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REPORT

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China in the 21st Century: What kind of world power?



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China in the 21st Century: What kind of world power?

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Table of Contents

05 Introduction

Plenary presentations and discussions:

06 China's political transition: Key actors, challenges and opportunities

08 China, the US and the EU: Trade, economics and politics

10 China and East Asia's regional integration

12 China and security issues

14 China's development challenges

16 Social media and Chinese foreign policy

Working group reports:

18 World leader in waiting or conflicted superpower?

20 Human rights in China's foreign policy

22 China's approach to multilateralism

24 Governance and social insecurity in China

25 China's quest for energy and natural resources

28 China's expansion to Latin America

Expert recommendations for Chinese and international policymakers:

30 China's engagement with the rest of the world

33 Western countries interacting with China

37 Rest of the world, especially other emerging economies interacting with China

40 Conclusion

Appendix:

41 List of Participants

Introduction

Following the formal inauguration of the successors to President Hu Jintao and Premier Wen Jiabao in late 2012, the session appraised the direction of China's considerable and growing global influence. Will China emerge as a benign superpower, and will it be perceived as such – by its neighbors, and by other powers which see their own influence slipping by comparison? What factors influence China's self-perception?

In considering these questions, participants took a realistic look at the issues that divide China from the rest of the world – competition for resources, differing views on the responsibility for meeting global environmental challenges, civil and political rights, trade and finance, as well as territorial disputes – but also worked together in proposing solutions based on a shared premise of global citizenship, cooperation and goodwill.

Convened by the Salzburg Global Seminar, an independent conference center, the group sought to make constructive suggestions both to China itself and to other countries that will interact with it over the coming decade. Its aim was to assess the likely extent and nature of China's rising power, and as far as possible to recommend courses of action that would make for a more harmonious world, in which shared global challenges can be met by effective and coordinated action.

While the Seminar's overarching theme of China's emergence as a global power was addressed by a distinguished group of experts, much of the discussion took place in smaller, more specialized working groups covering the following topics:

- China: World leader in waiting or conflicted superpower?
- Human rights in China's foreign policy
- China's approach to multi-lateralism
- Governance and social insecurity in China
- China's quest for energy and natural resources
- China's expansion to Latin America



Stephen Salyer

“In the Mao era, China’s political style represented the traditional ‘great man politics’, after Mao, a ‘strong man politics’ prevailed, and now with Xi Jinping starts a new era of ‘mediocre politics’ ”

Last but not least, participants released a comprehensive document containing expert recommendations for Chinese and international policy makers:

- Policy recommendations for China on engaging with the rest of the world
- Policy recommendations for Western countries on engaging with China
- Policy recommendations for emerging economies on engaging with China

The group met at Schloss Leopoldskron, in Salzburg, Austria and the conference deliberated for five days, from December 4 to 9, 2012. 53 participants came from 29 different countries including all regions of the world. Chaired by Isabel Hilton, chief editor of China Dialogue, the meeting included leading academics, journalists and policy advisers from China as well as China experts from the United States, the European Union, India, Indonesia, Japan, Russia, and a range of other countries from Afghanistan to Egypt to Argentina.

China’s political transition: Key actors, challenges and opportunities

Hu Yong

Associate Professor, School of Journalism and Communication, Peking University, Beijing, China

Orville Schell

Director, Center on US-China Relations, Asia Society, New York, USA

The world has seen a major leadership change in China in late 2012. However, what does this change really mean and in what direction will China go?

Hu Yong, associate professor at Peking University’s School of Journalism and Communication as well as Chinese media critic and internet pioneer, gave his thoughts on the most recent power transition in China. China’s politics have always been marked by struggles for power and over the party line, as well as a lack of transparency. As a general rule, the more important an issue,



Orville Schell speaks as Session Chair Isabel Hilton and fellow panelist Hu Yong look on



SGS President and CEO, Stephen Salyer welcomes Fellows to Parker Hall

“Anxiety, in fact, lies at the roots of Chinese politics. Because notwithstanding success, legitimacy never came”

the more secretly it is handled. The most recent leadership change from Hu Jintao to Xi Jinping has been different in that respect. It was the most transparent power transition since 1949 and accompanied by public debates of astonishing frankness.

Generally speaking, it can be said that China’s leadership now enters its third phase. In the Mao era, China’s political style represented the traditional “great man politics”, after Mao, a “strong man politics” prevailed, and now with Xi Jinping starts a new era of “mediocre politics”. The extraordinary economic growth in recent decades has provided the Chinese leadership with legitimacy, but has also brought challenges and problems. China’s new “mediocre” leaders owe reform to their people in order to consolidate and legitimize their power.

Orville Schell, director of the Center on US-China relations at the Asia Society, New York, questioned why a country that has accumulated such an incredible amount of wealth and power still lacks confidence, acts nervously, and clearly feels uncomfortable in its skin. Anxiety, in fact, lies at the roots of Chinese politics because, notwithstanding success, legitimacy never came. Now China has arrived at a turning point where a new chapter is being opened for which the script has not been written yet, and the new leadership has not taken shape or form. Nationalism, however, remains the glue at the Chinese political system.

At this turning point, China needs to redefine itself to gain the world’s respect, which at present it desperately seeks. For many decades the Chinese thought that accumulating economic and political power would give them back their central position in the world. However, power came, but the world’s respect didn’t. China’s answer now is a strong focus on soft power. But the right answer, Dr. Schell suggested, lies in the Chinese themselves. When China starts treating its own people well, the respect of the world will follow.

The discussion following these two presentations focused on the question: what actual path will China follow? And a consensus quickly emerged: we simply do not know. What we do know is that the new leadership is only transitional. In five years time, only two of the politburo members will still be in office, and we will again have a different context for thinking about China’s future. We also know that at this moment the main objective of the Chinese leadership is still to hold on to its power as far as possible, while at the same time the need for reforms is looming large, in both the domestic and the foreign sphere. A difficult and unpredictable road lies ahead.



Hu Yong

“ There might be agreement on the outcomes but not on the ways to achieve these goals ”



Yu Jie (Cherry)

China, the US and the EU: Trade, economics and politics

Viorel Isticioaia Budura *Managing Director and Head of the Asia-Pacific Department, European External Action Service, Brussels, Belgium*

Orville Schell *Director, Center on US-China Relations, Asia Society, New York, USA*

This panel focused on political and economic cooperation between China, the US and the EU and how it may develop in the future.

Viorel Isticioaia Budura discussed the EU-China relationship, for which the year 2012 opened a new stage. The Summits in 2012 produced a complete architecture for bilateral relations based on three pillars:

1. Political and strategic dialogue
2. Trade and economic relationships
3. People to people dialogue

In addition to bilateral relations between China and the EU, Ambassador Isticioaia Budura spoke about the triangle (or “non-triangle”, according to other participants) of the US, EU and China, and even evoked a possible “G3” scenario. He described the unprecedented level of activity and interdependency between the big three. Especially since the economic crisis, there is a shared need for identifying common interests and ways of working together. While it is mutually beneficial to broaden areas of cooperation, the challenge remains to address critical issues such as human rights, intellectual property, foreign currency reserves, public procurement, market access and many more. One way will be to integrate China deeper into international organizations. Another is to engage civil society in order to create mutual trust and to overcome domestic impediments within each of the three actors.

