

2022-23 WILSON CHINA FELLOWSHIP

Understanding China Amid Change and Competition

EDITED BY
Lucas Myers



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Executive Summary

The 2022–23 Wilson China Fellows studied and address a wide swathe of China-related issues, ranging from China’s impact on its neighborhood to its economy and civil society. The following section provides the Wilson China Fellows’ policy implications, recommendations, and key takeaways, arranged alphabetically by fellow:

Chapter 1:

Chinese Law and Development: Implications for US Rule of Law Programs

Matthew S. Erie

Abstract:

China is emerging as an alternative source for law and development for low-income and middle-income states. This is despite its conventional reluctance to engage in policy export abroad and, more immediately, its slowing economy, calcified rule, and a somewhat deprioritized foreign policy in the post-COVID era. A number of supply and demand factors account for the increasingly important role of law in its global development. On the supply side, against the backdrop of the decade-old “Belt and Road Initiative” and newer initiatives including the Global Development Initiative, Global Security Initiative, and Global Civilization Initiative, China is becoming increasingly assertive in offering “Chinese-style modernization” to host states in the Global South, part of which includes policy and law diffusion. Specifically, the Party-State has endorsed what is called “foreign-related ‘rule of law’” which is a bi-directional policy initiative that seeks to both integrate more foreign law into the Chinese legal system and also incorporate more Chinese law into foreign and international law. Beyond the political bluster and political signalling, there

is evidence of such initiatives affecting legal practice and institutions. Legal organs are creating transnational networks with lawyers, judges, and businesspeople in host states to mitigate investment risk, share resources, and problem solve. Some of these networks have led to the establishment of legal institutions which, even if primarily symbolic, may gain traction over time. On the demand side, which is arguably more salient, host states value Chinese industrial policy, governance strategies, and digital ecosystem as facilitative of China's economic growth model, of which law and regulation is part. Hence, host states borrow from Chinese law, policy, and standards. Even where China is not intentionally seeking to export its law, by the sheer size of its economic footprint in smaller states, the Chinese presence may have unintended effects on the domestic legal system. In the long run, these innovations may promote South-South solidarity but they may just as likely support the commercial and geo-strategic interests of Chinese enterprises which may have aggregate effects on access to justice, procedural transparency, and human rights in vulnerable states. How should US promoters of rule of law respond to Chinese law and development? While it is still early days for China's legal development abroad, US policymakers should start thinking now about how to confront Chinese law and development, how to work with host states on building local knowledge about Chinese law, and where the US may even learn from China's experimental efforts.

Policy Implications and Key Takeaways

- Whereas the US has held a privileged position in legal development assistance in the past several decades, it is no longer the only donor and needs to prepare for a more active China in this field. Against the backdrop of an increasingly visible China in the Middle East, Latin America, Central Asia, and Indo-Pacific in the post-COVID era, the normative resources of Chinese governance, including law, policy, and standards, hold some attraction to elites in nondemocratic or weakly democratic states.
- Rather than mimic what China is doing, which is, to some degrees the US approach in development generally (e.g., the Build Back Better World

and Blue Dot Network are billed as alternatives to the Belt and Road Initiative), the US should build on its traditional strengths in supporting local actors in host states who are promoting rule of law. In fact, the US should not blunt its rule of law and democratization edge; the message needs to be communicated both more decisively and more broadly.

- Whereas the US has rejected engagement with certain regimes as a matter of principle, for example, as reflected in the Biden Administration’s 2022 National Security Strategy with its emphasis on competition between democracies and autocracies, it may want to engage more coherently with those states on matters of legal development. Many states are trying to hedge between the US and China in a “decoupled” or “de-risked” world. Rather than non-engagement with those states, the US needs to develop long-term and comprehensive strategies to support rule of law in those states.
- China’s efforts to nudge international law, especially international economic law, towards its own commercial and geo-strategic interests, which is one dimension of Chinese law and development, may present a long-term challenge to US interests. The US needs to “ally shore” not just other G7 states but also emerging economies within multilateral organizations and international law bodies.
- The US needs to improve its record of access to justice and quality of rule of law at home to avoid charges of hypocrisy. As part of this, state and federal legislatures must reject out-of-hand laws which discriminate against Chinese in the US, for example, in terms of their right to purchase real estate. Such discriminatory laws significantly erode the rule of law in the US. The US can only engage in rule of law promotion abroad when it has sufficiently addressed such instances of injustice on its own soil.
- The US needs to stimulate innovation both within would-be partner states and also domestically. As to the former, a greater focus on building communities on the ground that can help communicate local needs is

critical. Problem-based approaches should supersede mere technical programming. One dimension of the problem-based approach is being more actively part of local knowledge production about China's footprint in-country. As to the latter (domestic innovation), members of the legal industry in the US have not yet sufficiently tapped the deep symbolic capital of US legal institutions to build connections with partner states, for example, through dispute resolution networks. In short, the US can learn from what China is doing without following its agenda.

