



Pontificia Universidad Católica de Valparaíso  
Centro de Estudios y Asistencia Legislativa



**La Estrategia de Proyección de Poder Chino desde Xi Jinping**

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**China's Power Projection Strategy since President Xi Jinping**

*Español -- English*

Kevin S. Anderson

Profesor Guía: Juan Pablo Glasinovic

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## Abstract

The tremendous growth and development of China since the turn of the 21<sup>st</sup> century is an accomplishment unparalleled in human history. Just as the 19<sup>th</sup> and 20<sup>th</sup> centuries have been called '*Pax Britannica*' and the 'American Century' due to the dominance of Britain and the United States, respectively, many scholars describe the rise of China in the current era as the 'Chinese Century.' This investigation examines China's 'Great Rejuvenation' in terms of its ability and desire to project its rising power and influence in the world. It focuses on the ambitious strategy outlined by its current leader Xi Jinping, who became head of the Communist Party in 2012 and China's President in 2013. Xi Jinping quickly vectored China away from his predecessor's 'Keep a Low Profile' paradigm to a more self-confident and proactive 'Strive for Achievement' strategy which emphasizes a more assertive global role for China as it actively seeks to realize its 'Chinese Dream'-- a return to the great power status it enjoyed in centuries past.

This investigation explores Xi Jinping's new achievement-oriented strategy as it applies to different regions, from its relations with its neighboring countries, to Eurasia, the United States, Africa, and Latin America. The study first summarizes current academic literature describing power as an international relations objective. It then offers a historical and cultural framework in order to provide a contextual foundation for China's current ambitions. The investigation next utilizes an analytical approach of case study and data analysis to explore the changing nature of China's power projection strategy. The work analyzes China's power projection in terms of its capabilities (instruments of power) and its methods (cooperation, coercion, attraction, and subversion) to support the overall thesis that while China's increase in power projection in the world has been principally cooperative in the 21<sup>st</sup> century, since the beginning of the Xi Jinping administration, China has opted for an aggressive reformulation of its global strategy, introducing more assertive, and at times coercive, methods in its worldwide projection of power.

## Glossary of Abbreviations and Terms

AA/AD: Anti-Access / Area Denial  
ACRI: Australia-China Relations Institute  
ADIZ: Air Defense Identification Zone  
AIIB: Asian Infrastructure Investment Bank  
ASEAN: Association of SE Asian Nations  
BRI: Belt and Road Initiative  
CCP: Chinese Communist Party, see CPC  
CGTN: China Global Television Network  
CPC: Communist Party of China  
CRI: China Radio International  
DOD: Department of Defense  
ECS: East China Sea  
EEZ: Exclusive Economic Zone  
FDI: Foreign Direct Investment  
FIC: First Island Chain  
FONOP: Freedom of Navigation Operation  
FTA: Free-Trade Agreement  
GDP: Gross Domestic Product  
IMF: International Monetary Fund  
IR: International Relations  
JASDF: Japan Air Self-Defense Force  
KLP: Keep a Low Profile  
LAC: Latin America and the Caribbean  
NCR: National Capital Region (Washington DC)  
NED: National Endowment for Democracy  
NGO: Non-governmental Organization  
NM: Nautical Mile  
OBOR: One Belt, One Road<sup>1</sup>  
RCEP: Regional Comprehensive Economic Partnership  
SAM: Surface to Air Missile  
SCS: South China Sea  
SFA: Strive for Achievement  
SIC: Second Island Chain  
SOE: State-Owned Enterprise  
TPP: Trans-Pacific Partnership  
UN: United Nations  
UNCLOS: UN Convention for the Law of the Sea  
WTO: World Trade Organization

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<sup>1</sup> OBOR was an alternative term for Belt and Road Initiative (BRI) used prior to 2016. It was replaced with BRI to avoid confusion after multiple belts and roads were subsequently proposed.

*“International politics, like all politics, is a struggle for power.”*

-Hans Morgenthau<sup>2</sup>

## Chapter 1: Introduction and Methodology

### Background

The tremendous rise of China as a powerful diplomatic, military, and economic actor on the world stage has been one of the most relevant and significant occurrences of the 21st century. A brief look at the numbers reveals the astonishing changes which have taken place inside the country in just two decades. In 2001, the year it joined the World Trade Organization (WTO), China was in 7<sup>th</sup> place in terms of the worldwide import and export of goods and materials, and accounted for 3.9% of world gross domestic product (GDP). From the beginning of the century, China has experienced an astounding 8-10% growth rate for almost two decades straight, recently earning the top spot in global commerce and over 15% of global GDP.

Much of China's incredible success can be attributed to the strategic vision of its former leader Deng Xiaoping, who in 1978 rekindled his beleaguered country through the creation of liberal economic and social reforms that unleashed the vast potential of the Chinese people. Whereas Mao Zedong's original Chinese Communist Revolution (1949) was characterized by appalling economic and social upheaval, Deng's 'Second Revolution' was based on the liberalization of its internal affairs, as well as a pragmatic and cooperative foreign relations strategy known as 'Keep a Low Profile' (KLP). Together, these two strategies contributed to over thirty years of sustained economic growth. As a result of Deng's vision, China rapidly ascended to the top of the global economy, leading many scholars to name the 21<sup>st</sup> century 'China's Century.' Prevalent too among many western analysts was optimism that China's rapid progress toward capitalism would naturally generate democratic reforms from within.

However, China's development under the KLP strategy was not without its critics, both external and internal to China. Externally, the United States, as well as China's regional neighbors, viewed China's rise with increasing distrust, decrying KLP as a cover which masked China's nascent hegemonic ambitions. Suspicions were further raised as previously dormant maritime disputes within the South China Sea (SCS) and East China Sea (ECS) escalated into regional crisis, and as allegations of cyber espionage further diminished relations between the United States and China. Internally, KLP created a rift within the Communist Party of China (CPC) leadership as well, with an increasingly vocal camp advocating for the rejection of Deng's passive strategy. This group felt that China's development goals should be more ambitious and forceful, inspired by the pursuit of the 'Chinese Dream' of returning to its world-power status it enjoyed in centuries past.

For this cadre of party members, there was a sentiment that China's moment had arrived. Emboldened by China's ability to avoid the catastrophe of the 'Great Recession' of 2008-2009,

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<sup>2</sup> Morgenthau, H. J., (1993). *Politics Among Nations: The Struggle for Power and Peace*. Boston, Mau.: McGraw-Hill.

and increasingly frustrated by a strategy which was seen as an impediment to China's rising world status, the new CPC faction became the majority. The leader of this camp, rising up from the Party ranks with his enigmatic, strong-man demeanor, was Xi Jinping. In 2012, he became leader of the CPC, and in 2013, the president of China. In just months he released a new strategic vision called 'Strive for Achievement' (SFA), which shunned KLP in favor of an active and assertive approach to Chinese power projection in the world—a vision defined by Xi's willingness to use all methods and instruments of power to actively and boldly pursue China's interests even when they contradict international norms and agreements.

This investigation focuses on the changes that have taken place since Xi Jinping's new SFA strategy began in 2012. It first provides the reader with an academic foundation describing the concept of power in international relations. It then provides historical context to facilitate an understanding of China's current ambitions. Next, the work reveals several current examples of China's new worldwide power projection strategy, focusing on the changes which have occurred in the years since SFA became the official doctrine of China. Finally, the investigation analyzes Mr. Xi's strategy to determine whether China will achieve its global ambitions in the 21<sup>st</sup> century.

## Problem

It is evident by both current events and analytical investigation that China is rapidly expanding its presence and influence in all regions of the world, especially in developing areas throughout Eurasia, Latin America and Africa, where its commitment to massive infrastructure projects has dramatically increased its global legitimacy and power. Xi Jinping, for his part, has provided a bold vision for China's 'Great Rejuvenation', and dramatic changes have taken place since he took control of the nation. Unlike his predecessors, Xi's strategy encourages assertive Chinese leadership well beyond its borders, and seeks prosperity primarily through international economic and diplomatic engagement. However, it also differs greatly from the previous KLP strategy by declaring a hardline approach with respect to its core interests, with red lines drawn on such issues as economic protectionism, maritime territorial disputes, and the sovereignty of Taiwan, Tibet, Xinjiang, and Hong Kong. Consequently, as evidenced by the escalating 'trade war' with the United States, Mr. Xi's new approach places it on a collision course with the US and regional neighbors alike, and has become a major source of apprehension in the international community. Yet on the other side of the spectrum, China's transition toward an active role on the world stage has been welcomed by many countries as well, resulting in a multitude of diverse reactions ranging from optimism to suspicion and fear.

Unfortunately, prevailing literature tends to be polarized toward either unyielding optimism for the cooperative elements of China's rising influence, or exaggerated criticism of the risks and consequences of an ascendant China. As such, many analyses fail to fully and fairly characterize Xi Jinping's new 'Strive for Achievement' strategy, which has inspired, for the first time since Mao Zedong, a deliberately assertive and proactive approach to its international relations policy. This transition from a passive to proactive international stance produces many unanswered questions with respect to the changes which have taken place since the new strategy came into

existence. Therefore, while the transition from KLP to SFA has resulted in new trends in Chinese power projection, there is a scarcity of information concerning its characteristics, few concrete examples, and even fewer recommendations which may contribute to a proactive adaptation by the international community to China's new global posture.

## Paper Organization and Structure

This problematization leads to several questions which will be addressed in this investigation, and which serve as the framework on which the paper is presented. The overall question to be answered is:

*Since Xi Jinping became president, how and why has China's strategy and implementation of its global power projection changed?*

In order to answer this overall question, several preceding questions will be answered, as follows:

- Chapter 1: Why has this topic become relevant?  
How will the issue be presented?  
What methodology and theoretical framework will be used?
- Chapter 2: How is power analyzed, and what is the relationship between 'instruments' of power and 'methods' of power?  
What are the recent theoretical trends and advances in the academic community regarding power?
- Chapter 3: How has China's history affected its views and ambitions with respect to power and influence in the world?  
How has Xi Jinping harnessed this historical context, and what does he hope to achieve?
- Chapter 4: How has China's newly assertive strategy been implemented since Xi Jinping?
- Chapter 5: What factors influence whether Xi Jinping will achieve his goals?  
What conclusions can be made concerning China's power projection strategy since Xi Jinping?
- Conclusion: Will China's power projection strategy ultimately be successful in the 21<sup>st</sup> century?



## Objectives

The structure and questions presented above synchronize with the following objectives. The overall objective of this work is as follows:

- Evaluate the characteristics and changes of Chinese global power projection since 2012, with the intention of determining why, when, and how a new strategy began under the government of Xi Jinping

The subobjectives of this work are:

- Describe the current body of knowledge regarding the international relations concept of power. Resolve ambiguities regarding methods vs instruments of power, and identify academic trends
- Examine the historical significance of Xi Jinping's assertive power projection strategy
- Identify the internal economic, social, and political pressures which have contributed to a changing foreign policy under Xi Jinping
- Characterize and analyze concrete examples of China's implementation of its overseas power projection, emphasizing strategic changes and trends since 2012

## Hypothesis

The investigation seeks to support and defend the following thesis:

Under the leadership of Xi Jinping, China has opted for a reformulation of its power projection strategy, establishing a more assertive and forceful international posture which endorses the use of more diverse instruments of power. Since 2012, while China has expanded its worldwide power projection in a largely cooperative manner, Xi Jinping's administration has also rapidly expanded its use of coercive methods, including hard power and 'sharp power' as additional elements to advance its interests abroad.

## Theoretical Framework

The central premise and conceptual model used in this investigation is the concept of power as the principle 'currency' in international relations (IR). Power is a fundamental concept of IR theory (see next chapter), and it was selected as the cornerstone of this paper because it is an excellent tool to help explain China's complex international relationships. For instance, a student attempting to understand a recent showdown between the US and China in the South China Sea, would find it advantageous to use 'great power competition' as his mental model. Were that same student attempting to understand the importance of China's Belt and Road Initiative (BRI), they would

find it similarly beneficial to view the issue from the perspective of power—in this case, however, using the concepts of ‘cooperative economic power’ and ‘smart power’ as their foundation. In fact, the versatility of power is its main attribute. It is universal in the sense that all IR theories utilize, to some extent, the idea of power in their descriptions.

As will be described in the next chapter, power has historically been defined as the ability of one nation to impose its will or influence on another using its military and economic strength. Within this ‘classical realism’ lens, power was viewed as a material resource (wealth, military hardware, manpower, etc.) which provided a source of both security and control. In this context, the accumulation of power became an overall goal of international relations. However, as IR theories have developed, the definition of power has evolved as well. Within the lens of both neo-realism and liberalism, for example, theorists placed higher emphasis on security alliances and mutual cooperation on the international stage, and thus, the definition of power broadened from a measure of material resources to that of ‘power via the strength of relationships.’ Under this viewpoint, a traditionally ‘weak’ country could become more powerful by forming effective military and economic alliances with its neighbors. The definition further evolved with the arrival of neo-liberalism, which refined the concept of cooperative power to include the idea of ‘soft power’ and ‘smart power.’ Under these mental constructs, the realist’s idea of a balance of power was offset by more idealistic notions such as ‘complex interdependence’, wherein power was measured in terms of cooperative exchanges of power in lieu of more traditional coercive forms.

As explained in the next chapter, with its broad range of definitions and measurements, the concept of power can be simultaneously helpful and elusive. On one hand, measuring power in terms of material resources, for example, is both useful and straightforward. When possible, this investigation will accomplish this in the form of a quantitative analysis. However, measuring ‘power in terms of influence’ and ‘power in terms of status’ is a more complex endeavor, since it is often impossible to isolate and measure power as an independent variable. In this case, a qualitative analysis will be conducted by means of applicable case studies.

## Methodology

Since power must be analyzed both quantitatively and qualitatively, the methodology used in this investigation is informed by the ‘hybrid analytical approach’ created by Princeton University senior political scientist, Dr. David Baldwin, PhD, in his 2016 book *Power and International Relations*.<sup>3</sup> His approach recommends that first and foremost, researchers separate ‘methods’ of power from ‘instruments’ of power, in order to alleviate potential confusion. ‘Methods’ represent the *strategy* or *manner* in which power is used or exchanged in what Dr. Baldwin calls a ‘power relationship’ between two actors. As will be described in the next chapter, there are several methods of power projection, and they answer the question of “How?” with terms like ‘cooperative’, ‘coercive’, ‘attractive’ and ‘subversive.’ Conversely, ‘instruments’ refers to the *tools* which are used in a power relationship, and they answer the question “With what?” In 1985,

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<sup>3</sup> Baldwin, D. A. (2016). *Power and International Relations: A Conceptual Approach*. Princeton: Princeton University Press.

Dr. Baldwin created a useful scheme for classifying the means/tools of influence into what he called ‘instruments of power’, using the following categories:

1. Informational-Symbolic Means: This involves all manner of information transfer such as news, speeches, propaganda, narratives, and cultural exchanges.
2. Economic Means: Money, goods, and services transferred to other countries
3. Military Means: Actual or threatened use of force.
4. Diplomatic Means: International engagement and negotiation.<sup>4</sup>

From the 1990s onward, the US Department of Defense (DOD) and several think tanks adopted Dr. Baldwin’s instruments of power construct, reordering them into the acronym DIME as a tool to help organize the various tools available for one country to influence another. This DIME methodology will be used in this investigation.

In addition to Dr. Baldwin’s methodology, this paper uses case study analysis to conduct a qualitative analysis. Robert Yin’s *Case Study Research* provides a helpful guide for researchers.<sup>5</sup> In this book, Yin discusses the benefits of various qualitative analysis options, and ultimately recommends case study analysis in investigations wherein a) the subject matter refers to contemporary events, b) the variables cannot be experimentally manipulated, and c) based on complexity, no two situations or events are the same. In such a case, Yin encourages an explanatory approach using the ‘hermeneutic method’ of systematically stepping through the questions ‘Who? What? Why? How? When? Where? and ‘By what means’?<sup>6</sup>

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<sup>4</sup> Baldwin, D. A. (2016). *Power and International Relations: A Conceptual Approach*. Princeton: Princeton University Press.

<sup>5</sup> Yin, Robert (2009). *Case Study Research: Design and Methods*. Fourth Edition. SAGE Publication. 8.

<sup>6</sup> Detel, Wolfgang (2011). Hermeneutics. *The Stanford Encyclopedia of Philosophy*. Edward N. Zalta (ed.) Retrieved from <https://plato.stanford.edu/archives/win2016/entries/hermeneutics/>

## Chapter 2: Power Theory

The purpose of this chapter is to establish a foundation of knowledge concerning the use of power in international relations (IR) theory. The chapter will define the term, discuss the evolution of power as an IR tool, and explain the ongoing trends within the academic community with respect to the subject. This section is important because it lays the conceptual framework concerning a central tenant in international relations, thereby allowing readers to better understand the examples used in subsequent chapters.

### Principal Theories

To understand the value of power-theory, it's important to first understand that the discipline of IR is characterized by the use of multiple theoretical models that can be used to analyze and understand international relationships. These models, also called 'IR theories' or 'IR perspectives,' provide paradigms with which to view the international system. The paradigms offer various points of view to help explain the motivation and goals underlying complex interactions, recommend courses of action based on national interests, and even help predict, to some extent, the decisions which other actors may make. As will be described next, different IR theories can provide very different explanations for the same event or relationship. Yet despite their dissimilarities, all of them utilize the idea of power as a central theme. While each theory utilizes a slightly different definition of power, political theorist Dr. Robert Dahl offers the most universal definition, stating that underlying every explanation of power "is the basic intuitive notion of A causing (or having the ability to cause) B to do something that B otherwise would not do. (Where 'A' refers to the actor having or exercising influence; while 'B' refers to the actor being, or potentially being, influenced)." <sup>7</sup> For the purposes of this work, Dahl's concept of power as the ability of one actor to influence or control others, will be used.

Dahl's basic definition of power serves as a point of departure for this complex topic, and it can be more thoroughly understood when viewed through the perspectives of different IR theories. For instance, one of the most essential IR theories which will be applied to this investigation is called 'realism.' Realism, although a highly diverse school of thought, is unified around the central idea that politics between nations is, by its nature, a competitive and at times conflictive, pursuit of power. The central propositions of realism are:

1. That states are the central actors in international politics, rather than individuals or international organizations.
2. That international politics, by its nature, is anarchical in the sense that no supranational authority enforces rules over states.
3. That actors in the international system are rational, seeking to maximize their self-interests.

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<sup>7</sup> Dahl, Robert A. (1957). The Concept of Power. *Behavioral Science*, 2: 201- 15

4. That all states desire power to ensure their security and prosperity.<sup>8</sup>

Historically, the legacy of realist thinking can be traced back to famous theorists such as Thucydides, Machiavelli, and Thomas Hobbes, who defined power as the ability of a nation to maintain security and achieve its own self-interests. According to this early realist logic, power was viewed as a tangible resource that was quantifiable in mostly economic and military terms. This thinking created a legacy which views power as a central goal, a means of security, and above all, a material resource. It continues to be a meaningful description since it permits quantitative measurement of certain well-defined means of influence and control, such as wealth, population, territory, and military strength.<sup>9</sup>

In fact, one of the most influential books in international relations, *Politics Among Nations* by Dr. Hans Morgenthau, is written from the perspective of realism—specifically, a subset of realism which he labels ‘political realism.’ In this work, Morgenthau confirms that “political realism believes that politics, like society in general, is governed by objective laws that have their roots in human nature.”<sup>10</sup> The keystone to his work is the central concept that international interest is “defined in terms of power,” with the assumption that political leaders act in the interest of their nation’s competitive pursuit of national power, which is prioritized higher than ethics or morality.<sup>11</sup> Similar to his realist predecessors, he defines power as “the control of man over the minds and actions of other men, a phenomenon to be found whenever human beings live in social contact with one another.”<sup>12</sup>

Dr. Morgenthau is also one of the first authors to define what it means to ‘project’ national power, saying that it is “the art of bringing the different elements of power to bear with maximum effect upon those points in the international situation that concern the national interest most directly.”<sup>13</sup> Although he closely follows the realist logic of his predecessors, Morgenthau’s work is important because it advances the concept of power beyond the quantitative and material understanding of earlier theorists. For example, in addition to the classical elements of power previously noted, Morgenthau also highlights the importance of intangible and qualitative power, such as a nation’s cultural attributes like morale and stability, as well as the competence of its diplomats to conduct foreign affairs. He says that “Of all the factors that make for the power of a nation, the most important, however unstable, is the quality of diplomacy,” and further emphasizes the point by noting that “the quality of a nation’s diplomacy combines [tangible resources] into an integrated whole, gives them direction and weight, and awakens their slumbering potentialities by giving them the breath of actual power.”<sup>14</sup>

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<sup>8</sup> Kurtz, D. V. (2018). *Political Anthropology: Power and Paradigms*. Routledge.

<sup>9</sup> *Ibid*.

<sup>10</sup> Morgenthau, H. J., (1993). *Politics Among Nations: The Struggle for Power and Peace*. Boston, Mau.: McGraw-Hill.

<sup>11</sup> Morgenthau did not advocate immoral or unethical behavior, but rather noted that prudence and rational behavior also underpinned human nature. He argued that although humans are political animals who pursue their own interests, they are also moral animals naturally inclined to constraint.

<sup>12</sup> *Ibid*, 113.

<sup>13</sup> *Ibid*, 152.

<sup>14</sup> *Ibid*, 152.

The realist description of power as a possession or property of a state is beneficial to the understanding of this investigation, and its concept of tangible ‘elements of power’ will be used to describe some aspects of Chinese power projection in later chapters. However, the realist paradigm is also incomplete, and its weaknesses are highlighted in another important IR theory called ‘liberalism.’ Liberalism serves as the counterpoint to realism, and contends that realism’s appraisal of human nature and its emphasis on anarchical power politics oversimplifies reality, fails to describe the phenomenon of international cooperation, and can be misused to justify aggression. Instead, liberalism is based on the belief that the current global system can engender a peaceful world order. Rather than relying on coercive and transactional relationships, liberalism places emphasis on international cooperation as a means of furthering national interests. Since the end of World War II, the liberal school of thought has been the chief advocate for international organizations such as the United Nations and World Trade Organization, continues to promote international trade through interconnected markets, and attempts to spread democracy based on the observation that well-established democracies are less likely to go to war with each other.<sup>15</sup>

Liberalism began to take form in the 17<sup>th</sup> and 18<sup>th</sup> centuries, driven by the ideals expressed during the Enlightenment, with important works from philosophers such as John Locke, Adam Smith, Voltaire (François-Marie Arouet), and Immanuel Kant. These authors, in general, held a more optimistic assessment of human nature and advocated what would later become central pillars of liberalism. For instance, Locke’s ‘blank slate’ concept described human nature as characterized by reason and tolerance, which conflicted with the pessimistic appraisal held by realists at the time. Adam Smith further contributed to the liberal economic concepts with his theories concerning classical free market economics. Voltaire advocated democracy and the separation of church and state, while Kant supported the idea that perpetual peace could be established through democracy and international cooperation. Over the centuries, these theories advanced a divergent IR view to counterbalance the proposals of realist thinking. By the middle of the 20<sup>th</sup> century, liberalism and its various branches became a dominant IR theory on par with realism in terms of acceptance and prevalence.<sup>16</sup>

With respect to the concept of power, liberalism contributes significantly to the topic by challenging the realist’s ‘power as resources’ approach. In a significant work by Harold Lasswell and Abraham Kaplan called *Power and Society* (1950), the authors propose that power should be described in terms of actual or potential *relationships*, not simply in terms of military coercion or economic transactions. This ‘relational power’ paradigm broadens the previously understood ‘elements of power’ to include any traits which influence the behavior of another, including beliefs, attitudes, preferences, opinions, expectations, and dispositions to act. Therefore, while realism assumes that power is a ‘thing’, liberalism proposes that power is an ‘interaction.’ This important advancement expanded the field of IR research to include a multitude of synergistic relationship opportunities.<sup>17</sup>

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<sup>15</sup> Shiraev, Eric B. (2014). *International Relations*. New York: Oxford University Press. p. 78.

<sup>16</sup> Habermas, J. (2018). *Inclusion of the other: Studies in political theory*. John Wiley & Sons.

<sup>17</sup> Lasswell, H. D. and Kaplan, A. (1950). *Power and Society: A framework for political inquiry*. Routledge.



Dr. David Baldwin, a political scientist at Princeton, suggests that liberalism's 'relationship paradigm' has produced a revolution in the understanding of power in IR theory by highlighting its multidimensional nature. In viewing power as a relationship, theorists have been able to focus on its cooperative aspects, employing modern concepts such as game theory to emphasize the possibility of mutual wins. As an example, in recent decades a new IR school of thought has been developed, founded on the idea that, unlike realism's fundamental tenant of interstate competition, states are instead inextricably tied together in a complex network of cooperative associations. Called 'neoliberalism', this theory was created by Robert Keohane and Joseph Nye, who observed that the world is characterized by countless formal and informal ties binding societies together. This network of relationships creates a phenomenon known as 'complex interdependence' wherein the success of one state contributes to the success of another. Keohane and Nye suggest that when 'complex interdependence' ties nations together, states rationally choose cooperative power relationships over military force to resolve conflicts of interests. As will be discussed in subsequent chapters, 'complex interdependence' theory is a valuable tool to understand China's international power projection.<sup>18</sup>

### New Thinking on Power

Although many IR theories exist, three (realism, liberalism, neoliberalism) were included based on their relevant contributions to the subject of power theory. However, it is worth mentioning that there are other important contributions in the study of power that are independent from the formal IR theories explained earlier. The first, and arguably the most important, is the concept of 'soft power.'