Orville Schell, speaking for the second time, discussed the changing power balance between China and the US. The current financial crisis has accelerated the US’s decline and at the same time supported China’s peaceful rise. Hillary Clinton’s first visit to China implicitly acknowledged the re-adjustment of the power balance: China now had to be treated as an equal partner, and the US could no longer allow differences over human rights to interfere with cooperation in other spheres: economic, security and environmental.

Therefore, the bilateral relationship between China and the US has reached a new stage. China is accepted as an equal partner, and both sides have an urgent need to work together. The question remains: how they can do that? Since China’s core interest of sovereignty remains nonnegotiable, the challenge for the US is to look at areas that do not clash with it – perhaps including climate change or investment issues. Once better cooperation in an area where the interest is mutual can be established, the hope is that trust will spill over into areas where there is currently disagreement.

In the discussion, participants addressed China’s complicated and opaque structure for making foreign policy. Foreign affairs, it was suggested, are only marginally important

to Chinese politics. Domestic affairs have a much higher priority. In fact, Chinese foreign policy is aimed at simply supporting domestic issues. A Chinese participant laid out its three main goals: to serve Chinese development as well as Chinese security, and to help the Chinese leadership gain legitimacy. This means that a delicate balance has to be preserved between nationalism or patriotism on one hand, and the need to learn from the West on the other.

In the wake of its rise, China will have to take up a greater role in the world beyond its borders. Its relationship with the US and the EU will be essential to shaping this role, however difficult it might be. While the current bi- and tri-lateral relationships have already generated some agreement on desirable outcomes, the ways to achieve these goals will certainly be subject to dispute between the Big Three in the years to come.



Mahmoud Saikal



Edward Mortimer (c) chairs the discussion between Orville Schell (l) and Viorel Isticioaia Budura (r)

“Once better cooperation in an area where the interest is mutual can be established, the hope is that trust will spill over into areas where there is currently disagreement ,”

“Asia is a messy region with a messy architecture,,

China and East Asia’s regional integration

Bong-kil Shin

South Korean diplomat; Secretary-General, Trilateral Cooperation Secretariat, Seoul, Republic of Korea

Takashi Terada

Professor of International Relations at Doshisha University, Kyoto, Japan

Ambassador Shin and Professor Terada discuss challenges and pitfalls of regional cooperation between Asian countries.

Bong-kil Shin, South Korean diplomat and currently secretary-general of the Trilateral Cooperation Secretariat, spoke about cooperation between China, Japan and South Korea. Following three bilateral summit meetings, the necessity of establishing a permanent organization became clear. In 2010, an agreement on the establishment of a Trilateral Cooperation Secretariat (TCS) was signed. The establishment of the TCS conveys a powerful, forward-looking political message that the three countries are willing to overcome past rivalries and tensions in the pursuit of common prosperity and peace through trilateral consultative mechanisms, facilitation of cooperative projects, and trust-building.

The TCS is the first attempt to institutionalize cooperation in Northeast Asia. The hope is that deepening integration between these three countries will have spill-over effects to the whole region. The significance of this cooperation becomes evident when one looks at the economic power of the three: together they account for 20% of the world’s GDP, almost 50% of the world’s foreign reserves and 25% of the world’s population. The TCS is the third largest economic bloc after NAFTA and the EU. However, its success of the TCS will ultimately be measured by its capacity to defuse political tensions by strengthening economic, cultural and people-to-people cooperation between its three members.



Plenary session in Parker Hall

Takashi Terada, professor of International Relations at Doshisha University, Kyoto, addressed the question of why several regional institutions emerged and co-exist in the Asia-Pacific region. As the graphic below shows, numerous economic institutions have been set up in the region ranging from the old APEC in 1989 to ASEAN+3 in 1997 and ASEAN+6 in 2006, and finally the new APEC including the Free Trade Area of Asia-Pacific (FTAAP) and Trans-Pacific Partnership (TPP). In addition, free trade areas (FTAs) have proliferated, triggering a “multilateral domino effect”.

Professor Terada argued that China became more active after it realized that most TPPs involved only Japan’s interest and as a consequence China was willing to make concessions that proved effective. Examples in point are China’s request to Japan to conclude a trilateral FTA with South Korea and its more flexible stand in moving away from ASEAN+3 to Japan’s suggestion of an ASEAN+6.



Bong-kil Shin

Professor Terada went on to discuss China’s challenge in dealing with the variety of domestic economic and political governance systems around the world, and with a global currency system still dominated by the US dollar. China’s tactic so far has been to use multilateral frameworks with like-minded nations, such as BRICS and ASEAN+3, in order to gain greater international leverage. The future of the global financial architecture remains open for discussion; but in the wake of the financial crisis ASEAN+3 has clearly emerged as a much more powerful financial institution.

In the discussion, the comparison between ASEAN and the EU came up. At the basis of the EU is a remarkable political agreement that was not reached in Asia so far. Is that likely to happen any time soon, or do the differences between the Asian countries loom too large? While some participants thought that common interests would prevail, others pointed to existing territorial disputes, and the North Korea and Taiwan issues as well as existing trade and investment barriers. It was stated that Asia is a messy region with a messy architecture. And overarching this mess is a China-US rivalry that fuels the forces of both integration and disintegration within the region.



Gudran Wacker

“The future of the global financial architecture remains open for discussion; but in the wake of the financial crisis ASEAN+3 has clearly emerged as a much more powerful financial institution,”

“China’s soft power image in the world is vanishing and giving place to a more realistic “divide and conquer” attitude”

China and security issues

Stephanie Kleine-Ahlbrandt *North-East Asia Project Director and China Adviser, International Crisis Group (ICG), Beijing, China*

Kuniko Suzuki *Senior Fellow, The Okazaki Institute, Tokyo, Japan*

Jacques deLille *Professor of Law and Political Science; Director, Center for East Asian Studies; Deputy Director, Center for the Study of Contemporary China, University of Pennsylvania, Philadelphia, USA*

Stephanie T. Kleine-Ahlbrandt spoke about the characteristics of Chinese foreign policy making. In that context, she highlighted three factors that will be key to understanding China’s near future:

1. China’s political landscape suffers from severe structural problems, resulting in a weak collective leadership. Since Mao, each new generation of Chinese leader has been weaker than the last.
2. Internal frictions. Examples in point are the corruption investigations to weaken certain politicians as well as the controversies about the anti-Japan sentiment.
3. Low priority of foreign policy as compared to domestic issues. There is not a single foreign affairs expert in the Politburo.



Guy de Jonquieres



Panelists Jacques deLille, Kuniko Suzuki, moderator Gudrun Wacker with Stephanie Kleine-Ahlbrandt

In addition to the complicated structural set-up, Ms. Kleine-Ahlbrandt also pointed to another worrying tendency in China: the viewing of all foreign relations through the lenses of the US.

Kuniko Suzuki, senior fellow at the Okazaki Institute, spoke about Japanese perspectives on China from a historical point of view.

She started by comparing the former Communist parties of Eastern Europe with the Chinese Communist Party. In Eastern Europe, the party's legitimacy was derived from economic equality, in China it is derived from the country's economic growth and the prestige of the nation state. In return, a state of limited freedom and no human rights is accepted. That said, China today is an unprecedented experimental state given the size of its economy and military in addition to its communist ideology. Compared with other countries in history, new elements include a capitalist economy controlled by a communist party as well as the potential of this economy to influence the world economy due to its sheer size. In addition, China has information technology tools at its disposal that influence both propaganda and transparency.