Chapter 2:

State-level US-China Relations at the Crossroads: Predicaments and Prospects for Subnational Engagement

Kyle A. Jaros

Abstract:

The subnational level of the US-China relationship has become increasingly important but remains poorly understood. Over the past several decades, many US states have engaged extensively with Chinese official counterparts to promote economic development, educational cooperation, and cultural exchange. Once routine, these forms of subnational interaction with China have attracted fresh scrutiny and grown politically fraught amid worsening US-China relations. In this essay, I examine the stakes of state-level engagement with China and the challenges that have arisen as low politics and high politics blur together, considering the dual risks for US states of unbalanced engagement and radical recoil. To better understand how states are navigating a rapidly changing US-China relationship, I carry out a detailed case study of Indiana-China interaction while also exploring broader nationwide trends. Through this analysis, I develop insights into the drivers of both historical moderation and recent volatility in state-level relations with China, and I distill lessons and recommendations for policymakers at both the state and federal level.

Policy Implications and Key Takeaways

- State-level US-China relations, which center around economic links, educational cooperation, and cultural exchange, have become an increasingly prominent and polarizing part of the US-China relationship in the past five years.
- The case of Indiana, a relatively typical state in most respects, highlights the practical significance of subnational ties and the increasing politicization of such ties.
- Indiana's ability over the past five years to chart a middle course between unbalanced engagement and radical recoil has depended on executive-level commitment, dedicated institutional capacity, pragmatic Chinese partners, and limited politicization. However, some of these conditions are in doubt at present.
- States and the federal government should work to forge common guidelines for subnational engagement with China and should expand efforts to educate state- and local-level policymakers on the complex stakes and dynamics of US-China relations.

Chapter 3

Bringing China Back into the World: The Historical Origin of America's Engagement Policy and Its Implications for Contemporary US-China Relations

Mao Lin

Abstract:

With the deterioration of US-China relations in recent years, America's engagement policy toward China has been heavily criticized for failing to change China into a liberal democracy and turning Beijing into a peer competitor of Washington instead. However, a more balanced history of engagement shows

that engagement has served American interests quite well. During the 1970s, American officials and the broader foreign policy public forged a new perception of China as a “frustrated modernizer.” The priority of China was not to spread communism abroad but to turn the country into a first-class industrial power. However, China failed to modernize under communism, with the Sino-Soviet split further threatening China’s national security. America’s engagement policy was conceived as a realistic response to those changes. Engagement successfully turned China into America’s tacit partner against the Soviet Union, helped Washington to end its war in Vietnam, moderated China’s radical foreign policy, and contributed to the end of the Cold War. While the desire to change China into a liberal democracy loomed large in the background, that desire was only pursued as a long-term goal and no American administration ever set a firm timetable to turn it into reality. A balanced assessment of engagement can help us to forge a realistic strategy by aligning means with ends. America must realize many of the factors that will shape China’s future are beyond American control. A more realistic goal for US China policy is to shape China’s choices so that it will abide by the rules-based international order with or without political reforms. Washington should consistently convince Beijing that America does not seek to contain China’s rise if China can truly become a responsible stakeholder.

Policy Implications and Key Takeaways

- America should achieve a balanced assessment of the US-China engagement before abandoning it. Engagement was conceived as a realistic strategy that served America’s interests well since the 1970s. Regime change has never been the main aspiration of engagement. To hope that China will eventually move toward liberal democracy is not the same as setting a time-table and assuming that America has the capabilities to achieve that goal. A balanced assessment of engagement can help us to forge a realistic strategy by aligning means with ends. A more realistic goal of America’s future China policy is to shape China’s choices so that it will abide by the rules-based international order with or without political reforms.

- Washington should consistently convince Beijing that America does not seek to contain China's rise if China can truly become a responsible stakeholder. The feeling that China can never do right in the eyes of America, is the kind of perception that America should dismantle. History proves that China is willing to work with America on specific issues, even thorny ones, when it believes that the overall relationship is on a constructive track. For many Chinese, China's rise in the recent past was largely achieved within the US-led international order. America should encourage the argument that China can continue to develop within the existing world order without disrupting it.
- Being consistent is the key. America should refrain from overreacting to the China challenge and focus on areas where America has maximum leverage and enjoys broad support from its allies. America should not hesitate to offer carrots when China makes verifiable changes. By doing so, Washington can demonstrate that it is willing to work with Beijing on specific issues, rather than containing China across the board. Equally importantly, Washington should demand Beijing make deliverable and verifiable pledges that China does not seek to promote its interests at America's expense.
- America should take China's legitimate concerns seriously. America and China must work together to uphold rules acceptable to both and negotiate their differences in good faith. It also helps if America can have frank conversations with China about its "Century of Humiliation." America should make it clear that uncontrolled nationalism will only have detrimental effects on China's future development.
- The White House should play a more forceful role in shaping a balanced narrative about China. In the world of diplomacy, rhetoric and symbols matter. Even if there is no substantial change of policy, a more balanced narrative is likely to alleviate concerns among US allies and smooth relations with Beijing.
- Continued engagement is the practical policy toward China. Engagement is not appeasement, and the alternatives carry more risks than benefits. A

new Cold War aimed at containing China cannot work, given the high degree of China's integration into the world. Plus, few nations are willing to choose side between America and China. A shooting war between the two nations is unimaginable.

