CHINA: A REGIONAL OR A GLOBAL POWER?

1990-2007

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China: a Regional or a Global Power?

تصويرا كليا أو جزئيا وذلك لغايات البحث العلمي والتبادل مع المؤسسات التعليمية والجامعات.

نور قباعة

٢٥/٥/٢٠٠٩

DEDICATION

I dedicate this thesis to my family who supported me invariably during the ups and downs of the writing process of this thesis, and to my inspirer who throughout it all made the difficult parts easier and the distant closer by.

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LIST OF ABBREVIATIONS

ABM	Anti-Ballistic Missile
ACFTA	ASEAN-China Free Trade Area
APEC	Asia Pacific Economic Cooperation Forum
ASAT	Anti-satellite weapon testing
ASEAN	Association of Southeast Asian Nations
ARF	ASEAN Regional Forum
APT	ASEAN Plus Three
BFA	Boa Forum for Asia
BPM5	Balance of Payments Manual 5th Edition
BWC	Biological Weapons Convention
C4ISR	Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance
CACF	China Africa Cooperation Forum
CCCPE	China Center for Comparative Politics & Economics
CCP	Chinese Communist Party
CCPNC	Chinese Communist Party National Congress
CIA	Central Intelligence Agency
CO2	Carbon Dioxide
CPIRC	China Population Information and Research Center
CPPCC	Chinese People's Political Consultative Conference
CRS	Congressional Research Service
DPP	Democratic Progressive Party

DPRK	Democratic People's Republic of North Korea
ESRC	Economic and Social Research Council
EU	European Union
FAS	Federation of American Scientists
FDI	Foreign Direct Investment
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
HDI	Human Development Index
IAEA	International Atomic Energy Agency
IEA	International Energy Agency
IMF	International Monetary Fund
IEA	International Energy Agency
IISS	International Institute for Strategic Studies
IP	Intellectual Property
IR	International Relations
KMT	Kuomintang: the Chinese Nationalist Party
MFPRC	Ministry of Foreign Affairs of the People's Republic of China
NATO	North Atlantic Treaty Organization
NPC	National People's Congress
NPFPC	National Population and Family Planning Commission of China
NPLs	Non-performing loans
NRDC	Natural Resources Defense Council
OECD	Organisation for Economic Cooperation and Development

PAP	People's Armed Police
PCT	Patent Cooperation Treaty
PLA	People's Liberation Army
PPP	Purchasing Power Parity
PRC	People's Republic of China
R&D	Research and Development
ROK	Republic of Korea
SO2	Sulfur Dioxide
SCO	Shanghai Cooperation Organisation
SOEs	State-Owned Enterprises
TRA	Taiwan Relations Act
TI	Transparency International
UN	United Nations
UN-AU	United Nations-African Union
UNCTAD	United Nations Trade and Development
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
UNPKOs	UN peacekeeping operations
UNOG	United Nations Office at Geneva
UNSC	United Nations Security Council
US	United States
USCBC	US-China Business Council
USD	United States Dollar

USDA	United States Department of Agriculture
USSR	Union of Soviet Socialist Republic
WB	World Bank
WIPO	World Intellectual Property Organization
WMDs	Weapons of Mass Destruction
WTO	World Trade Organization

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ABSTRACT

Considering China's extraordinary rise to power over the past two decades, this thesis dealt with China's current power status within the international system, an issue of major concern facing policy-makers and intellectuals alike in the world of politics.

Drawing on the Realist theoretical framework particularly the highly contested concept of power, and using the Levels-of-Analysis Approach, this thesis attempted to answer whether China is a regional or global power.

The thesis concludes that China is an increasingly influential global power that has not reached a First-World status yet. When considering power as an attribute through studying the PRC's national elements of power, the study reveals that China possesses the attributes that qualify it to be a global power; notwithstanding some domestic fragilities notably the widening gap between its economic liberalisation and slow political reform, which could impede it from attaining the status of a global power.

Examining power in terms of outcomes and in relation to other states, the thesis demonstrates that China is increasingly acting like a global power that is not only concerned with its own development, but by the development of world events and preserving the world order.

After reviewing Beijing's current behaviour within the international system, this thesis predicts that the PRC's rise to power would not be aggressive in nature, given that it is working within the international system and promoting ideas like multipolarity and interdependence.

INTRODUCTION

The much-heralded advent of China as a global power is no longer a forecast but a reality (Zakaria, 2008, p.20). After almost two centuries of being a weak player in the international arena, China is finally re-emerging as a major world power. The word "re-emerging" is being used intentionally, given that China for most of recorded history was after all one of the world's most advanced civilisations and largest economies, particularly during the Ming Dynasty (1368-1662) period of tribute-trade relations in the traditional East Asian order (Dellios, 2005). China was also back then the centre of gravity in world affairs and a force for world stability, but its glory withered 2,000 years later as a result of "dynastic China's gradual weakening, lack of technological innovation and finally defeat in the Anglo-Chinese wars during the 19th century" (Dellios, 2005). However, with the wave of reforms that swept the People's Republic of China (PRC) in the 1980s and the period of unprecedented growth that has ensued, China has once again become the focus of worldwide attention.

The importance of the PRC's rise lies in its substance and great potential. Indeed Beijing possesses the world's fastest growing economy and largest armed forces, in addition to playing an increasingly indispensable role in global politics, all of which is provoking an equivocal reaction throughout the world (Hutton, 2008, pp.4-5). The greatest concerns are usually voiced about "the build-up of China's military potential, the country's increasing energy demands, and the dumping of Chinese goods on the world markets" (Berger, 2005). Another hotly contested issue is the possibility of the PRC soon becoming a superpower as strong as the United States (US), capable of equally competing with it for global influence and hegemony. There is even much talk about China replacing the US, particularly in light of the increasing opposition to its

unilateralist management tendencies in the aftermath of its war on Iraq (Huntington, 1999). That is why the PRC's rise to eminence is said to be heralding a shift in the distribution of global power which has long been concentrated in the West, with the US being at the forefront guiding the dynamics of the international system and determining the course of events since the late 19th century (Zakaria, 2005). More generally the arrival of the newcomer with its huge size, enormous population and growth rates that could outstrip those of major countries, has also provoked many questions and speculations regarding the nature of this power transition; will that newcomer try to fit into the established international order or topple it to suit its goals? (Ikenberry, 2008, p.23). While some scholars and policy experts predict inevitable clash and even war between the world's current superpower and the world's rising power, because the arrival of a powerful newcomer to the global regime would disturb the balance of power, unsettle the world order while seeking its place in the sun, others argue that not all power transitions have to be conflictual, citing the example of the United States rising up the global power meter replacing Great Britain as the first rank power in the 19th century without that causing any war to break out between the two countries as a proof of that (Zakaria, 2008, p.21).

1. Purpose of study

With the rise of the PRC capturing the world's attention, the issue of China's power status has re-emerged today. Although it may at first seem simple, the answer to this question is anything but obvious. During the Cold War, assessing its national power, the PRC was variously considered a "sleeping dragon", an aspiring "superpower candidate" and by some as an actual major power (the third balancing force) in global geopolitics; yet following the 1989 Tiananmen tragedy many scholars, experts and intellectuals predicted the decline and even the collapse of China (Kim, 1997). One

of the most resounding questions that pose itself today is whether the PRC is merely a regional power or has it already attained the status of a global power. Due to its complexity and the many elements it entails, this question has understandably generated many answers and provoked many speculations. Taking into account its problematic nature, this study will examine the complexity of defining and assessing the Chinese power in terms of the current world order. To this end, this paper would firstly address the different elements of China's national power which are directly relevant to assessing its global significance, and then it would study the PRC's interactions within the current world order. Throughout, this study will also be looking at Beijing's short and long-term objectives in order to assess its intentions regarding China's status for the near future.

This paper will cover China from 1990 till 2007. During the course of the 1990s, the world has witnessed a number of dramatic geopolitical changes such as the disintegration of the Eastern Bloc, the end of the Cold War and the demise of the Soviet Union (Gittings, 2006, p.251). And just before that in 1989, China itself witnessed a major event: the Tiananmen Square demonstrations, which the PRC's elite had forcibly suppressed (Kynge, 2006, pp.179-180). After the collapse of the Soviet Union, faced with the hegemony of the US that seemed less friendly than before 1989, and a shaky internal core that could greatly undermine the stability of the currently leading China's Communist Party (CCP), China found itself at the forefront of the race towards power.

2. Problem of Study

While analysing the case of China, measuring its strengths and weaknesses, with the aim of deciding its world status, this study will inevitably come across methodological and theoretical problems. The methodological ones will include how

to approach the PRC to define its power and measure it. As for the theoretical problems, they will include specifying the units of analysis, the way they interact, and the right levels on which to conduct the analysis. It will be difficult to measure the elusive concept of power (defined in the context of the global order), mainly because international events and the international system, both of which have a lot of bearing, are characterised by instability and are to some extent unpredictable. Moreover, there is a contention on the concept of power and its manifestations. As the political scientist Hans Morgenthau wrote: "[t]he concept of political power poses one of the most difficult and controversial problems of political science" (Morgenthau as cited in Treverton and Jones, 2005). Indeed there is no universal objective formula for measuring power and to justify one set of variables and methods vis-à-vis others, the selection and weighing of variables have been arbitrary and subjective depending on the preference of the researcher. As for the selection of variables the problem lies in their quantification (not all factors can be easily quantified), the data availability, its exactness and comparability (due to the fact that some factors are measured differently from a country to another). Moreover, the importance of a particular variable may itself vary over time depending upon the magnitude of one or more of the other variables (Hwang, 2008, p.21).

3. Hypothesis

This thesis assumes that China is an increasingly influential global power which has not attained a First World status yet.

4. Literature Review

Large literature exists on the astonishing rise of China, which is a subject of much current interest to international organisations, national policy makers, and economists all over the world and the academic community. The literature in this section will be

divided into a number of variables used to explain the PRC's current status on the power barometer, and to address China's likely future position in light of the different factors that may affect it. The variables and their scholars will be classified into four schools: the middle power school, the regional power school, the regional power with global potential school and the developing global power school. Identifying the criteria to place the scholars and their key variables into schools of thought will precede their classification. Consequently, these schools will be discussed through focusing on the analysis that the scholars of each school carried out of the current status of the PRC as a rising power. Thereafter, the positive aspects of these schools will be discussed as well as their limitations.

4.1 Criteria for Selecting Different Schools

Given that each scholar adopted a distinct approach when addressing China's current position on the power barometer, the matter of categorising the scholars into schools of thought results problematic. This is because some of those scholars dealt with the PRC's status from the present time, whereas others referred to its past and some even spoke extensively of its future potential. Furthermore, while most of the scholars discuss the same factors that make up China's national power, the significance they attach to those elements varies from one scholar to another. Some have emphasised the importance of one or two factors while briefly discussing others, whereas others have examined a number of factors equally. Therefore, criteria are needed to categorise the material into schools. The basic criterion used is to measure the level of importance that a group of scholars have given to one or two factors in their analysis of the PRC's position within the international system.

4.2 Variables of China's Current Status as a Rising Power

The following interpretation suggests that there are four schools that have focused on the different key variables of the Chinese power status. The school of middle power includes Gerald Segal and Jean-Pierre Lehman. The second one is the school of regional power which comprises Lawrence Freedman, Shaun Breslin and Bates Gill. The third one is school of regional power with a potential to become a global power and it includes Stuart Harris, Samuel Kim, Susan Shirk, John Gittings and Barry Buzan. Finally, the fourth school which is the school of developing global power comprises Rosita Dellios, Fareed Zakaria and John Ikenberry.

4.2.1 The School of Middle Power

The scholars in this category do not think of China as neither a regional nor a global power, yet they do not consider it an insignificant small power. In other words they view it as a middle power that can matter regionally as opposed to internationally, depending on its internal development (Segal, 1999, Lehman, 2004, p.106).

In an attempt to discuss whether the PRC matters or not Segal, taking on a negative tone, undermines China's strength economically, militarily, politically and ideologically, and dismisses it as merely a second-rank middle power that is often overrated particularly by the West. This exaggeration regarding the true nature of Chinese power and influence, according to him, could embolden the Chinese leadership to overestimate their country's strength and to stop them from taking the road of reform towards marketisation, plurality and even democracy (Yahuda, 2004, pp.7- 10)

Economically speaking, Segal (1999) argues that China is "at best a minor part of global economy", advancing a number of measures against which to judge the PRC's economic weight such as the proportion of world gross domestic product (GDP),

income per head, the proportion of world and Asian trade, the share of US, European and Asian country exports and the share of inward global and regional foreign direct investment (FDI).[1] Segal (1999) pessimistically concludes that China's little importance to the global economy is best illustrated by the Asian crisis which Asia in general and the PRC in particular could not endure. He argues secondly that China is a second-rate military power given its incapability of taking on America; it may on the other hand threaten Taiwan or Philippines which are considered third-rate military powers (Segal, 1999). To support his argument he speaks of Beijing's low average rate of spending on defence and of arm deliveries compared to Washington, maintaining that these low rates neither buy it vast influence globally nor regionally. Describing China as a revisionist non-status quo power[2] that is operating outside the global community not exactly in accordance with the international rules and norms that are mainly guided by the West, Segal claims that the Beijing's importance mainly lies in its ability to make mischief, to oppose or thwart Western interests, especially those of the US. Its arms transfers to Iran and Pakistan for instance have provoked concerns, for they are two countries that Washington has threatened with sanctions (Segal, 1999). And although in the field of arms control Beijing does not block major arms control accords, China is often one of the last countries to sign on, in an attempt to milk every diplomatic advantage that it can get (Segal, 1999). Speaking of the PRC's international role mainly as a Permanent Member of the United Nations Security Council (UNSC), Segal (1999) undermines Beijing's weight by referring to its "theatrical power" when it comes to Veto decisions. In conclusion, Segal (1999) believes that China could matter regionally if it were to come to terms with its

[1] It must be noted here that the figures cited by Segal in his essay are out of date since they date back to 1997 and are therefore inapplicable. Things have significantly changed from a decade earlier and thus some of his arguments may not hold anymore.
[2] This is a power that aims to increase its military power as opposed to maintaining it at the same level.

limitations and carry out the serious reforms that await it; but the West needs to see the PRC's actual status first of all, because failing to do so is preventing China from realising its true potential.

From querying whether China matters or not, a more moderate positive view is advanced by Jean-Pierre Lehman who raises the possibility of the PRC becoming a regional power in the future. He argues that with time China, which is currently a middle power, is coming to matter more and more to the Asia-Pacific region and in light of its domestic situation and foreign policy, it is very influential in determining the future of the whole region, which is currently experiencing winds of change from different directions (Lehman, 2004, pp.100-102) In fact Lehman (2004, p.102) speaks of the likelihood of the PRC assuming the leadership role in East Asia where a vacuum has existed for the past several decades.

Economically speaking, China is seen to be heading in the right direction to become a regional economic locomotive. However, on the political, geopolitical and cultural regional levels, things remain more or less uncertain (Lehman, 2004, pp.102-103). The PRC currently exists in a moral and ideological vacuum, and consequently the legitimacy of the current Chinese regime only lies in its ability to sustain economic growth. And since the sustainability is pending on Beijing opening up to political reforms, refraining from that could lead to unrest and could shatter away any prospects of China becoming a regional power (Lehman, 2004, pp.103-106). The PRC's response to the various challenges it is facing domestically (mainly the ever-growing gap between the country's economic system and its political system) will determine the course that Beijing will take in the 21st century as well as the impact that it will have on the Asia-Pacific region. Lehman (2004, p.106) concludes by saying that "for China to become a great nation in the 21st century its only option is to

adopt […] the institutions and ideas of liberalism" given that it is impossible to separate economic and political reforms in the long-term.

4.2.2 The School of Regional Power

About three decades ago Robert A. Scalapino (1974) predicted that China will play an increasingly large role in the international relations of the Asian-Pacific region and added that any return to isolation seemed improbable. On the other hand however, he said that it was difficult to perceive of the PRC becoming a truly global power in light of its many domestic fragilities. Thus, he added prophetically, China can for a significant period of time play the contrasting roles of "a major power on the regional level and a developing society in the global arena" (Scalapino, 1974).

Focusing mainly on Beijing's strategic importance in the world of international politics (power as an effective influence) Lawrence Freedman (2004, p.35) maintains that China is confined to a regional power position not only due to the limited reach of its military strength by which power was traditionally gauged; but by the parochial sense of its interests. He then adds that the PRC, unlike a global power, has not become a new pole in the international system, nor does not provide ideological leadership to any segment of the international society with its own natural followers and allies (Freedman, 2004, p.35). Furthermore it does not provide an alternative system to the international system that is already in place or is even contemplating controlling the current one; but instead it is being shaped by it (Freedman, 2004, p.35). Doubtless, Beijing expects to be treated respectfully; but it does not present itself as a candidate for global primacy, and although it may detest the American hegemony which tends to constrain some of its regional objectives, there is evidence of its discourse on globalisation (Freedman, 2004, p.29). China's size and economic gains certainly deserve attention and respect; however internationally there is hardly

any interest with its ideological pronouncements and its governance system is often scrutinised and considered inadequate for the socio-political challenges that are facing it (Freedman, 2004, p.35). That said, the PRC does occupy a strategic position on the global geopolitical map not due to its own strength, but for being located in a region that can suffer future turbulences (Freedman, 2004, p.36).

Focusing only on the military element of Beijing's national power Bates Gill (2004, p.124) believes that China matters far more at a regional than at a strategic and global level. He argues that the PRC may be a second-rate power when compared to the United States and Japan, but no one can ever deny that it has always mattered regionally especially when taking into account its endless efforts to develop its regional presence and potential. Gill (2004, pp.126-135) claims that ever since the late 1990s China's regional weight and impact have grown significantly in the military sphere .Furthermore the PRC is currently "transforming itself from a land-based, heavily mechanised force to one with air and sea capabilities for operations within several hundred miles of its shores" (Gill, 2004, p.142). These efforts are likely to continue and China will matter militarily even more in the coming years, being "on a trajectory to become the foremost military power among the countries in East Asia" (Gill, 2004, p.124). Nevertheless, Beijing's growing military power may be at some point constrained and counterbalanced by a number of factors: firstly, its unpreparedness to face other possible challenges that might emanate from the Asian region (with the possible US involvement) due to focusing on the very narrow regional challenge of Taiwan (Gill, 2004, p.139). Secondly, the Chinese army's continues to have difficulties in combining and making use of the doctrinal hardware and software developments and fully taking advantage of them (Gill, 2004, p.140). The third factor that may influence the PRC's ability to expand its regional role and

determine how it act on the international stage is the Chinese internal developments i.e. the outcomes of China's ongoing political, social and economic transformation, as they will determine how Beijing will manifest its power outside (Gill, 2004, p.141). According to Gill (2004, p.142), the list of domestic challenges that Beijing is currently facing can drain China's energy and constrain its rise as a regional military power. On another negative note, Gill (2004, p.142) believes that the PRC's growing regional military capabilities and confidence should be a global source of concern for those interested in the East Asian stability. This is due to the possibility of Beijing using force while dealing with the Taiwan issue, and war in the Taiwan Strait could draw other powers into the conflict. Although China has been openly downplaying its military strength and has not been flexing any muscles, focusing instead on its economic and political power, this does not rule out the possibility of the PRC utilising its improved military capabilities sometime in the future to impose itself more forcefully around its periphery and thus destabilise the East Asian region (Gill, 2004, p.142).

Like Gill, Shaun Breslin only focuses on one of China's elements of national power namely its economic power. He recognises that the PRC matters very much for the regional economy, but he adds that it matters differently for different actors in different countries (Breslin, 2004, pp.107-108). For instance, although its growth and rise as the workshop of the world may present an opportunity for some actors in the region[3] who can exploit the comparative advantage that China possesses as an export-platform, it can also pose serious challenges to others. These challenges include possible increased competition from the PRC in domestic markets, as well as a loss of growth and jobs domestically as a result of transferring production and investment to

[3]These include regional investors and business elites.

the China, both of which would eventually hollow out their domestic economies (Breslin, 2004, p.123).

Breslin (2004, p.107) argues that the PRC's importance mainly lies in it being an export-platform, "a production site for exports to more lucrative markets in the developed world". On the other hand, China has not proved to be a significant market for regional exporters due to its protected domestic trade regime which aims at protecting domestic producers from international competition (Breslin, 2004, p.108). Having said that, and in stark contrast Beijing has encouraged FDI to produce exports for external markets, which explains its rapid capital accumulation and growth of exports (Breslin, 2004, p.110). The PRC's regional significance is also reflected in its increasingly important role in regional forums, which are supposed to promote closer economic integration. Indeed, Beijing's membership in every viable regional institution, the economic initiatives it has embraced, as well as its willingness to establish region-wide bodies that could promote alternative norms to those of the hegemonic United States and pursue its interest through dialogue and cooperation are certainly qualities of a regional power (Breslin, 2004, pp.121-122).

4.2.3 The School of Regional Power with a Potential to Become a Global Power

Like Breslin and while focusing on economy too, Stuart Harris believes that China has what it takes to be a regional power; but he is more optimistic than all the aforementioned scholars in that he believes that the PRC will eventually acquire the level of globalism sometime in the future no matter how bumpy and long the road it is on may be.

Although Harris (2004, p.54) like Segal (1999) agrees that the PRC's economic importance is largely based on its assumed potential, he maintains that China's current potential is much stronger than Segal portrayed it to be, making it figure in

expectations and global decision-making processes. Besides, as a rising power Harris (2004, p.70) believes that Beijing should be judged not only by its performance up to date and by where it stands today, but also by where it could be in the future and by the impact it could have on the regional and global stability if it decided to behave irresponsibly and in a destabilising way. Unlike Segal though, Harris (2004, p.68) only looks at the economic side of the PRC's power, and maintains that while it is not the dominant giant or yet the engine of global growth that is often feared and excessively talked about, China matters economically not only at a regional level but also internationally. Its geographical size and its vast population make its presence felt strongly both regionally and globally, and being a relatively important economic partner to major world powers also reflects its increasing global significance that is hard to deny (Harris, 2004, p.68). Although the PRC has a more direct economic impact on the Asian region than on the world, it has a significant global impact in specific areas particularly in the energy sector, where its ever-increasing demand for energy makes it a major trader on the world energy market as well as an integral party of the global warming debate (Harris, 2004, pp.62-63). Moreover, China is already a major economic power in the global economic system that is an active participant in the world international economic institutions (Harris, 2004, p.70).

The question of how far the PRC will matter economically in the future regionally and globally will depend on the extent to which Beijing can maintain its economic growth ahead of the major developed countries (Harris, 2004, p.63). This will also depend on a variety of domestic economic issues such as the sources of its economic growth (whether they are short or long-term), its currency reform, its ability to attract high levels of FDI, the financial management of the banking system and its political ability to absorb changes implied in China's reform processes (Harris, 2004, pp.64-68).

The Chinese leadership has so far proved capable of dealing effectively with many of its internal problems and has managed to remain stable while progressing all at the same time, which makes the development of the PRC into a great power very likely despite the long and winding road it may be facing. However, its success is conditional on China continuing its reform process and economic progress, but if it fails to do so, it will give rise to political and social instability regionally and eventually globally (Harris, 2004, p.54).

"By dint of what it is and what it does, the […] PRC is inescapably part of the world-order problem and the world-order solution" (Kim, 2004, p.38). The trump cards that guarantee China a seat in any global regime are its large population, enormous territorial size, large economy, huge carbon dioxide emissions, modernising military and huge armed forces, nuclear weapons power, membership in almost all the global institutions, and the veto power it possesses in the UNSC as a member of the Permanent Five (Kim, 2004, pp.38-39). Beijing's voice cannot be ignored in the conflict management process which will at least require tacit Chinese consent or cooperation (Kim, 2004, p.46).

Speaking of the PRC in the contemporary world of global politics Samuel Kim (2004, p.51) highlights the steady increase in Beijing's membership and participation in almost all the main global institutions as well as the multilateral treaties that are supported by the United Nations (UN) as factors that are gradually empowering China, contributing to its growing globalism and legitimising it in the eyes of the world community. Citing Beijing's participatory and generally responsible behaviour in global institutions Kim (2004, p.51) considers it more of a conformist system maintainer as opposed to a revisionist system-reformer, pointing an accusative finger at the United States for being outside the international system more often, a point

clearly demonstrated by America's unilateralism (Kim, 2004, p.41). Beijing's international behaviour is becoming slowly but steadily cooperative, although more in the global political economy than in global high politics where it is still sensitive towards any interference in its sovereignty, unlike China under Mao where it was seeking nationalism through autonomy and political self-sufficiency on all fronts, almost in isolation from the world community (Kim, 2004, p.52).

Despite the PRC's growing globalism, there is no sign of Beijing exercising leadership in world politics any time soon given that regionalism currently takes precedence, which is reflected in the Chinese main foreign policy concerns and interests (Kim, 2004, p.52, Freedman, 2004, p.35). Besides, China's power and influence are at present concentrated in the Asia-Pacific region rather than in the world at large (Kim, 2004, p.52). What is preventing the PRC from reaching the status of globalism is its many domestic world-class problems which include the state-owned enterprises (SOEs), increasing unemployment and social unrest, widespread corruption, growing inequality and domestic separatism. The way that Beijing is going to handle its economic reforms in the years ahead will decide whether it will become a complete global power in the future (Kim, 2004, p.53). Having realised in the past decade that such problems may be the root causes of the degeneration of a large country such as the Soviet Union, the Chinese leaders and scholars have ever since focused on facing those challenges that thwart any attempts at establishing a stable orderly healthy society which is the foundation of any global power (Kim, 2004, pp.52-53).

It is also due the economic, social and political risks and obstacles mentioned by Kim, in addition to its limited supplies of energy and raw materials, questions over its innovation capability, and risks to the environment that Susan Shirk (2007, p18) believes that the PRC is short of being a global power. That aside, China possesses

what it takes to qualify it as a global power candidate. To start with, the PRC by all measures is rising up in economic influence at an extraordinary pace and its economic power translates into military strength as well as political influence, respect and appeal on the international stage (Shirk, 2007, pp.15-16). On the military front the People's Liberation Army (PLA) has now grown stronger, bigger, more capable and efficient thanks to Beijing's ability to invest more in the defence budget and civilian projects (Shirk, 2007, pp.21-22). Speaking of China in the field of international politics, Beijing has certainly proved to be a cooperative global citizen most of the time in that it is party to the Non-Proliferation Treaty and a member of many global multilateral organisations, all of which shows that it is a status-quo power that is willing to preserve the current world order. China has also behaved well as a regional neighbour to reassure the Asian countries of its good intentions by settling the majority of its border disputes, getting South Asian countries to join fee trade agreements and establishing new forums for regional cooperation (Shirk, 2007, p.11).

It is the PRC's domestic fragility, not its growing power that should worry the world. China is still characterised by political backwardness and it has an authoritarian fragile leadership that fears its own citizens since they hold the key to its survival, and dreads the possibility of a social unrest breaking out (Shirk, 2007, p.77). The weak legitimacy of the ruling party as well as its leadership's sense of fragility means that Beijing could behave hastily in a crisis with Taiwan or Japan by mobilising domestic support, if it were to face economic growth problems, and it also means that the PRC can only bend to a certain extent to accommodate the demands of foreign governments and thus the extent of its global integration is limited (Shirk, 2007, p.139).

Gittings (2006, p.326) rules out the possibility of the PRC disintegrating or of great upheavals due to its domestic fragility thanks to the nation's increasing sense of unity. Yet he observes that the only worry is the inability of Beijing's political superstructure to develop in line with the nation's rapid economic and social transformation. Gittings (2006, p.327) cites the operation of the machinery of state repression at times and China's refusal to allow even partially democratic elections above the village level as examples of the PRC's political backwardness, and argues that all Chinese intellectuals and most Party officials agree that China has to become, if not a pluralistic democracy, then a different system in which the ruling party seeks its legitimacy from the public and submits to valid inspection of its behaviour and performance. One can be relatively hopeful under the wings of the new leadership, which seems to be more aware of the need to bridge social divisions, to address environmental issues and bureaucratic lack of transparency and promote more open communication, and although the progress Beijing has made is relatively fragile one could hope that the new leadership will keep moving slowly forward (Gittings, 2006, p.327). Although the current Chinese leadership has a window of opportunity for progress and improvement, Gittings (2006, p.328) does not fail to mention that this window could be shut unexpectedly in the future, caused by winds emanating from the deteriorating environment, the uncertainties of the world trade system on which the Chinese economy rests, a possible international problem over the unresolved issue of Taiwan which may include international intervention, a nuclear problem in the Asian region where there is a constant tension radiating from the Korean Peninsula and the US plans for an East Asian system of anti-missile defence. For Gittings (2006, p.16) the Chinese miracle is a precarious one, and thus Beijing only has a few years left to get it right and it can only do that with the support of Chinese people.

Speaking of China's future prospects, Gittings (2005) views China as developing into half a superpower given that it is already a leader in its region that however prefers to remain a couple of steps away from the top. In an email to the author on March 16, 2009 Gittings justified that by arguing that while wanting to assert a more dynamic identity, the Chinese leaders are still wary of over-reaching. According to him, they have the "negative example" of the US and recognise the danger of trying to be 'Number One'. He also added that Beijing has always "punched below its weight" and that its foreign policy "has always been more reactive than active".

Taking into account the economic, military, political and cultural sides of China's power, Buzan like most other authors believes that the PRC currently matters more to its neighbours than to the world at large. But given that the Asian and global realms are interlinked and cannot exist in isolation to one another, China's importance to its region matters to its importance in the world, and in order for a major power to be a global one it must first be able to manage and lead its neighbouring countries (Buzan, 2004, p.144). Thus, according to Buzan (2004, p.145) there could be two possible scenarios for Beijing in Asia: it can either get its Asian neighbours to follow it, exercising a kind of hegemony over them and thus enhances its global standing (given that it is in control of and on good terms with its region and insulated against any pressure from the West); or inspire fear in them causing them to balance against it and perhaps to deepen their alliances with the US, and in that scenario Beijing's global status will gradually diminish and it will eventually be locked in its region. Whether China moves into the first direction or the second one depends on three factors: its capabilities, the trajectory of its internal development, as well as its relations with its Asian neighbours and the US (Buzan, 2004, p.146). With regards its internal development, if the PRC manages to reconcile the rising contradictions between its

authoritarian regime and its rapidly marketising economy, its prospects of continuing to rise among the world's greatest powers and to exercise leadership in Asia are quite good. Here Buzan (2004, p.150) predicts that China will grow into a benign force given its incapability of military aggression at present as well as its interest in its development, its adaptation to the current international order and its acceptance of many of the significant elements that make up the regional and international status quo. Beijing's cooperative and peaceful nature and intentions are also reflected in the many regional initiatives it has taken in an attempt to promote regional security and peaceful resolution of conflicts (Buzan, 2004, p.150).

As for the PRC's relations with its Asian neighbours, they have been relatively good, and there has not been any balancing behaviour in its region so far despite the historical fears that it inspires, the economic and military strength of some of its Asian neighbours, and its sometimes threatening tone regarding unresolved issues such as Taiwan (Buzan, 2004, pp.152-156). Beijing's relationship with Washington is also important to its ability to extend its influence is Asia in light of the American strong presence in that region particularly in Northeast Asia (Buzan, 2004, pp.157-158). But as long as United States takes on the balancing job of the Asian countries and Beijing does not act aggressively towards its neighbours (in which case the American engagement in Asia would lead to the formation of counter-coalitions between the Asian countries and the US), the path for the PRC to extend its influence further in the Asia-pacific region is going to be clear (Buzan, 2004, p.160). In conclusion, "China has but to wait, grow, and not be aggressive, and regional hegemony should come steadily into its grasp whether it liberalises or not. As it does so, China's ability to act on the world stage will improve" (Buzan, 2004, pp.160-161).

Finally Buzan (2004, p.164) highlights the significance of potentiality in the world of politics since all politics is about the future. He maintains that the PRC matters a great deal for the future and that, already a major influence in its region, it is gradually if unevenly becoming a major influence in the world. And although China is still far away from reaching the superpower status, its ability to do so and to undermine the United States unipolarity should be seriously taken into account at all times (Buzan, 2004, p.164).

4.2.4The School of Developing Global Power

Rosita Dellios (2005) speaks with more certainty about the idea of the PRC rising as a global power in light of its contemporary dimensions- an enormous country with the world's largest populations an military establishment- as well as its present trajectory of growth, which is expected to turn it into the world's largest economy in about two decades. Having said that, Beijing must still make its way through a minefield of hazards and uncertainties. Just as a global power would, China has proved capable of engaging in global governance when state-managed (as in the UN and its agencies) and transnational business relations (benefiting from investments from transnational companies); but where domestic (democracy and human rights) and quasi-domestic (Taiwan-China) issues of dissent are involved, the global society is not overtly happy with Beijing. But according to Dellios (2005), just as Beijing presented an alternative to the American liberalisation model based on liberal democracy by introducing capitalism into a socialist policy, it may possibly introduce democracy and human rights characterised by Confucian humanism.

Calling it a "fierce yet fragile superpower" Zakaria (2008, pp.20) speaks of China's extraordinary rise, and its achievements so far: lifting millions of Chinese out of poverty, developing the Chinese infrastructure, fuelling economic growth yet

maintaining social stability. Even though Zakaria (2008, pp.20-21) recognises the political leaders' good governing skills and some of the personal freedoms granted to the citizens, he worriedly points out the regime's gradual loss of control over their country with the growing decentralisation and the gradually empowered society, both of which are direct results of liberalisation. He reckons that in order to address this fragility, Beijing must adopt political reform. Moreover, although conditions exist for peace and cooperation between the PRC and other members of the international community, Zakaria (2008, p.21) highlights the danger of the growth in pride and nationalist feelings that accompanies the rise of a great power, while predicting Washington's intolerance to the idea of sharing power or accommodating another power's interests in the future. For Ikenberry (2008, p.37) the inevitability of great-power conflict over China's rise and over global rules and leadership is unlikely. The PRC with the size of its economy, its natural resources consumption, its massive foreign reserves, its increasing military spending, and its extensive diplomatic outreach to the world's most important states, is certainly on its way to becoming a formidable global power (Ikenberry, 2008, p.26). However, given that the road to becoming a global power runs through the US-led Western order with its multilateral and political institutions, even if Beijing overtook a weakening Washington, it will never manage to overtake the Western order as some scholars and policy intellectuals predict (Ikenberry, 2008, p.36).

4.2.5 China's Own Assessment

While the rise of the PRC became a conventional wisdom among Western scholars, experts and policy-makers, within the Chinese political dialogue, China's return to prominence is often discussed as a goal of national development and is mentioned

regularly in the speeches of Chinese leaders and official documents (Kim, 2004, p.40, Yiwei , 2007, p56).

After the demise of the Soviet Union, Deng Xiaoping, China's President then, advised that the PRC is not to assert itself and to lie low internationally in order not to attract suspicion and provoke conflicts, which is why the Chinese officials at that time insisted that China is still a weak developing country that would refrain from expansion or aggression, even if it was to become a developed power in the future (Shirk, 2007, pp.105-106). And although Chinese officials now admit they are reclaiming their position as a global power and may revel in the glories of the PRC's rise, they are still discreet about it and do not flaunt their growing influence, because they are aware of the impact that the sudden awakening of the dragon could cause in the world (Shirk, 2007, pp.105-107).