Dr. Suzuki also outlines five scenarios for China's Future:

1. Japan in early 1990s
2. The Soviet Union in the late 1980s
3. Germany in the 1930s and like Japan in the 1940s
4. France in 17th century and like Germany in early 20th century
5. China-US relations will be like US-UK relations

These scenarios as well as their probabilities were strongly contested by other participants.

Jacques deLisle, professor of law and political science as well as director of the Center for East Asian Studies and deputy director of the Center for the Study of Contemporary China at the University of Pennsylvania, examined China's role in international security in the light of its territorial disputes.

China remains in the Westphalian world order, where the territorial state is the entity that matters most. In such an understanding of the international system, cooperation is possible in many areas but territorial sovereignty is sacrosanct. This position is best reflected in the variety of territorial disputes that China is involved in. Disputed areas include uninhabited rocks in the sea, the near maritime periphery such as Hong Kong and Taiwan, China's inland borders and minority population areas such as Tibet and Xinjiang (although these are accepted by the world as Chinese).

With respect to the East and South China Sea disputes, China makes historical claims that stand on a very thin legal footing. Internal issues are manageable with a heavy hand – at least from the Chinese point of view. However, such behavior in addition to a robust notion of sea and land principles has wider implications for China's neighbors and the world. China's "soft power" approach is vanishing and giving place to a "divide and conquer" attitude. As a result, relations with its Asian neighbors have been badly damaged, and these countries are looking more and more to the US to balance China. Inland disputes and China's treatment of religious and ethnic minorities have caused additional



Shu-Pui Li

“China’s ‘soft power’ approach is vanishing and giving place to a ‘divide and conquer’ attitude ”

“China needs to be a partner rather than a threat to its neighbors”



Thomas Jürgensen

friction between China and the international community. In short, Chinese behavior has implications for the whole structure of the international system.

In the discussion, participants examined the make-up of the Chinese ministry of foreign affairs as well as its foreign policy rhetoric. First, China had talked about a “peaceful rise”, but then, finding that this term seemed too aggressive, shifted its rhetoric to “peaceful development” and finally to “harmonious development”. Anxieties over China’s intentions persist. Intentions may be genuinely peaceful now but they can change overnight. On the other hand, the rhetoric of the West when speaking about relations with China has not been very constructive either: “educating China” or “developing China” are the most obvious examples in point.

With respect to US or Chinese leadership in the Asia-Pacific region, the will versus capacity problem was discussed. While the US might have the capacity but lack the will, for China it could be the other way round. In order to build up a substantive regional leadership, China has to race against time: internally and externally. Internally, it will have to deal with difficult economic and demographic trends as well as the build-up of challenges to the ruling party’s legitimacy. And externally, it has to compete with the US. In order to do so successfully, China needs to rebuild confidence with its neighbors. One major step for China will also be to leave behind its culture of victimization. If China becomes a partner rather than a threat, the other Asian states might not cling so closely to the US. Ultimately, the presence and role of an external power in the region depends on how Asians themselves perceive their interests.

China’s development challenges

Jiapeng (Sanchez) Wang *TV Producer; Chief Editor, Online Video, Caixin Media, Beijing, China*

Isabel Hilton *Writer; Broadcaster; Editor, China Dialogue, London, UK*

Jiapeng (Sanchez) Wang, TV producer and chief editor of online videos at Caixin Media, offered observations on China’s developmental challenges.

Everything about China stems from its economic growth model. This model consists of three pillars: trade and manufacturing, investment, and domestic consumption. However, after 30 years of continuous growth, vital obstacles to development still exist:

1. *Poverty and malnutrition* remain widespread.
2. *Poverty in education*: the baseline is yet to be raised while at the same time higher education finds itself in a “twisted market” with quotas, white vs. blue collar and confused graduates from poorer families.

3. *Ageing*: China's demographic situation and its development have not kept up with one another and there is no well-managed pension system in place that offers a secure return on the people's money. Accounts are empty and the basic pension is shrinking.
4. *Population Growth*: the one-child policy is more and more criticized because of mounting abuses of birth control, the stealing of babies for adoption in the US and the increasing mismatch in the gender balance due to discrimination against girls. Currently there are 118 males for every 100 females.
5. *Urbanization*: Immigrant workers are changing the social and economic pattern of the country. Problems of healthcare, housing and education are exacerbated; but there is also hope that immigrant workers will raise domestic consumption.
6. *Healthcare*: The whole healthcare system needs to be revised as the medical market is established in the wrong way. One has to start with the basic questions: why patients have to pay and how doctors get paid? The most tragic examples in point are cases of patients attacking and killing doctors and nurses in order to take revenge on the system.
7. *Environment*: the public remains in the dark about vital resources such as air, soil and water and there are no adequate disaster responses in place. In addition, badly planned economic activities are causing ever more damage.



Sanchez Wang

It is obvious that virtually all developmental challenges have to do with equal chances for citizens and the issue of openness. A smart government as well as a critical public will be needed to translate these heavy burdens for development into opportunities and demand. Whatever the outcome, the effects will ultimately be felt both in China and in the global market.

Isabel Hilton, writer, broadcaster and editor of www.chinadialogue.net, concentrated on the environmental challenges of China's development model.

The policy of "Develop first, clean up later" is already showing severe consequences in China: Pollution is large. Many parts of the land are contaminated from heavy metals and



Isabel Hilton

“The policy of ‘Develop first, clean up later’ is already showing severe consequences in China,”

“A smart government as well as a critical public will be needed to translate these heavy burdens for development into opportunities and demand. Whatever the outcome, the effects will ultimately be felt both in China and in the global market,”

there is a clear loss of biodiversity. In addition, water scarcity is constantly increasing, along with health problems, especially cancer.

Water, in particular, is becoming an ever more critical issue: Water has always been unevenly distributed and scarce in large areas of China. To make things worse, all of China's energy sources such as coal and wind can be found in water-scarce areas. Beijing currently is the most water-stressed capital in the world. The consequences are already felt everywhere: while the scarcity of water causes direct economic losses which will only be exacerbated by climate change, it also generates competition. The most obvious example is the unequal pricing of water.

On the other hand, if water finally comes, it comes in another harmful form, namely in tremendous floods in the South. Still there is no policy in place that manages both droughts and floods. If China wants to continue to grow, it will have to build water demand into its development plan: a long-term project that will be crucial not only for China's economic future but also for the region as a whole.

The discussion revolved around the question of how to tackle China's development challenges in the long run. Participants agreed that institutional development will be crucial to dealing effectively with environmental and social problems. It also became clear that it is impossible to separate the environment from economic and social developments. It will therefore be essential for the global community to find sustainable ways of producing energy in order to see a peaceful future.

Social media and Chinese foreign policy

Hu Yong

Associate Professor, School of Journalism and Communication, Peking University, Beijing, China

Hu Yong, associate professor at Peking University's School of Journalism and Communication as well as Chinese media critic and internet pioneer, addressed the issue of social media and its impact on China's policies in a conversation with Salzburg Global Seminar president **Stephen Salyer**. Dr. Hu pointed out that China has witnessed a media revolution in the past few years. Widespread internet use has altered the socio-political landscape of China and to some extent also affects its foreign policy. Two significant changes have taken place: first, the availability of diverse news sources and the speed with which these can spread; and second, the dynamic nature of communication that is now available to broad elements of society as opposed to officials only.

Before the internet, all Chinese media were state-owned, with a well-established propaganda department (now "publicity department"). In comparison, all major social media businesses and internet providers are now run by entrepreneurs, not government officials. Often they are supported by American investment bankers or even listed on the stock exchange. These



Hu Yong speaks on social media in China

“ Chinese cyberspace is developing its very own agenda and the blogger-sphere is more and more becoming the de-facto voice of the Chinese People ”

differences in the ownership structure of news outlets have facilitated a wider range of voices over which the government can only exercise an indirect control.