Chapter 4

Scaling Up and Going Out: The Politics of Chinese Agribusiness Development

Kristen E. Looney

Abstract:

This paper investigates the politics of Chinese agribusinesses “scaling up” production domestically and “going out” to make investments globally. It addresses the following questions: What are the key drivers behind the transition from smallholder farming to industrial-scale agriculture in China? What are the domestic and global implications of this transition? The paper argues that the development of dragon head enterprises, or large-scale, agro-industrial firms, lies at the heart of China's recent agricultural modernization efforts, that the factors driving their development are irreversible, and that US firms will face tough competition with them both within China and globally. Given the economic importance US-China agricultural relations and the two countries' shared interest in promoting global food security, US policymakers should focus on enhancing the transparency of Chinese firms' global activities, rather than banning Chinese investment in the US agricultural sector.

Policy Implications and Key Takeaways

- China's largest agribusiness firms, known as dragon head enterprises, have emerged as central players in the development of Chinese and global agriculture. They are responsible for “scaling up” production domestically and “going out” to make investments globally.

- The factors driving dragon head development are irreversible. On the domestic side, the shift from smallholder to industrial farming is tied to shifts in the rural economy, changes in urban consumption, concerns about food safety, and promises of food self-sufficiency. On the international side, outbound agricultural investments are intended to mitigate global food supply risks, to improve firm competitiveness, and to help the Chinese state project political power.
- The idea that China is taking over America's farmland and food supply is more myth than reality. The United States is not a major target of Chinese agribusiness activity, which means that recent efforts to ban investment are unnecessarily pushing Chinese firms toward other markets. This trend makes it more difficult for the US to understand and compete with China, and it is costing potential jobs and export opportunities that those investments would have generated.
- US policymakers interested in repairing US-China agricultural relations should work toward normalizing trade relations, reducing barriers to Chinese investment in the US, and vice versa, and allocating more resources for enhancing the transparency of Chinese firms engaged in international trade and investment.

Chapter 5

The Decline of Factions in the PLA

Daniel Mattingly

Abstract:

How has the People's Liberation Army (PLA) changed under Xi Jinping? This study examines this question through a study of factional networks in the PLA. The presence of factions in the PLA has implications for the military's battlefield effectiveness, loyalty to the party's civilian leadership, and ability to maintain domestic stability. To investigate the changing role of factions in the PLA, I draw on a dataset of over 12,000 appointments to top military

positions. I show a striking decline of the importance of promotion networks between Hu Jintao and Xi Jinping. Under Hu Jintao, having a career tie to one of the generals sitting on the Central Military Commission (CMC) was highly predictive of promotion. As later corruption prosecutions made clear, officers in the Hu Era were systematically paying patrons for promotion up the ladder. This likely eroded military readiness and increased the risk of domestic political instability. Under Xi, however, having a career tie to a CMC vice chairman no longer helps a general's career prospects. In recent years, generals with ties to a military officer on the CMC member leader are not more likely to be promoted than average. Instead, ties to Xi Jinping himself matter for promotion. The decline of intra-military factions in the PLA—and the rise in importance of ties to Xi Jinping—has likely ensured the army's loyalty to Xi while on balance increasing professionalism.

Policy Implications and Key Takeaways

- For US policymakers assessing the PLA's ability to project power outside of China, the picture is mixed, but on balance points to growing military professionalism under Xi. Strong patronage networks within the PLA under Hu Jintao eroded military professionalism. Xi has largely stamped out these networks, although uncertainties remain. *Policy Implications:* Military assessments of PLA military readiness should not assume that the PLA will be vulnerable to the same severe corruption issues that have evidently harmed the Russian invasion of Ukraine.
- For US policymakers assessing the likelihood of domestic political instability in China, the military is significantly less likely than before to support an elite split. Under Hu, the factionalism of the military elevated the risk that some generals could side with a challenger to the top leader. Under Xi, that risk, already low, has become much smaller. *Policy Implication:* Policymakers in the United States should expect a continuation of the status quo in elite politics as long as Xi is healthy and does not retire.
- For US policymakers assessing the likelihood of armed conflict in the Taiwan straits, Xi's tight control over PLA personnel suggests that

compared to his recent predecessors he is likely to be less susceptible to pressure from PLA officers to ratchet up (or down) conflict. Moreover, the composition of the new Central Military Commission (CMC) should not be seen as a signal that Xi intends to go to war soon. *Policy Implication:* When assessing PRC behavior in the Taiwan Straits, United State military and civilian officials should not view Taiwan as a likely wedge issue in Chinese elite politics. Leaders should continue to seek military-to-military exchanges and conflict de-escalation hotlines, even if these efforts are rebuffed.