Soft power is a term created by Harvard University professor Dr. Joseph Nye, in his 1990 book *Bound to Lead: The Changing Nature of American Power*.<sup>19</sup> In the book, he writes: "when a country makes other countries want what it wants, this could be called 'cooperative' or 'soft power', in contrast to 'hard power', which coerces other countries to do what you want."<sup>20</sup> Nye defines the term as "the capacity to obtain what you want through attraction instead of coercion or payment," and in 2004 he elaborated on three natural sources of soft power: 1) a country's culture (when that culture is considered attractive to others), 2) its political values, and 3) its foreign policy. While Nye was not the first person to propose the existence of this 'second face of power', his skill in consolidating and describing the theory was praised as an intuitive and applicable contribution to the field of research. Within a few years of the theory's introduction, it had become a readily accepted extension of power analysis in international relations.<sup>21</sup>

A key attribute of soft power is its broad applicability to other IR perspectives. Realist thinking, for example, views soft power as a useful tool with which nations can subtly control other nations,

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<sup>18</sup> Keohane, R. O., & Nye, J. S. (1977). *Power and Interdependence*. Boston: Little, Brown and Company.

<sup>19</sup> Nye, J. S. (1990). *Bound to Lead: The Changing Nature of American Power*. New York: Basic Books.

<sup>20</sup> *Ibid*, 47.

<sup>21</sup> Soft power defined. (2011). Retrieved June 11, 2017, from <http://www.ey.com/gl/en/issues/driving-growth/rapid-growth-markets-soft-power-index-soft-power-defined>

while liberal thinking emphasizes soft power as a peaceful alternative to ‘hard power’ tools such as war, threats, and sanctions. For his part, Nye highlights its applicability to neoliberalism’s ‘complex interdependence’ theory, where he mentions its usefulness in connecting societies using cooperative behaviors in a decentralized [international] system.<sup>22</sup>

Although soft power has become a well-accepted IR concept, certain misunderstandings and myths prevail which detract from the comprehension of the term. First, many erroneously consider that soft power is a ‘morally superior’ method of power projection, especially in comparison to other coercive methods. However, Nye is careful to explain that the power to influence others through attraction does not always have desirable outcomes, stating “soft power can be used for bad as well as good, as Hitler, Stalin, and Mao each demonstrated. It isn’t a decision between realism and idealism, but simply a form of power that can be utilized to get what you want.”<sup>23</sup> An additional error, says Nye, is to consider economic power to be synonymous with soft power. He mentions that although wealth and economic strength do provide a ‘source of seduction’ for other countries, other elements of economic strength such as sanctions, loans, and investments belong in their own conceptual category since their mechanisms of influence are outside of the scope of soft power. Finally, Nye says that a third myth is that a nation’s armed forces are exclusively elements of ‘hard power.’ Although many consider militaries in terms of battlefield capability, Nye mentions that activities such as ‘humanitarian aid, military to military cooperation, and training programs, can establish transnational networks which improve the soft power of a nation.’<sup>24</sup>

### Methods of Evaluating Soft Power

One of the most elusive aspects of soft power is the ability to quantify and compare it with other nations. To manage this requirement, two prevailing methodologies exist. The first, and most basic, consists of public surveys aimed at determining the level of attraction of one nation in relation to another. The second, and more comprehensive, ascertains a nation’s soft power based on the consideration of both objective and subjective factors. Regarding the first option, although the method is basic, the results can be very informative. By surveying a population over time, valuable information can be derived which reflect both the current status and the overall trend of a nation’s soft power. The most comprehensive survey comes from the Institute of Public Perception, which ranks countries based on their reputation, as seen in Figure 1.<sup>25</sup> Another organization, Pew Global, publishes country specific surveys. The example in Figure 2, for instance, shows the Japanese public opinion of China over the last decade, indicating a decisive drop in favorability since 2012—the same year Xi Jinping took power and the Senkaku Island crisis began.<sup>26</sup>

<sup>22</sup> Nye, J.S. (2004). *Soft Power: The Means to Success in World Politics*. Chapter 4, Wielding Soft Power. April 5, 2004. Available Online: [http://belfercenter.ksg.harvard.edu/files/joe\\_nye\\_wielding\\_soft\\_power.pdf](http://belfercenter.ksg.harvard.edu/files/joe_nye_wielding_soft_power.pdf)

<sup>23</sup> *Ibid.*

<sup>24</sup> Nye, J. S. (1990). *Bound to lead: The Changing Nature of American Power*. New York: Basic Books.

<sup>25</sup> Rush, J. (2015, July 16). Canada unveiled as the country with 'the best reputation' in survey on global perceptions. Retrieved June 11, 2017, from <http://www.independent.co.uk/news/world/americas/canada-unveiled-as-the-country-with-the-best-reputation-in-survey-on-global-perceptions-10392817.html>

<sup>26</sup> Heimlich, R. (2010, April 22). Global Indicators Database. *Pew Global*. Retrieved from <http://www.pewglobal.org/database/indicator/24/survey/all/>



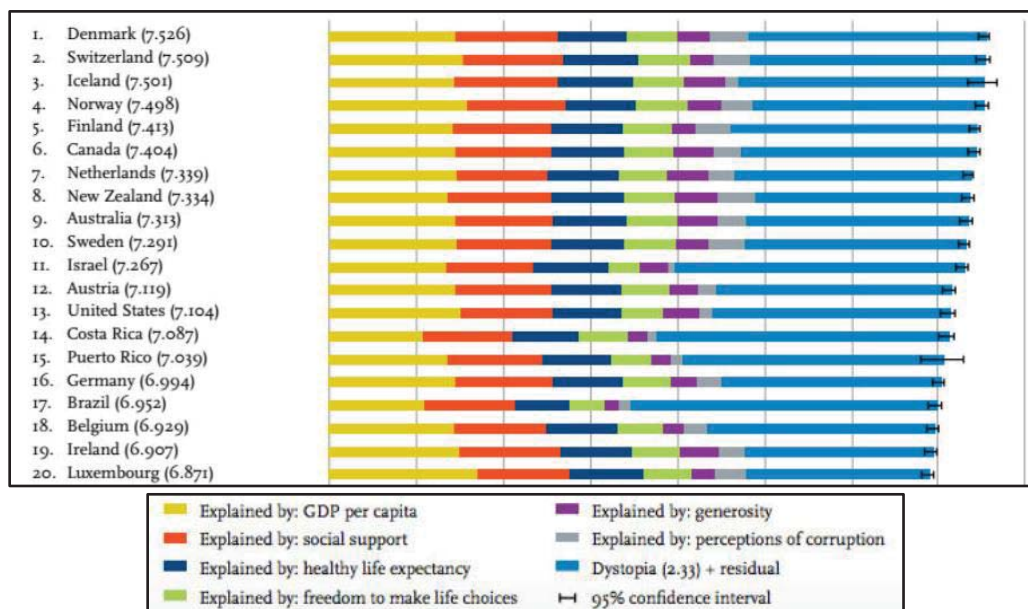


Figure 1: Example Global Public Perception Survey, 2017<sup>27</sup>

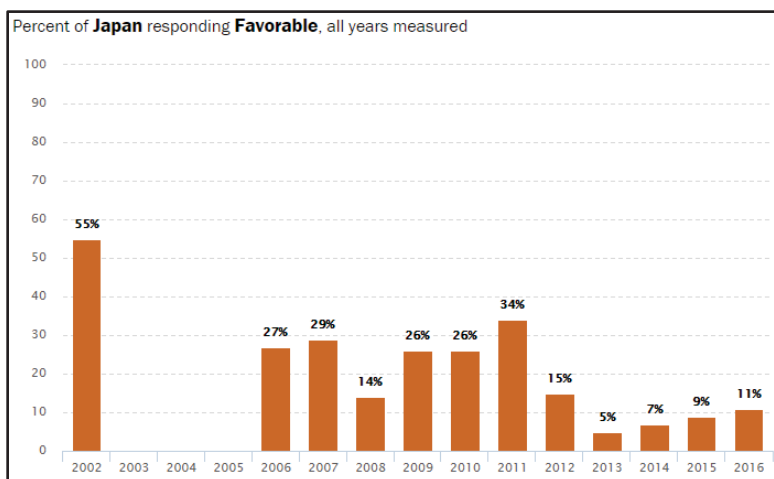


Figure 2: Survey of Japanese View of China, 2002-2016<sup>28</sup>

While informative, survey-based methodologies have inherent weaknesses with respect to their objectivity. For example, the fact that Denmark has the best global reputation, although a useful metric, reveals only a small portion of its soft power. As a response to this criticism, the USC Center on Public Diplomacy created the ‘Soft Power 30,’ which measures the relative strength of each countries’ soft power resources using a combination of objective data (measured across six categories) and subjective surveys. This method considers a country’s culture, economic model,

<sup>27</sup> Rush, J. (2015, July 16). Canada unveiled as the country with 'the best reputation' in survey on global perceptions. Retrieved June 11, 2017, from <http://www.independent.co.uk/news/world/americas/canada-unveiled-as-the-country-with-the-best-reputation-in-survey-on-global-perceptions-10392817.html>

<sup>28</sup> Heimlich, R. (2010, April 22). Global Indicators Database. Retrieved June 11, 2017, from <http://www.pewglobal.org/database/indicator/24/survey/all/>

education level, engagement, political institutions, and digital infrastructure to create an indexed score for each nation, which Dr. Nye describes as “the clearest picture of global soft power to date.”<sup>29</sup> Figure 3 specifies the factors and weighting which are considered in the index. The results generally match expectations as well; the top five countries of 2018, based on this methodology, are the United Kingdom, France, Germany, United States, and Japan. China ranked 27<sup>th</sup>.<sup>30</sup> Further results of both of these methodologies, as they apply to China, will be revisited later in the investigation.



Figure 3: Soft Power 30 Methodology<sup>31</sup>

## Shades of Grey

To this point in the chapter, power has been divided into three distinct categories: coercive, cooperative, and attractive. However, as evidenced by US President Theodore Roosevelt’s famous quote “Speak softly, and carry a big stick,” it is clear that real-world power projection uses a combination of all these methods at the same time. This deliberate blend of methods of power, while not new, was labeled ‘smart power’ by Dr. Joseph Nye in 2004. The Center for Strategic and International Studies defines smart power as “an approach that underscores the necessity of a strong military, but also invests heavily in alliances, partnerships, and institutions of all levels to expand one’s influence and establish legitimacy of one’s action.”<sup>32</sup> Within this definition, the prevailing theme of smart power is the importance of mixing and synchronizing elements of power in ways that are the most cost effective, and which create the most political and social legitimacy.<sup>33</sup> The term is mentioned here in order to familiarize the reader in preparation for its future use.

<sup>29</sup> The Soft Power 30 (2018). Global Ranking of Soft Power 2018. *USC Center of Public Diplomacy*. Retrieved from <https://softpower30.com/wp-content/uploads/2018/07/The-Soft-Power-30-Report-2018.pdf>

<sup>30</sup> *Ibid.*

<sup>31</sup> *Ibid.*

<sup>32</sup> Cohen, C. and Nye, J. (2017) CSIS Commission on Smart Power: A Smarter, More Secure America. *Center for Strategic and International Studies*. Retrieved from <https://www.csis.org/analysis/smarter-more-secure-america>

<sup>33</sup> Crocker, C. (2007). *Leashing the Dogs of War: Conflict Management in a Divided World*. *US Institute of Peace Press*. p. 13. ISBN 978-1-929223-97-8.

Finally, in November 2017, a new theory of power emerged from a report by the National Endowment for Democracy (NED). The report proposed the existence of a fourth type of power projection which doesn't neatly fit into the three categories previously mentioned. Named 'sharp power', it describes a strategy of subversion which seeks to control and influence another nation by means of distorting the flow of information reaching both policy makers and the public. This includes examples such as the deliberate use of 'fake news' to polarize and divide a populace, as well as secret campaign contributions meant to influence advantageous policy decisions. The authors conclude that sharp power is challenging because it sits in the 'grey-zone' between hard power and soft power, and as a result it is difficult to identify and counteract. It is also important to mention that the NED article where 'sharp power' first appeared was directly aimed at China and Russia. The authors analyzed recent trends in China's 'influence operations' and discovered that the country was manipulating other nations in previously unrecognized ways. In one example, the article describes China's purchase of dozens of radio stations inside strategic nations in order to control the flow of Chinese propaganda from them. In another case, China was implicated in dozens of secret campaign contributions to Australian officials. A notable Russian example included the information operation which generated fake news on social media platforms in order to influence the 2016 US presidential election.<sup>34</sup>

#### Analysis of Power:

Dr. Baldwin, in his book *Power and International Relations: A Conceptual Approach* (2016), makes a helpful contribution to the analysis of power. In the work, he observes that the study of power can be simplified if we separate the 'methods' of power projection from the 'instruments' of power. To clarify, he explains that methods of power include the previously mentioned mechanisms which one actor uses to influence another, including cooperation, coercion, attraction, and subversion. On the other hand, 'instruments of power' describe the material and immaterial resources or tools used in the relationship.<sup>35</sup> They can be considered the 'means' of exercising influence, and since 1985, these instruments of power have commonly been consolidated into what is known as the 'DIME' acronym (Diplomatic, Information, Military, Economic). 'Diplomatic' power is that which is generated via treaties, forums, and negotiations between diplomats. 'Information' is the instrument of power which uses the exchange of knowledge and ideas by way of cultural exchange, propaganda, and strategic communication. 'Military' and 'Economic' instruments are likely the most intuitive, and Dr. Baldwin acknowledges that they are the most tangible and quantifiable of the four (Figure 3).<sup>36 37</sup>

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<sup>34</sup> National Endowment for Democracy (Dec 2017). Sharp Power: Rising Authoritarian Influence. *NED Forum*. Retrieved from <https://www.ned.org/sharp-power-rising-authoritarian-influence-forum-report/>

<sup>35</sup> Baldwin, D. A. (2016). *Power and International Relations: A Conceptual Approach*. Princeton: Princeton University Press.

<sup>36</sup> *Ibid.*

<sup>37</sup> *Ibid.*

<b>Instruments of National Power</b>			
<b>D</b> Diplomatic	<b>I</b> Informational	<b>M</b> Military	<b>E</b> Economic
<ul style="list-style-type: none"> <li>▪ Embassies/ Ambassadors</li> <li>▪ Recognition</li> <li>▪ Negotiations</li> <li>▪ Treaties</li> <li>▪ Policies</li> <li>▪ International forums</li> </ul>	<ul style="list-style-type: none"> <li>▪ Military information</li> <li>▪ Public diplomacy</li> <li>▪ Public affairs</li> <li>▪ Communications resources</li> <li>▪ International forums</li> <li>▪ Spokespersons, timing, media and venues for announcements</li> </ul>	<ul style="list-style-type: none"> <li>▪ Military operations</li> <li>▪ Engagement, Security Coop, Deterrence</li> <li>▪ Show of force</li> <li>▪ Military technology</li> <li>▪ Size, composition of force</li> </ul>	<ul style="list-style-type: none"> <li>▪ Trade policies</li> <li>▪ Fiscal and monetary policies</li> <li>▪ Embargoes</li> <li>▪ Tariffs</li> <li>▪ Assistance</li> </ul>

Figure 4: Instruments of Power: DIME Acronym<sup>38</sup>

Using Dr. Baldwin's method, this investigation will describe China's power projection by separating methods from instruments of power, as summarized below:

<b>Power</b>	=	<b>Actors</b>	+	<b>Instrument of Power</b>	+	<b>Influence Method</b>
		-states		-diplomatic		-cooperation
		-ONGs		-information		-coercion
		-companies		-military		-attraction
		-etc.		-economic		-subversion

*Ex: "Using the Belt and Road Initiative, China uses economic cooperation to project power to partner nations."*

<sup>38</sup> Lightning Press (2017). Instruments of National Power. Retrieved from <https://www.thelightningpress.com/the-instruments-of-national-power/>

## Summary of Theoretical Concepts

The following table summarizes the key concepts of power discussed in this chapter.

<b>Power</b>	<b>Realism</b>	<b>Liberalism</b>	<b>Neoliberalism</b>	<b>Other Theories</b>
<b>Definition</b>	Country A controls or influences B	A's behavior affects B's behavior  A's relationship with B is a principle source of power for both	Power is dispersed among interdependent relationship networks	1) A's values and culture attracts or repels B (Soft)  2) A's power is mix of realism and liberalism (Smart)  3) A can coerce B by corrupting B's decision making (Sharp)
<b>Key Ideas</b>	-Focuses on power as resource to be collected and expended  -Power is core IR goal  -IR characterized by anarchy	-Power as relationships  -Cooperation using multi-national organizations  -Democratic values reduce chances of war	- 'Complex interdependence' links states  -Game theory permits win-win	1) Soft Power -attraction  2) Smart Power -synchronization of instruments of power  3) Sharp Power -subversion of decision making
<b>Actors</b>	-States	-States -Multinational Organizations	-States -Non-govt org. -Businesses -Individuals -Ethnic groups	1) Cultures 1,2,3) States
<b>Instruments / Elements</b>	Diplomatic Military Economic	Information Economic	Information Cultural	Information Mix of all DIME (Smart Power)
<b>Methods</b>	Coercion Competition Cooperation	Cooperation	Cooperation Attraction	Subversion, Attraction

Table 1: Summary of Power Projection Theoretical Concepts

## Chapter 3: The Return of the ‘Middle Kingdom’

China’s extraordinary accomplishments in the 21<sup>st</sup> century, and Xi Jinping’s decisive rise as the ‘Paramount Leader’ of China, have created contradictory reactions throughout the world, including optimism toward future economic cooperation, anxiety with respect to a rapidly changing world order, and fear of major-power conflict in the coming decades. To help understand China’s historical significance as well as its current trajectory, this chapter discusses the observations and conclusions of two important books: *On China* by Henry Kissinger (2011), and *The Third Revolution: Xi Jinping and the New Chinese State*, written by Dr. Elizabeth Economy (2018).<sup>39 40</sup> Despite a vast amount of literature available on the topic, these two works are recommended for future scholars tackling this complex topic. They are mutually complementary in terms of content, and interdependent in terms of their chronology, relying on each other to paint a complete picture of China’s evolution from pre-history to the 21<sup>st</sup> century.

*On China* provides a historical foundation beginning with the earliest recorded Chinese literature through the year 2011, while *The Third Revolution* provides a detailed update on significant trends since Xi Jinping took power in 2012. On one hand, the books provide a unified message of cautious optimism that China’s rise can take place peacefully, and they agree that China’s increasing engagement in the world should not be viewed as zero-sum, but rather as a win-win opportunity for all. On the other hand, although Dr. Economy also sees hope for a peaceful future, her book adds a more nuanced, and at times disheartening, evaluation of China’s current political trendline. Although Kissinger closed his volume in 2011 with optimism over China’s liberalizing ‘Second Revolution’, Dr. Economy observes that an illiberal political shift took place immediately after Kissinger’s book was published. Despite expectations that capitalism and globalization would lead to a natural evolution toward Chinese liberalism and democracy, she instead concludes that Xi Jinping has led a sweeping return to single-party authoritarianism, thus erasing the liberalizing trends which took place inside the country since the end of the Cold War. Offering a somewhat unsettling sequel to Kissinger’s work, Dr. Economy observes that, contrary to Kissinger’s optimistic prognosis, the country now faces a paradox of opposing trajectories—a tightening authoritarian system at home, but a more ambitious globalization strategy abroad. Dr. Economy picks up the narrative where *On China* concludes, and asserts that with the arrival of Xi Jinping, a ‘Third Revolution’ has begun.

### China’s Origin

Since its release in 2011, Henry Kissinger’s *On China* has offered an authoritative and critically acclaimed synopsis of China’s complex history, with an insightful description of the country’s historical longevity, its golden era as the world’s ‘Middle Kingdom’, its conflict with European powers in 1839, and its ‘Century of Humiliation’ which followed. The book then describes Mao

<sup>39</sup> Kissinger, H. (2011). *On China*. London: Allen Lane. Note: This book was read in eBook format. Locations will be used in lieu of page numbers.

<sup>40</sup> Economy, E. (2018). *The Third Revolution: Xi Jinping and the New Chinese State*. New York, NY: Oxford University Press. Note: This book was read in eBook format. Locations will be used in lieu of page numbers.

Zedong's original communist revolution in 1949 until the dictator's death in 1976. Finally, it closes on an optimistic note, describing the thirty years of liberalizing reform and economic opening which took place during former president Deng Xiaoping's 'Second Revolution.' For a reader orienting themselves to Chinese history, *On China* is valuable first and foremost because it reveals the cultural and ethnographic foundation of the Chinese people, and it emphasizes the importance of its past experiences on its present-day disposition.

The book explains that one of the most distinctive characteristics of China is its historical longevity. The origin of Chinese civilization dates so far into pre-history that all written accounts describe the emergence of a well-established civilization that already seemed to exist since pre-history. A 19<sup>th</sup> century European explorer once observed that China's emergence into recorded history in a high state of advancement is peculiar, because "we are accustomed. . . to find some well-defined point of departure, and the historic documents, traditions, and monuments that remain to us generally permit us to follow, almost step by step, the progress of a civilization. But it is not thus with the Chinese."<sup>41</sup> Henry Kissinger notes that the historical origin of China is a major source of identity and pride for its people, providing a mythos of eternal existence. Therefore, instead of typical themes of national development and progress through the course of time, as is common among most nations, Chinese legends invoke a sense of continuity in terms of perpetual cycles of 'harmony and conflict.'<sup>42</sup>

China's social system, says Kissinger, is vital to the understanding of China's historical 'harmony and conflict' cycle. The cornerstone of Chinese civilization has been its hierarchical social structure, centered on Confucianism as the 'source code' driving government, education, family rituals, and social ethics.<sup>43</sup> Dating as far back as 2000 BC, Chinese society has considered its emperor to be a pivotal element of its social fabric. In Confucian thought, heaven itself bestowed an emperor with the 'mandate of heaven', or the divine right to rule. Within this mandate, the doctrine of 'All Under Heaven' bestowed upon Chinese society the idea of cultural and geographic preeminence as the world's 'Middle Kingdom.' The continuation of the mandate, according to tradition, is conditioned on the righteousness and benevolence of the emperor himself. Therefore, if an emperor proved immoral, tyrannical, or ineffective, according to Chinese tradition he should be removed by revolution.<sup>44</sup> Indeed, Chinese history is awash with examples of ancient civil wars and overthrows, and Kissinger notes, "after each collapse, the Chinese state reconstituted itself as if by some immutable law of nature, and a new uniting figure emerged."<sup>45</sup>

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<sup>41</sup> Kissinger, H. (2011). *On China*. London: Allen Lane. Chapter 1. Loc. 252

<sup>42</sup> Note: Other sources describe this as the 'triumph and disaster' cycle.

<sup>43</sup> Weiming, T. (2018, August 16). "Confucianism." Retrieved from <https://www.britannica.com/topic/Confucianism/Transformation-since-the-19th-century>

<sup>44</sup> Ibid.

<sup>45</sup> Kissinger, H. (2011). *On China*. London: Allen Lane. Chapter 1. Location 260



## The 'Harmony-Upheaval' Cycle

It is within this context of cyclical upheaval and 'Middle Kingdom' mentality that Kissinger frames the historical significance of China's initial interaction with European powers, the 'Century of Humiliation', and Mao Zedong's Chinese Revolution of 1949. Prior to the 17<sup>th</sup> century, China's interaction with European nations primarily consisted of trade along the historic Silk Road, consisting of terrestrial and maritime routes connecting China to Europe, West Asia, and Africa. In keeping with the notion that China was the preeminent 'Middle Kingdom', non-Chinese merchants were considered 'barbarians', their trade was considered 'tribute', and free trade access within China was heavily restricted by the emperor himself. Consequently, by the late 1700's, European powers became dissatisfied with what were viewed as unfair trade conditions. In 1793, Great Britain dispatched Lord George McCartney to China in an effort to establish free trade and diplomatic representation on equal terms. Although McCartney's particular mission was unsuccessful, the journey heralded a new era of increasingly assertive European influence in China. This 'forced opening' of China reached a point of inflection during the Opium War of 1839-1842 when Great Britain dispatched a naval force to China in a successful bid to forcibly obtain access to Chinese ports and establish an unhindered market for the sale of opium in the country.<sup>46</sup>

In 1842, the Qing dynasty was forced to sign the Treaty of Nanking, which granted indemnity to Britain, opened five Chinese ports to foreign merchants, and ceded Hong Kong to the British Empire. In China, this loss, coupled with subsequent defeats over the coming decades, was a stunning military and psychological blow. It initiated what became known as the 'Century of Humiliation' in which the Middle Kingdom would experience severe internal fragmentation and a dramatic loss of confidence with its emperor. As Kissinger notes, in keeping with the historical precedent of harmony and upheaval, the Opium War initiated a cyclical shift toward disunity which directly contributed to the downfall of the Qing dynasty. In 1912, the social structure of China was completely uprooted with the abdication of the last Qing emperor, thus ending over 4000 years of dynastic rule.<sup>47</sup>

## Mao Zedong's Permanent Revolution

Following the fall of the Qing dynasty, decades of war engulfed China until 1949, when the Chinese mainland was finally reunified under the rule of its new and powerful leader, Mao Zedong. Chairman Mao was markedly different from his imperial predecessors in his blanket rejection of the Confucian doctrine which had previously underpinned Chinese society and governance. Instead, Mao viewed the Confucian order with contempt, admonishing social hierarchy views as a form of subjugation. As a result, Kissinger explains that unlike former Chinese leaders, Mao "conceived of himself as rejuvenating China by dismantling, at times violently, its ancient heritage... Where the Confucian tradition prized universal harmony, Mao idealized upheaval and the clash of opposing forces."<sup>48</sup>

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<sup>46</sup> *Ibid*, Chapter 2.

