There are several factors that should be considered. First, the implicit understanding in Chinese society between the public and the party, in that challenging the party's authority is forbidden so long as the country continues to prosper economically, comes into question. Since 1977, China has been able to achieve yearly GDP growth of between 7.57 to 15.19 percent, however in recent years that rate has been steadily declining¹²⁷. In 2010, GDP growth was 10.37 percent which decreased to 6.11 percent in 2019¹²⁸. Notwithstanding the ongoing COVID-19 pandemic in which nearly every country in the world has been affected economically to some degree, should China not be able to recover, or at least stabilize its declining GDP growth, political cleavages may begin to form within China. The longstanding agreement between the Chinese people and the Communist Party; the implicit trade-off that allows for single-party rule in exchange for long-term economic growth and increased standard of living, could be in jeopardy.

So how does this relate to China's foreign policy? Notwithstanding other inputs, foreign policy can often reflect domestic priorities and current circumstances, therefore, Beijing could alter its stance on any number of files given levels of internal dissent, economic performance, and public satisfaction. One of the most significant things worth considering is population size and growth; China's enormous population is a key, if passive,

¹²⁶ Pei, "China's Return to Strongman Rule"; BBC, "China's Xi Allowed to Remain 'president for Life' as Term Limits Removed - BBC News."

¹²⁷ "GDP Growth (Annual %) - China | Data."

¹²⁸ [CSL STYLE ERROR: reference with no printed form.].

input to its foreign policy, particularly regarding its economic output and long-term prosperity. While the country's GDP per capita is nowhere near that of that United States (\$10,216.63 USD in 2019)¹²⁹, its economic growth has been fueled by its manufacturing base, huge export quantities and an ever-growing middle class that exceeds the entire population of the US¹³⁰. That sheer size has gifted China the world's largest tax base, funding research and development, massive infrastructure projects through SOEs and a military budget that only continues to grow, estimated at \$240 billion US according to SIPRI¹³¹. That said whether China can sustain that growth is a matter of debate given that it may not be able to maintain such a large population long-term.

This presents two issues, first, if birth rates in China continue to decline, as shown by the results of the 2020 National Bureau of Statistics report¹³²¹³³, GDP per capita and productivity must rise to fill the output gap, and as previously mentioned, current per capita levels are only about 15 percent of the 2019 US figures¹³⁴. More to the point, the population is aging at rates comparable to neighbouring Japan, which not only reduce the labour force, but put pressure on social services like health care and put a strain on revenue streams to high-cost areas of government like the PLA. Additionally, younger age groups, particularly the 20-24 bracket are expected to contract by 50 percent by 2050, which shows that even fewer young people will be entering the labour force as well¹³⁵. While China has attempted to adapt to this dilemma, in fact the central government

¹²⁹ "GDP per Capita (Current US\$) - China | Data."

¹³⁰ Kharas and Dooley, "China's Influence on the Global Middle Class."

¹³¹ "World Military Spending Rises to Almost \$2 Trillion in 2020 | SIPRI."

¹³² "Main Data of the Seventh National Population Census."

¹³³ Qi, "China's Census Highlights Its Looming Population Problem."

¹³⁴ "GDP per Capita (Current US\$) - United States | Data."

¹³⁵ Feng, "China's Population Destiny."

announced in May 2021 that couples will now be permitted to have up to three children, it remains uncertain whether these measures will be effective in the long term¹³⁶.

Second, the narrative that the United States is the declining hegemon, and that China will eventually overtake the Americans should also be revisited based off this paper's findings. No doubt this has already been debated and analyzed at length, however, as in the previous point regarding economic performance, China's success is dependent on being able to maintain significant growth for years to come. That growth is the key component to the PLA's surge in procurement, and without it, it's arguable that Beijing's military posture in its sphere could change. More to the point, currently China lacks the hard power needed to displace the US as the dominant power in the Asia-Pacific, let alone the capability to do so on a global scale. The US Navy's total displacement is over twice that of its Chinese counterpart; according to the Centre for International Maritime Security, the 2019 figures were 4.6 million and 2 million tons respectively¹³⁷. Furthermore, while China may be the world's largest navy in numerical terms, on a one-to-one comparison with the United States in terms of technological sophistication, there simply is no comparison. The US is decades ahead in respect of its heavy investment in battle groups spread throughout its various combatant commands, as well as its nuclear-powered carrier fleet. At last count twelve are in service with two additional ships currently being built, three of which are currently patrolling the Asia-Pacific theatre¹³⁸. China, on the other hand, has only two carriers of which its first was a retrofitted Russian carrier from Soviet times, and has only just

¹³⁶ Stanway and Munroe, "Three-Child Policy."