Chapter 6

Lending Tree: The Motives Behind and Implications of Chinese Bank Branch Growth in Foreign Markets

Daniel McDowell

Abstract:

China's four largest banks are setting up shop abroad. In 2020, these banks actively managed over 500 foreign brick-and-mortar locations, up from fewer than 100 in 2007. What is behind the international expansion of China's state-owned banks? What economic motives are driving these banks to "go out" and what, if any, role does geopolitics play in their overseas branch growth? Using an original dataset of foreign branches of China's "Big Four" banks, I find that these major state-backed financial institutions have opened more foreign branches in markets where China also has a larger presence in the development project space. Countries that are official participants in BRI, for example, have more Chinese bank branches. Similarly, as the number of Chinese development projects in a country grows, or as the size of the development project financial commitment increases, so too do the number of branches. Notably, a battery of geopolitical variables are not correlated with bank branch numbers, suggesting that—to date—bank expansion is primarily about executing China's foreign economic policy. However, in time, the presence of Chinese banks in these markets may play a role in improving Chinese resilience to economic pressure from the United States in the form of financial sanctions.

Policy Implications and Key Takeaways

- US policymakers should recognize that the Belt and Road Initiative and China's broader involvement in foreign development projects serve as a critical entry point for China's banks into foreign markets through the opening of branches and subsidiaries.
- Though their internationalization centers on serving Chinese firms operating abroad today in the development space, in time, these branches may deepen financial ties with local, host-country firms in other areas. Bank branches, then, may act as a beachhead for Beijing to develop closer financial ties between foreign firms and its financial institutions. Policymakers should support the robust funding for US-backed multilateral development banks so as not to cede the development lending space to Chinese state-owned banks.
- The growing number of Chinese firms operating abroad in the development space is in turn attracting Chinese banks to expand into these markets. US policymakers should consider steps to offset this. One way is to implement policies that incentivize American companies to bid on US-backed multilateral development contracts in foreign markets where Chinese firms are especially active. In turn, US banks will have incentives to "follow their customers" into these markets, countering the rising number of Chinese banks in these locations.
- Policymakers should consider the potential role of Chinese banks in providing cross-border financial services, like trade settlement, in China's currency (RMB). This might eventually enhance China's economic resiliency in the face of US financial sanctions.

Chapter 7

Claiming the South China Sea with a New National Mythology: Hainan Island and the South China Sea in China's History and Current Geopolitics

Jeremy A. Murray

Abstract:

This paper examines the shifting histories of the relationship between mainland Chinese regimes and their southern coast, Hainan Island, and the South China Sea. While Beijing today claims that Chinese regimes have administered the South China Sea in some form for 2,000 years, from the perspective of successive dynasties' centers of power, the far regions of the Sea were in fact culturally alien territory, and often far beyond their administrative control. When we examine the South China Sea from the perspective of the Hainanese people, not to mention that of China's neighbors around the Sea, the mainland myth of continuous administrative control and Chinese cultural presence quickly breaks down. It is important, in a scholarly context, to counter this mainland mythology of continuous Chinese dominance in the region, and also present a version of this history that reflects the region's reality, diversity, and complexity. The People's Republic of China's (PRC) current narrative of the South China Sea, embodied by the "nine-dash line" maritime boundary, is a retroactively imposed cultural lineage within the region, not a story of real political control through the imperial past. Past narratives, and the current one, embody a range of the regimes' anxieties and ambitions, and while they may be disingenuous, we can and must still learn much from them. Rather than confronting these claims' historical veracity directly in a political context, however, the United States should continue to articulate its firm support of a rules-based international order, particularly through the United Nations Convention on the Law of the Sea (UNCLOS), and the legal claims of other regional players. Washington's failure to formally accede to this framework prevents the US from ensuring that it will have a hand in shaping a stable and peaceful future for the South China Sea, and an equitable and sustainable future for other regions, including the Arctic and Antarctic polar regions. Through ratification of UNCLOS and more robust support for the claims and interests of other regional players—such as the Philippines,

Vietnam, Taiwan, Indonesia, and others—Washington could more effectively, safely, and sustainably counter Beijing’s unilateral and ahistorical claims to the South China Sea.

