

Event Report

**The 19th Party Congress:
Implications for China's Foreign Policy**

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The 19th Party Congress and the related report are going to determine Chinese foreign policy for the next five years. The report is mainly focused in reaching China's rejuvenation and its elevation to a modern socialist prosperous society by 2050.

Xi Jinping's Thought dedicates only one out of twelve parts to foreign policy and ten parts to domestic policies, but the reform and transformation of the domestic policies has important external impacts. The next five years of Xi Jinping's presidency will be about reform, economic transition to a new domestic model and continued priority of structural transformation. During the two panels the speakers and participants discussed about the implications of these new transitions on foreign policy.

The first panel of the event focused on the political and security aspect of Chinese foreign policy. Particular attention was dedicated to China's new leadership position. China is now acquiring more moral authority and responsibility in international relations.

The second panel focused on the economic aspect of Chinese foreign policy. China's new confidence, ability to inspire and power to shape are defining Xi Jinping's model for Chinese globalisation and global governance. Economic diplomacy will be a crucial topic in the next five years. Projects such as the BRI are part of a new approach of long-term strategy in global economy.

Introduction

Delivering his opening remarks, Axel Goethals, CEO of the European Institute for Asian Studies, set out the context of the event: the implications of China's foreign policy in light of the 19th Party Congress. He mentioned the main principle of Xi Jinping's Thought, namely the rejuvenation of the nation and its elevation to a modern socialist prosperous society by 2050. China will put particular emphasis on advanced manufacturing, innovation and new technology, which are crucial to compete in today's global market. Xi Jinping's foreign policy will be more inclusive towards foreign companies and while opening its economy, China is opening itself to further cooperation and engagement.

Panel I. Chinese Foreign Policy and External Relations (Political and Security)

Introduction

Prof Xinning Song from Renmin University of China and VUB, briefly explained that Chinese foreign policy primarily serves to the domestic development – one of the reasons why Xi Jinping's report dedicates only one out of twelve parts to foreign policy, whereas it deals with domestic policy on ten parts. Also, for the first time since the 12th Party Congress the report does not mention the multilateral platforms. It stresses, however, the importance of a stable and balanced foreign power relationship. China sees itself as a maintainer of international order and no reforms of international order are mentioned in the report. Lastly, the report expresses China's intention of actively participating in global governance. The OBOR is such an example, since it is not a unilateral initiative, but it rather aims at offering a platform for international cooperation.

China's New Leadership Role

Prof Mario Teló stated that China is in a period of transition regarding its role in global governance. With the 19th Party Congress report, China sends the message that it is taking the leadership in terms of qualitative and sustainable growth, giving the country more moral authority, soft power and responsibility of taking action in international relations. It is a transition towards a self-conscious China, which comes in a very unstable and unpredictable time of foreign politics. In this regard, Prof Teló addressed five main questions.

The first question inquired the meaning of balance of power in Xi Jinping's understanding. On the one hand, there is a strong emphasis on military modernisation and the strengthening of fighting capabilities while on the other hand, Xi Jinping's paper advocates for a very defensive military approach. Also, the huge gap in defence budget between the US and China does not account for an emerging new bipolarity in military terms between the two nations. In his opinion, the concept of military power is very ambiguous and shows a great amount of asymmetry between the major powers. For instance, the US has a clear military superiority, but is not able to cope with real threats such as the cybersecurity threat.

Secondly, the concept of multilateralism, which had been part of the official discourse and practice for many years – especially during Hu Jintao's era – has not gained much attention in Xi Jinping's last report. Prof Teló gave two interpretations to this divergence from previous political behaviour: either multilateralism is seen as a too Western idea for

Chinese standards or the concept is not mentioned but exists in practice – as shown by Xi Jinping’s numerous multilateral activities (EPEC, G20, BRIC Summit, BRI, AIIB etc.).

Thirdly, Prof Teló raised a question regarding the difference and the link between the domestic regime evolution and foreign policy. As he explained, Western politics have not gained international peace policy without a previous transformation of the regime towards democracy. Xi Jinping displays a strong emphasis on top-down control instead. According to Prof Teló, this characteristic has to be analysed in historical terms: Chinese historical emphasis on freedom results from outside external influence while the Western ideology stresses that freedom is the constitutional freedom of the individual.

