Soft Power, Geoeconomics, & Empathy
In China’s New Diplomacy
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Abstract (392 words)
China’s post-1990 diplomacy, featuring FTA networking moves, plus generous foreign loans and development grants to developing countries, and other similar goodwill drives, are often viewed by outside analysts as endeavors to build its own soft power. While this thesis is largely true, it does not tell us what soft power means for a rising China, as contrasted to the United States, the reigning hegemon. Nor does it adequately tell us what motivates and guides the Chinese quest for soft power. This paper argues that while soft power to the U.S. hegemon is to supplement its hard power, for China it is to offset its deficiency as a “partial power” (in David Shampaugh’s term). Its purpose is more defensive, such as in making up for China’s lack of a network of global bases and alliances in the security domain; and, more importantly, in fencing off what are perceived as Western attempts at “soft-power denial” against China.

Particularly noteworthy are the two desiderata that dominate a campaign to build up or salvage China’s soft power: geoeconomics and, to a lesser extent, empathy for the underprivileged. The underscoring geoeconomic strategy reflects a Chinese realization that in the post-Cold War age of globalization, a country’s economic security may rival --even eclipse-- its military security interests; and that the new geoeconomic mode of power balancing takes the form of building and joining super trading blocs. The same strategy dominates China’s oil diplomacy and its latest move to close ranks within the BRICS group.

The role of empathy, on the other hand, may be found in China’s initiative to forgive (cancel) loans that borrowers (esp. among the least developed nations) are unable to repay, and, likewise, in specific projects to help an LDC (such as Sudan) to gain a foothold in the world’s oil market by coaching it to develop its own untapped oil resources for export. This trend has only continued with added vigor under Xi Jinping, the new Chinese President.

While the quest for soft power is a common goal of all major powers, the way the Chinese pursue it offers a unique pattern worth closer scrutiny. The paper ends with a suggestion, backed by concrete examples, that China and the United States need not be locked in a zero-sum game in the quest for soft power or on grave concerns in the developing world.

Key words: soft power, “partial power,” geoeconomics, empathy, developing world, developmentalism, “soft-power denial.”
Introduction

The unrelenting rise of China has grabbed the attention of governments and analysts alike as the single most important aspect of world politics, at the turn of the twenty-first century. However, even among experts in both the international-relations and China-watching fields, not too many are ready to grapple with the fact that this is not China’s first rise, but its second. And, its current re-ascent follows an interregnum of one and a half centuries of prostration, brought on by the combined crush of both domestic decay and foreign (Western and Japanese) encroachments.¹ For over a millennium (613-1820 A.D.), during its first rise, China’s GDP was consistently larger than the combined total of all Europe.² In the Westphalian system of inter-state relations, unfortunately, there is no precedent of a re-rising power of comparable magnitude to guide us in ascertaining the likely behavior of the re-rising China and its effects on world order.

Viewing its phenomenal [re-]rise, international-relations experts differ on what to make of China’s new-found power and its implications for world politics. For example, Kenneth Waltz and his fellow neorealists foresee a collision course in which China, the contending power, will be driven to challenge the U. S. predominance by an impulse to balance against it.³ David Shambaugh, on the other hand, sees China as a “partial power,” which, unlike the United States, has no network of global bases and alliances – and is not even the dominant power in its own region (Asia). Dismissive of China’s global cultural presence, Shambaugh argues that China has

to combat its soft-power deficiency and the stigma of a “mixed to poor international image.”

This view literally echoes a thesis advanced by Joseph S. Nye, Jr., about China’s “soft power
deficit,” for which it has a lot of catching up to do. While former Secretary of State Hillary
Clinton laid “neocolonialism” charges at the doorstep of Beijing in its African policy, Derek
Mitchell traced China’s linkages with the developing world to Cold War origins but
characterized the post-Cold War Chinese policy as fueled by an interest in ensuring a peaceful
international environment beneficial to all nations, one that suits the needs of its own
sustained growth.

In what he proffers as an age of “vulnerability interdependence,” in reference to the 21st
century, Richard Rosecrance notes that Chinese industries, while growing rapidly, may often be
subsidiaries (or joint-venture partners) of major world corporations located elsewhere (e.g., the
U.S., Europe, Japan, etc.). He calls this an age in which not even the United States can boast of
having attained unipolarity of economics. Under the circumstances, it is unlikely that China will
risk self-destruction by rocking the boat, or trying to destroy the existing system. Thus,

economic ties and cooperation with foreign powers, including the United States, Japan, the EU,
India, etc., will be preferable to military expansion against them, so concludes Rosecrance.

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Geoeconomics and China’s Quest for Influence as a Rising Power

Rosecrance’s thesis above, in fact, represents a different line of inquiry conceived in the premise of geoeconomics, as opposed to geopolitics that still dominates the realist and neorealist thinking on world politics. It is commonly agreed among a growing number of IR experts that the end of the Cold War has seen the rise of geoeconomics to rival geopolitics as a desideratum of international politics. ⁹

If we can extrapolate from the rich literature on geopolitics, the two most important ingredients -- other than power itself -- guiding the traditional balance-of-power reflex of nations, are geography and ideology. ¹⁰ In a geoeconomic balance of power game, by contrast, a lot is determined by a player’s strategic autonomy linked to a number of conditions, viz.: (a) self-sufficiency in, or access to, basic natural resources, such as energy and steel; (b) relative freedom from long-term dependency on overseas markets; and (c) control of an inexhaustible, inexpensive, and relatively reliable labor force. ¹¹

In the context of geoeconomics, national power for China, as the guarantee of economic security and of a coveted Big Power status, inheres in the aggregate of a number of components, such as human and technological resources, exportable capital, efficient production of modern goods, influence over international economic decision-making, and the

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will to mobilize economic capacity for national ends.\textsuperscript{12} It appears that the endeavors made by China in what analysts call its quest for soft power (see below) all conform to this very prescription. These efforts include free trade association (FTA) networking, targeted FDIs, and foreign aid/loan programs. The most important part of the Chinese strategy, we find, is to try to win the hearts and minds of the developing world, across Latin America, Asia, and Africa. This list does not imply a territorial partiality, so much as the result of a perceived problem which, for lack of a better term, we shall call “soft-power denial” allegedly staged against China by the West, including some European states and the United States, as we will explain below.