The topics of micro-bloggers are wide-ranging. Unfortunately, however, both Chinese and foreigners pay too much attention to ultra-nationalist sentiments. But Dr. Hu has observed ever since 2008 that “cyber-nationalist” agendas take a clear backseat to topics of social welfare and services that are directly relevant to the people’s lives.

Within Chinese civil society, three distinct groups seem to use the internet as a mobilizing tool: farmers who are involved in land disputes, urban migrant workers aiming to improve working conditions in the factories, and the urban middle class, which mobilizes against high real estate prices and environmental challenges. All these forms of mobilization show that China is entering a new era of its history where people start to recognize their rights and resort to legal means to achieve them. New Media and the internet therefore also play a supportive role in developing a comprehensive legal system.

In the discussion, Dr. Hu pointed out that it is wrong to assume that all internet activities in China are manipulated by the government. Despite the prevalent censorship, Chinese cyberspace is developing its own agenda, and public opinion is emerging as an ever stronger factor in shaping Chinese politics. The blogosphere essentially became the de facto voice of the Chinese people. While the internet will certainly not transform Chinese politics overnight, it is beginning to form a vibrant civil society that in return will facilitate political reform independent of the official line. It is too soon to judge the nature and direction of these changes, but the internet has already put its stamp on the entire Chinese political landscape.



Florie Bugarin



Cagdas Ungor-Sunar



Working group report: World leader in waiting or conflicted superpower?

Guy de Jonquieres

*Senior Fellow, European Centre for International Political Economy (Ecipe),
Brussels, Belgium (Facilitator)*

Yu Jie (Cherry)

*Program Coordinator, East Asia International Affairs Program, LSE IDEAS,
London School of Economics (LSE), London, UK (Rapporteur)*

The working group focused on two sets of questions.

1. Does China have power and, if so, what kind of power? Is it realistic to expect China to exercise strong and constructive global leadership and to accept the costs and burdens that such a leadership would entail?
2. Does China have the capacity to become a global power? If not, what skills will China need in order to become a global leader?

Participants agreed that China's global influence stems mainly from its economic power, which in turn derives from its enormous domestic market. When China is dealing with other countries, its power depends entirely on whether Beijing can grant access to this vast domestic market. There was also consensus among participants on the fact that China does not seek global leadership. Participants found three main reasons why China is reluctant to become a global leader:

1. The Chinese government has a huge domestic agenda to address such as uneven income distribution and the divide between coastal and inland provinces. Most of the domestic challenges Beijing is facing are far more immediate and severe than its foreign policy dilemma.

2. The Chinese government lacks broad experience in dealing with foreign countries and various international organizations. As a result, China prefers to manage external affairs bilaterally rather than through a multilateral framework.
3. China still fears uncertainty when dealing with the rest of the world, given that there is much unfamiliar territory in international politics.



Dani Wardani (c) makes a point to her working group

Despite China's mistrust of the current international system, which it sees as US-dominated, China's soaring demand for natural resources and raw materials has "pulled" the country into greater participation in the international arena. Whether it likes it or not, China will naturally become a focal point of international politics.

Group members also observed that all China's foreign policies are deeply rooted in domestic politics. However, China's domestic development objectives do not always correspond with the external environment. In other words, the external "pulls" have often become obstacles to China's domestic development. Meanwhile, China's engagement with the rest of the world is also burdened by two historical legacies: nationalism and a sentiment of victimization.

On the second set of questions, group members discussed whether China has the will to become a global leader. Ultimately, China's capacity to lead, apart from its economic power, will stem from three criteria:

1. Whether China has willing and loyal followers in the international arena;
2. Whether China wins the trust of its neighbors;
3. Whether China is able to project soft power.

As participants observed, China, unlike the US, lacks real allies in the Asia-Pacific region and the few allies that Beijing actually has are not loyal enough to be real partners. In addition, China lacks both trust and transparency, which further antagonizes its neighbors. However, what China has realized is the importance of “soft power” – defined here as “the ability to inspire other countries or individuals to follow your own ways of life”. Unfortunately, most attempts were rather unsuccessful and caused many controversies. It has to be noted that the controversies are not always China’s fault alone but also produced by other countries’ lack of understanding about China. The West, for instance, has repeatedly treated China as part of the problem rather than the solution. As a result, Western countries tend to use words such as “engaging with China”, “educating China” or “integrating China”. Those words might have positive or neutral connotations in English but sound rather arrogant and humiliating in Chinese. Therefore, participants suggested “interacting with China” as an appropriate phrase for cooperation. All in all, an increased mutual understanding between China and the West is the key to prevent further antagonism and diplomatic hazards.

Working group report: Human rights in China’s foreign policy

Jacques deLisle

*Professor of Law and Political Science; Director, Center for East Asian Studies;
Deputy Director, Center for the Study of Contemporary China,
University of Pennsylvania, Philadelphia, USA (Facilitator)*

Xiao Qiang

*Editor-in-Chief, China Digital Times; Adjunct Professor, School of Information,
University of California, Berkeley, USA (Rapporteur)*

China’s human rights conditions have improved considerably, when measured against baselines from earlier in the Reform Era or the Mao Era, and there are some positive signs for further improvement. In terms of formal legal commitments, China has signed on to many of the major international human rights treaties (although it has not yet ratified the principal civil and political rights covenant), recognized human rights in its constitution, and drafted many laws in ways that comport with international human rights norms. In terms of social demand, “rights consciousness” has grown in Chinese society. Many social sectors now see, and assert, human rights and rights more generally as means to protect their interests. Rising wealth, education and the spread of ideas and information among many Chinese have contributed to increased demand for rights-protection. Human rights and related ideals are much more widely available to the Chinese public through the Internet, social media and expanded political “space” for discussing unorthodox ideas. In terms of official attitudes, greater protection for some human rights is acceptable, in part because it can help maintain social stability and advance the official goal of a “harmonious society.” On the other hand, some assertions of human rights have been, and are likely to continue to be, met with hostility. These include many civil and political rights and rights of ethnic or religious minorities, which authorities often regard as challenges to their rule or threats to stability.



Qiang Xiao delivers his group's findings to Parker Hall, along side Ivan Sun, moderator Edward Mortimer and Yu Jie

Although human rights questions in China long have focused primarily on conventional or traditional civil, political and social-economic rights, other human rights issues recently have grown, or are likely to grow, in importance. These include the rights of China's hundreds of millions of internal migrants, the rights of non-Han minorities in restive Tibet and Xinjiang, rights of physical and public safety and rights related to protection of cultural heritage.

Measures that would help to improve human rights without requiring major systemic change include further development toward the rule of law, improvement in government institutional infrastructure, and measures to protect public safety (including with respect to food and product safety and natural and man-made disasters). Other advances, particularly in civil and political rights, may require more fundamental political changes. At the regional level, Chinese leaders have experimented with models of government response to human rights-related challenges, ranging from the neo-Maoist populism of Bo Xilai in Chongqing to the more liberal, law-emphasizing and public-participatory approach of Wang Yang in Guangdong. Pressure for reform is growing as people become less willing to blame only local officials and as rapid economic growth wanes as a basis for regime legitimacy.