¹³⁷ "China Has the World's Largest Navy — What Now for the US?"

¹³⁸ Lendon, "3 US Navy Aircraft Carriers Are in the Pacific -- and China's Not Happy."

completed its first indigenously designed vessel that unlike its American counterparts is diesel powered, which severely limits its range and operational capabilities.

Third, should this narrative gain momentum and credibility, would the United States attempt to prevent, or at the very least delay China's continued rise? Would that involve some sort of pre-emptive military action by the US and its allies? How might Beijing respond? Would China be capable of conducting a military response against the United States? This could build on the research in this paper relating to the expansionist and aggressive policies pursued by the PLA in the South China Sea, presumably where such a conflict might take place. More importantly, would it be willing to? To be sure, distinctions need to be drawn; while Beijing would conceivably respond militarily to a threat against mainland China (such as an invasion or incursion), it is not clear if the PLA would do so against a potential threat in or near its maritime territories. Of course, this has further implications given China's claims in the SCS, despite them not being recognized by the United Nations. Doing so could potentially escalate into a regional conflict and risk drawing in other key state actors such as Japan, India, and South Korea. However, as discussed in the previous paragraph, China's hard power capabilities would be a limiting factor in a conflict with the United States and the West. While at present this remains idle speculation, perception of threat will certainly play a key role in future decisions, and if this past decade is any indication, the coming decade may see important developments for Chinese hard power. However, that remains to be seen.

Fourth, since the Trump presidency has ended, will China's foreign policy change with the Biden administration? This question, while neither the largest nor most important, is certainly the most pressing. The ongoing trade war between the US and China have

strained relations considerably, and while both sides are at fault (for China's illicit trade practices or the US imposition of tariffs), neither are likely to take responsibility. Despite Trump no longer in office, it does not necessarily mean that his policies or attitudes towards China will; protectionist sentiment is heavy within the Democratic Party, and Trump's casual use of tariffs as a negotiating tactic make it easy, and perhaps even, desirable. This raises a larger question about the use of presidential authority, and how Trump has eroded the "guardrails" that have guided US foreign policy since the end of World War Two¹³⁹. While President Biden has sought to moderate his predecessors' approach and revert (somewhat) to the China policies of the Obama administration, evidenced by his nomination of Antony Blinken as Secretary of State, tariffing to force concessions at the negotiating table does have advantages. Such as the lack of public understanding of how tariffs affect the price of consumer goods, and that roughly 27 percent of the Chinese economy is based on manufacturing, which makes it particularly vulnerable to tariffs¹⁴⁰.

Finally, how does the political system, including the party bureaucracy, affect how foreign policy is created in China? Unlike parliamentary and presidential models of government, China's central government has three components with varying degrees of power, the party (CPC), the administration (State Council) and the armed forces (CMC). Now while President Xi is firmly in place as the paramount leader of the PRC, the nature of the Chinese government is that there are numerous levels of bureaucracy, competing power centres within the individual branches and positions within similar responsibilities.

¹³⁹ Drezner, "This Time Is Different: Why U.S. Foreign Policy Will Never Recover."

¹⁴⁰ "Manufacturing, Value Added (% of GDP) - China | Data."

For example, both Foreign Minister Wang Yi and the Central Foreign Affairs Commission Director Yang Jiechi have significant input and authority in matters relating to foreign policy. Moreover, the hierarchy between state and party positions is complex, and state officials often rank below that of party directors. For example, at the provincial level, party secretaries outrank governors as the most senior official, and within the central government there are additional layers of power between the president and ministers. Again, to offer another example, while the Ministers of Public Security, State Security and Justice sit on the State Council, the Central Political and Legal Affairs Commission within the party has supervisory authority over security, political and legal affairs, and its party secretary, Guo Shengkun, sits on the Standing Committee therefore outranking his state counterparts. This would be an interesting and important area of research as it would help to better illuminate the opaque and complicated nature of politics in Beijing, and perhaps shed light on how foreign policy is developed, not simply its goals.

