

**Internal Drivers of China's External Behaviour**

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### **Abstract**

While external factors are useful in understanding a country's behaviour, they are not sufficient to account for many foreign policy decisions made by China's leaders. Domestic politics have played a profound role in shaping China's behaviour in the domestic and international realms. This paper suggests four crucial domestic factors which have driven China's path: geography, internal stability, rising nationalism built on China's imagined past, and China's maritime concerns. Together with external drivers, these help to explain why China has chosen certain initiatives and actions. The paper then examines some implications of the role of domestic factors in shaping China's policy choices.

### **Keywords**

China's behaviour, China's Rejuvenation, Global Order, Chinese Domestic Politics, Geopolitics

## **Introduction**

For a decade or so, China's foreign behaviour has alienated or worsened relations with most of its neighbours, with the exception of Pakistan, Cambodia and possibly Russia. Embarking on a nuclear arms race, "wolf warrior" diplomacy, and pressing hard on territorial disputes by changing the status quo hardly seem likely to serve China in her rivalry with the US or to improve her relations with neighbours. Why has China recently followed a foreign policy course with predictable negative outcomes?

Traditional explanations external to China—the changing international situation, shifts in the balance of power, China's growing global interests, or great power rivalry and US pushback—seem insufficient to explain the choice of course or its timing. It may therefore be worth looking more closely at domestic factors that could be driving China's foreign policy, since these tend to be more distinctly 'Chinese.'

Today, China's foreign policy behaviour extends to seeking "discourse power" internationally, a desire to control the narrative on China, both in China, and on the international stage, to the point that the Chinese Embassy in New Delhi tells the Indian media what they should and should not write on China, tweets by US basketball players are penalised and there are no Chinese villains in Hollywood movies. China now demands loyalty not only from its own citizens but also from Chinese-origin citizens of other countries in the diaspora. The China Dream is for the Chinese race (*zhonghua minzu* 中華民族) which is translated and equated with the nation, not just for citizens (*gong min* 公民) or in China itself.

It also extends to global order building through new institutions (like the Asian Infrastructure Investment Bank), China-centred global physical and digital connectivity (through the Belt and Road Initiative), and agenda-setting in international and multilateral organisations (with 4 out of 15 UN specialised agencies now headed by PRC nationals.<sup>1</sup>). This includes a growing military presence abroad and military bases (in Djibouti, Sihanoukville, and potentially Gwadar and elsewhere in the Indian Ocean region) to create a power projection capability first in Asia and Asian waters or maritime Asia, and then globally.

China has weaponised economic, trade and other levers, to the extent of hostage-taking in response to the arrest in Canada of Meng Wanzhou, the CFO of Huawei and daughter of its founder Ren Zhengfei. In the last few years, she has imposed economic costs and trade boycotts on countries like Australia, Canada, South Korea, the Philippines, Norway, and Sweden- the list is long. It remains to be proved that these actions did anything more than make China distrusted as a partner, or whether they actually changed the behaviour of the targeted country in a positive direction from China's point of view.

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<sup>1</sup> The FAO, UNIDO, ITU and ICAO. In comparison the US, UK and France head one each. China contributes 12% of the UN budget compared to 22% from the US. <https://www.google.com/url?client=internal-element-cse&cx=0903a1a109a46b6e5&q=https://www.orfonline.org/expert-speak/chinas-footprint-is-growing-within-the-united-nations-64177/&sa=U&ved=2ahUKEwjL9sXU5unzAhV74HMBHarsBy8QFnoECAQQAg&usg=AOvVaw3AcAhRFSVCU3xyETr31JC8>.

Also see <https://thediplomat.com/2020/04/how-china-is-remaking-the-un-in-its-own-image/>.

Significantly for China's many neighbours, China has chosen since 2008 to assert itself in disputes in its periphery and to use her power to change facts on the ground and at sea. As a consequence, it is ringed in maritime Asia by disputes and hotspots which have flared up in the last decade or so from the Senkaku/Diaoyu islands in the East China Sea, to Taiwan, to Hongkong, to the South China Sea, to the India-China border, and to new Chinese territorial claims on Bhutan.

Some of this assertiveness can be explained as a direct response to the new security demands created by China's integration into the global economy and her export-led growth. Her turn to the oceans, and her desire to secure the near seas are logical when, for the first time in history, she faces no threat on her Eurasian land frontiers. She now has assets abroad to protect, and depends on the sea-lanes for her food, energy, commodities, and exports essential to her economic well-being. It is natural for her to seek to transition to becoming a maritime power for the first time in her history. But her choice of how to go about this task is still hard to explain. For instance, rather than territorialising the South China Sea and declaring it a "core interest" and a matter of sovereignty, thus making it a zero-sum issue, why did not China choose to work cooperatively with other powers and claimant states to ensure freedom of navigation and the safety and security of these sea-lanes which are now of global significance?