International efforts to advance human rights in China can, and should, pursue two contrasting but complementary tracks. One track emphasizes positive engagement and focuses on less contentious rights such as those related to promoting economic development, supporting civil society and providing social welfare. The other entails remaining true to one's own principles and pressing China on tougher issues, such as protection of civil liberties, political rights, minority rights and religious rights. Although other states' ability to pressure a rising China has faded, Chinese authorities' ability to reject foreign criticism also has fallen with China's formal acceptance of human rights norms, the rise of new communications media, the potential for robust public diplomacy, and more receptive attitudes among Chinese audiences.

China's place in the international human rights system is changing as well. The decline of cultural relativism and deference to sovereignty in human rights discourse, and

China's changing sense of its self-interest as a powerful state with global interests, have undermined China's in-principle rejection of human rights criticism or sanctions as impermissible and nefarious interventions in targeted states' affairs. China's newly acquired international power is not leading to greater impact on international human rights norms. China has yet to articulate a coherent and influential – or broadly appealing – alternative vision.



Archana Mishra (r) and Theresa Fallon listen on in Parker Hall

Working group report: China's approach to multi-lateralism

Gudrun Wacker

Senior Fellow, Research Division Asia, German Institute for International and Security Affairs, Berlin, Germany (Facilitator)

Ivan Y. Sun

Professor, Department of Sociology and Criminal Justice; Faculty, Asian Studies, University of Delaware, Newark, USA (Rapporteur)

The discussion centered around three key questions:

What is multi-lateralism?

1. Vertically (geographical coverage): An array of definitions was mentioned, ranging from at least three countries, several countries in the same/different regions, and many countries across the world.
2. Horizontally:
 - Organization/structure/procedure: meeting regularly, equality in members, some degree of institutionalization
 - Function: deal with some aspects of international relationships/issues, establish some order/norms

In all definitions, participation is up to the free will of individual countries.



Tetsuya Koide

Why does China engage in multi-lateralism?

1. Ideological: peaceful rising
2. Practical: being a good international player, improve international reputation/image (minimize the China threat theory), and most importantly address domestic problems/issues:
 - Any engagement that can preserve the power of Chinese Communist Party may be of interest to China.
 - Pacify its neighboring countries (based on China-centered tradition).
 - Priority in participation: economic/trade/market comes first and political issues come last.
 - In foreign policy: focus on old “friends” (Libya and Cuba): power of government/authoritarian countries.
3. Sovereignty: Some argue that maintaining its sovereignty is China’s first priority, while others believe China is no exception to other nations on this issue.

What role does China play in multilateral institutions?

China’s participation in multilateral institutions is on the rise:

1. The rise of technocratic cooperation;
2. The accumulation of knowledge/expertise.

China might be more willing to take a leadership position and contribute to rule-making in fields where it has expertise and where its participation helps China to address its own domestic development issues. China does not necessarily want to be a rule-breaker, but its lack of experience or capacity to enforce certain rules often hinders China’s multilateral activities.

Conclusions

1. China has been active in terms of multi-lateralism especially since the 1990s (phase of integration); however, China has yet to become an active rule maker in most organizations and tends not to or is unable to assume a leadership role.
2. China will have to define itself; it is not up to the West to define what “responsibility” means.
3. It is counterproductive to call China a “rule-breaker”; it should moreover be actively engaged on the multilateral stage.



Verena Nowotny and Gudrun Wacker

Working group report: Governance and social insecurity in China

Peng Bo

*Vice Dean, Professor, School of International and Public Affairs,
Shanghai Jiao Tong University, Shanghai, China (Facilitator)*

Verena Nowotny

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What are the most important factors and actors driving social unrest in China?

Peasants, migrant workers, the middle class, angry citizens and netizens as well as bloggers, journalists, lawyers and NGO workers are identified as the most prone groups to drive social unrest. Potential factors of unrest are:

1. The government throwing money at problems rather than finding sustainable solutions;
2. The suppression of self-organized protest and the prevention of all potential unrest;
3. Corruption, bad governance and the lack of accountability;
4. Bad social management: NGOs cannot work freely and credibly, transparency and the rule of law are lacking, and the petition system is not effective.

Do social conflicts trigger changes in Chinese government policy?

No systematic change was observed after social conflicts; however there are rare cases of policy change such as capital punishment. Smaller changes are taking place in areas below the central government: So local authorities try more and more to involve NGOs as mediators, and risk evaluations take place more often before a project starts. There have also been a few adjustments to laws, for instance on the minimum wage.

While the group recognized the efforts to address the problems, all changes will ultimately depend on implementation by the government.

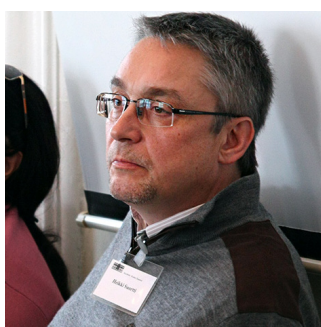
In what way is governance in China likely to develop in the next years?

The group outlined the following scenarios for the future:

1. *Policy change is taking place:* The government becomes aware of its eroding legitimacy and realizes that economic growth alone will not satisfy its population. It will therefore take a step-by-step or incremental approach to accept change.
2. *Policy change will not take place:* The government will continue its “good cop-bad cop” plays between local and central government and the freedom of action will remain very limited.
3. *Government will be forced to change due to the rising discontent:* Self-organized protests might become more political and widespread until a tipping point is reached.

As a conclusion, the working group participants issued the following recommendations:

1. Give society space to address its problems, and give legal protection to those who do so.
2. Give different groups institutional representation.
3. Increase transparency and accountability at the local level.
4. Encourage experiments like Guangdong and Wukan.
5. Plan developments and their consequences wisely in order to avoid future social conflicts.



Heikki Suortti



Theresa Fallon

Working group report: China's quest for energy and natural resources

Theresa Fallon

Senior Associate, European Institute of Asian Studies (EIAS), Brussels, Belgium (Facilitator)

Stephen Nagy

Assistant Professor, Department of Japanese Studies, Chinese University of Hong Kong, Shatin, Hong Kong (Rapporteur)



Stephen Nagy

China's quest for energy and natural resources is a key driver of China's growth trajectory and also its Achilles heel when considering factors that could significantly affect China's development. Energy and natural resources include: fuel, arable land, fisheries and fresh water. The desire to secure these resources is at the heart

of many of China's geo-political problems. The Working Group addressed the nexus of domestic socio-economic stability and regional geo-political instability.

The determinants of Chinese energy and natural resource policy are fivefold:

1. Social equity;
2. Economic and population growth;
3. Economic investment by the world into China;
4. Energy profile and diversity;
5. The need for an incremental approach to changes in energy and resource utilization.

The fast economic and population growth and its associated urbanization in China function as the key determinants of China's energy and natural resource policy. A decrease or increase in these two areas can dramatically affect the energy and natural resources needs of China and thus bring major changes in the way the country approaches energy and resource security issues. This policy is further complicated by the size of China and how small changes in energy and resource consumption can dramatically alter the prices of these resources on global markets. Additional factors that need to be included in this analysis are the relationship between foreign investment in China and the subsequent increase in energy demand associated with foreign companies producing products in China for export abroad, and the price differential which exists in and out of China. In the former case, increases or decreases in investment within China by foreign firms have the ability to affect energy and resource needs. In the latter case, price differentials in energy in and out of China lead to an unsustainable energy acquisition profile in which China sells energy domestically at rates much lower than it buys internationally.