\textbf{China’s Quest for Soft Power: Surmounting Perceived Soft-Power Denial}

Other than military might and cognate forms of coercive power, international-relations scholars have long been aware of the importance of influence by attraction, which Joseph S. Nye calls “soft power.”\textsuperscript{13} In Nye’s formulation, soft power is neither force, nor money,\textsuperscript{14} but the sway over opinion (i.e., influence) and the power to inspire dreams and desires (hence, attraction). Nye identifies three key sources of soft power, namely: political values, culture, and legitimacy of foreign policy. If hard power is push, then soft power is pull. Soft power is like a dance, in need of a partner.

\textsuperscript{14} Here below, we will discuss how money, in the form of aid or financing certain local infrastructure investments, may attract the recipient state’s support for a peculiar mode of developmentalism which Stefan Halper attributes to what he calls “Beijing Consensus.”
For China, in this light, there are two major inherent challenges to its soft power quest: (a) the wide gap in its (domestic) political values with the West, and (b) the lack of a substantial cultural presence. Both of these put the country in a relatively weak position in competition with the U.S.-led developed world. It pays for us, therefore, to note the peculiar ways in which the Chinese attempt to overcome their soft-power deficit. In the first place, unlike the United States, whose superpower status is universally recognized and beyond challenge, a re-emergent China still on its path of (a second) ascent, however, has an urge for being duly recognized as a great power befitting its status as the world’s second largest economy, if not yet an equal of the United States. To Chinese chagrin, much of the West (including some European countries and the United States) appeared in Chinese perception, rightly or wrongly, to be bent on denying China such recognition and, worse still, trying to throw road blocks in the path of its ascendancy. This mindset is best confirmed in a 2001 article by John Mearsheimer published in *Foreign Affairs*, arguing that the United States should strive to block China’s rise, by aligning with Japan, among other strategies.

A most concrete evidence for this perceived concerted effort to deny China its quest of soft power (and Big Power status) can be found in some events preceding the 2008 Beijing Olympics. China had hoped its hosting of the Olympic games would reap a windfall of prestige and influence (i.e., soft power), only to find its goal undercut by a pre-planned series of messy

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15 On this I am in full agreement with Shamgaugh’s view noted above.

16 Contrast the different ways by which the Xi Jinping-Obama meeting of July 7-8, 2013, on the Annberg Estate in Sunnylands, CA, was received and presented on American and Chinese media. It was treated by American media, by and large, as merely a new beginning of relations between China and the United States free from the Cold War baggage (the New York Times even shunted the conclusion of the summit meeting to p. 5, in its July 9, 2013 issue). But, it was treated as a headline story in Chinese media (e.g., Xinhua agency and Global Times, a subsidiary of Renmin ribao) as marking the beginning of a new “Big Power” Diplomacy.

and humiliating Olympic-torch relay interceptions in London, Paris, San Francisco, etc. These relay interceptions were accompanied by massive protests by Western-supported Tibetan dissidents and their local (Western) cheerers against China.\textsuperscript{18} Other incidents perceived by the Chinese as U.S. attempts to undercut Chinese influence included Secretary of State Hillary Clinton’s open offers, beginning in 2009, of U.S. backing to southeast Asian nations in their disputes with China, over South China Sea claims. An immediate result was the Philippines’ spirited standup to China in the Scarborough Shoal (Huangyan in Chinese) confrontations.\textsuperscript{19} Another such example, already noted, was her charge that the Chinese charm offensive in Africa, including loans, aid, and FDIs, represented a modern version of “neocolonialism.”

While Joseph Nye bases his penetrating studies of soft power mainly on the experience of the United States, the reigning hegemon, we need to adapt the concept of soft power (and its quest) to accommodate China’s peculiar experience and behavioral record thus far. To be specific, we need to recognize the problem manifested in the above instances confronting China as, in short-hand label, that of “soft power denial.” I derived the idea from the term “sea denial,” long established in naval warfare strategy. In short, sea denial is a military term for attempts to deny an adversary’s ability to use the sea. During World War I and World War II, Germany pursued sea denial using U-boats. The United Kingdom, for all its Royal Navy’s surface forces, responded with severe rationing and development of anti-submarine weapons and techniques.\textsuperscript{20} Just as the United Kingdom responded to the German sea denial with severe measures, so too did China today respond to what it perceived as a Western attempt at soft-


power denial with an all-out counter campaign aimed at safeguarding and expanding its soft power, as we will see below.