To that end, the research question presented in this paper should be viewed more as an evolving discussion, rather than a definitive statement. While it's true that this paper presents specific conclusions on the areas of analysis presented, the findings are up until the present. President Xi will likely be in office for the foreseeable future and given evolving economic circumstances and a new US administration, Beijing's foreign policy could certainly change; perhaps even on a "fundamental" scale.

BIBLIOGRAPHY

- AIIB. "About AIIB - AIIB." Asian Infrastructure and Investment Bank | AIIB, 2021. <https://www.aiib.org/en/about-aiib/index.html>.
- . "Members of the Bank." Asian Infrastructure and Investment Bank, 2021. <https://www.aiib.org/en/about-aiib/governance/members-of-bank/index.html>.
- Ambrosio, Thomas. "Catching the 'Shanghai Spirit': How the Shanghai Cooperation Organization Promotes Authoritarian Norms in Central Asia." *Europe-Asia Studies* 60, no. 8 (October 2008): 1321–44. <https://doi.org/10.1080/09668130802292143>.
- Aris, Stephen. "The Shanghai Cooperation Organization: 'Tackling the Three Evils'. A Regional Response to Non-Traditional Security Challenges or an Anti-Western Bloc?" *Europe-Asia Studies* 61, no. 3 (May 2009): 457–82. <https://doi.org/10.1080/09668130902753309>.
- BBC. "China's Xi Allowed to Remain 'president for Life' as Term Limits Removed - BBC News." BBC, March 11, 2018. <https://www.bbc.com/news/world-asia-china-43361276>.
- . "Hong Kong-China Extradition Plans Explained." *BBC News*, December 13, 2019, sec. China. <https://www.bbc.com/news/world-asia-china-47810723>.
- . "National Security Law: Hong Kong Rounds up 53 pro-Democracy Activists." *BBC News*, January 6, 2021, sec. China. <https://www.bbc.com/news/world-asia-china-55555299>.
- . "Obama: China Cyber Attacks 'Unacceptable.'" *BBC News*, September 12, 2015, sec. US & Canada. <https://www.bbc.com/news/world-us-canada-34229439>.
- . "Taiwan: 'Record Number' of China Jets Enter Air Zone." *BBC News*, April 13, 2021, sec. Asia. <https://www.bbc.com/news/world-asia-56728072>.
- . "UK Support for China-Backed Asia Bank Prompts US Concern." *BBC News*, March 13, 2015, sec. Business. <https://www.bbc.com/news/world-australia-31864877>.
- Ben, Werner. "China's Newest Aircraft Carrier Now Conducting Sea Trials." *USNI News* (blog), June 1, 2020. <https://news.usni.org/2020/06/01/chinas-newest-aircraft-carrier-now-conducting-sea-trials>.
- Cabestan, Jean-Pierre. "The Shanghai Cooperation Organization, Central Asia, and the Great Powers, an Introduction: One Bed, Different Dreams?" *Asian Survey* 53, no. 3 (2013): 423–35. <https://doi.org/10.1525/as.2013.53.3.423>.
- Cai, Jane. "China's State-Owned Firms 'Help Protect Economy from Foreign Risk.'" *South China Morning Post*, November 21, 2019. <https://www.scmp.com/news/china/politics/article/3038757/chinas-state-owned-enterprises-help-protect-economy-foreign>.
- Casey, Nicholas, and Clifford Krauss. "It Doesn't Matter If Ecuador Can Afford This Dam. China Still Gets Paid. - The New York Times." *New York Times*, December 24, 2018. <https://www.nytimes.com/2018/12/24/world/americas/ecuador-china-dam.html>.
- Chatzky, Andrew, and James McBride. "China's Massive Belt and Road Initiative." *Council on Foreign Relations*, January 28, 2020. <https://www.cfr.org/backgrounder/chinas-massive-belt-and-road-initiative>.