Martina Lodrant



Mervat Doss

The drivers of the internationalization of China's energy and resources industries are:

1. Energy security;
2. Energy for social stability means political stability;
3. Access to energy;
4. Trade and resources.

These drivers are closely associated with China's geographic position and sense of vulnerability in terms of being cut off from access to energy resources and to being able to export its products abroad.

The relationship between China's foreign policy and its resource procurement activities are deeply interlinked and in part based on a reflection of the Japanese wartime experience in which Japan's access to energy resources was severely affected by the United States and its partners during World War II. This experience has led China to a resource procurement policy that is diverse and one that attempts to avoid reliance on any one energy exporter. China's energy security dilemma is threefold:

1. The Malacca Straits;
2. The near China seas;
3. The Straits of Hormuz



Fellows breakout into their working groups

An additional dilemma has also surfaced in South Central Asia, given that the Afghanistan war has resulted in the establishment of a Western sphere of influence within the region and the emergence of a North-South trade/ transport corridor. In each case, China is in a vulnerable position as its access to energy by sea and by land could be severely hampered. Importantly, the same energy transport lanes are also used in many cases for the export of China made products to the world, and thus any blockage of the transport lanes would

also affect China's trade. Although we have seen efforts to cooperate with neighbors in the region to explore new resources, a much closer cooperation needs to be put underway. What are the environmental implications of China's quest for energy and natural resources? China faces significant environmental challenges related to its quest for energy and natural resources. Water shortages, air, water and land pollution are commonplace. However, the increased demand for vehicles is going hand in hand with a diversification of the energy mix and a reconsideration of China's energy profile. Green energy is seen as a way forward but a plethora of problems remain to be solved, including cross-border pollution and the complicated interaction between local government and business. In some cases, state-owned enterprises (SOEs) have been positive actors by acquiring environment and energy technology from failed private companies. These acquisitions have been used to bolster domestic capacity.

Global implications of these policies include:

1. A larger energy and energy security footprint;
2. The advent of selective intervention as a means to secure energy sources;
3. Growing anxiety about Chinese energy interests abroad. International problems such as Libya may affect future investments. Ultimately, China views recent interventions as "Chinese investment followed by Western intervention equals Chinese loss".

Key Conclusions on China's quest for energy and natural resources found by the group:

1. Chinese quest for energy and natural resource related to economic sustainability and ultimately social and political sustainability.
2. National cohesion and maintenance of sovereignty are closely linked to access to energy and resources.
3. Expect an expansion of energy-related diplomatic efforts (Energy Diplomacy).
4. Pragmatic approach to energy securitization. Different country/ region, different approach.
5. The Chinese approach is to secure access to resources and to markets.



Stephen Nagy and Theresa Fallon with fellow group members Ukrist Pathmanand and John Modinger



Radoslaw Pyffel

Working group report: China's expansion to Latin America

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(Rapporteur)*

The results of the discussion on China and Latin America can be structured into two areas:

China's activities in Latin America

In 2010, China issued a White Paper on the relationship with Latin American countries, thus acknowledging the increased importance of the region. China is also a BRIC member along with Brazil; this might positively impact relations. There is not much evidence so far that China challenges the hegemony of the US in Latin America. It appears that China has carefully selected the timing of its policy announcements. For example, China has published its White Paper on relations with Latin America or an agreement on a swap arrangement with Argentina, only after US elections.

It also appears that China exercises some restraint in terms of security policy in the region, i.e. its activities in this area, for instance in the weapons trade, seem to be much slower than developments in the economic area.

With regard to economic relations, positive developments can be observed for Latin American countries: In the wake of the financial crisis, the region was doing quite well, also thanks to the economic relations with China. Concerning trade, Latin American countries exporting commodities benefit two-fold: direct export to China increased the volume of trade, while at the same time the increased global demand has helped raise the price level. Investments were growing fast, especially in some countries (Brazil, Peru and Argentina). In terms of quality of its investments, China focused on areas of its interest, i.e. mining and transport.

On monetary issues, some countries benefit from swap arrangements with China by using the RMB – instead of USD – for transactions with China.

On political aspects, the group found that China maintains relations with Cuba and Venezuela, which might be of concern for the US. Another critical political issue is Latin America's stance on Taiwan: About half of the 45 countries recognizing Taiwan are located in Latin America.

The perspective of Latin American countries on China's increased expansion in this region

Different countries might have a different perception. There are "winners" such as Brazil and "losers" such as Mexico. Mexico in particular faces a loss of jobs due to cheap imports from China and an increased competition from China for its exports in the US market.



Jodie Roussel



Gonzalo Paz reports back his group's findings along side Bo Peng, Isabel Hilton and Theresa Fallon

On the structure of Chinese investments in Latin American countries it was noted that the frustration at the beginning is now being reduced. At first, China facilitated only limited investments in new production facilities but made investments through financial offshore centers in the region, conducted for domestic tax purposes.

Based on an example of an investment activity by China in a mine in Chile, one can say that there might be a negative relationship between the acceptance of the rule of law and transparency in a recipient country and the investment volume.

With regard to agricultural cooperation, the increasing demand for soy products (soy beans, soy oil) leads to a massive change in plantation in some countries. This comes at the cost of diversity, the quality of the soil and forestation. The demand for - and thus production of - soy products is strongly increasing due to a shift in nutrition towards more meat products in China and China's new priority on food security.

If one takes a closer look at the trade structure between Latin America and Asia, one notices that about 70% of exports relate to soybeans and metal commodities, while imports from China are mainly manufactured goods. Furthermore, reference was made to the car industry - a core industry for Brazil and Argentina - which will face a strong competition due to Chinese car exports in the near future.

All in all, China's business behavior in Latin America seems to be predominantly determined by the way Chinese companies are managed and operated. China tends to send diplomatic delegations to approach the governments with their investment interests, rather than directly approaching private companies. Against this background, the Working Group concluded that the patterns of behavior of Chinese companies abroad will only improve after corresponding changes at home. Compared with Japanese companies investing abroad, Chinese companies avoid minority share investments in order not to share control.



Expert recommendations for Chinese and international policymakers

On the final day participants rearranged themselves into three different groups, one of which formulated policy suggestions for China itself on engaging with the rest of the world, while the other two made recommendations for, respectively, Western countries and the rest of the world (especially other emerging economies), on how best to interact with China. Their findings are summarized below.



Policy recommendations: China's engagement with the rest of the world

1. International Norms and "Soft Power"

As an emerging power and responsible international actor in the world, China could promote the observance of international norms and values by embracing them in its own action, both domestic and international. Up to now China's style of domestic governance has often appeared to conflict with such globally accepted norms and values as responsibility, transparency and human rights. If China's Party-state wishes to convince the world that in fact it favors compliance with agreed international norms, this needs to be reflected in actual policies both at home and abroad. Such policies could greatly increase Chinese "soft power" – something the country badly needs at a time when its economic and military strength is developing very rapidly.



Guy de Jonquieres and Yu Jie

2. International Security

It will be greatly to China's advantage if it can make its conduct of international affairs less opaque and more predictable. Transparency will help to reduce mistrust.

It will be in China's interest to engage in more robust strategies of building trust with other stakeholders, and to promote reciprocity in its interaction with them. China may (in consultation with other stakeholders) build crisis management mechanisms to address specific issues and conflicts. Such mechanisms may take the form of one or more non-binding fora for regular and emergency dialogue, with negotiated terms of reference, in order to maintain lines of communication between stakeholders even in the most tense of times.