<sup>47</sup> *Ibid*. Chapter 3.

<sup>48</sup> Kissinger, H. (2011). *On China*. London: Allen Lane. Chapter 4. Location 1518.



Breaking from the traditional Confucian cycle, Mao's doctrine called for continuous revolution as the default condition within the country, with pauses only as required to regain strength and prepare for the next upheaval. In this manner, fueled by China's century of humiliation, Mao militarized and industrialized the nation on an extraordinary scale, and throughout his tenure as Chairman, spearheaded multiple devastating social campaigns, including the 1958 Great Leap Forward, and the ultra-radical Cultural Revolution from 1966 -1976. With these examples, Kissinger helps clarify the divided legacy of Mao's rule. On one hand, he threw off the yoke of Japanese imperialism, unified the country's mainland, and promoted a sweeping program of modernization and industrialization. On the other hand, Mao's brutal campaigns routinely and brutally prioritized his communist ideology over the interests of the Chinese people, resulting in the cumulative deaths of tens of millions of Chinese citizens until his death in 1976.<sup>49</sup>

Mao's legacy of perpetual revolution also reveals an interesting inconsistency within the Chinese state. Specifically, Kissinger observes that despite Mao's desire to eradicate China's Confucian heritage, Chinese cultural momentum proved incredibly resistant to change. He notes that Mao continually faced a dilemma which he was never able to resolve, that despite attempting sweeping changes to the societal structure, each attempt resulted in a new hierarchy which closely resembled past Confucian models. Kissinger says that as a result, "Maoist governance thus turned into a version of the Confucian tradition itself, proclaiming a total break with the past while relying on many of China's traditional institutions, including an imperial style of governance."<sup>50</sup> This dissonance between the Communist concept of 'progress through conflict' and Confucianism's philosophy of harmony and social hierarchy, continues to reverberate through Chinese culture, manifesting as an ongoing discord between an aggressively authoritarian central party and a more pacific Chinese society.

To illustrate this point, Kissinger notes that it was in large part a desire to return to Confucian harmony which ultimately eroded the legitimacy of Mao's rule, broke the cycle of constant revolution, and carried Deng Xiaoping to power following Mao's death. Deng himself had suffered much under Mao Zedong's regime, and was deeply aware of the need for Chinese reconciliation. He was purged twice from party leadership positions, in 1966 and 1976. During the Cultural Revolution he was forced to perform four years of manual labor, and his eldest son was made a paraplegic after being thrown from a four-story building by the Red Guard. As a result of the previous turmoil he experienced, Deng Xiaoping offered a new vision for Chinese reconciliation which ultimately earned him the overwhelming support of the party leadership, and led to his presidency in 1978.<sup>51</sup>

As the new paramount leader of China, Deng initiated what has been called the 'Second Revolution', characterized by a re-opening of China to the outside world, a pivot toward free market reforms, and the gradual elimination of the commune system in favor of the free

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<sup>49</sup> *Ibid*, Chapter 11.

<sup>50</sup> *Ibid*, Chapter 4. Location 1541.

<sup>51</sup> Kissinger, H. (2011). *On China*. London: Allen Lane. Chapter 12.

management of agrarian lands. Kissinger summarizes Deng succinctly, stating “Only those who experienced Mao Zedong’s China can fully appreciate the transformations wrought by Deng Xiaoping... The China of today, with the world’s second-largest economy and largest volume of foreign reserves, is a testimonial to Deng’s vision, tenacity, and common sense.”<sup>52</sup> Additionally, in 1990, responding to the turmoil of the end of the Cold War, Deng created the policy of ‘keep a low profile’, with the famous edict: “Observe calmly; secure our position; cope with affairs calmly; hide our capacities and bide our time; be good at maintaining a low profile; and never claim leadership.”<sup>53</sup> This KLP strategy encouraged a passive role for China in international affairs, while simultaneously prioritizing economic and social development and shunning military intervention.

At the time of publication in 2011, China still followed Deng’s KLP strategy. However, Kissinger ends his book with the recognition that KLP was being hotly contested by the next generation of Communist Party of China (CPC) leadership. He presciently noted that party leadership was splitting between two camps, forming both advocates and critics of Deng’s passive national strategy. Kissinger, in a brief examination of the future CPC leadership, remarked that feelings of rising confidence were intensifying within the party, fueled in part by China’s successful management of the Great Recession of 2008-2009, wherein China escaped the financial crisis in a stronger position than ever before. In place of KLP, Kissinger forecasted an impulse toward a more assertive China, and in his final chapter warns that in the coming decades, relations between the US and China would be tested as never before.<sup>54</sup>

### Xi Jinping and the ‘Third Revolution’

Dr. Economy’s *The Third Revolution* picks up where *On China* concludes, confirming that KLP was officially abandoned in 2012. Dr. Economy notes that Henry Kissinger was absolutely correct to predict an increasingly assertive Chinese posture, but that nobody fully ascertained the cause, nor predicted the extent or importance of the pivot. Her book first discusses Xi Jinping’s motives for China’s new strategy. It then describes internal and external changes since his presidency, and finally, identifies a worrying paradox within the Chinese state which could impede Xi’s fulfillment of national interests in the coming decades. Dr. Economy’s book helps explain how internal pressures within China are driving a newly assertive policy abroad, resulting in a ‘Third Revolution’ characterized by both a tightening grip on power inside China and a rapid expansion of its influence overseas.

Dr. Economy’s work begins by adding nuance to Kissinger’s observation of China’s mounting political discord. She observes that mixed feelings of confidence and anxiety had characterized the CPC since the turn of the century. On one hand, ‘China’s Century’ was off to a prodigious start. In 2001, the country joined the World Trade Organization, experiencing a ten-fold increase in exports in the decade since. In 2008 China hosted a successful Summer Olympics, and further

<sup>52</sup> *Ibid.* Chapter 12. Locations 4886/4890

<sup>53</sup> Jin, Xu (2015). *The Chinese Journal of International Politics*, Volume 8, Issue 3, 1 September 2015, Pages 251–279, <https://doi.org/10.1093/cjip/pov002>

<sup>54</sup> Kissinger, H. (2011). *On China*. London: Allen Lane. Chapter 18.

contributed to its growing reputation by eluding the 2008-2009 ‘Great Recession’ with an astonishing 10% annual GDP growth. On the other hand, internal angst developed during this same era. At the Party level, the CPC’s power began to fragment as provincial governments exploited weak Beijing leadership. Economically, the double-digit growth rates began to diminish to a more moderate 7% per year, leading the government to warn that slower economic progress would become the ‘new normal’ for the foreseeable future.<sup>55</sup>

Nonetheless, the most significant anxiety arose within Chinese society itself. From 2010 to 2011, while much of the Middle East and Africa experienced the ‘Arab Spring’, protests also erupted in China. Driven by demands for increased democracy, environmental improvements, and the reduction of rampant corruption, the so-called ‘Jasmine Revolution’ swept the country for months. Collectively, these political, economic, and social concerns challenged the legitimacy of the CPC.<sup>56</sup> Well aware of the historic consequences of their loss in credibility, party members began to search out a new leader who could renew the CPC’s mandate for power. Dr. Economy explains that Xi Jinping, as a descendant of a Chinese Communist revolutionary, with his accomplished Party credentials, charismatic leadership, and strategic vision, quickly rose to the top of the leadership ranks.<sup>57</sup>

### Xi Jinping’s Vision: Strive for Achievement

Proclaiming a new strategic vision, Mr. Xi has ignited the underlying sentiments of the Chinese people by routinely referencing the ‘Chinese Dream’ of a return to the prosperity enjoyed in centuries past. He has skillfully shaped the idea of a ‘Great Rejuvenation’ into a rallying cry for his country’s desire to replace the United States as the preeminent world power— “A classic narrative”, notes Dr. Economy, “that is well-understood and powerful in China, [evoking] memories of the country as the Middle Kingdom demanding tribute from the rest of the world.”<sup>58</sup> As a result of his rhetoric, Mr. Xi has provided the CPC with a vital source of legitimacy since taking power in 2012. Additionally, his ability to appeal to both Party members and the Chinese population has allowed him to consolidate power in a degree not witnessed since Mao Zedong, as evidenced by his purge of party rivals and the elimination of presidential term limits—two actions which may allow Xi Jinping to remain in power well into the 21st century.

Dr. Economy notes that an important event occurred shortly after Xi Jinping became president, when he delivered a game-changing speech to the CPC on October 24th, 2013. It was in this speech, given during a foreign affairs conference, where Xi Jinping presented his audacious strategy for the future of China, which he called *fen fa you wei*, or ‘striving for achievement.’ ‘Striving for achievement’ provided a bold and ambitious vision which encouraged China to seek leadership and be proactive in the pursuit of its interests abroad. It was seen as a formal rejection

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<sup>55</sup> Economy, E. (2018). *The Third Revolution: Xi Jinping and the New Chinese State*. New York, NY: Oxford University Press. Chapter 1.

<sup>56</sup> *Ibid.* Chapter 1. Location 1418.

<sup>57</sup> In the years prior to becoming the CCP leader, Xi Jinping was appointed to the nine-member Politburo Standing Committee, was the director of the 2008 Summer Olympics, and was elected Vice-President in that same year.

<sup>58</sup> *Ibid.*, Chapter 1. Location 143.

of China's previous KLP strategy, and instead endorsed a more assertive role which encouraged proactive initiatives to shape global norms and institutions.<sup>59</sup> Within the SFA vision, Xi has outlined his 'two centennial goals,' the first is to become a 'moderately prosperous society' by 2021, and the second is to become a 'fully developed nation' by 2049, years which represent a century since the CPC founding, and a century since the founding of the PRC, respectively.<sup>60</sup>

Dr. Economy notes that the importance of China's transition from KLP to SFA cannot be understated. Under the leadership of Xi Jinping, SFA has quickly transitioned from a CPC slogan to the country's official national doctrine. Under the new vision, Mr. Xi called on the CPC to reassert its domestic grip on power while promoting its interests abroad through economic cooperation, diplomatic leadership, and military strength. Dr. Economy asserts that Xi Jinping is unlike China's 'Second Revolution' leaders because of the aggressive strategy he has pursued, such as "the dramatic centralization of authority under his personal leadership; the intensified penetration of society by the state; the creation of a virtual wall of regulations and restrictions that more tightly controls the flow of ideas, culture, and capital into and out of the country; and the significant projection of Chinese power."<sup>61</sup> She cites several examples of Mr. Xi's consolidation of leadership, including the fact that he has assumed control over all of the government positions that deal with policy-making, has eliminated potential rivals in a sweeping anticorruption campaign, mandated oaths of loyalty, and has eliminated term limits which would have concluded his rule after his second term.

### The Great Firewall of China

Since Xi Jinping's government, one of the most noteworthy internal changes has been the restriction by the CPC on the flow of information both into and within the country. Since the 'Jasmine Revolution', wherein social media played a crucial role in triggering social unrest, Dr. Economy notes that the internet has been a massive source of apprehension for the Party. However, Xi's administration has sharply diminished internet freedom by closing access to encrypted social media platforms and by hiring over 100,000 censors to manually delete messages and content perceived as adverse to the government. Additionally, Chinese censorship has extended well beyond social media, and has permeated professional and academic environments as well. In one example, Dr. Economy notes that access to outside research has been stifled by the firewalling of important databases like Google Scholar and JSTOR, creating an obstacle to innovation and education within the Chinese mainland. The crackdown on information, broadly encompassing everything from basic internet access to journalism, has been severe; in 2017, China ranked 176 out of 180 in the World Press Freedom Index.<sup>62</sup>

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<sup>59</sup> *Ibid*, Chapter 1. Location 302.

<sup>60</sup> Xi Jinping (2013). Xi Jinping Speech About the Chinese Dream at the Closing Ceremony of the National Congress. March 17, 2013. <http://bj.people.com.cn/n/2013/0317/c349760-18308059.html>. Xi Jinping (2017).

<sup>61</sup> Economy, E. (2018). *The Third Revolution: Xi Jinping and the New Chinese State*. New York, NY: Oxford University Press. Chapter 3. Location 2279.

<sup>62</sup> *Ibid*, Chapter 3.

In a related example, the author notes that the ongoing information clampdown has extended beyond the internet, and as of 2017 has included severe restrictions on foreign actors such as think tanks and non-governmental organizations (NGO) operating within the country. Dr. Economy says that “one of the most significant initiatives to limit the impact of foreign ideas and values within China was the adoption in January 2017 of the Law on the Management of Foreign Nongovernmental Organizations.”<sup>63</sup> This law requires that all foreign NGOs register with the CPC, obtain a Chinese sponsor, and submit annual reports on their financing. The burdensome registration delays have significantly handicapped NGOs in the country. In the first 18 months since the new law, for example, only 350 of 7000 foreign NGOs had successfully navigated the new bureaucratic hurdles.<sup>64</sup>

### The Role of State-Owned Enterprises

While the control of information and ideas has been a major priority for the Xi administration, the Party’s primary weight of effort has been its increased involvement in China’s economic affairs. Specifically, Xi’s administration has vastly increased the role and importance of Chinese state-owned enterprises (SOE), fully reversing the trend toward privatization which characterized Deng’s ‘Second Revolution’ era. Since 2013, the number and value of SOEs has risen exponentially, such that by 2018 nearly 150,000 SOEs controlled over \$21 trillion in assets. Dr. Economy notes that Xi Jinping’s preference toward SOEs is grounded in Mao-era Communist ideology. With SOEs, she notes that the Party consciously prioritizes job-production and long-term goals over profitability, therefore tolerating “a higher level of waste and inefficiency in the cause of capturing market share and fulfilling other developmental and strategic objectives.”<sup>65</sup>

Xi’s penchant for heavily subsidized SOEs has led to several interesting externalities. Dr. Economy notes, for example, that due to their prioritization of jobs over profitability, SOEs have contributed to vast overcapacity concerns, especially in the area of infrastructure and construction projects. In 2018, for instance, China had as many as 100 ongoing construction projects for coal-fired power plants, despite the fact that the current power grid already sits idle over 50% of the time.<sup>66</sup> In sectors such as iron and steel, glass, cement, aluminum, solar panel, and power generation equipment, the overcapacity rate has recently surpassed 30 percent.<sup>67</sup> Internally, the lack of profitability has also contributed to massive debt loads by both the central and provincial governments, and internationally, this overcapacity has created major concerns with respect to anti-dumping and environmental sustainability.

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<sup>63</sup> *Ibid*, Chapter 1. Location 872.

<sup>64</sup> Jacobs, J. A., Basart, S., Livdahl, D. A., & Cai, W. (2018, June 21). After the First Year of China’s Foreign NGO Law-Known Statistics and Developments. *Lexology*. Retrieved from <https://www.lexology.com/library/detail.aspx?g=ea08225c-f859-4035-b291-44e1253bb863>

<sup>65</sup> Economy, E. (2018). *The Third Revolution: Xi Jinping and the New Chinese State*. New York, NY: Oxford University Press. Chapter 5. Location 3009.

<sup>66</sup> McGrath, M. (2018, September 26). China coal power building boom sparks climate warning. Retrieved from <https://www.bbc.com/news/science-environment-45640706>

<sup>67</sup> Cheng, S., & International Centre for Trade (2015). 4 ways to tackle China’s overcapacity problem. Retrieved from <https://www.weforum.org/agenda/2015/09/4-ways-to-tackle-chinas-overcapacity-problem/>



Dr. Economy next explains how competing interests between the CPC, provincial governments, society, and SOEs have contributed to its outward oriented SFA strategy under Xi Jinping. For instance, as the result of its societal demands for wage growth and improved environmental conditions, as well as the economic strains generated by its overcapacity in the industrial and infrastructure sectors, Chinese leadership became increasingly motivated to expand its influence abroad. For the CPC, overseas projects offer a convenient solution to several problems. Since the projects generally involve infrastructure and construction (see next chapter), they help resolve the overcapacity issues in these sectors by shipping them abroad. Second, by exporting high-contamination industries to other developing countries, China can address its societal demands for better air quality and environmental sustainability, although at an obvious cost to the host country. Finally, overseas projects allow china to address the high debt levels of its SOEs by attracting foreign direct investment (FDI) to offset project costs.

The results of Xi Jinping’s outward oriented power projection strategy have been impressive. The author notes that Mr. Xi has effectively harnessed all of China’s instruments of power to extend its leadership on the international stage. “He has established China’s first overseas military logistics base; taken a significant stake in strategic ports in Europe and Asia; championed China as a leader in addressing global challenges, such as climate change; and proposed a number of new trade and security institutions. Xi seeks to project power in dramatic new ways and reassert the centrality of China on the global stage.”<sup>68</sup> These examples will be thoroughly described in the next chapter.

## Conclusion

The intent of this chapter has been to provide historical context and uncover recent trends which help generate a more nuanced understanding of China’s newly assertive posture abroad. Henry Kissinger and Dr. Elizabeth Economy offer two excellent books to help meet this goal. While their books are chronologically separate, they reach similar conclusions regarding the future of Chinese relations with the outside world. Both share cautious optimism that China’s increasing power can be responsibly integrated into the global economy. When his book was published in 2011, Kissinger felt that China’s trendline was pointing toward increased social and economic liberalization within China. As a result, his recommendations focus on maintaining greater cooperation with China.

However, Dr. Economy notes that the subsequent decade has contradicted this optimistic theory. Instead, she notes that China is dealing with a profound inconsistency under Xi Jinping. “One of the great paradoxes of China today,” she says, “is Xi Jinping’s effort to position himself as a champion of globalization, while at the same time restricting the free flow of capital, information, and goods between China and the rest of the world.”<sup>69</sup> Her opinion is that economic cooperation is only valid to a certain degree, but the world will have to confront unresolved issues associated

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<sup>68</sup> Economy, E. (2018). *The Third Revolution: Xi Jinping and the New Chinese State*. New York, NY: Oxford University Press. Chapter 1. Location 302.

<sup>69</sup> *Ibid*, Preface. Location 66.

with unfair trade practices, intellectual property privileges, environmental concerns, and human rights. In short, she concludes that “Xi Jinping’s efforts to seal off China’s borders from foreign ideas and economic competition have engendered criticism in the international community and further undermined the country’s ability to lay claim to global leadership.”<sup>70</sup> She concludes that the international community needs to apply consistent and coordinated pressure utilizing the UN, the WTO, and other international organizations in order to encourage its cooperative and peaceful rise, while also avoiding the tendency to coerce or contain the nation. If carefully managed, it is possible for China to confront its own paradox as an illiberal state seeking leadership in a liberal world order.

This chapter provided a contextual foundation for China’s current thinking under Xi Jinping. The next chapter will further address specific examples of its power projection strategy since 2012.

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<sup>70</sup> *Ibid*, Chapter 1. Location 361.

## Chapter 4: Power Projection Examples

This chapter discusses specific power projection examples since Xi Jinping assumed control of the CPC in 2012. Since the vast number of examples exceeds the page limits for this paper, this chapter will focus primarily on case studies which highlight the changes which have taken place under Xi's tenure. This section follows the DIME methodology by presenting examples of power projection based on the prevailing instrument of power being utilized. However, in order to follow a more logical 'near to far' approach, the four instruments will be presented in a different order, beginning with China's military involvement inside the 'First Island Chain.' It then discusses China's regional and worldwide economic power projection, followed by China's extended diplomatic strategy. Finally, the chapter discusses China's use of the 'information' instrument of power to project soft and sharp power. As will be shown, these case studies follow a pattern with respect to China's use of methods of power. While China's power projection has become more assertive overall, overall trends indicate higher levels of coercion and provocation close to home, more subversion and competition in developed countries, and increasing levels of cooperation in developing regions such as Africa and Latin America.

Example case studies are as follows:

1. Military Power Projection: Tension inside the 'First Island Chain'
2. Economic Power Projection: The Belt and Road Initiative, Made in China 2025
3. Diplomatic Power: The RCEP, Taiwan, and North Korea
4. Information Power Projection: Chinese soft power and sharp power

### 1. Military Power Projection: Tension inside the 'First Island Chain'

From a military officer's perspective, the most important shift in power projection strategy by Xi Jinping since 2012 is China's increasingly combative posture between its immediate territorial boundaries and outward to what has become known as the 'First Island Chain' (FIC)—a line of islands which follows a path from Japan's southwest Kyushu island, past Taiwan, and into the South China Sea, as shown in Figure 5.<sup>71</sup> An understanding of this region is important because it demonstrates how Xi Jinping's aggressive pursuit of China's 'core interests', and the subsequent reactions of both regional neighbors and the United States, has created significant and ongoing military tensions which contribute to an ongoing risk of a major conflict. This section will discuss China's official policy for the region and highlight several examples to demonstrate the overall trends since 2012.

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<sup>71</sup> Note: The 'Second Island Chain (SIC)' is shown in Figure 5 as well, and involves a further strategic ring of islands encompassing Guam and Indonesia.





Figure 5: Two Depictions of the First and Second Island Chains (FIC/SIC)<sup>72</sup>

To begin, China's posture within the FIC is closely tied to what it calls its 'core interests.' This term is frequently used in CPC speeches and statements, and was first introduced in 2004 to refer to its uncompromising position with respect to Taiwan, whose president at the time was attempting to proclaim independence from mainland China. The term has since expanded considerably. In 2006, for example, China's President Hu Jintao added the separatist-minded regions of Tibet and Xinjiang to the list, and affirmed Chinese policy with respect to its core interests using what would later be called the 'Four Nevers': "never sway, never give up, never change, and never compromise."<sup>73</sup> Later, the CPC publication 'China's Peaceful Development 2011' further developed the definition of 'core interests', stating that they included the following: "state sovereignty, national security, territorial integrity, national reunification, China's political system, overall social stability, and the basic safeguards for ensuring sustainable economic and social development."<sup>74</sup>

According to Dr. Elizabeth Economy, Xi Jinping's influence in the CPC was pivotal to a newly aggressive stance on China's core interests over the last decade. She notes that "by the late 2000s, the Chinese leadership had progressed from rhetorically staking its claims to maritime sovereignty in the East- and South-China Seas to using its military prowess to realize them. Sitting at the helm of a small group of senior officials overseeing these moves in the South China Sea was Xi Jinping."<sup>75</sup> The goal of exercising exclusive influence within the FIC and the SIC have long been crucial to China's 'Middle Kingdom' doctrine, especially among its military strategists, and Xi Jinping has capitalized extensively on the psychological value of this geographic area. Unlike his predecessors' passive approach in the region, Xi has directed his military leadership to make tangible advances toward the goal of exclusively controlling the FIC and becoming the principle

<sup>72</sup> Erickson, A. and Barriers, J. (2016), Springboards and Benchmarks: China Conceptualizes the Pacific 'Island Chains.' *The China Quarterly*, Available on CJO 2016 doi:10.1017/S0305741016000011, online <https://apps.dtic.mil/dtic/tr/fulltext/u2/1002513.pdf>

<sup>73</sup> Chen, C. (2018). *Political economy of China-Taiwan relations origins and development*. Lanham, MD: Lexington Books.

<sup>74</sup> Chinese Govt. (2011). China's Peaceful Development 2011. Retrieved from [http://www.gov.cn/english/official/2011-09/06/content\\_1941354.htm](http://www.gov.cn/english/official/2011-09/06/content_1941354.htm)

<sup>75</sup> Economy, E. (2018). *The Third Revolution: Xi Jinping and the New Chinese State*. New York, NY: Oxford University Press.

hegemonic power within the SIC. Although his predecessors helped establish official policy regarding China's core interests, Xi Jinping has differed from them by converting China's core interests to an actual policy 'checklist,' translating doctrinal concepts such as territorial integrity, national interest, and reunification into concrete actions and near-term goals.<sup>76</sup>

In the case of the FIC, Xi's approach has resulted in the dramatic escalation of tensions in China's surrounding waters. In this region, the foremost difference from his predecessors is his willingness to coercively utilize China's military and economic instruments of power in this region. In previous speeches, he has been unequivocal in his view that China's frontiers, including its adjacent seas, must fall under the exclusive sphere of influence of China itself.<sup>77</sup> His 2015 'National Security Law', for instance, highlights his strategy of escalating tensions with his neighbors and the United States in order to achieve an exclusive sphere of influence from China's shores outward to Taiwan, the SCS, and the ECS.<sup>78 79</sup> Recently, in a widely referenced speech to military leadership in 2018, he again highlighted his firm posture in this geographic area, saying "We have to step up combat readiness exercises, joint exercises and confrontational exercises to enhance servicemen's capabilities and preparation for war."<sup>80</sup>

#### The Nine-Dash Line

Much of Xi Jinping's thinking regarding China's exclusive sovereignty within the FIC is derived from a long-standing Chinese vantage point which considers the waters inside the FIC as its exclusive economic zone (EEZ). To affirm China's claim, Xi references a controversial map created by the Republic of China between 1919 and 1949, which included a vaguely drawn line with nine dashes demarcating the Chinese EEZ, as shown in Figure 6.<sup>81</sup> The EEZ drawn by the 'Nine-Dash Line' continues well beyond the 200 nautical mile (NM) standard established by the United Nations Convention of the Law of the Sea (UNCLOS), and thus, in 2016, the Permanent Court of Arbitration at The Hague, Netherlands, unanimously rejected China's claim. Nonetheless, as will be described next, China's actions discard the ruling, and its claims to exclusive sovereignty in the zone persist.<sup>82</sup>

<sup>76</sup> McReynolds, J. (Ed.). (2016). *China's Evolving Military Strategy*. Washington, DC: *Brookings Institution Press*. Retrieved from <http://www.jstor.org/stable/10.7864/j.ctt21kk0ng>

<sup>77</sup> Michael Swaine (2011), China's Assertive Behavior: Part One: On 'Core Interests,' *China Leadership Monitor* No. 34 (22 February 2011), <http://www.hoover.org/publications/china-leadership-monitor/article/67966>.