**Two Prongs in China’s Soft-Power Strategy**

Earlier, we have noted David Shambaugh’s observation regarding China’s power deficiency, which echoed a similar thesis advanced by Joseph S. Nye, Jr. The same view on the defensive quest for soft power to counter the “China threat” scare is, furthermore, shared in Joshua Kirlantzick’s account of the Chinese “charm offensive.”²¹ We have also noted a Chinese perceived soft-power denial enforced by China’s detractors to curtail its influence. I might add, here, that what matters for China’s response is not whether this perceived soft-power denial plot is real or imaginary; but, rather, whether China believes it is true. In other words, whether in Beijing’s view the observations by Shambaugh, Nye, and Kirlantzick on China’s soft power deficit is true is, in and of itself, decisive in determining the Chinese strategy in response.

Thus viewed, it is only pertinent for us to comprehend the Chinese strategic interest in light of a desire to compensate for their country’s power deficiency by redoubling their efforts in building networks of free-trade associations (FTAs) and initiating targeted FDIs and foreign-aid/loan programs. For the convenience of discussion, we will lump these endeavors under two headings, as two prongs in China’s soft-power strategy, both aimed at winning greater geoeconomic security, and securing its great power status, by cultivating or winning wider Chinese influence overseas. We shall begin with China’s FTA networking efforts, and following that we shall proceed to China’s goodwill campaign in the developing world.

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The Imperative of China’s FTA Networking

Not until the early 1990s did China begin to show its interest in regional FTA agreements, although it always had an eye on becoming a party to the GATT. This timing is understandable, because competitive (and copycat) regional FTAs did not begin to emerge worldwide until after the world was jolted by the announcement of the Single Europe Act (SEA) in 1986. The prospective rise of a single, integrated EC-92 (a transition to a European Union of 15 members, eventually to grow to 27) prompted the making of the APEC (Asian Pacific Economic Cooperation) forum in 1989, the MERCOSUR in South America in 1991, the AFTA (ASEAN-FTA) in 1992, and the NAFTA (North American Free Trade Association) in 1994. In China’s 9th Five-Year Plan, drafted in 1996, a call was made for the strengthening of South-South cooperation, including Chinese economic and trade relations with the developing countries. The same Plan also called for China “to actively participate in and defend the global multilateral trading system, develop both bilateral and multilateral trade . . .”

The Asian Financial Crisis of 1997-1999, unexpectedly, presented China with a first opportunity to negotiate with its Southeast Asian neighbors, who were badly hit and lost confidence in global institutions, to hatch the idea of Asian regional institution building. From these Asian neighbors’ point of view, global institutions like IMF and World Bank had failed to fulfill the promise of the fabled “lender of last resort” goal for which they were first created, with a view to precluding another Great Depression of the 1930s. At China’s first summit meeting with ASEAN (Association for Southeast Asian Nations), in December 1997, President

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Jiang Zemin called on the two sides to establish a Neighboring Partnership of Mutual Trust.\textsuperscript{23} Going against the trend of the contagious rounds of currency devaluation by countries throughout the region, when their usual robust economies were sent tumbling down under the Financial Crisis, China held out tenaciously with its refusal to devalue its RMB, which helped many of the neighboring countries. This policy not only won China trust and respect, but also helped ease the way for the eventual Asianization bandwagon, among its neighbors.\textsuperscript{24}

A report in October 2001 by the ASEAN-China Expert Group on Economic Cooperation, which was established the previous year, concluded that an FTA would be in the interest of both sides. At the ASEAN-China summit meeting, the next month, the two sides decided to create an ASEAN-China FTA (A-C FTA) within 10 years.\textsuperscript{25} However, right the next year, on November 4, 2002, the two sides signed a Framework Agreement on Comprehensive Economic Cooperation, ushering in the tariff reduction process that led to the eventual elimination of tariffs among the two sides within an emergent free trade area (FTA).\textsuperscript{26}

What prompted the collapsing of the 10-year transition period into just one year, in the appearance of the A-C FTA, was China’s accession to the World Trade Organization (WTO) in December 2001. Until then, some ASEAN states had paradoxically viewed China as a potential threat, rather than a partner. One of the primary reasons for the formation of ASEAN in 1967, it is to be recalled, was to counter the possible spread of Communism in the region. With its rise as one of the most competitive producers of many products in the world, China proved to

\textsuperscript{23} Text of Jiang’s speech is available at <http://news.xinhuanet.com/jilao/2002/10/28/content_610547.htm>.
\textsuperscript{24} On lessons from the Asian Financial Crisis, including the Asianization trend in its wake, see James C. Hsiung, ed., \textit{Twenty-First World Order and the Asia Pacific} (New York: Palgrave, 2001), pp. 86-91; 152f; 347; 353; 370.
\textsuperscript{26} Full text of the agreement is available at <http://www.aseansed.org/13196.htm>.
be a dragnet for extra-regional foreign direct investments (FDIs), sucking them away from ASEAN markets. As such, China became an economic threat to ASEAN. Furthermore, a remarkable similarity was found in the industrial structures of the Chinese and ASEAN economies, both of which specialized in labor-intensive products, vying for the same markets in the United States, the EU, and Japan. Besides, increases in China’s exports in the previous two decades were made at the expense of its Southeast Asian neighbors. Its entry into the WTO, however, changed all this, ending ASEAN’s fear of China as an economic threat. First, China would now be subject to WTO rules, including non-discrimination, ban on non-tariff barriers, and ban on dumping. Second, within WTO rules, A-C FTA would guarantee the ASEAN states a first-mover advantage in the world’s largest emerging market.  

The ASEAN-China FTA set an example for other similar FTA arrangements China was yet to enter into in the following years. By 2013, China could count eight more such agreements already concluded, respectively with: Chile (2005), Pakistan (2006), New Zealand (2008), Singapore (2008), Peru (2009), Costa Rica(2013), Iceland (2013), and Switzerland (2013). This list does not include the CEPA (Closer Economic Partnership Agreement) signed with each of the two Special Administrative Regions (SARs) of China, namely: Hong Kong and Macao, both former colonies but retroceded to China, respectively, in 1997 from Britain, and 1999 from Portugal.