### **What Internal Drivers?**

To be clear, it is not that domestic factors do not drive other or even all countries' foreign policies. But in China's case, they seem to have recently led China to follow external policies that no longer serve the goals that China claims to have set her foreign policy such as a Community of Common Destiny or being centre-stage in the world. One wonders whether the current situation is one where, as in the GPCR years, domestic politics override other external considerations in determining her foreign policy through a shifted frame of reference. But mono-causal explanations seldom survive contact with the complexity of reality.

The proposition in this paper is as follows: In other powers, apart from rational calculations interest, public opinion and populist politics drive external behaviour to a greater or lesser extent. In China, regime survival and calculations of internal stability and economic growth seem to count for more in determining her external behaviour. It is not that China does not respond to domestic opinion or that Chinese leaders do not pursue populist policies like other powers. They do. But the pattern of China's internal politics and development has given a particular cast or shape to China's external behaviour in the last decade.

Four factors seem to shape China's recent external behaviour and to make it different from that of other powers.

### **Geography**

China's geography means that China cannot distinguish between internal and external issues as did previous global hegemony, Great Britain and the USA. When Xi Jinping announced the formation of a new National Security Council in 2013, it was assumed that it would be like the US NSC, but there was a crucial difference. The US NSC was formed to deal with an external threat, the Soviet Union. Rich, secure, surrounded by oceans and two harmless neighbours, the US could separate internal and external problems. China does not have that luxury, for it lives in a crowded neighbourhood. China has never

taken its integrity for granted, and feels ringed by potential foes. China's concept of national security therefore includes both internal and external threats and the ways the two can coalesce to bring down great China — which in the official telling has only recently been put together again by Mao and the CCP. In his first speech to the NSC — which the Chinese now translate as the National Security Commission to distinguish it from its foreign counterparts- Xi Jinping said that the internal and external factors affecting national security had become far more complicated. There must be security of sovereign territory, military affairs, economics, information, and environment when pursuing national security with Chinese characteristics. Keeping track of all these requires centralised decision-making, with Xi firmly in charge.

China's National Security Law, enacted in July 2015, helped clarify what China means by its “core interests.” It boils down to the principle of sovereignty and defending territorial integrity. In addition to Taiwan, Tibet and Xinjiang, foreign policy officials have made it clear that Beijing now regards the South China Sea and the Japanese-held Senkaku islands as core interests. Arunachal Pradesh, which Chinese state media call “southern Tibet” now, may also be added to this category.

### Internal stability

As China has become more complex to govern, and CCP legitimacy is increasingly dependent on nationalism, China's new authoritarian leadership is pushed to ultranationalist assertion abroad. From the Senkakus/Diaoyu islands to Taiwan to South China Sea to the India-China border, flash-points and hotspots are live all along China's periphery as a result of stronger assertions of Chinese sovereignty. To cope with internal stresses caused by China's pattern of development, ever since the 1989 Tiananmen killings, the Chinese state has explicitly prioritised “stability above all else” (*wending yadao yiqie*, 温定雅到一切). Since 2012 under Xi Jinping, CCP command and control has been tightened with a drastic recentralisation. The security state has been strengthened, concentrating on internal security, and creating an unprecedented surveillance regime. China's expenditure on internal security is more than that on national defence since 2011—roughly the same time that mass incidents (defined as protests involving more than 100 persons) crossed 200,000 a year and the regime stopped publishing their numbers.

China faces what Overholt and Mohanty<sup>2</sup> have separately called a crisis of success. Her rapid growth, and the manner in which it was achieved by high investment rates and rapid industrialisation and urbanisation have created economic overcapacity, financial bubbles in property and the stock market, inefficient state-owned enterprises (SOEs), and high and rising debt and non-performing bank assets. These are the short-term problems which may well be within the capacity of the CCP and its leadership to address. In the longer term however, China has to repair major ecological damage to her environment, and address income and other inequality which has grown. China's society and economy are less responsive to government, and the polity now apparently displays a systemic inability to undertake necessary and announced reforms. Add to this cocktail the effects of China's demography which is closing her window of opportunity. China seems to see AI and technology as a way around the problem of an ageing population. China is in a hurry, and this has several consequences for Chinese

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<sup>2</sup> William H. Overholt: *China's Crisis of Success* (Cambridge University Press, 2018), and Manoranjan Mohanty: *China's Transformation; The Success Story and the Success Trap* (Sage Publications, 2017).

behaviour abroad. One consequence might be a heightened incentive to seek the early integration of Taiwan with the mainland.