Fourthly, Prof Teló mentioned China’s strong emphasis on its openness in matters of global governance, which goes beyond the classical tenets of sovereignty and non-interference. China is now accepting a strong institutionalised global governance and is strengthening international institutions, as shown by its support of ASEAN, its support of the Responsibility to Protect (R2P) and its membership to the WTO.

Lastly, Prof Teló suggested that the time is ripe to sit together and foster a deeper discussion on EU-China ideational differences in order to find an upgraded level of convergence, reach sovereignty and share institutionalised multilateralism.

“New Era” and “New Diplomacy” as China’s Key Foreign Policy Principles

Prof Zhongqi Pan from Fudan University, explained the two main key topics of Xi Jinping’s report: the concepts of a Chinese “New Era” and “New Diplomacy”. The concept of New Era refers to both the domestic and the foreign spheres. Regarding the foreign policy, the report stresses that China is moving closer to the centre stage of international relations and can therefore make greater contributions to mankind as a community. China is the world’s largest developing country, but the principal contradiction facing Chinese society of an unbalanced and inadequate development and the people’s ever-growing needs for a better life represents a historic shift. Reforms and the opening of China’s economy are going to continue, especially with a supply-side structural reform to transform its growth model, improve the economic structure and foster new drivers of growth. Also in politics, four dimensions will dominate: the strengthening of a law-based governance, the emphasis on China’s socialist democracy, the military upgrade to strengthen China’s economy and security and the CPC leadership.

Regarding the concept of New Diplomacy, China’s major rationale is to further advance its diplomatic agenda and create a favourable external environment for its development. China’s aim is to foster a new type of international relations and to build a community with a shared future for mankind. In order to do so, China sees the importance of developing state-to-state relations, strengthening its global partnerships and expanding the convergence of interests with other countries. Also, China values the importance of engaging in global governance with the principles of co-consultation, co-building, co-sharing by offering the Chinese expertise to solve mankind problems, safeguarding world peace, contributing to global development and upholding international order. Prof Pan concluded by mentioning China’s strong commitment and contributions to the fight against climate change as a successful example.

China's Security and Foreign Policy Challenges

Prof David Fouquet from CERIS, focused his speech on China's security and immediate foreign policy challenges. China has been moving from traditional defence mechanisms to a more modernised military. The reason of this shift and military deployment is to date back to the first Gulf War, when the US deployed electronic warfare. The Chinese leadership realised they were in a different era themselves and considerably increased the defence spending and the modernisation for securing its territory, its national sovereignty and to assume its rightful position in a new environment – especially the maritime environment.

Prof Fouquet then mentioned China's foreign policy hotspots: The South China Sea issue (and the related question on whether there will be an agreement on a new Code of Conduct with ASEAN neighbours) and the development of the Indian-Chinese border dispute. However, the most pressing priority is China's diplomacy and its dynamics dealing with North Korea. The North Korea issue does not only involve a confrontation between the US and North Korea but also involves military and diplomatic dynamics between China, South Korea and Japan. It remains to be seen how these parties will cooperate, relate to each other or compete with each other. As a matter of fact, China has a treaty of friendship and support with North Korea, which is, however, due to expire, increasing even more the uncertainty about the relationship of the two countries.

There is, therefore, a whole security-related agenda for China after the 19th Party Congress that needs to be evaluated. Prof Fouquet forecasted China's new role in foreign security issues, stating that China has gained new confidence and is assuming a new role in the Middle East, in Africa and in other areas where it has not been prominent or traditionally involved before. China now has much greater global interests.

The New Balance of Power in China

Prof Yuan Feng from ULB, agreed that China is showing to be more proactive and ready to take more responsibilities. The country is investing more in its military not because it foresees a war, but because it wants to increase and assure its negotiating power as well as its defence capabilities. Prof Feng addressed the question of balance of power between soft and hard power. In her opinion, soft power is the power of institutionalization, that means how to use the institutions to shape the demands of the people. China is actively trying to build new institutions, the latest examples being the BRI and the Asian Infrastructure Investment Bank. However, Prof Feng wondered what the relationships between soft and hard power are and inquired about the tools to reach this balance. The aim is, in her opinion, the realization of the Chinese dream. However, it remains unanswered whether multilateralism and multi-polarity can be understood as the tools to achieve this goal. Nowadays, China's activities on security have enriched. China has greater national and global interests; therefore, China is providing new way of constructing and guaranteeing its interests.