Western countries, particularly the US, are more outspoken than Chinese experts and officials in proclaiming the imminent rise of China on the global power map, because many of them believe that it would threaten the stability of the current world order and jeopardise their positions (Yiwei, 2007, p.56). Beijing, on the other hand, is trying hard to falsify the "China Threat Theory" and convince the world and particularly the Americans that the PRC's rise does not constitute a threat (Shirk, 2007, p.107). China's chief strategist, Zheng Bijian, coined the term "peaceful rise" to highlight Beijing's effort to participate in the existing order and reinforce it rather than overturn it (Zakaria, 2008, p.21). Moreover, the Chinese leadership, in an attempt to deny the existence of any expansive or aggressive intentions on the PRC's part, reiterates that its nation is unswervingly following the path of peaceful development. At the Opening Ceremony of The Boao Forum for Asia (BFA) Annual Conference 2008 President Hu Jinato (2008) said that:

> China is committed to peaceful settlement of international disputes and follows a defence policy that is defensive in nature. China will never seek hegemony or expansion. [China] does not interfere in other countries' internal affairs, nor does it try to impose its own will on others.

Although China may seem like a powerhouse from the outside, its leaders consider it fragile and overwhelmed by domestic problems. During Hu's visit to the United States in late 2005 for instance, he tried to explain to President Bush that the PRC was not a threat but a nation juggling too many internal problems (Shirk, 2007, p.255). Many Chinese hold that view too, however they do not believe that these domestic problems are insurmountable. As argued by Minxin Pei (1999), although there may be incidents of domestic social unrest, sparked mostly by economic difficulties, the Communist Party should be able to avert significant political turmoil in the near future. Having said that the ruling party must confront the issue of political reform more seriously, because the challenges it poses will only increase with time, and if no significant institutional change is undertaken, Beijing will witness growing tensions that its current political system will be unable to handle (Pei, 1999). On a different note, Chinese scholars acknowledge that the PRC is a rising power "turning from a regional to a world power" and insist that is a responsible one (Ma Xiaojun as cited in Shirk, 2007, p.107).

When the question of where China is heading was posed during the reign of Mao, the answer seemed to be clear in that it was heading from Socialism to Communism. However, the debate has changed in the three decades that followed his death, for the question focuses now on "the strengths and weaknesses of China as it exists today, and may evolve tomorrow, rather than on any long-term projection" (Gittings, 2006, pp.11-12). The PRC has always been too complex a society to allow for any definitive

outline of its current state, or for any reliable prediction of its future trajectory even for the Chinese themselves (Gittings, 2006, p.12). Nevertheless, there are still predictions and speculations and they range over right across the spectrum as was demonstrated in this section. While some analysts evaluate China's power through examining a number of different aspects of its national power whether that be thoroughly like Buzan, or selectively like Lehman and Segal, others tend to focus on the PRC's comparative advantage in one aspect or the other like Gill, Breslin and Harris. As for its actual status, China, according to most of the scholars, is already a regional power. What they differ on, however, is its future status and its intentions. That said, only few analysts spoke of the PRC as becoming a threatening expansionist global power that would shape the current world order according to its own needs, while others recognised its potential but viewed its rise as peaceful by nature. Finally, what all these scholars agree on is that this future status largely depends on its internal development, on whether it will continue its economic and political reform till the end, and on whether it will be able to overcome the various factors blocking its path to globalism. In sum, they believe that it all conditional on whether or not China will be able to realise its much-debated potential.

Beijing's speeches on reform, globalisation and multipolarity are all very beautiful;

> If a country or a nation is to develop itself in this increasingly competitive world, it must advance with the times, carry out reform and opening-up, boost development, put people first and promote harmony […] China cannot develop itself in isolation from the world. And it is equally true that the world cannot enjoy prosperity or stability without China. The trend toward multipolarity is irreversible; China's future is more closely linked with the future of the world than ever before (Jintao, 2008).

but actions are stronger than words and so it all remains to be seen.

The lack of agreement among the different scholars over the PRC's status and the extent of its power suggests that this matter necessitates further study and investigation. The additional task of this thesis therefore would be to address different aspects of China's struggle to power within the global context, with an aim of finding out where it stands now, in the regional sphere or the global one, and to try and predict where it is likely to be standing in the near future. By extending the analysis to consider in detail the PRC's elements of national power, its past, present and near future, as well as its relations with the international community, foreign policies and national objectives, this study would perhaps reach a considerable level of academic exactness regarding China's current power status.

5. Significance of Study

The importance of this study lies in China's substance and great potential, which are factored into both expectations and global economic and political decision-making nowadays. Indeed, the PRC's rise is one of the most extraordinary and much argued phenomena in the field of international politics. The question of how much China matters and where it is heading has been raised several times over the past century and even more so now. The PRC that possesses the largest population and the fastest growing economy in the world matters a lot, and it is certainly changing from a developing country to a developed country, even if the process of its transformation is somewhat uneven. China's significance is intensified by the fact that it is rapidly becoming a strategic competitor for the US over global leadership, and if it ever supersedes the current superpower, this may affect the course of many events in the world. Moreover, its rise to eminence is different to that of any power before it given that not only is it the first world power in modern history to be at once rich (in

aggregate terms) and poor (in per capita terms) (Zakaria, 2008, p. 21); but it also constitutes the success story of a developing Third World country that has succeeded despite its much criticised authoritarian regime, which makes it a model to be emulated by the other developing countries.

6. Methodology and Conceptual Framework

The events and issues that mobilise international relations can only be explained and understood by using a conceptual framework, and theories of International Relations (IR), whose influence keeps changing over time depending on the turn of events as well as on the political personalities, provide us with a big choice of them (Burchill, Scot and Linklater 1996, p.14). The theories that are most relevant to the case of China are the three major schools of Liberalism, Realism and Marxism among which the PRC alternates as its interests require and as it sees fit.

Liberalism is a political ideology that emerged in the first half of the twentieth century in reaction to the horrors of war, to promote the cause of peace. Its central theme is "commitment to the individual and to the construction of a society in which individuals can satisfy their interests or achieve fulfilment" (Heywood, 2000, p.60). Liberalists, among which figure Francis Fukuyama and Woodrow Wilson, view human nature as inherently good and international relations as progressive. They believe there is a harmony of interests between states which is why peace for them is the normal state of affairs, whereas war is unnatural and irrational (Burchill and Linklater, 1996, p.31). The core values of Liberalism (also labelled Liberal Internationalism) which are also prerequisites for a peaceful order are free trade, democracy, collective security and public diplomacy. To start with, free trade creates relations of mutual dependence which would foster understanding between peoples and reduce conflict. As for democratic processes and institutions, they would check

the militarist and autocratic aspirations of the ruling elites and their appetite for violence and lead to peace. Finally, holding collective responsibility for preserving peace and establishing a firm system of international law would reduce the likelihood of a dominant power emerging and regulate the behaviour of states towards eachother. Provided those conditions are available, wars can be avoided all together especially when considering the power of human reason and their ability to improve their lives morally and materially. Given that Liberalism takes an inside-outside approach to international relations in which the endogenous determines the exogenous, Liberals believe that a democratic society in which civil liberalities are protected, market relations prevail, and the rule of law is respected can be reproduced on a global scale (Burchill and Linklater, 1996, p.61). If those constraints, which will constrain the state from acting in ways that will undermine the individual freedom and on which Liberals place lots of importance, were established at the international level, they will promote stability among and within sovereign states (Griffiths, 1999, p.51).

In the 1930s Liberalism was disparaged as a form of 'utopianism' by the realists of the time, and it was after 1945 that Realism became the dominant theory of IR. Two of its main proponents are E. H. Carr and Hans Morgenthau. Realism was formulated in response to the flawed account of Liberalism on how the world worked and the main drives behind humans' behaviour, receiving its impetus from the First and the Second World Wars (Heywood, 2000, p.106). To start with, Realists maintained that human history is not progressive but recurrent (i.e. lessons should be learnt from past conflicts) and that war is inevitable in light of the aggressive and egoistic tendencies in human nature. States, which are the main actors in the international system, are not guided by morality and law as the Liberalists argue but by the pursuit of power and national interests in order to survive in a highly anarchical world (Griffiths, 1999,

p.1). The search for power is regulated through the Balance of Power which is a strategic equilibrium between the major powers; but this can reduce but not eliminate the possibility of war breaking out. Realists argue that there are no universal values that are applicable to all states such as free trade, peace, harmony of interests and collective security, for those favour some states to the disadvantage of others, and are used by the privileged groups in order to justify and maintain their dominance (Burchill and Linklater, 1996, p.69). One of the main proponents of Realism is Hans Morgenthau who articulated six principles to explain the main themes of Realism. For Morgenthau politics are governed by invariable objective laws that originate from human natures regardless of human preferences. Secondly, states are driven by the pursuit of their national interest which is defined in terms of power. Their behaviour is not guided by moral and ethical principles which are made difficult to realise due to the exigencies of world politics. For Morgenthau, the form and nature of state power will vary but the concept of interest will remain the same. Finally, the political sphere is independent from every other sphere of human concern (Burchill and Linklater, 1996, pp.74-76).

The decline in the possibility of the Cold War tuning into a hot war allowed the increase in the significance of international social and economic relations between states which resulted in the emergence of neo-realism and neo-liberalism in the 1970s. Neo-realism (sometimes called structural realism) emerged to address Realism's neglect of economic forces, in response to the growing interdependence in the international economy and the emergence of non-state actors such as multinationals (Burchill and Linklater, 1996, p.83). It was formulated as an extension and a correction to Classical Realism reaffirming the importance of states but recognising the importance of other actors as well the economic forces. And being an outside-in

approach, it did not focus on state actions and inter-state relations to explain political outcomes but rather on the international system and its impact on the behaviour of individual states. Its most important proponent is Kenneth Waltz. He argued that the international system conditions the behaviour of all the states within it, which constrains states from certain policies and predisposes them to others (Griffiths, 1999, p.48).

Neo-liberalism appeared towards the end of the 1970s as a primarily economic doctrine in response to growing trade and commerce. Globalisation liberalised the power of the market forces once again from the clutches of the overarching state, which could no longer protect its citizens from the vagaries of the global market and granted non-state actors like multinationals and transnational cooperations (both of which are geared by profitability) greater influence over the global economy (Burchill and Linklater, 1996, p.55). Neo-liberals called for the free play to market forces from all sorts of constraints, for they will direct every member of society to the most advantageous position in the global economy (Burchill and Linklater, 1996, pp.55-56). As a result, not only the role of the state gradually eroded but its economic sovereignty declined too; there was no longer national control over capital movement, which did not only stay within national boundaries, as was assumed when the Theory of Comparative Advantage was devised by the Liberals. In other words, states could no longer specialise in products or services that they can produce most cheaply, given that the globalisation of the world economy has now seen the creation of centres of production wherever profit opportunities can be maximised (Burchill and Linklater, 1996, p.57).

Marxism explained international relations in terms of economy and social conflict, highlighting the revolutionary impact of capitalist globalisation upon human society,

but downplaying the importance of inter-state relations and the role of state in general. For Marxists, conflicts are social at root, the main cause being the class struggle between the proletariat and the bourgeoisie, the capital holders, who use the state as a tool of oppression. Marx viewed human history as a progressive laborious struggle caused by alienation, exploitation and estrangement. The aim of Marxism is to transform the global society to eradicate those three social diseases and end up with a unified human race, the final destination for humanity and the optimal target (Burchill and Linklater, 1996, p.121). Although Marx attacked capitalism, he viewed it as a necessary stage in the establishment of Socialism and finally Communism. This is because Capitalism, which came about as a result of industrial revolution, will reduce distance and tear down barriers eliminating traditional divisions between nations and states and replacing them with a world capitalist society (Burchill and Linklater, 1996, p.123). Such capitalism along with its competitive and imperialist tendencies however will lead to a conflict between the two classes given that capitalist holders, with the increase of demand and the opening of new markets and for the sake of profitability, will exploit those who did not have capital as well as the estranged and alienated societies in the world economic system. Marxists predict that this will cause the masses, enabled by the universalising processes inherent in capitalism and led by the proletariat, to eventually overthrow the capitalists and achieve freedom and equality for all, ultimately leading to the establishment of a world society that functions automatically and where the state has no role. "Marx predicted that after the over-throw of capitalism there would be a transitionary 'socialist' stage of development, characterised by the 'revolutionary dictatorship of the proletariat', which would as class antagonisms abated, eventually lead to full communism" (Heywood, 2000, p.48). As a social model Communism amounted to "a form of state socialism in

which political control was vested in the hands of a monopolistic and hierarchical communist party and the economy was organised on the basis of state-collectivisation and central planning" (Heywood, 2000, p.49).

6.1 Levels of Analysis Approach

This thesis will analyse China's realistic struggle to power in the current world order by adopting an analytical methodology that derives from the Levels of Analysis Approach. This is a prominent approach used by scholars in IR to explain the states' foreign policy behaviour and international outcomes using three units of analysis: the system, the state and the individual. The system-level of analysis shows how states operate in a global environment whose specific characteristics help determine the pattern of interaction among the actors (Online Learning Center). The state-level emphasises the national states and their internal processes as the primary determinants of the course of world affairs, and this includes both governmental variables, such as the structure of the political system and the nature of the policy-making process, and societal factors, such as the role of public opinion, interest groups, the structure of the economic system, nationalism and political ideology (Levy, 2001, p.4). The individual level mainly focuses on human nature and on individual political leaders and their belief systems, personalities, and psychological processes. As such, state-level approach focuses on factors that are less general than the macroanalysis of the international system but less individualistic than the microanalytical focus of individual-level analysis which focuses on human actors on the world stage (Online Learning Center).

To study China's power status in the evolving world order, it is best to frame it in terms of all three levels of analysis, despite the fact that more attention may be paid to the state and system levels. At the individual level, the foreign policy preferences of

Beijing's leadership will be explored. On the state-level this study will be looking at the domestic societal issues that interact in conjunction with the individual-level of analysis to influence and constitute China's foreign policy, particularly nationalism, the pressures of the domestic public and the political identity. On the system-level, the anarchic structure of the global system within which the PRC operates will be examined as well as the major powers in it including the distribution of military and economic power among them as well as the patterns of military alliances and international trade.

6.2 Concept of Power

Before delving into detailed analysis of this thesis, it is important to firstly define the concept of power from the perspective of IR and as exercised by states, given that this concept is key to understanding the arguments presented in this study. Understanding the nature of power has always been important to the study of IR and it is all the more important for a country like China, which enjoys an ever-growing influence in comparison to other states; yet it must exercise its power in a world that presents state-related and non-state related constraints, transnational forces and non-state actors and entities. For the country itself the study of national power serves to continuously assess its ability to mobilise and pursue its national objectives within the international system. For other courtiers, it serves them for national security purposes, to understand future national security threats and developing useful instruments to address them (Treverton and Jones, 2005).

Andrew Heywood (2000, p.35) defines power as the "ability to influence the behaviour of others in a manner not of their choosing". Similarly, Robert Dahl (as cited in Brown, 2001, pp.90-91) defined power as the "ability to get another actor to do what it would not otherwise have done or not to do what it would otherwise have

done". In a nutshell, these two definitions agree that power is when A gets B to do something it would not otherwise have done. Chris Brown (2001, p.89), on the other hand, maintains that power should be thought of in two different ways that are closely interrelated. As an attribute, in which case power can be defined as something that states or other entities have at their disposal (control of capabilities and resources), and as a relationship, where he sees it as the ability that states or other entities have to exercise influence on others, shaping events and outcomes in the international system, to eventually get their way in the world.

Traditionally, too much attention was paid to a state's aggregate power, or the power that the state is assumed to have when considering its yet unconverted resources and possessions. But now, more consideration is given to the dynamic and interdependent notions of power in an issue-specific domain-that is power defined in terms of control over outcomes (Kim, 1997). That is why when measuring the power of a state it is essential to consider how and for what purposes the state will exercise its power in the conduct of its international relations. According to Treverton and Jones (2005), state power can be considered at three levels: the level of resources or capabilities (power-in-being), the level of power conversion through national processes, and the level of power in outcomes (a state's tendency to prevail in certain circumstances). When one thinks of national power, one must view countries firstly as capability containers, yet the capabilities that the state possesses become manifest only through a process of conversion, which means that states need to convert them into usable instruments (Treverton and Jones, 2005). In the end, however, what really counts particularly for policy-makers is not power as a capability, nor power converted, but power in outcomes (Treverton and Jones, 2005).

The concept of power is a central pillar of the Realist School of thought, which mainly focuses on power politics and the pursuit of national interests (Heywood 2000, p.105). Realists simply assume that the international system is anarchic; hence every state needs to first and foremost pursue its national interests which mainly lie in survival and territorial security. That is why realist theorists stress the role of power in international relations, and why many of them such as Hans Morgenthau and many others believe that politics, both internal and external, constitutes a struggle for power (Griffins 1999, p.37). According to Morgenthau (1967, p.42) every state pursues power for three different reasons: to maintain power and its distribution the same way it is at some point in history, and this is called the policy of the status quo. If the state aims to increase its power and adjust its distribution, then it is pursuing the imperialistic policies (not in the known sense of the word). Finally, a nation which seeks to demonstrate its power with the aim of increasing or maintaining it is pursuing a policy of prestige.

There are different ways of categorising power in the field of IR. Some experts categorise it according to the type, into soft and hard power for instance. While the former is attractive and includes diplomacy and propaganda as a means for exercising it, the latter is coercive and includes forceful tactics such as the threat or use of armed forces and economic pressure or sanctions (Wikipedia, 2008) Others like Susan Strange categorise power according to its source. For Strange (1988, pp.24-25) structural power, which she defines as the power to shape the frameworks within which states relate to each other, to people or to other entities, stems from different sources: production, finance, knowledge, and political security. Strange (1988, pp.24-25) also recognises relational power, which refers to the more forceful types of power

of coercion and intimidation; however, according to her, the power of a state lies in its structural power, not in its relational power, which is only used as a last resort.

Power is unevenly distributed throughout the international system. And no matter how interdependent the system is, there will always be asymmetries allowing some actors some bargaining leverage when dealing with one another (Dougherry 1981, pp. 8-9). The importance of any actor is determined by its position along the scale of power distribution. Those states that have significant amounts of power within the international system are variously referred to as "great powers", "superpowers", "middle powers", "regional powers" and "global powers". Each title denotes a list of characteristics and is associated with a certain period of time. The term "great power" is the oldest of all terms but one that was mostly used in the 19th century, and it refers to any nation that maintains sufficient diplomatic, economic, and military resources for preserving the international order in which great powers presume themselves to be the main actors. A "great power" today, however, is defined as a state that easily ranks among the top five in the primary global structures (economic, military, knowledge, and normative) and enjoys relatively low sensitivity, vulnerability, and security interdependence, because of its possession of large amounts of resources and skills and relative economic self-sufficiency (Kim, 1997). A "great power" is also a strong state that is capable of mobilising the country's human and material resources for the sake of its worldview and policy objectives (Kim, 1997). On the other hand, a "middle power" is a subjective description of second class influential states that could not be described as “great powers” (Wikipedia, 2008). A "superpower" is a "super-empowered nation" (Freedman 2004, p.24). It is a “great power” that possesses the power of ultimate destruction and the strategic doctrine of nuclear deterrence that emerged from it (Dellios, 2005). The concept of "superpower" was mainly used to

describe the United States and the Soviet Union in the bipolar system that prevailed during the Cold War (Wikipedia, 2008). "Global power" is a more contemporary version title of the "great power" concept and a better fit for the 21st century. The beholder of such title supersedes being merely 'great' or 'super', for in order to be global the country must obtain transnational competencies that enable it to interact with non-state actors, regional forums and global institutions. “In short, a global power needs to promote international order; possess formidable military capability and the communicated will to use it; and engage productively in transnational projects such as global justice, as well as deal effectively with transnational threats such as militant religious extremists" (Dellios 2005). Finally a "regional power" is a state that exercises considerable power (not as much as the one exercised by a global power) within the region in which it is located.

Often considered as an attribute, a number of different factors that entitle a state to be described as a "great power", a "superpower" and more recently a "global power", had been repeatedly identified, some of which are fixed while others are changeable over time depending on the context in which they are used (Brown, 2001, 89). Despite the difficulty involved in articulating an ideal indicator for measuring power and although there is no clear-cut way of measuring international rank in a rapidly evolving world the assessment of China as a rising power in this study can be informed by Morgenthau's elements of national power which are the most conventional, especially that they derive from a purely realist point of view-the most suitable paradigm for explaining the case of the PRC as was mentioned earlier. Yet, considering it is more useful and revealing to gauge a country's power in terms of how it is used, Morgenthau's elements of national power will be studied in context. This would entail analysing how Beijing utilises every element domestically and in relation to

other states, when dealing with external pressures and threats and when adopting a specific position from international issues, which is also in line with the state and system-levels of analysis approach. This will show how the PRC's internal dynamics as well as its global interactions affect the formulation of its foreign policy and national objectives, the development of which will be explained through the three theories of international relations mentioned above.

7. Structure of Study

Chapter 1. The first chapter of the paper will study China's main national elements of power which should reveal the country's strengths as well as weaknesses, the first step that should be taken in order to assess whether the PRC is a regional or a global power.

Chapter 2. The second chapter reveals how Beijing uses the elements discussed in the first chapter to influence outcomes within the international system, whether that be other countries or global institutions.

Chapter 3. The third chapter will conclude the study, summarising what the paper sought to accomplish, how it carried that out (thus distinguishing itself from other studies conducted around the same subject) and end with predictions for China's near future.

CHAPTER 1

CHINA'S NATIONAL ELEMENTS OF POWER

In an attempt to reach a considerable level of academic exactness regarding the PRC's current power status, this study considers power as an attribute in context. To start with it examines China's national elements of power by drawing upon some of the stable and variable elements that Hans Morgenthau identified to make up the national power of a state. These are geography, natural resources, industrial capacity, military preparedness, population, national character, national morale, the quality of diplomacy, the quality of government (Morgenthau, 1967, pp.106-144) After studying the PRC's national elements of power within the domestic sphere in this chapter, this study in the following chapter examines how Beijing utilises them within the international system, in dealing with the main global institutions and the different countries of the international community. In other words, the bearing of these factors on the power of China and other countries will be considered simultaneously.

1.1 Geography

This is the most stable factor upon which the power of a nation depends, for no matter how much time passes, it will always remain a fundamental factor of permanent importance which must figure in the foreign policies of all nations. Geographical factors that can affect a nation's power status include location, size and topography or composition (Boland, 1992).

China is part of East Asia and it is bordered by North Korea to the east; Mongolia to the north; Russia to the northeast; Tajikistan, Kyrgyzstan, and Kazakhstan to the northwest; Afghanistan, Pakistan, India, Bhutan, and Nepal to the west and southwest; and Myanmar, Laos and Vietnam to the south. Across the seas it faces Japan, Brunei,

Malaysia, Indonesia and the Philippines (Duncan and Mingjie, 2006, p.11). The PRC is surrounded by 5,400 islands the largest of which is Taiwan, with an area of about 36,000 square kilometres. Beijing, the capital of the People's Republic, is also the cultural, economic, and communications centre of the nation, while Shanghai is the main industrial city; and Hong Kong the leading commercial centre and port (Duncan and Mingjie, 2006, p12).

Figure1. A Map of China and Its Periphery

China is the largest of all Asian countries. Occupying nearly the entire East Asian landmass, it stretches for about 3,100 miles from east to west and 3,400 miles from north to south and covers an area of about 3,696,100 square miles, which is approximately one-fourteenth of the land area of the Earth (Encyclopaedia Britannica, 2006). At almost 10 million square kilometres the PRC is the third largest country after Russia and Canada (Dellios, 2005).

China's territorial extension is a permanent source of strength because it frustrates all attempts at military conquest from the outside (Morgenthau, 1967, p.107). According to Morgenthau (1967):

> The possibility of nuclear war has enhanced the importance of the size of territory as a source of national power. In order to make a nuclear threat credible, a nation requires a territory large enough to disperse its industrial and population centres as well as its nuclear installations (p.107).

Thus, the size of the PRC's almost-continental territory enables it to play the role of an important nuclear power.

The PRC's topography has its positive side and its negative one. China has limited arable land; desertification is intensifying as deserts spread rapidly especially in the northern parts of the country, and erosion is increasing due to the loss of good forest cover, which is why the Chinese nation is not capable of building on its economic power through agriculture as it is currently doing through industry (Lieberthal, 1991). Similarly the PRC has limited water supplies, far below the world's average, and this is made worse by the fact that some of the major Chinese lakes have shrunk dramatically in size and are continuing to lose water (Grant, 1996). Moreover, almost all inland water in the country is seriously polluted, and half of its 600 cities lack adequate water supplies (Global Insight, 2008). Having said that, China enjoys an extensive river network and a mountainous terrain, which gives it an advantage over other nations in its ability to produce hydroelectric power (Duncan and Mingjie, 2006, p.117).

1.2 Population

Although it is not politically correct to state that the larger the population of a country the more powerful it is,

> this correlation is not completely untrue for no country can remain or become a first-rate power which does not belong to the more populous nations of the

> earth [without it having a population large enough] to create and apply the material implements of national power (Morgenthau, 1967, pp.119-120).

The single most identifiable characteristic of China is the size of its population. According to the Beijing's official Ticking Population Clock (China Population Information and Research Center (CPIRC), 2008), China's population has now reached 1.32 billion. This figure which does not include the Chinese living in Hong Kong, Macao and Taiwan renders the PRC the most populous nation on earth, accounting for a fifth of the world's population (Knapp, 2008). Although the population density of China is high with 136 people per square meter, the Chinese population however is unevenly distributed; while the Eastern coastal areas are densely populated with over than 400 people per square meter, the Western plateaus are sparsely populated with less than 10 people per square meter (Duncan and Mingjie, 2006, p.52).

Dealing with population issues has been an important component of China's economic, social, and political development during the past fifty years or so. This is because the PRC has been witnessing a continually growing population since its establishment in 1949, especially during the two decades that followed where the Chinese population rapidly grew from 541.67 million to 806.71 million due to the stability of the Chinese society, rapid development of production, improvement in medical and health conditions, insufficient awareness of the importance of population growth control and shortage of experience (Duncan and Mingjie, 2006, p.51). This has posed major problems for the government such as obtaining an adequate food supply and combating the generally low standard of living. with the aim of controlling population growth which was getting out of hand, the Chinese authorities launched a couple of campaigns for birth control starting from 1955 all the way through to 1979

when the program initiated attempted to make late marriage, late child-bearing and family limitation obligatory, and the policy of one child per family was consequently introduced (Encyclopaedia Britannica, 2006). The state's efforts turned out to be effective for the birth rate started to gradually decline recording a decrease from 14.03 per thousand to 12.29 per thousand over the past five years according to statistics from National Population and Family Planning Commission of China (NPFPC), which also states that if it were not for the family planning policy, the PRC's population would be nearly 400 million more than the present figure (China Daily, 2006).

By 2010 Beijing is aiming for the birth rate not to exceed 8 per thousand and for the population to be less than 1.36 billion (Duncan and Mingjie, 2006, p.52). Having said that, the PRC according to Li Bin, director of the NPFPC, is expected to face an upsurge of population growth of about 8 million people annually over the next decade as the Chinese first single-child generation enters reproductive age, which may make its population reach 1.36 billion in 2010 and 1.4 billion in 2020 (NPFPC, 2008). This will put more pressure on the country's energy resources, urban infrastructure, education and housing, as well as the arable land and usable water, making their per capita availability (already far below the world's averages) decrease rapidly. Therefore, although China's huge population is one of its greatest assets, it may also be one of its most significant challenges in the future.

It is not sufficient to address only the overall population figures of a country to assess that country's power; the age distribution of a population is an equally important factor that figures in national power calculations. For instance, a country with a relatively large segment that is potentially useful for military and productive purposes (aged between 20 and 40) will be more powerful than a nation where older age groups

prevail (Morgenthau, 1967, p.121). In the case of the PRC, the current low birth rates-unusually low for a developing country- will eventually lead to the problem of the aging population, which will have great economic implications in the future. If the birth rates do not change in twenty years from now, a smaller working and fighting population will have to support and protect twice as many old people, which will in turn mean lower living standards for the citizens and lower productivity for the country itself (Global Insight, 2008). Although China's demographics are favourable to its economic development at present in that the PRC is currently blessed with a 70 percent working-age population that can support children and elderly parents, this population will become a burden to the economy in three decades from now, as well as to Beijing's pension and healthcare systems in particular, unless the country starts opening up to immigration and encourages people to have larger families to support the aging population (Shirk, 2007, p.20). In 2040 China's elderly segment (those who are above 65) which currently constitute 8.1 percent is expected to grow to form 22 percent of China's population (NPFPC, 2008). By 2065, where the birth and death rates are expected to equalise and the population stabilise at 1.6 billion according to Shuja (2005), the elderly segment is expected to reach 54 percent, and only 22 percent of the population will be working (Shirk, 2007, p.20). In other words, the PRC is currently in a race against the demographic clock, which is why Chinese leadership declared in 2000 that the next two decades were a period of strategic opportunity (Shirk, 2007, p.21). Many countries are facing this ageing phenomenon, but most posses a stronger economic base than China and a better-developed welfare system (Shuja, 2005).

In addition to the pressures of a greying population, Beijing will also face the problem of a sex-imbalance that may seriously disrupt social stability, given that the

proportion of males to females (sex ratio) has been getting increasingly tilted since the 1990s, as many Chinese couples show a strong preference for boys (NPFPC, 2008). In 2005, the national average gender ratio was 119 boys to 100 girls, which is beyond what the UN considers normal (107 to100), but in 99 Chinese cities the ratio is higher than 125 (BBC news, 2007).

All the above-mentioned are major population issues that the Chinese government must struggle with in order improve the living conditions of its people, maintain its social stability and simultaneously incite its economic development and growth. Another important factor in a nation's demographics is the population's level of education. Through looking at the educational attainment of the Chinese population one can assess the quality of the PRC's human capital, which is a decisive factor in its economy as will be explained later on. In an attempt to build its domestic capabilities, and to upgrade the quality and skill content of Chinese production in the process, Beijing adopted sophisticated educational policies in 1999 that resulted in a major transformation of higher education in China, and since then, the number of undergraduate and graduate students has been going up by 30 percent annually, and the number of graduates of higher education at all levels has just about quadrupled in the last six years (Li et al., 2008).

So far this study has examined the quantitative side to demographics which deals with the size of population, the age distribution as well as the level of education and skill, all of which can be measured some way or another. Having said that, there is a qualitative and intangible side to demography that must not be underestimated when it comes to gauging the national power of a nation, and that is the national morale. National morale is a very elusive concept for it is not backed up by almost any verifiable statistics (Miller, 1941). According to Morgenthau (1967, pp.129-132)

national morale permeates all activities of a nation as "the degree of determination with which a nation supports the foreign policies of its government in peace and war". Defined differently it could be "the degree of confidence held by all the people in the ability of the nation to cope in the future and to wrest from it the goals desired by the people" (Miller, 1941). According to D.C. Miller (1941), national morale stems from the population's confidence in the country's national institutions, leaders, ability to achieve national goals and their compatibility with the individual ones, and the availability of resources. A high level of national morale is important, given that a government without public support would not be able to pursue its policies effectively. A low national morale on the other hand, can result in civil unrest and even topple governments like it did in the Soviet Union [4](Rourke and Boyer, 2004, p.99). Nonetheless, having a too high national morale, which can be interpreted as strong sentiments of nationalism, could be quite restricting for the government and leadership as is the case with China. One could say that the national morale of the PRC's populace is quite high, which can be limiting for the ruling party because it implies high expectations on the part of the populace, and imposes certain patterns of behaviour on the government in its dealings with foreign policy issues that can be sensitive sometimes and require more flexibility such as its bilateral relations with the United States, Taiwan or Japan (Global Insight, 2008). Although the national morale may be currently high, it can be easily lowered in the future due to factors such as the inequalities of wealth and income that exist in abundance in the Chinese society, a foreign policy viewed as too compromising regarding an issue that is provocative to patriotism and national pride such as Taiwan, human right abuses, lack of transparency and intensifying authoritarian policies (Shirk, 2007, p.52). This can be

[4] Feeling disheartened due to their country's worsening economic system in the late 1980s, the support of the Soviet Union's population declined, and contributed to its collapse.

extremely dangerous for the current Chinese leadership whose legitimacy largely depends on the public which has played a big part in building the PRC's national identity (Shirk, 2007, pp.62-63) At that time it was fed by Beijing and manipulated to its favour (mainly to fuel economic growth), but the potent force that was unleashed by the government can easily become a destabilising factor if left uncontrolled especially under the influence of Western concepts and ideals (Zakaria, 2005). That is why Beijing must work out a delicate balance between the two elements if it were to maintain social stability and maintain control over the nation, learn how to handle popular sentiments and tame them before they become dangerous to their own creator especially if it involves the world's largest population (Zakaria, 2005).

1.3 Natural Resources

Natural resources constitute another relatively stable factor that is very influential in the power of a country with respect to other countries (Morgenthau, 1967, p.109). Food is the most basic of these resources. A self-sufficient or a nearly self-sufficient country has an advantage over a country that imports its food, while scarcity of food in a country is clearly a weakness (Morgenthau, 1967, pp.109-110).

China is a country that depends almost entirely on domestically grown food and its own grain production. Having said that, the country's increasing demand for food due to growing consumer incomes and a growing consumer base, will place increasing pressure on Beijing's ability to feed its citizens in light of the country's limited arable land base, lack of available water supplies, chemical residues and small farm sizes (Washington State University, 2006). This will eventually result in demand exceeding supply for many food products, leading to increased imports and a decrease in the PRC's food exports if production levels do not significantly increase (Washington State University, 2006). According to one study China should be able to produce

enough food to meet its growing population if it expands irrigation to permit more intensive farming, especially in the northern regions, given that water is generally abundant in the south and scarce in the north and west (Stauffer, 2005). Having said that, Beijing's role in the international agricultural market is growing. To start with it is a major global fruits and vegetables exporter; in 2006, 12 percent of world fruit and vegetable exports came from the PRC (Huang and Gale, 2006). China is also the world's largest producer of rice and wheat and it is an important producer of other crops like soybean, maize, tea, silk, cotton and tobacco (Clay, 2004, p.26). Beijing is an exporter of many other food products such as meat and aquatic products (Encyclopaedia Britannica, 2006).

On a negative note, food safety has not been China's strongest point. As the PRC plays a bigger role in the global food chain, the problem of Chinese tainted food products is causing more and more world-wide concern. Over the years foreign governments have found and rejected Chinese exports of honey, crushed peppers, spinach and seafood to name only a few examples, all infected with chemicals better suited for industrial landfills (Zamiska, 2007). China's contamination problems are largely due to its loose regulations, highly fragmented food production and heavy reliance on herbicides, insecticides and fertilisers to coax production out of intensively cultivated soils and to fight pests (Zamiska, 2007). Beijing's inability to enforce consistent health codes on its producers endangers unaware consumers worldwide and its own quest for prosperity given that it can lead to a decline in trade and productivity. Having said that, during the summer of 2007 Chinese officials tightened health and safety regulations in an attempt to restore confidence in the Made-in-China label after a series of product-safety scares, not only concerning food such as pork and seafood but also other products such as toothpaste and toys

(Barboza, 2007). This included intense inspections of certain food producers and new requirements in some cases, such as putting tracking stickers on every outbound box and increasing testing for a wider range of food- and soil-borne diseases (Lee, 2007).