- Chellaney, Brahma. "China's Debt-Trap Diplomacy." *The Strategist* | ASPI - Australian Strategic Policy Institute, January 24, 2017.
<https://www.aspistrategist.org.au/chinas-debt-trap-diplomacy/>.
- Cheng, Wenhao. "An Empirical Study of Corruption within China's State-Owned Enterprises." *China Review* 4, no. 2 (2004): 55–80.
- Cooper, Helene, Eric Schmitt, and Thomas Gibbons-Neff. "Pentagon Accelerates Withdrawal From Afghanistan - The New York Times." NYT, n.d.
<https://www.nytimes.com/2021/05/25/us/politics/us-afghanistan-withdrawal.html>.
- Costello, John, and Joe McReynolds. "CHINA STRATEGIC PERSPECTIVES 13." *Center for the Study of Chinese Military Affairs | Institute for National Strategic Studies | National Defence University Press*, October 2018, 84.
- Council on Foreign Relations. "Conflict Between India and Pakistan." *Global Conflict Tracker*, 2021. <https://cfr.org/global-conflict-tracker/conflict/conflict-between-india-and-pakistan>.
- CSIS. "Significant Cyber Incidents | Center for Strategic and International Studies," April 2021. <https://www.csis.org/programs/strategic-technologies-program/significant-cyber-incidents>.
- Davis, Julie Hirschfeld, and David E. Sanger. "Obama and Xi Jinping of China Agree to Steps on Cybertheft." *The New York Times*, September 25, 2015, sec. World.
<https://www.nytimes.com/2015/09/26/world/asia/xi-jinping-white-house.html>.
- Dessein, B., ed. *Interpreting China as a Regional and Global Power: Nationalism and Historical Consciousness in World Politics*. Politics and Development of Contemporary China. Palgrave Macmillan UK, 2014.
<https://doi.org/10.1057/9781137450302>.
- Deutsche Welle. "China Has the World's Largest Navy — What Now for the US? | DW." DW, 2019. <https://www.dw.com/en/china-navy-vs-us-navy/a-55347120>.
- Drezner, Daniel W. "This Time Is Different: Why U.S. Foreign Policy Will Never Recover." *Foreign Affairs - Council on Foreign Relations*, June 2019, 9.
- Economy, Elizabeth. "China's Imperial President: Xi Jinping Tightens His Grip." *Foreign Affairs - Council on Foreign Relations* 93, no. 6 (December 2014): 13;80-91.
- . *The Third Revolution: Xi Jinping and the New Chinese State*. New York, NY: Oxford University Press, 2018.
- Fanell, James E. "CHINA'S GLOBAL NAVAL STRATEGY AND EXPANDING FORCE STRUCTURE: Pathway to Hegemony." *Naval War College Review* 72, no. 1 (Winter 2019): 10–55.
- Feng, Wang. "China's Population Destiny: The Looming Crisis." *Current History* 109, no. 728 (September 2010): 244–48.
- Asia Maritime Transparency Initiative - CSIS. "Fiery Cross Reef," 2021.
<https://amti.csis.org/fiery-cross-reef/>.
- French, Howard W. *Everything under the Heavens: How the Past Helps Shape China's Push for Global Power*. First edition. New York: Alfred A. Knopf, 2017.
- Friend, John M., and Bradley A. Thayer. *How China Sees the World: Han-Centrism and the Balance of Power in International Politics*. Lincoln: Potomac Books, An imprint of the University of Nebraska Press, 2018.

