

**CHINA'S APPROACH AND PERCEPTION TOWARDS
INFORMAL MULTILATERAL GROUPINGS¹**

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Introduction

China's rapid ascendancy has resulted in its increasing involvement as well as influence in global affairs. Nowadays, while its economic dynamics are essential to the world economy, China is playing a prominent role in global affairs. But China's involvement in global affairs has been passively rather than actively oriented: despite rapid growth of its influence, Beijing's approach towards foreign affairs resulted in a large part from its responses to a changing external environment conferred to China. Beneath this passiveness lies not only Beijing's deep-seated suspicion towards the West-dominated world order, but also a fundamental dilemma Chinese leaders have faced in their endeavour to promote modernization, i.e., while China has to integrate itself in the existing international system so to sustain its development and stability, the US-led western countries, the perceived custodians of this system, have reckoned China's rise largely as a threat rather than compensation to the world order as well as their dominance. To maintain an image of "peaceful rise" so as to minimize the risk of being "contained", China's involvement in global affairs, especially when dealing with the US-led West, tends to be more accommodative than confrontational, and her approach towards informal multilateral groupings (IMG) such as G8+5 was largely to cope with the US-led West in order to achieve the compromises that would optimize China's options and minimize the (potential) risks.

But the on-going global economic crisis has brought about significant changes in China's external environment, propelling Beijing to reassess the world situation as well as the role China can and should play in global affairs. Given China's increasing stake in world peace and prosperity, the growing confidence of the Chinese public at home, and constant demands that China must be "a responsible stakeholder" for world

peace and development, it is inevitable that China will be more proactive in world affairs, resulting in a reorientation of its approach to IMGs. China's more assertive behaviour at G20 and other international gatherings have clearly demonstrated this trend, although China remains a revisionist, rather than revolutionary, power in the existing international system.

This paper seeks to explain China's evolving perception and policy towards the outside world, with a focus on its changing approach towards the United States and West-dominated IMGs, since the late 1990s when the G8 extended an invitation to China. The fundamental argument is that China's approach towards these IMGs is based on Beijing's pragmatic assessment of China's long-term development goals, rather than ideological values or nationalistic demand. The analyses focus on three phases in which we have observed significant changes in Beijing's approach towards the outside world.

The first phase was from 1989 to 2001, during which China was reluctant to be involved in the IMGs due to its besieged mentality and deep-harbourred suspicion towards the West. But a series of events in the late 1990s and 2001 brought about a significant change in Chinese leaders' view of the outside world as well as the role China should play in international affairs. Realizing that China had already been an integral part of the existing world system, China's ruling elites reached a persistent consensus that China had to avoid a zero-sum game, hence confrontations, with the major powers, especially America, in order to secure a peaceful external environment that is necessary to sustain China's development and stability. As a result, Beijing adopted a grand strategy of "peaceful development" in order to maximize China's interests and minimize the risks in the West-dominated international system.

However, it is apparent that China has become more confident and assertive in global affairs since 2008 as Chinese leaders have keenly realized that China has to be more pro-active role in global affairs in order to protect China's interests. Thus, there is a substantial change in China's approach towards international affairs as well as the IMGs. While G20 has provided China with a larger platform to play a prominent role at the central stage, its interest in G8+5 seems to have declined. Indeed, as China's policy focus is shifting to Asia-Pacific, its interests and stake in global affairs seem to have outgrown the platform provided by G8+5, although Beijing is apparently trying to court EU, not just advance China's interests but to gain more leverage in dealing with America.

In addition to Introduction, this paper consists of six sections. It starts with a review of China's approach towards IMGs prior to the twenty-first century. Section II focuses on a series of events in 1997-2001 that precipitated Beijing's reassessment of China's position and role in the existing international system, resulting in the "new thinking" in China's approach towards the outside world. It was upon this "new thinking" that the grand strategy of "peaceful development" emerged as the guiding principle in China's foreign affairs.

Section III provides a detailed examination on how concrete policies were adopted under the strategy of "peaceful development". Section IV focus on China's cautious but more confident engagement with the IMGs in an effort to cultivate a strategic balance with a "framework of big-power relations". The analysis in Section shows that despite China's increasing influence in international affairs, Beijing still holds certain reservations towards IMGs. However, as the global economic crisis has further highlighted China's power and influence, Beijing has become more confident

in global affairs. Section VI looks into China's current approach towards the IMGs, which leads to the conclusion of this paper.

I: *China's Approach prior to 21st Century*

China went through enormous difficulties in the early 1990s. In addition to harsh sanctions by the US-led coalitions after the Tiananmen tragedy, the collapse of the Soviet Union and the communist bloc gave rise to a political and diplomatic momentum against the Chinese Communist Party (CCP) that was still in power. This unfavourable external environment exacerbated internal economic hardships,² which was caused partly by the hard-landing after the two-digit inflation in the late 1980s, and partly by the leadership's indecisiveness due to the internal policy dispute over whether the Reform policy should be altered, as the hard-liners argued (correctly) that it was essentially the Reform that had led to the 1989 crisis. The external pressure and internal difficulties had brought about a besieged mentality among the CCP ruling elites as well as the general public. This mentality, together with the Cold War legacy, induced a deep-seated suspicion and scepticism towards the West-dominated IMGs.

It was under such a situation that Deng Xiaoping laid down the strategy of *taoguang yanghui* (hiding capacities and biding [our] time) as the guiding principle in China's foreign affairs. Specifically, this strategy was summed up by "twenty-four characters" Deng expressed in various occasions in 1989-1990:

Observe sober-mindedly; secure our position; cope with [external] affairs calmly; hide our capacities and bide our time; be good at maintaining a low-profile, and never claim leadership.³

² In 1989-1991, China's average annual GDP growth rate was barely 5.7%, far below the average of 9% in 1980-2010. See Charts 1 and 2 in Appendix.

³ The 24 characters are: "*lengjing guan cha, wenzhu zhenjiao, chenzhuo yingfu, taoguang yangwei, shanyu shouzhuo, jue budangtou.*" Deng first raised this strategy in his talk with several CCP leaders on 4 September 1989. See *Deng Xiaoping sixiang nianpu* (Chronology of Deng Xiaoping's Thought)

According to this strategy, China had to cope with the challenges from abroad, while the policy focus was on economic development on the one hand and cracking-down political oppositions at home on the other hand.

As a result, Beijing was slow to embrace multilateralism, and reluctant to engage the IMGs in international affairs. This was best evidenced by Beijing's rejection to the invitations by the G8 in 1996, 1998 and 2000.⁴ These repeated refusals revealed not only China's deep-harboured suspicions towards such IMGs, but also Beijing's concern that China would be exposed at a disadvantageous position, economically and politically, at the G8 summits. Economically, with neither a fully developed market economy nor the WTO membership, China could have gained little at the G8 summits but invited more demands and pressure to fully open up its market to the western capitals and products. Politically, a China that had been embargoed by the US-led western countries because of the 1989 Tiananmen tragedy would only be exposed for criticism and political pressure at the G8 summits. Indeed, in an attempt to force China to embark on democratization, the G8 were all supportive to the US policy of linking the Most-Favoured-Nation (MFN) status with China's human rights record. Although President Clinton eventually dropped this policy in his second term, promoting human rights, freedom and democracy in China remained a joint policy goal among the G8 governments.⁵

1975 – 1997, composed by the CCP Central Department for Research on Party Documents, 1998, p. 435. He later further developed this strategy in a series of talks in 1989-1991. For more detailed discussion of this strategy, cf., *taoguang yanghui, yousuo zuowei – Deng Xiaoping waijiao sixiang qianyi* at: http://news.xinhuanet.com/world/2004-08/09/content_1741467.htm.

⁴ “Hu's trip represents China's global diplomatic perspective”, *Xinhua News* (6 June 2003).

⁵ The Clinton Administration eventually delinked the MFN with the human rights issue in 1994 partly because of the opposition by business community at home, and largely because the policy did not really produce the expected outcomes. Cf. CRS Issue Brief 92094: Most-Favoured-Nation Status of people's Republic of China, December 6, 1996, at <http://www.fas.org/man/crs/92-094.htm>.

Scepticism concerning the IMGs was also linked with Beijing's's suspicions of US role, especially its military presence, in Asia. It had been China's persistent position (till 2001) that the US troops had to withdraw from Asia. Chinese leaders seemed to be convinced that after the collapse of the Soviet Union, the ultimate US policy goal in Asia was to contain China so as to keep China under its influence. As Deng Xiaoping said in his meeting with a Japanese delegation on 1 December 1989:

The Western world, especially the United States, incites turmoil in many countries. They are in fact carrying on power politics and hegemonism in order to control these countries. They attempt to pull these countries into their sphere of influence. Seeing this point clearly helps [us] to realize the essence of the matter.⁶

Hence, it is not surprising to note how China shunned the IMGs that had a semblance of US involvement.

Moreover, China was unwilling to be relegated to the second-rate status. This sentiment was perpetuated by Beijing's perception that Russia was belittled at the G8 summits since her induction into the group in 1998. Russia was excluded from the financial meetings as it was not recognized an economic powerhouse, and the western countries had placed immense pressure on Russia to reform its political system which, in their terms, was deemed as unsuitable for democratic stability. Even up to 2005, US Senators Joe Lieberman and John McCain still called for Russia to be suspended from the G8 until President Putin would ensure thorough democratic and political freedoms.⁷ Given that Beijing had been subjugated to severe criticism by the West on political issues, there was little incentive and motivation for China to attend the G8 summits only to be scolded by the others.

⁶ *Deng Xiaoping sixiang nianpu* (Chronology of Deng Xiaoping's Thought) 1975 – 1997, p. 445.

⁷ Stephen Twigg, Hugh Barnes and James Owen, "Russia in the Spotlight: G8 Scorecard", *The Foreign Policy Centre* (January 2006), p. 13. Accessible at <http://fpc.org.uk/fsblob/686.pdf>.

However, towards the beginning of the 21st Century, a series of events had brought about a fundamental change in Beijing's view of both the outside world and China's position in international affairs. As a result, the Chinese leadership adopted a grand strategy of "peaceful development" based on their reassessment of the outside world as well as the role China could play in world affairs. This strategy was based on the leadership consensus that China's rise had to be achieved through peaceful integration into the existing international system. Thus, the Chinese leadership saw the maintenance of a stable, or at least workable, Sino-US relationship as "the core issue"⁸ concerning China's long-term development and stability. Indeed, at the time the US and its allies were not only dominant in the existing international system, but also possessed the technical know-how, resources and markets that were necessary for China's development. Furthermore, the US has the capability of inflicting serious threat to China's security.⁹

Moreover, keeping Sino-US relations stable was the key for China to sustain a peaceful external environment. Thus, China reoriented its approaches towards North Korea, Taiwan and Japan under the strategy of "peaceful development". The aim was not just to diminish the potential sources of confrontation, but to cultivate common grounds with the US over these thorny issues concerning regional peace and security in Asia-Pacific. In addition, China also adopted a "good neighbourhood" policy in

⁸ Quoted from Niu Jun in Song Nianshen, "Zhongguo zhoubian waijiao fenliang zhong" (China's peripheral diplomacy carries a heavy weight), *Global Times* (12 December 2003), p. 7.

⁹ Cf. Jing HUANG, "China and America's Northeast Asian Alliances: Approaches, Politics, and Dilemmas", in Michael H. Armacost and Daniel I. Okimoto, ed. *The Future of America's Alliances in Northeast Asia*, Washington DC: The Brookings Institution Press, 2004, pp. 237-249

Asia to “seek cooperation, put aside disputes so as to avoid confrontations... [and] promote multilateral communication and cooperation.”¹⁰

Meanwhile, China strived to develop a “framework of big-power relations”, through which not only could China utter her voice and exert her influence, but also gain leverages in dealing with America. This effort led to the reorientation of China’s policy towards the IMGs, especially the G8.

II: Reassessment of China’s Foreign Policy: Three Fundamental Dilemmas

In retrospect, three watershed events that took place in 1997-2001 exerted a far-reaching impact on China’s foreign policy, precipitating a new approach towards international affairs. These events are the Asian Financial Crisis (AFC) in 1997-1998, the bombardment of the Chinese embassy in Belgrade on 7 May 1999 and the EP-3 incident on April 1 2001.

Asian Financial Crisis in 1997-1998: Like all the Asian countries, the AFC caught China in surprise. The dramatic financial meltdown in not only developing countries but also well-developed ones such as South Korea presented a stern reality to Beijing how external economic activities, especially reckless speculations from the outside world, could devastate a seemingly booming economy. Moreover, having witnessed the harsh treatment and tough deals the World Bank and International Monetary Fund (IMF) offered to the struggling Asian countries, the Chinese leaders came to realise the necessity for active engagements with the West-dominated IMGs and international financial regimes. Such engagements would enable China not only to gain valuable

¹⁰ This approach was raised in Jiang Zemin’s “Report to the 15th CCP National Congress”, *Shiwuda yilai zhongyao wenjian xuanbian* (Collection of the Important Party Documents since the 15th Party Congress), Vol. 1, Beijing: People’s Press, 2000, p. 42-43.

insight on international economic affairs, but also foster economic cooperation with the world establishment so as to protect China's interests, especially in times of crises.¹¹

The relentless onslaught by foreign financial speculators on the Hong Kong Stock Market (HKSM) and Hong Kong Dollars (HKD) in 1998 further convinced the Chinese leadership that China's economy was also vulnerable to external pressures and shocks as China was increasingly integrated in the global economic system. As a matter of fact, China was not spared from the contagion effects of the AFC, despite having its origins in Thailand. China's exports dropped from a 20 percent growth rate in 1997 to merely 0.5 percent in 1998 and the value of foreign investments were at its lowest during the crisis.¹²

But the AFC also gave the Chinese leaders an unfound confidence in China's capacity and influence. With Beijing's all-out support, both the HKSM and HKD weathered frenzy speculation from abroad. With HKD standing firm, the Chinese Yuan (RMB) as well as economy remained stable. As a result, the bug was stopped in Hong Kong, and the AFC was contained in Asia before it could expand into a larger crisis. Furthermore, China played a prominent role in mitigating the consequences of the crisis by adopting a series of pro-active policies to assist the economically plagued Asian countries, especially the ASEAN member states.¹³

¹¹ Huang's interview with Mr. Cheng Siwei, former Vice-Chairman of the PRC National People's Congress, on 3 September 2010.

¹² "China Casts Shadow of Asian Financial Crisis", *People's Daily* (29 June 2000).

¹³ China participated in the IMF-organised aid projects and supplied USD 4 billion worth of aid to Thailand and other Asian countries. It also offered Indonesia export credit and emergency medicine. See Ministry of Foreign Affairs of the People's Republic of China, "Pro-Active Policies by China in Response to Asian Financial Crisis", 17 November 2000. Available from <http://www.fmprc.gov.cn/eng/ziliao/3602/3604/t18037.htm>.