<sup>78</sup> China Law (2015), National Security Law of the People's Republic of China, Passed on 01 July 2015 at the 15th meeting of the Standing Committee of the 12th National People's Congress. Retrieved from <http://chinalawtranslate.com/2015nsl/?lang=en>

<sup>79</sup> Wong, E. (2015). Security Law Suggests a Broadening of China's 'Core Interests', *New York Times*, 02 Jul 2015, [http://www.nytimes.com/2015/07/03/world/asia/security-law-suggests-a-broadening-of-chinas-coreinterests.html?\\_r=0](http://www.nytimes.com/2015/07/03/world/asia/security-law-suggests-a-broadening-of-chinas-coreinterests.html?_r=0)

<sup>80</sup> SCMP (2018). 'Prepare for war', Xi Jinping tells military region that monitors Taiwan. *South China Morning Post*. Retrieved from <https://www.scmp.com/news/china/military/article/2170452/prepare-war-xi-jinping-tells-military-region-monitors-south>

<sup>81</sup> Note: the 9-dash line has also been called the 11- and 10-dash line. There are no significant differences between the three maps.

<sup>82</sup> Richard Q. Turcsanyi (2017). Chinese Assertiveness in the South China Sea. *The Diplomat*. Retrieved from <https://thediplomat.com/2017/12/whats-really-behind-chinese-assertiveness-in-the-south-china-sea/>

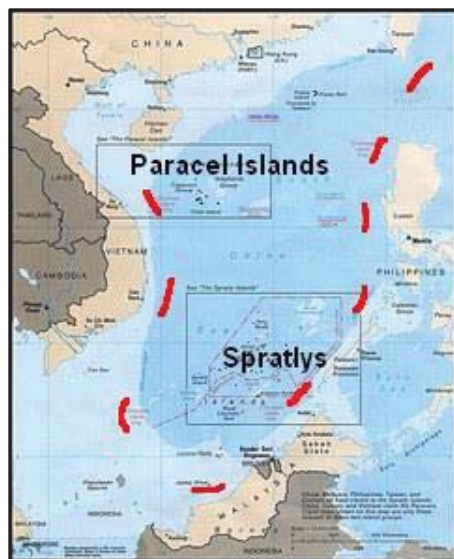


Figure 6: Illustration of China's Nine-Dash Line<sup>83</sup>



Figure 7: Comparison of UNCLOS 200NM EEZ vs China's claimed territorial waters.<sup>84</sup>

<sup>83</sup> Peria, E. (2015). China's 9-dash line legal arguments examined. Retrieved from <https://bitsinbits.wordpress.com/2015/07/19/chinas-9-dash-line-legal-arguments-examined/>

<sup>84</sup> Harvard ILJ (2015). A Shifting Tide in the South China Sea: The Permanent Court of Arbitration Declares Jurisdiction. Retrieved from <http://www.harvardilj.org/2015/11/a-shifting-tide-in-the-south-china-sea-the-permanent-court-of-arbitration-declares-jurisdiction/>

Six events illustrate the escalating tension within the FIC since President Xi took control:

#### The Scarborough Shoal Incident

The first crisis took place in April 2012 between the Philippines and China near a group of disputed islands called the Scarborough Shoal.<sup>85</sup> It began when the Philippines Navy identified several Chinese fishing boats anchored in the shoal. A Philippines Naval ship quickly responded to the violation of its territorial waters, and boarded several of the ships, one of which sent a distress call to the Chinese Navy. A standoff resulted after two Chinese warships arrived to the scene and took offensive positions just outside of the shoal. Over two months of tension followed as neither side chose to deescalate or withdrawal from the disputed area. In fact, China continued to deploy additional warships to the scene, reaching a peak of six by June 2012. Eventually, with the help of a covert agreement between the Philippines and China, the situation began to subside.<sup>86</sup> This event is important because scholars and military strategists alike view the crisis as an important turning point in relations within the FIC. Furthermore, China essentially won the standoff; at present, it still maintains a Naval presence near the Shoals while the Philippines ultimately withdrew completely.<sup>87</sup> This event is widely seen as the first clear-cut erosion of stability in the SCS since Xi Jinping took power.<sup>88</sup>

#### The Vietnamese Cable Incident

The second event occurred in December 2012 in Vietnam's territorial waters inside the SCS. On this occasion, a Vietnamese oil and gas survey ship was towing a submerged cable used for scientific measurements. While traveling approximately 80NM from its coastline, well inside its EEZ, the Vietnamese ship was confronted by two Chinese Navy patrol vessels, which subsequently steered sufficiently close to the Vietnamese ship as to deliberately cut the survey cable. Despite receiving significant criticism from the international community, the Chinese foreign ministry responded by blaming Vietnam for the incident, stating that its survey operations "undermined China's interests and jurisdictional rights."<sup>89</sup> This event continues to have significant geopolitical consequences, as it was a key factor leading the United States to initiate Freedom of Navigation Operations (FONOPS), wherein its naval warships began routine patrols through disputed international waters within the SCS. Interestingly, the first FONOP, taking place in 2013, passed through the Philippines Sea near the location of this cable cutting incident.<sup>90</sup>

#### The Second Thomas Shoal Standoff

The next event took place in March 2014 and became known as the 'Second Thomas Shoal Standoff.' Second Thomas Shoal is an atoll in the Spratly Islands located 105NM West of the

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<sup>85</sup> Note: Although this event occurred a few months before Xi took control of the Communist Party, it should be noted that he was heavily involved in policy development in the SCS and ECS before taking power.

<sup>86</sup> Nieves Johnson, Adam. (2019). *A Bilateral Analysis of the South China Sea Dispute: China, the Philippines, and the Scarborough Shoal*.

<sup>87</sup> Note: The Chinese blockade lasted from 2012 until 2016, when Philippines president Rodrigo Duterte managed to secure an agreement with China concerning fishing rights in the disputed area.

<sup>88</sup> Jake Douglas et al. (2017). Counter-coercion Series: Scarborough Shoals Standoff. *Asia Maritime Transparency Initiative*. Retrieved from <https://amti.csis.org/counter-co-scarborough-standoff/>.

<sup>89</sup> BBC News (2011). Vietnam accuses China in seas dispute. Retrieved from <https://www.bbc.com/news/world-asia-pacific-13592508>.

<sup>90</sup> Wu, S. and Zou, K. (2013). Securing the Safety of Navigation in East Asia: Legal and Political Dimensions. *Chandos Publishing*. ISBN: 9780857094896.



Philippines coastline. In 1999, the Philippines deliberately ran aground an old ship to create a military outpost near the territorially disputed region. The outpost houses soldiers and surveillance equipment, and is resupplied via routine sea shipments from the Philippines mainland. The first indications of trouble took place in mid-2013, when Chinese Coast Guard vessels began to patrol the shoal continuously. On 9 March 2014, a crisis resulted when the Chinese ships harassed a resupply ship, causing it to abort its mission and return to its origin. For three weeks, the Chinese continued to block inbound resupply vessels. Finally, on 28 March, aided by the overhead presence of US Navy aircraft, and with international media loaded onto the resupply ship, the Philippines Navy was able to break through the blockade and resupply the outpost. Since then, the outpost has remained on the shoal, and China has ceased further provocations against resupply missions. This incident is important for two reasons. First, it was the first time since 2012 that a country managed to ‘win’ a SCS standoff against China, albeit with the overt support of the US. Second, the event prompted an official complaint at The Hague, wherein the Philippines filed a formal case with the UN tribunal against China’s territorial claims in the SCS.<sup>91</sup>



Figure 8: Philippines vessel serving as military outpost on Second Thomas Shoal <sup>92</sup>

#### The China-Vietnam Oil Rig Crisis

The fourth example occurred in May 2014 when a major dispute arose between a Chinese-owned oil rig, and Vietnam. That May, the state-owned Chinese company China National Offshore Oil Corporation moved an oil platform to the Paracel Islands (see previous Figure 7), just 120NM off Vietnam’s coast. The Paracel Islands have been a source of territorial dispute in the last century, as China, Taiwan, and Vietnam have all claimed them as their own. In 1974, a battle took place between South Vietnam (aided by the US) and Chinese-backed North Vietnam. Since then, the islands continue to be a major source of tension between Vietnam and China. As a result, the Vietnamese reacted sharply to the arrival of the Chinese oil rig in 2014. 29 ships were deployed to

<sup>91</sup> The Diplomat. (2015, November 02). Second Thomas Shoal. Retrieved from <https://thediplomat.com/tag/second-thomas-shoal/> Note: This is the same UN tribunal which China lost in 2016. They have since rejected the UN verdict and continue with provocations inside neighboring countries’ EEZs. <https://www.bbc.com/news/world-asia-26806924>.

<sup>92</sup> Perlez, J. (2017, December 20). Philippines and China in Dispute Over Reef. Retrieved from <https://www.nytimes.com/2014/04/01/world/asia/beijing-and-manila-in-dispute-over-reef.html>.

disrupt the arrival of the oil platform. During the ensuing weeks, violence flared when both Chinese and Vietnamese ships rammed each other and sprayed one another with water cannons, resulting in numerous injuries and a handful of sunken vessels. The crisis continued until July 2014, when the China National Offshore Oil Corporation elected to withdraw the oil rig from the Paracel Islands a month earlier than planned. Both sides subsequently claimed victory: Vietnam claimed the withdrawal was due to its pressure, while China claimed that the oil rig had simply completed its planned work early and was no longer needed in the area.<sup>93</sup>

The most significant impact, however, occurred among the Vietnamese populace. During the crisis, violent anti-China riots erupted within the country, targeting Chinese businesses and workers. Although the violence eventually subsided, the repercussions continue to be seen over six years later. A Pew Research poll of public opinion, for instance, concluded that following the oil rig crisis, just 16% of Vietnamese held a favorable opinion of China. In 2017, the favorability had dropped further, to just 10%.<sup>94</sup> This negative opinion, widely shared among China's neighbors, represents an important dilemma for China within the FIC. Even as it increases its levels of coercive power projection, China has simultaneously experienced an 'equal and opposite reaction' through the loss of soft power in the region.

#### China's Island Reclamation

The next important example of Chinese power projection pertains to its island reclamation projects inside the SCS. Beginning in December of 2013, China began numerous large-scale dredging and coral reef reclamation projects on top of disputed islands within the FIC. In the first 24 months alone, it had created over 8 million square meters (3.1 sq. miles) of artificial land in the Spratly Islands (Mischief, Fiery Cross, and Subi Reef), as well the Paracel Islands (Figure 9). Island reclamation involves the displacement of millions of cubic meters of sand onto shallow coral reefs, followed by the construction of naval ports and airfields. Of all of China's artificial islands, Fiery Cross Reef is the most significant in terms of its strategic impact (Figure 10). It consists of a massive naval port capable of refueling warships, as well as a 3000-meter (10,000 feet) airstrip capable of launching and recovering large military aircraft, including cargo and bomber fleets.<sup>95</sup>

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<sup>93</sup> Douglas, J. (2017). Counter-Coercion Series: China-Vietnam Oil Rig Standoff. *Asia Maritime Security Initiative*. Retrieved from <https://amti.csis.org/counter-co-oil-rig-standoff/>.

<sup>94</sup> PEW Research (2017). Global Indicators Database. Retrieved from <http://www.pewglobal.org/database/indicator/24/survey/19/>.

<sup>95</sup> Dolven, B. et al. (2015). Chinese Land Reclamation in the South China Sea: Implications and Policy Options. *Congressional Research Service*. Retrieved from [https://www.everycrsreport.com/files/20150616\\_R44072\\_14595d9da0525ef3b34c7ce4dbd141a2c376d3cc.pdf](https://www.everycrsreport.com/files/20150616_R44072_14595d9da0525ef3b34c7ce4dbd141a2c376d3cc.pdf).

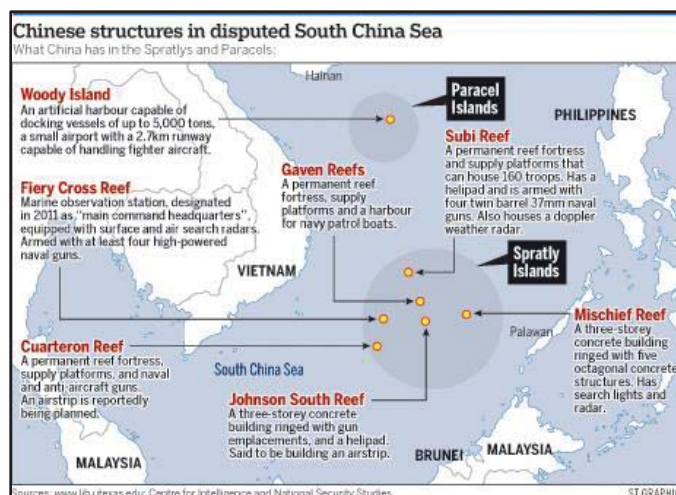


Figure 9: China's Island Reclamation Projects Since 2014<sup>96</sup>



Figure 10: Fiery Cross Reef, Before and After, Showing naval port and 10,000' Runway<sup>97</sup>

Mira Rapp-Hooper, former director of the Asia Maritime Transparency Initiative at the Center for Strategic and International Studies in Washington, says that the purpose of these islands is primarily to support China's claims inside the Nine-Dash Line. She states that "although there are significant fisheries and possible large oil and gas reserves in the South China Sea, China's efforts serve more to fortify its territorial claims than to help it extract natural resources."<sup>98</sup> However, China's Foreign Ministry spokesman, Lu Kang, denies that these islands are intended for military purposes, stating "the construction activities on the Spratly Islands and reefs fall within the scope

<sup>96</sup> Note: Although this graphic shows Chinese reclamation in the SCS, it should be noted that five claimants (China, Malaysia, Vietnam, Taiwan, and the Philippines) have each created islands or outposts in the region. China's operations, however, represent about 10 times the effort in terms of number and size, of all the other nations combined. Douglas, J. (2017). "Island Tracker Archive." Asia Maritime Transparency Initiative. Retrieved from <https://amti.csis.org/island-tracker/>

<sup>97</sup> Watkins, D. (2015, July 31). What China Has Been Building in the South China Sea. Retrieved from <https://www.nytimes.com/interactive/2015/07/30/world/asia/what-china-has-been-building-in-the-south-china-sea.html>

<sup>98</sup> *Ibid.*



of China's sovereignty, and are lawful, reasonable, and justified."<sup>99</sup> He further claims that the islands serve civilian purposes, including search and rescue, scientific research, ecological conservation, and fishing. However, satellite evidence has confirmed that the islands indeed provide significant military power projection in the disputed SCS. Immediately following the construction of Fiery Cross Reef, for example, pictures confirm the arrival of fighter aircraft, as well as long-range surface-to-air missile sites.<sup>100</sup>

#### China's Militarization Inside the FIC/SIC

This section elaborates on the military power projection of China along its immediate territorial boundaries, including the SCS, ECS, and outward to the SIC. As evidenced by the previous examples, Dr. Economy notes that China's military provocation was increased dramatically since Xi Jinping, stating that "while provocative actions by China and other claimants in the South China Sea were commonplace, for example, Beijing's massive land reclamation and militarization of the islands in the South China Sea did not begin until 2014."

#### 'Anti-Access / Area Denial' in the SCS

As demonstrated in the previous section, the SCS provides clear evidence of Chinese militarization inside its claimed maritime boundaries. Its military buildup on artificial islands contributes to a hegemonic strategy called 'Anti-Access / Area Denial (AA/AD)', which involves the deployment of advanced anti-ship and anti-aircraft systems that prevent other nations (especially the United States) from exercising military influence in the disputed zones. Figure 11 shows the current deployment of military hardware in the SCS. The red circles indicate the unclassified effective ranges of its advanced surface-to-air missile (SAM) systems. Magenta circles show its anti-ship capabilities, and the larger yellow rings indicate the capability of its cruise missile and ballistic missile systems currently deployed to the SCS. Together, these systems demonstrate the capability to leverage significant military power throughout the SCS, and would present a considerable strategic problem for neighboring countries, as well as the United States, in a potential future military conflict.<sup>101</sup>

<sup>99</sup> Dolven, B. et al. (2015). Chinese Land Reclamation in the South China Sea: Implications and Policy Options. *Congressional Research Service*. Retrieved from [https://www.everycrsreport.com/files/20150616\\_R44072\\_14595d9da0525ef3b34c7ce4dbd141a2c376d3cc.pdf](https://www.everycrsreport.com/files/20150616_R44072_14595d9da0525ef3b34c7ce4dbd141a2c376d3cc.pdf).

<sup>100</sup> The Economist (2018, June 21). China has militarized the South China Sea and got away with it. Retrieved from <https://www.economist.com/asia/2018/06/21/china-has-militarised-the-south-china-sea-and-got-away-with-it>

<sup>101</sup> Krepinevich, A. F., Watts, B. D., & Work, R. O. (2013). *Meeting the Anti-Access and Area Denial Challenge*. Washington, DC: Center for Strategic and Budgetary Assessments.

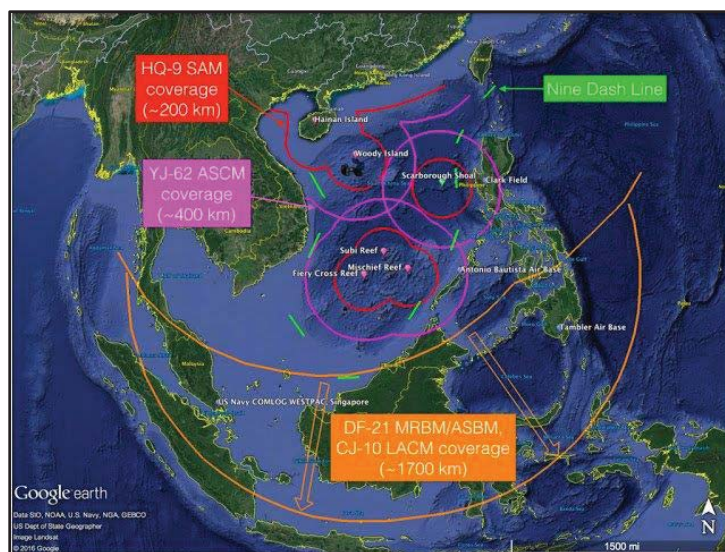


Figure 11: Chinese Military Capabilities in the SCS, Red-SAMS, Magenta-Anti-Ship, Yellow-Cruise Missiles and Ballistic Missiles<sup>102</sup>

#### Military Power in the East China Sea

China's actions in the ECS also match the pattern of military coercion that exists in the SCS. Similar to the SCS, disputed islands serve as the catalyst for the substantial rise in regional tension since Xi Jinping's arrival. Specifically, the Senkaku (Chinese: Diaoyu) Islands have become a focal point for military escalation between China and Japan in the ECS. The islands have been disputed for centuries between the two countries, yet their austere location has traditionally led to an unofficial 'status quo' equilibrium between China and Japan. However, beginning in 2012, in synchronization with Xi Jinping taking control of the Communist Party, the situation began to escalate quickly. In response to Japan's attempted purchase of some of the disputed islands from a private owner, China began to deploy numerous naval and bomber patrols over the disputed islands, resulting in an exponential increase in aircraft scrambles from the Japanese Air Self-Defense Force (JASDF), as shown in Figure 12.<sup>103</sup>

<sup>102</sup> Wang, B. (2016). Will the US be willing to make the political or military costs needed to counter China's island bases? Retrieved from <https://www.nextbigfuture.com/2016/09/will-us-be-willing-to-make-political-or.html>.

<sup>103</sup> Tamkin, E. (2016, December 21). Japan Talks Tough on Senkaku Islands Dispute with China. *Foreign Policy*. Retrieved from <https://foreignpolicy.com/2016/12/21/japan-talks-tough-on-senkaku-islands-dispute-with-china/>.

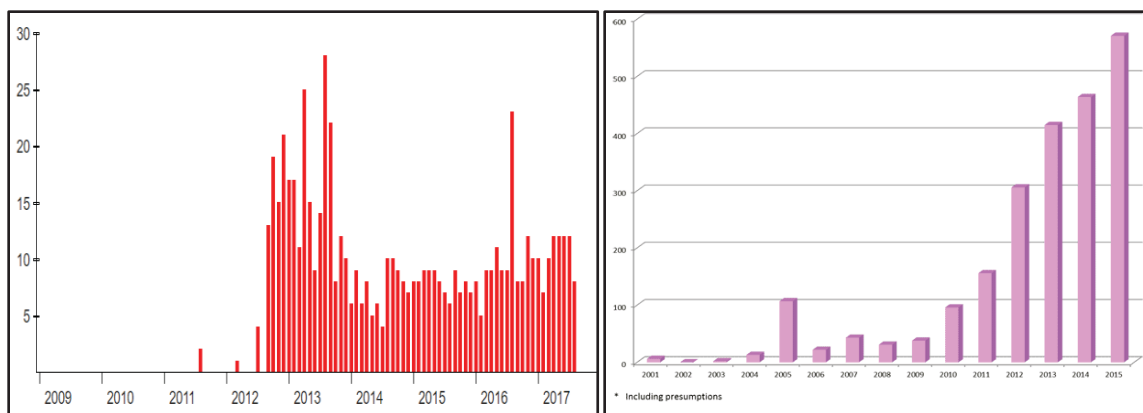


Figure 12: Chinese Military Patrols (Left), and Japanese Aircraft Scrambles (Right) over Senkaku Islands, 2001-2017<sup>104</sup>

The ECS tension continues to fuel negative relations between China and Japan. One ongoing example involves China’s 2013 decision to establish a new Air Defense Identification Zone (ADIZ) in the airspace above the Senkaku Islands. The purpose of an ADIZ is to establish airspace control by means of monitoring flight plans, maintaining radio communications, and mandating transponder usage. This new ADIZ has a coercive motive with respect to the Senkaku Islands, as China uses it to establish an administrative layer of jurisdiction over the islands. Furthermore, it creates confusing overlaps between the ADIZs of South Korea, Japan, and Taiwan, while threatening civilian and military aircraft passing through the airspace that “China’s armed forces will adopt defensive emergency measures” against uncooperative aircraft.<sup>105</sup> Despite safety concerns, Japan has directed its flag carriers to ignore the ADIZ. For its part, the US military has rejected the ADIZ as well. Although its flag carriers execute the prescribed reporting requirements due to safety concerns, it routinely patrols the Senkaku region with B-52 strategic bombers which reject the new ADIZ procedures.<sup>106</sup>

## 2. Economic Power Projection:

While China’s power projection strategy within the FIC contains substantial elements of military coercion, it is important to recognize that Xi Jinping’s overall strategy along his country’s land borders and beyond involves substantial economic cooperation. This section discusses several of the most important projects, alliances, and strategies currently utilized by China to project economic power. Examples include the Belt and Road Initiative, the Asian Infrastructure

<sup>104</sup> Japan Ministry of Defense. (2016). China's activities surrounding Japan's airspace. Retrieved from [http://www.mod.go.jp/e/d\\_act/ryouku/](http://www.mod.go.jp/e/d_act/ryouku/)

<sup>105</sup> Douglas, J. (2017). Counter-coercion Series: East China Sea Air Defense Identification Zone (ADIZ). Retrieved from <https://amti.csis.org/counter-co-east-china-sea-adiz/>

<sup>106</sup> Harvard ILJ (2015). A Shifting Tide in the South China Sea: The Permanent Court of Arbitration Declares Jurisdiction. *Harvard International Law Journal*. Retrieved from <http://www.harvardilj.org/2015/11/a-shifting-tide-in-the-south-china-sea-the-permanent-court-of-arbitration-declares-jurisdiction/>

Investment Bank, the ‘Made in China 2025’ initiative, as well as a close look at China’s involvement in Latin America and Africa.

### The Belt and Road Initiative

China’s most significant and far-reaching economic initiative in history is called the Belt and Road Initiative (BRI). Introduced in 2013 by Xi Jinping, the BRI is intended to physically and symbolically link China to the world through the implementation of massive infrastructure and telecommunications projects which facilitate trade and investment between China and other BRI members. Labeled by some as the ‘project of the century’, the BRI began primarily as an effort to create a ‘belt’ of roadways and train lines along the historic ‘Silk Road’, which once connected the East and West via terrestrial routes spanning from East Asia to Southeast Asia, East Africa, West Asia and Southern Europe.<sup>107</sup> However, it has since expanded to include the maritime routes of the historic Silk Road as well, as shown in yellow in Figure 13.