The largest FTA on this list, nevertheless, remains the ASEAN-China Free-trade Framework Agreement signed in 2002, as was subsequently extended by the Trade in Goods

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Agreement in 2004 and the Trade in Services Agreement in 2007. In addition, China’s FTA negotiations were continuing with South Korea and Japan; South Korea, separately; Australia; Norway; the EU; the Gulf Cooperation Council; the South African Customs Union; etc.

**China’s Own FTA Agenda**

Confronted with the recent U.S. support of TPP (Trans-Pacific Partnership), coming in tandem with the Obama Administration’s pivot to Asia as part of its “re-balance” strategy, China was forced to respond in its own way, to counter what it perceived as a concerted American attempt to contain Chinese influence. In addition, the TPP, as perceived by the Chinese, also presented a geoeconomic power-balancing challenge. Hence, China had to respond to this dual challenge by staging, in turn, a mega-FTA in which it would play a leading role. As Wei W. Li, President of the Developmental Research Center of the Chinese State Council (the Cabinet), stated in a keynote address at the Asian Financial Forum, the Chinese Government’s “unswerving policy” was to accelerate the development of free trade areas with China’s major trading partners in Asia. After noting that some of the Asian countries may be lured away by ex-regional economic cooperative schemes outside Asia, Li cited an old Chinese proverb as an advice to them, “Distant relatives are not as good as close neighbors.” This belies a Chinese concern of the possible pull, for them, of TPP and a future TPP-EU connection.

Under Chinese initiatives, leaders from ASEAN-10 and six FTA partners -- including China, Japan, South Korea, India, New Zealand, and Australia -- gathered in Brunei, in May 2013, for their first round of negotiations, with a view to launching a super FTA that would encompass all

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16 economies, to be known as Regional Comprehensive Economic Partnership (RCEP), with a target date of 2015.\(^{30}\) Once fully established, the RCEP will be the world’s largest free trade area, serving a 3.3 billion population and accounting for 30 per cent of world trade. Its combined GDP of $20 trillion is bigger than that of the United States ($15.6 trillion, according to IMF reckoning) or the combined total of EU-27 ($16.6 trillion, also according to IMF). As typical of a geoeconomic power-balancing game, which is non-zero-sum in nature, seven countries have overlapping membership in both the U.S.-led TPP and the China-led RCEP.\(^{31}\) In any event, the RCEP fits well as part of Chinese response to deflect any attempt under Obama’s “re-balance” strategy to forestall Chinese influence, or, in the language introduced above, to effect a soft-power denial against China.

Earlier, we have noted China’s signing of FTA agreements with three additional non-Asian countries (Costa Rica, Iceland, and Switzerland) in the first half of 2013 alone. All this was happening within months after Xi Jinping became the Chinese President in March, following his ascendency to the office of the Communist Party’s General Secretary the previous November. In addition, China’s FTA negotiations were earnestly continuing with a wide range of countries in Asia, Europe, and Africa. Along with these endeavors, the exuberant Chinese push for the birth of the RCEP, also during this same period, may bespeak a concerted effort under Xi Jinping’s leadership to fight back against isolation, and to circumvent any foreign attempt to undercut Chinese influence abroad.

\(^{30}\) The first round of RCEP negotiations was concluded on May 16, 2013, with a second round to follow later in the year.

\(^{31}\) The seven are: Australia, Brunei, Japan, Malaysia, New Zealand, Singapore, and Vietnam.
China and the Developing World\textsuperscript{32}

China’s relations with the developing world has a long history which underwent several stages. During the Cold War, they were guided by ideology and a need to cultivate friendship and popular support in the Third World, in order to break the diplomatic isolation stemming from China’s exclusion from much of the world’s goings-on, due to the denial of diplomatic recognition by the United States and its allies. In late 1953, Premier Chou En-lai (Zhou Enlai) outlined the “Five Principles of Peaceful Coexistence” (PCX) as the guiding principles of Chinese foreign policy.\textsuperscript{33} The Five Principles—, i.e., mutual respect for territorial integrity and sovereignty, non-aggression, non-interference in internal affairs, equality and mutual benefit, and peaceful coexistence— all appealed to the developing world that, like China, had borne the brunt of Western colonialism and “imperialism.”

During the 1960s, however, China broke ranks with postcolonial governments in the developing world, as it began to support revolutionary pro-Communist regimes in many of these new countries. This rupture coincided with the outbreak of the chaotic, riotous Cultural Revolution at home. In the post-Mao period of the 1970s, under the Dengist reforms, often dubbed a great leap outward, however, China’s approach to the developing world de-emphasized dogma (and revolution) as a driver of policy, in favor of pragmatism and economic liberalization. Beginning in the 1980s, China withdrew support from communist insurgencies and began to establish political and economic relations with all countries, in both the

\textsuperscript{32} This discussion is largely based on Derek Mitchell, cited in n. 6 above, with necessary additions and updating.

\textsuperscript{33} PCX, which also became known in Indian as panch shila, was embodied in the Sino-Indian Trade Agreement on Tibet, signed by Chou with his India counterpart, Jawaharlal Nehru, on April 29, 1954. The principles were more formally reaffirmed in a joint declaration issued by the two leaders on June 28, 1954, and in Chou’s joint declaration the next day with U Nu, the Burmese Prime Minister. See James C. Hsiung, \textit{Law & Policy in China’s Foreign Relations} (New York: Columbia University Press, 1972), p. 32ff.
developed and developing world. Under the rhetoric of South-South cooperation, China also began to provide military aid — some including missiles— to a number of select countries, such as Algeria, Iran, Iraq, Pakistan, Saudi Arabia, and Syria, to win influence and to show continued Chinese commitment to the developing world.  