The decisive role China played in containing the AFC greatly boosted China's influence and status in Asia. Having realized that regional economic integration was irrevocable amidst globalization, the CCP ruling elites came to see that it served China's interest to make its development conducive to regional peace and prosperity, upon which hinged China's own development and stability. Thus, "developing a win-win situation" with the outside world, especially with the Asian countries, is not just Beijing's diplomatic rhetoric, but a policy China has tried to practice.

Bombardment of the Chinese Embassy in Belgrade in 1999: The bombing of the Chinese Embassy in Belgrade by a US stealth-bomber on 7 May 1999, which the US has insisted as an accident, revealed the painful reality to the Chinese leadership that China did not have sufficient hard power to safeguard its fast expanding interests across the world. While Beijing condemned the bombing as a "gross encroachment on China's sovereignty and a wilful trampling on the Vienna Convention on Diplomatic Relations as well as the basic norms governing international relations", there was little else that China could do, apart from the halting of diplomatic relations with the US.¹⁴ Without a global-reach military capability (which China would not possibly have in the foreseeable future) that could match the US military might, China would have to find an alternative way to best utilize her resources and power in conflict solution without causing a massive confrontation with major powers, especially America.

Equally important was how this incident demonstrated to Beijing the potential backlash of nationalism onto political stability at home. As a result of this bombing, China witnessed the largest demonstrations since the 1989 crisis. Thousands of angry Chinese took to the streets in virtually all the major cities in China, chanting anti-US

¹⁴ Ministry of Foreign Affairs of the People's Republic of China, "US-led NATO's attack on the Chinese Embassy in the Federal Republic of Yugoslavia", 15 November 2000. Available from <http://www.mfa.gov.cn/eng/wjb/zzjg/bmdyzs/gjlb/3432/3441/t17317.htm>

and anti-NATO slogans. In Beijing, over 100,000 people stomped into the embassy district, armed with bottles, tomatoes and stones. In Chengdu, angry demonstrators set fire on American Consulate.¹⁵ Rising nationalistic resentment had not only threatened to derail the efforts at maintaining stable Sino-US bilateral ties, but also undermined political stability at home, upon which hinged the very survival of the CCP regime.

Although the Chinese government had eventually managed to appease public grievances while at the same ensuring that its approach would not jeopardise the Sino-US relationship, the wave of nationalistic sentiments remained a major concern of the CCP leadership for years to come – after all, the CCP should know better because it was by riding on nationalistic resentment against Western imperialism and Japanese invasion that the CCP had successfully led a revolution and came to power in 1949. Thus, it has been a constant effort of the Chinese leadership to move away from a foreign policy grounded in nationalistic sentiments ever since the 1999 bombardment of the Chinese Embassy.

EP-3 Incident on 1 April 2001: The US military had routinely conducted surveillance around China. And such surveillance activities were intensified along the coastal areas in East and Southeast China in the late 1990s, as China sped up its military build-up after the 1995-96 missile crisis in the Taiwan Strait.¹⁶ This exacerbated Beijing's suspicion of the US intentions. As China's military capability increased, so did the aggressiveness of its response towards the US surveillance. With this backdrop, a Chinese F-8 fighter jet collided with an EP-3 in a daring manoeuvre to block the latter from conducting surveillance off Hainan Island in Southeast China on 1 April 2001.

¹⁵ British Broadcasting Corporation (BBC), "1999: Chinese anger at embassy bombing". Available from http://news.bbc.co.uk/onthisday/hi/dates/stories/may/9/newsid_2519000/2519271.stm

¹⁶ See Jing HUANG (with Xiaoting LI), *Inseparable Separation: the Making of China's Taiwan Policy*, Singapore: World Scientific Publishing, 2010, pp. 196-203.

While the Chinese F-8 fighter went down (with the pilot missing), the damaged EP-3 made an emergency landing on Hainan Island. China detained the crew members and the EP-3 itself.¹⁷

This incident compelled the Chinese leadership to take serious consideration whether China could afford a massive standoff with the US and its allies. The CCP ruling elites could see that the US has vital interests in Asia. Although some of the US interests are inconsistent and even in conflict with those of China's, the two countries shared a substantial stake in maintaining peace and prosperity in the region. Beijing realized that China could actually benefit from being accommodative to the US vital interests in the region as long as the US respected and accommodated China's "core interests", namely "stability and security of the [CCP] political system, national sovereignty and territorial integrity, and economic development".¹⁸ Given the US dominance in the regional security arrangements, it did not serve China's interests to take a hard-line stance on the EP-3 incident at the expense of US-China relations.¹⁹ Thus, the crew members were released and the plane, after being disassembled in pieces, was returned to the US.

The lessons China's leaders had learned from these events spurred them to reassess China's foreign policy. At the dawn of the 21st century, several leading think-tanks and research institutes in China sponsored a series of "national research projects" on the world situation and China's approach towards international affairs.

¹⁷ British Broadcasting Corporation (BBC) News, "Who caused the crash?" (5 April 2001). Available from <http://news.bbc.co.uk/2/hi/asia-pacific/1260290.stm>

¹⁸ PRC Council Dai Bingguo explained these "core interests" of China at the 1st Round US-China Strategic and Economic Dialogue in July 27-28 in Washington DC. Cf. <http://www.chinaneews.com.cn/gn/news/2009/07-29/1794984.shtml>.

¹⁹ The author interviewed two reliable sources in Beijing in March 2002. According to them, the Center (i.e., the central leadership) had issued instructions that the [handling of] the event must not interfere with the general direction of maintaining stable Sino-US relations.

The findings of these projects showed that there were three fundamental dilemmas in China's endeavour for "great national revitalization".²⁰ And Beijing's effort to overcome these dilemmas resulted in the grand strategy of "peaceful development".

Dilemma 1: China's rapid rise vs. the absence of a global-reach military capability.

Unlike the other global powers in history (e.g., the Great Britain, the US, Germany, Japan, and the Soviet Union) whose rises were pre-conditioned by a military capable of fighting a massive war far beyond their borders, China does not have (and will hardly have in the near future) such a global-reach military capability. Yet China's national interests have been entrenched all over the world due to her rapid growth amidst globalisation. In 2000 China already had a total of 23,565 contracts involving foreign entities, with investment amounting to 14.94 billion US dollars.²¹ Meanwhile, economic exchanges with foreign countries, especially the G8, increased rapidly. By 2000, China's foreign trade had reached US\$ 474.29 billion, making up 44.53% of China's total GDP.²² The trade with the G8 countries was 54.2% of China's total trade volume, of which bilateral trade with the US, Japan and Germany making up 24.52%, 17.54%, and 4.153% respectively.²³ How could China, whose interests had extended

²⁰ From 1999 to 2001, Beijing began to give serious consideration to the role that a rising China would play in world affairs. Accordingly, several leading Chinese research institutes and think tanks sponsored a series of research projects on a wide variety of topics, including trends in world politics, China's development strategy and its foreign and security policies, and China's place and role in global affairs. The policy recommendations produced through those research projects exerted substantial impact on Chinese policymaking, especially in the wake of Hu Jintao's rise to the pinnacle of power. This author participated in several workshops conducted as part of the projects and wrote four policy papers specifically on these dilemmas.

²¹ China's contract with foreign entities reached 163,881 in 2008, with investment worth of US\$113.01 billion. See, National Bureau of Statistics of China, "China Statistical Yearbook 2009".

²² See publications by the PRC National Statistic Bureau, available at http://www.stats.gov.cn/tjsj/ndsj/2001c/mulu_q.htm.

²³ In 2008, China's trade with the G8 countries amounts to 39.2% in her total trade volume, with bilateral trade with the US, Japan and Germany making up 15.964%, 10.393%, and 4.486% respectively. See **Chart 3** and **Table 1** in **APPENDIX**.

far beyond its borders, protect her fast-growing interests overseas without an adequate military power?

Dilemma 2: Despite inevitable conflicts of interest, China must avoid confrontations with the US. There is bound to be conflicts of interest between a rising China and the US, given the latter's vital interests in keeping her dominance in the world, especially in Asia-Pacific. The Chinese leadership is keenly aware that it would be suicidal to confront the hegemon. In fact, even the perception that a rapidly rising China would challenge America's dominance could provoke a full-fledge US containment against China, which would engulf China in a perilous situation. Indeed, after the collapse of the Soviet Union, China could not afford to adopt an antagonistic stance towards US operations in the region.

Dilemma 3: Major threats are from home but triggers are abroad. After the collapse of the Soviet Union, virtually all the major problems threatening China's stability under the CCP rule are found at home. Yet, the exacerbation of these explosive issues could all be triggered by activities abroad. For instance, China has grappled with the Tibet "problem", but from Beijing's perspective, this issue has been complicated by the interventions of "foreign forces" that support the Dalai Lama and his demand for "genuine autonomy" of *all* the Tibetan-inhabited areas (which makes up one fourth of China's territory). Furthermore, all the other thorny issues – the Uyghur's struggle for separation in Xinjiang, anti-foreign nationalism, the human rights issue, the demands for democratization, and all kinds of anti-government activities – can be stirred up and promoted by activities outside China. While the Chinese leadership has to carry on the policy of reform and openness in order to sustain China's development, it is a mission

impossible for the CCP regime to keep China insulated from the political influence from the international community.

Holistically, these three fundamental dilemmas have propelled the Chinese leaders to make a profound policy readjustment in order to prevent these dilemmas becoming a bottleneck in China's ascendancy. Specifically, China needs to work out a strategy to protect its growing interests across the world without resorting to military power, to dodge confrontations with mighty America without compromising her "core interests", and to maintain domestic stability under the CCP rule without undermining China's relationship with and status in the international community.

In retrospect, the process of this policy reorientation was coincident with the accession of the fourth-generation leadership headed by Hu Jintao in 2002-2004.²⁴ The strategy of "peaceful development" was fully established when Hu assumed the Chairmanship of the Central Military Commission (CMC) in 2004, which marked the accomplishment of the leadership transition from Jiang Zemin to Hu Jintao.

III: "Peaceful Development" and Cultivating Common Ground with America

At the Sixteenth Party Congress in November 2002, the newly-established fourth-generation leadership pledged continued allegiance to Deng Xiaoping's time-honoured exhortation that development was China's fundamental priority. The newly-adopted CCP constitution declared that China "must persist in regarding economic development as its central task, and *all other work* [emphasis added] must be

²⁴ In CCP politics, Mao Zedong and his comrades are called the 1st generation leaders; Deng Xiaoping and his team, the 2nd generation leaders; Jiang Zemin was the "core of the 3rd generation leadership"; and Hu Jintao was "the center of the 4th generation leadership".

subordinate to and serve this central task.”²⁵ Having realized that a US-led, rule-based world order was the foundation for world peace and prosperity in the post-Cold War era, the CCP’s Political Report approved by this Congress pointed out that “the first two decades of the twenty-first century constitute an important era of strategic opportunities [for China], which we must seize tightly so as to bring our strength into full play.” Thus, the report called on a rising China to “*participate in international economic and technological cooperation and competition on a broader scale, in more spheres and at higher levels* [emphasis added] ... and accelerate reform and development by opening up.”²⁶

Thus, it was a consensus of the CCP leadership that to sustain China’s development and stability, China had to continue the integration in the existing international system, although this system was based on capitalism and dominated by western democracies. Essentially, it was upon this “new thinking” of sustaining China’s rise by integration in the world that the grand strategy of “peaceful development” was established.

Beijing’s “New Thinking” and the Strategy of “Peaceful Development”. Thanks to a quarter-century of reform and opening amidst globalization, the fourth-generation leaders inherited a profoundly different China when they came to power in late 2002. Being deeply integrated into the global economic system, China was then already the world’s third-largest trading nation, after America and Japan, with its economy irrevocably interdependent with the world market. By official estimates, the Chinese

²⁵ “Zhongguo Gongchan Dang Zhangcheng” (The Constitution of the Chinese Communist Party), *People’s Daily* (18 November 2002).

²⁶ “*Quanmian Jianshe Xiaokang Shehui, Tese Shehuizhuyi Xinjunian: Zai Zhongguo Gongchan Dang Di Shiliu Ci Quanguo Daibiaodahui shang de Baogao*” [Build a Well-Off Society in a Comprehensive Way and Open New Prospects for Socialism with Chinese Characteristics: Report to the CCP’s Sixteenth National Congress], Xinhua News Agency, 17 November 2002.

economy's "degree of dependence on foreign trade"—the ratio between the total trade volume and GDP—exceeded 50 percent for in 2002, rose to more than 60 percent in 2003, and attained the dazzling height of 80 percent in 2006.²⁷

Such a situation confirmed the consensus of the Chinese leadership that "peace and development are still the main themes of the current era" and that "the guideline of China's foreign policy is to maintain world peace and promote common development."²⁸ Accordingly, Beijing realized that China's rise had to be conducive to world peace and prosperity, especially in Asia-Pacific, not only because China's development required a peaceful and prosperous external environment, but also because only through constructive integration into the world economy could China sustain its development.

This new approach, which some CCP elites initially described as "peaceful rise",²⁹ was officially adopted as "peaceful development" after fierce internal debates. While the words "peaceful rise" were shelved in official publications and language

²⁷ Figures released by China's Ministry of Commerce, quoted in Zhang Guilin and Wang Jintao, "Zhuanjia Renwei Woguo Waimao Yicundu Da 80%, Wei Shijie Zhi Zui" [Experts Think China's Degree of Dependence on Foreign Trade Has Reached 80 Percent, the Highest in the World], Xinhua News Agency, September 10, 2005.

Kachuang Zhongguo

²⁸ "Quanmian Jianshe Xiaokang Shehui, Kachuang Zhongguo Tese Shehuizhuyi Xinjumian" [Build a Well-Off Society in a Comprehensive Way and Open New Prospects for Socialism with Chinese Characteristics], *Xinhua News Agency* (17 November 2002).