Policy Implications and Key Takeaways

- The United States should ratify the United Nations Convention on the Law of the Sea (UNCLOS) through a two-thirds US Senate vote for advice and consent. This is among the most common-sense and beneficial treaties in US history, and a great achievement of the legal team of US President Ronald Reagan, as led by John Norton Moore. Failure to ratify UNCLOS, in spite of numerous efforts, and after all reservations and real concerns and arguments against the treaty have already been completely addressed, is causing Washington and US businesses loss of revenue, security, and international credibility. At the time of writing, Washington remains outside of the framework, and is a signatory but not a ratified member.
- The United States should continue to support the claims of regional states to their sovereign maritime territory and Exclusive Economic Zones (EEZ) according to UNCLOS, especially where those claims are violated by Beijing’s refuted nine-dash line. While some in the United States may be wary of the optics of publicly challenging Beijing’s “historical” claims, endorsement of the rules-based order, international law, and legal claims by regional states is a sustainable and necessary position.
- The United States should take a more active hand in shaping the region’s media and scholarly narratives by consistently endorsing the legitimate claims of regional players such as the Philippines, Vietnam, Taiwan, Indonesia, and others. This could include scholarly exchanges and funded research in the region, expanded academic ties, and public diplomacy. This starts with a deeper understanding and appreciation for the region’s complex history and geopolitics, beyond the simplistic framework of US-China rivalry in the region.

- Through official and non-official channels, the US government and American citizens should be wary of implicitly or explicitly endorsing Beijing's narrative of the region when it violates international law and the sovereignty claims of other regional players. These endorsements may come in the form of silence or ignorance in the face of false claims, or in pop culture products, scholarship, or public diplomacy that reproduce Beijing's false claims of historical continuity and the "nine-dash line."
- Americans should recognize and counter two related aspects of the PRC educational and media environments: Beijing's efforts to close off foreign influences on key issues, and its efforts to impose a constrained narrative of history within popular culture and academia. Americans should energetically nurture dialogues, institutional ties, and personal friendships in the PRC, and amplify the diverse voices that have always been expressed and heard there.

Chapter 8

Legal Hedging: Power Acceptance and Rejection in Sino-Southeast Asian Ties

Trang (Mae) Nguyen

Abstract:

This research paper examines Southeast Asian states' use of law as a tool to both enmesh and resist the outsized impact of the People's Republic of China (PRC). This use of law—what I call "legal hedging"—combines strategies of power acceptance and rejection as a "bundled" foreign policy to at once take advantage of deeply enmeshed economic ties with China while hedging the risk of domination. Studies on Southeast Asia and its regional institutions, most prominently the Association for Southeast Asian Nations (ASEAN), have tended to emphasize pragmatism as the major mode of engagement with China. It would be remiss, however, to gloss over the dense network of laws and agreements that undergird this important relationship, as well as the nuanced ways in which Southeast Asian states use international law to advance

their interests. Through case studies of Indonesia, Vietnam, and Cambodia, this paper analyzes how these states implement hedging strategies through selective partnership with China and the Western legal order, deliberate multilateralism, and pursuit of new legal innovations. Taken together, the legal strategies of Southeast Asian states suggest a robust, highly functional regional model that merit careful study. Importantly, they also demonstrate a subtle use of law and policies unique to Asian regionalism that does not cater to either the Washington Consensus or the Beijing Consensus but aims to selectively cooperate with both.

Policy Implications and Key Takeaways

1. “Legal hedging” is a prominent strategy used by Southeast Asian states to both enmesh and resist China’s influence. By combining strategies of power acceptance and power rejection, Indonesia, Vietnam, and Cambodia each attempt to capture the benefits of the deeply enmeshed economic ties with China while simultaneously hedge the risk of Chinese ambition. As participant states in the Regional Comprehensive Economic Partnership (RCEP), China’s Belt and Road Initiative (BRI), and the Sino supply chain networks, these states have benefited from the infrastructural, legal, and business linkages with China. At the same time, they have adopted robust strategies of “power rejection” hedging through engagement in multilateralism and selective embrace of the liberal legal order.
2. Taken together, the legal strategies of Southeast Asian states demonstrate a subtle use of law and policies that does not cater to either the Washington Consensus or the Beijing Consensus but aims to selectively cooperate with both. This suggests a highly functional regional model that may offers lessons for other states in their dealings with China.
3. To US policymakers, this model of legal hedging offers a number of policy implications:
 - a. First, despite conventional wisdom on Southeast Asia’s relatively inactive participation in international law, we are seeing increasing

participation and innovation in tandem with the region's economic rise. As such, opportunities exist for the United States to align its interests with Southeast Asian countries in supporting the revitalization of the region's economic and geopolitical rise, as an effective form of strategic competition with the PRC.