Having talked about food, the second element of natural resources is raw materials which can be defined as natural resources that serve for industrial production and warfare (Morgenthau, 1967, p.110). What applies to food applies to them in that a self-sufficient nation or a nation that controls access to the sources of those raw materials will be more powerful that a country that does not, which makes control over raw materials an important factor in the distribution of power (Morgenthau, 1967, p.110).

China has a vast territory with abundant raw materials and diverse types of land resources. Geologists have confirmed reserves of 158 different minerals, making the PRC third in the world in terms of total reserves (Duncan and Mingjie, 2006, p.19). Among its most important mineral resources figure coal, natural gas and petroleum, (energy resources); iron, copper, aluminium, manganese and lead (metallic resources); graphite, phosphorus and sulphur (non-metallic resources) (Duncan and Mingjie, 2006, p.19).

Although China boasts rich energy mineral resources, the structure of these types of resources is not ideal, with coal making up a large proportion (69 percent) while petroleum and natural gas represent relatively small proportions (21 and 3 percent respectively) (United States Department of Commerce). Moreover, most of these resources have yet to be developed, not forgetting that the geographical distribution of energy puts most of these resources relatively far from their major industrial users (Wikipedia, 2008). On another front, China has a great potential for the production of hydroelectric power in view of its topography and waterpower resources as was

mentioned in the geography section. The construction of the Three Gorges Dam on the Yangtze River is one example. Once the project fully starts working, it is expected to generate what 18 nuclear power stations are capable of generating (Global Insight, 2008).

1.4 Economic and Industrial Capacity

The economic element of national power is the fuel that keeps the other elements going. Nations seek economic resources as national goals, utilize economic tools to pursue national objectives, use economic capability to protect their domestic and international interests and influence events regionally and globally, just as they are also affected by other actors in the global economy especially when it comes to their national security (Chun, p.249).

Economic leadership has only passed from China to Western Europe in the early 19th century, when the West was rapidly industrialising and advancing in science while China was stuck with Confucian orthodoxy, but prior to that about less than a third of the world's production or output belonged to the Chinese nation (Yang, 1999). The Chinese economy became even weaker as a result of European (1840) and Japanese imperialistic aggression (1937-1945) and domestic strife (1927-1937, 1946-1949) (Dellios, 2005). Under the leadership of Mao Zedong, the Chinese economy which became centrally planned suffered in its isolation from the non-communist world, and witnessed great strains as a result of the collectivisation of agriculture and the disastrous Great Leap Forward campaign (Kynge, 2006, p.125). Having said that, and even with one of the world's lowest incomes per person at the time, the PRC still managed to grow at 6 percent annually (Naughton, 2006, p.165). Maoist excesses provided incentives for change; with his death came the realisation that the command economy was not releasing China's huge potential for growth but had kept it

backward in relation to other developed economies (Dellios, 2005). Under Deng's leadership the PRC embarked on a capitalist program of liberalisation, under which it opened up to the world and adopted bold market reforms[5] (Duncan and Mingjie, 2006, p.36). Thus, China rehabilitated itself and took off economically, its overall national outcome increasing tremendously and its income per person growing at a high rate that it sustained like no other country ever did in world history (Shirk, 207, pp.19-20). Along with its greater than ever interaction with the international economy, its role in world trade has steadily grown as well as its importance (Kynge, 2006, pp.39-40).

One of the hallmarks of the PRC's economic rise is its rapid industrialisation. According to Morgenthau (1967, p.112), the possession of natural resources does not automatically make the country that powerful in relation to other countries, unless that country had the industrial plants and the means to put those resources to industrial use. Consequently studying China's industrial development becomes important for assessing the extent of its economic power.

The development of industry has received wide attention in the PRC since the beginning of the Communist regime. When Mao came to power in 1949, China was way behind the industrial nations of the world in every economic aspect: agriculture, industry and finance (Hutton, 2008, p.68). In an attempt to recover the Chinese industrial base and outstrip the industrialised West, with the long term aim of launching the PRC into Communism by a rapid advance of productivity, Beijing embarked in 1953 on an ambitious project of building factories and infrastructure under what was called the First Five Year Plan (Gittings, 2006, pp.25-36, Hooker, 1999). Due to the increase in output this project has resulted in the Second Five Year

[5] Farms were de-collectivised and market competition and profit incentives introduced.

Plan, the Great Leap Forward, which was launched few years later with the aim of continuing industrial construction focusing on heavy industry in particular (Shirk, 2007, p.18). Beijing at that time made use of the massive supply of cheap labour, avoiding the need to import heavy machinery, as well as reforming education to highlight science and engineering, and the university curriculums to emphasise specialisation rather than broad-based knowledge (Gittings, 2006, p.32). Although the Great Leap Forward produced great results in output, the quality was poor and the workforce generally unhappy. And by 1959 it was clear that the Great Leap Forward had been a failure and a disaster for the Chinese, and even Mao admitted this (Hutton, 2008, p.87). Rapid industrialisation took place over the period of economic reform that Deng Xiaoping initiated in 1978, accompanied by the movement of population from rural to urban areas. Industrial output growth fluctuated significantly during Deng's period of reforms; from 1989-1990 there was a deceleration in industrial output as a result of an economic slowdown in the aftermath of Tiananmen Square demonstrations in 1989 (Kiedel, 2007, p.42). This was followed by a rapid recovery in 1991-1992, when Deng gave another kick start to economic reforms and reignited economic growth (Gittings, 2006, p.251). From 1993-1997 though, as a result of the Chinese government's attempt to cool down the inflationary pressures by controlling the economic expansion, there was a gradual decrease in industrial output growth, which reached its lowest points in the two years that followed the Asian financial crisis as demand for exports declined (National Bureau of Statistics of China, 2004). As the economy recovered after 1999, industrial output started rising rapidly and continued to shoot up in 2005 and 2006 (Yim and Leung, 2008, p.6 Kiedel, 2007, p.58). On the whole, the industrial prospects are rosy for the PRC, for not only has its industrial output been growing at a rate that exceeds 10 percent per year, but China's

industrial workforce also probably exceeds the combined total for all other developing countries (Encyclopaedia Britannica, 2006).

The secondary (manufacturing) sector in the PRC has surpassed both the primary (raw materials) and tertiary (services) sectors in economic growth and degree of modernisation. In 2006, growing by 12.5 percent over the previous year, it contributed 48.7 percent to China's GDP compared to 11.8 percent for the primary industry and 39.5 percent for the tertiary industry (National Bureau of Statistics of China, 2007). The importance of the PRC's manufacturing sector has also been felt worldwide particularly in the past fifteen years during which China's share of world industrial output has tripled from 2.2 percent to 6.9 percent, making it rank fourth after the United States with a 23.3 percent share, Japan with its 18.2 percent share, and Germany with a share of 7.4 percent (United Nations Industrial Development Organisation (UNIDO), 2007). The Pearl River Delta in the southern province of Guangdong is considered the biggest manufacturing hub in China in which both light and heavy manufacturing continue to boom, driven by the advantages of cheap labour, a skilled workforce and large markets that the country enjoys (Global Insight, 2008). These are the principal attractions that make China a preferred destination for investors who have come from virtually every sector for the relocation of global manufacturing facilities (Breslin, 2004, p.116). Domestically, the PRC's strength as an export platform has contributed positively to incomes and employment (Shuja, 2005).

Major industries in China include energy mining, iron and steel, food processing, machinery, textiles and industrial chemicals (Global Insight, 2008). Other major Chinese industries are means of transportation such as automobiles[6], rail cars and locomotives, aircrafts and ships; light industry consumer products including

[6] China had become the world's third largest automotive vehicle manufacturer after US and Japan by 2006 and the second largest consumer only after US (Teslik, 2007)

electronics, footwear, clothing and toys; telecommunications and Information Technology (Central Intelligence Agency (CIA)).

In light of the PRC's rapid industrial rise, the production of both total and electrical power is particularly important for the country and can be a good guide to its industrial capacity. The Chinese electricity industry is the fastest growing of all industrial sectors, and by the end of 2005 the total electricity generated ranked the second in the world (Duncan and Mingjie, 2006, p.116). 83 percent of the country's electric power is generated by coal, followed by 14 percent from hydropower, 2 percent from nuclear power and less than 0.1 percent from wind power (United States of America Department of Commerce). Total energy production is another important element of the Chinese industry. Most of the world's main energy firms are strongly present in China, and many major foreign oil companies also have stakes in the Chinese energy giants (Global Insight, 2008). Although energy production has increased rapidly, from 1997-2005 China's petroleum production ranked fifth in the world, it still falls considerably short of demand (Duncan and Mingjie, 2006, p.117). In 2006, it imported 47 percent of the 350 million tons of crude oil it consumed and its oil imports are expected to increase by 1 percent annually until 2010 (United States of America Department of Commerce).

Natural gas is the fastest growing fuel in China's energy mix, however like oil it is not increasing fast enough to meet demand which is expected to rise to more than 10 percent by 2020 (United States of America Department of Commerce). To relieve the shortage of energy supplies that hampers the PRC's economic growth, Beijing is developing new energy resources such as solar, tidal and particularly wind power given its abundant wind energy resources (Duncan and Mingjie, 2006, p.118).

China's high energy production shows how industrially capable the PRC has become, while its high energy consumption is an excellent measure of its industrial activity.

1.4.1 Conventional Indicators for Economic Strength

In order to measure the economic strength of a country, a number of economic indicators are used. Economic indicators are economic statistics that indicate how well the economy is doing and how well it is going to do in the future through looking at different economic elements. Some, like the GDP, measure the economy through measuring how much output the economy produces, and it is the most commonly used indicator especially by governments. The economy's rate of growth and its global GDP share are considered simultaneously. Another set of indicators that are used to measure the living standards and the well-being of the population as a result of that growth include the GDP per capita as well as the Human Development Index (HDI), which in turn includes standards such as the literacy rate and health. Being two of the driving factors of an economy, human capital and technology are also considered. Finally FDI and the volume of trade are indicators that are more dependent on a nation's economic interactions with other countries.

The GDP (nominal) of a country is the total market value of all final goods and services produced within a country in a given period of time (usually a year), and it is widely used by economists to gauge the health of an economy, as its variations are relatively quickly identified (Wikipedia, 2008). These variations are the private consumption in the economy (expenditures by households), investments in capital (as opposed to savings), government expenditures on final goods and services, and gross exports after deducting gross imports (Wikipedia, 2008).

As shown in the graph below, China's GDP has been steadily growing, reaching 20.94 trillion Yuan (2.7 trillion United States Dollar (USD) in 2006 (National Bureau of

Statistics of China, 2007). In the following year, it reached 3.4 trillion USD making China the third-largest economy in the world after the United States and Japan (World Tribune, 2008).

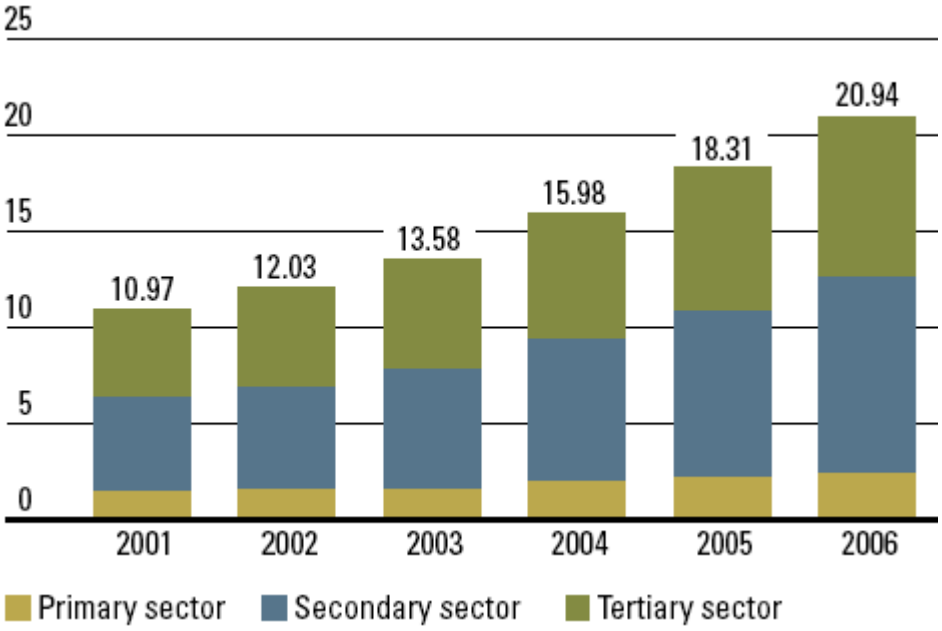

Figure 2.China's GDP Growth, 2001-2006 (¥ trillion)

Source: China Business Review, 2007

China's present international significance rests heavily on its rapidly growing economy and its increasing integration with the world economy. From 1960 to 1978 the PRC's GDP grew at an annual rate of 5.3 percent but throughout the two decades that followed up till 1999 the average growth rate rose up to 9.7 percent, and since 2003 China has been witnessing a double-digit growth (Gittings, 2006, p.255). Having said that, the PRC observers are predicting a fall in the GDP growth rate for the foreseeable future, which can be attributed to the expected downturn in the US and the world economy in general; a downturn that is going to be welcomed in some Chinese leadership quarters where there is hope that it will take the wind out of inflation sails that result from an overheated economy (World Tribune, 2008).

It must be noted that this figure does not take into account differences in the cost of living in different countries, and the results can vary greatly from one year to another based on fluctuations in the exchange rates of the country's currency, which may in turn distort the real differences in income by overvaluing or undervaluing it (Harris, 2004, p.56). On the other hand when comparisons of national wealth are made on the basis of purchasing power parity (PPP), based on the cost of a basket of traded and non-traded goods and services across countries, they adjust to inflation rates and to the differences in the cost of living that exist between different countries. This approach values the number of units of a country's currency required to buy the same quantity of comparable goods and services in the local market as one US dollar would buy in the US (Organisation for Economic Cooperation and Development (OECD)). To further illustrate the PRC's economic size compared at a global level to other countries, PPP measures of GDP are highly used by the World Bank, the International Monetary Fund (IMF) and the OECD, and are regarded by the UN Statistical Commission as the appropriate basis for international comparisons of the economic size of countries and, on a per head basis, the economic well-being of their residents (Harris, 2004, p.57). According to the IMF China's GDP (PPP) in 2007 was about 7 trillion international dollars[7] compared to 3.4 trillion USD, its GDP the same year when measured at current exchange rates. Looking at the PRC's economy in 2007 on a PPP basis, as the pie chart below shows, it ranked second in the world with a 10.8 percent share of global GDP after the United States with a share of 21.4 percent, and followed by Japan at 6.6 percent (EconStats).

[7] The international dollar is a hypothetical currency that has the same value as the US dollar had at any given point of time (Wikipedia, 2008).

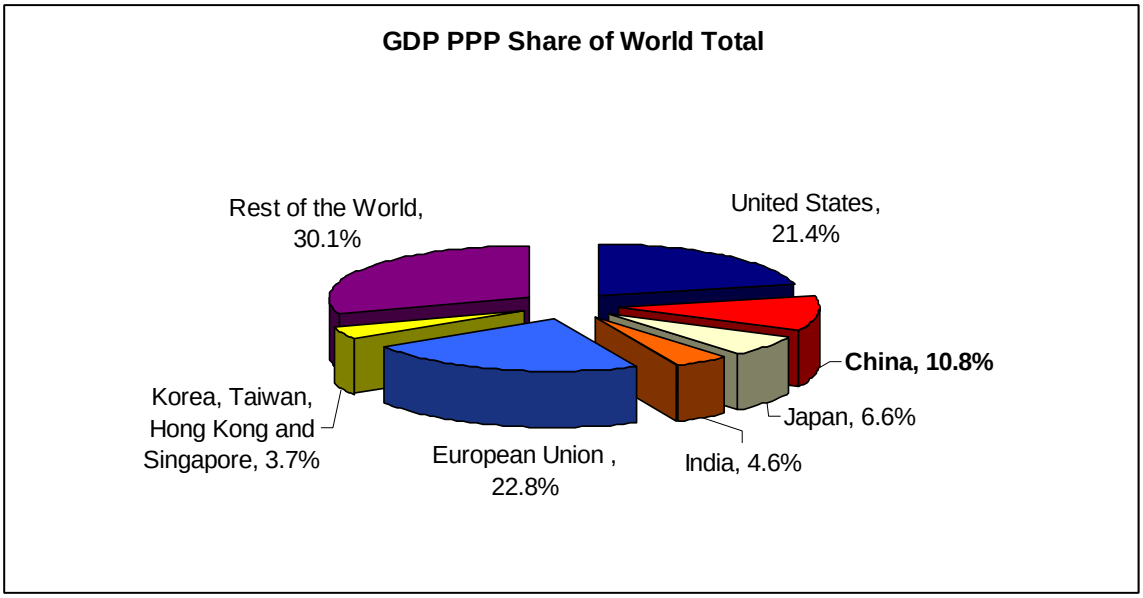

Figure 3. GDP Share in Global Output

Considering its economic performance, it is estimated that the Chinese economy will surpass that of the United States by year 2035 (Kiedel, 2008). Other estimates predict that this will happen by the middle of the 21st century, and that it could be twice as big by the century's end (Branstetter, 2008). Although aggregate wealth is what matters when looking at the international power of a country, GDP (nominal) or (PPP) is considered limited for the purpose of measuring the standard of living across a country. An alternative for this purpose is the GDP per capita or the HDI.

GDP (nominal) per capita is the value of all final goods and services produced within a nation in a given year, divided by the average population for the same year (OECD). Despite the PRC's high economic growth and the fact that it ranks third or second in the world (depending on measurement used), it remains one of the poorest countries when it comes to its GDP per person. China's per capita (PPP) in 2007 was 5,292 international dollars, and out of 179 countries it ranked 99th compared with 45,845 USD per person in the United States which consequently ranked it as 6th (EconStats).[8]

[8] Note that calculated at current exchange rates, China ranks even lower at 105th with a GDP (nominal) per capita of 2,461 USD.

The rationale behind using the GDP per capita is the assumption that the entire population would benefit from their nation's increased economic production (Wikipedia, 2008). But this is not the case; in reality there are many disparities that can exist across a nation and the GDP per capita would not reflect that at all.

In China's case its fruits of growth are broadly but unevenly shared across the population, benefiting some citizens and boosting the standards of living of millions, while leaving similar numbers of Chinese further behind (An Independent Task Force, 2007, p.11). There are currently one hundred million poor people living on less than one USD a day and lack basic needs such as clean water and adequate housing (Shirk, 2007, p.17). In fact, the PRC's poor are as numerous as the entire population of the United States and Japan combined (Bergsten et al., 2006, p.4). For Dollar (2005) this can be due to the fact that

> most of the remaining poor are, for one reason or another, cut off from the market economy. Some live in remote rural locations, far from cities that function as engines of economic mobility. Others are members of ethnic minorities that are not well integrated into the majority culture", all of which will inevitably increase the inequalities between the rich and the poor (pp.55-56).

In the words of Reich (2006) who speaks of the PRC the socialist country “the gap between the rich and the poor is becoming a chasm. China’s innovators, investors, and captains of industry are richly rewarded…China’s poor live in a different world. Mao Tse Tung would turn in his grave.”

Economic disparities do not only exist between individuals, but also between rural and coastal provinces where the great progress on the coastal regions has not been mirrored by economic advancement within the Chinese interior (Breslin, 2004,

p.119). This has resulted in wide disparities in income between the regions, causing a huge number of workers to migrate from the poor interior to the coastal regions which have income levels ten times that of China's poorest provinces, unleashing a wide variety of social problems in the cities such as rising crime, prostitution and drug trafficking, and putting huge pressure on an already stretched infrastructure (Shuja, 2005). This is partly why this growing imbalance is one of Beijing's major concerns in addition to the fact that the slowly advancing hinterland, which is not fully integrated into the national economy, could very well impede the maritime China from further economic development and greater integration with the international economy (Shuja, 2005). It must be noted here that the interior regions are bureaucratic, conservative and unreformed, and they control the political power within Beijing, unlike the coastal areas which are increasingly decentralised, liberalised and reformed (Shuja, 2005). In response, Beijing is trying to "extend economic opportunity to less developed regions and build a “safety net” for the poor" in an attempt to prevent social unrest from breaking and to create a sustainable model of development (An Independent Task Force, 2007, p.17).

Another disadvantage of using the GDP per capita to gauge the standards of living across a country is that it does not take into account the size of population. In the case of the PRC income per head or GDP per capita is even more unreliable and a less of a significant measure given that country’s huge population. This is because if the overall wealth of China was divided by the number of its population it will naturally come out relatively low, whereas if the country had a small population such as Switzerland and even a smaller overall wealth, its GDP per capita will turn out to be higher (Breslin, 2004, p.18). This is clearly demonstrated by figure 4, where the countries with high populations like China and India seem to have a much lower GDP

per capita than those with small populations such as Singapore, Hong Kong and Switzerland.

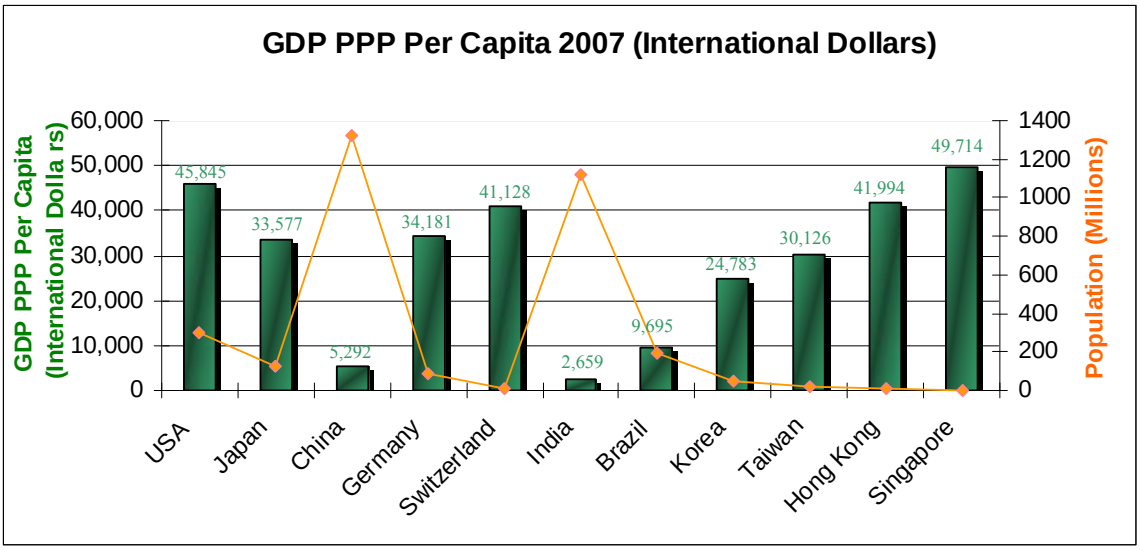

Figure 4. GDP Per Capita Based on PPP in 2007 in International Dollars

Source: EconStats.

Even if a good PPP is used, GDP per capita is still a measure of the economic output of the whole economy, not a direct measure of the average person's quality of life, which makes it a basic indicator of the citizens' well being. A more complex and reliable indicator that is used by the United Nations Development Programme (UNDP) is the HDI. It provides information on the human development aspect of economic growth combining three aspects of well-being: longetivity (measured by life expectancy at birth), standard of living, (measured by GDP per capita at PPP) and educational attainment (measured by a combination of adult literacy rate and the combined gross primary, secondary and tertiary enrolment ration) (Nicholson, 2002, p.6). Countries fall into three broad categories based on their HDI: high, medium, and low human development. Out of 177 countries China ranked 81 in 2006 with a HDI of

0.777 and thus falls into the medium human development, making it a developing country (UNDP, 2008).[9]

The PRC's economic growth has been widely, if unevenly, spread across the population, benefiting citizens in nearly every aspect of life. Life expectancy has reached 72.5 years in 2005, and illiteracy has declined from previous years making 90.9 percent of the Chinese literate over the decade starting 1995 (An Independent Task Force, 2007, p.11). Nevertheless, illiteracy is still a problem in China especially in rural areas where children leave school early to find work.

Human capital is a very significant component of any nation's economy which can be considered alongside GDP and GDP per capita when assessing a country's economic power and well-being. It is usually measured by looking at the level of educational attainment of the population as well as their skill level. As was previously mentioned in the population section, Beijing has been actively promoting higher levels of education since the mid 1990s and improving the quality of education given that educational attainment contributes to higher wages and the improvement of individuals' labour market outcomes, as well as being very beneficial for economic growth on the long run (DeBrauw and Giles, 2005). This has certainly raised the level of educational attainment and the literacy level in the PRC, as well as improving the educational structure in general[10](OECD, 2008). Having said that, Chinese universities do not figure in the world's top fifty universities, and some of the Chinese schools remain of poor quality (An Independent Task Force, 2007, p.12).

[9] China's HDI has been increasing year-on-year since 1975 when it was 0.530 (UNDP, 2008).
[10] The changes which have already had a large impact on the Chinese higher education system are also likely to have worldwide implications on the global supplies of skilled labour (40 percent of skilled labour in all OECD countries comes from China), academic publications, and trade in ideas and idea-related products (OECD, 2008).

When it comes to the skill level of the human capital, one of China's attractive qualities particularly to foreign investors is the availability of cheap and abundant labour (Breslin, 2004, p.116). Nonetheless, this flow of labour is not limitless like many would like to think. Despite the PRC's large pool of labour which includes cheap low-skilled workers as well as highly trained scientists and engineers, there can still be shortages in skilled labour including managers of all types and engineers in some booming regions (Global Insight, 2008). Such shortfalls of talent will become more and more evident as China continues to transform from being a low-cost producer of clothes, and toys to higher-skill, higher-cost output, including electronics and automobiles (Thredgold, 2007).

Another labour-related challenge that is currently facing the Chinese government is the problem of unemployment. One would think that GDP growth would generate ample job opportunities, but this is not the case. According to Wolf (2004) GDP growth is mostly enhanced by boosting labour productivity, but the more rapidly labour productivity increases, the less new jobs are created. According to the National Bureau of Statistics (2007), the official urban unemployment rate in the PRC has on average remained around 4 percent, but Beijing's employment problem is more serious than this rate suggests. This is firstly because Chinese unemployment statistics do not include men that are over 50 and women over 45 or those who have moved into the cities and are thus not registered as urban residents, nor do they include the laid off workers who can be laid off for up to three years before they are officially considered as unemployed (World Tribune, 2008). Unemployment in urban China is actually on the rise and the rate of unemployment there has been estimated to be around 10 to 12 percent (Shuja, 2005). As for the rural areas, farm technologies have reduced many to unemployment, and official estimates suggest that the number of

unemployed there will soon reach 120-140 million (Shuja, 2005). This number could increase in the future given that the 23 million village enterprises which employ around 135 million people are currently being squeezed due to rising costs and greater competition from foreign-invested firms (Shuja, 2005). Taking into account "hidden" rural unemployment (underutilised workers who are nominally employed but do not add to output) as well as "unregistered" urban unemployment (workers that had migrated from villages into cities) Rand Corporation estimated that 23 percent of the Chinese workforce is actually unemployed (Wolf, 2004). If Beijing was to maintain social stability and economic development, generating ample job opportunities for large numbers of unemployed and underemployed workers should be one of Beijing's highest priorities in addition to improving the working conditions of the existing ones. In addition to human capital it is often equally important to consider variables such as technology which can be mainly gauged through looking at the per capita expenditure on research and development (R&D). China's ever-growing information industry that represents 9.3 percent of global production, currently ranks third in the world after Japan and the United States when considering output values, sales and profits of electronic and telecoms manufacturing (Duncan and Mingjie, 2006, p.124). In fact, the PRC has surpassed the US as the world's leading exporter of information and communication technology products like laptops, mobile phones and digital cameras[11], and the largest producer of computer hardware, despite the fact that it still lags behind in software development (Shirk, 2007, p.16). However, if China was compared to Japan and the US in terms of technological inventiveness, it immediately becomes apparent that it still lags behind in its innovation capabilities and performance. To start with, Beijing has not been making such large investments in

[11] According to OECD (2008) however, almost 90 percent of high-tech Chinese products are produced by foreign firms established in China.

R&D as those two countries, nor does it have as many scientific technological publications, or has been as successful patenting new inventions around the world (National Science Foundation, 2006). Having said that, this may change soon as China is catching up fast. With an R&D expenditure that has been increasing annually by 19 percent since 1995 reaching 73.5 billion international dollars in 2006, China ranked third in the world after the United States and Japan (OECD, 2008). The R&D intensity or the ratio of the PRC's expenditure on R&D to GDP of its economy has also increased from 0.6 percent in 1995 to 1.43 percent of GDP in 2006 (National Bureau of Statistics, 2007). Official plans call for a further rise to 2.5 percent rise in the PRC's spending on R&D by 2020 (Aldhous and Huang, 2007).

R&D output has also grown very rapidly. Firstly, twice as many scientists and engineers have graduated from Chinese universities in 2004 compared to the United States, and important inventions have been invented by Chinese engineers such as new civilian nuclear reactor designs and other energy innovations, while Chinese scientists have developed bioengineered crops (Shirk, 2007, pp.16-17). Moreover, China's share in the world scientific publications rose from 2 percent in 1994 to 6.5 percent in 2004 [12],and Chinese patent applications constitute 3 percent of the applications filed under the Patent Cooperation Treaty (PCT) of the World Intellectual Property Organization (WIPO) and are doubling every two years (OECD, 2008). Nonetheless, the PRC's 2,500 applications are still very modest compared to the US's 45,000 applications (Shirk, 2007, p.17). Also, according to OECD (2008) only 11 percent of patents by Chinese firms in 2006 were considered invention patents, as opposed to 74 percent of patents by foreign firms patenting in China.[13] Besides, with

[12] China already ranks second after the US in world publications on nanotechnology.
[13] Foreign investment in R&D plays a significant role in China's national innovation system. Foreign high-tech companies are increasingly tapping into the PRC's emerging technological talent,

its current expenditure China is approaching Japan but what Beijing spends still constitutes one third of that of what the United States spends (Shirk, 2007, p.16). This shows that while the impressive investment in R&D resources has contributed significantly to the PRC's rapid socioeconomic progress over the last ten years, it has yet to translate into a proportionate increase in innovation performance, something that has been developing much more slowly in China. The Chinese leadership is well aware of this weak capacity for independent innovation and intend to solve it by analysing the PRC's own practice and drawing on the experience of other countries in development (Jintao, 2007). This is in line with Beijing's desire to transform from a sustained economic growth to a sustainable one from a social, environmental and economical point of view, a new growth model whose main engine has been identified as home-grown ingenuity (Aldhous and Huang, 2007). There is a belief that China has the potential to become a major player in innovation in the future if it was to undertake major reforms, and if this happens it would not only benefit the PRC, but the whole world too given that a stronger innovative China will take part in the global knowledge economy and will contribute to addressing worldwide challenges (OECD, 2008).

In addition to GDP, world GDP share, human capital and technology other standard economic ways of measuring the overall economic power of a country include the volume of trade and investment in that country. According to the IMF's Balance of Payments Manual 5th Edition (BPM5), FDI is an "investment made to acquire lasting interest in enterprises operating outside of the economy of the investor in order to gain an effective voice in the management of that enterprise" (IMF, 1993). FDI is one of the most dynamic constituents of the rapidly transnationalising world economies and

establishing R&D centres whose number has increased from 200 in 2003 to 750 at present (Shirk, 2007, p.17).

an important engine of economic growth. This is very evident in the case of China where that FDI has so far largely contributed to its growth through "supplying capital, […] stimulating exports, providing technology transfer and entrepreneurial skills" (Harris, 2004, p.64). Low manufacturing costs and an increasingly wealthier consumer market of 1.32 billion people never cease to attract overseas companies to establish hundreds of thousands of factories in the PRC. It is worth noting here that investment by foreign businesses in China in 2007 turned it into the world's largest holder of foreign exchange reserves, the holder of 1.2 trillion USD which constitutes more than a fifth of the world's total (Bezlova , 2007). More importantly, these currency reserves continue to go up by more than 20 billion dollars monthly on the back of the PRC's ever growing trade surplus (Bezlova , 2007). China relies heavily upon investment from Hong Kong and other East Asian countries like Japan, South Korea and Singapore (Breslin, 2004, p.112). Having said that, the United States is among the largest sources of FDI in the PRC followed closely by Germany (Lum and Nanto, 2007).

China's FDI flow-net capital (excluding liabilities) provided by foreign direct investors to FDI enterprises- is huge and it is rapidly increasing. According to the United Nations Conference on Trade and Development (UNCTAD) (2008, p.3) the PRC's FDI has increased from 72,715 million USD in 2006 to 83,521 million USD in 2007, constituting 4 percent of China's GDP (World Bank, 2008). Having said that, it will be difficult to compare the level of FDI in China with other countries given that each country differs in its FDI data gathering, processing and reporting approach, despite the fact that there are certain guidelines set by the IMF and the OECD for the purpose of measuring the FDI in the world (Zhan, 2006).

It has been sometimes said that the extent of foreign investment in the PRC has been overstated because it does not take into account the significance of round-tripping which happens when Chinese domestic actors illegally export money from the mainland to Hong Kong and Taiwan, and then reimport it with the aim of taking advantage of the tax concessions and other incentives offered to foreign investors (Gittings, 2006, pp.255-256). This, to an extent, contains some element of truth for in 2003 statistics showed that the round-tripping accounted for 25 to 36 percent of all investment in China (Easson, 2004, pp.110-111).

Foreign investment in the PRC is unevenly distributed; the coastal areas receive most of the FDI at the expense of the poor interior provinces (Shuja, 205). Moreover, unlike what Beijing may have initially hoped- that the FDI would boost the national Chinese economy by using domestically produced components-the majority of foreign investors choose to import important components from existing plants overseas, with the Chinese sites only focusing on labour-intensive component assembly (Breslin, 2004, pp.118-119). This does not however mean that China has not benefited from the export of assembled goods; it certainly has and still does through the income generated and jobs created even if they were low-wage and low-skilled (Breslin, 2004, p.119). FDI is in fact a key source to the growth of the Chinese economy. One question that poses itself here is whether Beijing will be able to continue attracting large inflows of FDI, and it all boils down to domestic political stability and economic policies that attract foreign investors (Harris, 2004, p.64).

China's global importance in the trade field has grown significantly since it joined the World Trade Organization (WTO) in 2001. Through stimulating further economic liberalisation by reducing import tariffs and other trade barriers, and granting foreign businesses wider access to Chinese markets, the PRC's WTO membership has boosted

The PRC's regional trade exceeds its global one given that the Chinese imports from its main global trade partners, the US and the EU, account for much less when compared to its exports to the same countries. The big gap is quite evident when looking at the value of Chinese exports to and imports from those countries in 2007 where the Chinese exports to the EU and the United States reached 245.2, and 232.7 billion USD respectively (National Bureau of Statistics, 2008). In stark contrast, the PRC's imports from the EU and the US were worth 111 and 69.6 billion USD

respectively (National Bureau of Statistics, 2008). This big gap reveal that the Chinese market is a quite underdeveloped destination for Western imports, making China sensitive to swings in discretionary consumer spending in those countries and more dependent on those major Western countries economically than they are dependent on it (Lum and Nanto, 2007). Having said that, due to increased domestic demand, Import growth in the PRC has begun to rise compared to the pace at which it was growing in the past, which has resulted in China's trade gap beginning to level off (World Bank, 2008, b).