In Africa, from the mid-1990s on, it is in the area of large-scale infrastructure financing—with a particular focus on hydropower generation and railways—that China was especially known for in its commitment. According to a study by the World Bank, at least 35 countries were engaging with China on infrastructure finance deals, the biggest recipients being: Nigeria, Angola, Ethiopia, and Sudan. These deals were channeled primarily through the China Ex-Im Bank.

To bring things up to date, China’s current pitch for the developing world can be summed up in two rubrics: building a “harmonious world” and espousing a common concern of the South nations in the United Nations Security Council, namely, to close the wealth gap between the developed and the developing world. In the following pages, I shall address two additional issues. First, I wish to comment on a common allegation in Western media reports that China’s approach to the less developed countries, especially in Africa, is only prompted by its own thirst for the natural resources (e.g., oil) that these countries have to offer. Second, I wish to note a re-emphasis in China’s Third World policy on the African continent, consequent

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34 Mitchell, op. cit., no. 6 above.
36 As outlined in a Defense White Paper in December 2006, China seeks to foster “a security environment conducive to China’s peaceful development,” and to build a “harmonious world of enduring peace and common development; available at: <http://www.china.org.cn/english/features/book/194421.html>. Derek Mitchell noted a significant change under President Hu Jintao beginning in 2002, catering to the interests of the developing world (incl. closing the wealth gap), in contrast to his predecessor, Jiang Zemin, who focused primarily on improving relations with the United States. See Mitchell, ibid., n. 6 above, pp. 2-3. Also, Jing Sun, op.cit., n. 17 above.
upon its re-focusing on relations within the BRICS group. All this shift seems to bear the imprint of the new leadership team in Beijing since the 18th Party Congress in late 2012.

**China’s Interest in the South Reexamined**

The term “South” is used here as a generic term for the developing world, encompassing Africa, Southeast Asia, and Latin America. Much of the Western media reportage on China’s interest in the South, ranging from investments, loans, to developmental aid (ODA, or official developmental assistance), zeroes in on China’s resource scarcity and needs for oil, raw materials, and markets as a rationale for its involvement and, in many instances, its generosity. While this is true as a whole — and one should not impute pure altruism to all of China’s commitments in the developing world -- the view suffers from two defects: (a) The charge is too sweeping to take into account those projects financed by the Chinese Ex-Im Bank in areas like hydropower generation and railway, noted above, that were totally without regard to natural resource extraction, nor any swap such as between financing and oil; and (b) The same view does not show an adequate grasp of a Chinese keen sensitivity to the stirrings among the less fortunate nations, as in their plight in fighting poverty and all the ills that come with it (like AIDS). True, recent developments in domestic politics within China may not have advanced the cause of human rights or democratization, to the liking of Freedom House or Amnesty International. But, on the other hand, this is no reason why China’s international behavior showing empathy to the stirrings of the less fortunate and downtrodden should be denied due recognition.
One indication of this empathetic sensitivity is that China, now with loads of cash to spare, provided more loans (upwards of $110 billion) to the developing nations than the World Bank did during 2008-2010, the period when the world was hit by a global financial tsunami, following the collapse of Wall Street, as symbolized by the demise of Lehman Brothers. In addition, Beijing forgave (cancelled) billions of dollars in loans owed by LDC borrowers found unable to meet their debt payment obligations. Nevertheless, Western media gurus indiscriminately imputed an ulterior motive to China’s aid policy and loan/debt reduction (even cancellation) practice. Besides, Chinese assistance to Sudan during its civil war even prompted Western media to clamp down the epithet of “rogue donor,” for letting “Sudan get away with murder in Darfur.” But, allegations like this have to be assessed against the broader background of China’s aid and loan policy and practice. From 2000 to 2009, for example, China cancelled 312 debts of 35 African countries, like Sierra Leone, Eritrea, and Zimbabwe, without regard to whether they had oil or other natural resources that China needed. In an authoritative study, much of it based on her on-site interviews and collection of data, Deborah Brautigam noted that China indiscriminately “gives aid to every single country in sub-Sahara Africa that follows the One China Policy.” As to the Sudan, she related that after the chorus of outside criticisms of China siding with Khartoum’s obduracy, a quiet visit by Chinese President,

40 Brautigam, ibid., no. 36 above, p. 278 (emphasis in the original).
HU Jintao, in early 2007, did produce salutary results. Sudan finally agreed to jettison its objection to a U.N. proposal for a joint U.N.- African Union peace-keeping force to enter and police Darfur.\(^41\)

At the U.N. Conference on the Least Developed Countries held in Turkey, 11 May 2011, it became known that China had, after offers of aid to 46 LDCs, donated an additional $50 billion to the IMF, with an explicit instruction that the funds be used first and foremost to help the LDCs to be named by that institution. Obviously, how the IMF was going to dispose of the funds would be beyond China’s control, and without regard to whether the recipient countries had any natural resources to offer to the Chinese donor. All this seems to lend credibility to the statement made by the Chinese delegate at the Conference that his country’s policy on aid (and loans) to the LDCs was without political or economic strings attached.\(^42\)

**Chinese Foreign Aid, Loans, Trade, And Developmentalism**\(^43\)

In recent decades, China has emerged as an important player in foreign aid and developmental assistance. Its state-guided but market-conforming model of development seems to have attracted much fascination, especially among its aid or loan recipients in Africa. This growing interest in the Chinese (Dengist) model of development, sometimes known by what some outside analysts called the “Beijing Consensus,”\(^44\) came as the result of an

\(^{41}\) Op. cit.