- Gearan, Anne, Philip Rucker, and Simon Denyer. "Trump's Taiwan Phone Call Was Long Planned, Say People Who Were Involved." *Washington Post*, December 4, 2016, sec. Politics. https://www.washingtonpost.com/politics/trumps-taiwan-phone-call-was-weeks-in-the-planning-say-people-who-were-involved/2016/12/04/f8be4b0c-ba4e-11e6-94ac-3d324840106c_story.html.
- Gerstl, Alfred, and Ute Wallenböck, eds. *China's Belt and Road Initiative: Strategic and Economic Impacts on Central Asia, Southeast Asia, and Central Eastern Europe*. London: Routledge, 2020. <https://doi.org/10.4324/9781003054597>.
- Gertz, Bill. *Deceiving the Sky: Inside Communist China's Drive for Global Supremacy*. First American edition. New York: Encounter Books, 2019.
- Goldmann, Kjell. "Change and Stability in Foreign Policy: Detente as a Problem of Stabilization." *World Politics* 34, no. 2 (January 1982): 230–66. <https://doi.org/10.2307/2010264>.
- Gustavsson, Jakob. "How Should We Study Foreign Policy Change?" *Cooperation and Conflict* 34, no. 1 (March 1999): 73–95. <https://doi.org/10.1177/00108369921961780>.
- Hancocks, Paula. "Alex Azar Arrives in Taiwan, Marking the Most Senior US Visit in Decades - CNNPolitics." CNN, August 9, 2020. <https://www.cnn.com/2020/08/09/politics/alex-azar-taiwan/index.html>.
- Harris Jr., Admiral Harry B. "Speech to Australian Strategic Policy Institute," March 31, 2015. <https://www.cpf.navy.mil/leaders/harry-harris/speeches/2015/03/ASPI-Australia.pdf>.
- Hermann, Charles F. "Changing Course: When Governments Choose to Redirect Foreign Policy." *International Studies Quarterly* 34, no. 1 (March 1990): 3. <https://doi.org/10.2307/2600403>.
- Human Rights Watch. "Hong Kong: Activists Apparently Arrested for Supporting Free Expression." Hong Kong Protests | Human Rights Watch, October 4, 2019. <https://www.hrw.org/blog-feed/hong-kong-protests>.
- Joe, Rick. "The FC-31, China's 'Other' Stealth Fighter." *The Diplomat*, February 18, 2021. <https://thediplomat.com/2021/02/the-fc-31-chinas-other-stealth-fighter/>.
- Kai, He, and Feng Huiyun. "GAME OF INSTITUTIONAL BALANCING: CHINA, THE AIIB, AND THE FUTURE OF GLOBAL GOVERNANCE." *RSIS | S. RAJARATNAM SCHOOL OF INTERNATIONAL STUDIES*, no. 314 (May 21, 2018): 24.
- Kaplan, Robert D. *Asia's Cauldron: The South China Sea and the End of a Stable Pacific*. First edition. New York: Random House, 2014.
- Khan, Muhammad Arif, Xuezhong Qin, Khalil Jebran, and Abdul Rashid. "The Sensitivity of Firms' Investment to Uncertainty and Cash Flow: Evidence From Listed State-Owned Enterprises and Non-State-Owned Enterprises in China." *SAGE Open* 10, no. 1 (January 2020): 215824402090343. <https://doi.org/10.1177/2158244020903433>.
- Kharas, Homi, and Meagan Dooley. "China's Influence on the Global Middle Class." *Brookings - GLOBAL CHINA*, October 2020, 10.
- Kissinger, Henry. *World Order*. New York: Penguin Press, 2014.
- Kurlantzick, Joshua. *State Capitalism*. New York: Oxford University Press, 2016.
- Laulu, Li, and Ting-Fang Cheng. "Apple Ramps up iPhone and iPad Output Shift to India and Vietnam." *Nikkei Asia*. Accessed June 15, 2021.