China would also benefit from being more transparent in its decision-making processes. Allowing outsiders to form a clearer understanding about the inner workings of the Chinese administration and systems would help alleviate unnecessary tension and suspicion among other stakeholders. When dealing with sovereignty claims, China would greatly benefit from embracing a more transparent code of conduct, to encourage greater trust and confidence among other stakeholders. This approach would further augment China's participation in multilateral platforms and strengthen worldwide and regional belief in its commitment to resolve disputes through peaceful means – dialogues and consultations. To strengthen this, it would be useful to have more effective communication at various levels among the civilian and military hierarchies of China and other stakeholders.

3. Non-Traditional Security (NTS)

China, like many other countries, faces a range of NTS issues such as transnational diseases, environmental degradation, air and water pollution, corruption, and many others. These issues cannot be curbed or halted by traditional border-based control mechanisms.

“If China’s Party-state wishes to convince the world that in fact it favors compliance with agreed international norms, this needs to be reflected in actual policies both at home and abroad,”



Linda Flanderova

“Allowing outsiders to form a clearer understanding about the inner workings of the Chinese administration and systems would help alleviate unnecessary tension and suspicion among other stakeholders ”

Their cross-border nature requires international cooperation in efforts to mitigate them. Therefore, China can deal with these issues more effectively by putting in place clearer and reliable mechanisms at home, and working more closely with international partners abroad. On issues such as energy, China can provide leadership by actively promoting renewable and environment-friendly technologies, which will help to lessen energy pressures on China itself.



Tetsuya Koide and Hideyuki Miura with Session Chair Isabel Hilton



Junko Otani

4. Economic Relations

China may consider adopting robust, resilient and transparent policies on trade, and on international frameworks for regulating both trade and financial markets. The following suggestions may be considered:

- Allow a level playing field and reciprocity for all market participants;
- Be in full compliance with the international standards and regulations, and fulfill the commitments that China has already given, e.g. in the World Trade Organization, Bank for International Settlements and G20;
- Help ensure local and global economic and financial stability, in particular exchange rate policy, banking stability and monetary policy;
- Show a continuing commitment to promoting and improving fair, transparent and robust policies on trade, the regulatory framework, and sustainable development.

5. Domestic Governance

Over the years abuses of power by local officials, and the level of public dissatisfaction these have provoked, have frequently been cited, both at home and abroad, as a major source of instability in China. Bureaucratic hurdles, coupled with a lack of public input into decision-making, may thwart China's efforts to achieve accountable and transparent local governance. Therefore, local democracy at township or even county level needs to be

introduced. When a certain number of local officials are chosen by local citizens, the new local governance model will be able to establish an accountability system that requires all local government officials to answer for their conduct; more effective supervision of these officials both from above and from below; greater participation by local people; and a more effective system for managing public complaints. Establishing an independent governance monitoring organization may help deal with these challenges, and contribute to meeting China's need for more efficient and transparent governance.



Jianguo Chen

Policy recommendations: Western countries interacting with China

Background considerations

As a rising global economic giant, China is less and less willing to listen to Western hectoring, lecturing, preaching or teaching. Nor is it receptive to attempts to integrate it into a ready-made world order. Even talk of “advising” or “engaging” China, however well intentioned, risks being perceived as condescending. The West must interact with China on a strictly equal footing.

Western countries, particularly the United States, the European Union and Japan, are involved in extensive security and trade activities in the regions around China, namely the South and East China Seas as well as South-East and Central Asia. In recent years, China and the US have reacted to each other's policies, with China taking a more assertive

“Talk of ‘advising’ or ‘engaging’ China, however well intentioned, risks being perceived as condescending. The West must interact with China on a strictly equal footing”



Kuniko Suzuki speaks to her group during the break-out sessions

“China has had a frustrating time dealing with Western partners, notably in its efforts to invest in the EU,”



Dani Wardani

position while the US seeks to “re-balance” by strengthening its ties with other countries within the Asia-Pacific region. Beijing is suspicious of an increasing Western presence in its neighborhood and feels (or claims to feel) threatened when it sees its neighbors seeking increased Western support or cooperation.

Meanwhile, in Western capitals, as well as many within the region, there is a growing sentiment that China doesn’t want to converge with the West. It is argued that China will become a less cooperative partner in the next ten years. And countries within the region fear that their interests may fall victim to confrontation caused by a lack of sufficient Chinese-Western dialogue.

The US, the EU, Japan and South Korea, despite their shared democratic values, have different interests in and around China, and therefore different concerns. Some criticize China for taking actions which do not align with its words. But China itself has had a frustrating time dealing with Western partners, notably in its efforts to invest in the EU. To some extent, China policy in all Western countries has been too much dominated by domestic politics.

Up to now China has not played a very active or leading role in most multilateral institutions. Including China in more multilateral institutions and processes may benefit both sides. Obviously, multilateral engagement of this sort requires experience-sharing and close collaboration between the different Western parties involved.

In sketching a long-term strategic Western vision, it is crucial: to know what China’s priorities are; to recognize Chinese achievements; to consider possible trade-offs, particularly in the trade and investment area; to identify the challenges China currently faces and explore ways for the West to help; to understand where the pressures and outlets are; and, at the same time, to encourage China to understand the rest of the world more thoroughly. Without this, Western initiatives are doomed to failure. Whatever the new policies, they must ultimately be acceptable to China.

Whether China wants to play a leading global role or not, it is already deeply engaged with countries all round the world in order to supply its domestic needs. It has invested a lot around the world, mainly in energy and natural resources, but has little experience in managing and maintaining vulnerable supply lines, and has taken few measures to protect them. Western countries do have this experience, and this is one area where cooperation between them and China could be fruitful.

1. Western nations must make an effort to understand China better

Unless the West expands and deepens its understanding of how China works – preferably with the help of a more transparent and open Chinese government, but this cannot be taken for granted – its views and advice, and indeed its efforts to help build Chinese capacity in specific sectors, stand little chance of being taken seriously.

- In particular, the West needs to be cautious in its behavior towards China on security issues. While firm diplomacy may sometimes be needed, and current official dialogues must be continued, Western countries should seek to bring more transparency and

reassure China about legitimate Western interests in the region through increased confidence building measures and targeted independent “track II” programs, i.e. those that involve practical exchanges among civil society groups, political parties, the judiciary, NGOs, academia and the private sector, as opposed to official government-to-government contacts. These programs should be aimed at building capacity, accountability and cultural understanding, with a focus on Chinese domestic priority concerns. Such programs can bring the internal Chinese debate to the West. (www.chinadialogue.net is a good example.)

- These measures could take the form of short, medium and long-term initiatives, including track II cultural diplomacy and people-to-people programs – which would also allow China to exploit its “soft power”, in other words expand its influence abroad in a non-threatening way. Under such programs, Western scholars, as well as politicians, should make greater efforts to understand China, in particular the complexities of the ruling Communist Party and its procedures. This could happen through practical exchanges (with no official character), involving more research and interaction between independent Chinese and Western institutions, political parties, civil society and the private sector. This way, Chinese institutions, political parties and civil society groups would feel more integrated into the world system, and deploy their resources more effectively. There are already many such exchange programs under way at a variety of different official, semi-official and unofficial levels, involving (for instance) judges and students. It would be good to expand them in such a way that, for instance, Chinese journalists and bloggers would be permitted, and indeed encouraged, to spend time in the West.
- It is important that track II initiatives acknowledge and complement the current official dialogues between the West and China, for example, on human rights.
- In the past ten years, the EU has been supporting local elections in China. If China moves in the direction of further democratization, this electoral assistance program could be expanded from local town level to county level, and widened to include assisting the agenda for political reform and encouraging smaller parties, which are already engaged in the consultative political process, to move towards actual power sharing.
- For better interaction, it is important to increase familiarity with the English language inside China and familiarity with the Chinese language in Western countries.