Speaking of the PRC's significance as a market for the imported goods of foreign producers, China is not really what it trading partners had hoped for, notwithstanding its entry to the WTO. The extent of domestic protection- which comprises significant barriers to entry, high import tariffs, import licenses and quotas- is aimed at limiting international competition and protecting national producers (Breslin, 2004, p.108). Other factors that limit access to Chinese market include the infringement of intellectual and property rights (IPR) that cost the copyright owners millions as well as the differential application of the fiscal system when it came to foreign companies as opposed to local ones (Breslin, 2004, pp.108-110). In other words, despite the PRC's WTO entry, the extent of domestic protection explains why China has not proved to be a significant market for regionally as well as internationally-imported goods, as opposed to its great success in the exports domain. In stark contrast to the domestic trade regime, Beijing has created an especially liberal internationalised trading regime based on encouraging FDI to produce exports for external markets (Lum ad Nanto, 2007). Therefore, one could say that although China does not matter that much as a market for regional and international producers, it matters much more to those who see it as a lower-cost production site for exports to other markets.

One could not possibly forget the recent scandals regarding the quality of some of the Chinese exported products. Almost one year ago, it was discovered that Hamleys, Britain's biggest toy store, and the high-street fashion chain Monsoon have been selling children's jewellery imported from China containing levels of lead that can potentially cause brain damage and even kill (Ungoed- Thomas, 2007) If the PRC was to continue its remarkable development and maintain its reputation as a top exporter it must work harder at meeting the product safety and quality standards.

China's previously discussed low quality standards and technological backwardness are mainly due to the poor performance of many of the country's SOEs, which produce almost one-third of its manufacturing output, own two thirds of its industrial assets and dominate key industries in the PRC's socialist market economy (An Independent Task Force, 2007, p.12, Hutton, 2008, p.150)[14]. Despite China's impressive growth and the many economic reforms it witnessed, and the growing private sector with its salutary competitive impact, inefficiencies still burden many of China's SOEs (Hutton, 2008, pp.33-34). If China were to capitalise on its past successes, it must proactively restructure the overall state-owned enterprises sector and intensify enterprise reform to turn the SOEs into the commercial entities the Chinese authorities now believe they should be (Broadman, 1995).

1.4.2 China in Context: Its Impact on Domestic and Global Economic Activities

Having looked at a number of different quantitative indicators that are usually used to measure the overall health of a nation's economy as well as the well-being of its citizens, it is now worth examining Beijing's behaviour in some key domestic and

[14] During the age of central planning the SOEs were the main source of manufacturing output and constituted the main motor of economic development in China. However, when the process of reform started in the 1990s western-trained Chinese economists believed that due to their inefficiency, being heavily indebted, having oversized workforce, and costly social services, the presence of SOEs constituted a hurdle to further modernization of the country. Thus, the best performing ones were privatised, but others closed down or went bankrupt, and thus the number of the SOEs declined tremendously (Gittings, 2006, pp.256-257).

global economic activities. Taking into account China's growth potential, its ability to sustain sufficient growth for domestic stability is conditioned by its success in managing effectively its macroeconomic policies (Harris, 2004, p.66). So far, Beijing has been quite successful in its economic and financial management; hence its elimination of the dual exchange-rate system in 1994 and the relatively stable exchange-system maintained since then. Like many of the Asian countries China had its currency pegged to the USD, thus creating a stable environment for foreign investment with no daily fluctuations (Heakal). Maintaining a stable exchange rate helps lower inflation rates and generates demand as a result of the PRC's lower-priced competitive exports and a greater confidence in the stability of the Chinese Yuan, while its purchase of foreign securities constrains the up-ward exchange rate pressures (Harris, 2004, p.65).

Shifting attention to the domestic scene, China struggles with one of its biggest economical burdens, that of non-performing loans (NPLs). The state-owned banking system issued numerous and questionable NPLs to non-profitable SOEs on the basis of political reasons which had a huge toll on the Chinese economy (Harris, 2004, p.66). Additionally, these NPLs deprived the profitable and creditworthy companies from the much needed credit, which in effect lead those companies to seek funding from foreign investors (Deloitte Research, 2005, p.20). Some economists would argue that Beijing has the capability to take measures to resolve this issue; however, what makes this a greater threat is that the state-owned banks are still pressured by the government to give out more NPLs to the insolvent SOEs to keep them in business (Deloitte, 2005, p.21). Furthermore, the PRC's consumers, with their relatively high savings rate, being forced to keep their money saved at those banks with significantly poor returns crippled their ability to increase their spending and hence weaken the

government's goal of shifting growth from its heavy dependence on export to the domestic market (Deloitte Research, 2005, p.20). Despite all that, the entry of the foreign banks under China's accession to the WTO pressured the Chinese banks to compete with them over the local deposits, which stimulated a relatively higher consumer spending and strengthened to an extent the Chinese economy domestically as a result (Harris, 2004, p.67).

The extent of Beijing's influence on global actions and decisions, whether positive or negative, could also be a way to measure the extent of the PRC's economic power (Harris, 2004, p.55). For this purpose this study considers China's demand for energy, exchange rate and environmental policies, all of which are activities that bring the world together and enhance interdependence. China's growing demand for energy is particularly influential on the global level. As was mentioned earlier in this section the PRC is a major consumer of primary energy notably oil. Although its imports still only constitute about one-sixth of total world oil trade (7 million barrels a day out of the world's 85 million barrels a day), China currently stands as the second largest oil consumer after the United States, which consumes 30 percent of world oil (Khadduri, 2007, Buzon et al., 2006).

China was an oil exporting country until 1992, albeit in small amounts, but with the sustainable economic growth that it has been witnessing in recent years and the failure to discover new giant fields in the country, Beijing has become forced to import more oil to satisfy its domestic needs that by far exceeds its oil output and capabilities (Kynge, 2006, p.127). The PRC's energy consumption increased 80 percent in the period 1995–2005, and its share of world energy consumption grew from 9 percent to 12 percent (Bergsten et al., 2006). It is estimated that China's demand for oil will more than double by 2025 reaching 14.2 million barrels of crude oil a day (Fox News,

2006). This is a statistic that has required Beijing to take drastic measures regarding its oil policy, given that depending heavily on importation of foreign oil would leave the PRC vulnerable to market fluctuations and more susceptible to international oil conflicts. To combat this national or economic security problem of growing dependence on imported oil, China has started investing in its national oil reserve bases since 2004 in three phases over 15 years in an attempt to be ready for cases of emergency, to protect itself from oil shortages and reduce the impact of oil price fluctuations (China Daily,2008). Besides, Beijing has been developing alternative forms of energy as was previously explained.[15] In addition to that, and in light of the PRC's increasingly fundamental role as a global manufacturer as well as its great annual growth, both of which will cause its demand for oil to increase, Beijing is desperately trying to secure its future oil share by establishing deals with other countries as will be explained in the following chapter.

These transformations that China has witnessed in its energy demand and consumption trends have fundamentally changed the balance of world supply and demand (Bergsten et al., 2006). Before that, the oil market basically depended on economic changes in Western industrial countries, and this was reflected on the world price level, which remained at around 20-25 USD a barrel until 2003, when a big and perceptible increase in China's consumption began (Khadduri, 2007). This coincided with other external global factors that have contributed to the rise in oil prices. Thus, although Chinese officials often deny such an 'accusation', the PRC is nowadays being cited as one of the main reasons behind the global price rise, but the truth is that the role of China is only one of the many complicated interconnected international factors that interact to determine the level of oil prices (Khadduri, 2007).

[15] The PRC is currently investing tens of billions of dollars in R&D to get half of the cars in the country to become electric by 2020 (Orr, 2008).

The PRC is often collectively described as a country that "manages, if not manipulates, the exchange rate toward undervaluation, achieves large current account surpluses [through larger exports], and accumulates foreign reserves" (Ito, 2007). Some nations especially the United States and many European countries have been calling for a revaluation of the Chinese Yuan, which Beijing is allowing to appreciate only very gradually (by about ten percent since July 2005), in order to resolve the global imbalances that were created as a result of China's exchange rate policies. They feel that Beijing is trying to evade the commitments it made to the WTO with regards to opening its market, arguing that the Chinese keep their currency at an artificially low value as a means of flooding the world with exports[16] (Harris, 2004, p.65). Having said that, the influence of the PRC's currency policies is more felt on the regional level, where it has increased in proportion to the weight increase that China witnessed in its neighbouring countries in the sector of exports and imports. Such countries that trade with Beijing and compete with it in exports to the third market are bent on not allowing their own currencies to appreciate vis-à-vis the Chinese Yuan (Ito, 2007).

While the PRC's exchange rate already matters as was demonstrated above and is becoming more and more important in the international currency, trade and capital markets[17], for some time it is unlikely to matter enough for any manipulation to be effective, given that the Chinese Yuan is tied to the US dollar at the end of the day, following that currency's ups and downs (Harris, 2004, p.65). Nonetheless, it can still act as a stabilising factor like it did during the Asian financial crisis (1997-1998)

[16] The Chinese currency has been declining against the Euro, making Chinese imports even cheaper for Europeans, which is good news for consumers and companies making products in China for export to Europe, but bad news for exporters and uncompetitive industries in Europe itself.

[17] This is evident in the fact that Beijing is increasingly scrutinised by its trading partners and competitors regionally and globally.

when Beijing stabilised the turbulent regional currency situation by not devaluing their currency (Bergsten et al., 2008, p.19). Furthermore, the fact that China has accumulated billions of dollars and dollar-denominated securities but has not sold some or all of them yet reflects its responsible attitude, because if the Chinese decided at some point in the future to do so, they would trigger a massive fall in the dollar (Thredgold, 2007).

Despite the fact that the PRC's economic growth has been impressive, China has been committing ecological suicide in destroying its waterways, atmosphere and natural resources in the process of fuelling the process of industrialisation (Dumbaugh, 2007, p.17). 16 of the world's 20 most air-polluted cities are found in the PRC whose coal-fired power plants are the country's leading source of air pollutants such as Sulphur Dioxide (SO2) and Carbon Dioxide (CO2) (An Independent Task Force, 2007, p.13). These emissions have had a strong impact on the air quality, agriculture, human health, and climate change. The poor quality of the air had been responsible for around four hundred thousand premature deaths in China annually according to the World Bank estimates (Kahn and Yardley, 2007). Similarly many of China's water supplies are heavily polluted especially when raw sewage and untreated toxic wastes are being dumped before they are treated (Shuja, 2005).

The above-mentioned environmental implications of the PRC's booming heavy industry definitely transcend its borders raising many worldwide concerns in terms of its negative impact on the world environment; China's never-ending heavy dependence on soft coal has turned it into the world's largest SO2 emitter[18] and the second largest contributor to global CO2 emissions after the United States[19] (Lu and

[18] SO2 generated in China causes much of the rain falling in Japan and Korea to be acidic (An Independent Task Force, 2007, p.14).

[19] According to a study conducted in 2007 by the International Energy Agency (IEA) China is expected to surpass the US as the biggest emitter of CO2, and if the PRC continues with its investment led,

Gill, 2007). The PRC's effect has also reached international waters; at the end of 2005 a Chinese petrochemical plant exploded sending 100-ton benzene down along the Songhua River into Russia, and its plans for hydropower development are extremely threatening to people living by the Nu and Lancong rivers in Vietnam, Thailand, Laos, Burma and Cambodia (Bergsten et al, 2008, p.153).

Although Beijing has been struggling to make sustainable development its priority rather than growth at all costs, notwithstanding its efforts up to date to address the environmental problems, it has been unable to keep up with the increasing pollution that is resulting from China's economic expansion and its never-ending need for greater energy resources (Dumbaugh , 2007, p.17). If it were to maintain its current level of economic growth[20], the PRC must deal with this environmental threat more effectively, especially since environmental degradation could compromise the economic rise on which the ruling Communist Party bases its legitimacy more or less.

1.6 Military Capability

Given its history of weakness, and having been the victim of imperialist aggression; hence during the Opium Wars (1839-1842, 1856-1860) and the Japanese invasion (1937-1945), military strength mattered very much to China (Freedman, 2004, p.21). Under the leadership of Mao Zedong the Chinese struggled, through their military strength, to achieve true independence, with the desire to reach a position where other countries were bound to take notice of China's views and respect its presence (Freedman, 2004, p.21).

When Deng Xiaoping took over the leadership of the PRC in 1980, he slashed the PLA's budget significantly for fear that military modernisation might stand in the

heavy industrial economic growth it is expected to be responsible for 42 of the growth of the CO2 global emissions from now till 2035 (IEA, 2007).

[20] Taking into consideration greater environmental protection in the Chinese growth equation in the coming years may result in slow future economic gains.

country's economic growth, which was viewed as Beijing's priority at the time, whereas Hu Jintao, the current Chinese leader sees a close relationship between military development on the one hand, and economic progress as well as domestic political stability on the other (Lam, 2005). Indeed the Jintao-Jiabao[21] team believes that economic expansion could be sabotaged and the CCP's leadership subverted by "hostile foreign forces", and thus in a speech given by Hu to the PLA in 2005 he highlighted the PLA's need to be constantly ready for combat and military struggle, in case the Taiwanese President makes a daring move for independence, or if the on-going quarrels with Japan over sovereignty rights in the East China Sea were to turn into a big crisis (Lam, 2005). He called upon the PLA and the People's Armed Police (PAP) to do their best to safeguard national interests regarding the nation's overall development (Lam, 2005). Moreover, the current Chinese President revived Chairman Mao Zedong's doctrine about the marriage of war-time and peace-time needs whereby civilian-industrial and military production are integrated and R&D facilities and expertise are shared (Lam, 2005).

1.6.1 Armed Forces

According to China's National Defence Law of 1997, the armed forces of the PRC are composed of the active and reserve units of the PLA, PAP, and the people's militia. Unlike most other countries, the PLA also includes uniformed civilians on its active rolls (The Central People's Government of the People's Republic of China, 2000). According to that law too, the PLA's primary mission is to defend the PRC from external threats with the secondary mission being domestic security when requested by local authorities and approved by the central leadership. As for the PAP it is

[21] Wen Jiabao is China's current Premier.

mainly responsible for internal security with a secondary mission of external defence (Blasko, 2005).

China possesses modernising military and, in terms of manpower, the world's largest armed forces which consist of nearly 2.25 million troops, 800,000 reserves and nearly 4 million paramilitary forces, a total of more than 7 million as opposed to 2.3 million personnel in the United States which consist of 1.4 million troops, 858,500 reserves and 53,000 paramilitary (Salhani, 2007).

1.6.2 Space Power

China has rapidly become the world's third major space power, after Russia and the United States (Kahn, 2007). In 2003, it sent a Chinese astronaut that circled earth in a space vehicle, and by 2017 it is planning to send a robot then a person to the moon seven years later (An Independent Task Force, 2007, p.43). Furthermore and most importantly, it has successfully conducted an anti-satellite weapon testing (ASAT) in 2007, which has raised some concerns among some countries particularly the US whose military depends extensively on satellites for missile guidance, navigation and communications, and any widespread damage to this infrastructure could obstruct military action abroad (Kueter, 2007).

This demonstration of an ASAT is nothing new; it was just the latest in a series of tests of China's space weapons program, where Beijing has experimented with the use of lasers, missiles or other satellites to disable or destroy satellites in orbit. The Chinese say that their intentions are peaceful in nature, and that the PRC is merely catching up with nations such as Russia and the United States which have conducted ASAT in the early 1980s (Kahn, 2007). But others fear that Beijing, who has long feared that the US might intervene in any military conflict with Taiwan, has invested heavily in space programmes and weapons to enable it to attack Taiwan while

keeping American forces at bay (Kahn, 2007). On another front, China's rocket forces are expanding at an extraordinary pace, with production and deployment of short-range ballistic missiles targeted at Taiwan increasing from 50 per year during the 1990s to 100-150 per year today (Tkacik, 2007).

The PRC has been aggressively pursuing new capabilities in space and building space-weapons systems given that the country's space program is a cause of both tremendous international prestige and domestic patriotic pride (Wortzel and Cheng, 2006, p.10). More importantly, China is investing heavily in civil and military space because it understands its security environment and recognises the evolution of modern warfare (Kueter, 2007). The Chinese have concluded from observing recent wars that "the PLA's past approach to wars, which relied heavily on mass mobilization and preparation for all-out warfare, are frankly no longer appropriate" (Wortzel and Cheng, 2006, p.9). Beijing is indeed aware of the transformation in modern warfare, driven by information technology and dependent upon space, which Chinese military scholars often view as the new strategic high ground (Kueter, 2007). According to Jeff Kueter (2007) what the PRC seeks is "niche capabilities to exploit U.S. vulnerabilities in order to deter, complicate, and delay, if not defeat, U.S. (or other) intervention in a Taiwan scenario". Among the niche capabilities that particularly interest China is the ability to disrupt an adversary's Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance (C4ISR) advantages by attacking its computer and communications systems for instance. Thus, the PLA is establishing information warfare units and capacities, and developing anti-satellite capabilities and space warfare weapons (U.S.-China Economic and Security Review Commission, 2006).

1.6.3 Nuclear Power

"China's reputation as a major military power is crowned by the possession of nuclear weapons that are capable of all ranges and delivery modes" (Costa, 2007). It is generally held that the PRC is the third-largest nuclear weapons power, after the United States and Russia, and before Britain and France, the nuclear-weapon states (GlobalSecurity, a). Over the years Beijing has certainly invested a much smaller amount of resources to developing and deploying nuclear weapons than either of the two superpowers; however, the exact size of the Chinese weapons stockpile and composition of its nuclear forces is very difficult to determine due to the strict secrecy that envelops such a topic (Federation of American Scientists (FAS) and Natural Resources Defense Council (NRDC), 2006). According to a fact sheet published by the Chinese Ministry of Foreign Affairs in April 2004 China possesses the smallest nuclear arsenal[22]among the nuclear-weapon states (Ministry of Foreign Affairs of the People's Republic of China (MFPRC), 2004). Published estimates regarding the size of the Chinese nuclear weapons stockpile vary widely. In the late 1980s it was generally held that the PRC possessed a small but credible nuclear deterrent force of 225 to 300 nuclear weapons. Other estimates of the country's production capacities suggested that by the end of 1970 China had produced around 200 nuclear weapons, a number which could have risen to 875 by 1980. And some estimates even suggested that by the mid-1990s the Chinese nuclear industry had produced around 2,000 nuclear weapons for ballistic missiles, bombers, artillery projectiles and landmines (Kristensen, 2006).

[22] It is not clear weather the word "arsenal" refers to the entire stockpile or just the portion of it that is operationally deployed.

The PRC's nuclear forces, in addition to the PLA's conventional forces, serve to deter both nuclear and conventional attack. Chinese leaders have repeatedly pledged never to be the first to use nuclear weapons, accompanying the no-first -use pledge however with a promise of certain nuclear counterattack if nuclear weapons are used against their country. Beijing also promised not to use or threaten to use nuclear weapons against any non-nuclear-weapon states or nuclear-weapon-free zones (China Daily, 2005).

1.6.4 Military Expenditures

Although China has not fought a military conflict since the 1980s, Beijing has been beefing up its military projection capabilities and increasing its defence spending by more than 10 percent annually over the past few years. This indicates the extent to which the PRC's rapid economic growth has increased the resources available to devote to military spending (Crane et al., 2005). As shown in the pie chart below, with its military expenditure, China in 2006 ranked fourth along with Japan at 4 percent in the world after the United States at 46 percent, France and the UK at 5 percent.

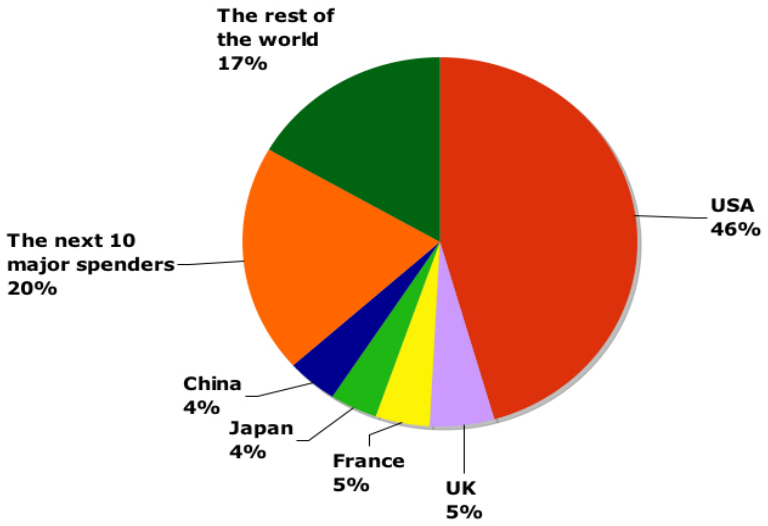

Figure 5. Share of World Military Spending by Country 2006

In 2007, China's defence spending grew by 17.8 percent to reach nearly 45 billion USD compared to 14.7 percent and a budget of 36 billion USD[23] in 2006 (Schearf, 2007). That said, it is not possible to give an accurate and a universally accepted figure given Beijing's lack of transparency and the discrepancies in the different methods of calculating total defence expenditure, regarding what is included and what is not (Singh, 2005, p.691).

Up till 1998, when the PRC released its first "White Paper on China's National Defence", not much was known about the PLA, let alone figures from the Central Government Budget. Since then, three more White Papers were published, and although they revealed little financial details, these papers contained a breakdown of the defence budget by broad spending categories: Personnel, Operations and Equipment (The International Institute for Strategic Studies (IISS), 2006, p.249). Although this has made the Official Budget more transparent and proved to be a useful tool for measuring the Chinese defence expenditure in general, this figure can be hardly used for comparative purposes with other countries. This is firstly because to many analysts, it does not contain all the related-military expenditures that are usually included in Western budgets (state subsidies to the defence industry, purchase of weapons from abroad, some R&D programmes, and funding of paramilitaries). And it is secondly due to the discrepancies that exist in the different methods of calculating total defence expenditure, which are a result of the exchange rate problem (IISS, 2006, p.250). While the Chinese Official Budget calculates the defence expenditure at the market exchange rate, Western estimates of that figure are calculated at the PPP rate,[24] which also vary depending on the PPP Chinese

[23]The actual amount devoted to military spending is generally estimated to be about four to five times greater than an official defence budget (Schearf, 2007).

[24] As explained earlier in the economy section, PPP is advisable to compare a country to another. With regards the defence expenditure, it is useful to use it to calculate the personnel costs.

Yuan/USD rates used (IISS, 2006, pp.250-251). For instance, converted into USD, total 2003 Chinese defence expenditure was 39.6 billion USD. But if this expenditure was calculated at the World Bank PPP rate it will immediately jump to 75.5 billion USD, which is why care should be taken when opting for this approach when calculating military expenditures (IISS, 2006, p.253).

Due to the difficulty involved in accurately calculating expenditure on the non-transparent items on the list, the Military Balance calculates the size of the total Chinese military-related expenditure from estimates of the various revenues allocated to the military, over the Official Defence Budget. And, in an attempt to avoid the problem of the exchange rates the Military Balance calculates the military expenditure in the Chinese Yuan and expresses it as a proportion of the GDP[25] (IISS, 2006, pp.251-252). Calculated this way the total Chinese defence expenditure in 2003 reached 2.7 percent of GDP as opposed to the official rate of 1.60 percent, compared to 3.7 percent for the United States and 2.4 percent in the UK (IISS, 2006, p.253).

Translating military spending into military power projection capabilities is even more difficult and controversial than estimating actual military spending. Regardless of the extent of China's military power, the indisputable fact remains that its military power is growing and the United States and many other members of the international community have repeatedly expressed their concern about that, despite the Chinese government's continuous reassurance. In 2005, in the Department of Defense Annual Report to Congress on "The Military Power of the People's Republic of China" the Pentagon expressed concern about China's growing military strength, saying that Beijing's lack of transparency could risk regional and international stability. According to that report, China's growing and improving military capabilities are

[25] The Military Balance also provides an estimated equivalent of that figure in USD using a combination of market exchange rate and PPP (IISS, 2006, p.252).

altering East Asian military balances, which are incessantly shifting in China's favour. As for the improvements in China's strategic capabilities, the Pentagon believes them to have implications beyond the Asia-Pacific region (U.S. Department of Defense, 2005). Beijing has reacted strongly to the Pentagon paper by noting once again that the United States defence budget is much bigger than China's and that the CCP's leadership is committed to the goal of their nation's peaceful rise, with no intentions of entering an arms race or posing a threat to any other country (Jiang as cited in Lam, 2005). Besides, Beijing could not be blamed for wanting to expand its defence capacity in light of the PRC's enormous size, its location amongst formidable powers such as Russia, Japan and India and the growing complexity of the country's economic and energy security (Lam, 2005). Doubtless, China's double-digit increase in military spending is also somehow related to the escalating tensions across the Taiwan Straits-caused by Taipei's increasing desire to split the island from mainland China- whereby Beijing feels obliged to contemplate and be ready for the least desired possibility of armed conflict with the island, simply out of its right to safeguard its territorial integrity (Shirk, 2007, p.74). Therefore, no matter how well-intentioned Chinese leaders may be, they are cursed by the legacy of a divided country, as a result of which the international community will find it difficult to distinguish a China that develops its military might to defend national sovereignty and pursue national reunification and a China that may become threatening to other countries (Yang, 1999).

1.7 Political System

One element contributing to a nation's might is its access and influence upon the decision-making process of a country's political system. Unlike a country's economic power, where a variety of quantitative measures exist to measure it as was shown

earlier, there are no reliable, clear-cut ways of evaluating a nation's political influence, which therefore means that there will always be a certain amount of subjectivity involved when studying such an element.

1.7.1 The State

State power in China is mainly exercised through the National People Congress (NPC) and its Standing Committee, both of which represent the judiciary organ of state power, and the President and the State Council, which are considered the executive organs of state power (Duncan and Mingjie, 2006, pp.69-70). Theoretically speaking the NPC is supposed to be the highest authority in the state[26], however, its authority is largely symbolic given that it votes on the Party's leadership choices, but since only one candidate is nominated per post, voting merely shows the approval of choices and recent Party decisions, and this is where difficulties and complexities in governance may arise due to the blurred line between state and Party institutions (Global Insight, 2008). Similarly, the President, who should be very powerful as the head of state and leader of the country, wields less power than the Secretary-General of the leading Party in the PRC as will be explained later on. The President is elected by the NPC (every five years), and exercises according to the decisions of the NPC and its Standing Committee his or her functions as the head of the state (Duncan and Mingjie, 2006, pp.69-70).[27] After the presidency comes the State Council as the highest executive and administrative organ of state power (Global Insight, 2008)[28]

[26]It exercises the power of legislation, decision-making, supervision, election, appointment and dismissal (Duncan and Mingjie, 2006, p.69).

[27] These include promulgating laws, appointing the premier, vice-premier, state councillors, ministers, and the Secretary-General of the State Council, and issuing order of special amnesty and martial law and declaring state of war (Duncan and Mingjie, 2006, p.70)

[28]The State Council is empowered to formulate administrative measures, enact administrative regulations and promulgate decisions and orders within its power (Duncan and Mingjie, 2006, p.72). Thus, it presents to the NPC at its annual meeting major new policy directions, laws, the budget, and major personnel changes for review and approval, all of which are initiatives that had already been endorsed by the Communist Party's Central Committee.

Working under the leadership of the State Council, there are people's congresses in provinces, autonomous regions, municipalities, counties, cities, townships and towns that act as the local organs of state power, deciding on important affairs in their respective administrative areas and formulating local regulations (Duncan and Mingjie, 2006, pp.70-71).

1.7.2 The Government

Beijing is run by the 70.8 million-member CCP, the party that has been in power in the country since it won a civil war against the Kuomintang (KMT), also known as the Chinese Nationalist Party in 1949 (Duncan and Mingjie, 2006, p.77). The CCP is effectively the only political party in the PRC, however, technically speaking there are eight other licensed parties called the "democratic parties", which participate in the Chinese People's Political Consultative Conference (CPPCC), but hold no political power, considered consultative bodies given that they mainly serve to endorse the Party policies (Global Insight, 2008). The highest organ of power in the CCP is the Central Committee and when it is not in session, the Politburo and its Standing Committee (the real focus of power that shapes government policy) exercise its power. Given that China is a socialist one-party state, national elections do not exist, and appointments are made by the Politburo at the five-yearly National Congress (CCPNC) (Global Insight, 2008).

Due to the fact that lines between state and Party are blurred, policy formation is usually dominated by the personalities rather than organs of government or Party (Global Insight 2008). Leaders tend to hold several positions of authority, the most important of which are normally represented in the State Council or the Politburo Standing Committee (Global Insight, 2008). The CCP's General Secretary is usually

Although the CCP continues to dominate the Chinese government and society since 1949, China's population, geographical vastness, and social diversity does not allow Beijing to rule arbitrarily from the centre. Before taking important measures and making key decisions on important issues regarding the PRC's people or its economy, the central leadership must increasingly consult with other party members, representatives of all ethnic groups and political parties, local and regional leaders and influential non-party members (Bureau of East Asian and Pacific Affairs:US Department of State, 2008). According to Zakaria (2008, pp.20-21), growth has brought about decentralisation in the PRC, empowering localities and provinces that sometimes ignore edicts issued by the central government on a number of issues. Moreover, around 40 percent of tax revenue is controlled by regional governments, granting them fiscal muscle. Nevertheless, the central government keeps a close eye on those sub-state governments, and sometimes intervenes in matters of policy (Global Insight, 2008). In addition to provincial power, a considerable source of power that could challenge the CCP is the military especially when it comes to foreign policy, particularly the sensitive issues concerning China's relations with Taiwan, Japan or the United States,[29] which consequently makes wining the PLA's support and ensuring that the army is loyal to him very important for any prospective leader trying to claim power and a high priority for the head of the Party (Shirk, 2007, p.223 and p.72).

There is a tendency for the influence of people and organisations outside the formal Party structure to grow in periods of relative liberalisation especially in the economic

[29] According to Shirk (2007, p.223) Senior figures in the PLA are thought to be behind the aggressive policies that China has taken towards Taiwan and the United States since 1994.

field, a phenomenon that is evident today in the rapidly developing coastal region (Peace Corps, 2009). Having said that, Party committees in all important government, economic and cultural institutions in China, make sure that Party and state policy guidance is followed and that non-party members do not create autonomous organisations that could undermine party rule[30](GlobalSecurity, b).

In order to remain in power and maintain its great influence over the Chinese political system, the CCP has made great efforts to get deeply entrenched into the Chinese economy and society. Firstly it took a lead in defining and representing the new PRC through its membership; in 2005 professionals, college students and entrepreneurs accounted for around 70 percent of the membership and workers and peasants accounted for the rest, having accounted for two thirds of the Party's membership in 1978 (Lee, 2008). Besides, the Chinese economy largely remains a state-dominated system rather than a free-market one, where the Communist Party is establishing institutions and supporters that seem to be entrenching the Party's monopoly on power, by strategically controlling economic resources and remaining the main provider of economic opportunity and success in Chinese society (Lee, 2008).

1.7.2.1 Beijing's Political Identity

The political identity of Beijing reveals the bases of its political power. The West has always viewed the Chinese government as autocratic because of the key role that the Communist Party plays in governance and also due to the relative absence of other political parties on the Chinese domestic scene; whereas the Chinese political leaders have never ceased to view their electoral arrangements as democratic[31](Kwong, 2008,

[30] Party control is tightest in the urban areas as opposed to rural areas where it is considerably looser.
[31] A state is democratic when the government abides by the rule of law; its leaders are elected by regular and competitive free elections and when it tolerates minorities. It is considered authoritarian on the other hand if the regime lacks significant social, political and economic pluralism, and is led by leaders that are not popularly elected who do not always abide by the legal codes that they have created (Zhao, 2001, .p.428).

p.4). Before 1978, under the leadership of Mao, the political elites considered the Chinese practice of collective decision-making to be more suitable for their country than Western-style democracy because it encouraged commitment to communal good which is what mattered most (Kwong, 2008, p.4). But this form of democratic practice had limitations; members were supposed to make informed decisions at open organisational meetings, but the traditional hierarchical nature of the Chinese society, and strong focus on compliance and group harmony, discouraged the participants from opposing or openly contradicting the senior officials (Kwong, 2008, p.5). After 1978 however, and under the leadership of Deng, with the introduction of market reforms and in light of the country's growing role in the world economy and politics, Chinese leaders embraced voting reforms intended to emulate Western political participation with the hope of gaining international acceptance for their increasingly active role in world politics (Zhao, 2001, p.435). Having said that, popular democratic movements were suppressed on various occasions, most dramatically the ones held in Tiananmen Square, to preserve the party rule and to stop them from interrupting Deng's plans for national development (Thornton, 2008, p.3).

Although the Chinese leadership is once again talking about democracy, with more frequency and in more detail this time, the democratic principles they advocate, just like in the past, differ from those accepted and understood in the West; the extent of the liberties granted to citizens in the West is simply not acceptable for Beijing, in terms of the freedom of speech, press or assembly granted (Thornton, 2008, pp.3-4). The democracy the Chinese government has in mind is a selective or a guided democracy that would preserve the CCP's rule, not the de facto democracy that gives voice to different groups within a one-party system (Bergsten et al., 2006). In its speeches about democracy Beijing refers not so much to building a democratic

system, as to building a responsive Party and effective leaders from within; the power of public to remove corrupt or ineffective leaders, deprive them of their privileges, and challenge them is an idea one-party, authoritarian systems usually have trouble with (Lee, 2008). The "socialist democracy with Chinese characteristics" that the Chinese government advocates "combines authoritarian Party leadership, a modest expansion of popular participation, and governance through the rule of law, while eschewing universal suffrage, true parliamentary bodies, checks and balances, and contested multiparty elections" (Bergsten et al., 2006).

In a meeting towards the end of 2006, when asked about what democracy meant for the Chinese leadership, Premier Wen Jiabao responded with three key elements: elections, judicial independence, and supervision based on checks and balances (Thornton, 2008, p.4). For the purpose of assessing the political identity of Beijing and measuring the extent of democracy in China (if there was any), this study considers these three elements. Another equally important element that is usually taken into account when studying the nature of a political system is that of personal freedoms or civil liberties awarded to the citizens in terms of speech, movement and religion practicing.

The Chinese constitution stipulates a combination of direct and indirect elections to choose the government leaders, but in practice only delegates at the village level and some at the country and township levels are chosen by the people through direct competitive elections; those at other levels are indirectly elected by delegates selected by the levels below[32] (Thornton, 2008, p.5, Kwong, 2008, p.5). China has made significant progress toward democratic principles in elections and citizen participation

[32] According to the Chinese Constitution there are four levels of congresses: national, provincial and autonomous regions, municipalities and prefectures, and county and townships (Kwong, 2008, p.5),

through the introduction of secret ballots and allowing multiple candidates to run for office (Kwong, 2008, p.1, Bergsten et al., 2006). Even if these principles were only implemented locally-at the level of the villages, some townships and counties-this "serves as a grass-roots training ground for democratic habits" (Thornton, 2008, p.6). For example, while direct ballots only occur in the selection of village heads, some townships and counties in choosing their leaders opted for the "open recommendation and selection system" where anyone can run for office, but the candidates are then narrowed down by a council of community leaders and the final choice between the two finalists is made by the local people congress. This according to Thornton (2008, pp.5-7) is not a direct ballot but a way of introducing an element of competitiveness and transparency in the selection. Such limited experimentation in governance is encouraged by the PRC's central leadership, which believes that continuous progress in rural village committee elections will have a far-reaching impact on the overall democratic advancement in the country, and predicts that they will expand to the next levels up; from villages to towns, counties, and even provinces (Jiabao as cited in Thornton, 2008, p.4). Despite some irregularities reported from time to the other (such as favouritism and vote-buying) the elections are generally not subject to military intimidation or excessive official manipulations and more particularly there is no obvious official orchestration in the election of delegates to the people's congresses (Kwong, 2008, p.11). That said, the CCP has not totally relinquished control of the electoral process. With the aim of retaining its power and protecting its interests the leading Party still selects which candidates can and cannot run for office (Kwong, 2008, p.7). Despite that, and although only members of the CCP, eight democratic parties, and sympathetic independent candidates are ever elected in any election beyond the local village level, and almost all independent candidates for

people's congresses fail in their bids, the number of such candidates is rapidly increasing and will continue to do so as Chinese society diversifies and opens up (Fan as cited in Thornton,2008, p.8).