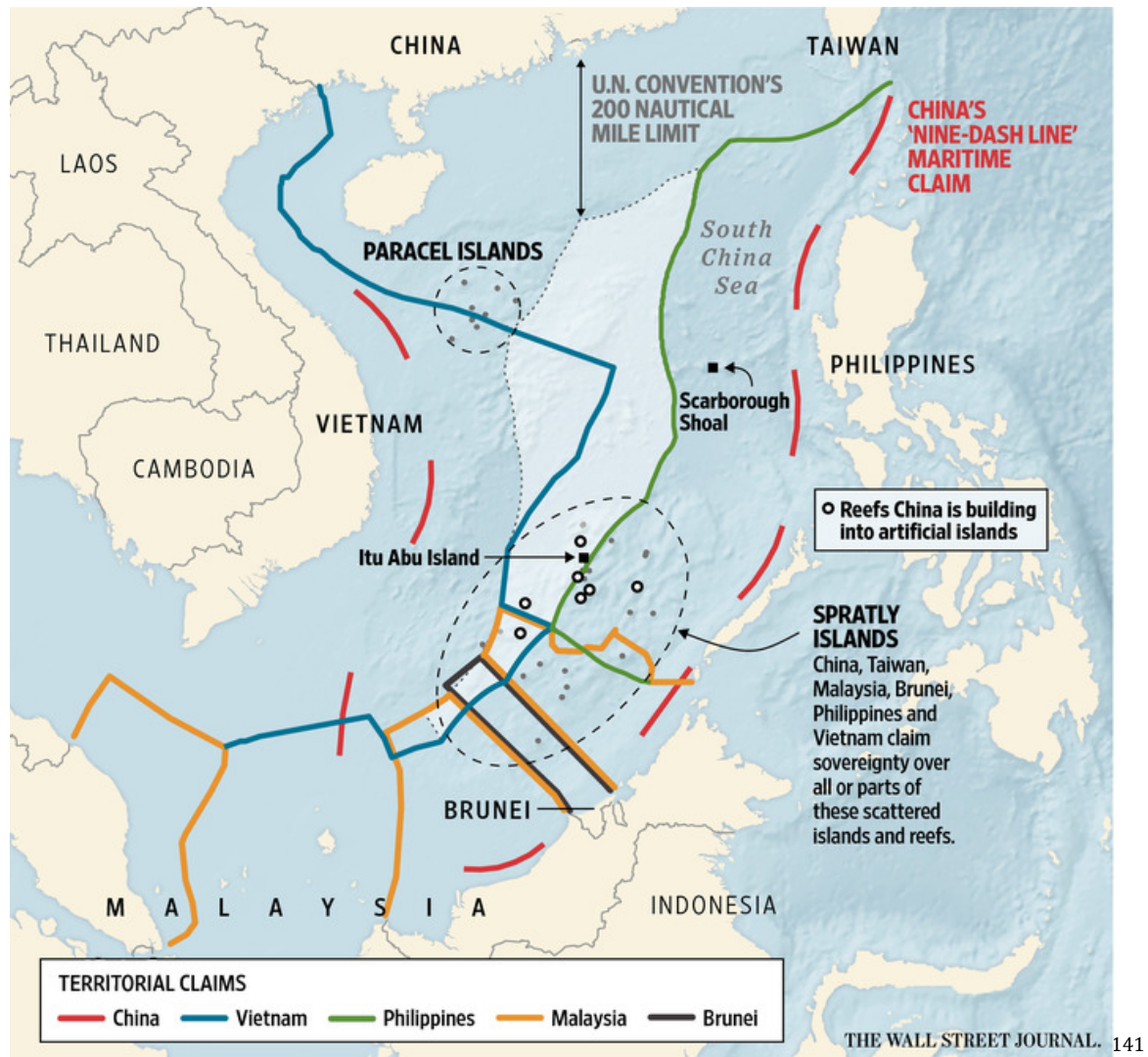
- <https://asia.nikkei.com/Economy/Trade-war/Apple-ramps-up-iPhone-and-iPad-output-shift-to-India-and-Vietnam>.
- Lee, Yimou. "Exclusive: Foxconn to Shift Some Apple Production to Vietnam to Minimise China Risk." *Reuters*, November 26, 2020. <https://www.reuters.com/article/us-foxconn-vietnam-apple-exclusive-idUSKBN2860VN>.
- Lendon, Brad. "3 US Navy Aircraft Carriers Are in the Pacific -- and China's Not Happy." *CNN*, June 15, 2020. <https://www.cnn.com/2020/06/15/asia/us-aircraft-carriers-pacific-china-intl-hnk-scli/index.html>.
- Luce, Edward. *The Retreat of Western Liberalism*. First Grove Atlantic hardcover edition. New York: Atlantic Monthly Press, 2017.
- Lun Tian, Yew. "China Defence Spending Gets Mild Boost amid Economic Caution | Reuters." *Reuters*, March 4, 2021. <https://www.reuters.com/article/us-china-parliament-defence-idUSKBN2AX07Z>.
- MacAskill, Ewen. "Obama to Confront Chinese President over Spate of Cyber-Attacks on US." *The Guardian*, May 28, 2013. <http://www.theguardian.com/technology/2013/may/28/obama-chinese-president-cyber-attacks>.
- Mahbubani, Kishore. *Has China Won? The Chinese Challenge to American Primacy*. First edition. New York: PublicAffairs, 2020.
- National Bureau of Statistics of China. "Main Data of the Seventh National Population Census," May 11, 2021. http://www.stats.gov.cn/english/PressRelease/202105/t20210510_1817185.html.
- Malik, Mohan. "HISTORICAL FICTION: China's South China Sea Claims." *Sage Publications, Inc.* 176, no. May/June 2013 (2013): 9.
- Mastro, Oriana Skylar. "How China Hid Its Global Ambitions." *FOREIGN AFFAIRS*, February 2019, 9.
- Mühlhahn, Klaus. *Making China Modern: From the Great Qing to Xi Jinping*. Cambridge, Massachusetts: The Belknap Press of Harvard University Press, 2019.
- Ng, Teddy. "US Warship Transits South China Sea to Challenge 'Unlawful Maritime Claims' | South China Morning Post." *South China Morning Post*, n.d. <https://www.scmp.com/news/china/military/article/3134205/us-warship-transits-south-china-sea-challenge-unlawful-maritime>.
- O'Connor, Sean. "How Chinese Companies Facilitate Technology Transfer from the United States." *US-China Economic and Security Review Commission*, May 6, 2019, 14.
- Osawa, Jun. "China's ADIZ over the East China Sea: A 'Great Wall in the Sky'?" *Brookings* (blog), December 17, 2013. <https://www.brookings.edu/opinions/chinas-adiz-over-the-east-china-sea-a-great-wall-in-the-sky/>.
- Pei, Minxin. "China's Return to Strongman Rule." *Foreign Affairs*, August 19, 2019. <https://www.foreignaffairs.com/articles/china/2017-11-01/chinas-return-strongman-rule>.
- Perlez, Jane. "Tribunal Rejects Beijing's Claims in South China Sea - The New York Times." *NYT*, July 12, 2016. <https://www.nytimes.com/2016/07/13/world/asia/south-china-sea-hague-ruling-philippines.html>.
- Phillips, Tom. "Images Show 'significant' Chinese Weapons Systems in South China Sea." *the Guardian*, December 15, 2016.