Much of what the Chinese leadership is promising in 2021 under the slogan of Common Prosperity is designed to address the longer-term issues which threaten China's continued rise. The rise of China's middle class, a product of globalisation, has made China harder to govern. The new middle class makes a different set of demands of its government, and votes with its feet or its money when dissatisfied, as was seen when US\$ 1 trillion left China in 2015-16. Social change is also evident in the return of popular religion and superstition in China, and the rise of proselytising faiths like Christianity. These seem to reflect a sense of spiritual emptiness and a revulsion among the middle class against the lack of morality and the get-rich-quick mentality spawned in a globalising China. The CCP has attempted to co-opt Buddhism, which is seen as indigenous and less threatening in not having an external focus of loyalty like Islam or Christianity (Johnson, 2017). The exception is Tibetan Buddhism. China has, in effect, told the Dalai Lama by law that he will reincarnate with the approval of the Chinese Communist Party — a peculiar demand from a party of professed atheists. All priests in China—Christian, Muslim, Buddhist or Taoist—are civil servants appointed and paid by the state. The rise of large, powerful business interests, some of whom the regime is now acting against, adds to social complexity. Chinese society has thus grown considerably more complex and less malleable than before.

The Chinese Communist Party faces the effects of rapid social change every day, and has therefore acquiesced since 2012 in a centralisation of power and personality cult of Xi Jinping, while suppressing signs of dissatisfaction among the public and intelligentsia with both. In the name of strengthening communist party command and control, CCP control of the PLA has been tightened, and term and other limits on individual leaders have been removed. These had been put in place in Deng's time to prevent the emergence of another Mao or a Gorbachev. Ideological conformity and suppression of dissent, and the integration of minorities into the Han mainstream are at levels last seen in Mao's later years.

As the state is further securitised, the role of the PLA in China's foreign policy has grown considerably, and that could explain some recent Chinese decisions including those on the India-China border.

Xi Jinping is now described in propaganda as the “core, backbone and anchor” of the CCP and a personality cult is evident. This has created a single point of responsibility and of failure, as Bilahari Kausikan<sup>3</sup> reminds us, in turn encouraging all or nothing approaches which view policy choices in zero sum terms and make the admission of failure or mistakes almost impossible. This can be seen in the framing by China of the border situation with India since 2020 in terms of sovereignty. Sovereignty is inflexible and sacred and must be defended with the use of force. China no longer describes the situation on the India-China border as a dispute left over by history which, by definition, requires give and take and mutual concessions to be resolved through negotiation. By assigning it to history, the responsibility for the problem was removed from the Republic of India and People's Republic of China to imperialism. Today, on the other hand, it is presented as a straight forward sovereignty dispute between the two nations.

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<sup>3</sup> The former Permanent Secretary of the Singapore Foreign Ministry, presently Ambassador at Large and Chair of the Middle East Policy Institute, National University of Singapore.



In Xi Jinping's defence, the Chinese Communist Party had been considerably weakened by patronage networks and systemic corruption before he took over in 2012. Corruption was a consequence of a pell-mell dash to prosperity and a mono-focus on output and the economy. Xi's anti-corruption campaign, and the elimination of opponents through that campaign, has been popular in China. While popular faith in authority remains, as does the party's core legitimacy<sup>4</sup>, it could be lower than in Deng's time. Paradoxically, the anti-corruption campaign makes real reform— particularly unpopular reform like that of the state-owned enterprises— less likely as it scares officials into inactivity or passive resistance.

All in all, the legitimacy of Chinese Communist Party rule has shifted over time — from ideology to economic growth, and now increasingly to nationalism, ultra-nationalism, or nativism.<sup>5</sup> Performance legitimacy, which has traditionally played such an important role in China, may have weakened in the face of a slowing economy and social inequality. In this situation, external pressure plays into the regime's need for an external focus to consolidate domestic support for the regime.

### Rising Nationalism & China's Imagined Past

The historical memory that the Chinese have constructed for themselves in the last century is a master narrative of “national humiliation.” Beginning with the Sino-Japanese war of 1895, when Japan defeated Qing China and took Korea, the slogan “never forget national humiliation” (*wuwang guochi*, 無望國恥) has been used by successive Chinese leaders. Every day for two decades after the Jinan incident on 3 May 1928, Chiang Kai-shek wrote “*xuechi*” (雪恥, “avenge humiliation” or “wipe clean humiliation”) and a method to avenge humiliation in the top right-hand corner of his diary as a constant reminder to himself.