²⁹ Zhen Bijian, ex-vice president of the CCP Central Party School, coined the term "peaceful rise" in his speech at the Bo'ao Asian Forum on November 3, 2003. He stated: "Under the circumstances of today's era, our choice can only be to rise peacefully. This is to say, we need to strive for a peaceful international environment to develop ourselves, and also to maintain world peace by our development." On December 10, 2003, PRC premier Wen Jiabao delivered a speech at Harvard University in which he affirmed that "today's China's is a great power that stands for reform and opening and peaceful rise." Two weeks later, Hu Jintao stressed at the centenary of Mao Zedong's birth on December 26: "China shall persist in the developmental path of peaceful rise, . . . and contribute to the lofty cause of peace and development of mankind." For a background report on the inception and development of the "peaceful rise" concept, see Bei Shan, "Zhongguo Heping Jueqi Lun de Youlai" [The Origins of the Theory of China's Peaceful Rise], *Guoji Xianqu Daobao* [International Herald], April 7, 2004, p. 4. *Guoji Xianqu Daobao* is published by the Xinhua News Agency. See also Zhen Bijian, *China's Peaceful Rise: Speeches of Zhen Bijian* (Brookings, 2005).

after the spring of 2004, “peaceful development” was established as China’s “guiding strategy” for the twenty-first century.³⁰

Overall, the strategy of “peaceful development” advocates that China would seek solutions for its differences and conflicts of interest with the outside world through communication, consultation and cooperation – the 3Cs approach – instead of confrontation. It calls on China to integrate itself positively into the existing international system with a multilateral approach. Effectively, this grand strategy comprises the following components:

- China should recognise and accept the reality that the US is and will remain the predominant actor in both international politics and the world economy for the foreseeable future. Thus, maintaining a stable relationship and avoiding confrontation with the US is the linchpin of China’s foreign policy.
- Although China is still a developing country, the outside world may see China’s rise as a threat to the status quo. Such anxiety and concern are the essential source of the perceived “China threat”. Thus, China must strive to abide by the established norms and principles in international affairs, so as to cultivate an understanding that China’s rise compensates to the world peace and prosperity.
- The mainstream movement in world politics today strives for peace and prosperity, and the existing international system is essentially in accord with such goals. It is more effective to promote China’s interests within this system than to challenge it from outside. China must integrate itself into this system and oppose any attempts to undermine it.
- To sustain economic growth and political stability at home, China needs not only a peaceful international environment but also a healthy global economy, particularly in the Asia-Pacific region. Any long term

³⁰ The concept of “peaceful rise” caused a heated debate in China’s foreign policymaking community shortly after the term was first used. Ironically, neither the conservatives nor the liberals or moderates were fond of the concept, and the debate focused not so much on its contents as its broad implications. The conservatives contended that the word “peaceful,” if overemphasized, would unnecessarily restrict China’s maneuvering room in world affairs and even constrain Beijing to compromise its vital interests in international conflicts. The liberals and moderates, on the other hand, argued that the word “rise,” if officially sanctioned, would arouse suspicions abroad of a potential “China threat.” As a result, the Chinese leadership decided to abandon the term “peaceful rise” in favor of the milder term “peaceful development,” which began to circulate in official documents and formulations by late March 2004.

Chinese developmental strategy must be conducive to the promotion of regional prosperity.

- Despite US pre-eminence in the world, other major powers also play important roles and have substantial influence in international affairs. China must actively engage with other major powers in an effort to develop a stable framework of great-power relations.
- The United States has enormous stakes in Asia-Pacific. Therefore, a good and interdependent relationship with other Asian countries will not only help enhance China's security and development but also provide Beijing with effective leverage vis-à-vis Washington.³¹

Cultivating stable Sino-US Relations. Essentially, the above-mentioned assessments and objectives were centred on the cultivation of stable Sino-US relations. An obvious reason was that America was not only the biggest source of foreign direct investments in China in 1999-2002,³² but its technical know-how, vast market, and capital were also crucial to China's development. More importantly, the Chinese leadership had keenly realized that a stable relationship with the sole superpower was the key for China to handle two of the three fundamental dilemmas—insufficient military power to safeguard China's interests across the world and prevention of a confrontation with America—in China's endeavour for “great national revitalization”.

Thus, soon after the 9/11 terrorist attack, China replaced “anti-hegemonism” with “anti-unilateralism” in its diplomatic language, arguing astutely that the US unilateralism had undermined not only the world peace, but also her own interests. In contrast, the Chinese leadership saw the multilateral approach as more effective in steering America's predominance into directions not adverse to China's vital interests. In addition, Chinese leaders realised that only by strengthening and operating through

³¹ See Jing HUANG, “China and America's Northeast Asian Alliances: Approaches, Politics, and Dilemmas”, p. 239.

³² National Bureau of Statistics of China, “China Statistical Yearbook” for 2000-2002.

international regimes and IMGs could China protect itself and avoid confrontations with America, given the inevitable conflicts-of-interest between the two countries.³³

Meanwhile, Beijing dropped its traditional principle against “the presence of foreign military forces” in Asia. Instead, Chinese leaders acknowledged that the US military presence in Asia could “play a positive role” in the maintenance of regional peace and stability.³⁴ The change in Beijing’s stance has not only diminished a major difference in the US-China relationship, but also enabled China to free-ride on the US-led security arrangements in the Asia-Pacific region.

Moreover, China softened her position in the WTO negotiations. Despite strong oppositions from various economic sectors at home, China accepted most of the terms Washington had offered, especially in agricultural sector, and entered WTO in December 2001. In retrospect, the WTO membership status has enabled China to not only benefit more from the world economy amidst globalization, but also remove a major source of problem for China to deal with the G8 countries. Thus, it is not surprising that China accepted the invitation to attend the G8 summit meetings soon after her entrance in the WTO.

The above-mentioned policy changes paid off. The Sino-US relationship was improved quickly under the Bush II Administration, despite its obvious hostility to China when it came to power in 2000. Within a few years, the Sino-US relationship was warmed up to such a level that Secretary of State Colin Powell stated in his testimony at the US Congress that “[US-China] bilateral relations are at the best in

³³ See He Hongze, “Danbian zhuyi de kunjing (The Plight of Unilateralism)”, *People’s Daily* (4 August 2003).

³⁴ A senior PLA officer who has a role in China’s policy towards the United States told the author after the EP3 incident that Beijing would not adopt a harsh stance against the US because there had been a “fundamental change (*genbei bianhua*)” in the PLA’s perception of the US military presence in Asia. He said, “No matter what, we have to accept the reality that Americans will stay in Asia because they have important interests here. Don’t you Americans have a saying that ‘if you can’t beat them, join them?’.”

history...”³⁵ While this improvement was partly caused by the change in US strategic priority after the 9/11 attack, it was mainly resulted from China’s accommodative approach in the bilateral relations since 2001.

Aligning with the US in Asia-Pacific to Develop Common Ground. The Chinese leadership keenly realized that a stable Sino-US relationship had to be based on a common ground on major issues in global affairs, especially in Asia-Pacific where the two countries have a shared stake in peace and prosperity. But there were substantial differences between Washington and Beijing on the major issues concerning regional security, namely the North Korean nuclear issue, the Taiwan issue, and the role Japan had to play in regional security affairs. Obviously, China could hardly develop a solid common ground with the US but for a readjustment of Beijing’s approaches towards these issues.

China was “leaning forward” on the North Korea nuclear issue: As North Korea’s de facto ally, China had been opposed to any sanctions against the regime. Even after the exposure of Pyongyang’s nuclear weapon program in 1993, and then in 2001, Beijing was reluctant to join the international community in imposing harsh sanctions against North Korea, arguing that such punishment measures would only jeopardize peace and stability on Korean Peninsula.³⁶

However, after fierce internal debates in 2002-2003, the fourth-generation leadership came to realize that Pyongyang’s nuclear ambition had to be checked, as it had become the essential source of regional instability, not just because nuclear non-

³⁵ See “CRS Report for Congress: China-US relations during the 108th Congress,” January 2005. Available at: <http://www.fas.org/sgp/crs/row/RL31815.pdf>.

³⁶ See Jing HUANG, “Why is Pyongyang so defiant on the nuclear issue,” *Korea and World Affairs*, Vol. XX, No. 3 (Fall 1996), pp. 380-405.

proliferation had become a top priority in the US foreign policy after the 9/11 attack, but because Pyongyang's nuclear weapon program could provoke a regional race for nuclear armament, which would deteriorate China's security environment. Moreover, a nuclear North Korea would become a potential threat to China's own security.³⁷

Thus, soon after the fourth-generation leadership came to power, China shifted its policy priority from "peace and stability" to "nuclear-free" on Korean Peninsula. Consequently, China joined the US and its Northeast Asian allies in an endeavour to roll back Pyongyang's nuclear ambition. In July 2003, the Chinese diplomats engaged in an "unusual flurry of shuttle diplomacy" between Pyongyang, Washington, Seoul, and Moscow, which culminated in a multilateral talk with Kim Jong Il in August 2003.³⁸ By leveraging on its relationship with Pyongyang and (as will be discussed below) its awareness of the G8's serious concern on the nuclear standoff, China implicitly formalised its substantial role in the Six-Party Talks (6PT).

Indeed, as Christopher Hill, then the head of the US delegation at the 6PT, acknowledged, China was "leaning forward [in pushing Pyongyang] at the 6PT".³⁹ Although it has yet to achieve the desired goal of denuclearization of Korea, the 6PT has formalized a multilateral international cooperation against Pyongyang's nuclear weapon program. Moreover, it has provided a mechanism that is indispensable for stabilizing the situation, preventing it from getting worse despite Pyongyang's repeated provocations of missile and even nuclear weapon tests in the past 5 years.

³⁷ For detailed analyses, see Jing HUANG, "China Must Roll Back Pyongyang's Nuclear Ambition", [Policy Paper], submitted to the PRC and USA governments, 19 February 2003.

³⁸ Wang Jianwei, "China's Multilateral Diplomacy in the New Millennium", in *China Rising: Power and Motivation in Chinese Foreign Policy*, ed. Yong Deng and Wang Fei-Ling (Lanham: Rowman and Littlefield Publishers, 2005), p. 186.

³⁹ Jing HUANG's conversation with Chris Hill at the Ditchley Foundation Conference on Regional Security in East Asia, 19-21 May 2007.

Promoting “peaceful development across the Taiwan Strait”:⁴⁰ The victory of Chen Shui-bian in the 2000 presidential campaign in Taiwan immediately exposed a crucial conflict of interests between China and America on the Taiwan issue. While the US has “vital interests” in the maintenance of the status quo in the Taiwan Strait and in a “peaceful settlement” of the Taiwan issue, China was striving for the “reunification of Taiwan with the Motherland”, with “non-peaceful means” if necessary. Obviously, it would be difficult to sustain a stable US-China relationship unless a common ground was cultivated between the two powers on the Taiwan issue.

Thus, the Hu Jintao leadership astutely shifted Beijing’s policy priority toward Taiwan from “striving for early reunification of the motherland” to “prevention of the Taiwan independence”. Meanwhile, the *Anti-Cessation Law* Beijing adopted in early 2005 – it must be noticed that this is the *only* piece of national law that does not have “China” in its title – stipulates that China would use “non-peaceful means” against Taiwan only if the island would declare, or engage in activities that would definitely lead to, Taiwan’s de jure independence. Otherwise, China would go all out to promote “peaceful development across the Taiwan Strait under the one-China principle” and strive for the “future prospect of peaceful reunification”.

This policy change has not only freed the CCP leaders from the “commitment trap” of reunification, but also enabled Beijing to cultivate a common ground with Washington on the thorny Taiwan issue, given the latter’s policy of opposing any “unilateral change in the status quo” in the Taiwan Strait. Thus, it was not surprising when Chen Shui-bian was “pushing the envelope” on Taiwan independence during his second term in 2004-2008, Washington appeared harsher than Beijing in an effort

⁴⁰ The analysis in this section comes from Jing HUANG with Xiaoting Li: *Inseparable Separation: the Making of China’s Taiwan Policy*, Singapore: World Scientific Publishing, 2010.

to keep Chen in check, resulting in a de facto co-management of the status quo in the Taiwan Strait between China and the US.

Two de-linkages to improve Sino-Japan relations: Massive anti-Japan demonstration in 2004-2005 marked the lowest ebb in Sino-Japan relations since the normalization in 1972. While the lingering tension was provoked by Prime Minister Koizumi's official visits to the Yasukuni shrine where war criminals of the WWII are worshiped, the essential source of the problem was Japan's growing anxiety and concern over China's rapid rise, especially her fast military build-up, on the one hand, and Beijing's flawed two-linkage policy adopted by the Jiang Zemin leadership on the other. The first linkage was that Beijing would suspend the Sino-Japan summit as long as Koizumi went to the Yasukuni shrine. The second one was that Beijing would focus on Sino-US relations, assuming that as long as the Sino-US relationship was in good shape, Japan would have no choice but to follow suit because of her subordinate position in the US-Japan alliance.⁴¹

But this two-linkage policy failed to produce the result China had desired. Having realized that the lingering tension with Japan had fanned up nationalistic resentment that was undermining not only stability at home but also China's newly adopted strategy of "peaceful development", the Hu Jintao leadership adopted a new approach towards Japan. At the eve of Abe's succession to Koizumi, Beijing quietly worked out an arrangement for Abe's visit to China. On 8 October 2006, twelve days after he succeeded Koizumi, Abe went to Beijing without any official promise that he

⁴¹ See Jing HUANG "On Sino-Japanese relations and the US approach," *Japan Economy Current*, October 2005, pp. 8-12.

would not visit the Yasukuni shrine.⁴² Meanwhile, Beijing began to address the Sino-Japan relationship from the perspective that Japan stood as an independent Asian power rather than an American ally. It is revealing that there is no mention of the US, let alone the US-Japan alliance, in all the six summit statements between Beijing and Tokyo since Abe's visit to Beijing in 2006.

Although these measures could not resolve fundamental differences between the two countries, i.e., the "history" issue and the territory disputes in East China Sea, it did bring about a rapprochement in Sino-Japan relations after Abe's visit in 2006. The improvement of Sino-Japan relations was not only helpful to Sino-US relations,⁴³ but also fostered a friendlier environment for China at the G8 summit, where China was now welcomed by all the G8 members, including Japan.

IV: China's New Approach towards G8: Consequences and Implications

While Beijing endeavoured to stabilize Sino-US relations, it also set out to develop the desired "framework of great-power relations" in order to advance China's interests and gain leverages in dealing with Washington. The G8 summits provided China with an ideal venue to engage with the other powers. Thus, China accepted the invitation to attend the G8 summit in 2003, which was the first time that China went

⁴² In November 2006 Jing HUANG interviewed two senior Chinese officials, who had played a role in the negotiation of Abe's visit to Beijing. According to them, Beijing initiated the proposal in February 2006 to invite Abe to Beijing if he could promise not to visit Yasukuni Jinja after he became Prime Minister. Eventually, a compromise was reached that Abe would visit Beijing soon after he assumed the PM position, that he would not visit Yasukuni Jinja in one year after his visit to Beijing, and that the Chinese leader (i.e. Hu Jintao or Wen Jiabao) would visit Tokyo soon after Abe's visit to Beijing.