- b. Second, to be effective, the United States' engagement with Southeast Asian states needs to start from a basis of understanding of these states' use and vision of the international legal order. As the case studies show, Southeast Asian states, not unlike other secondary states, prefer a pluralist vision of international law, even if they may at times embrace the alternative model offered by big authoritarian powers such as China. Such instinct to stay embedded in multiple legal orders stems from Southeast Asian nations' wariness of being overdependent on any single outside force and of being pressured to take side in great-power rivalries. Providing the space for these states to embrace aspects of the current US-led legal order would thus enable their continued engagement.
- c. Third, it is critical for US policymakers to appreciate the legal and economic enmeshment of Sino-Southeast Asian economic ties, in order to ensure the effectiveness of US policies and enhance US competitiveness in the region. As one example, the dense linkages of the Sino-Southeast Asian supply chains can pose difficulty for the United States and other countries in enforcing tariffs and import exclusion on Chinese products. Effective enforcement may require cooperation from Southeast Asian host states. Additionally, the RCEP's liberalizing rules-of-origin regime will create barriers for US suppliers when trying to access ASEAN and Asian trade blocs. The United States will thus need to strengthen its trade and economic presence in Southeast Asia to overcome these structural barriers—as it already starts doing through the Indo-Pacific Economic Framework for Prosperity, the Just Energy Transition Partnership, among other initiatives.

- d. Fourth and finally, Southeast Asian states should be recognized on their own strength—that is, not just as a region to be won over, but as important international actors with significant experience on how to construct consensus and manage great-power conflicts. As is the ASEAN Way, Southeast Asia’s method is careful, sometimes ambiguous, and particularly sensitive to the reality of power disparity—a stark contrast to the narrative of democracy-versus-autocracy dichotomy. As with any model, while such a method may not transplant well to other contexts, it can at least offer valuable lessons to other countries, the United States included, in a new era of strategic dealings with China.

Chapter 9

Transnational Civil Society and Authoritarian Politics in China and Russia

Elizabeth Plantan

Abstract:

Over the past decade, China and Russia have both passed laws restricting foreign organizations or foreign support to civil society, including the 2012 “foreign agents” law and 2015 “undesirable” organizations law in Russia and the 2017 Overseas NGO Law in China. This essay compares these developments to understand 1) the motivation behind these laws and the extent to which authoritarian leaders in China and Russia are learning from each other’s responses to transnational actors or activism; 2) the response of international foundations and NGOs to these regulations and the changing nature of their operations in increasingly autocratic China and Russia; 3) the paths forward for transnational support of civil society in these countries, including support of activists abroad. In so doing, this essay provides important insights for policymakers and practitioners interested in continued engagement with civil society in China and Russia in light of these new developments. In particular, it offers insight into emerging trends in international philanthropy and transnational engagement in authoritarian contexts.

Policy Implications and Key Takeaways

- The essay finds some empirical evidence for shared motivations and “authoritarian learning” between China and Russia regarding perceptions of threat from foreign organizations or foreign-supported civil society, which helps to explain similar restrictive laws in both countries. However, an examination of how these laws impact foreign foundations and NGOs reveals that there are still many ways to continue engaging with civil society stakeholders from these countries despite the mounting constraints. Given the potential for authoritarian learning, international foundations and NGOs would benefit from recognizing the shared context and promoting opportunities for learning from within their own community.

Recommendations for INGOs and Foundations

- For INGOs and foundations, there is a pressing need to not only share best practices with other groups operating in authoritarian contexts, but also to learn from other country offices within their own organization. Given the evidence of authoritarian learning behind growing restrictions on foreign organizations, adaptations from the Chinese or Russian context might inform others working in these or other authoritarian spaces with similar laws.
- For those groups operating in China, there is still room to work on certain topics and, in particular, to engage on philanthropic capacity of Chinese partners. Still, funders operating in this space should communicate more regularly to make sure that their activities are not over-crowded in one or two permitted areas of work. Groups operating in Russia will have to make decisions about whether continued support of civil society groups in Russia is worth the risk but should do so in close consultation with their partners and grantees.
- For those INGOs and foundations that can no longer operate in these contexts or are looking to pivot their activities to hedge against risks,

there are several other ways to remain engaged. One is working with partners in third country contexts on joint projects, such as those related to the impact of Chinese investment abroad, global environmental issues, or humanitarian aid. Another pathway is by supporting activists and their former partners from authoritarian contexts who are now abroad. This includes not only helping former partners leave the country, but also continuing to facilitate their activism from abroad. There is also a need within this community to have more training on digital security and other ways to mitigate transnational repression of activists.

- Finally, INGOs and foundations could also engage more with broader diaspora communities, which includes potentially funding alternative sources of information in the group's native language to combat isolation and disinformation.