The Party leadership is currently chosen by a process of bargaining between the rival factions, but throughout the past few years, in an effort to expand competitive selection within the CCP, the Chinese leadership has been consistently calling for intraparty democracy, advocating more discussion, consultation, and group decision-making (Gittings, pp.6-7). According to the current Chinese President, pressing forward with intraparty democracy helps to keep the Party flourishing by unleashing the Party members' utmost creativity and initiative in realising the Party's basic line, program and goals, reinforcing its solidarity and unity" (Jintao, 2007). Keping, Director of the China Center for Comparative Politics & Economics (CCCPE), maintains that intraparty democracy is the way to promote the people's socialist democracy where the people are masters of their country (Ming'ai, 2007). One of the steps taken by the Party's leadership to introduce intraparty democracy has been to allow for multiple candidates to run for positions (Thornton, 2008, p.8). Some experts maintain that intraparty democracy is much more important that experimenting in local governance given that if it ever takes hold, like-minded officials could coalesce to form different interest groups within the CCP (Thornton, 2008, p.9).

One of the major internal weaknesses that the Chinese political system suffers and therefore needs to address is the lack of an agreed way to handle the succession to the top leadership (Bergsten et al., 2006). The process of selecting the country's leaders, which will be decisive in determining the PRC's political evolution to democracy, needs to be institutionalised and an acceptable new process has to yet be put in place (Thornton, 2008, p.22). In the past, before Hu Jintao peacefully assumed secretaryship

of the Party in 2002 from Jiang according to constitutional rules, succession to leadership was managed in an ad-hoc way whereby every general secretary had been forcibly deposed by a coup, a purge or political intervention; but it can no longer be so because both China and the world have changed significantly (Hutton, 2008, pp.120-121). It must be noted that in order to maintain the socio-political stability, the top leadership must present a reasonably united public image, which means that the political jockeying surrounding the succession can be kept behind the scenes. If, however, the top leadership openly splits, then the army and police force may well become paralysed and large-scale social unrest could unfold very rapidly (Lieberthal, 1991).

Apart from the aforementioned flaws in the Chinese internal and external election process, there are other obstacles in China's transition to democracy, one of the most important being the problem of corruption, the main source of grievance of the Chinese about their government. Corruption is rampant in the PRC; in 2006 the anti-corruption watchdog Transparency International (TI) ranked China 70th out of 163 countries, knowing that the country that ranked first was the least corrupt (Global Insight, 2008). Corruption is not only a nuisance to the average Chinese citizen, but it is equally so for foreign investors given that it reaches into the highest echelons of government and the very organs responsible for preventing it, including the legal system, and many officials use their position to charge fees for performing routing functions as a business consultant would do, or force foreign companies to use the service of an intermediary and take a commission (Global Insight, 2008). This is particularly evident in the finance, banking and construction industries, where deals may not be struck until the Chinese party has established a close relationship with potential business partners by exchanging gifts and favours as gestures of trust

(Bergsten et al., 2006). The Surge of economy and the ensuing economic reforms, notably privatisation, as well as the blurred line between the public and the private sectors is what provides officials with numerous opportunities for graft (An Independent Task Force, 2007, p.22).

Doubtless, corruption has equally been a major source of worry for the government especially that its legitimacy is largely affected by its ability to rein it in (An Independent Task Force, 2007, p. 22). To address the situation Beijing has taken some measures that include strengthening the legal system, passing various pieces of legislation to root out corruption and nepotism[33], professionalising the civil service; calling for greater transparency in the government's work and official accountability to the public, a more effective system of checks and balances, where oversight can be tightened over leading cadres within the Party to impede official abuses of power (Jintao, 2007). Since it initiated its anti-corruption campaign in 1992, the CCP claims to have expelled more than 120,000 members -among which figure high-level officials- with a further 670,000 having faced discipline (Global Insight, 2008). But since the Communist Party still maintains a monopoly on exposing corrupt officials and businessmen, it is often accused of selective punishment that resembles political purges rather than genuine law enforcement to punish rivals or clear the way for protégés to advance (An Independent Task Force, 2007, p.22).

Despite all the above-mentioned attempts aimed at rooting out corruption as well as the existence of various institutions that are meant to oversee the behaviour of officials such as the CCP's Central Commission for Discipline Inspection, and the abundance of formal mechanisms of supervision, the problem of official corruption

[33] These legislations prohibit officials from appointing their direct family members and other close relatives to senior positions on their staff, bans them from taking a leading position in the local government, CCP or any judicial body in the area where they were born or grew up, oblige them to report on personal affairs when buying, renting or selling property (Global Insight, 2008).

remains alarming. According to the CCP, in 2006 alone more than 97,000 officials were disciplined, the majority of whom proved guilty of taking bribes or violating financial regulations (Thornton, 2008, p.14). What is reassuring is that the Chinese leaders are aware that corruption is an issue of top priority, and are restlessly calling for rooting it out (Bergsten et al., 2006).

Despite having made great progress in the past few decades, the PRC's judicial system is still infested with corruption. In the past, the courts used to carry out the Party line and the Chinese judges and persecutors were former military and police officers without legal education or training and lawyers were mostly employed by the state (Cohen, 2005). In the mid-1980s however, the system as a whole got professionalised; professional judges and prosecutors were employed, private practice grew, and a number of statutes intended to protect the citizens from the government wrongdoing got introduced (Thornton, 2008, pp.10-11). Nevertheless, the Chinese judicial system is still riddled with problems mainly because many decisions in China are based on a web of personal relationships which consequently makes many of the court decisions in the PRC corrupt (Thornton, 2008, p.11).

Officially the Chinese leadership wants a fair judicial system given that it attaches great importance to the rule of law as a fundamental principle especially for a socialist democracy, but in practice personal interference in judiciary still exists, and the local officials continue to exercise considerable leverage over courts (Jintao, 2007, Keping, 2008). Although in theory China is a country ruled by law since 1999, the CCP not the government holds ultimate control, manipulating the courts when necessary, and dealing with errant party members is its sole responsibility (Thornton, 2008, p.12). The weakest link in the PRC's legal system is criminal justice, the codes and procedures of which are abused by law enforcement authorities. "If the circumstances

are serious" the courts, and those Party and government leaders who dictate court decisions in sensitive cases, are free under the law to impose the harshest sentences (Cohen, 2005).

Keping (2008) believes that the problems that the Chinese judicial and legal systems are currently facing can be effectively resolved through advancing the process of reform, "establishing the supreme authority of the Constitution and laws, and promoting scientific and democratic legislation and democracy." The separation of powers is needed indeed. The CCP needs to build an independent judicial system while maintaining control at the very top, but the Party and its members most importantly need to understand that they are not above the law (Thornton, 2008, p.12)

Although the Chinese leadership keeps reiterating that people are masters of their country and keeps encouraging the participation of the public in the process of decision-making, the CCP's oppression still lives on; "in a political system that lacks essential attributes of a functional democracy, social groups can't turn to a free press to take up their cause, or an independent judiciary to appeal to, or opposition parties to embrace their complaints" (Baghwati, 2007).

Prior to the reforms, China had only propaganda and not journalism as we understand it nowadays, whereby the mass media only served to mobilise public support for Party policies, and the Chinese citizens obtained their information only from few officially controlled media sources. With the reforms into the 1980s and 1990s the mass media got commercialised and flourished (particularly with the appearance of tabloid reporting that was encouraged by the market forces) and it was no longer monopolised by the CCP (Shirk, 2007, p.81) Nonetheless, the PRC still does not have free press given that its media outlets (both printed and electronic) are subject to government controls, and many topics cannot be freely explored and discussed

because the Propaganda Department considers them "politically sensitive" such as individual leaders, the CCP, democracy, corruption, political reform, protests, discussions in government meetings, the 1989 Tiananmen demonstrations, human rights, drug trafficking, death penalty, prostitution, marginalised minorities, Falun Gong, religion, Taiwan, and Tibet. And any Chinese journalist or reporter who attempts to write about such topics could be fired or imprisoned with the charge of subverting state power or revealing state secrets, not to mention that newspapers that stray outside the Party-line could be shut down occasionally (Shirk, 2007, p.90). Having said that, the electronic media in China enjoys more freedom than the printed press, given that Beijing still cannot keep up with the spread of information, despite the sophisticated surveillance systems that it has been using to regulate access to internet and successfully blocking some of the most obvious sites[34] (Gittings, 2006 pp.8-9). [35] In an attempt to restrict and control web content and access, the Chinese government employed 30,000-50,000 censors, screeners and investigators, imposed regulations, backed up by penalties (fines, termination of internet access and possible imprisonment), which prohibited, among other things, posting content that undermines state policy or disseminates rumours and disturbs social order (An Independent Task Force, 2007, p.27). Yet the ability of the Chinese internet users to outwit information controls is evolving faster than the government's regulatory capacity in addition to the internet communication being too decentralised and internationalised for the censors to block breaking news before it reaches people online (Shirk, 2007,p. 103, Bergsten et al, 2006).

[34]Beijing's Internet monitoring technology is supported by legal and regulatory policies imposed on Internet service and content providers such as Microsoft, Google and Yahoo (Bergsten et al., 2006).

[35] Despite the government's attempts to censor domestic information, the government failed to conceal the spread of the SARS virus in 2003, where millions of Chinese found out through their mobile phones and internet which allowed them to access banned foreign reports (shirk, 2007, p.83).

In sum, although the PRC is still a long way from having a free press, the CCP's ability to control the flow of information into and within China is declining indeed by not keeping pace with the expanding access to information afforded by popular media and the internet, which, being a channel for political discourse in addition to being a source of information, constitutes an increasingly important and valuable indicator of public opinion for Beijing; an indispensable channel of communication between the state and the people (Shirk, 2007, pp.100-102). Besides, there is a possibility that pressure by other countries may persuade Chinese authorities to loosen up some media controls. A good example on this is Beijing's decision not to restrict foreign journalists reporting on the Olympic Games by subjecting them to travel restrictions and other impediments starting from January 2007 till October 2008, after being pressed by the International Olympic Committee in the run-up to the 2008 Olympics[36] (An Independent Task Force, 2007, p.28).

In addition to the limits on freedom of press in the PRC, there are also limits on the freedom of assembly, speech and association (which the law provides for but the government restricts in practice), and those who cross the line can face intimidation, arrest, or worse (Bureau of Democracy, Human Rights, and Labor: U.S. Department of State, 2006). Tamping down political or religious movements that might threaten the CCP control is a priority for China's leaders who have repeatedly voiced out their willingness to use the tools of an authoritarian system to limit challenges to their authority (Bergsten et al., 2006). Since Tiananmen Square, the CCP has maintained its authoritarian grip, restricting organised political activities, and suppressing criticisms directed at the basic principles underlying Party's control and all forms of

[36] Although the new rules technically expire after the Olympics, they may prove difficult to withdraw, particularly with the Shanghai World Exposition scheduled for 2010 (An Independent Task Force, 2007, p.28).

political dissent rapidly and conclusively, in sharp contrast to the considerable leeway it gives entrepreneurs in the economic arena (Global Insight, 2008). Parties without official sanction such as the China Democracy Party have been banned and their leaders imprisoned. According to Freedom House in their 2005 report on China's political rights and civil liberties, "the Chinese state closely monitors political activity and uses vaguely worded, national security regulations to justify detainment or imprisonment of those who are politically active without party approval" (Freedom House, 2005, p.145). When the China Democratic Party first emerged in 1998 (first attempt by an opposition party to obtain legal recognition since establishment of the PRC), its leaders were captured and sentenced to prison for up to 13 years on charges of subversion (An Independent Task Force, 2007, p.26). According to the U.S. State Department's Country Report on Human Rights Practices in China, from 2005 around 500 to 600 people are incarcerated for nonviolent expression of political views on charges of "counterrevolutionary activities," which is now a repealed crime (Bureau of Democracy, Human Rights, and Labor: U.S. Department of State, 2006). In addition to political oppression and intolerance to dissent, there are continuing and massive abuses of human rights that characterise the Chinese system reflected in the religious and cultural oppression of minority groups. The PRC continues to crack down on unauthorised religious groups and to restrict the freedoms of ethnic communities that seek greater religious autonomy, something which is likely to continue as long as the CCP perceives these groups to be threatening to its political control (Bergsten et al., 2006). Beijing's concern by the growth of religious organisations is evident by the violent campaign (arrests, beatings and repression) it started across China in 1999 to round up citizens practicing Falun Gong, a spiritual movement just rising in the West, ever since it organised mass demonstrations in 1999

across thirty cities, involving tens of thousands of adherents in a silent protest to CCP policies (Global Insight, 2008). The PRC's concern by the role that organised faith could play in provoking chaos in the country is also evident by the strict laws requiring religious groups to register with the government, and it largely stems from its past experience with faith-based organisations that gave rise to zealotry and social unrest across the country (An Independent Task Force, 2007, p.20).

Beijing is likewise alarmed by the presence of separatist movements in China as was clearly shown by the repressive bloody crackdowns it has maintained on Tibetans and the Uighurs for years. Ethnic tensions remain the most destabilising in the PRC's autonomous regions of Xinjiang and Tibet, where religion (Islam and Buddhism) is also integral to the separate ethnic identity of the Uighurs and the Tibetans respectively, and a mobilising factor in the efforts of these ethnic minorities to attain a higher degree of independence from the point of view of the Chinese government (Global Insight, 2008). In 2005, nearly 130 Tibetans (mostly monks or nuns) were imprisoned for political reasons (Bureau of Democracy, Human Rights, and Labor: U.S. Department of State, 2006). Similarly, thousands of Uighurs were detained or prosecuted (many were sentenced to death) in a campaign in Xinjiang against "extremism, splittism, and terrorism", repression that has stepped up since the terrorist attacks of 9/11 (An Independent Task Force, 2007, pp.20-21). That said, Beijing's efforts to regulate religious, quasi-religious, or ethnic groups nowadays are motivated less by a particular hostility for religious and ethnic expression, than by a more general unease about the growth of any organisation that might challenge the authority of the Party or its legitimacy (An Independent Task Force, 2007, p.21).

Having looked at the elements by which one can measure how democratic a country is, and taking into account the Chinese state structure, the absolute rule of the CCP

and the lack of political pluralism in contrast to the increasing pluralism of economy, one can deduct that China is an authoritarian country, but this does not mean that things are not changing even if that change was insignificant. Some scholars expect Beijing to continue with the same policy, but others believe that its authoritarianism is gradually eroding and that it is only a matter of time. Brown (2002, p.210), for instance, believes that China is an undemocratic state, which has no reason to change given that it will always be protected by its importance to the West as a market as well as its lack of need for Western approval. Nicholson (2002, p.229) on the other hand, argues that globalisation is making the world a different place, and is gradually eroding the powers of governments and the role of the state internally and externally. Beijing's continuing experiments with local elections, reform of the judicial system, the strengthening of oversight and increased calls for transparency are all part of the shift to a more rule-based system that will increase the government's efficiency (Thornton, 2008, p.21). Most importantly they are part of the transformation that the Chinese society witnessed and the expansion of personal freedoms that have accompanied three decades of economic reform and development, a process that no political authority can ever stop, despite the fact that power is still in the hands of the government (Shuja, 2005). Although people can still be arrested for dissent, a significant number of opinions can now be heard, thanks to the growing role of the internet, the emergence of independent organisations, the greater independence of the media, and China's growing international influence. One cannot deny that the government remains intrusive in many aspects but it is much less so than before, besides, there are growing demands within China for greater responsiveness, transparency and accountability in government (Thornton, 2008, p.17). According to Donald Rumsfeld "ultimately, China will need to embrace some form of open,

representative government if it is to fully achieve the benefits to which its people aspire" (IISS, 2005). There are more and more Chinese experts that approve of democracy and believe that it is good for the Chinese. The head of a think tank that reports directly to the CCP Central Committee argued that: "among all the political systems that have been invented and implemented, democracy is the one with the least number of flaws. That is to say, relatively speaking, democracy is the best political system for humankind"(Keping, 2008).

Doubtless, the road to democracy is not easy; in order for it to function the people themselves as well as the government officials who represent the people need to promote and implement it (Keping as cited in Thornton, 2008, pp.20-21). According to a number of surveys and studies conducted by international and local agencies since the Tiananmen Square protests in 1989, China's educated, well-to-do classes consider democracy (in terms of free and open elections to choose their leaders) a desirable far-off goal, but give it only a small priority in the short to medium term (Lee, 2008). In a number of polls conducted between 1995 and 1999, the majority of the respondents expressed support for the political status quo, and more than 90 percent ranked "order" a higher priority than "freedom" (Chen, 2004). Contrary to expectations, economic reforms and rising prosperity years later had not generated significant demand or momentum for democracy (DeLisle, 2004). In 2004, at a conference on democracy in the PRC, in a survey conducted among 700 officials, more than half believed development was more important than democracy, while only 20 percent believed that democracy was more important among which a minority of respondents favoured multi-party elections to choose national leaders (Thornton, 2008,p.20)

If there was going to be any progress towards democratic principles in China, the

Chinese democracy is seeking a gradual development road. Besides, the PRC's "democratic model" has developed as a result of this nation's unique circumstances, and as a proudly independent nation, China does not expect others to try to impose their 'models' on it. What Beijing does believe is that all nations should run their affairs in the ways they see fit, and that "[t]here is no "one-size-fits-all" political system that can be imposed anywhere regardless of circumstances" (Cohen, 2005).

1.7.2.2 Beijing's Legitimacy

It is true to say that the PRC's authoritarian political identity provides its leadership with significant political power because of the great access to and influence on the country's major decisions in the political sphere. However, the country's strength does not only stem from that, but also from the extent of the population's satisfaction with its government's performance and the people's perception of its legitimacy. The CCP is currently facing a growing issue of legitimacy in the eyes of the people it rules. Born out of its revolutionary struggle, the legitimacy of Mao Zedong's government was ideological, in that its leadership based its right to rule on the future promise of ultimately achieving communism via the "socialist transition", ruling as the "Democratic Dictatorship" of peasants and workers at first, but the operation of the political system gradually became very much dominated by the personality cult of Mao Zedong (Gittings, 2006, p.43). Mao's failure with the Great Leap, which showed his growing unwillingness to listen to opinions unless they conformed to what he considered correct, reduced his power in government and produced a very deep division within the Chinese leadership where he was mainly criticised for pursuing the collectivisation and industrialisation too quickly and for the mass campaigns that were draining vital resources and energy (Hutton, 2008, pp.82-83). His passionate pursuit

of the road to socialism ended disastrously when he, in an attempt to regain his authority and to purge the government of counter-revolutionary, bureaucratic, and capitalist individuals, launched the Cultural Revolution that started in 1966 and ended ten years later with Mao's death (Encyclopaedia Britannica, 2006). During this campaign, the Red Guards terrorised the streets, many ordinary citizens were considered counter-revolutionaries, and many prominent political leaders, including Deng Xiaoping, were arrested and deemed "capitalist-roaders" (Gittings, 2006, p.56) The CCP was thoroughly discredited by the Cultural Revolution by allowing it to take place and by being impotent to protect the people against its excesses, just as Mao was for pursing it and his communism delegitimized (Hutton, 2008, p.87). As a result, the CCP, whose revolutionary power was based upon the notion that the Party was above the law in promoting the interests of the masses, following Mao's death had to restore its credibility, and thus its right to rule (Schram, 1987). After Mao, the survivors in the leadership wanted to get away from the previous style of arbitrary domination, and there was particularly a general desire to ensure that the political order of the decade of the Cultural Revolution would not repeat itself; a perceived urgent need for a new political order that would last longer, reinforce the regime's legitimacy as well as encourage economic development [37](Goodman, 1985, pp.218-219). The result, immediately after the 3rd plenum of the 11th Central Committee that was held in December 1978, was a major campaign to promote what is called a "socialist democracy", since only democracy, as was argued, could provide stable norms for political behaviour and ensure the mobilisation of popular initiative for economic growth (Goodman, 1985, p.219). The socialist democracy was based on the principle of democratic-centralism; "Four Basic Principles" providing the framework

[37] The post-Mao leadership placed considerable emphasis on its goal of creating an industrialised and technologically advanced economy in China by the end of the century.

within which democratic reform was considered legitimate: "to keep to the socialist road, to uphold the dictatorship of the Proletariat, the leadership of the Communist Party, and Marxism-Leninism and Mao Zedong Thought" (Gittings, 2006, p.193). However, in a speech Deng Xiaoping gave in 1979 after introducing a wide host of economic reforms, he called for the regime to focus on development and modernisation, and to let facts, not ideology, guide its path (Zakaria, 2005). He often said that "[i]t doesn't matter if it is a black cat or a white cat […] As long as it can catch mice, it's a good cat" (Deng cited in Hutton, 2008, p.83). Since then, China has just done that, pursued a modernisation path that is purely pragmatic and non-ideological, and although in an attempt to legitimise its right to rule the Party has also appealed to stability and to virtue, considerations of economic growth and development superseded every other concern, particularly those of democracy and social justice (Schram, 1987).

As the door opened wider to the West in the same period, and society became more diverse, serious strains emerged between the conservatives who adhered to the Maoist vision and criticised Deng's economic reforms, claiming that they have resulted in widespread corruption, environmental pollution, rampant unemployment associated with layoffs at inefficient SOEs, and wealth disparity, and the pro-reform liberals who searched for a new path, and called for political restructuring and even the emulation of the West in its democratic principles (Hutton, 2008, pp.26-27). This mix of tension and ambiguity ended at the end of the decade with the bloody suppression of the Tiananmen Square demonstrations, and for a while, there was a widely held belief that unrest would break and that the CCP would collapse, but that never happened for Deng Xiaoping revived the economic reforms, starting a sustained burst of expansion (Gittings, 2006, pp.250-251). With the collapse of the Soviet Union and with little

traces of Communism remaining beyond the name of their monolithic party, the CCP could no longer rule as the democratic dictatorship of peasants and workers nor could it draw on Communism as a source of justification (An Independent Task Force, 2007, p.40). Instead, it had to justify itself through its domestic achievements and its ability to regain the pride and respect of the international community after losing them throughout many years of colonisations and civil war. It firstly resorted to nationalism as the glue to hold China together and to rationalise their continued hold on power, recasting themselves as the country's greatest defenders, who would avenge past injuries and restore national pride (Shirk, 2007, p.63). In 1997, the PRC regained Hong Kong from the British, and two years later it regained Macau from Portugal; these two events boosted the Party's legitimacy in the Chinese people's perception (Hutton, 2008, p.248). The rise in nationalism that resulted was plainly demonstrated by the countless government-backed protests that erupted in the streets of Beijing during the war in the former Yugoslavia, when a NATO jet hit the Chinese Embassy in Belgrade by mistake, causing the death of three Chinese and wounding dozens of others (Shirk, 2007, p.213). From then on, Beijing, driven by the dream of reclaiming their ancient imperial glory, kept earning the public's confidence through a number of achievements; the Chinese were ecstatic when their country had been recognised as a fully-fledged member of the global community when it was chosen to host the 2008 Olympics late 2001, joined the World Trade Organisation, built the world's biggest dam, the tallest Ferris wheel and the highest railway (Liu, 2008).

In addition to maintaining the state's nationalism and defending the PRC's position in the world, Beijing bases its legitimacy on its role in leading economic development and guaranteeing its economic prosperity (An Independent Taskforce, 2007, p.40). That is why the only ideal that counts for the Chinese leadership now is to convert

China into a reasonably well-off society, with high rate of employment and a more open economic system, where people would lead a more prosperous life (Gittings, 2006, pp.1-3). Despite the evident decline witnessed in the ideological discourse and the rise of pragmatic policies as a result of which national development took precedence over the Socialist-Communist cause, this is not to say that ideology is no longer used by the Chinese leadership to influence the population. In an email message to the author on September 4, 2008, David Goodman revealed that, "there are organisational consequences to the words of the ideology even after the intense ideological motivation of earlier years may have dimmed", adding that the words of the ideology are already formalised in the Chinese political system and they are often used to justify the adoption of certain policies.

The current and main source of legitimacy of the Chinese Political System (the CCP's performance) is problematic given that it is intrinsically unstable. "[G]rowth is the basis of the social contract with the people that keeps the regime in power through thick and thin", which is why Beijing fears chaos that could thwart China's plans for growth and global ambitions[38], and consequently resorts to repression often to protect the monopoly of power it enjoys (Bulard, 2005). Looking at political power that way, one can deduct that despite the great political influence that Beijing exerts on the decision-making process in its political system, the PRC is not as strong politically because it is still using repressive policies to contain the public's feelings. Besides, in every step it takes the Chinese leadership is concerned about the citizens' reaction and fears they could undermine its legitimacy. If the leadership kept working on its weak points in running the country and allowed its citizens to express themselves more

[38] Beijing's global ambitions mainly constitute restoring China to its right place on the international stage.

openly, it can only then become strong, because it has nothing to fear or hide. In tune with its citizens, no other country would be able to stand in its way, or criticise its domestic or international behaviour. Apart from its political challenges, it is pivotal for Beijing to also address its previously discussed economic and social internal problems with greater efficacy if it was to maintain its domestic strength and stability, which will allow it to develop and prosper on the international stage more comfortably.

CHAPTER 2

CHINA AND THE INTERNATIONAL SYSTEM

China's strength is increasingly defined in terms of its ability to play a substantial part on the international stage. Throughout the 1950s and 1960s China was denied the opportunity to play its legitimate international role. To start with, its strong alliance with the Soviet Union and its client states excluded relations with non-communist powers, which meant that China had no diplomatic, social, or economic contacts with almost none of the countries outside the Communist bloc (Dreyer, p.1). This was partly because many of those powers continued to recognise the Kuomintang or the Nationalist Party rather than the CCP as the sole legitimate government of the PRC, and it was also dictated by the personality of Joseph Stalin, who was the Soviet leader at that time and demanded absolute loyalty (Dreyer, p.1). Despite moving to a less rigid policy after Stalin's death, and attending the Bandung Conference in 1955 in which China extended a hand to the Third World countries, enthusiastically endorsing the Bandung Conference's Five Principles of Peaceful Coexistence[39], the results were disappointing for Beijing. This is because a number of countries were hesitant to acknowledge the PRC as a genuine Third World state, given its large size and potential wealth. They also feared its list of regional territorial grievances as well as its rhetoric advocating world revolution. In fact several countries accused Beijing of doing what was strictly forbidden by the five principles-interfering in their internal affairs by supporting revolutionary movements in their countries (Dreyer, p.1). Into the 1960s and in the wake of the ideological crusade that Mao Zedong had launched

[39] These include concepts such as non-aggression, respect for sovereignty and the territorial integrity of other states, and non-interference in each other's affairs in addition to mutual benefit and peaceful coexistence.

to revive the country's revolutionary spirit and rid it of the "capitalist roaders", China was set further apart from its surroundings. However, its two-decade-long self-isolation ended when Mao reached out to Washington in 1971, which was also a turning point in Beijing's stance toward the world (Shirk, 2007, p.14). During the Cold War, the political importance that China enjoyed was not due to its growing power, but due to its role as a swing state that can suddenly tilt the international balance of power through shifting its political allegiance between the US and the Soviet Union (Freedman, 2004, p.31). With the end of the Cold War, and the collapse of the Soviet Union, and based on an instruction from Deng, Beijing was to lie low internationally and its foreign policy was mainly based on avoiding international conflicts that could offset the country's development. For a while the PRC's officials and leaders even refused for China to be called a power, insisting that it was still a weak developing country (Shirk, 2007, p.105). However, this is no longer the case; the Chinese have finally acknowledged that their country is a rising power, working towards bringing back China into a position of influence and respect both regionally and globally. The economic success that PRC has witnessed with twenty years of opening and reform, particularly since the turn of the century, has enabled it to pursue a greater role on the international stage, supporting its claims to regional and global leadership with growing economic and military might (Economy, 2005, p.1). Having said that, knowing that its rise may seem threatening to the world, Beijing has been trying to reassure other states and to build a reputation of being a status-quo responsible power that abides by the established international rules and works within the international system by accommodating its neighbours, participating in multilateral organisations and using economic ties to make friends (Shirk, 2007, p.109).

According to Kim (2004, p.38), China's integration into the international system and its compliance within it may be measured by several indicators: its membership in the international governmental and non-governmental organisations, its behaviour once inside these global organisations and its participation in multilateral treaties. The extent of the PRC's integration into the international system and the power it exercises within it can also be measured by the nature of its bilateral and multilateral relations with other countries in both its region and in the global arena. This can be judged by studying the diplomatic, security, economic, and political linkages that tie China to other countries, and examining the feelings that the PRC rise engenders in them.

2.1 China and the Global Institutions

Globalisation is the growing interdependence between nations, organisations and people. It is facilitated by global institutions that aim to regulate and monitor international interactions promoting harmonious co-operation in finance, politics, aid, peace keeping and trade on an international scale (Economic and Social Research Council (ESRC)). The most important global institutions are the United Nations and its many specialised agencies, the financial institutions such as the IMF and the World Bank, the security-related institutions such as North Atlantic Treaty Organisation (NATO) and the International Atomic Energy Agency (IAEA), and finally the trade organisations such as the WTO, and the OECD. China's membership in international organisations has increased drastically from 2 in the 1960s to 52 in the 1990s, which shows the country's will to comply with the established rules of the current world order that are dictated by globalisation.

Beijing is a founding member of the IMF, but the Taiwan authorities occupied China's legal seat since the founding of the PRC until 1980 when mainland China regained its seat and started attending every annual meeting (Permanent Mission of the People's

Republic of China to the United Nations, 2004). In 2004, China's quota in the IMF, which determines how much it can borrow and influence lending policies, formed 2.34 percent of the total amount of quota subscriptions which provide most of the IMF's financial resources, and it had 2.28 percent of the total number of votes (Permanent Mission of the People's Republic of China to the United Nations, 2004). However, after the IMF reformed the formula by which it allocates votes and financial contributions according to economic size, reserves and other measures, China's share of votes will increase to 3.81 percent, making China become the IMF's sixth most powerful member behind the US, Japan, Germany, France and the UK[40] (The Economist, 2008).

The relationship that ties the PRC to the World Bank is one of close partnership and mutual learning according to the former World Bank President James D. Wolfensohn (People's Daily, 2002). He explained that previously the Bank brought to China its experience in other parts of the world, but since the PRC's economy began to develop rapidly and the Chinese leadership became more sophisticated and experienced, the teacher and student roles somehow reversed with Beijing being often the teacher. Indeed one can say that China is not only the world's largest developing country but is also the largest developing nation to see a consistent year-to-year economic growth over the past few decades (Shirk, 2007, p.20). Thus, the World Bank can learn much from the PRC's recent experience and apply that to helping other countries experience economic growth, especially in terms of project implementation. This is where China is considered to be one of the World Bank's best performing member countries,

[40] China's voting share in the IMF is still far short of its weight in the world economy.

through supporting analysis and diffusion of its own economic growth and poverty reduction experiences to other nations (The World Bank in China, 2005).

> Of all the global multilateral institutions, China's permanent membership with the veto power in the UNSC and the WTO have become source and symbol of its great-power status, and, as such, a useful barometer of assessing how much China matters in world politics in terms of its global power, commitments and responsibilities (Kim, 2004, p.38).

The UNSC is a "formalised institutional expression of great power cooperation in settling international disputes and enforcing international peace" (Kim, 1999). The permanent seat on the UNSC was allocated to China when the nationalists were in control and they held on to it until 1971 when they were forced to hand it over to the communists whose supremacy was thus internationally recognised. During the post-Cold War period China's concerns seemed extremely parochial; Beijing was mainly concerned with preserving the isolation of Taiwan and, as a large and proud country emerging out of a colonial past, it strongly held on the principle of non-interference in domestic affairs (Freedman, 2004, p.22). The PRC at that time also had a strong sense of international hierarchy and it was, until recently, very much against the principles of multilateralism, showing distrust in international treaties (Freedman, 2004, p.22). It only embraced certain rules for defensive reasons like protecting its economic interests and safeguarding its sovereignty, and became member of regional and global bodies in order to reassure other countries of its peaceful intentions (Ikenberry, 2008, pp.31-32). However, Beijing's interests began to coincide with those of its neighbours and members of the international community over time, and with the belief that international organisations could protect its interests and promote its development,

China began joining international agreements and treaties, thus working within the currently prevailing Western order and growing within it (Ikenberry, 2008, p.32). While for Beijing in 1965 the United Nations was nothing more than "a dirty international political stock exchange in the grip of a few big powers" (Hempson-Jones, 2005, p.712), in 2005 it became "the most universal, representative and authoritative inter-governmental international organization in the world" (China Daily, 2005). Overcoming a long-time aversion to international actions that involve what it calls "interference" in the internal affairs of other countries, China began participating in 1992 in the United Nations Peacekeeping Operations (UNPKOs), which it used to condemn during the 1950s and 1960s, but now considers as a function of the universal values inherent in the UN (Hempson-Jones, 2005, p.712). Apart from assessing the peacekeeping forces according to their contribution to the "conditions of peace and stability", there are various situation-specific factors at work when it comes to the PRC's participation in the UNPKOs such as: the host-nation's consent, geographical proximity and Beijing's initial involvement with the authorisation process in the Security Council. Provided these are present and there is no support for Taiwan involved, China's involvement with the UNPKOs in the coming years is likely to continue, slow but steady (Kim, 2004, p.48). In 2002, China took part in the UN standby arrangements for UNPKOs, and as a gesture to demonstrate its desire and willingness to strengthen its international role and boost its global reputation as a responsible great power, Beijing doubled the number of its peacekeepers in the Democratic Republic of Congo from 137 to 355 (Kim, 2004, p.48). As of 2005 China had thirteen hundred soldiers throughout the world wearing blue helmets (Shirk, 2007, p.127).

Being a permanent member of the UNSC, China enjoys a great deal of authority and advantages. To start with its voice cannot be ignored in the multilateral conflict management process, even if it was merely in tacit consent or cooperation (Oksenberg and Economy, 1999, p.5). This is evident in China's voting behaviour in the Security Council and the veto power it is awarded as a Permanent Member of the UNSC[41]. Having said that, over the period of almost four decades, from late 1971 till the end of 2007, the PRC cast no more than five vetoes out of a total of 235, compared to 18 by France, 30 by Britain, 82 by the US and 118 by the Russia/Soviet Union (International Security and Institutions Research Group, 2008).