The exception was Mao Zedong. The records of the National Library of China show that there were no books on the subject of “national humiliation” published in China between 1947 and 1990. For Mao, the People's Republic was the result of the Chinese people's heroic struggle. He made class struggle rather than ethnicity the foundation of political identity. The CCP for Mao was a revolutionary rather than a nationalist party. Nationalist claims might have contradicted Mao's “internationalism” and his attempt to lead the international communist movement and export revolution. Mao was a master of “hero” or “victor” meta-narratives intended to mobilise popular support. And they worked. If there had been a free election in China during his lifetime, Mao would have probably won it.

It was with Deng's call for a patriotic education campaign in 1992, after the Tiananmen incident and the collapse of the Soviet Union, when it became clear that Chinese youth did not know or appreciate the CCP's self-proclaimed contribution to freeing China from semi-colonial status and from foreign oppression and humiliation, that the narrative of victimhood, of the “century of humiliation” took hold again. History textbooks were revised, “dark anniversaries” began to be celebrated, and museums and memorials were built to house regular commemorations of China's victimhood. The intent, after students demanded Western-style democracy at Tiananmen, was clearly to change the younger

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<sup>4</sup> Bruce J. Dickson: *The Dictator's Dilemma: The Chinese Communist Party's Strategy for Survival* (Oxford University Press, 2016).

<sup>5</sup> See *Jessica Chen Weiss: Powerful Patriots*, (Oxford University Press, 2014), for an analysis of how and when the Chinese regime permits, prevents and uses nationalist protests domestically and externally.

generation's attitude to Western powers and the party itself. Two corollaries to the shift from victor to victim narrative can be identified: ultra-nationalism was officially sanctioned; and old China and Confucius, blamed by Mao for China's wretched condition, were idealised and valorised.

Xi Jinping has adopted this meta-narrative as his own, linking it to "China's Rejuvenation" or his "China Dream". One of his first acts as General Secretary was to visit the revamped National History Museum on Tiananmen Square with all the other members of the Politbureau Standing Committee. The official account said: "Xi stopped in front of some exhibits on major historical events in the 19th century, including charts illustrating how the West had occupied China's territories, established concessions and drew up spheres of influence; the cannons installed at the fortifications of Humen in Guangdong during the Opium Wars; materials and pictures on the 1911 Revolution that overthrew China's last feudalistic regime of the Qing Dynasty (1644-1911)."

Wang Gungwu and Zheng Yongnian have pointed out that today's leaders are guided by their understanding of historical experience and long-standing Chinese political thinking, and consequently regard the state's security and its place in the international order to be intimately related to their capacity to maintain internal stability. Projecting power in the region and beyond is thus tied to their legitimacy at home. Economic performance is no longer enough to generate regime legitimacy: the PRC now asserts its stature in the region and the world, gesturing towards a restoration of past greatness<sup>6</sup>.

In the longer run the core political issue is whether a sense of opportunity and fairness will sustain the legitimacy of the CCP. This requires fundamental economic and political change, for which there was little appetite in the CCP leadership in the national mood of hubris after 2008, and opposition from power holders in the system. The deep reforms planned and announced at the third plenum of the 18th central committee in 2013 remained conspicuously unimplemented. The risk to China was that she becomes like Japan, stagnant economically, but at a lower level of prosperity, and less socially stable, and therefore likely to behave erratically abroad. This (along with the less supportive external environment) explains many of the new economic policies announced by Xi Jinping in 2021 spring—the turn to the "left" expressed as Common Prosperity, a dual circulation economy, a stress on self-reliance, and so on.

### Expanding Interests

Today China faces an unprecedented situation at home and abroad and is therefore reacting in new ways. China is more powerful than ever before but is also more dependent on the world. This is an unprecedented combination, not known in Chinese history—not in the Han when she had to 'buy' off the Xiongnu by marrying Han princesses off to steppe leaders; nor in the Song when it was one and sometimes the weakest power in a world of equals; nor in the high Qing when she was powerful but independent of the external world, as the Qian Long emperor reminded George III in writing.

International primacy is now necessary to secure China's rise or China's rejuvenation. But it is worth considering that relationship a little more closely to understand the international role that China will

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<sup>6</sup> Wang Gung Wu & Zheng Yongnian: China and The New International Order (Routledge, 2009).

seek to play, and might play, as her definition of her interests grows and she tries to manage and mitigate her dependence on the world for energy, commodities, markets, and technology.