2. Long-term strategic thinking on managing relations with China

A sine qua non of effective China policies is clearly to separate longer-term priorities and objectives from short-term domestic pressures that too often are incompatible with or directly contradict them. This has been one of the biggest problems affecting Western governments’ efforts to pursue effective policies towards China, because it requires exceptional political firmness, vision and courage.

Western countries should:

- Focus on having an articulated China policy and pursuing it in a coherent and sustained way that serves the West’s collective interest. This is especially needed in the EU, which should identify its priorities. The EU and its member states need to focus on long-term strategic engagement with China, particularly in their policies on investment



Edward Mortimer

“Unless the West expands and deepens its understanding of how China works, its views and advice stand little chance of being taken seriously”

“Separating long-term priorities from short-term domestic pressures as been one of the biggest problems affecting Western governments’ efforts to pursue effective policies towards China, because it requires exceptional political firmness, vision and courage,”



Small working groups in Schloss Leopoldskron Seminar Rooms

issues, and on occasion be prepared to sacrifice short-term gains in the interests of this long-term goal. Above all, member states should stop undercutting Europe’s collective leverage by allowing Beijing to “buy them off” piecemeal with export orders and other commercial favors.

- Pursue greater economic liberalization, primarily through positive incentives, while protecting legitimate national security interests, in compliance with the rules of the system.
- Avoid subordinating Chinese policy to domestic politics.
- Incorporate risk management in strategic planning: is the strategy flexible enough to adapt to swings in the political landscape within China – particularly if China suffers an economic crisis, and all our assumptions about China continuing to be the workshop of the world and a great market for our products fall to pieces; or if China’s rise turns out to have a nasty nationalistic side to it? Western policies (and, indeed, corporate strategies) towards China can no longer be based on straight-line extrapolation of past trends (e.g. unbroken double digit GDP growth, overriding emphasis on maintaining external stability, keeping a low profile in global affairs, etc.), as they have been for much of the past 30 years. The mounting challenges and uncertainties facing China make it prudent instead to adopt a “scenario planning” approach, explicitly recognizing that the country could go off in many different directions in the future.

How to achieve these long-term strategic objectives?

The West needs to pursue its objectives by way of inclusive multi-lateral and “pluri-lateral” approaches (the latter involving ad hoc groupings of countries as opposed to structured organizations), particularly on issues where we have common concerns such as international public goods. A concerted effort could be made to persuade China that a “divide and rule” approach to the West will not work, and that instead it should accept four-party talks on common interests with the EU, the US and Japan. If this got off the ground, smaller countries could later be brought into it as equal partners.



Henrietta Yang

Policy recommendations: Rest of the world, especially other emerging economies interacting with China

Background considerations

There is an obvious asymmetry of power between China and all other emerging economies.

Given the vast variety of countries and the conditions of their economies, available resources and existing relationships with China, it is important to note that the recommendations below should be adjusted to the specifics of individual cases. Some recommendations may be irrelevant to the specific conditions of some countries.



Fellows deliberate during their working groups

1. *General issues and security*

- Develop relations with China as part of policies to support a multi-polar world order. (This particularly applies to former colonies which have a complicated relationship with their former “mother country”. They can use different models of cooperation with China to strengthen their position and diversify their foreign policy.)
- Initiate dialogue with China on both traditional and non-traditional security issues (the latter including water and the environment).
- Engage in multilateral dialogue with China, e.g. in regional fora; seek to adopt common or coherent positions so as to increase their negotiating strength; and be ready to resist attempts to sabotage such positions when China perceives them as going against its interests.

2. *Economic issues*

- Ensure that any cooperation with China helps their overall national interests, especially in terms of sustainable development, modernization and economic progress.
- Work towards preservation of their local industry base by:
 - Encouraging joint ventures with Chinese companies;

“Emerging economies should develop relations with China as part of policies to support a multi-polar world order. This particularly applies to former colonies which have a complicated relationship with their former ‘mother country’ ”



John Modinger



Archana Mishra speaks from the podium in Parker Hall



Khadijah Md. Khalid

- Ensuring that at least 50% of those employed in joint ventures come from the local workforce, with a tendency for this percentage to rise as temporary Chinese staff are phased out;
 - Ensuring that local legislation requires high transparency from businesses, including Chinese companies, through the introduction of mandatory auditing and publishing of annual reports.
 - Consider China as a potential source of technology transfer, looking especially for areas where China might be able or willing to offer a technology which is difficult or impossible to obtain from Western countries.
 - Follow the Norwegian and Russian examples by channeling money raised through selling commodities, raw materials, energy and other resources to China into funds which invest in viable economic projects, promote economic growth and stability, and support counter-cyclical policies in order to survive price fluctuations.
 - Promote exports to China, and to this end develop clusters of export-oriented producers in order to satisfy China's domestic needs (e.g. in agriculture and processed food products).
 - Encourage the development of Chinese tourism, including through more simple visa issuance and marketing.
3. *Social issues*
- Aim to create social capital for dealing with China through:
 - Advancing and accumulating expert knowledge on China, in both the public and the private sectors;
 - Developing think tanks, specialized agencies, expert fora and other research institutions;

- Encouraging creation of networks of organizations that deal with China;
 - Educating experts on Chinese market and businesses;
 - Conducting people-to-people exchanges in various fields on a regular annual basis (intellectuals, journalists, scientists, artists, youth and student exchanges, double-degree programs at universities, etc.);
 - Hiring private consultants on China (especially in business), when other advice on China is unavailable, when there is a need to check the background of a company the country wants to strike a deal with;
 - Participating in conferences and seminars on China.
- Secure funds through local budgets or trustworthy international organizations. If funding is scarce, think tanks can be based in existing institutions, universities, etc. Countries could also obtain funding for a Confucius Institute or through other Chinese government grants.
 - Share knowledge and experience with other states in their region which have dealings with China.
 - Establish a routine of well-organized intra-regional caucus meetings before and after each meeting of a regional or other grouping with China. (Example: there should be a special internal Mercosur meeting before and after any Mercosur meeting with China.)



Ukrist Pathmanand

“Emerging economies should follow the Norwegian and Russian examples by channeling money raised through selling commodities, raw materials, energy and other resources to China into funds which promote economic growth and stability,”

Conclusion

The three policy recommendations were among the main conclusions reached by 53 policymakers and analysts from China and 29 countries who met in Salzburg, Austria – just three weeks after China’s new leadership took over – to debate the question: “China in the 21st Century: What Kind of World Power?”.

Summing up, participants recommend that China would benefit from greater transparency about its policy-making processes, in order to build greater trust and confidence among its partners in the international system. The West needs to make greater efforts to understand China, and work out longer-term, more consistent strategies for dealing with it. And other countries, especially other emerging economies, need to be more strategic in using their developing relations with China to strengthen their position, both individually and collectively, within an emerging multi-polar international order.



Fellows of Session 501 - China in the 21st Century: What Kind of World Power?

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Founded in the wake of World War II, Salzburg Global Seminar brings together emerging and established leaders from every region of the world to broaden thinking, challenge perspectives, encourage collaboration, and build networks that support future cooperation.

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