⁴³ As a matter of fact, policy makers in Washington also worried about the lingering tension between China and Japan. Right after the massive anti-Japan demonstration in 2005, the Brookings Institution initiated a US-China-Japan trilateral dialogue in May 2005. The US team was led by James Steinberg, the Chinese team was led by Wu Jianmin, and the Japanese team was led by Koji Watanabe. Between July 2005 and November 2006, three rounds of dialogues were held in Beijing, Tokyo and Virginia. Jing HUANG was a member of the US delegation in these trilateral dialogues. The statement of the third round trilateral dialogue is available at: <http://www.brookings.edu/events/2006/1110china.aspx>.

beyond the UN and embraced multilateralism at an informal level. In complementing its 'new thinking', an obvious driver in China's decision to attend the G8 summit was the need to manage fast-growing economic exchanges with the G8 countries in the initial years of the 21st century. In 2000, the trade between China and the G8 as a whole already reached USD 258.59 billion, and it grew into 421.99 billion in 2003 when China attended the G8 summit, then exploded into 1004.74 billion in 2008! China's trade with Germany, its third largest trade partner among the G8, was about USD 19.7 billion in 2000, it ballooned to 41.8 billion in 2003 and to 115 billion in 2008. Even Italy, China's smallest trade partner among the G8, saw its trade with China grew from USD 6.881 billion in 2000 to 11.73 billion in 2003, and then to 38.26 billion in 2008.⁴⁴

In addition to economic interests, there are other strategic considerations for China to embrace the G8. First, the G8 summit would provide a valuable platform for China to cultivate relations with the other powers. Through engagement at the G8, China would gain an insider status and therefore direct influence in big power politics. Secondly, the Chinese leadership keenly realised that participation in the G8 summits would enable China to place her agenda on the table and enter negotiations directly at the topmost level. Lastly, given that the G8 members were not always on the same page on the major issues in global affairs, interactions with the G8 countries would provide China with opportunities as well as leverages to deal with various powers in a multilateral environment to advance China's interests. A case in point was Beijing's effort to persuade the EU to lift the arms embargo to China soon after it joined the G8. Although the EU eventually decided to keep the embargo mainly because of the US intervention, China has gained substantially through seemingly marginal bilateral

⁴⁴ See **Charts 2, 3 and 4**, and **Table 1** in **Appendix**.

deals with various EU members. As a result, Beijing has turned the arms embargo into a symbolic measure with little technical significance.⁴⁵

China as a “stakeholder” of the established world system. China’s participation at the G8 showed that China is willing to abide by the rules and norms in its engagement with the major powers, as the G8, albeit an informal grouping, functions upon the established rules and norms in the international system. Thus, it helped China cast an image of a status quo power that supports the established system, thereby highlighting China’s “peaceful rise”.

Coincidentally, Washington also saw China’s integration into the international system as a necessary step to transform a rising China into a positive player in world affairs. The rationale for China to be integrated into the world system is succinctly explained by the US Deputy Secretary of State, Robert B. Zoellick in his speech on 21 September 2005:

The United States will not be able to sustain an open international economic system – or domestic US support for such a system – *without greater cooperation from China, as a stakeholder that shares responsibility on international economic issues* [emphasis added]... All nations conduct diplomacy to promote their national interests. Responsible stakeholders go further: They recognize that the international system sustains their peaceful prosperity, so they work to sustain that system.⁴⁶

Zoellick’s speech represented a significant departure from the old paradigm in America’s China policymaking. This old paradigm had defined China as a developing country that tended to challenge the existing international order and, eventually, the

⁴⁵ One of Jing HUANG’s former at the Brookings Institution, who is now a senior official in charge of European affairs in the Obama Administration, complained privately that the EU arms embargo was leaking so badly that it would have been better to replace it with a water-tight code for arm export to China. But that, as he admitted, would make the US arms embargo to China look really bad.

⁴⁶ Robert B. Zoellick, “Whither China: From Membership to Responsibility? Remarks to National Committee on U.S.-China Relations”, National Committee on United States-China Relations: Promoting Constructive Engagement (21 September 2005). Available from http://www.ncuscr.org/files/2005Gala_RobertZoellick_Whither_China1.pdf

US dominance. The further China developed, the greater the risk for the international system. However, in reflecting today's reality, as China undergoes the integration into this system through reform and opening, it has become a country that has developed a vital stake in the well-being of the established international system. As such, it is not enough for China just to abide by the rules but to fulfil her due responsibility for the maintenance of this system. Thus, it is imperative for the US and the other G8 powers to keep engaging China so as to further entrench China in the world establishment.

For Beijing, the significance of being recognized as a stakeholder lies not just in China being accepted as an insider, but the conceptual end of the containment as a policy option towards China. After all, how can the US contain a China that shares the same stake in the existing international system? It is true that the US and its allies continue to hedge against China. But "hedging" by nature is a defensive measure to prevent China from heading into a wrong direction, while "containment" is essentially an offensive approach aimed at strangling the perceived opponent to its demise.

Apparently, joining the G8 and actively engaging the big powers would help China consolidate the stakeholder status, which fits well with the objective of China's grand strategy of "peaceful development". Not surprisingly, China returned to the G8 summit in 2005 after her first appearance in 2003.⁴⁷

Placing China's Agenda on the Table. Like all the developing countries, a substantial disadvantage China suffers in the international system is the lack of power in agenda making. The West has dominated in the selection and definition of issues, the making

⁴⁷ There is hardly any official explanation why China did not attend the G8 summits in 2004. A reason, according to Ambassador Wu Jianmin whom the author interviewed on 2 July 2010, was that Beijing reckoned China's participation insignificant not just because there were 13 non-G8 states invited to G8 in 2004, but because the themes of the summits were solidarity, responsibility, security and democracy. While Beijing had little interest in solidarity (among the G8 members) and democracy, it felt awkward in the debate on Iraqi war (on which the G8 sharply divided) and tried to dodge the questions on responsibility. Noticeably, India did not attend the 2004 summit either.

of agendas, the design of discourses, and even the format of debate in international affairs. A real incentive for China to participate in the G8 is to put its own agenda on the table and to play a role in rule making. Thus, China has continually utilised the G8 as a platform for raising its own issues and demands. For example, at the 34th G8+5 summit, President Hu Jintao released a three-point proposal detailing how the leading economies could assist in the fight against climate change.⁴⁸ The aim was to make it clear that China stands for cooperation with both developing and developed countries in the protection of environment rather than allowing such effort to short-change the developing countries. Similarly, China pressed for global financial reforms at the 35th G8+5 summit, as China worried that the US dollar's position as the world's reserve currency reserve can become an essential source of instability, especially during the time of crisis.⁴⁹

By putting its own agenda at the table, China has demonstrated not only her strategic contemplating on the key issues concerning China's development, but also its demand to play a role in rule-making in international affairs. Equally significant is that China has utilised the G8 meetings as a platform to raise these issues onto the global agenda, so as to assert China's position and proactively engage various actors in the negotiations on these issues. China's manoeuvring within the G8 indicates that China has gained equal footing with the G8 members with growing confidence. Indeed, participation in the G8 has helped China implement its strategy of building a "framework of big-power relations", whereby China strives to develop a "strategic balance" in its favour.

⁴⁸ "Chinese President calls on major economies to combat climate change", *People's Daily* (9 July 2010).

⁴⁹ "俄中将在 G8 峰会上极力推动对全球储备货币的讨论", *新闻中心* (8 July 2009). Available from <http://finance.nen.com.cn/finance/133/3305633.shtml>

Multilateralism to Maximize China's Options and Leverage. Multilateralism is an essential component of the strategy of “peaceful development”. The CCP ruling elites are convinced that nowadays all the major international issues such as climate change, energy security, nuclear non-proliferation, financial reforms, transnational crimes and terrorism require joint efforts by the world community. As former Vice Premier Qian Qichen pointed out, “the world is one big family. Naturally, family affairs should be handled by all its members through consultations”.⁵⁰

Moreover, Beijing sees a multilateral approach as an effective way to optimize China's option while at the same time gain leverages in dealing with the US and the other powers. The G8 offers China a mechanism of consultation with big powers, whereby China can practice the multilateral approach at the highest level. Through the G8, China has gained first-hand understanding and insights of the differences among the G8 governments on the major issues such as the war against terrorism, climate change, policies towards the on-going economic crisis, financial reforms, and Iranian nuclear program. Such insights were extremely valuable for the Chinese leadership in decision making. For instance, it was through the G8 that Beijing further learned that it was a serious concern among the G8 powers about Pyongyang's nuclear ambition.⁵¹ This, as discussed in Section III, helped the fourth-generation leaders to justify their leaning-forward position at the 6PT. Similarly, consultations at the G8 helped China to understand the seriousness of the Iranian nuclear issue as well as the subtle but significant differences between the US, EU and Russia. With a multilateral approach,

⁵⁰ Ministry of Foreign Affairs of the People's Republic of China, “Multilateralism, the Way to Respond to Threats and Challenges” (2 July 2004). Available from: <http://www.fmprc.gov.cn/eng/wjdt/zyjh/t142393.htm>

⁵¹ 2003 G8 Summit, “Chair's Summary” (3 June 2003). Available from http://www.g8.fr/evian/english/navigation/2003_g8_summit/summit_documents/chair_s_summary.htm

Beijing has manoeuvred to optimize the options available to China but minimized the (potential) risks on the Iranian nuclear issue without alienating the G8 members.⁵²

Indeed, China's desire to embrace the G8 was largely borne out of the desire to have more manoeuvring options in dealings with the big powers and gain leverages in addressing the concerns of the G8 countries, thereby minimizing the cost and risk that might incur to China but maximizing China's interests and opportunities.

V: China's Reservations on Informal Multilateral Groupings

While China has significantly altered its approach towards international affairs, with increased participation in multilateral groupings, this does not mean that the CCP ruling elites have let go of their reservations on the IMGs. In addition to historical baggage of Western imperialism and the Cold War, incompatibility between China's internal political system and the mainstream in the world politics has handicapped China's capability and confidence in handling foreign affairs, especially in the areas of democracy and human development. Moreover, despite China's rapid ascendancy, Beijing still sees that an essential source of China's strength is its relationships with the developing countries, given their similar historical experiences and challenges they share with China. All this has made Beijing appear less proactive in dealing with the IMGs; and more often than not China's interactions with them reflect Beijing's response to a given situation rather than an initiative aimed at developing a new one in accordance with China's interest.

Incompatibility between China's political system and external politics. A formidable obstacle China faces in its multilateral approach is the incompatibility between its

⁵² The author had a in depth conversation with Ambassador Wu Jianmin on this issue at the Abu Dhabi Conference of Managing World Insecurity, sponsored by the Brookings Institution in February 2010.

internal political system, where the policymaking process is centralized and exclusive, and the political mainstream in the international community, where a transparent and inclusive policymaking process is appreciated for productive communications. Given the nature of the CCP political system in which a façade of leadership unity is vital for political stability,⁵³ more often than not the Chinese leaders find it difficult to communicate with their peers in foreign affairs, especially on controversial issues, because they cannot, and are not allowed to, disclose any internal disputes on a given issue, nor can they even discuss in a candid manner the procedure of how a policy is produced. As a result, the Chinese leaders appear stiff, vague and less sincere in their interactions with the leaders from the other countries. This has caused frustrations and, moreover, undermined the mutual confidence that is necessary for making a deal in international affairs. Indeed, it is revealing and intriguing that “trust deficit” is a wide-observed problem between Beijing and the governments it deals with. This is not because the Chinese leaders are not honest or trustworthy, but because more often than not they simply cannot get the message cross due to the constraints exerted on them by their political system.

Ironically, the Chinese leaders are also frustrated in such a situation because, from their point of view, the western (especially the US) governments are so used to politicize the issue under debate, making it difficult to find a reasonable solution. As a result, while the western leaders tend to blame it all to China’s non-democratic regime, the Chinese leaders resent what they perceived as the western political and cultural prejudice.

But a more fundamental problem is that China’s internal political system tends to induce impasse on the issues concerning the universal values. The cases in point

⁵³ See Jing HUANG, *Factionalism in Chinese Communist Politics*, Cambridge University Press, 2000, pp. 62-4, and 425-7.

include the human rights and Tibet issues. While the mainstream in world politics emphasizes political equality and freedom in socio-economic development,⁵⁴ Beijing focuses on economic growth and poverty alleviation with a coercive political system for the sake of “political stability” under the CCP rule. On the Tibet issue, while the world community urges China to respect the Tibetan culture, religion, and Tibetan’s demand for genuine autonomy, if not self-governance, Beijing emphasizes on China’s sovereignty over Tibet, and wishes that economic growth, with crushing political measures if necessary, could help consolidate the CCP rule in Tibet and diminish the influence of the Dalai Lama, and eventually Buddhism, in the Tibetan society.⁵⁵

Being plagued by these long-standing problems, the CCP ruling elites resent that, in their point of view, the western states are utilizing these issues for political leverages to interfere in China’s internal affairs, while they themselves, and the US in particular, are also found guilty of human rights abuses.⁵⁶ Such a mindset, however, has made the Chinese leaders, consciously or not, look at their differences with the outside world, especially the West, through political lens, too. As a result, despite China’s growing influence and power, the Chinese leadership still harbours suspicion towards the West-dominated international regimes, and tend to be reactive rather than pro-active when engaging others at the IMGs.

Historical Baggage. China’s reservation towards the IMGs roots deeply in the bitter memory of defeats, humiliations and injustice China had endured during the age of Western imperialism. And this nationalistic resentment was reinforced by the Cold

⁵⁴ “State Department scolds China on human rights”, *CNN Politics* (25 February 2009). Available from http://articles.cnn.com/2009-02-25/politics/china.state_1_human-rights-practices-global-climate-change-crisis-china?_s=PM:POLITICS

⁵⁵ See Jing HUANG, “The Tibet Issue: an Impasse or Entrapment,” in *East Asian Policy*, Vol. 1, No. 3 (July-September 2009), pp. 23-31.

⁵⁶ “China calls U.S. a hypocrite over human rights”, *Reuters* (12 March 2010).

War heritage and the sanctions imposed on China after the May 1989 crisis. From Beijing's perspective, all the sufferings and difficulties China has endured since the 1840 Opium War have an origin in the western interference in China's affairs. Thus, the Chinese leaders tend to see criticisms and pressure from the West – even if these criticisms were legitimate and well-intentioned – as a deliberate attempt to interfere in China's affairs in order to hold China down.

Thus, Beijing has insisted that a state's sovereignty falls solely within the purview of the domestic government and no other authority, perceived or otherwise, should be allowed to interfere in a state's domestic affairs. But this “uncompromising principle” tends to create an impasse when a policy formulated at the multilateral level is inconsistent with China's domestic policy. In such a situation, the western governments usually find it difficult to persuade Beijing, not necessarily because of the conflict of interests, but because Beijing's fierce opposition against any perceived “foreign interference”. For instance, at the 35th G8+5 summit, the proposal to reduce carbon targets by fifty percent was rejected by China (and India) because Beijing insisted that, “the [proposed] targets would hamper their economic growth”.⁵⁷ Moreover, in a senior Chinese diplomat's view, such a proposal reflects the western attempt to make the developing countries to “pay up the environment deficit created by them (i.e., the western countries).⁵⁸ Similarly, during the June 2010 G20 summit, China has made it clear that its currency policy should not be on the agenda of the summit because, as Beijing holds firmly, reform of the *yuan*'s exchange rate is a domestic affair and would be achieved whenever the Beijing government deems fit.⁵⁹

⁵⁷ “G8 summit: China and India reject G8 calls for climate targets”, *Telegraph* (8 July 2009).