The Chinese leadership sees the situation as having evolved negatively in the last decade. On April 15, 2021, which is China's 'National Security Education Day,' the People's Daily front page carried a piece listing statements from Xi Jinping over the years about managing risks divided into different categories—the external situation, political and ideological security, technological development, financial security, social and political stability, the pandemic, and so on. Xi's description of the external situation has evolved from "changing" in 2012-13 to "unprecedented" in 2016-17 to eventually becoming "profound" in terms of the adjustment of the global balance of power by around 2019. Very early on, the Chinese leadership understood that pushback to China's rise was underway and believed that it was inevitable. The article said: "During the National Two Sessions in 2013, General Secretary Xi Jinping emphasised: The great rejuvenation of the Chinese nation can never be achieved easily and smoothly. The more we develop and grow, the greater the resistance and pressure we will encounter and the external risks we face. There will be more. This is an unavoidable challenge in the development of our country from large to strong, and it is a threshold that cannot be bypassed in achieving the great rejuvenation of the Chinese nation'."

The instability and hostility in China's immediate periphery which worried Mao from the fifties still exists on China's eastern front. There are US forces in Japan, South Korea, and the Philippines. Taiwan may be free of US troops for now but US policy on Taiwan is evolving, and the US is closer than ever before to Vietnam and India. The US "pivot" to Asia announced by President Obama was the beginning of what is seen by China as a tightening US attempt to contain her. Looking at the map from Beijing there is a sense of being locked in, with hostile forces ranged against her. Xi's China is not just a rising power inspiring fear in an established one and seeking to restore lost glory. It is also a country uncertain of its power and integrity. The grand strategy it pursues is, from Beijing's point of view, defensive, and all the more implacable because of that. And because of China's scale, its defence looks offensive to its neighbours, creating classic security dilemmas in its relations with Japan, India, Vietnam and others.

China chose to leverage its financial, manufacturing and trading strengths once the 2008 crisis demonstrated the limits of US economic power. A set of measures accelerated China's economic order building Asia through the Asian Investment and Infrastructure Bank, the BRICS New Development Bank, the Belt and Road Initiative, and Chinese investment and acquisitions abroad. Trump's decision in 2017 to exit the Trans-Pacific Partnership made it easier for China as the largest economy to shape the regional trading environment. The Regional Comprehensive Economic Partnership can now serve as an instrument to further integrate Asia-Pacific economies with China's and to build up global value-add and manufacturing chains centred on China. The physical infrastructure for this China-centric economic order is being created by the Belt and Road Initiative. When offers of cheap finance and infrastructure building are allied with a comprehensive security package — including "safe cities", cyber security, personal security for leaders, and total surveillance on the Chinese model — we are witnessing a new type of preeminence, a "China model" that is attractive to developing country leaders and aspiring autocrats around the world, if not always to their peoples.

Today, China is no longer isolated or irrelevant to the world. The country manufactures one-fourth of global industrial production and is the largest consumer of several commodities and products,

consuming one-fourth of the world's energy, 59% of the world's cement, 50% of the copper and steel, 31% of the rice and one-third of the semiconductors.<sup>7</sup> A two-way dependence drives China to try consolidating Eurasia while also attempting the transition to becoming a maritime power for the first time in her history so as to defend her sea-lanes and overseas interests. These new orientations compete with internal priorities and traditional mindsets of China as a continental Asian power, and with the realities of China's situation.

China is a global power in scale. But, not all dimensions of China's scale have translated into global integration. The McKinsey Global Institute China-World Exposure Index shows that China's exposure to the world in trade, technology, and capital has fallen in relative terms since 2009. Conversely, the world's exposure to China has increased. This reflects the rebalancing of the Chinese economy toward domestic consumption. At the same time China's technology value chains are highly integrated globally. Analysis of 81 technologies in 11 categories found that more than 90 percent of technologies used in China follow global standards. Study of three value chains suggests that Chinese players have grown rapidly, but they still import critical components such as reduction gears (robotics), power electronics (electric vehicles), and equipment (semiconductors). China's IP imports in 2019 were six times her IP exports (Woetzel, et al., 2019), with some of its most significant external dependencies being energy, food, markets, commodities, and technology. A globalised China's internal needs today give her several reasons to push out beyond her borders.