- <http://www.theguardian.com/world/2016/dec/15/images-show-significant-chinese-weapons-systems-in-south-china-sea>.
- Qi, Liyan. "China's Census Highlights Its Looming Population Problem." *Wall Street Journal*, May 11, 2021, sec. World. <https://www.wsj.com/articles/china-says-its-population-rose-slightly-in-2020-11620698964>.
- Qin, Julia Ya. "Forced Technology Transfer and the US–China Trade War: Implications for International Economic Law." *Journal of International Economic Law* 22, no. 4 (December 20, 2019): 743–62. <https://doi.org/10.1093/jiel/jgz037>.
- Ramzy, Austin, and Tiffany May. "Hong Kong Arrests Jimmy Lai, Media Mogul, Under National Security Law." *The New York Times*, August 10, 2020, sec. World. <https://www.nytimes.com/2020/08/09/world/asia/hong-kong-arrests-lai-national-security-law.html>.
- Reguly, Eric. "China's Piraeus Power Play: In Greece, a Port Project Offers Beijing Leverage over Europe." *The Globe and Mail*, July 7, 2019. <https://www.theglobeandmail.com/world/article-chinas-piraeus-power-play-in-greece-a-port-project-offers-beijing/>.
- Reuters. "China's Top Judge Warns Courts on Judicial Independence." *Reuters*, January 16, 2017. <https://www.reuters.com/article/us-china-policy-law-idUSKBN15000F>.
- . "U.S. Calls German Warship's Plan to Sail South China Sea Support for Rules-Based Order." *Reuters*, March 3, 2021. <https://www.reuters.com/article/us-southchinasea-germany-usa-idUSKCN2AW016>.
- Rolland, Nadège. "China's 'Belt and Road Initiative': Underwhelming or Game-Changer?" *The Washington Quarterly* 40, no. 1 (January 2, 2017): 127–42. <https://doi.org/10.1080/0163660X.2017.1302743>.
- Saha, Swagata. "The Future of the Shanghai Cooperation Organization." East Asia Forum, October 17, 2014. <https://www.eastasiaforum.org/2014/10/17/the-future-of-the-shanghai-cooperation-organisation/>.
- SASAC. "Profits of China's SOEs Continue to Rise." State-owned Assets Supervision and Administration Corporation, December 25, 2020. http://en.sasac.gov.cn/2020/12/25/c_6373.htm.
- "South China Sea Verdict." *Wall Street Journal*, July 12, 2016, sec. Opinion. <https://www.wsj.com/articles/south-china-sea-verdict-1468343029>.
- Stanway, David, and Tony Munroe. "Three-Child Policy: China Lifts Cap on Births in Major Policy Shift." *Reuters*, May 31, 2021. <https://www.reuters.com/world/china/china-says-each-couple-can-have-three-children-change-policy-2021-05-31/>.
- Stewart, Phil, and David Alexander. "Defying China, U.S. Bombers Fly into East China Sea Zone | Reuters." *Reuters*, November 26, 2013. <https://www.reuters.com/article/us-china-defense-usa-idUSBRE9AP0X320131126>.
- Tang, Frank. "China's SOE Reforms Must Encourage Competition, Provide Subsidy Transparency." *South China Morning Post*, October 9, 2020. <https://www.scmp.com/economy/china-economy/article/3104888/chinas-soe-reforms-must-encourage-competition-and-provide>.
- Tepperman, Johnathan. "China's Great Leap Backward – Foreign Policy." *Foreign Policy*, October 15, 2018. <https://foreignpolicy.com/2018/10/15/chinas-great-leap-backward-xi-jinping/>.