Compared to the other Permanent Members of the UNSC, China has rarely taken advantage and never abused, like the United States often does[42], the privilege of possessing such a "fungible instrument of renewable leverage in the service of China-specific matters"(Kim, 2004, p.43). Given that it believes that the veto is an expression of hegemonic behaviour, Beijing has attempted not to allow itself to be cornered into having no choice but to cast a solo veto (Kim, 2004, p.46). The only time it did use a solo veto and obstructed a decision process was in 1999 on a draft resolution to renew the stay of peacekeepers in the former Yugoslavia Republic of Macedonia for a period of six months. The fact that China vetoed the Macedonia operation and its willingness to risk a further spread of war in the Balkans after the Balkan nation formally recognised Taiwan provoked many to question China's ability to set "aside parochial slights in the larger interest of regional peace" and whether or not it actually qualifies to be an occupant of the five great-power seats on the UNSC

[41] Any of the five Permanent Members can prevent a draft resolution being adopted in the Security Council, by casting a negative vote. A negative vote of a Permanent Member is considered a veto if 9 members out of 15 have voted positive for the resolution.

[42] Almost all American vetoes had to do with what Washington considered anti-Israel draft resolutions, or what the majority of the UNSC members considered as the expressed will of the world community on the brutalities committed by the Israeli government in the occupied territories (Kim, 2004, p.45).

(UN Wire, 1999). Having said that, this in addition to another incident earlier in 1997 where China vetoed a draft resolution regarding authorising peacekeeping forces in Guatemala, and was said to have done that in response to that country's pro-Taiwan activities, are the only incidents where the PRC may have used its veto-power for "self-serving interests". Moreover, the 1997 veto never materialised for Beijing has changed its stance from refusal to acceptance 11 days later (Kim, 2004, p.45). With regards the rest of China's vetoes, its first one in 1972 was cast on Bangladesh's UN membership, but not only has Beijing done it on the behalf of an ally (Pakistan), but it also reversed itself two years later (Kim, 2004, p.45). As for its other two vetoes, they were cast along with the Soviet Union in 1972 and Russia in 2007. The first one was on an amendment on an already vetoed resolution that called on the parties concerned to cease immediately all military operations for making an oblique reference to the Black September attack on Israeli athletes at Munich. As for Beijing's most recent veto, it stemmed out of China and Russia's concern at the broadening of the Security Council's role and what they considered to be interference in states' domestic affairs. It was on a draft UNSC resolution put forward by Britain and the United States that would have urged Burma's military government to ease repression on political opponents and minority groups (Lederer, 2007). In casting their negative votes, the Russian and Chinese ambassadors argued that Burma, or Myanmar as the UN refers to it, should not be on the agenda of the Security Council, given that the UN Charter gives the Security Council the right to interfere if international peace and security were compromised, and Myanmar's domestic problems do not constitute a threat to the region or the world (Lederer, 2007). According to the PRC's Permanent Representative to the United Nations Wang Guangya, China has always believed that the best way to solve a problem is through negotiation and dialogue, as opposed to

using or threatening to use sanctions which is "not conducive to solving the problem" (CNN, 2008).

Apart from the normative or standard veto, which Beijing has not utilised as much as was shown above, the PRC also exerts considerable influence in the UNSC's decision-making process through "non-participation in the vote" or "abstention" (Kim, 2004, p.46). Between 1990 till 1999 China cast no less than 41 abstentions as an expression of "principled opposition" (opposition guided by moral rules) on a wide range of issues in the Security Council to issues like the use of force, humanitarian intervention and the establishment of international criminal tribunals (Morphet, 2000, pp.161-162). On issues outside its region such as Iran's nuclear program or the genocide in Darfur, the PRC hesitates to support tough UN actions because it does not want to make enemies (especially if the countries concerned were its oil suppliers), and it opposes sanctions as a matter of principle because they violate its most cherished principle of non-violability of state sovereignty. But since Beijing also hates to use its veto particularly if it stands alone in opposition, it resorts to abstention instead (Shirk, 2007, p.128). For instance in July and September 2004, China threatened to use its UN veto to block the sanctions that the US was going to impose on Sudan, if Khartoum does not stop atrocities in the Darfur region; but instead, it abstained from the two resolutions intending to do that (China Daily, 2004). In response to analysts that maintained that Beijing has acted purely out of its economic interests with Sudan, which happens to be one of the PRC's most important oil suppliers, Chinese officials argued that their country has always opposed international sanctions as a tool to influence other governments, long before China was an energy consumer (Online News Hour, 2006). Through abstaining from voting on a draft resolution, Beijing is being firm in principle and flexible in application, finding a face-saving exit for its

international reputation with a voice in those cases that pit China's realist interests against its idealist concerns (Kim, 2004, p.46)[43]. Some liberalist scholars view this stance as negatively passive and consider the Chinese excessive use of abstentions as an abandonment of China's responsibility as a global power (Foot, 2001). This is particularly in cases where the Chinese stance tends to deviate from that of the major Western powers, which include that of Iran, Burma and Sudan, countries that have been labelled as "pariah states"[44] in the international system. Having said that, Beijing's policies towards those disapproved-of states have witnessed some changes over the past two years. The PRC no longer provides unconditional support to those unpopular states, and has been willing to study the conditions under which international intervention through the UN is justified instead of automatically defending the right of non-interference (Ahlbrandt and Small, 2008, p.39). For instance in 2007, China voted to impose then tighten sanctions on Iran in addition to supporting the deployment of a United Nations-African Union (UN-AU) force in Darfur and condemning a violent government crackdown in Burma (Kleine-Ahlbrandt and Small, 2008, p.38). The change of attitude in the Chinese foreign policy is mainly driven by the PRC's increasing economic interests and investments in those pariah states and its need to protect them and most importantly by the West's heightened expectations for China's global role as a responsible power (Kleine-Ahlbrandt and Small, 2008, p.38-39).

China's responsible behaviour and cooperative nature within the international community is not only reflected in its voting behaviour and principled opposition but

[43] In an interview with the political attaché in the Chinese embassy she said that China hates to challenge the other Permanent Members directly, yet by abstaining from voting it is safeguarding its rights towards international affairs.

[44] This is a term that is often used today to describe states that support terrorism and pursue the development of weapons of mass destruction in violation of international agreements (Wikipedia, 2008).

also in its major policy shifts on a wide range of world-order issues such as environmental protection, arms control, disarmament and non-proliferation (Kim, 2004, pp.40-41). Out of its desire to appear as a responsible and cooperative actor in solving global environmental problems and interest in expanding its responsibilities and authorities, Beijing has been implementing multilateral environmental agreements such as the Montreal Protocol (Zhao and Ortolano, 2003, p. 708). In the field of disarmament China has been relentlessly calling on the international community to step up efforts to reinvigorate the global arms control and disarmament process (Xinhua, 2008). In the field of non-proliferation Beijing has been playing a constructive role in the Iranian nuclear issue, in an attempt to reach a peaceful resolution through diplomatic means, but its role has been most significant on the Korean Peninsula nuclear question. Never had Beijing been so deeply involved in a controversial regional issue to which it was not a direct party (Ying, 2003, p.6). China has been consistently dedicated to realising denuclearisation of Korea particularly, and maintaining peace and stability on the peninsula and in Northeast Asia as a whole. When Pyongyang in January 2003 announced that it was withdrawing from the Nuclear Non-proliferation Treaty and that it was consequently producing nuclear weapons, and the American administration refused to talk face to face with the North Korean government, insisting that any talks must involve other northeastern countries, Beijing, alarmed by the possibility of chaos at the Chinese borders and the spread of nuclear weapons to its neighbouring countries, had found itself obliged to step forward to mediate the conflict by starting a process of multilateral negotiation through the six-party talks (Shirk, 2007, p.123). In order to bring Pyongyang to the negotiating table China, which exercises considerable economic leverage over North Korea in light of the latter's dependency on the

imported fuel and investments of the former, increased economic aid and investment to Pyongyang, publicly demanded the denuclearisation of North Korea and voted in favour of referring to the UNSC the IAEA's report on North Korean violations of the Non-proliferation Treaty (Shirk, 2007, pp.124-125). Agreeing to a general statement of common goals, including the denuclearisation of the Korean Peninsula in 2005, was considered a triumph for the Chinese negotiators. But an even greater success is the February 2007 agreement on North Korean nuclear disarmament; an agreement reached upon the resumption of the six-party talks following Kim Yong's missile and nuclear tests that infuriated the Chinese leaders, forcing them into taking sides and joining the international effort to impose sanctions led by the US on its former Communist ally.

Hosting the six-party talks- a process that will chart a path to legitimacy for North Korea and minimise its exposure to coercive measures - and trying to reach agreements on North Korean nuclear disarmament, has enabled the Chinese government to resume the role of "a responsible stakeholder" in the international community (Kleine-Ahlbrandt and Small, 2008, p.38, Global Insight, 2008). Ironically, the United States which often complains about China's incompliance with the global rules is the country that often behaves outside the international community and acts as a unilateral superpower (Kim, 2004, p. 41). This is evident in its rejection one time after another of multilateral treaties or treaties in the making such as the Biological Weapons Convention (BWC), which came into force in 1975 to prohibit "the development, production, acquisition, transfer, retention, stockpiling and use of biological and toxin weapons" (United Nations Office at Geneva (UNOG)). Similarly, in 2002, the US pulled out of the 1972 Anti-Ballistic Missile (ABM) Treaty, negotiated with the former Soviet Union during the Cold War and intended at strictly

forbidding the testing and deployment of anti-ballistic missile systems. Bush backed such a decision by saying that "the ballistic system is critical for U.S. defence in the 21st century particularly against future terrorist or rogue-state attacks" (Bush as cited in Perez-Rivas, 2001). The most recent example of Washington's incompliance with the global rules is the Bush administration's refusal to participate in the talks over an international treaty that would limit the use of space for military purposes, even though China as well as Russia have pressed for such a treaty. In fact, in 2007 President Bush authorised a new space policy that seeks to preserve "freedom of action" in space, assigning the US reserves the right to use force against countries that seek to disrupt American satellites (Kahn, 2007). In short, compared to Washington, Beijing stands out as a responsible multilateral actor in global organisations.

The WTO is another international institution in which the PRC's participation reflects its desire to preserve the current global order. The existing global trading system is becoming more and more important and valuable to China by the day given that the Chinese economic interests are increasingly compatible with the open and loosely institutionalised current global economic system which the PRC has enthusiastically embraced and thrived in (Ikenberry, 2008, pp.31-33). China's embrace of the WTO-based global trade regime and rules of free trade has been largely motivated by Beijing's determination to enhance domestic social and economic stability and regime legitimacy, which is performance-based as was previously mentioned (Kim, 2004, p.50).

After a struggle and negotiations that lasted almost fifteen years, China was finally admitted late 2001 into the World Trade Organisation[45], the bastion of world economy, the symbol of liberalisation and multilateralism, forging a mutually

beneficial relationship between the world and the PRC where both need one another (Gittings, 2006, p.322). Thus, Beijing was locked into a rules-based system, accepted by the international community as a 'normal' country that is prepared to abide by certain international norms and rules.

In order to become a member of the WTO China agreed to remove or reduce various restrictions on FDI in several sectors, allowing investors a long-sought greater degree of control in their invested enterprises, to lower and remove tariff and non-tariff barriers, and to improve the legal structure's transparency for investment and business (Global Insight, 2008). The PRC, in compliance with its membership, is also required to abide by the general framework of the WTO, which includes agreements on intellectual property (IP), subsidies, trade-related investment measures, protection, anti-dumping mechanisms and a mechanism for the resolution of trade disputes (Global Insight, 2008).

After six years of China's entry into the WTO, Western trade officials agree that China has made significant progress in meeting its WTO commitments, including reducing tariffs on a number of commodities, introducing new laws and regulations, training Chinese officials and business people in proper WTO procedures and requirements and separating politics from WTO matters (Global Insight, 2008). Areas that remain a cause for concern for Western trade officials however are agriculture and piracy. Western farmers were hoping that, with China's entry into the WTO, they would be able to significantly increase exports of agriculture goods to the PRC. But, with so many Chinese still employed in the countryside Beijing, who is aware that cheaper imports may put a number of Chinese farmers out of work, has been slow in giving full access to the Chinese market by introducing a number of protectionist measures (Global Insight, 2008). As for piracy, it is still costing Western companies a

considerable percentage of their sales in China, especially in the sectors of pharmaceuticals, electronics, cigarettes and software, despite the efforts that have been made to improve IPR protection (Global Insight, 2008).

Generally speaking, the PRC's WTO entry has not only provided one of the most important channels to participating in spontaneous economic globalisation by enabling China to open its economy further, while providing it with access to a range of new markets that are integral to continued economic growth, but it has also allowed Beijing more space to exert its influence on the management of economic globalisation (Kim, 2004, p.46). As the PRC moves from being a developing country to a developed one, it will be increasingly able to act as a patron and a stakeholder in the WTO and other global financial institutions spoken of earlier, which will translate into a greater institutional voice and will consequently offer the rising China the opportunity to rise up through their hierarchies (Ikenberry, 2008, pp.31-33). It is worth noting that the G8 powers who are managing the global economy have been contemplating the idea of inviting China to join them in order to encourage constructive Chinese leadership on trade and other issues (Shirk, 2007, p.128).

China's main compliance problem in the future will not be caused by the central government's disregard of the WTO commitments, but rather by its incapacity to implement its WTO commitments or non-compliance by hard-to control domestic constituencies. This is because the Chinese central leadership is constrained by what the major WTO actors will accept and what the domestic constituencies will ratify (Kim, 2004, pp.50-51).

2.2 China and the International Community

Due to the limited scope of this paper, and the difficulty of discussing China's relation with every country in the world, this study examines Beijing's relations with some of

the world's core states and regions. It starts with its most troublesome relationships, going to the ones it maintains with its neighbours in East and Southeast Asia, moving after that to major powers like Russia, and the EU and ending with the PRC's relations with the Third World regions of the Middle East, Latin America, and Africa.

Among the PRC's most important East Asian relations figures China's relationship with Japan. Its importance lies in its competitive character and in its conflictual potential. Taiwan's relationship with the PRC is sensitive due to the different appreciations between Beijing and Taipei on the one China policy. One can also speak of the PRC's relations with the Southeast Asian countries, generally positive relations that are based on economic, political and cultural cooperation. Other important regional relationships are Beijing's relationship with Pakistan, its lifetime ally and India, a rapidly developing country and a potential rival that the US is trying to win to its side to counterbalance China in the Asian region. The most important relationship that Beijing holds with a major power is the one it holds with the world's superpower: the United States, then comes its relation with the EU, an integral part of the preeminent Western order. China's relationship with Russia- another major power that is gradually gaining back its weight in the international system- is important to Beijing partly because Moscow's political stance and views are closer to Beijing's rather the West. Finally, the PRC's relationships with the Third World countries are mostly interest-based, serving Beijing's never-ending energy needs, as well as being strategic in that it also serves to counterbalance the dominance of the United States and Western order in general.

2.2.1 China and the United States

One of the most important relationships to the 21st century is likely to be that between the United States, the world’s greatest power, and the PRC, the world’s fastest rising

power. A brief survey of China's recent international engagement hints at the potential for increasing Sino-US competition for resources, power, and influence. Since Pearl Harbor, the United States has ensured that no contending power achieve military superiority in the Pacific by enforcing its military dominance through alliances, bases, and political relationships, and it has in addition to that claimed economic leadership through free trade and a network of international multilateral institutions such as the IMF and the WTO (Bader and Bush III, 2008, p.2). Despite their effectiveness, these efforts may no longer suffice; China's rise may pose the most important foreign policy challenge to the United States in the 21st century, assuming that the PRC, with the rate at which it is improving itself, despite its authoritarian regime that has nevertheless remained in power and led the nation to earn greater respect worldwide, will soon overcome the massive internal challenges and become a superpower.

The relationship that brings the United States together with the PRC is a love and hate relationship. During World War II, the United States backed China's Nationalist government in its fight to expel occupying Japanese forces. However, following the communists' victory in China, the Sino-American relations went through periods of deep tension, wavering between tense standoffs and attempts to bridge strategic and ideological differences. To start with, upon the establishment of the PRC in 1949, the US supported Chiang Kai-shek's exiled government in Taipei, setting the stage for several decades of limited US-Sino relations (Hooker, 1999). Tensions between the Americans and the Chinese were further exacerbated when the United States, not long after, rushed to support South Korea in its fight against the invasion of the Soviet-backed and China-supported communist North Korea, all of which fuelled the wrath of the communist regime in mainland China against the United States.

The strains that were formed in the Sino-Soviet relations throughout the 1960s over security, ideology, and development models, and culminated in the end of that long friendship between the two countries, led to a gradual rapprochement between China and the United States (Dreyer, p.2). Extremely isolated after the Sino-Soviet split, and after two decades of cold-war hostility, China rejoined the international community when Richard Nixon, President of the United States at the time, visited the People's Republic in 1972. Using this rapprochement to make its way back into the global community, China regained its UN seat and revived diplomatic and trade relations with the outside world (Gittings, 2006, pp 290-291). That said, it was in 1979 when both countries diplomatically recognised one another formally.

The Sino-American rapprochement took place against a backdrop of public anti-imperialism and anti-communism postures, but on his visit, Nixon told Mao Zedong reassuringly that: "what brings us together is [….] a recognition on our part that what is important is not a nation's internal political philosophy [but] its policy toward the rest of the world and toward us." (Nixon as cited in Lampton, 2001/2). Despite their many disagreements about territorial issues namely Taiwan, and ideology, particularly human rights and democracy, the growth of the Soviet power during that period and the shared perception of the threat emanating from Moscow, led to ad-hoc security cooperation between the two countries to promote their common interest in neutralising that threat (Dreyer, p.2). This relationship served the two sides really well; Beijing imported airplanes, technology, and other products from the United States, which led to its rapid modernisation towards the end of the 1970s and into the 1980s, and Washington not only severely weakened the military and international position of Soviet Russia, but it also gained a new trading partner which would import more American goods than export goods of its own (Hooker, 1999). The Sino-

American security cooperation was brought to an end by a number of developments, the most important being the 1989 Tiananmen bloodshed, where the Chinese government brutally suppressed protesters in Tiananmen Square (Lampton, 2001/2). Despite his preference for quiet diplomacy President Bush at that time felt compelled to impose economic sanctions against China in addition to suspending military and high-level diplomatic contacts, and not surprisingly, the PRC leadership did not react well to this development (Dreyer, p.2). Similarly, Washington severed its security ties to Beijing and placed human rights concerns, which were of little concern before, prominently onto the agenda in Sino-American relations (An Independent Task Force, 2007, p.4). Having said that, relations between the two countries were resumed, if only briefly, by the end of the following year given that Beijing cooperated in the UNSC by abstaining in the vote for a resolution that authorised the use of force against Iraq for having invaded Kuwait (Gittings, 2006, p.292). Despite the fact that it was against the violation of the territorial integrity of other states, Beijing, concerned with its economic growth from the American wrath if it was to veto, felt compelled to allow the peacekeeping operation to proceed, it did not, however, contribute troops to the operation (Dreyer, p.3).

The coup de grace to the Sino-American strategic cooperation was delivered when the Soviet Union collapsed two years later, and that was when the "Soviet threat"- the overriding common interest between the two countries- evaporated, bringing to the surface other issues where significant conflicts of interest existed before (Lampton, 2001/2). Those conflicts of interests were partly rooted in fundamental cultural differences. Asian societies highlighted:

> "the values of authority, hierarchy, the subordination of individual rights and interests, the importance of consensus, and the avoidance of confrontation [

> which]contrasted with the importance in American beliefs of liberty, equality, democracy, and individualism, and the American propensity to distrust government, oppose authority, promote checks and balances, encourage competition, sanctify human rights, and to forget the past, ignore the future, and focus on maximizing immediate gains" (Huntington, 2002, p.225).

In addition to the cultural differences as the root cause of the Sino-American clash, there were also fundamental issues of power at stake: differences over who will be the future balance of power in East Asia; both China and the United States were unwilling to accept one another's leading role or hegemony (Gittings, 2006, p.293).

By the mid-1990s, Chinese officials portrayed the United States as a hostile power, and continuously criticised the American alleged interference in their internal affairs particularly regarding human rights,[46]and many Chinese scholars and leaders even believed that the United States was planning to westernise their country, divide it territorially, subvert it politically, contain it strategically and frustrate it economically, especially at a time when economic development led it to increasingly affirm the validity of its values and the superiority of its culture to the Western culture. These allegations were backed with evidence; the US violated its agreements with China firstly by selling advanced air fighters to Taiwan, which was viewed by the Chinese officials as "the reversal of a 10-year old policy limiting military assistance to Taiwan" (Feinstein,1992). Then by allowing President Lee to visit the United States, knowing that no Taiwanese leader has visited the US since Washington and Beijing established diplomatic relations in 1979 "under an agreement that downgraded

[46] The American administration has repeatedly negotiated with Beijing to release some of the people imprisoned for political acts and improve treatment of prisoners, and even threatened to impose sanctions if it were not to progress on such issues. But this has soon changed and trade was separated from human rights issues in order to preserve the Sino-American relations. In response, the Chinese chose to ignore those requests and if it did accede at times, it did that after the congressional debate to show that it did not give into American bullying (Shirk, 2007, p.224).

Taiwan's diplomatic status" (Tyler, 1995). The United States also denounced China for its bad human rights record, rejected Beijing's bid for the 2000 Olympics because of continued human rights abuses in China, normalised relations with Vietnam in 1997, imposed sanctions on China for transferring missile technology to Pakistan, accused it of exporting chemical weapons components to Iran, and barred its admission to the World Trade Organisation (Shirk, 2006, pp. 225-230).

Despite a slight improvement in the Sino-American relationship, which lasted almost two years from 1997, and was mainly the fruit of high wire acts of international diplomacy where the mutual interests of both sides were highlighted by the leaders and officials, the relation was set back once again by a number of disturbing developments (Gittings, 2006, p.296). The first is the bombing of the Chinese Embassy in Belgrade, Yugoslavia, which was struck on the 7th May 1999 by the American military planes that mistook it for a Yugoslav military office building, causing the death of three Chinese and the injury of twenty (Shirk, 2007, p.212). This incident, which the Chinese believed was intentional and even part of a conspiracy, caused a big nationalist outrage, and tens of thousands of protesters went out to the streets of Beijing and surrounded the American Embassy as well as the American Consulates in both Guangzhou and Chengdu (Shirk, 2007, p.213). Despite Washington's apologies, explanations and efforts to convince the Chinese that the bombing was a terrible mistake, the Chinese did not believe how a powerful country that possessed such a great technological and management capabilities such as the United States, could commit such a stupid blunder (Shirk, 2007, p.218). This has significantly damaged trust in the United State's intentions towards China, especially that of ordinary Chinese people. That trust was further damaged as a result of a mid-air collision of a US spy plane and a Chinese fighter in April 2001 where a Chinese

pilot was killed and the American crew was held prisoner for eleven days (Gittings, 2006, p.296). The Chinese held the American military responsible for the collision and accused them of entering the Chinese airspace without permission (Shirk, 2007, p.235). Nonetheless, the Sino-American relationship survived those two incidents, which reflects its underlying value for both sides.

There were divisions in Beijing, its experts and in the public opinion regarding whether China should still seek partnership with the US after all that happened. While some (the more conservative hawks) maintained that China should say no to the superpower and that it will be its next victim if it was not careful, others (the more liberal and pragmatic doves) insisted on maintaining that relationship (Gittings, 2006, p.296). With the arrival of the new millennium, Beijing, considering the long-term future, sought to better understand the United States. With China militarily so much weaker, and with such huge economic tasks ahead, Beijing could only hope that Washington would see the advantage of having it as a friend rather than an enemy (Gittings, 2006, p.297). Economic progress and continued CCP rule, moreover, depend on not provoking an American backlash, and to achieve this, China must do everything possible to reassure Americans that China is not a threat (Shirk, 2007, p. 241).

While China's rapid integration with the world economy and its emergence as a dominant regional power has been welcomed by some US policy-makers who viewed it as an opportunity, and consequently called for constructive engagement and expanding economic relations with the PRC, it inspired fear in many others. In the words of Huntington (2002):

> For over two hundred years the United States has attempted to prevent the emergence of an overwhelmingly dominant power in Europe. For almost a

> hundred years, beginning with its "Open Door" policy toward China, it has attempted to do the same with East Asia. To achieve these goals it has fought two world wars and a cold war against Imperial Germany, Nazi Germany, Imperial Japan, the Soviet Union, and Communist China (pp.228-229).

Over the tumultuous period of the 1990s the Chinese leaders learned that inciting the public against the US makes it harder to make the compromises necessary to resolve a crises before it causes domestic upheaval. Therefore, they decided to appease the public opinion, tone down the anti-American rhetoric in the media, play down American actions that could upset the public, swallow their pride and quietly accommodate the US policies, in an attempt to steer a steady foreign policy course with the United States that would ensure stability and development and avoid a high-profile battle (Shirk, 2007, pp.241-242). International relations experts defended China's foreign policy with the United States by saying that although the PRC should maintain its opposition to hegemony, this does not mean that it must clash and confront every country that pursues a hegemonic policy (Shirk, 2006, p.244). Having said that, it was not the Chinese advocacy that persuaded the Bush administration to see its relation with Beijing in a positive light, but the shock of the September 11 attacks (Gittings, 2006, p.297). For four years following the terrorist attacks on New York and Washington, relations between the US and the PRC rose steadily, given that the attention of the American decision-makers was shifted away from mainland China as a threatening rival to the dangers of terrorism and proliferation, and Beijing was consequently viewed more as a strategic partner with whom it was united by common dangers and increasingly by common values (Friedberg, 2005, p.7). Beijing and Washington "resumed regular high-level visits and exchanges of working level officials, resumed military-to-military relations, cooperated on antiterrorism

initiatives, and worked closely on a multilateral effort to restrain and eliminate North Korea's nuclear weapons activities" (Dumbaugh, 2007, p.2).

Notwithstanding the significant improvement in the Sino-American relations, thorny issues continue to be factors in the Sino-American relationship. The American trade deficit with the PRC[47] for instance is a major cause of friction between the two countries. This trade deficit is claimed to be mainly the result of unfair Chinese trade practices such as the Yuan's undervaluation and the theft of intellectual property rights in the PRC, both of which are issues that undermine support for closer Sino-American economic relations in Congress (An Independent Task Force, 2007, p.55). Having said that, Washington should not expect appreciation of the Chinese currency to resolve its trade difficulties with Beijing since it is not a major cause of it. Besides, the damage caused to the American businesses by the theft of IPR is often overestimated because it assumes that the consumers of cheap pirated products would buy the same amount of American products if the pirated versions were unavailable (An Independent Task Force, 2007, p.54). Despite these concerns, the Sino-American economic relations are quite robust and are increasingly growing. The United States is currently China's main trading partner and its biggest export market[48] (National Bureau of Statistics, 2008).

Much of the US concern has to do with security issues mainly stemming from Beijing taking on a larger role on the world stage, and not always behaving as 'responsibly' as

[47]The US trade deficit with China stood at 201 billion USD, making it the PRC's largest trade surplus (Lum and Nanto, 2007).

[48] Being largely dependent on the US market for its exports of manufactured goods would make it quite difficult and costly for the PRC to substitute the American market, which currently receives around third of the Chinese exports, while other markets would be available for most exports from the US (World Bank, 2008)

Washington would have liked it to. Although the United States has generally been a consistent advocate of integrating China into the international institutional order, calling on the emerging power to act as a "responsible stakeholder" and to use its influence to draw nations such as Iran, Sudan and North Korea into the international system, this does not mean that their positions do not diverge on the mechanisms of solving international pending issues (The Wall Street Journal, 2006). An example on this is Beijing's refusal to join US efforts to pressure North Korea to give up its nuclear ambitions and to impose sanctions against Sudan's leadership for supporting genocide in Darfur out of "respect for sovereignty and territorial integrity and non-interference in each other's internal affairs", one of its Five Principles of Peaceful Coexistence. The North Korean issue particularly occupies a prominent position on the Sino-American political agenda. Both countries are set on North Korea's denuclearisation; however, they have divergent views on the threats posed by the Democratic People's Republic of Korea (DPRK) as well as on the mechanisms that should be used to solve such a problem (An Independent Task Force, 2007, p.64). The PRC does not feel directly threatened by the North Korean nuclear program as the US does, given that it seriously doubts that North Korea would ever use or export a nuclear device given the devastation this would bring about in their country. Having said that, Beijing is acutely aware of the destabilising side-effects of the DPRK's nuclear program. It recognises the possible domino-like spread of nuclear weapons to its otherwise non-nuclear neighbours (Japan, Taiwan and South Korea), who may be encouraged to develop nuclear programs of their own and thus endanger the stability of the whole region. The PRC also understands that if Washington took military action against North Korea or imposed international sanctions designed to cripple or

topple the North Korean regime, this would cause thousands of refugees to stream across China's northeastern borders (Shirk, 2007, p.123).

The United States which, in contrast, feels directly threatened by the North Korean nuclear program, fearing for its allies Japan and South Korea, and does not trust that country to safeguard nuclear material, is concerned by the fluctuation of Beijing's resolve on that matter. Although the Chinese government firmly denounced North Korea's October 2006 nuclear test as well as its missile tests a couple of months earlier, it has repeatedly expressed its desire to maintain friendly and cooperative ties with its former ideological ally Pyongyang[49] , and it keeps advocating bilateral America-North Korean dialogue as a way to solve the problem. And despite having supported the UN resolution imposing sanctions on North Korea, China would have preferred taking "appropriate and moderate" measures to further negotiations (Dumbaugh, 2007, p.6). Beijing is reluctant to exert maximum pressure on the North Korean regime, even though it is willing to use some of its considerable leverage on Pyongyang as North Korea's largest aid donor and closest political ally[50], for fear of destabilising the country and bringing about the above-mentioned effects. China also opposes steps that might back North Korea into a corner because it is worried about how Kim Jong-Il would behave in a crisis, and strategically speaking, the PRC which

[49]The PRC and the DPRK were former ideological allies. During the Cold War, China used to lend North Korea moral support, military hardware and essential commodities. However, the flow of aid and military hardware started drying up since the early 1990s, and particularly with the collapse of the Soviet Union. Beijing, focused on its own economic development objectives and internal conditions and with little resources to devote to the North Korean regime, started shifting its focus away from it to the economically dynamic South Korea (Shirk, 2007, p. 124). China has only maintained its substantial supply of oil to the regime, thanks to which it still enjoys a significant degree of leverage over Pyongyang (Global Insight, 2008).

[50] In 2006, following North Korea's missile test Beijing was reported to have cut off all oil sales to Pyongyang.

still doubts the strategic intentions of the Washington wants to keep Pyongyang alive and functioning to serve as a buffer state against the United States which is allied to South Korea and Japan (Global Insight, 2008). This current alliance system is very likely to change in the future. Although Sino-South Korean relations were marked by hostility in the past due to China fighting on the side of the North Koreans during South Korea's invasion, the bilateral relationship has improved tremendously due to the expansion of trade flows between the two countries. Therefore, if Beijing maintains the positive and constructive role it is playing in solving the Pyongyang's problem, while the United States continues adopting a hard-line stance towards the DPRK (which could alienate many of the South Koreans), this will very likely draw ROK to the PRC (Global Insight, 2008). Despite differing threat perceptions of North Korea, Washington and Beijing can expand areas of policy coordination, and together with Japan and South Korea begin to form a common vision for the future of the Korean Peninsula, using a more balanced blend of incentives and disincentives to ensure that DPRK will follow through on its commitments of September 19, 2005, and February 13, 2007, to denuclearise (Independent Task force, 2007, p.66).

The United States fears from the PRC are also driven by security calculations at the Pentagon and the Congress regarding the motivations behind Beijing's increase of military budget, which Dick Cheney during a 2007 tour of Asia declared to be “not consistent” with the country’s stated goal of a “peaceful rise” (An Independent Task Force, 2007, p.52). Fear of the Chinese growing military might is aggravated by the lack of transparency of its modernisation, something which has been underscored by China’s destruction of a satellite using one of its missiles in a January 2007 test, which in turn reflects the development of the capacity to threaten US communications and surveillance satellites in the event of conflict (Bader and Bush III, 2008, p.7).

Militarily speaking, the Sino-American relations are characterised by mutual mistrust, mainly as a result of Taiwan and strategic nuclear forces, both of which are issues at the heart of the two nations' military relationship (An Independent Task Force, 2007, pp.62-63). Taiwan remains the most sensitive issue the two countries face and the one many observers fear could lead to a Sino-American conflict. Beijing continues to lay sovereign claim to Taiwan, which it considers a "renegade province," and vows that one day it will be reunified with China either peacefully or by force. Should Taiwan declare independence from mainland China, the Chinese leaders have long maintained that they would use force and they are supporting these long-standing claims with more than 700 missiles deployed opposite Taiwan's coast (An Independent Task Force, 2007, p.8). To maintain deterrence, Washington feels compelled to sell arms and provide military assistance to Taipei, which deeply concerns Beijing. As for the American government, what concerns it most is China's threats and ongoing military build-up that can enable the PRC of achieving its objectives through the use of force (Friedberg, 2005, pp. 22-23).

Another political dispute between Washington and Beijing is over how best to pursue certain non-proliferation objectives. For many years now, China has been accused by American policymakers of violating agreements intended to limit the proliferation of WMDs (Gordon, 2007). China's track record of weapons sales, technology transfers, and nuclear energy assistance to some countries in the Middle East and South Asia, especially to Pakistan and Iran, has been a great matter of concern for the American officials who fear that one day those countries' improved nuclear capability can threaten the presence of the US forces in the region (An Independent Task Force, 2007, pp.86-87).

Beijing from its side recognises that China's economic health and security cannot be assured if it does not enjoy good relations with Washington. This is why the PRC has been expanding areas of cooperation with the US and accommodating its policies over areas where the two the two nations could have conflicts of interest[51], rather than getting into high-profile confrontation that would not only threaten the Sino-American relationship but would also provoke anti-American sentiments at home, which may end up threatening the CCP and its survival (Shirk, 2007, pp.242-243). However, this is not to say that China opposes the US's hegemonic behaviour any less. It still does, and it often holds back on criticisms in order to keep the ship sailing smoothly, adopting a calm and rational approach to avoid the fate of Japan and Germany (Zhongjie as cited in Shirk, 2007, p.244). As one Chinese scholar said, "the experiences and lessons of history prove that a latecomer power can only eventually rise through cooperation with the dominant power in the international system" (Liping, 2005). Having said that, the Chinese leaders are attempting to counterbalance US influence in Asia and elsewhere through building global economic, political, and security links (An Independent Task Force, 2007, pp.32-33). Beijing believes that the dual approach of cooperating and balancing will most likely create the conditions necessary for China's continued economic growth and security. However, the Chinese leadership faces a big dilemma given that the military and the public in China (two extremely powerful forces in the PRC) expect their government to face up to the US, which, as the most dominant power in the world, is the target of suspicion and resentment not only in China, but also in many other parts of the world particularly after the American invasion of Iraq (Shirk, 2007, p.219). And consequently, any compromises on the behalf of Beijing in sensitive issues that touch on national pride

[51] The Chinese government took a low-key approach to the American invasion of Iraq, insisting that such crises should be solved through the UN but not engaging in direct conflict with the US.

may be considered by those parties as a sign of weakness or submission, and may as a result undermine the government's legitimacy in the eyes of its people and undermine its hold on power.