Figure 13: China’s Belt and Road Initiative (BRI)<sup>108</sup>

In March 2015, the Chinese Minister of Foreign Affairs expanded the vision of the BRI beyond its regional origins by inviting the entire world to participate. Since that time, over 900 infrastructure projects have been included in the BRI, at a projected cost of between \$4 trillion and \$8 trillion. As of 2018, over 71 countries had signed on to the initiative, including several countries in Latin America and the Caribbean (LAC). The types of projects continue to evolve as well, ranging from road, port, and power-plant construction, to high-tech fiber optic cables crossing the Pacific Ocean.<sup>109</sup>

<sup>107</sup> Rolland, N. (2017). China's Eurasian Century? Political and Strategic Implications of the Belt and Road Initiative. *National Bureau of Asian Research*.

<sup>108</sup> Santa Gadea, R. (2018). Understanding the Chinese Belt and Road Initiative. *Harvard Review of Latin America*. Retrieved from <https://revista.drclas.harvard.edu/book/understanding-chinese-belt-and-road-initiative>

<sup>109</sup> *Ibid.*

### The Asian Infrastructure Investment Bank (AIIB)

Projects within the BRI are financed in diverse ways. Although some participating countries have provided their own funding, the majority of projects are underwritten by Chinese loans to participating countries. In 2017, these loans peaked at over \$500 billion, as shown in Figure 14. Additionally, in an effort to manage its increasing debt levels, China created the Asian Infrastructure Investment Bank (AIIB) as a means of acquiring external capital for BRI projects. By 2018, the AIIB consisted of 57 founding members, and was responsible for \$36 Billion in BRI related loans annually.<sup>110</sup>

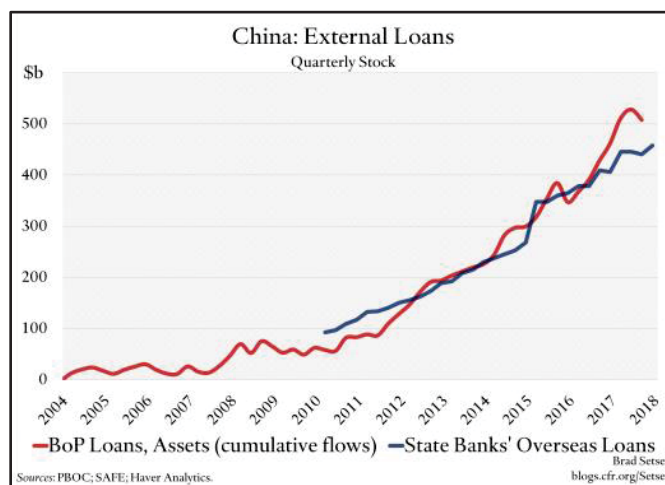


Figure 14: Chinese external loans by Year<sup>111</sup>

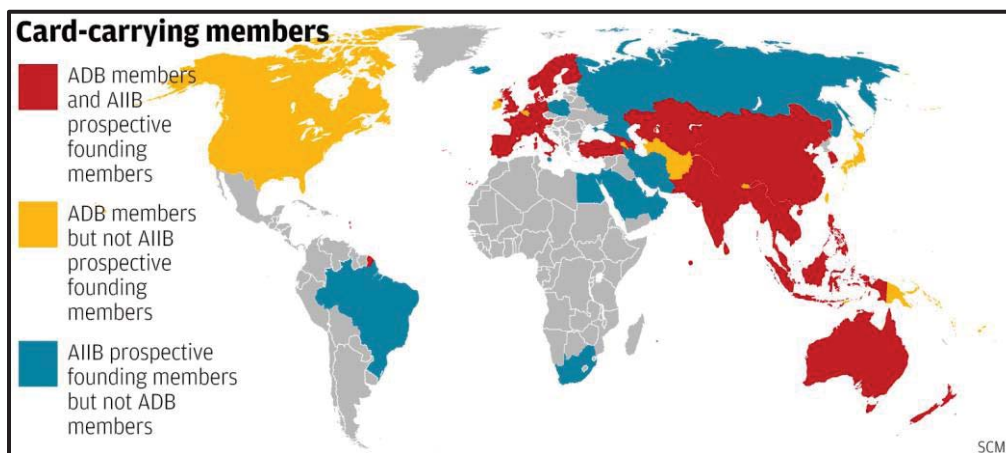


Figure 15: Membership in China's AIIB<sup>112</sup>

<sup>110</sup> Elek, A. (2014, February). The potential role of the Asian Infrastructure Investment Bank. *In East Asia Forum* (Vol. 11).

<sup>111</sup> Setser, B. (2018). The Belt and Road Initiative Didn't Quite Live up to its Hype in 2017. *Council on Foreign Relations*. Retrieved from <https://www.cfr.org/blog/belt-and-road-initiative-didnt-quite-live-its-hype-2017>

<sup>112</sup> SCMP. (2015). 57 Nations Approved as Founder Members of China-led AIIB. Retrieved from <https://www.scmp.com/news/china/diplomacy-defence/article/1766970/57-nations-approved-founder-members-china-led-aiib>



At its creation, the AIIB was touted by the Chinese Finance Minister, who claimed that it represented “China assuming more international responsibility for the development of the Asian and global economies.” In fact, as both an economic and diplomatic initiative, the BRI and the AIIB have indeed become tremendous sources of Chinese power projection, and have resulted in significant credibility in terms of economic cooperation, particularly among developing nations in need of access to loans and investment.<sup>113</sup> However, numerous criticisms exist which threaten to undermine Mr. Xi’s principle economic initiative.

#### *Criticisms and Concerns*

Chief among the criticisms concerning the BRI is the prevalence of unsustainable debt burdens imposed on member countries who commit to excessive and unproductive infrastructure projects. In a white paper produced by the US National Security Council, loans produced by China and the AIIB were criticized for ignoring the “high standards of governance, environmental, and social safeguards required of a responsible lending project.”<sup>114</sup> Other groups, including the International Monetary Fund (IMF), UN, and multiple think-tanks have also provided nearly unanimous criticisms concerning the threat of ‘debt-trap diplomacy,’ which entails the forfeiture of assets and the loss of sovereignty of BRI members due to their default on risky Chinese loans. Additionally, they express concern regarding the secretive nature of the loan agreements. Many projects, they argue, involve opaque negotiations on questionable projects which prove more beneficial to China than the host nation. French President Emmanuel Macron, in a 2018 speech, emphasized the concern over China becoming the principal beneficiary of the projects, warning that the BRI “cannot be the road of a new hegemony that will make the countries they traverse into vassal states.” He added, “The ancient silk roads were never purely Chinese...These roads are to be shared and they cannot be one-way.”<sup>115</sup>

Several examples seem to confirm the debt-sustainability fears. Recent studies, for example, have concluded that, among developing nations, BRI projects have contributed to internal debt increases of between 10% and 40% of GDP, with key examples shown in Figure 16. In another well-publicized example, Sri Lanka was forced to cede control of its principle port in Hambantota after it took a \$1 billion loan to upgrade the facility. Despite the upgrades, the port never generated revenue, and Sri Lanka defaulted on the loan. The fine print of the loan permitted China to take control of the port for the next 99 years. The Hambantota incident was particularly poignant since it reinforced fears that China was implementing a deliberate plan to take over strategic ports along the maritime Silk Road.<sup>116</sup>

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<sup>113</sup> Note: In addition to the AIIB, other noteworthy sources of BRI capital include the China Development Bank, the China Export-Import Bank, and the Asian Infrastructure Bank.

<sup>114</sup> Hurley, J. et al. (2018). Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective. *Center of Global Development*. Retrieve from <https://www.cgdev.org/sites/default/files/examining-debt-implications-belt-and-road-initiative-policy-perspective.pdf>

<sup>115</sup> Macron, E. (Jan 2018). President Macron's remarks to audience of academics, students and business people at the Daming Palace, China. Speech.

<sup>116</sup> Abi-habib, M. (2018, June 25). How China Got Sri Lanka to Cough Up a Port. Retrieved from <https://www.nytimes.com/2018/06/25/world/asia/china-sri-lanka-port.html>



Figure 16: Examples of Public Debt Burdens due to BRI<sup>117</sup>

#### Economic Strategy in Developed Regions: Made in China 2025

Beyond the BRI, China's worldwide economic strategy has changed considerably under Xi Jinping as well. In 2015, Xi released a new strategic plan called 'Made in China 2025.' This plan aims to convert China from being the 'world's factory floor' of cheap and low-quality goods, to a technologically advanced country offering high quality, advanced products and services. Xi's blueprint calls for China to focus its development efforts on high-tech fields such as pharmaceuticals, automotive and aerospace industries, semi-conductors, and information-technology to achieve 70% self-sufficiency by 2025, and by 2049 it aims to be the dominant economic power in world markets. The program involves the close coordination of the CPC and China's state-owned enterprises (SOE) to subsidize the growth and modernization of its advanced industrial capabilities. China's ultimate goal is to increase its worldwide market share in high value-added products, while reducing its dependence on foreign services and manufacturing.<sup>118</sup>

To achieve technological advancement, China is currently pursuing substantial 'know-how' by steering its foreign direct investment (FDI) toward the advanced sectors of developed countries, with the goal of extracting crucial patents and processes from foreign industrial powerhouses. As shown in Figure 17 and Figure 18, China is concentrating primarily on investment and acquisitions in Europe, where it has focused its capital almost exclusively on technological sectors. In Germany alone, Chinese investors acquired 37 German companies for a total value of \$11 billion in 2016, up from \$2.6 billion the year prior.<sup>119</sup> According to James McBride of the Council on Foreign Relations, this strategy has involved several important policy reversals between Xi Jinping and his predecessors. Most notably, whereas the previous Chinese trend under Deng Xiaoping favored privatization and free-market capitalism, Xi's plan includes massive government subsidies for

<sup>117</sup> The Economist (2018, July 26). China has a vastly ambitious plan to connect the world. Retrieved from <https://www.economist.com/briefing/2018/07/26/china-has-a-vastly-ambitious-plan-to-connect-the-world>

<sup>118</sup> McBride, J. (2018). Is 'Made in China 2025' a Threat to Global Trade? *Council on Foreign Relations*. Retrieved from <https://www.cfr.org/background/made-china-2025-threat-global-trade>

<sup>119</sup> Chazan, G. (2016, October 24). "Germany withdraws approval for Chinese takeover of tech group." *Financial Times*. Retrieved from <https://www.ft.com/content/f1b3e52e-99b0-11e6-8f9b-70e3cabccfae>



China’s SOEs, which now control over a third of the country’s GDP and over two-thirds of China’s external investment.<sup>120</sup>

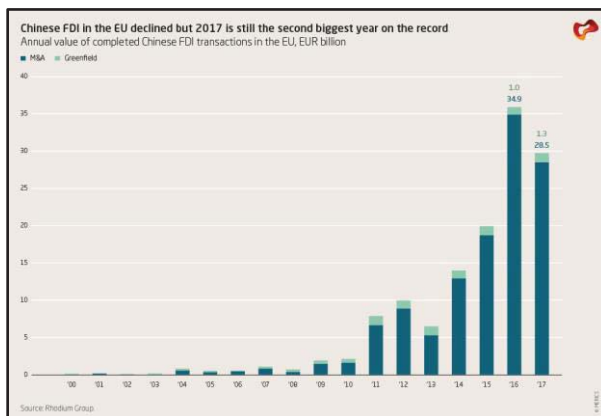


Figure 17: Chinese FDI in the EU by Year<sup>121</sup>



Figure 18: China’s Foreign Investment Sectors, 2018<sup>122</sup>

<sup>120</sup> McBride, J. (2018). Is 'Made in China 2025' a Threat to Global Trade? *Council on Foreign Relations*. Retrieved from <https://www.cfr.org/backgrounder/made-china-2025-threat-global-trade>

<sup>121</sup> Hanemann, T. (2018). Chinese FDI in Europe in 2017. *Mercator Institute of China Studies*. Retrieved from <https://www.merics.org/en/papers-on-china/chinese-fdi-in-europe>

<sup>122</sup> *Ibid.*

### *Criticisms of 'Made in China 2025'*

Mr. Xi's 'Made in China 2025' has received numerous criticisms from foreign countries. The most common complaint is the 'one-way door' of its foreign investment, which is to say, the refusal of China to permit reciprocal investment opportunities in its own country. This criticism of unfair competition is warranted, says Dr. Elizabeth Economy. She notes that China's 'forced transfer agreements' result in "foreign-owned companies handing over their know-how in order to receive Chinese market access."<sup>123</sup> Recent examples include the acquisition of high-speed rail technology via forced technology transfer from Alstom, Siemens, Bombardier, and Kawasaki Heavy Industries, as well as the acquisition of lithium-battery patents for electric vehicle batteries.<sup>124 125</sup> Additionally, intellectual property theft and cyber intrusions have escalated dramatically since Xi Jinping took power. In a high-profile event occurring in 2017-2018, Chinese circuit manufacturers were implicated in a massive cybercrime, wherein small microchips were secretly installed on circuit boards used in thousands of US servers prior to their distribution. Credible allegations suggest that these chips provided back-door hacking capability for the purpose of corporate and military espionage activities, and the investigation is still ongoing.<sup>126</sup>

Complaints related to forced technology transfer, intellectual property protection, non-tariff barriers, cyber intrusions and theft, and blocked services have manifest as an ugly and ongoing trade war between the United States and China beginning in 2018, which will be discussed further in the next chapter. In Europe, similar adverse reactions have taken place in 2018 and early 2019, wherein several countries, including France and Germany, have begun additional reviews of Chinese acquisition attempts of their technological sectors. As a response to the collective criticism against its commercial policies by developed countries, China has been forced to reevaluate its forced-transfer policies. In January 2019, it revealed a new internal law forbidding forced technology transfers and emphasizing reciprocity. If enforced, this would represent a major course-correction by Xi Jinping.<sup>127</sup> Anticipation is high that the US-China trade war, as well as numerous complaints currently filed with the WTO, will result in additional concessions from China regarding its market access and reciprocity with developed nations.<sup>128</sup>

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<sup>123</sup> Economy, E. (2018). *The Third Revolution: Xi Jinping and the New Chinese State*. New York, NY: Oxford University Press. Chapter 4.

<sup>124</sup> Chen, Y. (2018). China's draft foreign investment law bans forced tech transfer. Retrieved from <https://www.reuters.com/article/us-china-economy-foreign-investment/chinas-draft-foreign-investment-law-bans-forced-tech-transfer-emphasizes-reciprocity-idUSKCN1OQ07T>

<sup>125</sup> Hufbauer, G. C., Wong, Y., & Sheth, K. (2006). *US-China trade disputes: Rising tide, rising stakes*. Peterson Institute.

<sup>126</sup> Robertson, J. et al. (2018). The Big Hack: How China Used a Tiny Chip to Infiltrate U.S. Companies. Retrieved from <https://www.bloomberg.com/news/features/2018-10-04/the-big-hack-how-china-used-a-tiny-chip-to-infiltrate-america-s-top-companies>

<sup>127</sup> Chen, Y. (2018). China's draft foreign investment law bans forced tech transfer. Retrieved from <https://www.reuters.com/article/us-china-economy-foreign-investment/chinas-draft-foreign-investment-law-bans-forced-tech-transfer-emphasizes-reciprocity-idUSKCN1OQ07T>

<sup>128</sup> Rapoza, K. (2018, September 05). Trade War Update: China to Suffer Greater Loss of Income than U.S. Retrieved from <https://www.forbes.com/sites/kenrapoza/2018/09/05/trade-war-update-china-to-suffer-greater-loss-of-income-than-u-s/>

## Economic Strategy in Developing Regions: Focus Latin America and Africa

There is a distinct difference between China's economic strategy in developed regions such as the EU and the United States, and in developing regions like Latin America and the Caribbean (LAC) and Africa. This section will focus on these two regions, providing a brief overview of the differences and evolution since Xi Jinping. However, for a more thorough investigation specific to China and Latin America, the reader is encouraged to read PUCV graduate, class of 2018, Elanya Chin's final graduation paper "A Tiger Amongst Condors: China's Strategies of Influence and Engagement in Latin America."<sup>129</sup> Collectively, Africa and Latin America share many similarities with respect to China's economic power projection. They are both commodity-rich economies which have long been a particularly important source of natural resources, including oil, gas, and rare earth metals. China is viewed favorably in both regions; in both Africa and LAC it buys more natural resources than any other country, including 54% of all aluminum, and 48% of all copper, and it offers an important source of growth in both infrastructure as well as resource-extraction industries. One example involves Chile's Sociedad Química y Minera (SQM), which, as of January 2019, became 24% owned by a Chinese SOE.<sup>130</sup> An important appeal of China, especially in non-democratic or marginally-democratic countries in both regions, is the country's unofficial doctrine of non-interference, commonly referenced as "don't mix business with politics."<sup>131</sup> This relaxed stance on government behavior, transparency, or sustainability concerns has gained China access to nations which Western countries seldom do business. However, as will be discussed in the next chapter, this strategy involves considerable risks with respect to both profits and public opinion.

While Africa and Latin America are both enthusiastic participants in the BRI, economic integration of the former is much more substantial than the latter. According to the World Economic Forum, China currently has dozens of billion-dollar projects in African markets, including a 756km-long, \$4 billion railway connecting Ethiopia to Djibouti, with the loan provided by China's Exim bank. In Africa, China's BRI-related FDI amounts to \$60 billion per year, which helps alleviate a massive continental infrastructure gap estimated at over \$240 billion annually.<sup>132</sup> Furthermore, BRI-related FDI is not the only Chinese link to the continent. In fact, China is Africa's largest trade partner in goods. Its \$188 billion trade with Africa, for instance, is three times larger than the next-highest country, India.<sup>133</sup> Additionally, as a result of its substantial commercial interests in the region, coupled with Xi's increased willingness to project power, China has taken a renewed interest in security related matters. Most notably, in 2016, it signed an agreement with officials to create its first ever foreign military base in Djibouti—a Naval logistics and troop base located

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<sup>129</sup> Chin, E. (2018). A Tiger amongst Condors: China's strategies of influence and engagement in Latin America. Final Graduation Paper, PUCV, Chile. Retrieved from [http://opac.pucv.cl/pucv\\_txt/txt-4000/UCC4029\\_01.pdf](http://opac.pucv.cl/pucv_txt/txt-4000/UCC4029_01.pdf)

<sup>130</sup> Nikkei Asia Review (2018, December 03). China's Tianqi buys stake in lithium miner SQM from Nutrien for \$4.1 bn. Retrieved from <https://asia.nikkei.com/Business/Business-Deals/China-s-Tianqi-buys-stake-in-lithium-miner-SQM-from-Nutrien-for-4.1-bn>

<sup>131</sup> Steidlmeier, P. (1997). Business ethics and politics in China. *Business Ethics Quarterly*, 7(3), 131-143.

<sup>132</sup> World Economic Forum. (2018). 3 myths about China's investment in Africa and why they need to be dispelled. Retrieved from <https://www.weforum.org/agenda/2018/09/three-myths-about-chinas-investment-in-africa-and-why-they-need-to-be-dispelled/>

<sup>133</sup> *Ibid.*

along the Gulf of Aden, intended for peacekeeping and anti-piracy missions along the Horn of Africa.<sup>134</sup> This event is widely cited as a major milestone in China's worldwide power projection, as it marks the first time military power has been deployed beyond the FIC to protect China's economic interests abroad.<sup>135</sup>

In Latin America, although the BRI arrived late to the region, it was accepted with tremendous enthusiasm. In 2016, the Peruvian president summarized the prevailing opinion regarding China's role in LAC, saying the relationship "promoted mutual reliance, economic complementarity, and technology transfers between China and Latin America." Just a year later, he noted that the BRI had already boosted Ecuador's trade to the Asian region.<sup>136</sup> In Peru and elsewhere, several high-profile investments are currently taking place. As shown in Figure 19 and Figure 20, China's largest footprint is in Brazil, Peru, and Mexico, where it prioritizes investment in power sectors and resource extraction. In a prominent example in 2015, Chinese SOE *Three Gorges* paid \$4 billion for rights to several hydropower plants throughout Brazil. Then in 2016, China's *State Grid* bought 23% of the largest Brazil energy provider, *CPFL Energia*.<sup>137</sup>

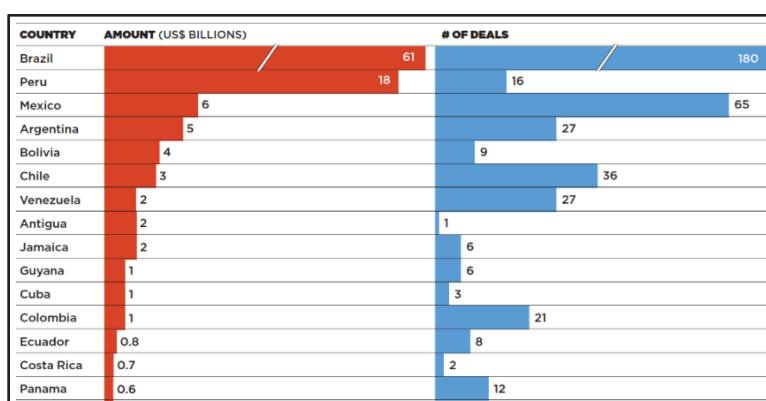


Figure 19: Principle FDI Recipients in LAC, 2003-2016<sup>138</sup>

<sup>134</sup> Becker, J., & Downs, E. (2018, June 27). China's Djibouti military base the first of many. *East Asia Forum*. Retrieved from <http://www.eastasiaforum.org/2018/06/27/chinas-djibouti-military-base-the-first-of-many/>

<sup>135</sup> *Ibid.*

<sup>136</sup> The Dialogue. (2018). China's Belt and Road Initiative: What Role for Latin America? Retrieved from <https://www.thedialogue.org/analysis/chinas-belt-and-road-initiative-what-role-for-latin-america/>

<sup>137</sup> Spring, J. (2018, January 18). China investment in Brazil hit seven-year high in 2017. *Reuters*. Retrieved from <https://www.reuters.com/article/us-brazil-china-investment/china-investment-in-brazil-hit-seven-year-high-in-2017-idUSKBN1F7387>

<sup>138</sup> Avendano, R. (2019). Chinese FDI in Latin America: New Trends with Global Implications. *The Atlantic Council Latin America Center*. Retrieved from <http://publications.atlanticcouncil.org/china-fdi-latin-america/>

INDUSTRY	AMOUNT (US\$ BILLIONS)
Oil & Gas	14
Mining & Metals	8
Transport	6
Automotive	7
Finance	6
Electricity/Utilities	9
Alternative Energy	5
Information & Communication Tech	2
Consumer Products/Electronics	1
Agriculture	1
Machinery & Equipment	0.6
Chemicals/Rubber	0.1
Construction & Construction Materials	0.1
Other Services/Wholesale	0

Figure 20: Principle Investment Sectors, 2016<sup>139</sup>

Beyond energy extraction, China's next highest investment in LAC is in telecommunications and electrical infrastructure. With respect to the former, Huawei and ZTE have large footprints, including a R&D center in Brazil. In Chile, planning has started for the future construction of a 3,500km fiber optic cable connecting South America with China via Valparaíso, Chile. Regarding the latter, in 2018 the Chinese company *Southern Power Grid* purchased 28% of Chile's top energy transmission company, Transelec.<sup>140</sup> In Peru, Chinese companies are expected to invest up to \$10 billion in sectors including energy, mining, telecommunications, construction and financing over the next three years. One noteworthy project includes the refurbishment of Port Ilo, as well as a significant rail project linking Port Ilo to Brazil, Bolivia, and Argentina. If completed, this 'Bi-Oceanic Corridor' would be the largest multinational project in South American history.<sup>141</sup>

#### *Shifting Priorities in Africa and LAC*

Beyond the optimism and favorable headlines of China's BRI, considerable questions exist regarding China's future economic power projection in Africa and LAC. Chief among the concerns is China's recent momentum shift toward investment in advanced economies. Xi's 'Made in China 2025', for example, involves a reprioritization of economic investment toward high-tech businesses such as technology and pharmaceuticals. Since China's previous focus in Africa and LAC has centered primarily on resource extraction, concerns exist regarding China's continued investment growth in these developing regions, since they are less conducive to Mr. Xi's current priorities.<sup>142</sup> To add further uncertainty, China, Africa, and LAC all suffered economically in 2013 and 2014 due to a significant drop in commodity prices. As a result, since 2015 China's investment in these two regions has simultaneously diminished and evolved. Total Chinese FDI in both

<sup>139</sup> Avendano, R. (2019). Chinese FDI in Latin America: New Trends with Global Implications. *The Atlantic Council Latin America Center*. Retrieved from <http://publications.atlanticcouncil.org/china-fdi-latin-america/>

<sup>140</sup> Electricidad (2017, December). Segunda mayor eléctrica china compra 28% de Transelec y debuta en Chile. *Electricidad*. 27 Dec 2017. Retrieved from <http://www.revistaei.cl/2017/12/27/segunda-mayor-electrica-china-compra-28-transelec-debuta-chile/#>

<sup>141</sup> GCR. (2018). Bolivia, Brazil, Paraguay, Peru agree framework for 'bi-oceanic railway.' Retrieved from <http://www.globalconstructionreview.com/news/bolivia-brazil-paraguay-peru-agree-framework-bi-oc/>

<sup>142</sup> Child, J., & Yan, Y. (1999). Investment and control in international joint ventures: The case of China. *Journal of World Business*, 34(1), 3-15.

regions dropped between 30% and 40% following the 2015 commodity dip, and have yet to fully recover to their previous levels. Additionally, of the FDI that continued to flow, Xi's new strategy is readily apparent. As shown in Figure 21, China has shifted its investment sectors in Africa and LAC toward services and alternative energy, while reducing its investment in natural resource extraction and manufacturing by one-third.<sup>143</sup>

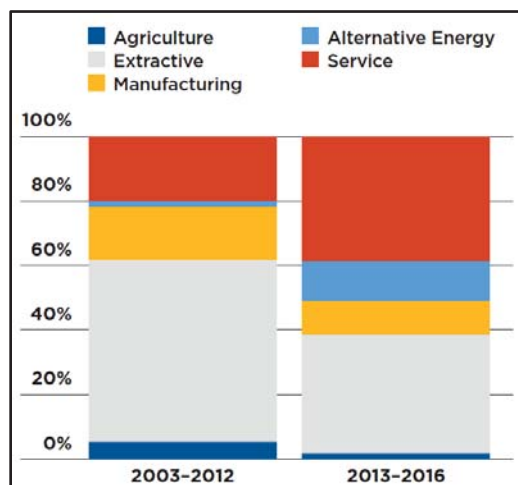


Figure 21: Chinese FDI by Sector, Before/After Xi Jinping<sup>144</sup>

### 3. Diplomatic Power: RCEP, Taiwan, and North Korea

#### Regional Comprehensive Economic Partnership (RCEP)

This section highlights examples of Xi Jinping's diplomatic power projection. While every previous example involves some level of diplomacy between China and other states (especially the BRI), the additional examples included here emphasize China's new leadership role on the international stage since Xi Jinping. The first example is the new Regional Comprehensive Economic Partnership (RCEP), a multinational free-trade agreement (FTA) sponsored by China which is due to be finalized in early 2019. The RCEP, once finalized, will include the ten member-countries of the Association of Southeast Asian Nations (ASEAN) nations, plus 6 other large economies (China, Japan, India, South Korea, Australia, New Zealand), as shown in Figure 22. Once finalized, the RCEP will be one of the largest in the world, accounting for almost half the world's population, and a third of its total GDP.<sup>145</sup>

<sup>143</sup> Avendano, R. (2019). Chinese FDI in Latin America: New Trends with Global Implications. Retrieved from <http://publications.atlanticcouncil.org/china-fdi-latin-america/>

<sup>144</sup> *Ibid.*

<sup>145</sup> Wilson, J. D. (2015). Mega-regional Trade Deals in the Asia-Pacific: Choosing between the TPP and RCEP? *Journal of Contemporary Asia*, 45(2), 345-353.