- The Associated Press. "Beijing Trumpets Massive \$500B Belt and Road Foreign Infrastructure Project | CBC News." CBC, April 25, 2019. <https://www.cbc.ca/news/business/belt-and-road-china-1.5110439>.
- . "Pro-Beijing Committee to Elect Some Hong Kong Legislators, Increasing Central Government Control | CBC News." CBC, March 5, 2021. <https://www.cbc.ca/news/world/pro-beijing-committee-elect-hong-kong-legislators-1.5937800>.
- The Economist. "Why China Is Creating a New 'World Bank' for Asia: The Economist Explains." *The Economist (Online)*. London, United Kingdom: The Economist Newspaper NA, Inc., November 11, 2014. <http://www.proquest.com/docview/1623978839/abstract/1E3501F537A24A08PQ/1>.
- Permanent Court of Arbitration. "The South China Sea Arbitration (The Republic of Philippines v. The People's Republic of China)," July 12, 2016. <https://pca-cpa.org/en/cases/7/>.
- The World Bank. "GDP Growth (Annual %) - China | Data." The World Bank, 2019. <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=CN>.
- . "GDP per Capita (Current US\$) - China | Data." The World Bank, 2019. <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=CN>.
- . "GDP per Capita (Current US\$) - United States | Data." The World Bank, 2019. <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=US>.
- . "Manufacturing, Value Added (% of GDP) - China | Data." The World Bank, 2019. <https://data.worldbank.org/indicator/NV.IND.MANF.ZS?locations=CN>.
- . "Top 8 Countries Voting Power | World Bank Group Finances." WBG Finances, 2017. <https://finances.worldbank.org/Shareholder-Equity/Top-8-countries-voting-power/udm3-vzz9>.
- United Nations. "United Nations Convention on the Law of the Sea." UN | Division for Ocean Affairs and the Law of the Sea, December 10, 1982. https://www.un.org/Depts/los/convention_agreements/texts/unclos/unclos_e.pdf.
- STOCKHOLM INTERNATIONAL PEACE RESEARCH INSTITUTE. "World Military Spending Rises to Almost \$2 Trillion in 2020 | SIPRI," April 26, 2021. <https://www.sipri.org/media/press-release/2021/world-military-spending-rises-almost-2-trillion-2020>.
- Xu, Jin, and Zheyuan Du. "The Dominant Thinking Sets in Chinese Foreign Policy Research: A Criticism: Table 1." *The Chinese Journal of International Politics* 8, no. 3 (September 2015): 251–79. <https://doi.org/10.1093/cjip/pov002>.
- Young, Simon N.M. "The Law of the People's Republic of China on Safeguarding National Security in the Hong Kong Special Administrative Region." *International Legal Materials* 60, no. 1 (February 2021): 1–17. <https://doi.org/10.1017/ilm.2020.64>.
- Zhang, Chunlin. *How Much Do State-Owned Enterprises Contribute to China's GDP and Employment?* World Bank, Washington, DC, 2019. <https://doi.org/10.1596/32306>.
- Zhou, Jinghao. "China's Core Interests and Dilemma in Foreign Policy Practice." *Pacific Focus* 34, no. 1 (April 2019): 31–54. <https://doi.org/10.1111/pafo.12131>.

APPENDICIES

1.1 – Territorial claims in the South China Sea (inc. Nine-Dash Line)



¹⁴¹ "South China Sea Verdict."

1.2 – Example of an artificial island in the SCS with PLA facilities (Fiery Cross Reef)



142

¹⁴² “Fiery Cross Reef.”

1.3 – Belt and Road Initiative (BRI) map

Land and Sea Corridors of the Belt and Road Initiative

--- Silk Road Economic Belt --- 21st Century Maritime Silk Road



143

¹⁴³ Chatzky and McBride, “China’s Massive Belt and Road Initiative.”