China's Proactivity and Responsibility Reshape its Role as Global Power

Xavier Nuttin, Senior Associate at the European Institute for Asian Studies, started his exposé with quotations of Xi Jinping's speech: "Beijing does not seek global hegemony, but no one should expect China to swallow anything that undermines its interests", and

“it is time for China to transform itself to a force that could lead the world”. These two statements define the two key points of the report: to strengthen the party control over the domestic economy and to become the world leader. China’s past successes and achievements have increased the country’s confidence, leading to a greater assertiveness in global affairs. As a matter of fact, China is trying to offer an alternative development and governance model through new institutions, such as OBOR, giving China the possibility to be more active in its foreign policy. Also, China is increasingly proactive in soft power activities and is taking up more responsibilities, as lastly shown by its active participation in and commitment to the Paris Climate Agreement.

In his report, president Xi Jinping has given a long-term view of China’s global ambitions. As a matter of fact, more than 2000 years ago, along with India, China was the greatest power in the world and is now reclaiming its rightful place in the world, said Mr Nuttin. However, this is happening in a period where the West is getting weaker – through Brexit, the rise of populist movements etc. Based on this “window of opportunity” in the West, president Xi Jinping is building a new global system, supporting globalization, free trade and multi-polarity with the objective of increasing its global power.

Q&A Session

Participants asked whether China’s increased responsibilities imply that China will assume global leadership. Ms Feng answered by making a distinction between leadership and responsibility. In her opinion being a leader means to unite and make agents or people work together. Also, China has shown to take responsibility in various situations, such as its commitment and contribution to the Paris Agreement. This, however, does not necessarily mean that China is becoming a leader, Ms Feng explained.

In a further question the audience asked what can be understood under the Chinese dream and how can China state that the Chinese dream is the world’s dream in a time where the world is getting rid of dictators and dogmatic leaders, while China is seemingly doing the opposite, as exemplified by its support to the Myanmar government. Prof Pan explained that the Chinese leadership is trying to connect the Chinese dream to the world dream. China does not believe that the dreams of a country are competitive to the dreams of other countries. Instead, all countries seek the same things such as peace, security, a healthy ecosystem etc.

Referring to China’s apparent support to the Myanmar government, Ms Feng explained that this situation represents a dilemma for China. On the one hand China does not want to interfere with the Myanmar government, but on the other hand China does not want to neglect its international duties. It is, therefore, as Ms Feng suggested, of utmost importance that such situations are tackled by supranational institutions such as the United Nations.

A further question dealt with the increase in Chinese military spending. Prominent academicians go as far as to forecast a military conflict between the greatest powers. Also, the fact that the current American presidency is undermining global governance and global institutions raises the question of China’s role on how to avoid this Thucydides trap – especially taking into account the EU’s relative inertia in its role. Mr Fouquet stated that being a rising power affects China’s thinking, planning and its strategy. The US has been the dominant force in the region as well as globally and China feels now challenged. We

dispensed the concept of core issues that seem to be very prominent in Chinese thinking. However, he added, it's obvious that there are priority issues, territorial integrity, national sovereignty over greater China. The US tested that: just recently the House of Representatives passed an amendment to one of the bills saying there should be US navy port calls in Taiwan, which would have been a dramatic evolution of the situation. China diplomatically reacted quite vocally and the senate voted down the amendment. Mr Fouquet also reminded that Western leaders have asked China to become a responsible stakeholder for years, so China is now taking on this role. Regarding who decides foreign policy in China he explained that it is a consultative and collective leadership and decision-making process with a very steep pyramid, but there is a whole foreign policy establishment, not the least of which are the Think Tanks and the academic community. Prof Pan argued that the EU is indeed very important in order to prevent American unilateralism. As an example, he mentioned the negotiation of the Iranian nuclear deal, which saw a successful EU-China cooperation in bringing the US to the negotiation table. Prof Teló emphasised the importance of statistical data when it comes to discussion on a possible war and Chinese militarisation. He explained that China is not in a position to start military confrontation with the US, because the gap in military spending between China and the US is very high and increasing every year. What is at stake, is a new balance between national interests and the strengthening of international organisations. He also disagreed that China is not multilateral. Multilateralism has been mentioned only one time in the 19th Party Congress report, however, it is very present in practice. Prof Teló emphasised that there is a huge difference with the previous historical legacy of the Chinese Communist Party. The understanding of national sovereignty in harmony with strengthening of multilateralism is something new. It is in this aspect that it is important to understand and deepen the convergence with the EU. As Prof Teló concluded, the more China is supporting multilateral cooperation at regional and global level, the more the convergence with the EU will be possible.