⁵⁸ Interview with Ambassador Wu Jianmin on 2 July 2010.

⁵⁹ “中方官员：G20 讨论人民币汇率不合适”，*中国日报* (19 June 2010).

Available from http://www.chinadaily.com.cn/hqcj/gcj/2010-06-19/content_472787.html

Indeed, bitter memory of the past sufferings has made the Chinese ruling elites prioritise the state sovereignty in international affairs. By disallowing any form of interference with its domestic affairs, Beijing stands firm that it is the sole decision-maker on all issues pertaining to China, regardless of foreign pressures. Beneath this stance is China's lingering suspicion of foreign powers and their dominance in IMGs. As a result, China's participation in the IMGs remains clouded with scepticism and caution, thereby affecting its commitment to and effectiveness in these organizations.

China and the Developing World. Given the vulnerability of the IMGs to big power politics, good relationships with the developing countries have provided China with effective leverage and support in international affairs. Although China has become a global power itself, it serves in China's interest to maintain its traditional ties with the developing countries and champion their interests in global affairs. As the world's second largest oil consumer and third largest oil importer – nowadays over 60 percent of China's oil imports were attained from Saudi Arabia, Angola, Iran, Russia and Oman, China needs to cultivate good relations with the energy-producing third world in order to gain an edge in competition with the other energy-consuming countries, which are mostly the developed ones. Similarly, China also strives to expand its investment as well as influence in West Africa and Latin America, where China holds equity oil stakes in Bolivia, Colombia, Ecuador, Peru and Venezuela.⁶⁰

China also tries to distinguish itself from the western countries when dealing with the developing countries. China tends to offer "better" deals to the developing countries without any socio-political conditions that are usually attached to the deals offered by the West. A statement China's Ministry of Foreign Affairs states that

⁶⁰ Derek J. Mitchell, "China and the Developing World", Centre for Strategic and International Studies, p. 111-113. Available from: http://csis.org/files/media/isis/pubs/090212_06china_developing.pdf.

China stands ready to offer assistance within its capacity to developing countries having difficulties. Although China's aid is limited, it is provided sincerely and without any conditions attached.⁶¹

This stance has been translated into practice: Beijing cancelled \$1.2 billion in debt from 31 African countries in 2000 and provided \$750 million in debt-forgiveness in 2003. All these were in addition to the numerous tariff breaks to the developing countries in Asia and Africa.⁶² Although this has helped China optimize her leverage and opportunities, it has caused certain dismay among the western countries. This is not necessarily because China offers more, but because the western countries see China's assistance, with few socio-political conditions attached, as undercutting their effort to promote democracy as well as economic growth in the developing world. A case in point was China's involvement in Sudan. While the West accused China's oil-driven investment of having "fuelled the genocide in Darfur" – some even called the 2008 Beijing Olympic a "genocide Olympic",⁶³ Beijing "perceives the root causes of the turmoil [in Darfur] as poverty and a lack of resources" and, therefore, "China's approach to solve the long-lasting conflict in the Darfur region has been to provide comprehensive development assistance in addition to humanitarian aid."⁶⁴

The sharp difference between China and the West in their approach toward the developing world has reinforced Beijing's scepticism towards the West, which in turn hinders China's participation and commitment to the West-dominated IMGs.

VI: Implications of the Current Crisis to China's Approach

⁶¹ Ministry of Foreign Affairs of the People's Republic of China, "China's Stand on South-South Cooperation" (18 August 2003). Available from: <http://www.fmprc.gov.cn/eng/wjdt/wjzc/t24884.htm>.

⁶² Mitchell, "China and the Developing World", p. 117.

⁶³ See, "China and Darfur, a genocide Olympics?", *The Washington Post*, December 14, 2006.

⁶⁴ Jason Qian and Anne Wu, "China's delicate role on Darfur", *The Boston Globe*, July 23, 2007.

The current worldwide recession, triggered by the Wall Street financial crisis, has brought the post Cold War globalisation to a standstill. In retrospect, this globalization was driven by the Wall Street dominated financial expansion on the one hand and the internationalisation of manufacturing and services on the other hand. While the financial crisis has reversed the global financial expansion, the lingering recession has derailed the internationalisation of manufacturing and services. Despite WTO enforced free-trade policies, the trade between the North and South will keep falling, not just because of the shrinking markets, but because the policies of various developed countries to promote (and protect) domestic industries will continue to diminish the demand for imported goods and services from the South. As a result, the engine of globalisation is shut down.

As a country benefitted from, and to a large extent depended on globalization, this recession hit China hard. Yet again, China demonstrated its resourcefulness, effectiveness, and resiliency in dealing with this overwhelming crisis. Soon after the Wall Street financial meltdown, Beijing adopted a stimulus program that was the largest – total 4 trillion *yuan* – in terms of scale and fastest in term of implementation. Within a year China's economy again achieved 9.1% annual growth rate.⁶⁵ Now as the world's second biggest economy, China's dynamic economy has become an engine for the global recoveries. Indeed, like the 1997-1998 AFC, the current crisis has provided China with opportunities as well as challenges. How China utilizes the opportunities and deals with challenges will have a far-reaching impact on its approach towards the outside world, especially the West-dominated IMGs.

The Opportunities

⁶⁵ CIA: The World Factbook, 2010. Available at: <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2003rank.html>.

Specifically, the advocacy of G2, the fantasy over the “Beijing consensus”, and China’s increasing clout in Asia can all be translated into opportunities that China can utilize in international affairs.

The U.S.-China G2. A significant consequence of China’s “peaceful rise” through integration in the world system is that Beijing is now Washington’s largest creditor. With over two trillion USD in China’s foreign reserves and half of it being invested in America (mostly by purchasing the U.S. debt), America and China have virtually hijacked each other with the greenbacks. As the largest financier of the US debt, China could devastate the US economic recovery by not buying or selling the U.S. debt;⁶⁶ and a rapid USD depreciation would do irreparable damage to China’s economy and political stability. While this is indeed a profound progress from the situation in which the two superpowers, the U.S. and the former Soviet Union, hijacked the world peace with nuclear warheads, such interdependence has made the stability in U.S.-China relations critical to world peace and prosperity. Nowadays, all the issues that involves American and China’s interests – be it the trade imbalance, currency, environment, energy, nuclear proliferation, or terrorism – have serious global implications. And none of these issues can be solved (or even managed) without meaningful cooperation and coordination between Washington and Beijing. It is this reality that has given rise to the G-2 expectation. Although G-2 as a formal arrangement is wishful thinking,⁶⁷ such an advocacy by some American academia and strategic thinkers indicates the

⁶⁶ “Clinton Urges China to Keep Buying U.S. Treasury Securities”, *Bloomberg* (22 February 2009).

⁶⁷ Jing HUANG, “Strategic interests drive US-China-Indian ties”, *The Economic Times*, 20 December 2010. Available at: <http://economictimes.indiatimes.com/features/the-sunday-et/special-report/Strategic-interests-drive-US-China-India-ties/articleshow/5357571.cms>

conviction of the U.S. mainstream of the necessity to get China actively involved in international affairs, in America's terms for sure.

Not surprisingly, although China was not unhappy to be courted for G2, it gave the G2 idea a cold shoulder because the Chinese leadership realized astutely that the cost of G2 would be much higher than gains. Politically, a G2 arrangement would make China obliged to the maintenance of a US-dominated world order, which does not always serve China's interests. Economically, a G2 deal would drag China deeper into the US economic orbit, which is highly risky because of America's black hole of debt on the one hand and its global financial responsibility on the other.

But China is not shy to utilize this new at-par-with-America status created by the G2 proposal in its activities at the IMGs. China's assertive behaviour at the G20 summits demonstrated not only its perceived central role but also Beijing's growing confidence at such gatherings. It is ironic but revealing that the G2 idea immediately enhanced China's status at the G8+5 from one of the invited five to a major player whose cooperation is necessary for virtually all the deals; and Beijing has utilized this status astutely, as shown in China's performance on the climate change issue at the 34th, and then on the financial reform at the 35th G8+5 summits. The proactive way Premier Wen Jiabao engaged himself with various European leaders in his recent visit to Europe is a good indicator that China will take a more proactive approach towards G8+5, although Beijing seems to be more focused on G20.

The Beijing Consensus. The current economic crisis has given further credence to the "Beijing Consensus", thereby enhancing China's soft power in the world community. Coined by Joshua Ramo in 2004,⁶⁸ the Beijing Consensus is established vis-à-vis the

⁶⁸ See Joshua Cooper Ramo, "the Beijing Consensus," available at: <http://fpc.org.uk/fsblob/244.pdf>

Washington Consensus, which champions the individual-centred values, deregulation, liberalism, and a democratic system that constrains state intervention in economic affairs. In contrast, the Beijing Consensus gives priority to community-centred values, strong state intervention, a “socialist market economy” with a combination of private and state ownerships, and the entrepreneurship under a centralized political system.⁶⁹ With China’s rapid rise, its development model and policies have attracted numerous followers, especially from developing countries. In the words of Moussa Bolly, journalist in charge of communications in the Ministry of Youth and Sports in Africa, he states that

China, a poor and weak country 60 years ago, has become a modern state which, in my opinion, is the best model of development for Africa... Africa needs to follow the example of China.⁷⁰

Such a sentiment clearly echoes Joseph S. Nye’s concept of “soft power” in which international power is viewed in terms of a state’s ability to attract rather than coerce another to do what it wants. Effectively, “if a state’s power seems legitimate in the eyes of others, it will encounter less resistance to its wishes”.⁷¹ Indeed, China’s success, plus its increasing power, has enabled Beijing to be more proactive and assertive at the IMGs, as demonstrated in China’s recent behaviour at G8+5 and G20.

China’s Increasing Clout in Asia. Since the “Japan miracle” in the 1970s, virtually all the Asian countries (except the oil producers) have followed the export-led development model, which is preconditioned by steady inflows of foreign investment on the one hand and open, prosperous external markets on the other. But it seems as if this development

⁶⁹ “A model or not, China follows its own course”, *Xinhua News Agency* (11 March 2010).

⁷⁰ “China seen as best model of development for Africa”, *People’s Daily Online* (1 October 2009). <http://english.people.com.cn/90001/90776/90883/6774383.html>

⁷¹ Joseph S. Nye Jr., “Soviet Decline and America’s Soft Power”, *The Christian Science Monitor* (14 August 1990).

model had run out of gas when the financial crisis erupted into a world-wide recession in 2008. With the shrinking external markets, the freeze on capital liquidity, and the effort by the developed countries to protect their own industries, Asian countries were facing great uncertainty.⁷²

But the quick turn-around of China's economy has helped East and Southeast Asia pull out of the recession in 2009, while the rest of the world is still struggling. China's constructive role was specially appreciated by ASEAN. As its Secretary General Surin Pitsuwan said recently: "When China grows, ASEAN grows with it".⁷³ Indeed, during the first 7 months of this year, ASEAN exports to China were up 56.1%, and China has become ASEAN's largest trading partner. China's non-financial investment in ASEAN was about \$1.2 billion and ASEAN's investment in China increased to \$3.1 billion in the first half of this year.⁷⁴ Moreover, China moved quickly, and quietly, to sign money-swap agreements with several economic power houses in Asia, including South Korea, Singapore, Taiwan and Russia. This is a one-stone-two-bird approach, aimed at not only deepening China's economic relations with these countries, but also diversifying China's enormous foreign reserves, with 75% in USD, as a precaution against the risk of the loose US monetary policy that may trigger a world-wide inflation.

The increase of China's clout in Asia is demonstrated by its increasingly assertive behaviour in handling territory disputes with its neighbours. Despite the leaning-forward position of the US government on the South China Sea (SCS) issue, the ASEAN still managed to avoid mentioning of the area in the joint statement after the unprecedented

⁷² Jing HUANG, "Homemade Remedy," *South China Morning Post*, 15 December 2008, p. A13.

⁷³ "When China Grows, ASEAN grows with it: Surin" *The Nation*, 16 September 2010. Available at: <http://www.nationmultimedia.com/home/2010/09/16/mekong/When-China-grows-Asean-grows-with-it-Surin-30138134.html>

⁷⁴ "The China-ASEAN free trade area: A win-win result," *Bangkok Post*, 25 August 2010. Available at: <http://www.bangkokpost.com/business/economics/192759/the-china-asean-free-trade-area-a-win-win-result>

summit between the US and ASEAN on 4 October 2010. The other case in point was the recent tension between China and Japan over the Senkaku/Diaoyu Island. After Japan arrested a Chinese captain who was accused of ramming his trawler into a Japanese patrol boat in the Senkaku/Diaoyu water, China escalated the with a series of tough measures, including the slow-down of exporting rare earth to Japan and the arrest of four Japanese in China on charge of “stealing military secrets”. Japan eventually let go of the Chinese captain despite the US position that it would back up Japan in case of confrontation with China in the disputed area.

While it is still too early to tell if this will become a behaviour pattern of China in the future, it seems clear that China, instead of coping with the happenings in the outside world, will be more proactive in international affairs. And this is consistent with the recent observation on China’s increasing confidence and assertiveness at the IMGs such as G8+5 and G20.

The Challenges

The current global crisis has also brought about formidable challenges to China. How China responds to these challenges will surely impact its approach towards external affairs, especially to the IMGs. These challenges are mainly manifested over the conflicts on trade imbalance, with a looming controversy on RMB appreciation, the environmental issue, and whether China can play a positive leading role in sustaining regional prosperity and peace.

Trade imbalance and the currency issue. The current economic crisis has exposed and exacerbated the world trade imbalance, in which (most of) the developed countries are burdened with explosive debts while the developing ones are drained of resources and burdened with trade surpluses that are held mostly in USD. The western countries, led by

the US, attributed the problem to China's "manipulation" of its currency in order to take advantage of the WTO trade regime. As a result, while the Chinese economy has gained competitive advantages, with increasing trade surplus, the others suffer from the loss of jobs and unsustainable trade deficit. Thus, there is a mounting pressure on China to make a substantial and fast appreciation of RMB on the one hand and make it internationally convertible on the other hand.

But from Beijing's perspective, the trade imbalance is caused by the "structural problem" of the world economy. While the Anglo-Saxon economies have been dependent on investment and consumption to sustain their prosperity and luxurious life-style, the Asian economies (including Germany) promote economic growth by continuously expanding their productions with high savings. As a result, while the former has lost their competitiveness in production but become addicted to budget-deficit (so as to sustain the investment) and over-consumption (so as to maintain prosperity), the latter are burdened with their trade surpluses that are actually hijacked by the countries with mounting debts, especially the US. Beneath the demand for RMB appreciation is the attempt to write off the debt (as the case of the 1986 Accord Plaza) on the one hand and to shift the burden of economic crisis to the emerging economies on the other. Thus, Beijing has insisted that it will just slowly appreciate RMB as it sees fit. Moreover, Beijing has made it clear that China will not yield to the external pressure on RMB appreciation because it is within China's sovereignty.