\(^{43}\) “Developmentalism” is an umbrella term used for China’s developmental assistance, plus the appeal of the Dengist model of state-guided, partially-marketized economy credited for China’s phenomenal growth, which may attract influence in the developing world.

\(^{44}\) See Joshua Cooper Ramo, *Beijing Consensus* (London: Foreign Policy Centre, 2004); also a book by the same name authored by Stephan Halper, published by Basic Books in 2010.
unexpected twist in the post-Cold War transformation in the international ODA (official
developmental assistance) regime. Following declines in the levels of financial support from
one’s former ideological allies during the Cold War, developing nations have had to look for
alternative sources of aid outside institutions like the IMF and the World Bank. With the
growing visibility of the Chinese economic success story, many developing nations now realize
that China, beyond being just an additional source of developmental loans, demonstrates that
there is an alternative to the Western economic model (known as the Washington Consensus)
of development. This discovery incidentally dovetails with the Chinese pressing need for a
breakthrough in browbeating the soft-power denial plot allegedly staged by the United States
and its allies. (Parenthetically, neither the government nor the academics in China embrace the
epithet “China model,” because they do not expect their own brand of market socialism to be
duplicable elsewhere. They prefer to call it the “Chinese way,” instead.)

China’s increasing participation in foreign aid since the early 1990s has drawn the
attention of the international community, as an alternative donor source to the traditional
group of donors identified with the Organization of Economic Cooperation and Development
(OECD), outside the IMF and the World Bank. It is part of China’s economic aspirations in
developmental cooperation, as laid down in the Program for China-Africa Cooperation in
Economic and Social Development, which in turn is a subsidiary of the Forum on China-Africa
Cooperation (FOCAC) set up in 2000.

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45 I found this out during my research trips in Beijing and Shanghai in 2011. See discussions in Chapter 7 of my book China into Its Second Rise (World Scientific, 2012). For similar reasons, I suspect the Chinese would be timid in accepting the idea of “Beijing Consensus” first proposed by Joshua Cooper Ramo (see n. 43 above), as a short-hand label for the China model.

(PCX), with particular emphasis on non-interference in internal affairs, the Chinese program delivers aid without conditionality, such as is found in the aid given by traditional (Western) donors like the OECD, the IMF, and the World Bank. Conditions attached to aid packages provided by the latter three usually raise questions about human rights, good governance, economic reforms, or environmental concerns.

While the Chinese approach causes concern, and consternation, among Western donors, it is deeply appreciated by African governments. Many African leaders view the emerging pattern of South-South relations in the post-Cold War era as a historic opportunity to gain their autonomy from their dependency on the West. They are enamored with the example of China in that 400 million people were lifted out of poverty in just two decades, following the initiation of the Dengist economic reform, which was autonomously executed without external assistance. This example has bolstered African countries’ optimism that they too can devise their own developmental path, without foreign dependency. While this optimism may or may not be realistic, and despite the uncertainty regarding the duplicability of the Chinese model, one thing is sure: It proves China’s developmental aid has elicited unbounded African enthusiasm in the attractiveness of the Chinese model as an alternative.

However, the reality is not all as cut and dry as it appears, and Chinese aid is not “selfless,” although empathy did play a role. China’s commitment to non-interference, as Lammers is quick to point out,\(^{47}\) evidently does not prevent it from simultaneously pursuing its own political interests. After all, another part of the Five Principles of PCX does call for “mutual benefit” (emphasis on “mutual”). The surge in the early 1990s of Chinese interest in Africa

\(^{47}\) Ibid., p. 3
(including generous aid packages), by coincidence or not, followed the 1989 events in Tiananmen Square, in the aftermath of which China was faced with condemnation from the West. Beijing needed new allies, and its involvement in Africa did seem to provide it with diplomatic support. Another self-interest in China’s involvement with Africa is the scale of trade. In 2010, for example, China was Africa’s biggest trading partner, crossing the $120 billion threshold, most of it in China’s favor.

Economic considerations, like trade profits and investment returns, may adequately account for the behavior of other donors. But, in the case of China, there were in some cases “add-on values” that entered into the equation of Chinese economic cooperation in the developing world. These add-on values for the recipient, more often than not, took the form of some concrete advantageous legacy left behind with the recipient nation, even if the Chinese aid team exited thereafter. One example is the forgotten (and much maligned) case of Sudan, which invited the Chinese Petroleum & Natural Gas Corporation (Petro China) in 1995 to come in to participate in the building of Sudan’s oil industry from scratch. Since this undertaking departed from the usual “Angola mode,” or a straightforward “oil for infrastructure” deal, I will address it in greater detail below.