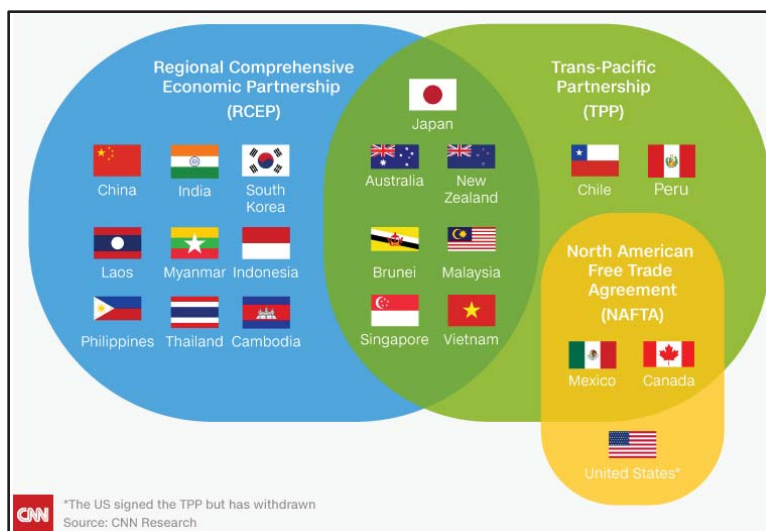


Figure 22: RCEP Member Nations (Left) and TPP Members (Right)<sup>146</sup>

RCEP is an important example of Chinese diplomacy for several reasons. First, it is the first FTA that was initiated and led by China, and is widely viewed as an alternative to the Trans-Pacific Partnership (TPP), which excludes China. The timing of the RCEP was advantageous to China as well. As the United States entered the Trump era of diplomatic isolationism with its withdrawal from the TPP, and as the United Kingdom finalized its ‘Brexit’ from the EU, China’s leadership in the RCEP and the BRI allowed it to take a position of diplomatic leadership on the world stage. Additionally, with the uncertainty surrounding the ongoing China-US trade war, the RCEP provides an important hedge against the rise in trade protectionism in the world, giving China market access and facilitating its continued quest for technology know-how which is key to its national plan of value-added production.<sup>147</sup>

#### Isolation of Taiwan

The next important power projection strategy under Xi Jinping involves the diplomatic isolation of Taiwan. As mentioned previously, the reunification of Taiwan is a ‘core interest’ of China, and Xi Jinping has differed from his predecessors with his hard-liner rhetoric toward the democratic island, emphasizing the ‘One China’ doctrine which considers Taiwan to be a Chinese territory. Since taking power, Xi’s strategy toward Taiwan has been characterized by diplomatic coercion. In addition to the large-scale military exercises Mr. Xi has undertaken in the Taiwan Straits, his diplomats have sought to decrease Taiwan’s diplomatic allies. In the last two years, for instance, China has convinced El Salvador, Panama, and the Dominican Republic to sever ties with Taiwan. In each case, China offered the former Taiwan allies multi-billion-dollar investment packages in exchange for their loyalty.<sup>148</sup> This strategy has proven remarkably effective, and leaves Taiwan

<sup>146</sup> Jozuka, E. (2017, January 26). TPP vs RCEP? Trade deals explained. Retrieved from <https://www.cnn.com/2017/01/24/asia/tpp-rcep-nafta-explained/index.html>

<sup>147</sup> Chiang, M. H. (2013). The potential of China-Japan-South Korea free trade agreement. *East Asia*, 30(3), 199-216.

<sup>148</sup> Jacobs, J. B. (2006). One China, diplomatic isolation and a separate Taiwan. *China's Rise, Taiwan's Dilemma's and International Peace* (pp. 113-137). Routledge.

with just 17 small developing countries with which it maintains formal diplomatic ties, as show in Figure 23.

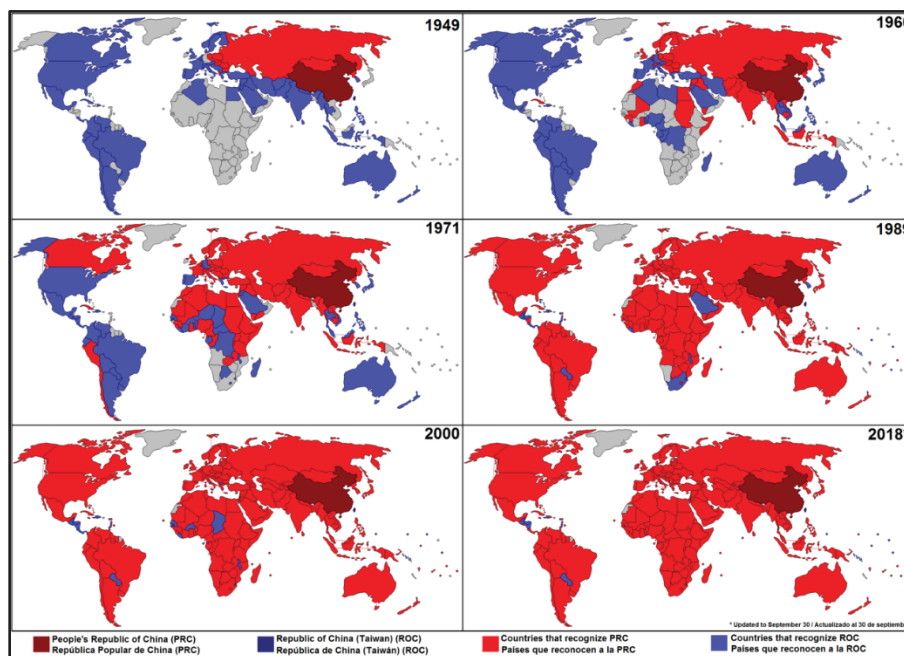


Figure 23: Countries Recognizing the Republic of China (Taiwan), Changes Since 1949<sup>149</sup>

#### Diplomacy with North Korea

The Korean Peninsula is an area which deserves mention due to the subtle yet important changes that have occurred since Xi Jinping took power. North Korea has been a tricky diplomatic challenge for China for many decades, since it has been seen as both an opportunity for Chinese leadership and a risk to Chinese credibility in Northeast Asia. As North Korea's top economic partner, China has traditionally taken on the role of diplomatic 'top-cover' to the Kim regime. However, since 2015, Xi Jinping became increasingly frustrated with China's inability to control the nuclear ambitions and threatening rhetoric of its neighbor, and as a result, he has reformulated his strategy from economic cooperation to diplomatic coercion. The origin of this new posture is Xi's reprioritization of the Korean peninsula. Whereas economic integration with North Korea was previously a key motivator for its diplomatic friendship, China now considers the stability of the peninsula, as well as economic integration with South Korea to be its top priority.<sup>150</sup>

This new approach has transpired in several ways. First, beginning in 2017, China announced trade restrictions in North Korean textiles, seafood, and oil products, resulting in a drop in North Korea exports of over 16% for the year.<sup>151</sup> Additionally, after North Korea's missile launch in November

<sup>149</sup> Universalis Images (2019). Foreign relations of Taiwan. Retrieved from [https://en.wikipedia.org/wiki/Foreign\\_relations\\_of\\_Taiwan#/media/File:China\\_vs\\_Taiwan\\_global\\_struggle\\_for\\_recognition.png](https://en.wikipedia.org/wiki/Foreign_relations_of_Taiwan#/media/File:China_vs_Taiwan_global_struggle_for_recognition.png)

<sup>150</sup> Zhang, M. (2018). Proceeding in hardship: the trilateralism–bilateralism nexus and the institutional evolution of China–Japan–South Korea trilateralism. *The Pacific Review*, 31(1), 57-75.

<sup>151</sup> *Ibid.*

2017, China changed its conciliatory tone and, for the first time, publicly expressed “grave concern and opposition,” and calling on North Korea to “cease actions that have increased tensions on the Korean peninsula.”<sup>152</sup> Simultaneously, while China was scolding North Korea, it also offered economic incentives to regain its cooperation. Most notable among these incentives is China’s offer to extend the BRI into both North and South Korea. Waving the carrot of billions of dollars of investment income, China’s diplomats have been careful to remind Mr. Kim that no construction would begin until sanctions on its nuclear programs are lifted, and it should therefore cease its nuclear activities.<sup>153</sup> Similar to Xi’s approach with Taiwan, China’s strategy with North Korea forces a choice for Kim Jong Un—cooperate with the diplomatic priorities of China, or expect further economic isolation as well as the termination of a long-running alliance.<sup>154</sup> While both examples demonstrate Xi’s use of diplomatic power, the blend of several instruments of power also suggest an apt use of ‘smart power’, as discussed in Chapter 2.

#### 4. Information Power Projection: Soft and Sharp Power

Having now discussed Xi Jinping’s power projection strategy in terms of military, economic, and diplomatic instruments of power, this chapter concludes with a discussion of China’s use of the ‘information’ component to influence foreign nations. The section begins with a summary of Xi’s soft power objectives, followed by his use of a new academic term, ‘sharp power.’

##### Chinese Soft Power

The importance of soft power to Xi Jinping’s strategy cannot be overlooked. During the 18th National Congress of the CPC in 2014, Xi Jinping remarked that the CPC “should increase China’s soft power, give a good Chinese narrative, and better communicate China’s messages to the world.”<sup>155</sup> Later in the speech he articulated his main soft power objective, stating that Party members should enhance China’s global image to “build confidence in the Chinese culture” by presenting “a true, multi-dimensional, and panoramic view of China.”<sup>156</sup> In order to accomplish this objective, American sinologist David Schambaugh estimates that China currently spends \$10 billion a year in ‘external propaganda.’ He notes that, by comparison, the US spends just \$666 million per year.<sup>157</sup> With such a notable variation in funding between the two countries, it is important to determine the scope and impact of China’s soft power initiative.

China attempts to generate and project its soft power in four key ways. The first, and likely the most effective mechanism, is the academic scholarships it offers to foreign students who wish to

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<sup>152</sup> Albert, E. (2018). Understanding the China-North Korea Relationship. *Council on Foreign Relations*. Retrieved from <https://www.cfr.org/background/china-north-korea-relationship>

<sup>153</sup> Pollack, J. D. (2016). Is Xi Jinping Rethinking Korean Unification? *Brookings Institute*. Retrieved from <https://www.brookings.edu/on-the-record/is-xi-jinping-rethinking-korean-unification/>

<sup>154</sup> *Ibid.*

<sup>155</sup> Xi, J. (Dec. 2014). Xi Jinping’s Speech to the 18th National Conference of the CPC. Speech.

<sup>156</sup> Tao, Y. (2017, November 02). Get Ready for an Even More Assertive China. Retrieved from <https://thediplomat.com/2017/11/get-ready-for-an-even-more-assertive-china/>

<sup>157</sup> Nye, J. S. (2015, July 10). The Limits of Chinese Soft Power by Joseph S. Nye. Retrieved from <https://www.project-syndicate.org/commentary/china-civil-society-nationalism-soft-power-by-joseph-s--nye-2015-07>

arrive for university studies. In 2018, nearly half a million exchange students studied in China, and 50% of them were on Chinese-funded scholarships. In a January 2019 article in *The Economist*, the author notes that China's strategy with foreign students is very different than the West, saying "In countries such as Britain, Australia and America, foreign students are welcomed mostly because universities can make more money out of them than out of locals. In China it is the opposite... The rich world is selling education. China is using it to buy influence."<sup>158</sup> Since Xi Jinping's 2014 soft power speech, the number of scholarships has risen sharply, with the majority of the academic subsidies directed toward students of BRI-participating countries.<sup>159</sup> Furthermore, China's student outreach is not limited to college students. In an effort to foster military soft power, in 2018 China also invited 1000 military officers to participate in its 67 military schools throughout the country.<sup>160</sup>

The second method of soft power outreach involves China's 'Confucius Institutes.' These centers, located near universities around the world, are designed to project good-will between China and the host nation by offering language and cultural programs, supporting Chinese teaching, and facilitating cultural exchanges. As of 2017, 513 such centers have been established worldwide, and another 1050 'Confucius Classrooms' had been created inside of primary and secondary schools. Since their inauguration in 2004, Confucius Institutes have been a source of increasing controversy. On one hand, they have been credited for their role in deepening relationships between China and the host nations. Yet on the other hand, they have been accused of subverting academic freedom inside of the hosting university. In 2018, for example, two Confucius Institutes were banned at Texas A&M and University of Michigan because they had attempted to leverage funding and donations to censor research papers related to China. In the United States, where over 100 universities currently host the centers, the National Association of Scholars has gone so far as to recommend the closure of all the institutes in the country, finding that by hosting such Chinese centers, "universities have made improper concessions that jeopardize academic freedom and institutional autonomy."<sup>161</sup> However, other regions have been much more receptive to the Chinese centers, including LAC, which currently hosts 30 institutes in 11 countries.<sup>162</sup>

The third mechanism of soft power for China is its expansive use of forums and think tanks to further its national interests. Responding to a CPC call for more "think tanks with Chinese characteristics", China has experienced a boom in its number of research centers in the last two years, with a large number of them being created from scratch or by restructuring existing policy research organizations. One report conducted by the University of Pennsylvania lists 435 Chinese international think tanks, ranking it second behind only the United States.<sup>163</sup> Furthermore, in 2016, the CPC directed that Chinese think tanks adopt 'distinct national characteristics.' While the description of these characteristics is vague, the Centre of International Governance Innovation

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<sup>158</sup> The Economist (2019, January 24). Why China is lavishing money on foreign students. Retrieved from <https://www.economist.com/china/2019/01/26/why-china-is-lavishing-money-on-foreign-students>

<sup>159</sup> *Ibid.*

<sup>160</sup> *Ibid.*

<sup>161</sup> Redden, E. (2018). Michigan to Close Confucius Institute. Retrieved from <https://www.insidehighered.com/quicktakes/2018/12/12/michigan-close-confucius-institute>

<sup>162</sup> Confucius Inst. (2019). Confucius Institutes in Latin America. Retrieved from [https://institutoconfucio.ugr.es/pages/enlaces/enlaces\\_confucio\\_hispanoamerica?lang=en](https://institutoconfucio.ugr.es/pages/enlaces/enlaces_confucio_hispanoamerica?lang=en)

<sup>163</sup> Note: the report does not account for internal or local Chinese think tanks, which number in the thousands.

says that, in order to receive continued state funding, they must “serve the Party and the Chinese government”, “maintain close cooperative relations with the government, “not produce extremist opinions,” and “shape public opinion.” Not surprisingly, the most well-funded think tanks are those which focus on international outreach. For example, in 2016, the International Silk Road Think Tank was created, and its researchers were tasked to travel to potential BRI countries “to tell China’s stories...promote the understanding of [BRI] across the world, and boost the development of Chinese public diplomacy.”<sup>164</sup>

The fourth mechanism of soft power projection is China’s international news media. Labeled the ‘Big Four’, China’s most prevalent brands are China Global Television Network (CGTN, formerly CCTV), China Radio International (CRI), Xinhua News Agency and the China Daily newspaper. According to the Council on Foreign Relations, these media sources are crucial tools used by Beijing to control the Chinese narrative abroad. For instance, the government’s primary news agency, Xinhua, has grown to over 170 foreign bureaus, while China’s radio station, CRI, now produces over 390 hours of programming per day in over 40 different languages.<sup>165</sup> Analysts note that these media sources are extremely important to China’s soft power projection because China is not a producer of ‘pop culture’ such as movies, music, and TV shows. However, the benefits of China’s media outreach are clear, especially in developing countries. In Africa, for instance, the majority of all media consumed by Africans comes from China’s ‘Big Four’ providers.<sup>166</sup> Although it is difficult to link correlation with causation, it is interesting to note that Africa also has the highest favorability ratings for China than any other continent, as shown below. Further discussion on the impacts of China’s soft power initiatives will be discussed in the subsequent chapter.

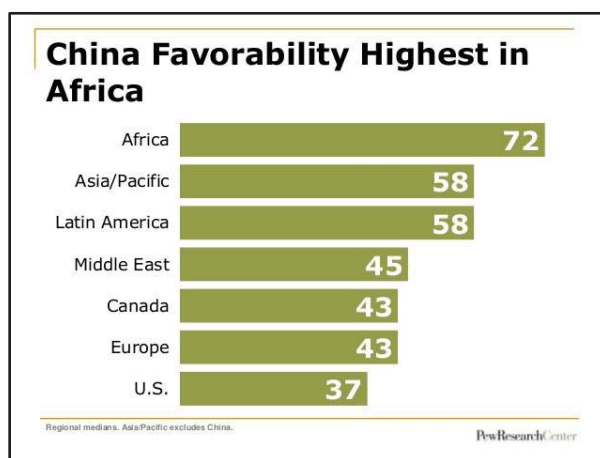


Figure 24: China Favorability by Region, 2016<sup>167</sup>

<sup>164</sup> Wang, H. (2017). The New Great Leap Forward: Think Tanks with Chinese Characteristics. *Center of International Governance Innovation. CIGI Papers* No. 142 — September 2017 Retrieved from <https://www.cigionline.org/sites/default/files/documents/Paper%20No.142.pdf>

<sup>165</sup> Albert, E. (2018). China's Big Bet on Soft Power. Retrieved from <https://www.cfr.org/backgrounder/chinas-big-bet-soft-power>

<sup>166</sup> Jiang, F. et al (2016). The voice of China in Africa: Media, communication technologies and image-building. Retrieved from <https://www.cmi.no/publications/5860-the-voice-of-china-in-africa/>

<sup>167</sup> Wike, R. and Stokes, B. (2016). Who Is Up, Who Is Down: Global Views of China & the U.S. *Pew Research Center*.



## Sharp Power

As mentioned in Chapter 2, ‘sharp power’ describes a strategy of subversive or insidious control which seeks to influence another nation by means of distorting the flow of information reaching both the general public and policy makers. This strategy helps explain recent trends such as the deliberate use of ‘fake news’ to polarize and divide a populace, as well as secret campaign contributions meant to influence advantageous policy decisions. Unlike soft power, which is based on the attraction of culture and values, sharp power is deliberately manipulative. Since the term was created in 2017, China has been implicated in several sharp power strategies. One key example is the purchase of international media platforms to censor negative stories concerning China.<sup>168</sup> Dr. Elizabeth Economy notes that China’s radio station CRI has purchased multiple international radio stations, and now “covertly controls more than 30 radio stations in 14 countries, whose broadcasts are notable for their exclusion of commentary unfavorable to Beijing.”<sup>169</sup> Interestingly, the majority of these are in North America, Europe, Australia and New Zealand. Furthermore, a recent investigation concluded that 13 of these stations were located in the United States, where one station in particular operates out of a Washington D.C. suburb and covers the entire National Capital Region (NCR).<sup>170</sup>

In another example of sharp power, in 2018 Australian and New Zealand authorities identified an unprecedented infiltration by the CPC against their diplomats and politicians. In this scenario, it was determined that the CPC was deliberately and secretly contributing to election campaigns in order to solicit favorable public policy by the targeted politicians. At the same time, China’s government produced massive amounts of propaganda in Australia. First, Chinese nationals living there were encouraged to conduct protests and pressure politicians whenever unfavorable policy was discussed in the country. Then, the CPC purchased controlling stakes in multiple media companies, managing to obtain influence or control in every Chinese Australian media outlet. Finally, investigators revealed that the CPC had surreptitiously funded the Australia China Research Institute (ACRI). ACRI, in addition to producing favorable reports on China, subsequently hired a prominent ex-Foreign Minister, Bob Carr, who used his influence to indirectly advance Chinese interests in Australia.<sup>171</sup> These examples indicate a new trend in covert information operations undertaken by China to secretly manipulate and exploit open Western societies.

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<sup>168</sup> Chen, Y., & Yang, D. Y. (2018). The Impact of Media Censorship: Evidence from a Field Experiment in China.

<sup>169</sup> Economy, E. (2018). *The Third Revolution: Xi Jinping and the New Chinese State*. New York, NY: Oxford University Press. 220.

<sup>170</sup> Gonzalez, M. (2015, November 05). Chinese Censorship: Coming to A Radio Near You. Retrieved from <https://www.forbes.com/sites/mikegonzalez3/2015/11/05/chinese-censorship-us-radio/#3fafde257bb0>

<sup>171</sup> Sadiq, N. et al. (2018, March 11). Can Australian Democracy Dull Chinese Sharp Power? *Analysis, Eurasia Review*. Retrieved from <https://www.eurasiareview.com/11032018-can-australian-democracy-dull-chinese-sharp-power-analysis/>



## Conclusion

The intent of this chapter was to describe relevant examples of China's use of power since Xi Jinping took control in 2012. It is clear by the diverse examples that one cannot make sweeping generalizations regarding China's power projection. What is clear, however, is that China's strategy is deliberate, complex, and variable, and utilizes all four of the DIME instruments of power to advance its 'core interests.' As shown in this chapter, Xi Jinping is different from his predecessors in that he has converted perennial Chinese interests into measurable and attainable goals. Additionally, he has much less hesitation to utilize methods of power beyond the 'cooperation' approach of his forerunners. The next chapter will synthesize the concepts described in this chapter, and advance the fundamental question of China's new power projection strategy:

“Will Xi Jinping's strategy help achieve his country's goals?”

## Chapter 5: Analysis

Having described Xi Jinping's power projection strategy in the previous chapter, this chapter will examine several of the factors affecting China's rise in the 21<sup>st</sup> century. The intent of this section is to examine aspects which influence the likelihood that Xi Jinping's strategy will be successful. To accomplish this goal, the chapter first reveals factors which contribute to China's rise, followed by the negating factors which detract from China's strategy. It begins with a review of Xi Jinping's goals for his 'Chinese Dream.'

### What Would 'China's Century' Look Like?

As previously discussed in Chapter 3, Xi Jinping's overarching vision is to achieve "the great rejuvenation of the Chinese nation." Within weeks of taking power, Mr. Xi announced his 'Two Centennial Goals.' First, China would build a 'moderately prosperous society' by doubling its per capita income by 2021 (the 100<sup>th</sup> anniversary of the CPC). Second, it would become a 'fully developed, rich, and powerful nation' by the 100<sup>th</sup> anniversary of the People's Republic of China in 2049. If China achieves the first goal, which it is currently on track to do, China's economy will be 40% larger than the United States, according to the IMF.<sup>172</sup> By 2049, the economy would need to grow up to become three-times the size of the USA to achieve the second goal. Yet beyond the economic goals he has set, Xi's vision would also achieve symbolic and psychological milestones as well. China would return to the dominance it enjoyed in Asia as the 'Middle Kingdom', prior to the West's arrival. Territorially, China would need to reestablish control over its 'core interest' territories, including Taiwan, Hong Kong, and the disputed SCS and ECS islands discussed in Chapter 4. For Xi Jinping, 'China's Century' would also mean recovering the monumental sphere of influence it once enjoyed, especially along its territorial borders (including Xinjiang and Tibet), along the historic Silk Road, and along its adjacent seas outward to the FIC and SIC.