Noticeably, while standing firm against the US pressure on RMB appreciation, China has strived to cultivate a common ground with the other powers such as Germany and Japan on this issue. Premier Wen Jiabao, for example, tried to make the point cross at the 6th China-EU Business Summit on 6 October 2010. He argued:

Should the yuan appreciate by 20 to 40 percent, as demanded by some people, a large number of Chinese export enterprises will go bankrupt, the

workers will lose their jobs and the migrant workers will have to go back to the rural land, making it hard for society to remain stable. The world will by no means benefit from a crisis in the Chinese economy.⁷⁵

Although it is too early to tell whether China can persuade the EU, especially Germany, on this issue, there will be certain implications to China's approach towards IMGs, especially the Heilegendamm Dialogue the Germans proposed. Wen's "unexpected" visit to Germany after the 6th China-EU Business Summit was intriguing but revealing.

The Environment. If there seems to be room for economic cooperation between China and EU, they are diverging on the environmental issue, as shown at the Copenhagen Conference in December 2009. From China's point of view, the developed countries (North) have to shoulder major responsibility in reversing the climate change, not just because of their lion's share in energy consumption, but because they are responsible for most of the carbon dioxide emission since the dawn of industrialization. Thus, China insists that the North, given their predominance in technology and finance, should assist, rather than shift responsibility to, the developing countries in the effort to improve our environment. Ironically, although a fast increase in carbon emission in China is hardly defensible, its demand that the North should take major responsibility in addressing the climate change issue (e.g., adopting a higher emission standard, equitable allocation of carbon emission, providing financial and technical assistances, and changing their life styles) are morally and economically justified in terms of poverty eradication and human development.

But EU holds that they have already endeavoured to contain climate change, resulting in remarkable improvement in not only energy efficiency (their energy consumption per capita is over three times above the average in developing countries) but also the ecological system in their economies. Moreover, EU's policy initiatives

⁷⁵ Available at: <http://english.cntv.cn/20101007/101758.shtml>.

and increasing commitment have helped to generate a global momentum to reverse (or at least contain) climate change. As China is becoming the leading carbon emitters, there is a growing concern and anxiety that fast development in China and India will further exacerbate the environmental problem. Thus, the EU urges China and India to be “responsible stakeholders” in the global effort to improve the climate system.⁷⁶

But the dispute between China and the North on the environmental issue does not root in ideological or even conceptual confrontations—both sides see human industrial activities, especially irresponsible energy consumption, are the major causes for climate change, and that only through international cooperation can we effectively prevent climate change evolving into an irrevocable catastrophe. Essentially, the issue is about the distribution of costs and benefits in the effort to improve our environment.

Moreover, there is an urgent need for China to improve its environment so as to sustain the development. Being the world’s “manufacturer”, China has witnessed an explosive increase in consumption of coal and fossil fuels in the past two decades, causing damage to China’s environment to such an extent that over 68% of China’s surface water is undrinkable. Trying to upgrade its industries to the high-tech, high value-added and low energy-consumption section, China needs to drive a bargain with the North, especially the US. Thus, Beijing strives to develop a coalition with major developing countries, especially India, on the environmental issues so as to gain more leverages in negotiations with the North. As shown at Copenhagen Conference, the 35th G8+5 summit and the G20 summit in 2010, such effort has been translated into an effective approach for Beijing to engage the other powers at the IMGs .

⁷⁶ See Jing HUANG, “A leadership of twenty (L20) within UFCCC: establishing a legitimate and effective regime to improve our climate System,” in *Global Governance: A Review of Multilateralism and International Organizations*, Vol. 15, October-December 2009, pp. 435-442.

Sustaining regional prosperity and security. The economic recession has exposed both the irrevocable economic integration and a vital weakness – insufficient regional institutions – in Asia’s development. It is true that various regional organisations and groupings (e.g., ASEAN, ASEAN+3, APEC, East Asian Summit, Asian Regional Forum, and the Shanghai Cooperation Organisation) have been active in coordinating regional affairs, few are capable of enforcing abiding rules that can help to shape the member countries’ behaviour. Without any effective institutional framework to coordinate actions, Asia can hardly maximize the benefit of regional integration; nor are they capable of solving, or even managing, the regional security issues but to depend on the US intervention, although such intervention does not always serve Asia’s interests. As an Asian power, China’s effort to sustain regional prosperity and security will have a far-reaching impact on not only Asia’s development, but also the role China can play in the larger international arena.

It is obvious that insufficient regional economic mechanism hinders Asia’s development. While Asia’s GDP amounts to 31% (using PPP) and 24.7% (nominal) of the world total GDP respectively, eight of the world’s top twelve foreign reserve holders are in Asia – China, Japan, Saudi Arabia, Taiwan, India, South Korea, Hong Kong, and Singapore (with Russia, Brazil, Switzerland and Germany ranking the 3rd, 8th and 10th and 12th), with over 5.5 trillion USD in their holding.⁷⁷ In the wake of financial crisis, there is an increasing urgency for Asian economies to work out a coordinating mechanism on financial matters. The aim is not just to reduce Asia’s high financial vulnerability.⁷⁸ More importantly, Asia’s rise, centred on China and

⁷⁷ See “List of states by foreign exchange reserves”. Available at: http://en.wikipedia.org/wiki/List_of_countries_by_foreign_exchange_reserves.

⁷⁸ For example, a Reuters report reveals that on 11 November 2008, Asian holdings of foreign reserves, excluding those of China’s, suffered a \$119 billion plunge in October 2008.

India's fast growth and growing regional economic integration, is hardly sustainable without an effective regional financial regime.

Equally vulnerable is regional security in Asia. Although the US-Japan alliance, a Cold-War product, has been the cornerstone for regional security, it is not always suitable to deal with the tensions caused by territory disputes (e.g., South China Sea), or a rogue regime (e.g., North Korea), or fundamentalist activities (e.g., terrorism). But the lack of regional security arrangements has made America an "indispensable balancing power" in Asia. Indeed, the US presence in Asia is not the solution, but reflects the lack of it, to various regional security issues.

However, despite its growing power and influence, China cannot play the leadership role in either the regional financial coordination or security arrangements because of mismatches in geopolitics as well as differences in terms of political system, level of economic development, and cultural heritages. Yet, it is evident that China has upgraded its involvement in both international financial and security affairs, especially in Asia, since the eruption of the financial crisis. Among the activities China has taken, the significant ones include:

- In April 2009 China proposed to set up a \$10 billion investment cooperation fund and offer \$15 billion in credit to its Southeast Asian countries.
- At the June 2010 G20 summit in Toronto, Zhou Xiaochuan, Governor of the People's Bank of China, proposed for a global reserve currency and reforms of international financial institutions to better reflect the emerging economies of the world.
- China has signed currency-swap deals with Hong Kong, South Korea, Indonesia, Malaysia, Belarus, Argentina, and Singapore, and is at the final stage of negotiation with Russia on currency-swap deals.
- The People's Liberation Army Navy (PLAN) has participated in the anti-pirate patrol in Somali waters since January 2009.
- In April 2010 a PLAN flotilla conducted an unprecedented drill in the southeast of Japan's strategic offshore islands.

- In June 2010 China and Taiwan signed the Economic Cooperation Framework Agreement (ECFA), which Beijing sees as a prelude for the “peace treaty” between the two sides of the Taiwan Strait that will eventually lead to “peaceful reunification of the motherland.”
- In July 2010 PLAN conducted a series of live ammunition drills in South China Sea, involving the flagships of the North, East and South Fleets of the PLAN.
- On 26 July 2010 Foreign Minister Yang Jiechi refuted fallacies over South China Sea territory dispute after State Secretary Hillary Clinton expressed that the US has a “vital interest” in the area. Yang made it clear that China is opposed to “internationalization” of the territory disputes in the area but seek a solution through “bilateral consultation” with the parties involved in the disputes.
- In August 2010 Vice Foreign Minister Wu Dawei led a three-man group to Pyongyang, and then to Seoul and Washington, in an effort to jumpstart the stalled Six Party Talks.

In addition, Beijing has quietly probed into the possibility of building up a “strategic partnership” with India. In July 2009 Beijing sent a high-power team to Singapore for an unprecedented Track II Security Dialogue with India. The delegation then reported directly to State Councillor Dai Bingguo before his dialogue with National Security Advisor M. K. Narayanan in New Delhi in August 2009. Both sides have agreed to continue the dialogue (though the 2nd round scheduled in late October was postponed because of the “political situation” in Beijing at the eve of the 5th Plenum of the CCP 17th National Congress), which the China side found “very constructive, candid but difficult.”⁷⁹

Moreover, the Chinese leadership has “carefully looked into” the idea of Asian Group 2— institutional arrangements for bilateral consultations and coordination on policy issues – this author has advocated.⁸⁰ Although it remains unclear whether and

⁷⁹ The author initiated and brokered this bilateral dialogue.

⁸⁰ Jing HUANG, “Time for Asian G2,” *Business Standard*, 23 July 2010; and “Managing Asian G2: Delhi and Beijing must contain nationalistic sentiments in their bilateral relations” *Business Standard*, 26 August 2010. The author learned that both were translated into Chinese for internal circulations.

how China will seriously engage India for a meaningful “strategic partnership”, there is little doubt that Beijing has keenly realized that the Sino-Indian relationship will be critical for regional peace and prosperity, upon which hinges China’s own long-term development and stability.

In general, Beijing has become more engaged in Asia-Pacific affairs since the eruption of the crisis, and this trend becomes clearer after the Obama Administration made a forceful comeback to Asia. After all, a China with a solid base in Asia would carry more weight in international affairs, especially at the IMGs.

Conclusion

China’s has come a long way in its dealing with the IMGs. As China rises to the global power status, its approach towards the IMGs, and external affairs in general, tends to become more proactive and confident. But this does not mean that China would wish to play any leadership role in global or even regional affairs. This is not just because China, rising as a status quo power, is reluctant to challenge the existing international system, and particularly the US dominance, but because incompatibility between China’s coercive political system at home and the mainstream of world politics continues to handicap Beijing’s role and capability in international affairs, especially in dealing with the IMGs dominated by the US-led democracies.

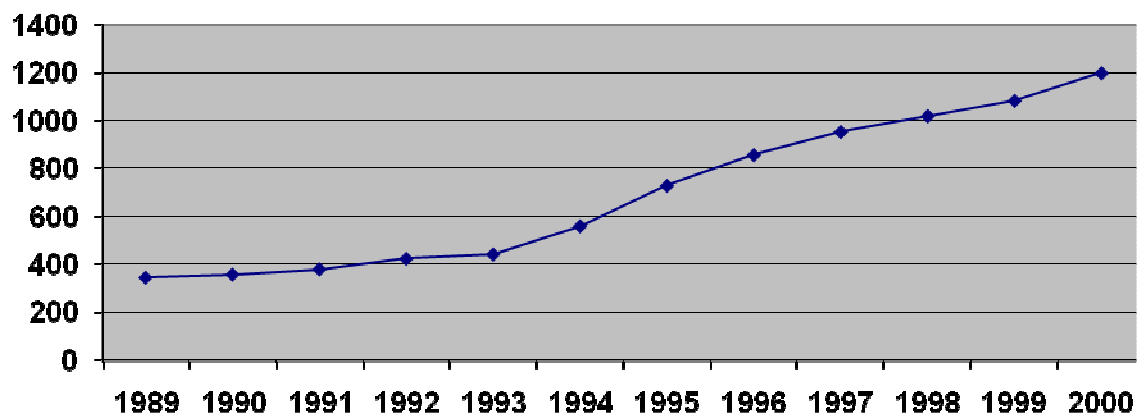
China’s fast-growing capability and influence, however, has empowered and emboldened Beijing to demand for more share of power in rule and decision-making, and hence for revising the system to fit China’s interest. As a result, China tends to work closely with the other emerging powers, especially India, in international affairs, especially at the IMGs, in order to increase their bargaining power. Meanwhile,

Beijing has beefed up China's involvement in Asia, so as to increase the weight China can carry in dealing with western powers. All these have translated into a seemingly more assertive and manipulating China at the IMGs. More assertive because China has been increasingly confident in its power and clout; more manipulating because Beijing is quite sophisticated nowadays in gaining leverages in multilateral games, as the world economic crisis has further exposed differences among the major powers in world's economic, political and security affairs.

Meanwhile, the Chinese leadership understands that China's "peaceful rise" has yet to accomplish and, therefore, it is vital for China to continue the process of integration into the existing international system with a multilateral approach. Thus, it does not serve China's interests to push too hard in its effort to revise the established rules and norms in international affairs, for that may destabilize the system and make China appear as a threat to the status quo. At present, Beijing has yet to find a way to solve this dilemma. All it has done is to pursue a pragmatic or even opportunistic strategy that seeks to maximise gains and minimise risks and responsibilities. In the foreseeable future, this will remain as China's fundamental approach towards the IMGs.