A consortium of four parties was formed in 1996, in which Petro China would have 40% of the interest, and the remainder would be distributed among a Malaysian firm (30%), a Canadian firm (25%), and the Sudan National Petroleum Corporation (5%). The consortium had

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49 The “Angola mode” is named after the example provided by a deal made with Angola with the Chinese Em-Im Bank, whereby repayment of loan for infrastructure development is made in terms of natural resources (oil). See World Bank report, Ibid., n. 34 above. Under this arrangement, China received 43% of Angola’s oil export in 2010.
a Chinese manager, who headed a team of 100 experts with overseas experience sent from China. Using the experience (and the daring-do spirit) of the Chinese Daqing Oilfield as a model, the Sudanese oil consortium succeeded in turning Sudan from an earlier net oil importer of 2 million tons of crude a year – with all its (heretofore untapped) oil deposits -- into an oil exporter for the first time three years later, in September 1999. The Chinese team of experts trained Sudanese recruits and turned them into skilled oil industry workers, so that they could take over and run Sudan’s nascent oil industry (SUDAPET) even if the Chinese team, together with its army of 6,000 field workers, should pull out. The Chinese also helped build the oil pipelines so that Sudanese produced oil could be transported on their way to world markets. These oil pipelines (total dead weight of 200,000 tons of steel) were manufactured by the Bao’an Steel Works in China. And, the Chinese workers helped lay the 1,506 KMs (circa 900 miles) of oil pipelines.50

The ancient Chinese philosopher Zhuang Zi is credited with giving this advice on how best to help someone to stanch hunger: “Offering him two fish,” he said, “would satisfy him for one meal, but, teaching him how to fish would keep him away from hunger for the rest of his life.” What China has been doing in its developmental aid to countries like Sudan seems to be following this Zhuang Zi advice. The obvious difference is: Instead of teaching them how to fish, the Chinese now were teaching the African natives how to extract oil (from their previously untapped reserves, if any) and to market it to the world’s oil consumers. Obviously, results like

50Part of this is based on my interviews with one former Petro China worker in Sudan, now living in Beijing; and the rest is derived from a number of sources, viz.: “zhong-guo yuan-zhu xia de sudan jingji jianshe qiji” [The Economic Miracle in Sudan Achieved under Chinese Assistance], available from: <http://bbs.tiexue.net/post2_3096700_1.html>; and http://club.kdnet.net/dispbbs.asp?id=2480629&boardid=1>; plus Petro China’s report on oil cooperation with Sudan, available at: <http://wenku.baidu.com/view/450e5f10b4e767f5acfcf4e.html>.
this are not taken into account by Western critics who grumbled there is little evidence to show that Chinese developmental assistance has produced any positive impact on broader “human development.”

An Update: China’s Role in BRICS and Soft Power

We have thus far seen how the rising China has designed ways to offset its soft-power deficit and, moreover, to counter a perceived plot of soft-power denial against it by the U.S.-led developed world. The focus in the Chinese strategy is to win the hearts and minds of the developing world, more especially in Africa. Much of it is moved by something not of its own choice, namely: the challenge presented by the United States, the reigning hegemonic power, in what is perceived as a concerted campaign to contain China’s rise by encircling it, for example, with a super geoeconomic bloc acronymed TPP, with a potential link with the EU. In addition to responding with the hatching of a RCEP, China since 2012 has upgraded its counter coup in search of support within the BRICS grouping.51 At the fourth annual summit of the original BRIC nations (i.e., Brazil, Russia, India, and China), held in Beijing in 2012, two decisions were made: (a) inviting South Africa to join the BRIC group, hence to become BRICS; and (b) launching a study into the feasibility of a BRICS development bank, to be finalized at the next year’s summit, which was to be hosted by South Africa.

At the 2013 BRICS summit, President Xi led the negotiations that yielded the final decision to bring the proposed BRICS development bank into being without delay. Although modeled in spirit after the Bretton Woods system, it will be different from its IMF and World

51 Modeled after the original contraction of BRIC, first used by Goldman Sachs, for the major emerging markets: Brazil, Russia, India, and China. At the Chinese behest, South Africa was added, to form BRICS.
Bank components in two main ways: First, the new BRICS development bank will be free from U.S. control; and, second, it will consequently be in a position to offer developing countries easier and more direct access to developmental loans and related aids.\textsuperscript{52} According to latest reports, a subsequent meeting of the group’s financial ministers, held in India, decided on an initial $50 billion capitalization for the bank, to be equally shared by the five members, although China had proposed a $100 billion capital and sought a bigger share for itself.\textsuperscript{53}

China’s role in the BRICS has a dual significance for its quest of soft power. In the first place, there is complementarity among the five emerging economies, and China is an obvious leader by the size of its economy and its dynamic growth. Brazil is known as the world’s raw material base; Russia, the world’s “gas station;” India, the world’s office (due to its IT sophistication); South Africa, the world’s treasure trove; and China, the world’s factory, to boot. With its members coming from Asia, Africa, Europe, and Latin America, the BRICS is far more representative of the world’s key regions than is any other group.\textsuperscript{54} As a group of the leading emerging markets, BRICS represents 26% of the world’s landmass, 42% of the world population, 20% of the global GDP, 15% of world trade, and 75% of the world’s foreign reserves.\textsuperscript{55} Within the group, China’s economy is about 20 times the size of South Africa, and four times as big as Russia’s and India’s. The five economies have set the goal of a $500 billion total trade volume within BRICS by 2015. China’s trade with the other BRICS countries in 2011 was broken down as: $84.2 billion with Brazil, $70 billion with India, $45.43 billion with South Africa, and $78 billion

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\textsuperscript{54} Ji Peiding, “BRICS Will Reshape the International Landscape,” Foreign Affairs Journal (Beijing), No.107 (Spring 2013), pp. 61-70, at 66.
\textsuperscript{55} Ibid., p. 64.
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with Russia. By these measures, China enjoys an obvious edge as a natural leader in the BRICS.

To the extent that BRICS is going to lead the world’s various regional groupings and FTAs, China is going to be an indisputable leader and a world-class great power, a status that China aspires to.