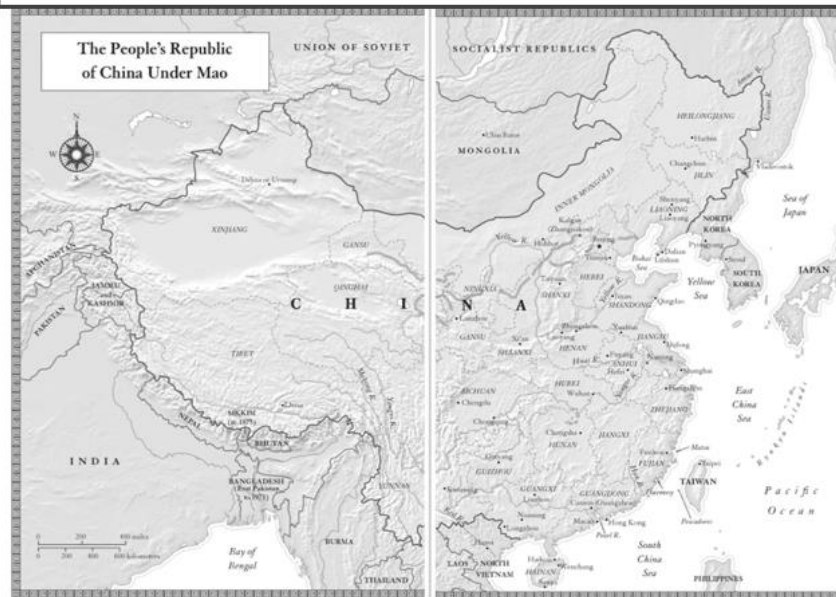
### Maritime Interests

Her internal needs mean that China must today attempt a double transition: to becoming an externally engaged but internally driven economy, and to becoming a maritime power after being a continental power for all of its history. China is able to act assertively in its adjacent seas because she is now, for the present, secure on land to a degree that she has never been before, a significant change from the situation in the sixties and seventies, or in history, when the people of the steppe threatened her continually and ruled her sporadically. Globalisation, with its emphasis on sea lanes of communication has necessitated Chinese power projection into the blue-water oceans around her. Hence the Belt and Road Initiative, naval buildup, and attraction to China of ports around the world. Hence also the heightened Chinese sensitivity about potential threats to her permanent hold over Tibet and Xinjiang, which could be used to destabilise it.

For the first time in centuries, China is comfortable enough on land to consolidate the Eurasian Heartland. She can now turn her attention to imposing her power on the seas surrounding the Eurasian littoral. Her long preoccupation through history was with defending a geographically open inner Asian frontier against the nomadic northern and north-western steppe belt which spawned several dynasties that ruled China, like the Mongols/Yuan, Manchu/Qing, Jin, Liao and Tang. That is now changed.

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<sup>7</sup> *Ambassador Chas. Freeman's speech to the St. Petersburg Conference on World Affairs, 12 February 2019, at <https://chasfreeman.net/after-the-trade-war-a-real-war-with-china/>*



China's task in building a continental order has been eased by the division of Turan into smaller and weaker states where her economic power can be exercised, and by the retreat and diminution of Russia after the collapse of the Soviet Union. For the most part, Chinese power has been pushing at an open door on land, with the exception of South Asia, where India too is rising and expanding her definition of her interests, and in Korea, where partition of the peninsula and a US military presence limit China's ability to shape outcomes. Overall, China is in a more comfortable geopolitical position on land than she has been since the high Qing conquest of the Dzungars at the end of the eighteenth century.

China's turn to the sea is a consequence of the pattern of its development. Initially relying on export-led growth to build her own manufacturing, China's continued growth now requires access to the world's energy, essential raw materials, food, markets, technology and capital. This is a historic shift in Chinese thinking.

Like India, a sizeable proportion of China's GDP is accounted for by external merchandise trade—31.6% in 2020. Her maritime quest is to defend these interests. But in seeking to transition to becoming a maritime power, China faces more difficulty at sea than on land. What is new for China is the fact that she now has to think as a maritime power, something she has never done for any extended period of time, if at all (Beng, 2015). Zheng He (鄭和, 1371-1433) is often cited as the exception for his voyages in the Indian Ocean during the early Ming with a large "treasure fleet." But it could equally be argued from his conduct and Chinese records themselves that these voyages were a maritime variant of the overland expeditions to barbarian lands in central Asia that the Ming and other Chinese dynasties undertook to obtain control of trade routes, receive submissions and bring back treasure, and that they

do not provide a guide to how China will act as a maritime power at this very different stage of its history.<sup>8</sup>

Can China transition to being a maritime power? That it is unprecedented doesn't mean that she cannot succeed. She has already shown the desire and built considerable capability. Her Navy is the largest in the world in terms of number of ships. But whether she succeeds will depend not just upon its effort, which one can count on, but on what other powers do. We have argued objectively, China is a hemmed-in power in a crowded neighbourhood and there are limits to its power. China's domestic preoccupations and situation do not permit her to draw a line between internal and external security. It is hard to see how China will overcome these constraints, without a technological revolution and a change in tack, working with others abroad. There are therefore good reasons to test the hypothesis that China has overreached with the BRI and her present policies. Given her dependence on the world and the vulnerabilities her leadership perceives, she is unlikely to be able to change course significantly under the present leadership,

China may thus be domestically preoccupied, but with an expeditionary capability that would be used. She will continue to play in the space between maintaining the status quo and war to further her interests as she has done so well since 2008 in the South China Sea and on the India-China border.