Recommendations for Policymakers

- US and European policymakers should not only understand the potential for learning between China and Russia and monitor their relationship, but also understand the differences between the two regimes and their openness to international engagement. Although Russia's war against Ukraine has further cut off Russia from the West, there are, by contrast, many windows of opportunity for continued engagement with Chinese civil society, and policymakers should still seek ways to support and facilitate continued people-to-people engagement.
- At the same time, US and European policymakers should become more engaged in combatting transnational repression of exiled activists from authoritarian regimes like China and Russia, especially as these regimes may be sharing or learning about these practices, as well. Humanitarian visa and asylum policies for activists at risk should also be strengthened.
- Finally, private and government funders should consider easing reporting requirements for grantmaking in these contexts to ensure the safety and

security of grantees and enable INGOs to have the flexibility to respond to emergency situations. Funders should also consider widening the scope of grantmaking from a focus on funding only those who are in country to also include exiled activists and diaspora groups located abroad.

Chapter 10

China-Russia Convergence in the Communication Sphere: Exploring the Growing Information Nexus

Maria Repnikova

Abstract:

This paper examines China-Russia relations through the lens of information politics. Specifically, it analyzes the extent of the bilateral “information nexus” or the strengthening of ties between the two sides in the communication domain, and its key dimensions, limitations, and policy implications. Drawing on a mix of primary and secondary sources in Chinese and Russian languages, this study demonstrates a growing and systematic coordination and collaboration in the information sphere at the bilateral level. The analysis uncovers an increasing institutionalization and socialization in bilateral media relations and efforts at content co-production and synchronization of mutual media coverage. At the same time, this relationship also faces some limitations, including inconsistency and asymmetry in media interactions and limited coordination directed at global and non-official contexts.

Policy Implications and Key Takeaways

US policymakers should treat the information domain as integral to China-Russia relations. In the past three decades, the two countries have institutionalized their media ties, embarked on routine socialization of their media professionals, co-produced selective content, and publicized mutually complementary content in their state media. While the joint distribution of explicit disinformation thus far presents a relatively minor part of this information nexus, the convergence in China-Russia communication ties

still poses a number of challenges and implications for US policy interests:

- First, it creates opportunities for the diffusion of norms and values, and for shaping public opinion in both countries in favor of this relationship. It creates a symbolic cushion for this relationship that can potentially help mitigate other tensions and suspicions.
- Second, Chinese and Russian outlets practice subtle forms of disinformation in their mutual coverage, such as biased usage of sources. A broader conception of disinformation is needed to incorporate these less perceptible means of shaping public opinion.
- Third, China's symbolic ties with Russia serve to bolster China's discourse power and media reach in important global contexts like Central Asia, which further complicates the US-China competition for narratives.

The gaps in the China-Russia information collaboration also present opportunities for the United States:

- First, the concentration of bilateral efforts on partnerships amongst official national media leaves space for shaping public narratives about China and Russia through non-official channels. More investment into training and forums for independent Russian and Chinese journalists, many of whom are now part of the diaspora, would help construct alternative narratives in local languages.
- Second, the Global Engagement Center and other institutions involved in public diplomacy should more forcefully target the post-Soviet space (especially Central Asia) in communicating both the US interests in the region and alternative narratives about China.
- Third, publicly underscoring the gaps and asymmetries in China-Russian information ties would help expose the limitations of this relationship, especially for audiences in the Global South that might be more inclined to consume Chinese and Russian media narratives.

Chapter 11

Ecological Civilization Goes Global: China's Green Soft Power and South-South Environmental Initiatives

Jesse Rodenbiker

Abstract:

China's involvement in Global South environmental and development issues is reshaping 21st century environmental governance. This report examines China's green soft power through multilateral and bilateral environmental initiatives and exchanges. It draws on interviews and fieldwork conducted during the COP-15 UN Convention on Biological Diversity and in Southeast Asia on environmental exchanges with China-based organizations. The report finds that China's environmental leadership in multilateral arenas has progressed significantly over recent decades as exhibited by successfully advancing the Kunming-Montreal Global Biodiversity Framework. However, the report finds China's ability to influence international actors to adopt shared values and positive associations to China is limited. The report, furthermore, examines case studies of state-state exchange in Thailand and civil society exchange in Indonesia. In each case, Chinese organizations provide essential support to advance local environmental goals. These exchanges, however, exhibit limited influence in shaping values and attitudes toward China, in part, because the field of international environmental exchange is highly saturated, particularly with international and Global North organizations. This indicates that China's green soft power, while on the rise globally, remains relatively weak. The report concludes that the relative weakness of China's green soft power is attributable to strong political economic alliances with Global North countries and international organizations, as well as China's fragmented authoritarian governance, which limits governance effectiveness in international environmental arenas. Rather than viewing green China rising as a threat, China's emerging environmental leadership harbors potential for enhancing international collaboration. Policymakers and civil society organization can engage with Chinese organizations and emerging conservation networks in the Global South to work toward shared environmental goals and enhance global environmental governance.