The second advantage that the BRICS affiliation confers on China is the emergent BRICS development bank. On a bigger scale than China alone can hope to accomplish, the new BRICS development bank will mobilize resources for infrastructure and sustainable development projects in other emerging economies and developing countries, and supplement the existing efforts of multilateral and regional financial institutions for global development. China-in-BRICS, hence, will command respect and attract attention in a way that, likewise, cannot be denied by anyone.

Concluding Remarks

The above scenario is not an arm-chair strategy worked out by an ivory tower strategist. Evidence that it is a game plan purposefully carried out in action can be found in President Xi’s first moves in foreign visits to Russia and Africa soon after assuming office in the spring of 2013, as already noted. During his first stop in Russia, he signed agreements establishing a “strategic partnership” between Russia as a foremost oil supplier and China as the world’s largest oil importer. Next, in the interim before his stop in South Africa to attend the fifth BRICS summit, he made a point in visiting two other African countries. On his state visits to Tanzania and the Congo Republic, where he signed several trade and investment agreements, Xi announced a Chinese commitment to build infrastructures (such as port facilities) in these countries. Not
only that, he announced that in the next two years, 2013-2015, China would extend to Africa developmental loans of up to US$20 billions. As if to counter Hillary Clinton’s “neo-colonialism” charge, Xi announced that Africa, with which China posted a $200 billion trade in 2012, was China’s “perpetual friend,” owing to their common painful experiences with “imperialistic” (and colonialist) oppressions in the past.56

These hyperboles may sound like clichés, but when judged against the background of China’s efforts at overcoming its short-power deficit and countering the alleged U.S.-led soft-power denial against China, as noted above, they gain an added meaning in that they reflect an awareness among high-level Chinese leaders about their country’s need to do extra, even bend backward, to secure whatever goodwill China can generate in the developing world, in order to offset its soft-power deficiency.

In closing, I would like to address two additional points: First, if we reconsider Joseph Nye’s definition, soft power is the “ability to get what one wants through attraction rather than coercion or payments.” Strictly speaking, China’s use of easy loans, grants-in-aid, and even cancellation of loan repayments, to win goodwill and endorsement in the developing world (mostly in Africa), is tantamount to an evasive form of “payments” in Nye’s formulation. The use of these variations of “payment” cannot but be a confirmation that the Chinese are deeply aware of their soft power deficit, about which they have a lot of catching up to do, plus their perceived problem with a soft-power denial enforced by the West.

My next point is really related to a question, first raised, and answered, by Derek Mitchell, namely: Do U.S. and Chinese interests clash or converge in the developing world.

Most U.S. observers, including the media, usually gloat over the strategic rivalry between the two countries in the developing world. But, Mitchell maintains that U.S. and Chinese interests “overlap substantially.” Both countries share a realization that poverty and poor governance breed instability, crime, and terrorism in the developing countries. Both have an interest in “empowering developing nations to meet their domestic challenges and in forestalling the emergence of failed or failing states,” which could be the breeding grounds for terrorism, infectious diseases, and international crime.57 In full agreement with Mitchell’s assessment, I would add two comments of my own. One, I know for a fact that China, as Mitchell suggests, does show a keen awareness of the danger posed by failed states to international peace and security, and, moreover, to human rights. A case in point is in regard to Somalia, where for two decades there has been no central government. Under conditions of this domestic anarchy, warlords have taken over; and the ceaseless in-fights have created chaos, misery, and massacres of helpless civilians. In U.N. discussions of the right of the world community to intervene in failed states like Somalia, China is known generally in support of the right of humanitarian intervention, known as the R2P (for “right to protect”), but at the same time it has urged that the state’s capability of protecting the people (and human rights) be strengthened, by installing, in the Somalia case, an effective central government.58 Conceivably, China could have done more to help the developing nations, especially in failing states, if its attention were not distracted by what it perceives as a soft-power denial problem that it must contend with.

57 Derek Mitchell, *ibid.*, n. 6 above, p. 122.
58 Hsiung, *ibid.*, n. 1 above, p. 275.
Two, if we abandon our usual “either/or” mindset, and adopt a “both/and” paradigm in viewing Sino-U.S. relations, then it will be possible for us to see China and the United States not necessarily locked in a zero-sum game, when it comes to certain outstanding issues in the developing world. In fact, what China can do could actually supplement U.S. policy goals, or vice versa. For example, Chinese and U.S. navies can join hands in taking on the necessary fight against the voracious pirates in waters off Somalia. Over in the Middle East, furthermore, the United States is faced with a united front of opposition from the Arab states, and the only U.S. ally is Israel. China, on the other hand, is on good terms with both Israel and the Arabs.

Earlier in 2013, within two days -- May 6 and May 7 -- Chinese President Xi Jinping received Palestinian Authority President Mahmoud Abbas and Israeli Prime Minister Benjamin Netanyahu, separately in Beijing. According to reports, he urged new Israel-Palestinian peace talks, and received positive response.\(^{\text{59}}\) The Chinese have credibility with both sides: On the Palestinian side, because China is sympathetic to Palestinian statehood while supporting the idea of peaceful solution in lieu of war; on the Israeli side, China’s Shanghai (the Hongqiao district, to be exact) was, during World War II, home to many of the 18,000 Jews granted refuge from the horrors of Nazi persecution, and many more Jews from Russia had been resettled in Henan province, in north China, following the Bolshevik revolution.\(^{\text{60}}\) This, conceivably, is an asset that could be added to the U.S.’s soft power in dealing with the Middle East tangle, that is, if China could be inducted to the American side. (7,590 words, incl. the Abstract and the notes)