What we have seen recently—inside China—the turn to the “left” of Common Prosperity, the dual-circulation economy and other initiatives—suggest a further turning inward by China, and a return to earlier ways of mobilising the party and society and of managing a market economy. Xi Jinping's “China Dream” is a parochial vision. What about the “China model” that he speaks of? China was a success when she was flexible and experimental, when she “crossed the river feeling the stones underfoot” in the phrase Deng used, not when she followed a set model as Mao and Xi seem to.

China's ethnic nationalism and authoritarianism are both a strength and a weakness. Lee Kuan Yew once said that he thought China would not achieve its goal of surpassing the US as a global power because the US can draw on the talents of the entire world and recombine them in diversity and creativity. That is not possible with China's ethnic nationalism.

Instead, in the foreseeable future, it seems likely that China will become technologically dominant in some critical advanced fields, and will revert to her historical role as the greatest producer and provider of knowledge in human history — a role that, incidentally, was independent of her domestic or international politics and position. The Song, the most internally weak and externally challenged of China's major dynasties did the most in terms of innovation and invention and in spreading it. China's role in global technology chains will change, and is changing fast. I believe that we will see China return to her historical role as a net provider of knowledge much sooner than the West expects.

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<sup>8</sup> See Tansen Sen: *India, China and the World; A Connected History*, (Rowman & Littlefield, New York, 2017), pp. 207 ff. The official PRC narrative of Zheng He's voyages as peaceful and harmonious trading voyages is belied by the official Ming record of violent and hegemonic projection of power and use of force to collect tribute, create alternate nodes on the Cochin coast and at Malacca and Malindi in east Africa, and the attempt to fix prices on precious commodities like pepper and porcelain across the Indian Ocean region and trading networks. I suppose we should prefer the projection of harmony rather than the actuality of force for what it suggests are the lessons modern China draws from this brief chapter in its long past.

Restrictions on technology transfers to China imposed by the Trump administration will force China to indigenise more rapidly. China's own history of great innovation during politically troubled times like the Song or under autocratic regimes such as the Sui and Ming shows that neither the nature nor structure of her politics has prevented China from leading global innovation in history. Those who argue that only an open, "democratic" China will be able to innovate are wrong, ahistorical and ignore the tremendous effort that China is putting into cutting edge technologies that she believes will determine her future. China is betting on a model of innovation that is different from that which has succeeded so spectacularly in the West, relying not so much on rule of law as on very high incentives and rewards for successful innovation, whether in private or state entities.

### **Does this logic work in specific cases?**

In the case of the India-China border crisis since 2020, China's actions of changing the situation on the ground, shifting the LAC, and preventing Indian patrols on territory hitherto controlled by India were a fundamental and consequential shift in behaviour- a successful salami-slicing manoeuvre. Because the initial response was non-strategic, India was forced to cede ground, and now faces a *fait accompli*. By occupying territory on the Indian side, China put the onus of escalation on India if it wishes to restore the status quo. India considerably increased her deployment along the LAC in response to the Chinese military moves. In a partial response on August 29-30, 2020 India occupied some heights south of Pangong Tso on its own side of the line. This led to a subsequent disengagement in the Pangong Tso area. The government of India, for good reasons, seems unwilling to risk the wider war entailed by either vertical escalation (mounting major operations to evict the PLA) or horizontal escalation (to other sectors or to the maritime domain, for instance). This has resulted in the prospect of around 10,000 troops from both sides spending another brutal winter confronting each other along the LAC. The decision to change the status quo on the India-China border in 2020 is has to have been a decision taken at the highest level in China for larger strategic reasons, not just tactical military convenience. Since the immediate trigger for the crisis was a change in Chinese behaviour, it seems logical to look for explanations in China itself and in its perception of the outside world.

One way in which China's domestic considerations have worked to complicate the settlement of the India-China border crisis has already been mentioned. Unlike past confrontations and face-offs, the framing of the crisis by China as a sovereignty dispute — rather than as a border dispute which would be solved by give and take — makes it harder to settle. It also suggests that for China the issue is not just about the LAC or its clarification but is part of an attempt to exercise control up to its claimed boundary, and also serves larger political goals. The other issue is the role of the PLA in these decisions to heighten India-China border tensions and undertake escalating attempts to change the status quo since 2013. Ultimately, this is a question that needs further study and material that is unlikely to be available in the public domain.