What would 'China's Century' mean for the world, and how would it adapt? Singapore's former Prime Minister, Lee Kuan Yew, may have said it best. "The size of China's displacement of the world balance is such that the world must find a new balance. It is not possible to pretend that this is just another big player. This is the biggest player in the history of the world."<sup>173</sup> According to Mr. Lee, 'China's Century' would be characterized, first and foremost, by a "contest of supremacy in Asia." Achieving the 'Chinese Dream' would involve massive structural stress on the international world order, since Xi Jinping's vision would be backed by a heightened Chinese resolve and confidence to take action. In the rest of the world, as we have already seen, adaptation to China's rise would take many forms. Among regional Asian actors, many scholars, including

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<sup>172</sup> Brown, K. (2017, February). The Critical Transition: China's Priorities for 2021. *Chatham House: The Royal Institute of International Affairs*. Retrieved from <https://www.chathamhouse.org/sites/default/files/publications/research/2017-02-02-critical-transition-china-priorities-2021-brown.pdf>

<sup>173</sup> Allison, G. (2017, May). What Xi Jinping Wants. *The Atlantic*. 31 May 2017. Retrieved from <https://www.theatlantic.com/international/archive/2017/05/what-china-wants/528561/>

Mr. Lee, mention that countries such as Japan and South Korea will likely choose a hedge strategy seeking to simultaneously increase interdependence with China, while creating offsetting alliances against the rising giant. In the United States, for instance, politicians would be forced to adapt to China's increased role in the international arena, or perhaps compete militarily for dominance, resulting in a war which neither country wants. Many countries would be caught between the competition of the two great powers, each one attempting to generate alliances and relationships to offset the strength of the other. Other nations, especially in developing countries, would maximize their self-interests with a strategy of cooperation, while developed nations would cement their strategy of protectionism against China's perceived economic encroachment at home.<sup>174</sup> While it is impossible to know whether this will indeed be considered 'China's Century', it is possible to evaluate the current trends which support or oppose Mr. Xi's grand vision for his nation in the 21<sup>st</sup> century.

## Part 1: Why Xi Jinping May Succeed

### The End of the 'American Era'

At the heart of the question of China's rise lies a great ideological debate concerning the future of the international world order. For nearly a century, the world order has been the product of United States' leadership dating back to the end of the First World War. President Woodrow Wilson's 'Fourteen Points' speech of 1917, for instance, laid the foundation for modern international relations with his appeal for free trade, open international agreements, democracy, and self-determination. Additionally, his speech outlined a vision of freedom of navigation, the removal of economic barriers, equality of trade conditions, and the elimination of colonial claims.<sup>175</sup> By the end of the Second World War, international order was largely galvanized around United States-led multilateral institutions and alliance systems, including the United Nations, the International Monetary Fund, and the North Atlantic Treaty Organization (NATO). By the 1980s, the 'Washington Consensus' prevailed in the international system. This neoliberal economic policy centered on free-market policies such as democratization, free-trade, the elimination of government subsidies and tariffs, relaxed rules on foreign direct investment, and the privatization of state-owned enterprises.<sup>176</sup> These qualities have become the foundation of the West's values-based economic system.

However, since the beginning of the 21<sup>st</sup> century, the United States-led international order has been steadily receding. Among developed nations, skepticism over the 'liberal world order' has increased for several reasons. The United States' foreign interventions in Iraq and Afghanistan following the 9/11 terrorist attacks, for instance, eroded its credibility abroad. Internally, the economic and emotional costs of nearly two decades of continuous fighting had taken their toll as

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<sup>174</sup> *Ibid.*

<sup>175</sup> Wilson, W. (1918). Address to Congress: President Wilson's Fourteen Points. 8 January 1918. *Our Documents*. Retrieved from <https://www.ourdocuments.gov/doc.php?flash=false&doc=62>

<sup>176</sup> Godbole, S. (2018, July). Changing Nature of International Order and the Role of the US. *Brookings Institute*. 13 July 2018. Retrieved from <https://www.brookings.edu/blog/up-front/2018/07/13/changing-nature-of-international-order-and-the-role-of-u-s/>

well. Coupled with the view that China and others had ‘taken advantage’ of the international system, the American people grew weary of the responsibility of upholding the US-led order. In this context, Donald Trump’s rise to power can be seen as the manifestation of the American voter rejecting the cost of upholding an order whose benefits were increasingly questioned at home and abroad. In Europe, economic and immigration crisis has added similar pressure to the international system. There too, as Great Britain finalized its exit from the EU, and populist uprisings increased in all corners of the continent, cracks in the liberal system were impossible to overlook. Finally, in developing nations, with few exceptions, ‘neoliberalism’ became a pejorative term, symbolizing an exploitative ‘Center-Periphery’ relationship between the wealthy North and the impoverished, yet resource-rich, South.<sup>177</sup> By 2013, when Xi Jinping took power, the liberal international order had weakened to such an extent that some political scientists, including Eliot Cohen, had officially declared the end of the ‘American Era.’<sup>178</sup>

#### The Beijing Consensus and Xi’s ‘Economic Thought’

At the same time, Xi Jinping has been methodical in his advancement of China’s own economic alternative. Labeled the ‘Beijing Consensus’ in 2004, China’s economic model offers a potential alternative to Western neoliberalism. The term ‘Beijing Consensus’ was coined by Joshua Cooper Ramo of the United Kingdom, who first described it as a pragmatic policy which emphasizes economic growth based on each country’s specific national circumstances, as opposed to the universality of the neoliberal ‘Washington Consensus.’<sup>179</sup> The Chinese economic model differs from Western models by replacing Western democratic values and norms with ‘market authoritarian’ characteristics such as an illiberal political system, state capitalism, semi-free markets, and emphasis on state-owned enterprises. Additional characteristics of the Chinese economic model include a strong leading role of the ruling political party, gradual reforms, ‘cultural borrowing’ of foreign ideas, and a strict ‘no strings attached’ economic approach which prioritizes economic relationships over the politics of the partner nation.<sup>180</sup> This final characteristic is very different from the Western approach, notes Stefan Halper of Cambridge University. He mentions that the defining characteristics of the ‘Beijing Consensus’ is its trend “away from the market-democratic model—and toward a new type of capitalism which can flourish without the values and norms of Western liberalism.”<sup>181</sup>

In a speech delivered to the CPC Politburo in 2012, Xi Jinping reshaped the ‘Beijing Consensus’ into what has now become known as ‘Xi Jinping’s Economic Thought for a New Era of Chinese Socialism.’ Xi Jinping’s ‘Economic Thought’ differs from his predecessors’ approach in a number of ways. First, it places all economic projects under the direct authority and leadership of the CPC. Previously, regional governments had a primary role in economic development within China, but

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<sup>177</sup> Hurt S. (2019). Washington Consensus. *Encyclopedia Britannica Online*. Retrieved from <https://www.britannica.com/topic/Washington-consensus>

<sup>178</sup> Cohen, E. (2017, Oct). How Trump is Ending the American Era. *The Atlantic*. October 2017 Issue. Retrieved from <https://www.theatlantic.com/magazine/archive/2017/10/is-trump-ending-the-american-era/537888/>

<sup>179</sup> Ramo, J.C. (2004). The Beijing Consensus. *Foreign Policy Centre*. May 2004.

<sup>180</sup> *Ibid.*

<sup>181</sup> Halper, S. (2010). Stefan Halper on the Beijing Consensus. *The Globalist*. 2 October 2010. Retrieved from <https://www.theglobalist.com/stefan-halper-on-the-beijing-consensus/>

since 2012 their role has been reduced significantly. Second, Mr. Xi created the concept of the ‘new normal’ in Chinese economic development, which shifted from rapid growth to a reduced growth rate that prioritized structural reforms and subsidies toward specific value-added sectors. As part of the ‘new normal’ Xi Jinping has doubled down on the use of SOEs as the cornerstone of China’s economic development, increasing the use of vast government loans to support strategic and high value-added sectors.<sup>182</sup> These loans and subsidies have created a competitive advantage for China’s technical growth by providing capital for research and development, as well as technological investment. However, the SOE strategy also has its drawbacks, as will be discussed later.

#### The Attraction of Xi’s Economic Model

Across substantial parts of the world, especially in SE Asia and Africa, Mr. Xi’s Economic Thought provides an attractive alternative to the Western liberal model for several reasons. First, it has genuine credibility. The Chinese model has led to over thirty years of unprecedented economic growth rates. For the last thirty years, the country has experienced sustained annual GDP growth of approximately 10%. Additionally, the country was one of the few to avoid the 2008-2009 ‘Great Recession’ which swept across the rest of the globe as a result of questionable mortgage lending practices in the US.<sup>183</sup> In short, the growth of China has been inspirational to developing nations in particular, who wish to emulate the strategy that lifted over 80% of China’s population from extreme poverty in just three decades.<sup>184</sup>

Beyond simply praising China’s economic growth, many see a benefit in the ‘market authoritarian’ model of single-party government. While it may not be shocking that the world’s dictators and autocrats look favorably on China’s illiberal system, what is indeed surprising is the number of Western scholars who have expressed envy for China’s ability to make rapid decisions and adaptations due to its single-party authoritarian system. Thomas Friedman, an influential New York Times columnist, once said that “One-party autocracy certainly has its drawbacks. But when it is led by a reasonably enlightened group of people, as in China today, it can also have great advantages. One party can simply impose the politically difficult but critically important policies needed to move a society forward.” Additionally, the economist who coined the term ‘Washington Consensus’, John Williamson, admitted in 2012 that the ‘Beijing Consensus’ appeared to be overtaking the ‘Washington Consensus’ in worldwide popularity.<sup>185</sup>

The increasing credibility of the Chinese economic model has further motivated Chinese scholars and politicians to promote the system. They take aim at the United States in particular, whose democracy, frequently deadlocked along party lines, they characterize as inefficient and corrupt. In the midst of the 2008 mortgage crisis, for example, an expert from China’s Commerce Ministry once jeered “The U.S.’ top financial officials need to shift their people’s attention from the country’s

<sup>182</sup> Xi, Ji. (2012). Full text of Xi Jinping’s speech to the CPC Politburo. 15 November 2012. Retrieved from <https://www.bbc.com/news/world-asia-china-20338586>

<sup>183</sup> Chow, G. C. (2017). *Capital formation and economic growth in China* (pp. 1186-1221). BRILL.

<sup>184</sup> Arestis, P., & Sawyer, M. (2016). *Emerging Economies During and After the Great Recession*. Springer.

<sup>185</sup> Williamson, John. (2012). Is the ‘Beijing Consensus’ Now Dominant? *Asia Policy*. 13. 10.1353/asp.2012.0012.

struggling economy to cover up their incompetence and blame China for everything that is going wrong in their country."<sup>186</sup> More recently, China has been eager to exploit the self-inflicted problems created by the global leadership vacuum left by the Trump administration. In March 2019, for instance, the administration still had 55 ambassador vacancies across the world, of which 45 were located in China-leaning developing countries.<sup>187</sup> In these developing nations in particular, China is adept at attracting partners who feel overlooked by the West, as evidenced in Figure 25.

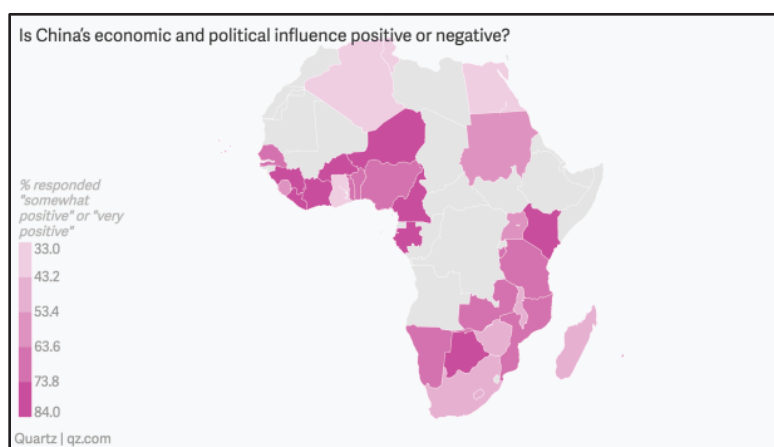


Figure 25: China's Positive Influence Among African Nations, 2018<sup>188</sup>

## Part 2: How Xi Jinping's 'Chinese Dream' Could Fail

Yet while China indeed has significant favorable momentum contributing to its sustained growth, there are several obstacles which may lead to the failure of Xi Jinping's strategy. This section discusses the problems China faces, both internally and externally, if it is to achieve its 'Chinese Dream.'

### China's Debt Burden

The greatest threat to China's rise in the 21<sup>st</sup> century is its swelling and unsustainable debt. While many countries have high debt levels, including the United States (debt to GDP of 105%) and Japan (250%), China's debt is unique and troublesome for a number of reasons. First, the overall level is high. According to the Chinese government, the nation's debt is just 47.8%. However, experts caution that official debt reporting in China is notoriously inaccurate, and the Institute of International Finance estimates that China's real debt-to-GDP is over 300%. Official numbers fail

<sup>186</sup> Roberts, A. (2015). Kurlantzick, J.(2013). Democracy in Retreat: The Revolt of the Middle Class and the Worldwide Decline of Representative Government. New Haven: Yale University Press. *International Public Management Review*, 16(1), 236-240.

<sup>187</sup> AFSA (2019). Tracker: Current US Ambassadors. *American Foreign Service Association*. Retrieved from <http://www.afsa.org/list-ambassadorial-appointments>

<sup>188</sup> Kuo, L. (2016). China's model of economic development is becoming more popular in Africa than America's. *Quartz Africa*. 28 October 2016. Retrieved from <https://qz.com/africa/820841/chinas-model-of-economic-development-is-becoming-more-popular-in-africa-than-americas/>



to account for the unique relationship between the country's central government and its SOEs. Financial expert Panos Mourdoukoutas explains that in China “the government is both the lender and the borrower [wherein] the state-owned banks lend money to state-owned enterprises.”<sup>189</sup> This relationship creates a scenario where the risks associated with a default are concentrated inside the Chinese state, as opposed to being dispersed among private banks or individuals. Multiple other credible sources agree with the IIF's dire estimate, including the IMF, The Economist Intelligence Unit, and Bloomberg Intelligence, which each estimate China's current debt to be between 280% and 350% of GDP. This has led Paul Christopher, the head global strategist of Wells Fargo bank to conclude that “Debt in China is currently our #1 risk in the whole world.”<sup>190</sup>

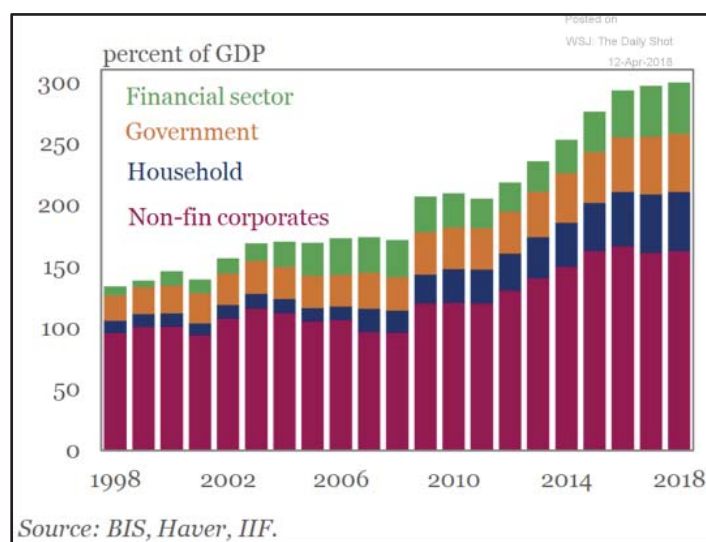


Figure 26: Estimated Chinese debt as percentage of GDP, 1998-2018<sup>191</sup>

Beyond the massive quantity of China's debt, it is important to also realize that the ‘quality’ of its debt is considered poor and risky as well. First, the dual role of the government as lender and borrower creates a conflict of interest with its ability to regulate its own internal lending practices. For instance, since the government simultaneously owns banks, welfare and pension programs, and corporations, it has an inherent incentive to continue lending in order to provide a continued ‘growth engine’ for the economy. Additionally, due to Xi Jinping's preference for SOEs, the lending is imbalanced—China's SOEs receive over 75% of government loans, yet produce just 40% of the country's GDP and 20% of its employment.<sup>192</sup> Therefore, the debt is considered poor

<sup>189</sup> Mourdoukoutas, P. (2018, Nov). Debt, Not Trade, Is China's Biggest Problem. *Forbes*. 24 Nov 2018. Retrieved from

<https://www.forbes.com/sites/panosmourdoukoutas/2018/11/24/debt-not-trade-war-is-chinas-biggest-problem/#56012e244c4d>

<sup>190</sup> Cheng, E. (2017). China central bank chief raises new worry in China: Mortgage-driven household debt. *CNBC*. 23 Oct 2017. Retrieved from <https://www.cnbc.com/2017/10/23/china-central-bank-chief-new-worry-household-debt.html>

<sup>191</sup> Hart, M. (2018, June). The Chinese Economy: Problems and Prospects. *MR Online*. 7 Jun 2018. Retrieved from <https://mronline.org/2018/06/07/the-chinese-economy-problems-and-prospects/>

<sup>192</sup> Reuters (2019). China's debt iceberg: private firms going bankrupt after guaranteeing others' loans. *Reuters*. Retrieved from <https://www.scmp.com/news/china/diplomacy/article/2185813/chinas-debt-iceberg-private-firms-going-bankrupt-after>

because it is being dedicated to inefficient state-owned businesses. Additionally, the amount of household debt has skyrocketed since Xi Jinping took power, as shown in Figure 27. This household debt consists primarily of mortgage loans taken by China's middle-class investors eager to get in on a rising property market. Analysts caution that the loans are motivated primarily by speculation, and the result is an expanding property bubble that will almost certainly result in massive losses in the near future.<sup>193</sup>

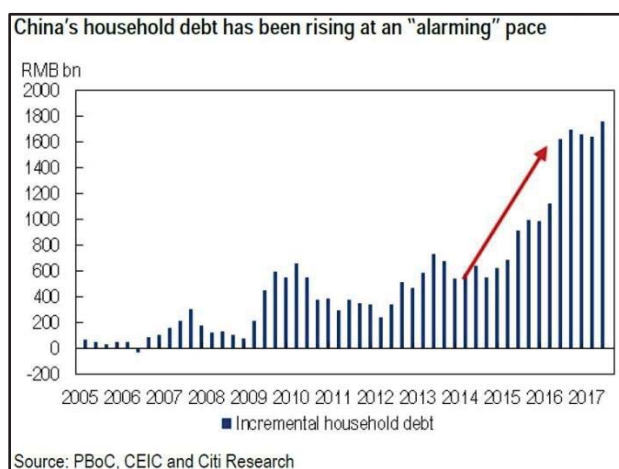


Figure 27: China's Household Debt, 2005-2017<sup>194</sup>

Numerous other financial bubbles have resulted from Xi Jinping's economic policies. Due to the ease in acquiring loans, many SOEs have taken on financially unwise projects both internal and external to China. As mentioned in Chapter 3, China's construction industry began work on over 100 power plants in 2018, despite the fact that the power grid is already 50% idle. Elsewhere, housing construction has drastically exceeded demand as well. Throughout China, over 50 'ghost cities' currently hold 64 million empty apartments, and are surrounded by needlessly constructed 'zombie factories' that sit idle due to the country's overcapacity in construction activity.<sup>195</sup> Externally, many BRI projects are built despite questionable economic rationale as well. Recently, Malaysia's Prime Minister Mahathir Mohamad cancelled a \$20 billion BRI railway project which was forecasted to generate long-term economic losses in his country.<sup>196</sup> Other countries weren't so lucky. Stories of unused bridges, empty airports, and container-less sea ports regularly appear in the news. Each of these examples contribute to a growing risk of a domino-effect of loan defaults. Should a chain reaction of default occur, warns the IMF, the impact could cascade throughout the Chinese economic system. Unlike typical lending systems, the government's unique lender/borrower status will be difficult to rescue because it lacks any type of safety net. While the

<sup>193</sup> Cheng, E. (2017). China central bank chief raises new worry in China: Mortgage-driven household debt. *CNBC*. 23 Oct 2017. Retrieved from <https://www.cnbc.com/2017/10/23/china-central-bank-chief-new-worry-household-debt.html>

<sup>194</sup> *Ibid.*

<sup>195</sup> Montali, M. (2018). *Zombie Economy in China: A research on Chinese firms' financial statements* (Bachelor's thesis, Università Ca'Foscari Venezia).

<sup>196</sup> Zheng, S. (2019). As questions are raised about 'belt and road', projects slow in Southeast Asia. *South China Morning Post*. 31 Jan 2019. Retrieved from <https://www.scmp.com/news/china/diplomacy/article/2183790/questions-are-raised-about-belt-and-road-projects-slow>

majority of the pain would be felt internally in China, the country's BRI partners would likely suffer from numerous collapsed projects as well.<sup>197</sup>

#### Xi's Credibility Gap and Soft Power Deficiency

Current events in the second half of 2018 have also indicated to a major vulnerability in Xi Jinping's power projection strategy—the loss of Chinese credibility rising from numerous allegations of corruption and exploitation inside its BRI initiatives. These allegations and complaints have two prevailing themes. First, that China utilizes 'debt-trap' diplomacy to lure BRI partners into unsustainable projects. Sri Lanka's loss of sovereignty of its Hambantota Port, discussed in Chapter 4, is just one of several examples. In another article titled 'Venezuela's Road to Disaster is Littered with Chinese Cash', author Chris Balding notes that China extended over \$50 billion in loans to Venezuela over the last decade, and as it became apparent Venezuela would default, China converted the debt into 'oil-for-loan' deals which now saps Venezuela of \$7 billion per year in oil revenue. In a final example uncovered in January 2019, China was implicated in a massive corruption probe with Malaysia's beleaguered state fund 1MDB, wherein Beijing offered to bail out the fund in exchange for lucrative stakes in railroad and pipeline projects in Malaysia. This scandal was a key reason why Malaysia's Prime Minister, Najib Razak, was ousted in 2018, and it further tarnished China's reputation abroad due to the allegations of secret, corrupt negotiations underlying BRI projects.<sup>198</sup>

The second complaint is that Chinese SOEs are creating unfair competition on BRI infrastructure projects, and that China is benefiting much more than the host nation. Jon Hillman of the Center for Strategic and International Studies, observes that Chinese projects are indeed less open to local and international participation. He mentions that out of all BRI projects studied, 89% were conducted by Chinese companies using Chinese loans. Just 7.6% of projects were from local businesses, and 3.4% were done by international partners. One of the complaints also mentions the use of Chinese and foreign workers to accomplish the work. Mr. Hillman confirms this as well, noting that less than 40% of the BRI workers come from the host-nation's workforce.<sup>199</sup> Collectively, the criticisms against Chinese BRI projects have eroded the optimism and soft power once associated with the BRI, especially in developing nations. In the final six months of 2018, this credibility gap led to a notable momentum shift away from Mr. Xi's signature initiative, as over \$80 billion worth of BRI projects were cancelled in Asia and Africa due to national backlashes in the participating nations. These cancellations represented approximately 15% of all BRI projects that year, providing the first indications that BRI enthusiasm may be waning.<sup>200</sup>

Beyond the BRI, however, more can be said about Xi Jinping's larger soft power deficiency. As previously mentioned, China began spending over \$10 billion per year on soft power initiatives

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<sup>197</sup> *Ibid.*

<sup>198</sup> Reuters. (2019, January 09). 1MDB scandal: China denies it offered to bail out Malaysian fund. *Reuters*. Retrieved from <https://www.theguardian.com/world/2019/jan/09/1mdb-scandal-china-denies-it-offered-to-bail-out-malaysian-fund>

<sup>199</sup> Hillman, J. (2019, February 21). China's Belt and Road Initiative: Five Years Later. Retrieved from <https://www.csis.org/analysis/chinas-belt-and-road-initiative-five-years-later-0>

<sup>200</sup> Marlow, I. (2018, December 10). How Asia Fell Out of Love With China's Belt and Road Initiative. Retrieved from <https://www.bloomberg.com/news/articles/2018-12-10/how-asia-fell-out-of-love-with-china-s-belt-and-road-initiative>

since Xi Jinping took power, including Confucius centers, university exchanges, and propaganda distribution abroad. However, with the exception of Africa, global opinion surveys, have not improved since the soft power programs began. Professor and China expert Stanley Rosen of the University of Southern California attributes the disparity of spending and soft power to China's heavy-handed approaches to soft power initiatives. Whereas Dr. Nye's original portrayal of soft power relied on a passive cultural attraction, China has instead attempted deliberate, top-down soft power initiatives led by the CPC. The result is a product more analogous to overt propaganda than soft power—a view widely taken of China's Confucius Centers, for example.<sup>201</sup>

Dr. Joseph Nye agrees with Rosen's appraisal, saying that two major factors limit China's soft power, as measured by recent international polls. "The first is nationalism. The Communist Party has based its legitimacy not only on a high rate of economic growth, but also on appeals to nationalism. Doing so has reduced the universal appeal of Xi's 'Chinese Dream,' while encouraging policies in the South China Sea and elsewhere that antagonize its neighbors." He mentions Vietnam's anti-China protests following the 2014 oil rig incident as an important example of this backlash. The second factor, he says, "is China's reluctance to take full advantage of an uncensored civil society." *The Economist* agrees that "Xi Jinping has not bought into the idea that soft power springs largely from individuals, the private sector, and civil society. Instead, he has clung to the view that the government is the main source of soft power, and the CPC has promoted ancient cultural icons that it thinks might have global appeal, often using the tools of propaganda."<sup>202</sup>

Dr. Elizabeth Economy adds an additional factor into China's soft power deficiency—its repressive internal political system. She notes that China's overall image cannot be improved until internal factors are resolved, including its ubiquitous censorship and surveillance programs, its manipulative 'social credit' system, and Xi's brutal crackdown on ethnic Muslim Uyghurs living in Xinjiang.<sup>203</sup> She concludes that "for Xi's ideas to gain traction among countries, it will require that China itself be perceived as an actor that lives up to its own ideals: putting shared interests before its own, and providing an attractive model of partnership. China's difficulties in wielding soft power suggest that this will be a daunting task." Furthermore, she adds, "Even as China's economy and military assume world-class status, its political system hinders its quest for soft power throughout much of the rest of the world... The best way to improve its soft power is to improve itself. The repressive nature of China's current political system, as well as its societal problems, limits its appeal globally."<sup>204</sup> In summary, these authors collectively maintain that China's ambitions may be irreconcilably hindered by his underlying political foundation.