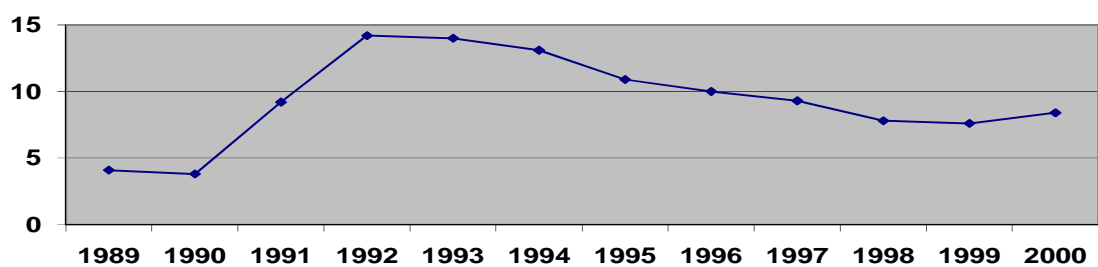
APPENDIX: CHARTS AND TABLES

Chart 1: China's GDP in 1989-2000 (USD billion)⁸¹



Year	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
GDP (USD billions)	344	357	379	423	441	559	728	856	953	1019	1083	1198

Chart 2: China's Annual GDP Growth Rate: 1989-2000



Year	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Annual Growth	4.1	3.8	9.2	14.2	14	13.1	10.9	10	9.3	7.8	7.6	8.4

⁸¹ Statistics from World Bank Website

Chart 3: Trade between China and G8 Countries in 2000-2008 (USD billions)

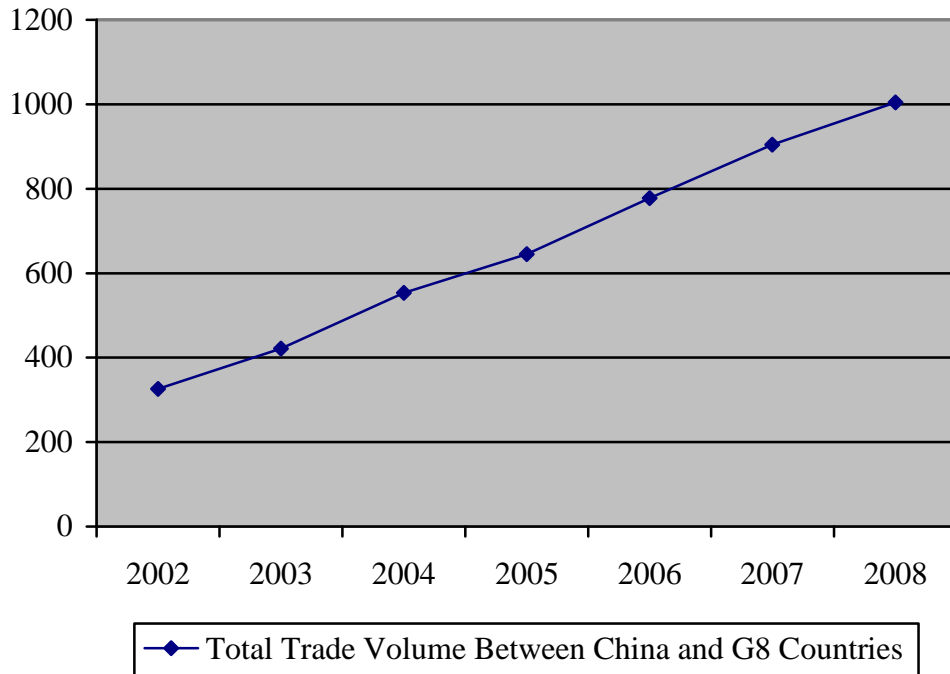


Chart 4: Bilateral Trade between China and Respective G8 Country (USD billions)

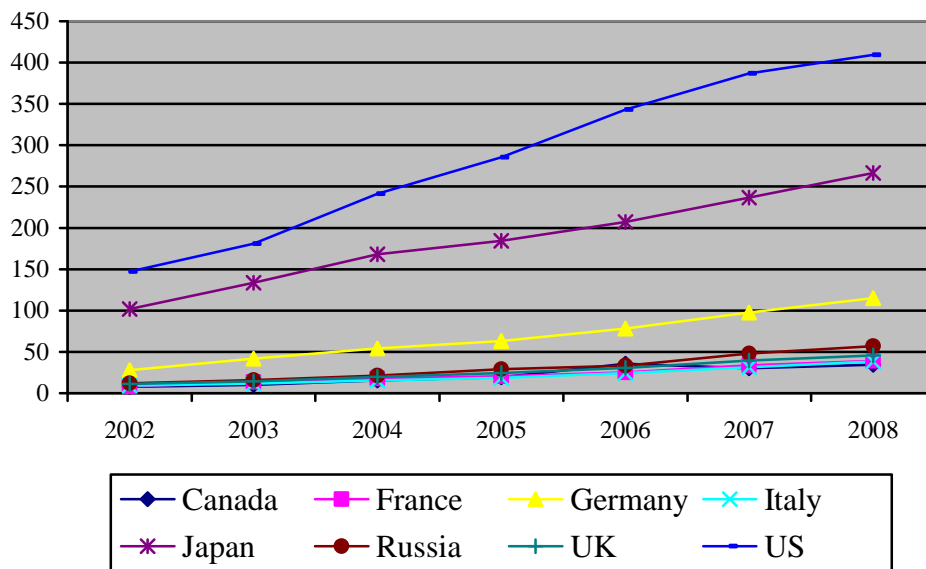
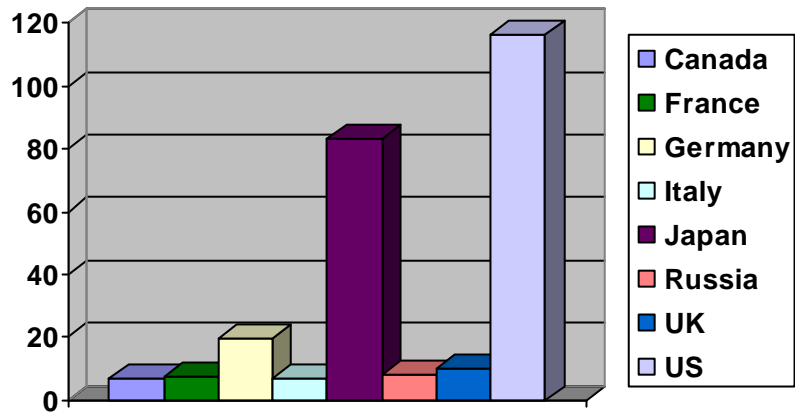
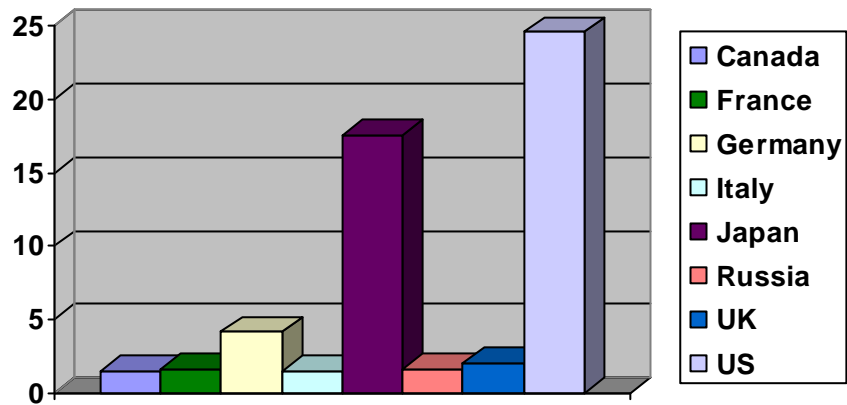


Chart 5: Trade between China and the G8 Countries in 2000-2008

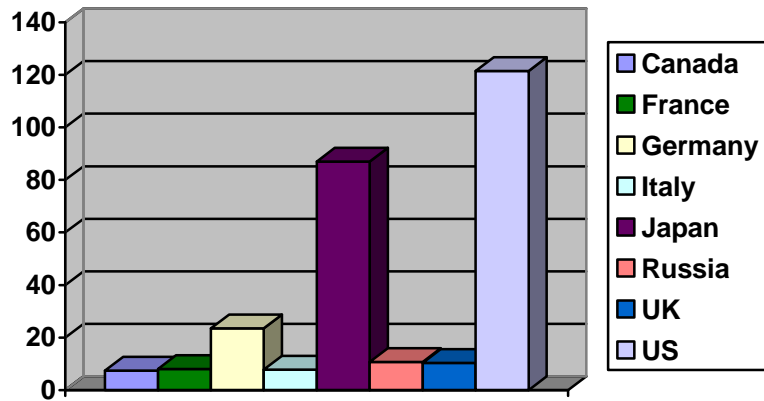
Bilateral Trade (in USD billion) between China and the G8 Countries in 2000



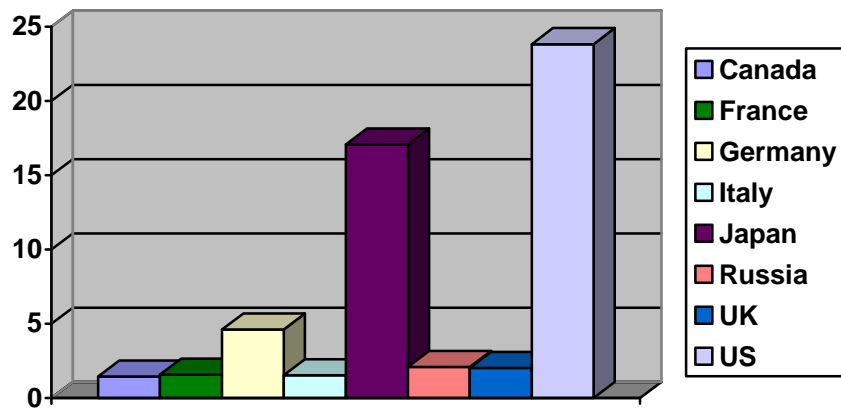
Percentage of China's Bilateral Trade with the G8 Countries over Total Trade Volume in 2000



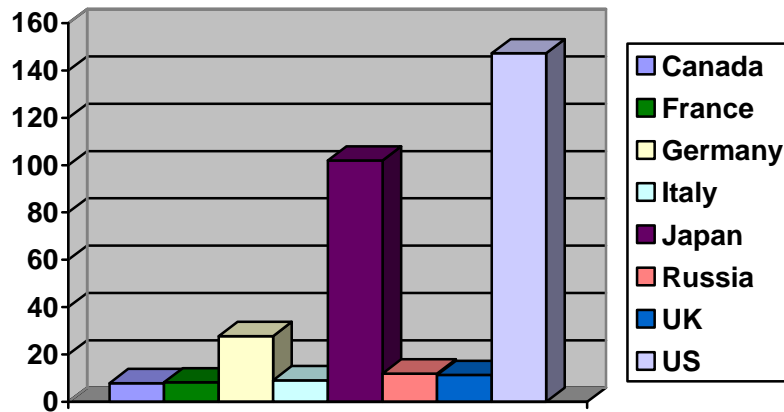
Bilateral Trade (in USD billion) between China and the G8 Countries in 2001



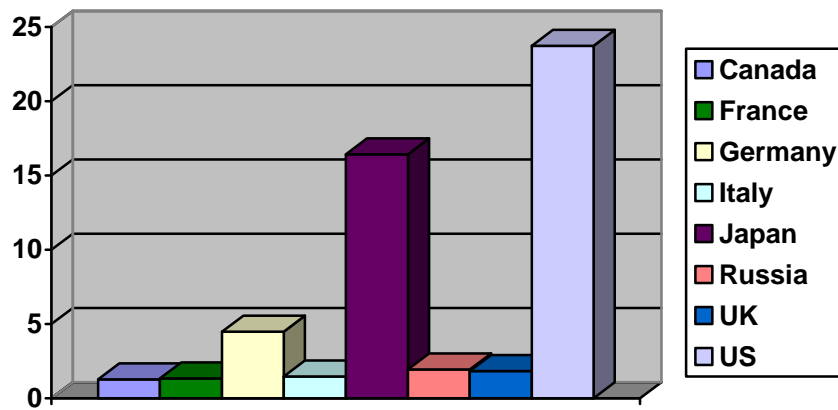
Percentage of China's Bilateral Trade with the G8 Countries over Total Trade Volume in 2001



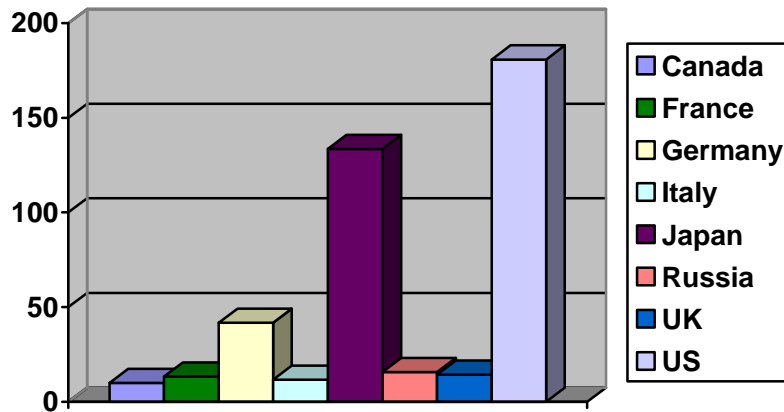
Bilateral Trade (in USD billion) between China and the G8 Countries in 2002



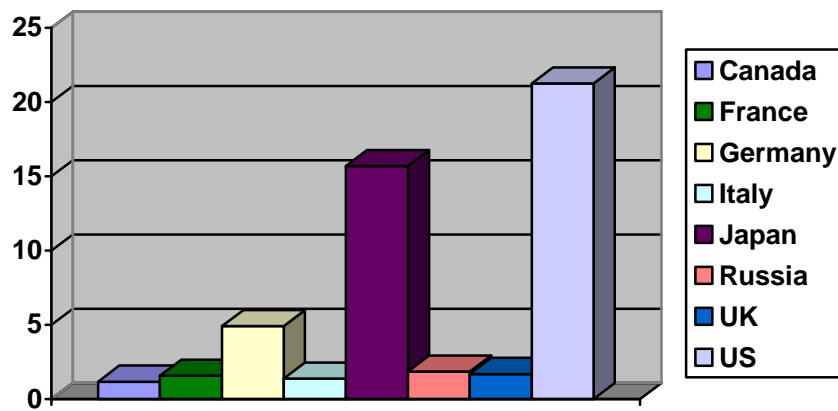
Percentage of China's Bilateral Trade with the G8 Countries over Total Trade Volume in 2002



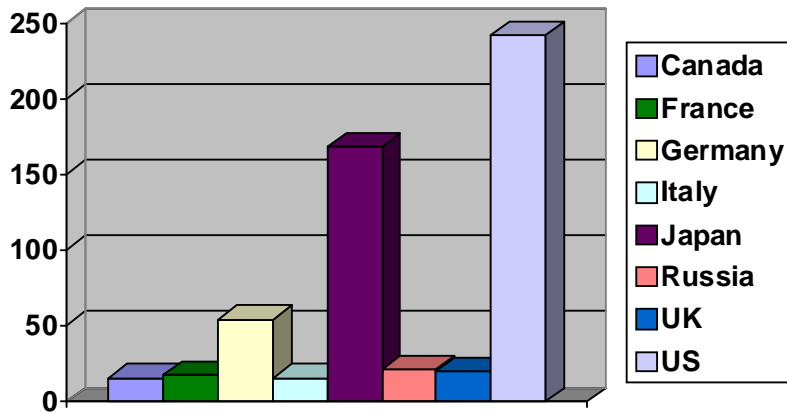
Bilateral Trade (in USD billion) between China and the G8 Countries in 2003