In sum, the Sino-American relationship, apart from being one of the most defining relations worldwide given that it involves the world's current superpower and the next potential one, it is certainly one of the most complex ones. Their relation is characterised by mutual interest and cooperation on some aspects, particularly the economic one but uncertainty and suspicion in others especially militarily speaking. Politically, China's authoritarian regime remains at odds with the American democratic and liberal one. The fact that any American president is obliged to articulate the deepest values of his citizens, including human rights, and that any Chinese leader has to reflect the necessities of his people, including the territorial integrity of a united china pressurises both leaders and the future challenge could be if they can find a way to work together to avoid an adversarial relationship in the future (Kissinger, 2008) Both countries have been pursuing a two-track strategy with one another, engaging economically and pushing back on security from the American side, and on interference in domestically-related issues from the Chinese side. This has been working well so far but has been enveloped with so much prudence and cautiousness. What seems promising in the Sino-American relationship however is that although the current Chinese leadership believes that China is entitled to a role appropriate to its growing potential, Jintao, in the words of Henry Kissinger (2008) is not a crusader, and will try to accommodate the imperatives of both sides. How this relation could develop in the future is not the subject of this paper and will not therefore be elaborated on any further.

2.2.2 China and Taiwan

One of the most important relationships that China holds with a regional neighbour is its relation with the island of Taiwan. Beijing and Taipei currently maintain a fragile status quo relationship where both sides continue to grow impatient with the diplomatic remedies that have kept the island separate from the Communist mainland since 1949 (Acharya, 2005, p.230). The situation's significance stretches to impact stability in the region as well as relations with other countries such as the United States. As it stands today, Taiwan with its 23 million inhabitants is considered a main cause for the PRC to go to war with both Taiwan and the United States (Hutton, 2008, p.9). The controversy regarding the political status of Taiwan centres over whether Taiwan should become unified with the territories governed by mainland China, or formally declare independence and become the Republic of China. If the latter was to happen Taiwan would be politically legitimised as its existence as an independent state would be recognised by the international community (Acharya, 2005, p.227).

The Taiwan Strait has not always been an integral part of China for thousands of years. Mainland China took over Taiwan in the 17th century, but 200 years later it lost it to Japan who defeated it in the Sino-Japanese War (1894-1895) and controlled it up till 1945 (Shirk, 2007, p.185). In 1949, upon their defeat by the Communists, the leaders of the KMT who opposed the communist leadership in mainland China fled to Taiwan, and while there they gained international support as the representatives of the Chinese people (Kan, 2007, p.5). This situation continued until 1971 when Washington shifted its recognition to the PRC instead (Shirk, 2007, p.2). While in principal the Kuomintang does not view Taiwan as an independent state from mainland China, its leaders still insist that they are the rightful leaders of the Chinese (Dumbaugh, 2007, p.9). Having said that, during the period of 1988 to 2000 Taiwan's

President Lee Teng-Hui, leader of the KMT at the time, showed signs of support to an independent Taiwan, which is against the Kuomintang's beliefs, even if this was not officially declared. Under Lee's rule, people that considered themselves Chinese dropped from 48.5 percent in 1993 to 13.1 percent in 1999, and those that considered themselves Taiwanese rather than Chinese increased from 16.7 percent to 44.8 percent within the same period (Lijun, 2002, p.2). On the other hand, the Democratic Progressive Party (DPP) and its President Chen Shui-Bian, who came into power in 2000, view Taiwan as an independent state from the mainland (An Independent Task Force, 2007, p.37). Naturally, the DPP's stance from the issue has created conflicts with Beijing's communist leaders who maintain that Taiwan is a part of China. Despite the fact that many Taiwanese believe in the independence of Taiwan, their efforts fall short for fear of provoking the Chinese and triggering a war (Shirk, 2007, 16).

The PRC firmly stresses on the "One China Principle" which states that there is one China and that Taiwan is an inseparable part of it (Shirk, 2007, p.266). Beijing continuously asserts its sovereign claim over Taiwan and that it will be reunified with the mainland peacefully or by force (Dumbaugh, 2007, p.8). Washington's shift in recognising the one China principle in 1979 through the Joint Communiqué has strengthened the mainland's position (An Independent Task Force, 2007, p.36). However, later on the same year, the United States confirmed its support to Taiwan as part of the Taiwan Relations Act (TRA), which aims at maintaining the current status by preventing the PRC from attacking Taiwan and preventing Taiwan from declaring its independence. That includes providing support to Taipei to enable it to defend itself, which translated to the sale of arms to Taiwan to enable it to stand any attack from China. The TRA was not well received by the Chinese as it views it a

contradiction to the US's acceptance of the one China Principle and hence an intrusion to Beijing's internal affairs (An Independent Task Force, 2007, p.36).

The issue of Taiwan remains an issue that stirs nationalistic emotions within the mainland, because it reminds the Chinese that they were too weak to resist Japan when it annexed Taiwan. The Chinese commonly believe that if Taiwan was allowed to declare its formal independence without the communist leaders forcefully resisting that, the communist regime will be brought down by the outraged citizens (Shirk, 2007, p.2). If its political survival depended on it, Beijing is more than willing to use force to subdue Taiwan's claim to independence, which is quite apparent in PRC's reactions to Taiwan's provocative attempts to declare independence (Shirk, 2007, p.2). This has resulted in China firing missiles at the Taiwan Strait in 1995 and 1996 primarily as a warning to any attempt to declare independence and challenge PRC's control as the Chinese see it (Shirk, 2007, p.265). The Chinese government continues to improve its forces and solidify its attacking capabilities towards Taiwan, and Taipei, on the other hand, continues to purchase weapons mainly from Washington to strengthen its defence against any potential offensive from the mainland. In fact, between 1998 and 2005, 13.9 billion USD worth of arms were sold to Taiwan, of which more than 10 billion USD were from the United States (Pan and Lee, 2008). Taipei intends to increase its purchase of arms over the coming years, and this increase in military power increases the tensions between both parties and intensifies the PRC's aggravation with countries selling arms to Taiwan, on top of which is the United States. Having said that, some countries that previously sold weaponry to Taiwan stopped in order not to jeopardise their relationship with Beijing. This is what France did after China had closed the French consulate in 1992 in response to an agreement between France and Taiwan to sell them sixty warplanes (Pan and Lee,

2008). This is why Taipei seems to bank heavily on the guarantees offered by Washington under the TRA (Shirk, 2007, p. 3).

Taiwan lost its seat in the United Nations to the PRC in 1971, and has been since pushing hard to regain it, given that Taipei considers its relationships with the international community essential if it were to one day become an independent country (Hutton, 2008, p. 19). Despite its efforts, more than 30 countries have switched their diplomatic relations to China in 1979 leaving it approximately with ties with 24 countries (Kan, 2007, p.238). With such difficulties facing Taipei and in light of Beijing's continuous threats of reverting to war in case of an attempt by Taiwan to declare independence, both parties seem to settle for the status quo of "One China Two System" solution (Gittings, 2006, p.219). As most analysts would conclude, this appears to be the fittest of all solutions to prevent the political tensions from escalating into a war that would most probably involve the United States (An Independent Task Force, 2007, p.36). From the PRC's perspective, the status quo appears to be feasible should the KMT regain power in the island of Taiwan (Kan, 2007, p. 237). In order to promote that to happen and weaken the chances of the DPP being re-elected, Beijing has focused on dealing with the opposition KMT through trade agreements (Dumbaugh, 2007, p.17).

Despite the political tensions that simmer between the two sides, the economic ties that link Taipei and Beijing have flourished. Having both China and Taiwan enter the WTO in 2001 has resulted in lowering tariffs and easing restrictions, leading to a considerable growth in direct trade and tourism between the two sides (Shirk, 2007, p.16). In fact, the cross-strait trade increased from 8 billion USD in 1991 to 115 billion USD in 2006, which amounts to more than half of Taiwan's overseas investments in the mainland. And in 2005 and 2006, Taiwan was ranked in the top ten

foreign direct investors in China, and the PRC became Taiwan's top export partner and second largest importer (Pan and Lee, 2008).

In spite of the status quo being a dangerous territory to maintain due to the fact that each side can interpret it its own way which would create tensions and possibly lead to a war, it appears to be the better solution that is accepted by both parties at least for the time being (Shirk, 2007, p. 265).

2.2.3 China and Japan

Until recently Japan stood as an exception to China's regional diplomatic efforts and achievements in charming and reassuring its neighbours that it is a responsible power with peaceful intentions (An Independent Task Force, 2007, p.33). Even though economic links are quite strong and provide an incentive for good Sino-Japanese relations, political relations have been cool due to questions of honour, pride, fear and competition for influence (An Independent Task Force, 2007, p.34).

Sino-Japanese relations are generally tense due to the two countries' wartime history, and much of the Chinese hostility towards Japan is genuine and historically rooted. It all started after China's defeat in the Sino-Japanese War, noting that China at the time was the dominant country in Asia while Japan played a subordinate role in the region (Shirk, 2007, p.153). To make things worse, China after that war lost Taiwan to Japan, which it controlled along with Korea as a colony until the end of the World War II (Shirk, 2007, p.153). This was followed by the brutal Japanese aggression and occupation of China that lasted from 1931 to 1945 and took the lives of millions of Chinese (Shirk, 2007, p.154). Japanese imperial militarism and the occupation of China remain sensitive issues that continue to have bearing on relations in the political and security spheres (Dumbaugh, 2007, p.13). For the past few years Beijing's main complaint has been the former Japanese Prime Minister Koizumi's

annual visits to the Yasukuni Shrine; a shrine commemorating Japanese war dead, including 14 individuals that were convicted as Class-A war criminals after World War II (An Independent Task Force, 2007, p.34, Dumbaugh, 2007, p.13). These visits are cited as evidence of Japan's failure to accept responsibility for its past atrocities. Despite the fact that Tokyo adopted a new peace constitution, under the occupation of the US following its occupation of China, and convicted a number of political and military leaders in the Tokyo war crimes tribunal, and in spite of the Japan's prime ministers repeated expressions of condolences and apologies, the Chinese believe that Japan has failed to acknowledge its wartime guilt as sincerely and deeply as it should have (Shirk, 2007 p.155). Beijing has also repeatedly protested Tokyo's publication of textbooks downplaying Japan's atrocities in China. This historically-embedded rage has intensified instead of dissipated with time thanks to a combination of official propaganda and popular media, both of which tend to exploit and heighten the notion of wartime suffering for their own purposes to provoke popular passions and enhance their awareness regarding their painful history (Shirk, 2007, pp.155-156).

Competition for a future leadership role in Asia is also at the heart of Sino-Japanese tensions; Japan's bid for the permanent membership of the UNSC as well as its territorial claims over contested energy resources in the East China Sea are considered an obstacle to Chinese ascendancy, and competition is the underlying theme of their political relations (Global Insight, 2008). Japan took control of the Diaoyu islands, which the Chinese have been claiming as theirs for centuries, in 1895 when it got hold of Taiwan and Korea, but after World War II the US administered them before returning them to Japan in 1972 (Shirk, 2007, p.147). In light of the soaring oil prices and the dependency of both the PRC and Japan on imported fuels, the long-simmering

territorial dispute over the Diaoyu Islands and the boundary area in the East China Sea is becoming an active conflict of interest between the two countries that could possibly get worse (Shirk, 2007, p.147)

For its part, Japan remains wary of China's continued military build-up and rapid military modernisation, along with its lack of transparency in terms of budgeting for the PLA, leading Tokyo to consider the PRC a threat in its 2005 White Paper on the issue (Global Insight, 2008). Tokyo has even been considering revising its post-war peace constitution and strengthening its military to enable it to play an expanded role in international security affairs, and the Japanese public supports such moves given that they increasingly view China as a threat (Shirk, 2007, p.145). Tokyo also criticises Beijing for deliberately stirring up popular anti-Japanese sentiments in the PRC through school history textbooks, by depicting Japan in a negative light by dwelling on the Japanese invasions of China and giving accounts that are very vivid of those wars (Shirk, 2007, p.170). Inciting anti-Japanese feelings does not stop with the textbooks; the CCP organises ceremonies in universities and schools to commemorate the important dates in the history of Japanese aggression against China Shirk, 2007, p.171).

Out of what the Chinese leaders consider the most sensitive three foreign policy issues facing them (Japan, Taiwan and the United States), Japan is the most complicated and the most difficult issue for them to handle because public opinion on this issue really matters. Firstly, the legitimacy of the CCP is bound up with its victory in the 1945 Japanese War, and secondly the Chinese leaders have often used issues related to Japan and anti-Japanese feelings to mobilise support for the CCP (Shirk, 2007, p.144). On the one hand they understand their need to be flexible in dealing with Japan and their need to shelve historical issues and improve their

relations, and they also realise that mutual hostility between the two countries could be dangerous to China's security particularly when thinking of the American-Japanese alliance. On the other hand, Beijing cannot be as flexible given that this may be interpreted as treason by their citizens, and in view of the vicious reactions this could engender the leading Party's legitimacy (Shirk, 2007, p.177).

The Sino-Japanese relations have not always been that way, both Mao Zedong and Deng Xiaoping ignored the nationalist issue and made sure they maintained good and peaceful relations with Japan. The former did so in order to balance against the United States by winning its ally, and the latter did it for economic reasons; Japan was after all "an Asian economic and technological tiger worthy of emulation" (Shirk, 2007, pp.158-159). Tokyo in response was much more compliant and was careful not to provoke its great trading partner: China (Shirk, 2007, pp.160-161). This is clearly demonstrated by the way leaders on both sides reacted to the 1985 protests that erupted in Beijing, triggered by school text books and by the prime minister's visit to the shrine. Those protests were shortly brought to a peaceful end through an informal agreement between Deng and the Japanese Prime Minister Yasuhiro Nakasone who ordered the education authorities to revise the textbooks to conciliate China, and committed not to visit the shrine again in respect of the Chinese sentiments and in exchange the Chinese government was not to attack Nakasone (Shirk, 2007, p.163). As for the students, the Chinese leaders absorbed them by praising their patriotism, but urged them to make it more constructive by channelling it into building their country into a more prosperous power (Shirk, 2007, p.161). Hu Jintao does not have unassailable authority over foreign affairs like Deng and Mao before him, and fear of public wrath makes the current Chinese leaders less willing to defend the Sino-Japanese relationship publicly (Shirk, 2007, p.161). Although they are trying to strike

a balance between appeasing the nationalist sentiment on the one hand and preventing those sentiments from driving the PRC into domestic stability or conflict with Japan on the other, they find this extremely challenging because they have not yet fully established their authority (Shirk, 2007, p.169) This is evident in their reaction to a nationwide wave of violent protests that erupted in 2005 against Japan's application for permanent membership in the UNSC, the Japanese Prime Minister's refusal to stop visiting the Yusukuni Shrine and the approval of a new Japanese history textbook that glosses over the atrocities committed by Japan during its invasions of China (Global Insight, 2008). At first, the Chinese leadership stood by the demonstrators announcing that it would not tolerate Japan's entry into the UNSC, and publicly criticised Tokyo for failing to recognise its responsibility during the wartime (Shirk, 2007, p.174). However, few weeks later, realising that such snowballing protests and the unrest they caused may soon trigger domestic instability Beijing decided to put an end to them, and started preaching in universities throughout the country why cooperation with Japan, in the age of globalisation, was essential to the PRC, and that winning their animosity could actually harm China economically speaking (Shirk, 2007, pp.175-176). Constrained by the public opinion, Jintao and Jiabao tried to head off disaster by dissuading Japan's incoming Prime Minister Shinzo Abe from visiting the Yasukuni Shrine. These efforts paid off, for the first foreign visit that Abe made when he took office was to Beijing, and he agreed not to make any visits to the Shrine for the time being (Dumbaugh, 2007, p.13). Despite the resumption of regular high-level dialogue between the two countries combined with the positive trends in the economic ties between the two countries[52], the Sino-Japanese relationship clearly remains vulnerable to domestic political factors in both Beijing and Tokyo (An

[52] Another factor that could open a new arena for Sino-Japanese cooperation could be the North Korean nuclear threat (Shirk, 2007, pp.177-178)

Independent Task Force, 2007, p.35). Japan and China have not yet resolved the East China Sea island territorial dispute, nor have they resolved the sensitive issues related to Japan's Second World War guilt and atrocities (An Independent Task Force, 2007, p.35). Resolving the historical issue may not be possible due to the uncontrollable domestic pressures that roil china, not forgetting that the Chinese people are only getting more confident as their country gets stronger (Shirk, 2007, p.179). What makes things more difficult is that compromise by any side might be interpreted as weakness, and since both countries are stronger than before, competing for leadership in Asia, they are consequently unwilling to show any signs of that (Shirk, 2007, p.180).

It would serve the long term national interests of the two largest economies and militaries in Asia if they set history aside and cultivate good relations with one another. Speaking of the PRC, to keep to the subject of this paper, China's economic growth highly benefits from trade and investment from Japan (An Independent Task Force, 2007, p.33, Lum and Nanto, 2007, National Bureau of Statistics, 2007). Anti-Japanese feelings and the demonstrations they have ignited as well as the boycotts of Japanese products engenders fear and worry among Japanese business people and drives them away from mainland China (Shirk, 2007, p.148). The PRC would also benefit if it got closer to Japan and drove it away from its long-time security alliance with the United States, which was originally established to protect Japan from the expansionist Soviet Union (Shirk, 2007, p.149). Moreover, the political friction between the PRC and Japan retards efforts to build regional economic cooperation. Southeast Asian countries indeed are hoping to eventually build a free trade zone, and fear the emergence of two hostile blocs in Northeast Asia that consist of Japan and the US vs. the PRC and South Korea, particularly with China and Japan constituting more

than 80 percent of the total size of the thirteen East and Southeast Asian countries (Shirk, 2007, pp.150-151). This is very possible given Seoul's growing resentment of Tokyo in light of the atrocities the latter committed against them during the Japanese aggression, and a number of unsettled Japanese-Korean disputes (Global Insight, 2008). Finally, Beijing should be careful with how it deals with Tokyo given that the Chinese hostile stance has already motivated Japan to abandon its post-war pacifism, and to expand its own military reach and power (An Independent Task Force, 2007, p.34).

2.2.4 China and Southeast Asian countries

Nowhere is China's presence more strongly felt than within Southeast Asia which includes Vietnam, Thailand, Brunei, Laos, Cambodia, East Timor, Singapore, Malaysia, Indonesia and the Philippines, all of which form the Association of the Southeast Asian Nations (ASEAN) (Dumbaugh, 2007, p.12). For decades prior to the mid-1990s, Sino-ASEAN relations were characterised by mutual suspicion, mistrust and animosity. During the Mao era some of the Southeast Asian governments, namely in Singapore, Thailand, Malaysia and the Philippines and Indonesia, had distanced themselves from Beijing due to its support for the communist insurgency movements in their countries though financing and training (Shirk, 2007, p.113). With the advent of Deng, the Chinese foreign policy shifted away from promoting revolution to stabilising relations with governments in its neighbourhood, in an attempt to create a peaceful environment fit for China's growth (Shirk, 2007, p.111). And so by 1991 the PRC had established diplomatic ties with the governments of the ten ASEAN nations and had severed all ties to the rebel groups it used to support in those countries (Shirk, 2007, p.113). Having said that, tensions in the Sino-ASEAN relations remained due to recurring clashes over territorial disputes. A major subject of contention between the

PRC and Southeast Asian nations is the territorial dispute over the hundreds of islands in the South China Sea that separate major sea-routes and may hold deposits of oil and gas under the seabed (Shirk, 2007, pp.113-114). While China claims that almost the entire South China Sea belongs to it[53], Vietnam, the Philippines, Brunei, Malaysia and Taiwan also claim certain islands and waters surrounding the Spratly islands (Vaughn and Morrison, 2006, p.22). Up till the mid 1990s Beijing resorted to force to enforce its expansive claims resulting in naval clashes and skirmishes between the PRC and some of its neighbours[54] (Wang, 2004, p.49). In a step to improve its relations with the ASEAN nations, and sensing how unhappy its Southeast Asian neighbours were about its unilateral hostile actions towards them, Beijing gradually made an about-face on its foreign policy normalising its relations with former adversaries and managing to either resolve or "set aside"[55] almost all of its outstanding territorial disputes, not only with the Southeast Asian countries but with both Russia and India (An Independent Task Force, 2007, p.33). All this was part of a prudent and accommodating approach China has taken towards its Asian neighbours in order to build trust and increase the Chinese influence (Shirk, 2007, pp.111-112). Recognising that the PRC's military and economic growth may provoke worries in its neighbouring countries and incite them to join together and with US try to contain it, and having in mind managing the periphery seeing Southeast Asia as its traditional sphere of influence and the backdoor through which any hostile power could penetrate and disrupt China's development, during the past decade Beijing has embraced

[53] In February 1992, Beijing unilaterally passed a law declaring China's ownership of 80 percent of the South China Sea and its right to restrict foreign military activities in the sea, which has caused apprehension among the claimant and non-claimant states (Dreyer, p.3).
[54] Skirmishes between China and Vietnam took place in 1974 and 1988. Another skirmish occurred between China and the Philippines in 1994 as a result of Beijing building new structures on an island claimed by the Philippines (Vaughn and Morrison, 2006, p.22).
[55] Although it maintained its formal claim of sovereignty over the South China Sea, it negotiated a code of conduct for all the claiming states that entails exercising self-restraint with regards those disputed territories in attempt to prevent the escalation of disputes (Gill, 2004, p.139).

regional multilateralism, something which it is was sceptical about previously (Shirk, 2007, p.118). According to the Chinese leadership, the emergence of regional powers and regional organisations in the developing world will help to bring about "a rule-based regional interstate society" and a multi-polar order, in which the major powers can develop friendly ties with each other and in which non-zero-sum games are the norm (Buzan, 2004 p.159, Wang, 2004, p.49). Thus, Beijing participated actively in every grouping, and even helped founding new groups of its own such as ASEAN Plus Three (APT) and the Shanghai Cooperation Organisation (SCO) (Shirk, 2007, p.118). According to Fu Ying, an official in the Chinese Foreign Ministry, these two bodies became the two focal points of the PRC's regional cooperation framework (Ying as cited in Shirk, 2007, p.120).

Joining the ASEAN Regional Forum (ARF) was the first step Beijing took to ease its way into regional cooperation. China rapidly adjusted to the ARF given its soft procedures to evade conflicts, being based on informal dialogue and the principle of non-interference in the political domestic situations in any of its member states and operating through consensus (Shirk, 2007, p.119). Besides, the sensitive issue of Taiwan who is excluded from the ARF membership is kept off the agenda (Buzan, 2004, p.155). This informal multilateral dialogue which seeks to address security issues in the Asia-Pacific region, enabled the PRC to reassure its neighbours, particularly the smaller ones, about its good regional citizenship especially after Beijing proposed that the organisation start addressing military issues (Shirk, 2007, p.119).

When financial markets in the Southeast Asian countries crashed during the Asian Financial Crisis in 1997, China joined with Japan and South Korea, its East Asian neighbours, and ASEAN (all of whom were disappointed with the response of the US-

led Asia Pacific Economic Cooperation Forum (APEC)) to create a new mechanism for financial stabilisation called ASEAN Plus Three (APT) (Shirk, 2007, p.119). In contrast, China's response exceeded their expectations when it did not devalue its currency during the crisis to get a competitive edge over its neighbours as Japan did and contributed to the IMF package to help Thailand recover (Vaughn and Morrison, 2006, p.8).

As for the SCO, it is a home-grown organisation which was established in 2001 in an effort to fight terrorism which is seen to threaten all its members[56], and it includes the PRC and its central Asian neighbours Russia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan (Global Insight, 2008). Through this forum, Beijing also had in mind building relationships with the oil and gas-rich Central Asian states, which are considered vital for fuelling China's continued growth (Shirk, 2007, pp.120-121).

Economically speaking, the PRC is looming large in Asia substantially affecting the patterns of trade and investment for many of its neighbours, and its influence is growing larger by the day (Breslin, 2004, p.120). From 1993 to 2001, the PRC's trade with ASEAN grew by an average 75 percent per year (Vaughn and Morrison, 2006, p.8). Early 2005 ASEAN became China's fourth largest trade partner after the EU, the US and Japan (People's Daily, 2005, b).

Increasingly the ASEAN region sees the PRC as a partner and a market opportunity rather than a competitor or even a threat (Wang, 2004, pp.54-55). Having said that, China represents a source of economic competition for the Southeast Asian as well as the East Asian countries, particularly when it comes to investment, exports and job opportunities. Firstly, the PRC's economic success as an exporter could come at the

[56] By excluding the United States, the SCO serves to balance the former's influence in Central Asia particularly in light of the US-led global war on terror. It is worth noting that the charter of this organisation envisioned multilateral cooperation into the military sphere, something which Beijing has never agreed to, yet it held its first joint military exercises in 2003 (Global Insight, 2008).

expense of some of its neighbours' export markets in terms of certain products (Wang, 2004, p.49). Secondly, its popularity as an investment site especially after its accession to the WTO enhances its competiveness and ability to win market shares, causing an acceleration of investment flows to China and a corresponding reduction in flows to the rest of the region, resulting in the loss of growth and jobs in the process (Breslin, 2004, p.117). This loss however may be balanced by the investment opportunities that the PRC offers its neighbours[57], if they were to exploit the comparative advantage that China possesses as an export platform (Breslin, 2004, p.123). This loss could also be compensated for by increased access to a potentially large Chinese consumer market for ASEAN exports of goods and services, in light of China's WTO accession and even more so the creation of the ASEAN-China Free Trade Area (ACFTA). A study by the ASEAN secretariat estimates that the ASEAN-China Free Trade Area would increase ASEAN's exports to China by 48 percent and China's exports to ASEAN by 55 percent (Yong, 2004). Under the Framework Agreement on Comprehensive Economic Co-operation (the ACFTA framework Agreement) which was signed in November 2002 and served as a roadmap for the development of a free trade area, a free trade area covering trade in goods between China and the original six ASEAN members is to be completed by 2010, with the remaining four ASEAN member states expected to fully join by 2015 (Wang, 2004, p.57). In accordance with the Agreement of ACFTA, the tariffs and non-tariff barriers to goods and services in both the PRC and the ASEAN member states will be gradually reduced or removed altogether (People's Daily, 2005, b).

[57] The potential for the inflow of Chinese investments to ASEAN is promising due to Beijing's policy of encouraging its businessmen to go global with priority given to its neighboring countries (Yong, 2004).

The creation of the ACFTA should greatly benefit the ASEAN states as it allows them to “overcome the disadvantage of smallness by pooling resources and combining markets” (Wong and Chen as cited in Greenwald, 2006, p.197). The ACTFA is expected to become the world's largest trading bloc; upon completion, it will have an economic region with 1.7 billion consumers, a regional GDP of about 2 trillion USD, and a total annual trade volume of approximately 1.23 trillion USD (People's Daily, 2005, b, ASEAN-China Expert Group on Economic Cooperation, 2001). Through it, the PRC can reinforce its importance for the regional economy and cultivate its goodwill to its neighbours, which can in assert its leadership role in the region (Breslin, 2004, p.122). ACFTA is considered the economic pillar of Sino-ASEAN relations given that it is the first regional FTA that ASEAN has entered into with another Dialogue Partner, and it similarly was Beijing’s first free trade agreement with a foreign nation (Greenwald, 2006, p.198). Politically, this signifies the importance that ASEAN places in its relations with the China and the importance the PRC places on its relations with ASEAN.

On the security front, mainly in an attempt to reassure its neighbours of its peaceful intentions and to attenuate the dominance of the US in the Asian region, China has put forward several proposals to develop new security arrangements based on principles of mutual cooperation and security, and is pursuing bilateral security arrangements throughout the region. More importantly it has signed a number of agreements including a non-binding agreement in 2002 entitled "Declaration on the Conduct of Parties in the South China Sea", calling on all parties to resolve all territorial and jurisdictional disputes "by peaceful means", and this agreement is considered the security pillar of the Sino-ASEAN relationship (ASEAN, 2002). In 2003, Beijing and ASEAN signed the Joint Declaration on the Strategic Partnership for Peace and

Prosperity and China's accession to the Treaty of Amity and Cooperation in Southeast Asia (Wang, 2004, p.57). Moreover, Beijing has expressed its willingness to work with ASEAN for its early accession to the protocol to the Treaty on Southeast Asia Nuclear Weapon-Free Zone (Wang, 2004, p.49).

2.2.5 China, India and Pakistan

Two of the most important regional relationships that Beijing has established within the South Asian region are its relations with Pakistan and India. All three countries share borders with each other, where many conflicts (mainly territorial) have been witnessed in the last half century. To analyse the relationship between the three countries, where approximately 40 percent of the world population resides, one must examine closely the three countries' perceptions of one another and look at the bilateral relationships between them. India and Pakistan have gone through many wars in the past and still struggle over the unresolved Kashmir issue along their borders (Racine, 2001, pp.1-2). It is only through taking into account this unstable relationship as well as the United States involvement in the region that Beijing's stance and the dynamics of its relations with Pakistan can be better understood.

Both India and China are regarded as regional Asian rising powers and are often compared to one another in terms of their historical role in Asia, population size, land scale, and growth (Shirk, 2007, p.115). Despite China's occupation of Tibet in 1950, Beijing and New Delhi had enjoyed a stable relationship up until China fought a short but bitter border war with India[58] in 1962, which has in turn changed the dynamics of the relationship (Curtis, 2008).[59] Despite the ongoing border talks since the early

[58] New Delhi accuses Beijing of illegally occupying more than 14,000 square miles of its territory on its northern border in Kashmir, while China lays claim to more than 34,000 square miles of India's northeastern state of Arunachal Pradesh (Curtis, 2008).

[59] In 1979 as part of its good neighbour campaign in Asia Beijing started warming its relations with India, and although India's nuclear testing in 1998 marked a setback for relations, China's decision to

1980s, little has been achieved and the issue remains a source of friction between the two countries (Global Insight, 2008). Having said that, the Sino-Indian relations have started warming up in recent years mainly in light of more attractive economic and trade opportunities and the joint military exercises that the PRC and New India started conducting, something which can help build confidence and increase transparency between their militaries, helping to keep border tensions in check (Curtis, 2008).

Tensions between the two Asian giants could grow, particularly over their disputed borders and as they contend in each other's regional spheres of influence (Curtis, 2008). India's nuclear program can be justified as a defence mechanism against Pakistan and China in light of the previously mentioned India-Pakistan and India-China wars, but it is also considered as means to gaining the reputation and respect at a global scale (Banerjee, 2003). With the past in mind, India is careful with its relationship with the PRC, nevertheless it acknowledges the Chinese power status regionally and globally, and as such engages in trades with China, even though many view ties will not be strong primarily due to the strong Sino-Pakistani relationship. On the other hand, China does not perceive India as a threat nor does it seem to acknowledge its claim as a global leader (Curtis, 2008). It does however maintain its ties with New Delhi primarily in energy, high tech and trade agreements out of its desire to maintain good relations with its neighbours, and to minimise the effects of their tense past. Having said that, Beijing does perceive India as competition and it is concerned about its strong ties with the United States; this explains the motives behind PRC's strong relationship with Pakistan- mainly focused on containing India by strengthening Pakistan to stand up against it on the Kashmir border.

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change its position on Kashmir, to support India during the Kargil crisis with Pakistan improved their ties significantly (Shirk, 2007, 116).

Beijing decided to establish a close relationship with Islamabad in the aftermath of the 1962 war with India, selling it nuclear and missile technology in an attempt to enhance Pakistan's strength in the South Asian strategic balance and consequently counterbalance India, which was under the patronage of the Soviet Union at the time (Shirk, 2007, p.115, Cohen, 2001, p.259). The PRC's military and political ties with Pakistan remain close; China is currently Pakistan's largest defence supplier and the two countries enjoy a security relationship akin to an alliance (Banerjee, 2003). Islamabad perceives Beijing as a security guarantor against India, in addition to its hopes of becoming a regional power as a result of dealing with a global power such as China (Pan, 2006). As for China, in addition to balancing India through its strong relationship with Pakistan, it seeks to build its ties with the Muslim world in Pakistan and in effect with the Middle East as both countries heavily depend on Middle Eastern energy supplies (Verma, 2005, p.13).

All said and done, Beijing plays an important role with its relationships with both New Delhi and Islamabad. Through them not only does it strengthen its ties regionally and adds to its global status (particularly in light of the US involvement in the region), but it also contributes to balancing the Indian-Pakistani relations in an attempt to reduce the continuing violence between those two countries (O'Rourke, 2006).

2.2.6 China and Russia

The relationship that ties China to Russia is an old and strong one, dating back to a couple of centuries ago. However, the relationship phase that is most relevant to this study has developed over the 20th and 21st centuries. During the 1950s the Soviet Union (as Russia was formerly known) was an ally of the PRC, both of them fighting along North Korea during the Korean War (1950-1953) against the US-supported South Korea, espousing revolutionary, Marxist-Leninist ideology and strongly

opposing the American imperialism. Many people in the West then feared that the two communist giants would also become military allies, but those fears did not take long to dissipate, for tensions soon appeared between them and culminated in border skirmishes at the Zhenbao Island, and in Xinjiang towards the end of the 1960s. This put an end to the Sino-Soviet friendship, made Moscow Beijing's new enemy and led to a gradual rapprochement between the PRC and the United States- the only country that could deter the Soviet threat at the time[60], and a country that felt threatened by the expanding power of the USSR (Union of Soviet Socialist Republic)[61](Dreyer, p.2). Subsequently, the US and China "engaged in parallel opposition to Soviet proxy wars in Africa […] cooperated in monitoring Soviet missile tests from western China [and] in opposing the Soviet invasion of Afghanistan by supporting the Afghan mujaheddin" (Lampton, 2001/2, p.1). Having said that, the beginning of adverse relations between the United States and the PRC in 1981 (as a result of the former's arms sales to Taiwan) motivated China to move towards the reduction of the Sino-Soviet hostility, given that Beijing cannot afford to maintain conflict with two superpowers (Kim, 1987, p.2). Thus, Beijing was maintaining an equally distant relationship with both superpowers, wanting to be the third party in the power game between the United States and the Soviet Union (Dreyer, p.2). To improve their bilateral relations both the USSR and the PRC worked on reducing the tensions on the Sino-Soviet border areas and the resuming negotiations between the Chinese and Soviet leaders in an attempt to normalise relations (Kim, 1987, p.2). However, serious

[60] When China allied itself to the United States, it was in a very weak position militarily. The PLA's equipment had deteriorated following the Sino-Soviet break, because Moscow deprived Beijing of access to its technology, and indigenous manufacturers were simply unable to catch up. Moreover, the Chinese army's chain of command had been destroyed and its training suffered in the aftermath of the Cultural Revolution (Dreyer, p. 2).

[61] It must be noted that the Sino-Soviet split in 1969 and the subsequent Sino-American rapprochement after 1971 instigated a profound transformation of the international political system and shattered the post-World War II bipolarity (Wikipedia, 2008).

border demarcation negotiations occurred just before the end of the Soviet Union in 1991.Gradually the Sino-Russian relations were resumed, and the good relations were formalised in July 2001 when the presidents of the two countries signed the Treaty of Good-Neighbourliness and Friendly Cooperation, a twenty-year strategic, economic, and military treaty (Global Insight, 2008). And a month earlier, as was previously mentioned, the two countries joined with the Central Asian nations of Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan to found the SCO to promote regional stability and cooperate to combat terrorism in the region (Shirk, 2007, p.120).

The Sino-Russian relations are now possibly the best they have ever been. In 2004 the Russian government agreed to transfer Yinlong Island as well as one half of Heixiazi Island to China, both of which were until then administered by Russia but claimed by China, thus ending a 40-year border dispute between the two countries (Global Insight, 2008). Moscow and Beijing have been strategic partners since 2005 after signing the "strategic partnership" agreement, as a result of which the two governments are increasingly coordinating their foreign policies and holding regular security consultations, something that the Chinese government has never done before with any foreign government (Dumbaugh, 2007, p.14). The militaries of both countries are increasing their cooperation under the umbrella of the strategic partnership agreement and through the SCO. They held their first joint military exercises in August 2005, which lasted eight days and involved 7000 Chinese troops and 1800 Russian troops (Global Insight, 2008).