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<sup>201</sup> Cutchin, J. (2018, September 25). How China is Building Its Soft Power. *Pacific Council on International Policy*. Retrieved from <https://www.pacificcouncil.org/newsroom/how-china-building-its-soft-power>

<sup>202</sup> Nye, J. (2015). The Limits of Chinese Soft Power. *Project Syndicate*. 10 Jul 2015. Retrieved from <https://www.project-syndicate.org/commentary/china-civil-society-nationalism-soft-power-by-joseph-s--nye-2015-07>

<sup>203</sup> Economy

<sup>204</sup> Economy, E. (2018). *The Third Revolution: Xi Jinping and the New Chinese State*. New York, NY: Oxford University Press.

### Trade Wars and Counter Alliances

At the time of writing this paper, the United States and China were involved in a trade dispute which resulted in the placement of tariffs on over \$200 billion worth of each other's exports. This 'trade war' was motivated by the perception that China was committing, according to Donald Trump, "longtime abuses of the broken international system and unfair practices."<sup>205</sup> Among the complaints, the United States protested intellectual property theft, Chinese trade barriers, technology transfers, and anti-competitive Chinese policies. The first round of tariffs began in January 2018 with the implementation of US tariffs on Chinese solar panels. Since that time, over a dozen additional tariffs have been added by both countries, and negotiations are ongoing in an effort to resolve the points of contention and eliminate the tariffs.<sup>206</sup> While the outcome of these negotiations may be determined within weeks of submitting this paper, the trade war is important for reasons beyond near-term tariffs and trade deficits.

First, some analysts suggest that this trade war is part of a greater containment strategy developed by the United States against a rising China. They predict that the US has little incentive to negotiate a true compromise, and instead it seeks to maintain trade barriers against China as a long-term effort to curb its exports into the US. As of February 2019, the slow pace of negotiations seemed to support the argument, leading some trade analysts, including Thomas Franck of CNBC, to estimate the chances of a 'no-deal' outcome at 40%. However, other analysts reject the containment explanation, however, and see a positive trade outcome to be in the best interests of both countries.

What is certain, however, is that this trade war represents a greater global trend of developed nations directly confronting China. In the US, the trade war is unique because support for the tariffs is bipartisan, indicating that the US will continue its confrontational posture beyond the next presidential election in 2020. Beyond the US-China trade dispute, Europe is also beginning to directly challenge China's bids for investment and technology transfer. Germany, for instance, recently called on the EU to confront the "challenges that China presents to the EU and Germany." It recommends that the EU address "unequal rules of competition for our companies in the respective markets," and that it "protect and strengthen sensitive German and European business sectors from state-run strategic overseas acquisitions."<sup>207</sup> Additionally, in an unprecedented move in February 2019, both the US and EU moved to ban China-owned Huawei from implementing next generation 5G technology within their borders due to cyber security and intellectual property theft concerns.<sup>208</sup> These examples suggest that a new unified front is developing against China's continued advancement in developed nations.

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<sup>205</sup> Time (2016). Read Donald Trump's Speech on Trade. *Time Magazine*. 28 June 2016. Retrieved from <http://time.com/4386335/donald-trump-trade-speech-transcript/>

<sup>206</sup> *Ibid.*

<sup>207</sup> Winchester, L. (2019, January 11). Germany Tells EU to 'get tough on China'. *Express News*. Retrieved from <https://www.express.co.uk/finance/city/1070635/Germany-news-China-trade-European-Union-EU-BDI-Berlin>

<sup>208</sup> Economy, E. (2018). *The Third Revolution: Xi Jinping and the New Chinese State*. New York, NY: Oxford University Press. Chapter 3.

## Regional Counterbalancing

In Asia, evidence suggests that an effort to regionally counterbalance China is also underway. While the US and Europe have primarily focused on economic counterbalancing, Asia has considered military power balancing to be a priority as well. In both Northeast and Southeast Asia, the perception of US disengagement in the region under the Trump administration has created anxiety in the region, where many countries viewed the US as a welcome security balance against China. As a result of the perception of reduced security in Asia, states have been forced to reevaluate their own security situation, and undertake a ‘balance and hedge’ strategy for their own self interests. Internally, this has resulted in notable increases to the defense budgets especially in Japan and South Korea (Figures 28 and 29). Japan has even evaluated changes to its constitution in order to permit, for the first time since World War II, an offensive military capability.<sup>209</sup>

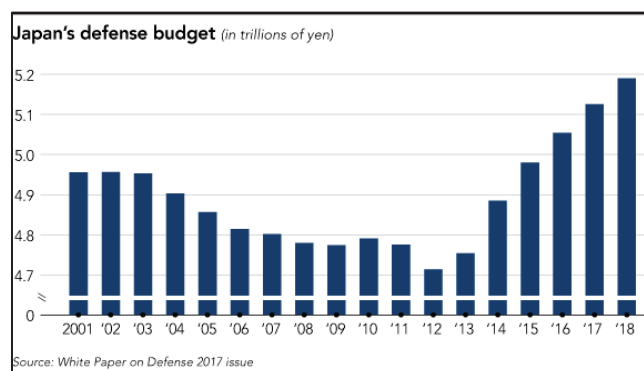


Figure 28: Japan's Defense Budget, 2001-Present<sup>210</sup>



Figure 29: South Korea's Defense Budget, 2008-Present<sup>211</sup>

Unified responses to China's security challenge, however, are complicated by the region's complex history. Despite the cooperative economic ties binding the region, security alliances are

<sup>209</sup> *Ibid.*

<sup>210</sup> Nikkei. (2017, September 01). Japan's Defense Ministry requests another record budget. Retrieved from <https://asia.nikkei.com/Business/Japan-s-Defense-Ministry-requests-another-record-budget>

<sup>211</sup> Trading Economics (2017). South Korea Military Expenditure. Retrieved from <https://tradingeconomics.com/south-korea/military-expenditure>



beset by long-term difficulties, including multiple historical, territorial, and ideological disputes which hinder security cooperation and prevent an integrated response to China. Nonetheless, in addition to their defense spending increases and attempts at counter-alliances, China's neighbors have chosen three external strategies to offset the Chinese security challenge. First, the Philippines and Russia have opted for a 'Sinocentric' approach which embraces security cooperation with China. The Philippines, for example, has accepted arms and military training from China in exchange for halting its protest of China's involvement in the SCS. At the same time, it has chosen to hedge this strategy by continuing to maintain close ties with the US. In 2019, for example, it will still accomplish nearly 300 training events with its traditional American ally.<sup>212</sup> Similarly, in 2018, Russia conducted its largest ever joint exercise with China, with over 100,000 troops participating in combat maneuvers in the northeastern province of Vostok.<sup>213</sup>

The second strategy chosen to offset China's security challenge is the 'US-centric' approach, wherein some countries have elected to further their security ties with the US. India, Japan, and South Korea have elected this strategy to some extent. For example, India and the US have recently agreed to undergo a major military training exercise in 2019. In September 2018, the two nations completed a high-profile agreement called COMCASA (Communication Compatibility and Security Agreement) which gave India access to advanced communication technology traditionally reserved for the US's closest allies.<sup>214</sup> South Korea and Japan have also maintained their close alliance with the US. In addition to hosting multiple US bases in their countries, both nations have signed multi-billion-dollar arms deals in the last 6 months.<sup>215</sup>

The final strategy chosen by some of China's neighbors has been labeled the 'Quadrilateral Security Dialogue' or simply 'Quad.' This containment strategy involves a mixture of 'US-centric' alliance building and 'external balancing' between four powerful countries—the US, Australia, India, and Japan. Although initially proposed in 2007, all four parties recently agreed to restart discussions in 2017. In a recent multi-day conference at the US Naval Academy, Kevin Rudd (former Australian Prime Minister) and several other keynote speakers highlighted the 'Quad' as the most important and viable security initiative currently available to offset China's military rise.<sup>216</sup> Other regional countries appear interested in joining this new alliance as well. Vietnam and Indonesia, for instance, have expressed interest in joining, and will do so provided the security initiative doesn't conflict with the goals of their chief economic membership, ASEAN.<sup>217</sup>

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<sup>212</sup> Heydarian, R. (2018, August 20). Duterte and the Philippines' Contested Foreign Policy. *Asian Maritime Transparency Initiative*. Retrieved from <https://amti.csis.org/duterte-philippines-contested-foreign-policy/>

<sup>213</sup> Economist (2018, September 6) Why Russia and China's joint military exercises should worry the West. *The Economist*. Retrieved from <https://www.economist.com/leaders/2018/09/06/why-russia-and-chinas-joint-military-exercises-should-worry-the-west>

<sup>214</sup> Ayres, A. (2018 September 7). What Next for U.S.-India Military Ties? *Council on Foreign Relations*. Retrieved from <https://www.cfr.org/article/what-next-us-india-military-ties>

<sup>215</sup> McCurry, J., & Wintour, P. (2017, November 06). US-Japan arms deals will help counter North Korea threat, says Trump. Retrieved from <https://www.theguardian.com/us-news/2017/nov/06/trump-defends-strong-rhetoric-in-calling-north-korea-a-threat-to-civilised-world>

<sup>216</sup> Rudd, K. (2018). *Presentation to the United States Naval Academy on the Quadrilateral Security Alliance*. Lecture presented in US Naval Academy, Annapolis, MD. 15 July 2018

<sup>217</sup> Grossman, D. (2018, October 19). The Quad Is Not Enough. *Foreign Policy*. Retrieved from <https://foreignpolicy.com/2018/10/19/to-balance-china-call-vietnam-malaysia-philippines/>

Taken together, these examples indicate that a new era of counterbalancing China's rise has begun, and the increasingly cohesive options indicate that Xi Jinping can expect stronger adversity at both the regional and global level in the coming decades.

### China's Angry Middle Class

The next challenge facing Xi Jinping comes from within—the increasing angst of the Chinese people, especially its middle class. In 2002, China's middle class, defined as those spending between \$10 and \$50 per day, was just 4%. By 2018, the number had risen to nearly 40%, with continued growth expected in the coming decade.<sup>218</sup> This Chinese group, according to Dr. Elizabeth Economy and others, is creating a tremendous challenge for the CPC mostly due to their increasing outspoken role in political and social matters in their country. For starters, although the term 'middle class' typically implies a level of financial security, in China the cohort has seen the opposite occur since Xi Jinping took power. Specifically, in just the last two years, 100 million Chinese investors have seen their investment portfolios shrink by over 40% due to China's recent stock market volatility. Their rents have increased by an average of 37% in the same period. Recently, China's slowing economy, Mr. Xi's 'new normal', has taken its toll as well. According to JP Morgan, the recent trade war with the United States could eliminate 700,000 middle class jobs in the next two years.<sup>219</sup>

At the heart of the dilemma, the middle class faces a tradeoff between increasing wages and job opportunities. Their demand for higher wages, for example, has prompted an exodus of jobs to overseas countries. 'Made in China', for instance, has been increasingly replaced with 'Made in Vietnam' or 'Made in Indonesia' in recent years, where tens of millions of Asians sitting below the poverty line still eagerly seek the low-paying industrial jobs that have been rejected by China's middle class. Additionally, the middle class has advocated for improved environmental conditions, especially air quality. Although it is perfectly reasonable to demand safer environmental conditions, the result has again been the export or reduction of manufacturing and other economic opportunities within China. With the increasing pressure on China's middle class, according to researcher Robert Foyle Hunwick, cracks are beginning to develop in the social and political fabric of China. Previously, an implicit contract existed between the CPC and the middle class, wherein political liberalization, a free press, open internet, and social freedom were sacrificed for the promise of continued economic growth. However, with the continued stress placed on the Chinese people, protests have become more common inside Chinese cities, suggesting that Xi Jinping's government may face continued animosity among a large and increasingly disenchanting middle class.<sup>220</sup>

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<sup>218</sup> Gustafsson, B., Sicular, T., & Yang, X. (2017). *China's emerging global middle class* (No. 2017-14). CHCP Working Paper.

<sup>219</sup> Ko, J. H., & Ha, J. W. (2018). A Trade War between China and the United States and Its Likely Economic Impacts. *Journal of Global and Area Studies (JGA)*, 2(2), 47-64.

<sup>220</sup> Foyle, R. (2019, January 22). China's Middle-Class Rebellion. *China Channel Essays*. Retrieved from <https://chinachannel.org/2019/01/22/middle-class-rebellion/>

### Demographic Decline

A final problem facing Xi Jinping’s ‘Chinese Dream’ in the coming decades is its aging population, which will slow its growth-potential significantly. Due to decades of population control measures such as the ‘one-child policy’ and the ‘birth-quota system’, coupled with the low fertility rate of China’s current populace, China’s average age is forecasted to peak at nearly 50 years old by the second half of the century—over 25 years older than China’s average age in 1990. According to the World Economic Forum, China experienced its peak labor participation in 2017, and has already begun a demographic decline that will see workforce reductions of 5% per decade until 2100, plus an overall population decline of nearly 400 million during the same time period, as shown in Figures 30 and 31.<sup>221</sup> These forecasts suggest an impending dilemma similar to Japan, whose younger generation must simultaneously support the elderly population while managing the massive government debt built by the previous generation. While the full impact of this demographic change will become clearer in the coming decades, the think-tank Deloitte recently concluded that “the acceleration of this process means China will get old before it fully succeeds in getting rich.”<sup>222</sup>

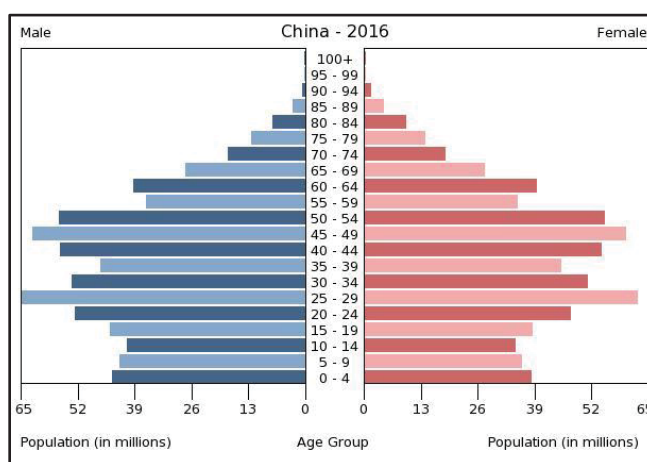


Figure 30: China’s growing demographic imbalance.<sup>223</sup>

<sup>221</sup> Gray, A. (2017). India will take over from China to drive the third great wave of Asian growth – Deloitte. *World Economic Forum*. Retrieved from <https://www.weforum.org/agenda/2017/10/china-will-grow-old-before-it-gets-rich/>

<sup>222</sup> Deloitte (2017, September). Ageing Tigers, Hidden Dragons. *Deloitte Insights, Voice of Asia, Third Edition, September 2017*. Retrieved from <https://www2.deloitte.com/insights/us/en/economy/voice-of-asia/sept-2017/demographics-ageing-tigers-hidden-dragons.html>

<sup>223</sup> ChinaPower. (2017, August 11). Does China have an aging problem? *China Power*. Retrieved from <https://chinapower.csis.org/aging-problem/>

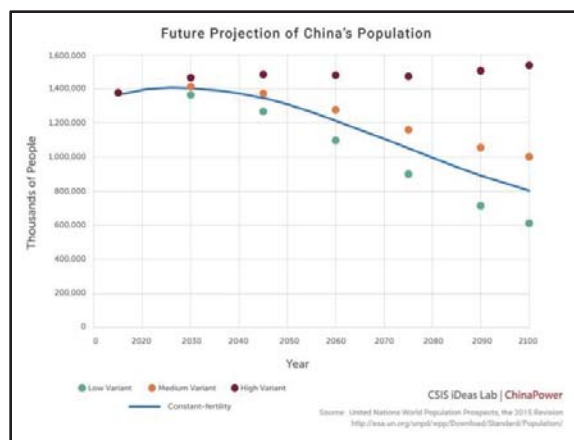


Figure 31: China's overall population estimate 2018-2100<sup>224</sup>

<sup>224</sup> *Ibid.*

## Conclusion

This paper has explored China's strategy under the leadership of Xi Jinping, using 'power' as the central premise with which to characterize the diverse international relations strategies currently being implemented by the country. While the concept of power is by no means the only perspective that can be used in the analysis, it is a relevant and applicable starting point with which to understand the evolution of China throughout its history, as well as its current aspiration to become the next superpower. In this document, an initial foundation was established to provide the historical motivation for China's dream of realizing its 'Great Rejuvenation.' The subsequent section focused on the changes taking place since 2012, when Xi Jinping's 'Strive for Achievement' strategy became the unifying vision of the CPC. Within SFA is the idea of the 'Two Centennial Goals,' the first, achieving 'moderate prosperity' by 2021, and the second, becoming the foremost global power by 2049. Next, Mr. Xi's power projection was analyzed through the vantage points of four instruments of power—Diplomatic, Information, Military, and Economic. Research indicated that Mr. Xi's power projection strategy varied greatly by region. In matters where China had expressed a 'core interest', such as Taiwan, the SCS and the ECS, Xi Jinping's strategy incorporated multiple coercive methods of power, including military standoffs (SCS), and diplomatic isolation (Taiwan). In developing countries, economic and diplomatic cooperation reigned as the principal instrument and method of power, wherein the BRI and the lure of university scholarships provided two relevant examples. In developed regions such as the United States, Australia, and Europe, Mr. Xi projects power in several ways, including economic competition, as well as more manipulative information-related methods such as cyber espionage, sharp power, and forced technology transfers.

While Mr. Xi's use of methods and instruments of power varies significantly by region, one thing that is constant is his assertive, outward-oriented strategy. Unlike his predecessors, who valued the 'keep a low profile' strategy promoted by Deng Xiaoping, Xi Jinping has opted for a reformulation of China's strategy, implementing a new 'strive for achievement' mindset which calls for active and self-confident engagement abroad. Unlike the past, China's new strategy actively seeks global leadership, from the massive BRI to multilateral organizations such as the AIIB and the new RCEP. Within that global leadership, China aims to shape the international community with 'Chinese Characteristics' to match its own interests. Often, these characteristics run counter to the values of the western system, such as the elimination of environmental standards, poor quality- and safety-standards, lack of business transparency, and the use of Chinese workers abroad. Increasingly, the country is viewed negatively due to these questionable foreign practices.

### The Verdict: Will Xi Jinping Achieve His Vision?

Ultimately, the biggest risk associated with China's rise is not the 'great rejuvenation' of the country, but rather the illiberal model it brings with it. Winston Churchill once said, "The price of greatness is responsibility," and if this is truly to be 'China's Century', then much work remains to be done in order for China to take on the responsibility of global leadership. As mentioned in the previous chapter, while there are many factors that are conducive to China's vision of greatness

in the 21<sup>st</sup> century, many pathologies exist in the country that will undermine its quest to become the next superpower.

Therefore, based on the results of this investigation, it is the opinion of this author that Xi Jinping will not achieve his two ‘Centennial Goals’ in the 21<sup>st</sup> century. Instead, research has uncovered numerous internal and external barriers which will impede China’s rise in the ensuing decades. First and foremost, Xi Jinping is currently experiencing, and will continue to experience the self-inflicted problems associated with his oppressive authoritarian state. With respect to the Chinese people, Xi Jinping has imposed Orwellian societal control measures such as censorship, surveillance, propaganda, as well as ethnic- and political-prison camps, to such an extent that the creativity and intellectual freedom required to advance as a society is being hampered by his illiberal social policies. Economically, research indicates that despite China’s outward veneer of economic power, the internal situation shows signs of strain and weakness. Opaque loan regulations, inefficient SOEs, unwise investments, and rapidly growing financial and real estate bubbles suggest that China could face a hard landing in the coming years. In the long term, its massive debt, currently exceeding 300%, will collide with an equally unfavorable demographic decline. By mid-century, just as the Chinese people reach the highest average age in history, Mr. Xi’s missed 2049 centennial timeline would confirm that his country indeed ‘grew older before they grew richer.’

Xi Jinping faces considerable external adversity as well. 2018 likely marked the beginning of an important turning point against the expansion of China. Economically, Xi Jinping faced a trade war with the United States while European nations began to publicly criticize, for the first time, China’s attempts at unfair competition, forced technology transfers, and intellectual property theft. From an ‘information’ instrument of power perspective, Australia openly accused China of corrupting its political decision-making processes and subverting its news media to influence domestic policy. Diplomatically, China’s chief foreign relations program, the BRI, began to lose momentum as numerous countries in Asia, Africa, and Latin America, cancelled their expensive infrastructure projects. Militarily, the first coherent counter-alliance began to take form—the ‘Quadrilateral Security Dialogue (Quad),’ while other Asian nations took decisive steps to militarily counterbalance the rising power of China within the FIC and SIC.

### [The CPC’s Mandate to Lead](#)

In the future, historians may well evaluate the irony of ‘China’s Century’ in a manner similar to the decline of the Soviet Union, by noting how China’s outward power projection abroad masked the obvious indications of weakness manifesting within the communist state. In the end, evidence suggests that China may face an inevitable downturn due to the logical consequences of Mr. Xi’s increasingly oppressive state, coercive foreign policies, irresponsible fiscal policy, as well as the long-term demographic decline forecasted for the remainder of the 21<sup>st</sup> century. Ultimately, the greatest legacy of Xi Jinping’s ‘Third Revolution’ may be the derailment of the wiser KLP policy created by his predecessor Deng Xiaoping.

One question, then, remains to be discussed. If this adverse prediction is correct, what becomes of Xi Jinping and the CPC from which he came? China’s history suggests that Mr. Xi’s failure would result in a tremendous loss of legitimacy for the Party. This loss of legitimacy, as discussed in



Chapter 3, could result in the loss of the mandate to lead the nation, ultimately leading to a new cycle of upheaval during the 21<sup>st</sup> century. While some may predict the logical result would be the overthrow of the CPC, this outcome seems unlikely. The fallacy of this prediction is to consider the CPC to be an unchanging organization, when in truth, its longevity can be attributed to its unique ability to adapt. The Party should instead be viewed as a dynamic power-seeking machine within China, which, as witnessed in its nearly 100 years of existence, is capable of dramatic pivots by way of leadership changes and revolutions. Within this context, the most likely outcome would be the eventual removal of Mr. Xi, and a subsequent ‘Fourth Revolution’ during the 21<sup>st</sup> century. Will the upcoming cycle be more authoritarian than the last, or will the pendulum swing once again toward liberalization from within? Only time will tell.

#### Further Research: India Rising

The investigation for this work presented an interesting follow-on question to the author. While evidence suggested that China will face internal and external adversity in its pursuit of hegemony in the 21<sup>st</sup> century, the unanswered question became ‘Who could become a major power instead?’ A brief look throughout the world suggests this question is complex. Many contenders face the same or similar problems as China, especially with respect to debt and demographics. Japan, South Korea, and Russia are each beleaguered by such problems. The European Union, while perhaps evading the worst of these aforementioned issues, faces adversity of its own with respect to an ongoing trend of nationalism which may prove divisive over the coming decades. The United States could remain the incumbent, or perhaps face continued hegemonic decline as it confronts internal challenges such as rising debt, political polarization, and decreased technological advantage.

One country which has been overlooked, however, is India. Unlike China, it has the potential for a tremendous ‘demographic dividend’ in the 21<sup>st</sup> century since half of its current population is under 25, and 65% are under 35. India is the largest democracy, as well, which may permit the high levels of social and economic freedom required to adapt and grow. Importantly, its democracy also contributes to India’s favorability in the West, and the country is viewed as an important pillar in the ‘Quad’ alliance mentioned in this project. These observations suggest that perhaps India, above all others, will harness its opportunities to become a major power in this century. As such, the country deserves further investigation to determine its potential future role in the international world order.

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