A last question touched upon the development of China's military and the assertiveness in the South China Sea. Prof Pan explained that China's behaviour cannot be qualified as either aggressive or assertive, but instead reactive. Since 1949 China has not taken action neither in the South China Sea nor in the East China Sea dispute. However, since last year countries such as Vietnam and the Philippines have moved forward, and China has followed suit. Also, he mentioned that China has made great progress with the Code of Conduct (COC) on the South China Sea and that the Chinese approach is helping in solving this dispute.

Prof Teló emphasised the importance of the COC of the South China Sea and the framework of its negotiation. As a matter of fact, China is supporting ASEAN in the Asia-Pacific architecture, as its support for ASEAN+1, ASEAN+3 and ASEAN+6 show. This displays China's commitment to regional and global cooperation.

Panel II. Chinese Foreign Policy and External Relations (Economic)

China's Economic Position in the Global Context

Dr Duncan Freeman started his presentation by mentioning the global context of the major economic actors. Globalisation has had a significant political and policy impact on China, the US and the EU, especially regarding the export of goods and services. What can be observed from the last years is a decline in exports of the US and the EU and a rise in China. A similar picture can be observed with regards to investment flows. While the EU's investment inflows and outflows have been fluctuating, especially since the 2008 financial crisis, China is still maintaining relatively stable investment inflows.

The GDP on Purchasing Power Parity basis is also a means of comparing global output. A current IMF calculation estimates that China is the largest economy in the world. Compared to a relative decline in share of both the EU and the US in the global economy, China's global GDP share has been constantly rising. In 2015 China accounted for over 33 percent of the GDP growth in the global economy, compared to the EU's 10 percent and the US' 14 percent. The importance and power of a country, therefore, does not only lie in the relative size of its economy, but also in its contribution to global growth.

Dr Freeman further explained that wrong assumptions are made about China being an investment, FDI and export dependent economy. For instance, exports as a share of GDP peaked just before the 2008 crisis and have been declining ever since (from 35 percent to less than 20 percent today). For the EU, however, the trend has shown to be the exact opposite. Especially the German economy is very dependent on exports. This trend shows that the relationships are changing among the economies in the world.

Dr Freeman subsequently offered an interpretation of the economic component of the 19th Party Congress report. He explained that most of what is addressed in the report in terms of policies for the future is about domestic policy. The external dimension does occupy a relatively small part of the report itself, but the reform or the transformation of the domestic economy has important external impacts as well. And even though the political agenda does not contain dramatic changes, the new Chinese era might show some degree of acceleration in implementing the new policies and strategies. The next five years of Xi Jinping's presidency will be about reform, economic transition to a new domestic model and continued priority of structural transformation, especially regarding the Chinese economy and the role of manufacturing, big data and artificial intelligence.

The Link Between China's Domestic and Foreign Policy

Dr Frederik Ponjaert commented on the previous presentations by stating that China has become more confident, the regime is expected to be heard, has a plan of its own and every political dimension of the congress is a continuation or direct spill-over from the domestic strategies, concerns and decisions. In order to understand the relevance, usefulness, potentials or dangers of what China is doing internationally, it is useful to assess how pertinent or opportune the domestic decisions are. And even though China's economic role is changing, the economic tools that are being employed are marked by continuity.

Dr Ponjaert also addressed the EU's expectations from China's economic role. He claimed that the EU wants to understand whether European actors will still be able to make money in China and not whether China will take over. The overriding concern is, as he explained, that China – as rich as the country might be – still faces the dangers of the middle-income trap and has not reached a fully developed economy, yet. In this regard, he raised the question whether the Chinese model of economic growth and the domestic agenda is fit to purpose for a shift from a middle-income to a full developed country.

Dr Ponjaert also commented on China's economic geopolitics and the OBOR, which is one of the most visible components of China's international agenda. Taking OBOR as an example, Dr Ponjaert raised the question on how EU policy makers and economic actors should assess China's international and economic geopolitical role. OBOR defines China's current international economic model: while remaining committed to the multilateral framework, such projects are embedded in bilateral initiatives raising the question whether there might be a shift between bilateral and multilateral priorities in China.

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