Today, China displays both great confidence and a sense of victimhood. As Vice Premier and Politbureau member Liu He said in mid-2020, "bad things are turning into good ones," referring to China's success in suppressing Covid and in recovering growth in the economy in the last quarter. The triumphalist rhetoric is that "the East will prevail over the West." The global pandemic and economic

crash may have left China relatively better off than other major powers, which are internally preoccupied and diminished. So far, China too has suffered some loss of reputation and economic harm, but less than others. However, China-US contention is now structural and that relationship is turning increasingly antagonistic, despite economic co-dependence. Besides, the worsening global economic prospect makes the China Dream harder to attain, both economically and by promoting countervailing ethnic nationalisms around China. All in all, a combination of Chinese hubris, awareness of a deteriorating external situation and hard times to come, and internal leadership and economic stresses, might explain China's recent behaviour shading between assertiveness and aggression. Misreading the external situation, where there is really no existential threat to China, and overestimating China's ability to shape the international environment could go together with elite dissension, resulting in the assertive and confrontational China that we see.

### **Some Implications**

It thus seems worth considering in some detail what and how internal political drivers matter increasingly in China's external behaviour. Taken as a whole, the internal drivers we have considered have four immediate effects.

Firstly, they suggest that China believes that her period of strategic opportunity may be closing soon. This is acknowledged in official Chinese statements. As a consequence, a reformed and rising China is and will be more assertive due to the internal push to tighten control and the external pull of opportunity and need. The world now depends on China for global economic growth and Asia-Pacific stability. Of course, that dependence is mutual. If China is a global economic player, she also needs the world for her own continued growth and stability. She needs markets, raw materials, commodities, energy and technology from the world if she is to continue to grow and maintain domestic stability. The issue is no longer one of accommodating China in a US-led international order. Recent history offers no cases of peaceful retrenchment by a hegemon, except Britain after WWII. The issue is of the new relationship that China seeks with the world.

In the short term, it may appear in Beijing that the harder Chinese line is working, particularly in their most important relationship- with the USA. China has got Mme Meng Wanzhou of Huawei back, the US is back at the table discussing trade, and the US seems willing to extend the time for China to implement the phase 1 trade deal. Will probably try, without acknowledging their dependence, to destabilise the relationship with the USA that is critical to their own economic future at minimal political cost at home? That remains to be seen, but is not evident from Chinese behaviour so far.

Secondly, an assertive external policy almost guarantees push-back and resistance. The Quad, AUKUS, and other examples abound. India has been pushed by Chinese actions into a much closer relationship with the US than would have been predicted a few years ago, and the US-Japan Security Treaty has been strengthened. In the longer term, this could pose a problem for China. But it is hard to say who will win the race between China's build out of hard power and other leverage on the one hand and the countervailing actions that it provokes on the other.



China's problem now is that ambition once revealed cannot be credibly dialled back, as Kausikan points out. No matter how "lovable" (Xi's word) the image China tries to present the world, it is the ambition to be centre-stage and achieve primacy revealed in Chinese leadership statements and actions that the world will now deal with, hedge against or balance.

The third consequence of an internally driven foreign policy, rather than one influenced by an objective appreciation of external conditions, is "wolf warrior" diplomacy and an inability to compromise or appreciate and adjust to others' interests or different perspectives. This makes it hard for other countries to see a place for themselves in a China-centred ordering of the region or world. Hence the "great power autism" that Luttwak sees in Chinese (and US) behaviour<sup>9</sup>. There are signs that thinking Chinese worry about this problem. Speaking on the sidelines of the annual two sessions in March 2021, He Yiting, former executive vice-president of the Central Party School, had something of a warning for the Chinese leadership. He said that the country should "continue to expand opening-up, actively and prudently handle relations with major countries, and prevent the rise of domestic populism." SCMP reports that "other Chinese officials and academics have warned that the rise in nationalism could backfire both inside the nation and abroad.

The fourth consequence is an overemphasis on China's security interests, their expanding definition, and an increasing reliance on the use or threat of use of force in the pursuit of those objectives. China has so far been skillful in militarising her periphery and expanding her military footprint without provoking kinetic responses, staying below the threshold of provoking a conventional military response in the ECS, SCS and other theatres like the India-China LAC in 2020. But on present trends one must wonder how long this can continue without miscalculation and escalation.

Ultimately, internal factors do not lead to an optimistic evaluation of China's likely external behaviour. The reassurance is that the normal laws of physics, economics and politics do apply in China as well. The challenge is in seeing how they do so, and where their effects differ.

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<sup>9</sup> Edward Luttwak: *The Rise of China vs. The Logic of Strategy* (Harvard University Press, 2012)

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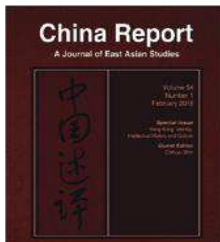


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