On the economic front, Moscow and Beijing enjoyed rapidly increasing bilateral trade which in 2005 stood at 30 billion USD (a 37 percent increase from 2004), and the improvement in the relations is further highlighted by increasing cooperation in the field of energy. Being a major energy supplier (particularly of natural gas), Russia is

finding an ideal market for its products[62] in neighbouring China, whose booming economy has an almost insatiable appetite for energy (Pan, 2006). In March 2006, during a meeting between the Chinese and the Russian leaders, the Russian President Vladimir Putin announced plans to open a gas pipeline to the PRC within five years (Dumbaugh, 2007, p.14). During that meeting dozens of significant deals mainly involving energy, but also including manufacturing, telecommunications, transportation, nuclear power and national security were signed (Pan, 2006).

Despite lingering historical tensions between the PRC and Russia, the two countries are widely thought to be seeking a mutual common political objective: the containment of the United States both regionally and globally. Regionally speaking Moscow and Beijing, according to some experts, are both concerned about the US efforts to bring democracy and political reform to the central Asian region (an area where they have mutual interests), and they are using the SCO to try to push the US out of the region militarily and politically (Pan, 2006). The political objective of countering the American hegemony globally is clearly manifested in the way Moscow and Beijing are coordinating their policies on a range of world issues. For instance, being veto-holding members of the UN Security Council, the two powers oppose the US efforts to apply sanctions on Tehran for its nuclear program[63], and as participants in the six-party talks on North Korea's nuclear program, both countries favour a negotiated solution to force, for fear of destabilising the region. In response to the growing Sino-Russian relations, many experts say that the United States is reaching out to Japan and India in order to balance the power in the region (Pan, 2006). This is where the importance of the Sino-Russian relation lies, in the position of the two great

[62] Russia supplies China with oil, gas, coal, electricity and nuclear technology (Pan, 2006).
[63] Moscow and Beijing also share a common resentment of the West's global dominance and its tendency to interfere in what they consider "internal affairs" of states (Global Insight, 2008).

powers in opposition to the unilateral superpower particularly and the West-dominated global order generally.

2.2.7 China and the European Union

Although insignificant in the period following the Second World War, the Sino-European relations were gradually established after the end of the Cold War, with globalisation becoming the new trend in international relations (Baoyun, 2005, p.347). In the past decade relations between China and EU as well as its member countries have particularly improved through high level visits and contacts. In 1994 the Sino-European political dialogue and consultation mechanism was set up, and in 1998 the Sino-EU Summit was held for the very first time, and it was decided then to hold an annual summit to address the global contemporary problems (Baoyun, 2005, p.350). In recent years China has been courting the EU intensively, and Sino-European contacts have broadened significantly as a result (Dumbaugh, 2007, p.14).

After more than twenty years of reform and opening-up, China, with its fast-paced development, an ever-growing economic capacity, a higher international status, and a more active role in international affairs, has become one of EU's "strategic partners of cooperation", and their relationship does not cease to improve. From a "long-term cooperation relationship" in 1995 it became an "all-round partnership" in 1998, and finally got promoted to the "strategic partnership of cooperation" in 2003.

The most prominent feature of the "strategic partnership that the EU and the PRC are holding is the growth in bilateral trade. With the EU being the world's largest market and the PRC the world's most populous and fastest-growing economy, the economic relationship between the two sides has become very significant (Scott, 2007, p.28). By 2005 the EU was China's biggest trading partner and to the EU China was the second biggest trading partner (Scott, 2007, p.28). And in 2007 the EU replaced Japan and

the United States as the main destination market for Chinese products, and became the second largest source for China's imports (National Bureau of Statistics, 2007).

Important though they are, the EU–China links have become more than just a matter of trade and economics; they now hold strategic political significance for the international order. Aware of their size (in terms of population and territory) and resources, both actors have recognised one another as two important centres of power in the 21st century, and they consequently have an ever-growing interest in working together as strategic partners especially on socio-economic and strategic global issues. The PRC and the EU currently consult and cooperate on major international and regional strategic issues such as proliferation of WMDs and international terrorism and socio-economic questions such as energy supply and the environment (Baoyun, 2005, p.350). Whilst the 2004 EU–China Summit saw the EU–China Joint Statement on Non-Proliferation and Arms Control, the 2005 Summit saw the announcement of the EU-China Partnership on Climate Change (Scott, 2007, p.27). As for terrorism both sides have reasserted their commitment to the fight against it, and stated repeatedly that any anti-terrorism measures taken need to be in accordance with the purpose and principles of the UN Charter and the norms of relevant international laws (Baoyun, 2005, p.354). Beijing and EU continue to contribute towards the promotion of peace, security and sustainable development throughout the world, with the United Nations at its centre, with both sides upholding the standing and effect of the UN and supporting its role in handling regional and international crises (Baoyun, 2005, p.354). Although they were more divided than united on some issues that were administered by the UN such as Iraq (1991), Kosovo (1999), and Iraq once again in 2003 (an issue where even the EU was internally split), the Iranian nuclear issue saw both countries converging towards diplomatic conciliatory approaches rather than the

more interventionist American stance (Scott, 2007, p.27). This brings us to the grand geopolitical vision that the EU and the PRC share, and which underpins their strategic partnership of cooperation: balancing the United States unilateralism and creating a more balanced international order mainly characterised by multipolarity and multilateralism (Shambaugh, 2005, b, pp.12-13). Ever since the Cold War ended and the two-superpower structure collapsed, granting the US global pre-eminence, the political leaders in the EU and the PRC have realised the urgency of strengthening bilateral cooperation and deepening their partnership (Baoyun, 2005, p.348). They wanted to check the excesses of American power and create a new multipolar world order in which the two continental-sized powers beckon as leading poles along the United States, as opposed to a declining post-soviet Russia and a Japan inhibited by limits of size, resources and population (Scott, 2007, p.38). Consequently, both sides support one another. The Chinese on the one hand supports the integration and the enlargement of the EU, rather than feeling threatened by it. From their point of view the EU is a multilateral organisation that helps promote the development of the global trend of world multipolarity in the face of the US pursuit for global hegemony. As for the EU they increasingly see the PRC as important and cooperative member of international community that plays a significant role in safeguarding world peace, stability and sustained development (Shambaugh, b, 2005, p.15). Nonetheless, there are some pending issues in the Sino-European relations such as the human rights, violations of the IPR, the growing trade deficit, and the arms embargo that the Europeans imposed on the PRC. Economic friction has also come along despite the growing trade relations between the two sides.

Soaring exports-partly caused by the Chinese imports becoming cheaper as a result of the declining Yuan against the Euro- led to a growing Chinese trade surplus with the

EU resulting in a large trade deficit that has been steadily growing in China's favour (The Economist, 2007). In 2005, that trade deficit stood at about 105 billion Euros reaching 131 billion Euros a year later, and it is expected to grow further (Scott, 2007, p.29). Another cause of concern to the European Union is China's rampant abuse of IPR, because of which the Europeans like the Americans are making huge annual losses. Speaking in a press conference in 2005 after the meeting with China's vice premier and Commerce Minister, European Union's trade chief Peter Mandelson announced that the EU and Beijing have both agreed to set up a joint expert group to nail down enforcement of the IPR protection (People's Daily, 2005, a).

Aside from economic and trade matters, a significant source of disagreement between the European and the Chinese side is over human rights, a major theme of the bilateral relations since the Tiananmen Square crackdown in 1989, given that the Beijing's ideas on democracy, individual and collective freedoms and human rights are still out of alignment with the norms the Western world supports (West European Union Assembly, 2005). However, unlike Washington which emphasises the rights of political prisoners and dissidents and the freedom of religion, the Europeans stress improving prison conditions, eliminating the death penalty, ameliorating workplace safety, decreasing gender discrimination, protecting ethnic minorities and reducing state control of the media (Shambaugh, 2005, b , p.10). The EU above all has a strong desire to improve all forms of civil society in the PRC; it has been involved for the past decade in low-key human rights governance issues at the grass roots level by funding non-governmental and academic institutes in China involved in "strengthening local civil society organizations, in particular organizations focusing on human rights; Raising police and law enforcement officials' awareness of human rights and promoting the rights of detainees; protecting the rights of national

minorities" (Scott, 2007, p.28). Despite the fact that such EU programmes could be seen by the Chinese as an attempt to Westernise and disintegrate the PRC, and may therefore result in Chinese counter-measures, and that such conflict in ideology and values still remains, both sides have agreed to continue the human rights dialogue to achieve amore meaningful positive results on the ground. Besides, the issue of human rights has to some extent been overshadowed, if not sidelined, by the imperatives of economics and geopolitics (Scott, 2007, p. 28).

Another issue that the EU and the PRC are working hard to resolve is the issue of the EU arms embargo imposed against China in response to its suppression of the Tiananmen Square protests of 1989 (Scott, 2007, p.34). In light of the significant improvement that its relation with the EU has witnessed, Beijing has been arguing that it is contradictory for China to be recognised as a "strategic partner" and yet to be formally embargoed (Shambaugh, 2005, a). Eighteen years on from Tiananmen Square such embargo has been considered by parties from both sides outdated (Jize, 2005). The EU leaders have been regularly discussing the subject of the embargo and have been creeping towards lifting it, but have not been able to do so yet because the United States has voiced strong opposition to such action. Washington argues that selling weapons to Beijing could transfer hi-tech military know-how to the PRC, and would consequently disturb the military balance in Asia (Baoyun, 2005, p.354). An attempt by the EU to lift the embargo in 2005 was eventually shelved after substantial US and congressional opposition (Dumbaugh, 2007, pp.14-15). Having said that, the EU has reiterated its willingness to work towards lifting the embargo; on his visit to Beijing, EU trade chief Peter Mandelson criticized the fifteen-year-old European arms embargo on China asserting that it was time to lift the ban given the rapidly developing relations between the two sides (People's Daily , 2005, a).

2.2.8 China and the Third World

The PRC generally maintains very good relations with the Middle East, Africa and Latin America, with whom it has been very active diplomatically, politically and economically since the beginning of the 21st century. Relations with those three regions are mostly in line with one of the pillars of the current Chinese foreign policy, namely securing and diversify access to natural resources to fuel China's economic engine (An Independent Task Force, 2007, p.30). Having said that, most of those relations were at first driven by ideological factors. Previously the champion of the Third world, Beijing in its foreign policy focused on supporting the Third World countries to put an end to Western imperialism and achieve independence, having been the target for Western colonial powers in the 19th and early 20th centuries (Scichor, 1979, p.152). Meanwhile, it was seeking international recognition through claiming back its permanent seat in the UNSC, and support to the one china policy as well as the ultimate goal of China's unification (حسن،2007،ص.2). With the PRC shifting attention to its economic development in the mid-70s of last century, it started paying far more attention to its ties with developed economies especially the United States as well as its neighbouring countries, with the aim of building a favourable environment for its domestic economic development (Liangxiang, 2004, p.113). However, in light of Beijing's growing energy needs it turned over the past 15 years to resource-rich developing countries, making China's relationship with the Third World countries pragmatic and interest-based. Consequently the Chinese government has been encouraging SOEs to seek exploration and supply agreements with resource-rich countries, heavily courting the governments of supplier states in the Middle East,

Although the PRC's diplomatic ties with Latin America date back to the 1870s, its presence in the region grew significantly only over the past few years, sparked mainly by Beijing's search for resources as well as its need to establish a network of allies in a region dominated by the United States. From Latin America China has been importing commodities such as iron, soybeans, copper, integrated circuits as well as other electrical machinery and oil in order to meet the demands of China's booming economy, while it has been exporting to the Latin American countries electrical

[64] In a charm offensive to befriend and consolidate its relations with resource-rich countries, President Hu and his Premier toured several African states in 2003. In 2004, President Hu met delegates from the Arab League in Cairo and spent two weeks in Latin America (Liu, 2007)

[65] Most of the Third World countries uphold the one China policy, and thus do not maintain diplomatic relations with Taiwan and support the unification of China.

appliances, apparel, computers and office machinery (Dumbaugh and Sullivan, 2005, p.2). In 2005, the PRC emerged as Latin America's third trading partner, with trade reaching 50 billion USD after having quintupled since 1999 (Malik, 2006). Although Chinese FDI abroad has not been significant, more than one third of its FDI in 2003 went to Latin America, focusing on the extraction and production of national resources, but also including investment in manufacturing assembly, telecommunications and textiles (Inter-American Development Bank, 2004, p.117). In addition to the economic motives, experts maintain that Beijing pursues relations with Latin American countries with political intentions in mind: to induce the remaining twelve Latin American and Caribbean countries[66] that recognise Taiwan to switch allegiances (Dominguez, 2006, p.47).

Among China's many relationships in the region, some seem to be more at the core of Beijing's strategic objectives, such as its relationship with Brazil, Argentina, Chile, Mexico, Venezuela and Cuba (Dominguez, 2006, p.2). The PRC considers its trade ties with Brazil, which like itself desires a bigger share in international affairs, the most important in the region due to the trade volume between the two countries (Nogueira, 2007, p.5). In 2004, China announced a 10 billion USD energy deal in Brazil, and the two countries are currently studying the feasibility of joint operations in exploration, refining, and pipeline construction around the world[67] (Forero, 2005). Another important relationship for the PRC in the region is that it holds with Venezuela, the biggest oil producer in the Western hemisphere. Following two high-level visits in 2004 and 2005 between the two countries, Beijing and Caracas have

[66] Taiwan's official relations in the region now include Central American countries such as Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama; four Caribbean countries including the Dominican Republic, Haiti, St. Kitts and Nevis, and St. Vincent and the Grenadines; and one South American country: Paraguay (Dumbaugh and Sullivan, 2005, p.4).

[67] The PRC is also exploring energy deals in Colombia, Peru, Ecuador and Bolivia, as well as offshore projects in Argentina.

signed a series of agreements whereby Sinopec committed to spend more than 400 million USD to develop Venezuelan oil and gas reserves (Bajpaee, 2005).

Due to the current poor state of the American -Venezuelan relations under the Chávez government, American observers worry that Venezuelan energy agreements with Beijing may end up diverting oil from the United States (currently acquires 15 percent of its supplies from Caracas), particularly since the Venezuelan President who controls the state oil industry seems more than willing to shift the oil exports to China (Dumbaugh, 2007, p.17). Having said that, the US concern does not only stem from the Sino-Venezuelan relation, but also from the PRC's growing presence in the Latin American region as a significant economic and to a lesser extent political partner (Dumbaugh and Sullivan, 2005, p.5). Although not all countries in Latin America view China in a positive light, since some see it as an indispensable trade partner[68] or a communist ally[69] and others perceive it as a competitor and a threat[70], all these countries still welcome the PRC's presence and deal with it, mainly as a means to contain the United States dominance in the region (Malik, 2006)

Unlike any period in the history of Sino-Arab relations, economic links nowadays have become more important than political and ideological considerations that used to rule them in the past (Critchlow and Klaus, 2004, pp.4-5). Becoming a country driven by an unquenchable thirst for energy China in the early 90s of last century started making its presence more and more felt in the politically volatile Middle East especially in the Persian Gulf, where around 62 percent of the world's total oil reserves reside (Hanson, 2008). The Middle East is currently the PRC's biggest oil supplier with Saudi Arabia and Iran as the main contributors followed closely by

[68] Chile, Argentina and Peru.
[69] Bolivia, Venezuela and Cuba.
[70] Mexico, Brazil and the Central American Republics see it that way due to China's cheap products which could cause them loss of jobs and investments.

Oman (Zweig and Jianhai, 2005, p.28). In 2007 Beijing acquired almost half of its oil supply percent from the Middle East region (Hanson, 2008). The IEA predicts that this percentage will rise to at least 70 percent by 2015, underpinning that the future of the Chinese economy is inextricably tied to the Middle East (Madsen, 2006). According to Chen Tonghai, the president of Sinopec, the state-controlled China Petroleum and Chemical Corporation, the PRC's largest oil refiner and one of its three major oil companies, is involved in about 120 projects in the Middle East, most of which are in the Gulf, and is seeking more opportunities (Madsen, 2006).[71] Notwithstanding its significance, oil is not the only commodity influencing Beijing's interest in the Middle East; gas and petrochemicals' producers in the region are increasingly looking for routes into the Chinese market. Moreover, the simple exchange of Arab oil for Chinese capital has expanded over the past few years into a web of two-way deals in banking, property development, industry and tourism (Glain, 2008, p.34).

Arab countries are currently the PRC's eighth largest trading partner, with the Gulf States constituting the backbone of the Arab trade bloc (Madsen, 2006). Since 1991, the GCC trade has surged from 1.5 billion USD to 33.8 billion USD in 2005[72], knowing that total region-wide Sino-Arab trade stood at 36.7 billion USD at the time (Madsen, 2006). As for the investment, new opportunities between the PRC and the Middle East opened in the wake of September 11 safeguards against suspect money

[71] In 2004, China signed an oil and gas deal with the GCC's largest neighbour Iran that could be worth as much as 70 billion USD. In accordance with that deal Tehran agreed to export to Beijing 150,000 barrels of oil per day at market prices, for 25 years whereas Beijing committed to develop the giant Yadavaran oil field and buy 250 million tons of liquefied natural gas over the next three decades (Zweig and Jianhai, 2005, pp.28-29).

[72] The lion's share of GCC trade lies in Chinese imports of oil and exports of cheap textiles (Madsen, 2006).

and growing hostility in the US investment environment to foreign investors in general and Arabs and Chinese in particular [73] (Glain, 2008, p.34).

According to Chas Freeman, former US ambassador to Riyadh and now co-chair of the US-China Policy Council, the mutual interest-based relation that the Chinese and the Arabs have is very pleasant and is likely to remain so:

> [T]he Arabs see a partner who will buy their oil without demanding that they accept a foreign ideology, abandon their way of life, or make other choices they'd rather avoid. They see a country that is far away and has no imperial agenda in their region, but which is internationally influential[74] and likely in time to be militarily powerful [As for the Chinese] they see oil, gas, and petrochemicals, added respect and influence for their country abroad, a new market for their goods and services, and a new set of partners in global investment (Freedman, 2006).

In light of the PRC's voracious demand for energy to feed its soaring economy and in an attempt to lock down sources of oil and other sources of materials across the globe, particularly with the Middle East encumbered in long-term instability[75], Beijing, not wanting to place all its eggs in one basket, has turned to Africa-another major oil-producing region which much of the world has overlooked due to the risks and challenges it presents to investors and trade partners (Pan, 2007).

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[73] Gulf investors have divested 200 billion USD from the United States since 2003 (Glain, 2008, p.34).
[74] In an attempt to fend off the American pressures and protect themselves from the US interventionist policies, Arab countries following September 11 attacks and the US War on Iraq two years later, started seeking support from China as a major international power, a permanent member in the UNSC with a view that differs from the US on major Middle Eastern issues (Liangxiang, 2004, pp.115-116).

[75] In the aftermath of September 11 2001 terrorist attacks and the upheaval that resulted throughout the Middle East, China is actively trying to diversify its supply lines away from Middle Eastern oil (Pan, 2007).

China is very deeply engaged in exploiting Africa's oil resources through oil exploration projects and infrastructure, particularly in Angola (currently its largest supplier), the Republic of Congo, Equatorial Guinea and Sudan. In 2007, Africa supplied about third of China's total crude oil imports (Hanson, 2008). Although Africa only holds 9 percent of the world's proven oil reserves-a small fraction compared to the Middle East's nearly 62 percent- experts believe it could hold significant undiscovered reserves, which explains why China is seeking to increase its oil imports from the continent (Hanson, 2008). Beijing has adopted an aid-for-oil strategy with the poorer African countries offering them integrated packages of aid that lead to business opportunities and market share for Chinese companies, and this has in turn increased their oil supplies granting the PRC greater economic influence in the area and improving its ties with those countries (Economy as cited in Pan, 2007). In order to cement relationships with African leaders as well as offset the costs of buying oil from the African governments, China has been selling arms to African countries like Sudan, Ethiopia, Eritrea and Zimbabwe (Grimmit, 2007, p.12) The Congressional Research Service (CRS) reports that 15.4 percent of all conventional arms transfers to the African continent in the period from 1996-2003 came from Beijing (Hanson, 2008). This often solicits the PRC criticism from the major Western countries that disapprove of some of those regimes. But some of them, the United States and France for instance, can hardly complain about Beijing's relations with frowned-upon African countries. While Washington maintains close ties to Ethiopia's abusive regime, Paris used to support the former African Republic leader Jeanbedel Bokassa, who was convicted of at least 20 million murders (Kurlantzick, 2008, p.30). The PRC does not mind selling the African and many other countries arms because it does not have the same human rights concerns as the United States and European

countries, arguing that it does not mix politics with business, and that attempts by foreign nations to discuss democracy and human rights violate the rights of a sovereign country (Economy as cited in Hanson, 2008).

As for Sino-African trade, it has been surging by an average of 30 percent per year making China the continent's third most-important trading partner, behind the US and France, and ahead of Britain (Global Insight, 2009). During the 1990s alone trade grew by 700 percent, but the establishment in 2000 of China-Africa Cooperation Forum (CAFC)-aimed at developing and increasing mutual economic development and cooperation-set off a new era of trade cooperation and investment that is producing notable results. Trade doubled between the PRC and Africa to 18.5 billion USD from 2002 to 2003, and then jumped to 32.17 billion USD in 2005, and reached 73 billion USD by 2007 (Hanson, 2008). Beijing does not only import oil from Africa, it also imports other non-oil commodities such as iron ore, timber and diamonds, while it exports to Africa electrical appliances, apparel and textiles; cheap low-priced Chinese products that are perfectly suitable for poorer African shoppers (حسن،٢٠٠٧،ص.١٦).

Although, mainly with its investments, China has boosted a substantial part of the African continent's economic growth which reached 5.8 percent its highest level ever in 2007 and largely contributed towards the improvement of the African infrastructure, the Chinese investment practices and its approach to Africa in general have sparked controversy (Kurlantzick, 2008, p.30). African activists have accused Chinese businesses of underbidding local firms, paying poor wages, and importing Chinese labourers instead of hiring locals (Pan, 2007). As for international critics they have argued that Beijing's policy of "no strings attached" aid is undermining local efforts to increase transparency and good governance and encouraging corrupt

governments to ignore Western calls for reform and multinational donors like the IMF and the World Bank, which are seeking conditions to ensure that corrupt governments are passing on the donations to their nations not to their pockets (Global Insight, 2009). Moreover, the West also fears that China's thirst for oil will drive out its companies that are similarly competing for unexploited offshore petroleum in Africa (Kurlantzick, 2008, p.30).

CHAPTER 3

CONCLUSION

This study sought to establish whether the PRC is currently a regional or a global power. Rather than focusing on one or two aspects of its national power, like many studies did, this paper considered most of the aspects from which a nation's power could stem. This was followed by an analysis of how China utilises those elements to secure its position in the international system within the main global institutions, and in its relations with the core states. Few of the studies examined in the process of writing this paper combined both national elements of power and China's behaviour in the global order. Moreover, throughout this study the Western, regional and Chinese points of view were all taken into account in order to maintain objectivity when deciding on whether the PRC is a regional or a global power.

After examining China's national elements of power, this study has deducted that the PRC certainly possesses the attributes that would qualify it as a global power. Out of all its national elements of power, China's economy is the element that qualifies it most as a global power, given that it has been the fastest growing in the world as well as being the second biggest in terms of its GDP. The PRC is also the world's largest exporter, and it has by far the largest trade surplus and foreign exchange reserve. Moreover, China possesses geographical vastness of land, a huge population that provides it with the manpower, a great industry that puts its natural resources into use, and a strong military apparatus that is composed of the world's largest armed forces, not forgetting that the PRC is the third largest space and nuclear power after the US and Russia and the second largest consumer of oil. Having said all this, China is still a developing global power that has not reached a First-World status yet. The question of

how far its influence will grow will depend on the extent to which Beijing can maintain its economic growth ahead of the major developed countries as well as on the trajectory of its internal development.

Although China is perceived to be among the world's poorest nations due to its low per capita income, the PRC's huge population must be taken into account when using such measuring methodologies, which are not necessarily reflective of the truth. Besides, one must not forget that China has already lifted out of poverty hundreds of millions of its citizens since it began developing in addition to improving their living standards, which is evident in the reduction of the illiteracy rates and the growth of life expectancy. Moreover, the PRC's poverty presents huge opportunities for catch up particularly when considering its huge population. Just as Branstetter (2008) argued, China can realise huge returns by investing in more machines and factories, expanding its educational system, and importing technology developed in the West, and this can dramatically increase output per person, allowing the PRC to grow much more rapidly than the US over centuries to come.

One of the challenges that the PRC is likely to face in the future while maintaining its rapidly growing economy ahead of other great economies is a shortage of energy supplies of coal, gas and oil, due to its limited natural resources and environmental degradation particularly with the growing industrialisation that the country is witnessing. China's insatiable need for energy would make it more and more dependent on other countries for its energy intake and sensitive to swings and fluctuations in the energy market, which is considered a major weakness for a global power. In response, Beijing should impose restraints on energy consumption domestically and continue investing into developing its environmentally-friendly renewable energy resources. Another issue that Beijing is likely to face in a couple of

decades if did not work on changing current birth rate policies (the one-child per family policy) is a shortage of labour which would result in lower productivity and a slower economic growth. This is due to the aging population phenomenon, which would also constitute a burden on the state's welfare and health systems.

Although China is a major trading nation with a growing world trade share and a receiver of huge flows of FDI, it is mostly used as a lower-cost export platform. One must not forget that China's economy is still a non-market economy which is not sufficiently open to trade and capital flows to have a major impact on other economies. But if Beijing wanted to continue attracting FDI, which contributes largely to its economic growth, it will probably need to continue liberalising its economy by reducing its import tariffs and easing its protective policies further, not to forget the urgency of addressing the IPR violations more effectively. Similarly, if the PRC was to continue its remarkable growth as a great exporter, it will need to work harder at meeting the product safety and quality standards, which are a serious cause of grievance among Beijing's main trading partners, and which could cost it its credibility. The PRC must also continue working on building its innovation capabilities instead of relying on the export of cheap manufactured goods made to Western designs.

Finally, China will need to continue empowering itself internally by addressing a number of domestic socio-economic problems that resulted from undertaking economic reforms such as unemployment particularly in the state-sector, a widening gap between the rapidly developing coastal regions and the poorer rural and interior regions, and income disparities between the Chinese citizens. Despite being the world's fastest growing economy and the second largest economy in terms of its GDP, Beijing must work harder on reducing its economic disparities and sharing the fruits

of its economic growth more evenly, otherwise such problems may cause social unrest and destabilise the country. One way of doing this is by developing the rural infrastructure in order to provide adequate opportunities to keep the rural population from flooding into the major coastal cities, and another is by making China's interior regions more attractive to foreign investors, not forgetting that the PRC already possesses some of the most important qualities for foreign investment: the cheap labour, the skilled workforce and the large markets.

Influential as it may be, if the above-mentioned domestic fragilities were not effectively addressed by Beijing, they are likely to cause social unrest and shake the foundation of China's power, impeding it from maintaining the economically, socially and environmentally sustainable growth on which the Chinese leaders' legitimacy increasingly depend. Having said that, unless a dramatic shock hits the Chinese economy that would deny the government its ability to bring greater prosperity to the Chinese, the CCP's rule, which has been prevalent in the PRC for over half a century, remains very powerful and is likely to extend into the near future, fortified by strong props that underpin the Chinese political system and help the leadership preserve the current structure of power in the country. Moreover, large-scale unrest is unlikely to erupt in light of the Chinese public's awareness of the strengthening of their country's repressive apparatus and due to popular fears of chaos and of the bloodshed and violence it could produce.

This brings us to one of the major challenges that Beijing could be facing with further economic liberalisation, namely finding the balance between its highly centralised political system whose monopoly it is trying to ensure and its increasingly decentralised economic system and the policies it has been adopting to promote economic growth. In political terms, China is not a democracy and perhaps one of the

greatest challenges that it presents to the international system is its determination to become a successful and powerful country without thorough reform of its authoritarian political system.

Notwithstanding criticisms directed at the PRC's sluggish political reform, Beijing, as revealed by this study, has already taken a small step towards political liberalisation through adopting nascent electoral reforms at the village and county levels, and the leadership has also been working on strengthening supervision and rooting out corruption. Hopes for more liberalisation lie in the Chinese government's inability to catch up with the PRC's electronic media and the rapid spread of information, as well as in the citizens' increasing calls for transparency and accountability from their government. Whatever change is required though, it must be done into stages without seeking to achieve all in one great step, because this could very well cause chaos and upheavals across the country. China can be compared to a ship that has been steered by the communist regime for over half a century and cannot be left all of a sudden because its passengers can get lost and end up drowning the ship in the process. Therefore, although a sudden comprehensive political reform is very unlikely to happen, there may be breakthroughs in some fields more than others in line with what Beijing sees fit.

Examining how Beijing utilises its national elements of power in its interactions within the international system highlights the fact that China is a developing global power. Considering its growing economic, political and military ties with its regional neighbours, it quickly became apparent that the PRC is already an eminent regional power, managing and leading its neighbouring countries through the various regional initiatives it has taken and the numerous regional organisations it has joined. China's leadership role in its region not only enhances its role as a global power, but also pits

it against the world's superpower the United States, which is politically and militarily influential in the Asian region. Internationally, the PRC plays an increasingly indispensable role in global politics that is rapidly winning it more legitimacy in the eyes of the international community. This is reflected in its membership in the world's most important organisations and institutions, as well as its growing ties with almost every country in the international community.

Although the PRC has often behaved like a cautious, responsible power concerned with its own domestic problems and set on evading conflicts that would disrupt economic growth and social stability, there remain some concerns regarding its future commitment to its responsible role especially among the major Western powers. One cause of concern for them is Beijing's short-tem lapses into aggressive behaviour when it comes to foreign policy issues that provoke domestic public opinion such as Taiwan and Japan, which involve questions of honour, pride and anger. What worries them is Beijing's inability to bend to accommodate the demands of such governments given that its survival is partly tied to the non-wavering stance it has taken from such sensitive-to-public issues. But if China was to become a fully-fledged global power accepted by the international community, it will need to strike a balance between satisfying its citizens as well as its neighbours and international community of its peaceful intentions.

Beijing's bad human rights records, its intolerance to dissent and to ethnical and religious minorities are other causes of concern for the West; yet such concerns tend to be overlooked for the sake of mutual interests. Another issue that undermines Beijing's future commitment to its responsible role as a global power is its pragmatic foreign policy and its willingness to engage with frowned-upon regimes economically, strategically and politically, armed with its belief in the principle of

non-interference in other states' internal affairs. Those countries fear that such dealings could jeopardize Beijing's decisions as a major player on the international scene particularly in the UNSC; when Beijing as a result of such ties refuses to press such states to comply with global norms of human rights. Having said that, and as Kurlantzick (2008, p.30) has argued, China's approach in cutting deals with 'bad' government is not very different from that of any other country pursues its interests. Some Western countries particularly the US have overlooked such concerns and established deals with many of the world's most unpopular autocracies out of pure interest.

China's improving military capabilities and increasing military expenditure have also been alarming for some states. However, as a military power, the PRC should not be feared yet, for its capabilities are still modest compared to powers such as the US or Japan. Besides, Beijing has been increasing its capabilities in line with its desire to retrieve its global status, and out of defensive purposes i.e. to enable it to defend its vast population and homeland and hedge against the possible emergence of a US-led anti China coalition in Asia. Most importantly, the PRC has been working within the current world order, accepting the status-quo and has been far more adept at working within the international system that the United States.

Gaining the trust of the major Western powers and legitimacy in their eyes is vital for China to grow in its role as a global power given that we currently live in a Western-predominated order. Having said that, and in line with what Ramo (2004) proposed the rise of the PRC is shaping the world order by introducing a new model of development and power that is worthy of emulation particularly for the world's developing countries, to whom it gives hope that a developing country is capable of outstripping giants in a relatively short period of time. China's emerging power is

indeed different; it combines a strong liberalising economy and an authoritarian political system that advocates principles such as national sovereignty and multilateralism. There are even suggestions that the PRC with its hybrid political system constitutes a serious political alternative from what is known as liberal democracy, against an international backdrop of a new democracy fatigue, or according to Huntington, a new reverse wave (Huang, 2008).

In sum, China is by all means a global power whose rise has had a transformative impact on the global context, yet its global influence is still developing. In order to fortify its place in the international system and continue rising as a global power, the PRC needs to continue empowering itself internally by effectively addressing the domestic fragilities that could impede its progress. This will firstly win Beijing the support of its citizens who can fortify it further in its rise to power, then it will enhance its legitimacy in the eyes of the international community. Nonetheless, China needs to rein in the public's incendiary emotions and tone down their high national morale towards some of the sensitive foreign policy issues. Otherwise this could one day result in domestic unrest that could escalate into an international conflict, which would in turn constitute a setback in Beijing's increasingly improving relations with the world. Once Beijing achieves all that, the PRC would become a First-World global power that can possibly one day replace the United States as the world's superpower.

Studying China's generally moderate current foreign policy and its patterns of behaviour particularly over the past few years, this study predicts that the Chinese power expansion would not be aggressive in nature. As Ramo (2004) rightfully proposed, the PRC will most likely continue accumulating power in the context of its

"peaceful development" then use its economic dominance and its political skills to achieve its objectives of becoming a pole in a multipolar world order.

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إعداد

نور قباعة

المشرف

الدكتور حسن المومني

ملخـــــص

لقد تعاملت هذه الرسالة مع وضع القوة الحالي للصين في المنظومة الدولية وهو الموضوع الذي يحظى باهتمام رئيسي لدى صناع السياسة والمفكرون في عالم السياسة الدولية على حد سواء، وذلك على ضوء صعود الصين الاستثنائي للقوة خلال العقدين الماضيين.

وتعويلا على إطار العمل النظري الواقعي وخاصة مفهوم القوة المثير للجدل، ومن خلال استخدام منهج مستويات التحليل، تحاول هذه الرسالة الإجابة على ما إذا كانت الصين قوة إقليمية أم عالمية.

وتخلص الرسالة إلى الاستنتاج بأن الصين هي قوة عالمية لم تتبلور بعد لتصل لمنزلة قوة عالمية أولى. فعند اعتبار القوة خاصية من خلال دراسة العناصر الوطنية للقوة في جمهورية الصين الشعبية، تكشف هذه الرسالة أن الصين تمتلك الميزات التي تؤهلها لتكون قوة عالمية بغض النظر عن بعض الهشاشات المحلية، خاصة الفجوة الآخذة في الاتساع بين التحرر الاقتصادي والإصلاح السياسي البطيء، وهو الذي يمكن أن يعيقها في التحول لقوة عالمية.

وعند تفحص مفهوم القوة استنادا للتبعات التي نجمت عن استخدام الصين لقوتها في علاقاتها مع الدول الأخرى تظهر الرسالة بأن الصين تتصرف، وعلى نحو متزايد، مثل قوة عالمية ليست معنية فحسب بتطورها الخاص وإنما أيضا بتطورات الأحداث العالمية وبالحفاظ على النظام العالمي.

وأخيرا فإن هذه الدراسة تتنبأ بأن صعود الصين إلى مصاف العالمية لن يكون صعودا عدوانيا في طبيعته على ضوء أنها تعمل في إطار نظام دولي وتروج لأفكار مثل التعددية القطبية والاعتماد المتبادل.