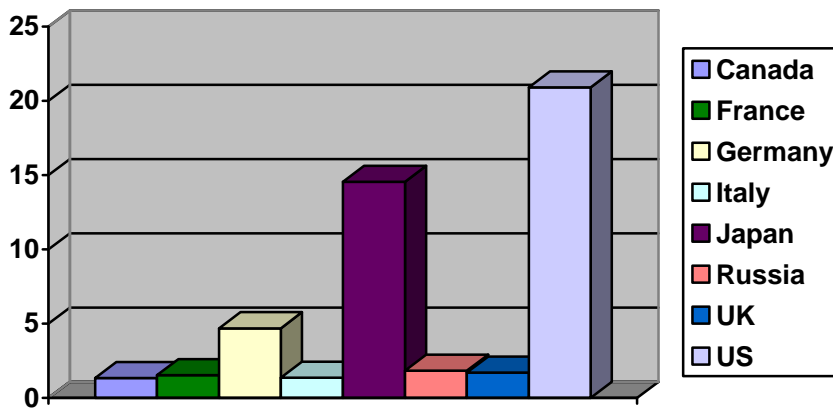
Percentage of China's Bilateral Trade with the G8 Countries over Total Trade Volume in 2003



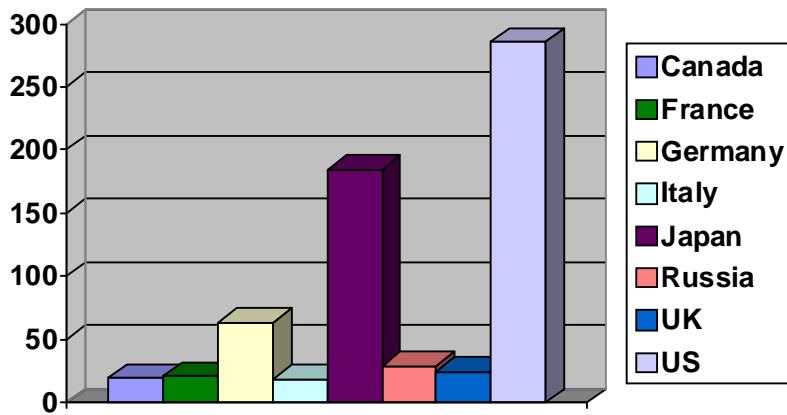
Bilateral Trade (in USD billion) between China and the G8 Countries in 2004



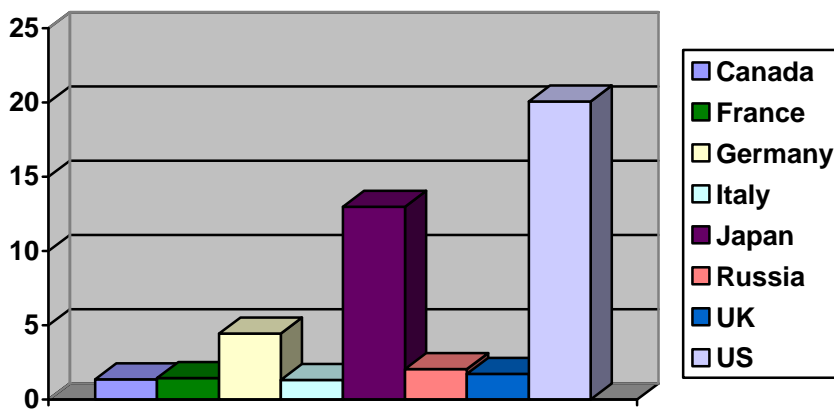
Percentage of China's Bilateral Trade with the G8 Countries over Total Trade Volume in 2004



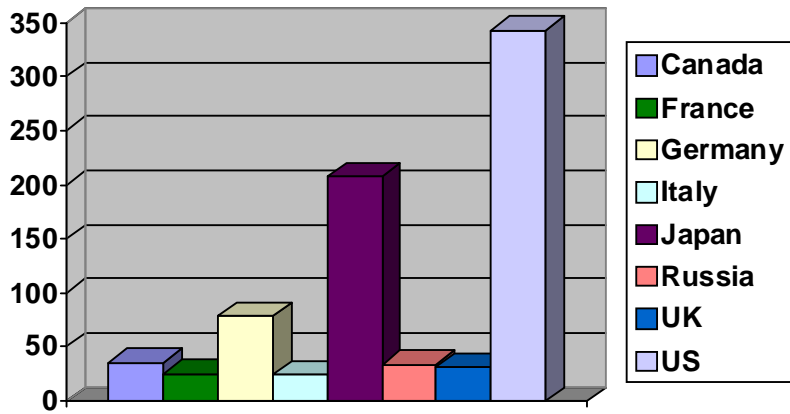
Bilateral Trade (in USD billion) between China and the G8 Countries in 2005



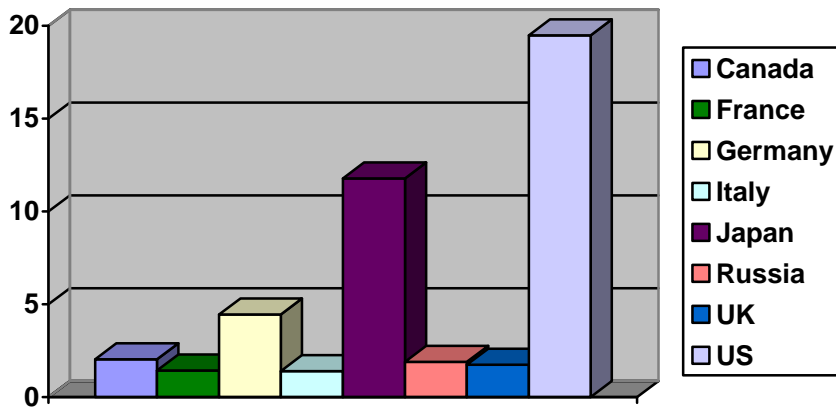
Percentage of China's Bilateral Trade with the G8 Countries over Total Trade Volume in 2005



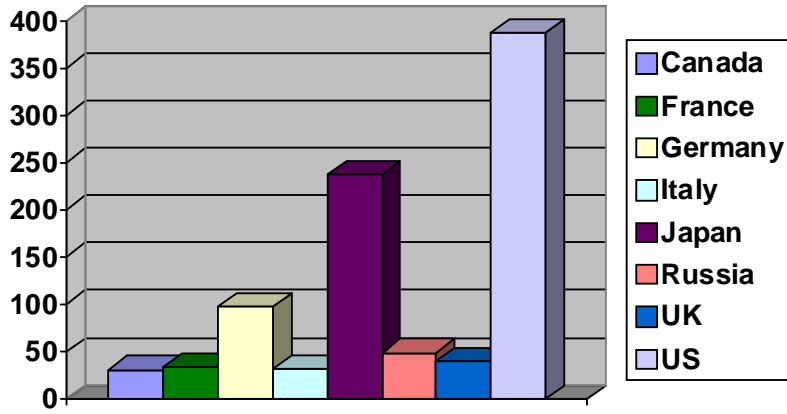
Bilateral Trade (in USD billion) between China and the G8 Countries in 2006



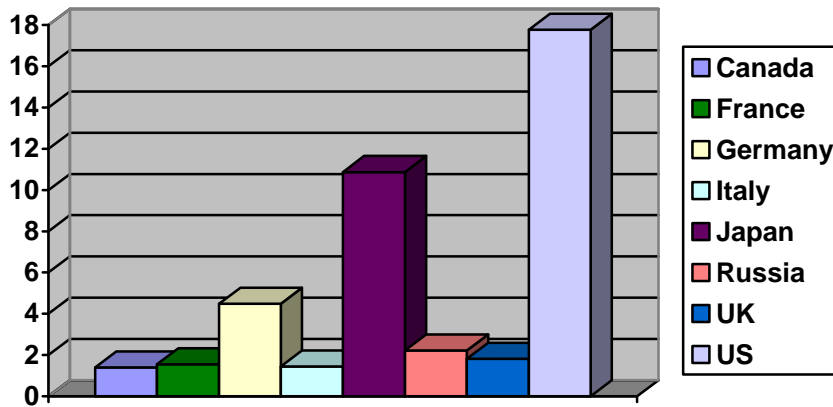
Percentage of China's Bilateral Trade with the G8 Countries over Total Trade Volume in 2006



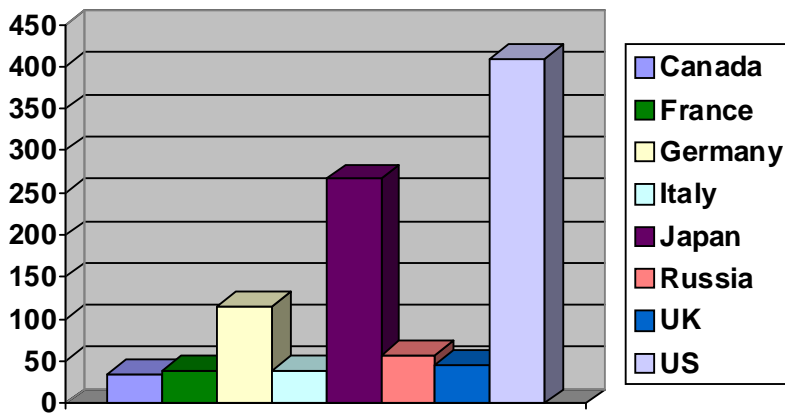
Bilateral Trade (in USD billion) between China and the G8 Countries in 2007



Percentage of China's Bilateral Trade with the G8 Countries over Total Trade Volume in 2007



Bilateral Trade (in USD billion) between China and the G8 Countries in 2008



Percentage of China's Bilateral Trade with the G8 Countries over Total Trade Volume in 2008

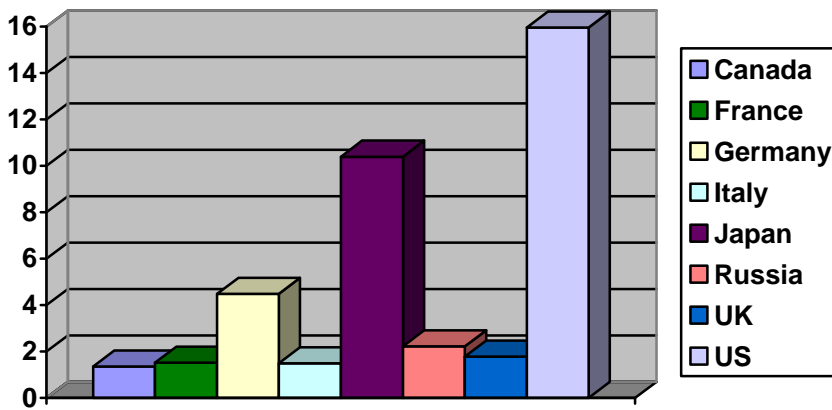


Table 1: Trade between China and the G8 Countries, 2000-2009

Year	Country	Bilateral Trade Volume	China's Total Trade Volume	Percentage (%)
2000	Canada	US\$6.909 billion ¹	US\$474.3 billion ²	1.457
	France	US\$7.7 billion ³		1.623
	Germany	US\$19.7 billion ⁴		4.153
	Italy	US\$6.881 billion ⁵		1.451
	Japan	US\$83.2 billion ⁶		17.542
	Russia	US\$8.0 billion ⁷		1.686
	United Kingdom	US\$9.90 billion ⁸		2.0873
	United States	US\$116.3 billion		24.520
2001	Canada	US\$7.372 billion ⁹	US\$509.7 billion	1.446
	France	US\$8.0 billion ¹⁰		1.570
	Germany	US\$23.5 billion ¹¹		4.611
	Italy	US\$7.782 billion ¹²		1.527
	Japan	US\$87.0 billion ¹³		17.069
	Russia	US\$10.664 billion ¹⁴		2.092
	United Kingdom	US\$10.3 billion ¹⁵		2.021
	United States	US\$121.5 billion		23.838
2002	Canada	US\$7.932 billion ¹⁶	US\$620.8 billion	1.2777
	France	US\$8.322 billion ¹⁷		1.341
	Germany	US\$27.8 billion ¹⁸		4.478
	Italy	US\$9.147 billion ¹⁹		1.473
	Japan	US\$101.97 billion ²⁰		16.426
	Russia	US\$12 billion ²¹		1.933
	United Kingdom	US\$11.4 billion ²²		1.836
	United States	US\$147.3 billion		23.727
2003	Canada	US\$10 billion ²³	US\$851.0 billion	1.175
	France	US\$13.39 billion ²⁴		1.573
	Germany	US\$41.8 billion ²⁵		4.912
	Italy	US\$11.73 billion ²⁶		1.378
	Japan	US\$133.6 billion ²⁷		15.699
	Russia	US\$15.76 billion ²⁸		1.85
	United Kingdom	US\$14.4 billion ²⁹		1.692
	United States	US\$180.8 billion		21.246
2004	Canada	US\$15.5 billion ³⁰	US\$1,154.6 billion	1.342
	France	US\$17.65 billion ³¹		1.529
	Germany	US\$54.11 billion ³²		4.686
	Italy	US\$15.62 billion ³³		1.353
	Japan	US\$167.935 billion ³⁴		14.54
	Russia	US\$21.24 billion ³⁵		1.840
	United Kingdom	US\$19.73 billion ³⁶		1.709
	United States	US\$241.4 billion		20.908
2005	Canada	US\$19.17 billion ³⁷	US\$1421.9 billion	1.348
	France	US\$20.65 billion ³⁸		1.452

	Germany	US\$63.2 billion ³⁹		4.444
	Italy	US\$18.56 billion ⁴⁰		1.305
	Japan	US\$184.48 billion ⁴¹		12.974
	Russia	US\$29.1 billion ⁴²		2.047
	United Kingdom	US\$24.5 billion ⁴³		1.723
	United States	US\$285.3 billion		20.065
2006	Canada	US\$35.7 billion ⁴⁴	US\$1,760.4 billion	2.028
	France	US\$25.19 billion		1.431
	Germany	US\$78.2 billion ⁴⁵		4.442
	Italy	US\$24.5 billion ⁴⁶		1.392
	Japan	US\$207.36 billion ⁴⁷		11.779
	Russia	US\$33.39 billion		1.897
	United Kingdom	US\$30.7 billion ⁴⁸		1.744
	United States	US\$343.0 billion		19.484
2007	Canada	US\$30.38 billion ⁴⁹	US\$2,176.6 billion	1.396
	France	US\$33.7 billion ⁵⁰		1.548
	Germany	US\$97.60 billion ⁵¹		4.484
	Italy	US\$31.39 billion ⁵²		1.442
	Japan	US\$236.6 billion ⁵³		10.870
	Russia	US\$48.2 billion ⁵⁴		2.214
	United Kingdom	US\$39.44 billion ⁵⁵		1.812
	United States	US\$386.7 billion		17.766
2008	Canada	US\$34.52 billion ⁵⁶	US\$2,563.3 billion	1.347
	France	US\$38.94 billion ⁵⁷		1.519
	Germany	US\$115 billion ⁵⁸		4.486
	Italy	US\$38.26 billion ⁵⁹		1.493
	Japan	US\$266.40 billion ⁶⁰		10.393
	Russia	US\$56.8 billion ⁶¹		2.216
	United Kingdom	US\$45.62 billion ⁶²		1.780
	United States	US\$409.2 billion		15.964
2009	Canada	US\$29.7 billion ⁶³	US\$2,207.2 billion	1.346

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