Policy Implications and Key Takeaways

- China is ushering in a new era of environmental leadership. Financial resources and human capital should be mobilized by policymakers to identify common goals and interests that advance international cooperation and environmental stewardship. Conserving biodiversity and mitigating climate change are essential to global security and peaceful international relations in the 21st century.
- Ecological civilization building is not only a political discourse in China, but a vision for global environmental change toward a socio-naturally optimized state of being. While the cognitive resonance of the discourse is strong with some people, it remains limited globally. It is imperative for policymakers and environmental practitioners to deepen their understanding of Chinese concepts of global environmental change, rather than viewing them as a threat. Furthermore, it is crucial to research and critically scrutinize environmental exchanges operating under this rubric to assess the processes involved and their socio-environmental outcomes.
- China's South-South environmental initiatives are not wholly directed by the state. Rather, there are numerous state, private, and civil society projects with distinct, yet occasionally overlapping goals. At times Chinese organizations compete with one another. Other times they cooperate. US engagement from policymakers and non-governmental actors should identify and capitalize on opportunities for cooperative exchanges with Chinese organizations to support conservation across Global South contexts.
- Policymakers should provide resources and programs to pluralize the types of organizations involved in Global South conservation. Moreover, training and tools should be developed for partner organizations to work more effectively in international environmental exchange and scientific knowledge sharing. Because one-size-fits-all models tend to be ineffective, flexibility and attention to locally-specific factors are crucial for successful socio-environmental outcomes.

- International environmental collaborations should be enhanced and new collaborations forged in effort to define and achieve shared global environmental goals. US institutions and civil society groups, such as NGOs, as well as universities, should seek collaborations with Chinese organizations and other international organizations through a variety of cooperative programs.

Chapter 12

New Propaganda: How China's Security Forces Seek to Shape Public Opinion

Suzanne E. Scoggins

Abstract:

For over a decade, Chinese security forces have invested in new forms of propaganda. From television to social media, the state's efforts are widespread and well-funded. But in no area have new propaganda efforts been more prolific—or entertaining—than on *Douyin*, the popular short video sharing app known as TikTok to the rest of the world. Why expend valuable and in many cases limited resources when the ability of propaganda to persuade domestic audiences is limited at best? I argue that new types of propaganda on *Douyin* are more integrated and persuasive than traditional propaganda, making them a powerful, though not unlimited, tool for communication with the public. To understand the scope and response to new security propaganda, this report typologizes propaganda efforts and uses text analysis to analyze public comments to videos posted on key accounts, providing insight into how new propaganda is created and received. The results show that propaganda is largely focused on traditional goals of demonstrating state strength as well as newer and more sophisticated efforts to educate the public and present positive images of police and military officers. Importantly, state-produced propaganda is inwardly focused on China and Chinese interests.

Policy Implications and Key Takeaways

- US policy makers must differentiate between generalized fears about the Chinese government's influence on social media and the actual content that is produced and consumed.
- PLA and Police propaganda on *Douyin* is focused on shows of military capabilities and efforts to educate or help the public. The most popular videos humanize officers by showing details of their everyday lives.
- Security Force propaganda rarely references the United States or other countries. Content is focused almost exclusively on China. Any shifts in this trend, especially during times of strained US-China relations, would indicate a significant break from past practices.
- User comments also seldom reference foreign countries and the United States. Of the nearly 100,000 comments analyzed, only 33 mention the United States, indicating that the China-centric focus of security propaganda is also echoed by its most engaged users.

Chapter 13

Democracy in Hong Kong: The Benefit of a Gender Mainstreaming Approach

Gina Tam

Abstract:

In June 2019, millions of Hong Kong citizens marched in opposition of an extradition bill, spearheading a movement that evolved into a broader campaign for a more democratic government and autonomy from the PRC. Among policymakers, the movement also became representative of the global fight against authoritarianism and a key focal point of the US government's efforts to support democratic movements around the world. Historically, this movement is the most recent example of a long history of

Hong Kong's democracy movement, which began in earnest during the colonial period. And while the world has long paid attention to Hong Kong's struggle for democracy, we have often paid little attention to the significance of women to its goals, tactics, and achievements. The purpose of this paper is to highlight the importance of women to the fight for democracy in greater China, with a particular focus on Hong Kong's democracy movement of the 1980s. This focus on gender will not only reveal a more complete picture of Hong Kong's fight for democracy, but also give a new understanding to how a democratic society—one in which political power, broadly imagined, is truly shared among citizens—can be built and sustained, not just in present-day Hong Kong, but in the broader Sinosphere.

Policy Implications and Key Takeaways

- Government supports for democracy organizations should conduct a gender mainstreaming analysis to consider how any organization's activities or programs affect all genders and their ability to participate as full, empowered citizens.
- Government supports for democracy organizations should consider the gender makeup of its leadership and empower women to be equal leaders in civil society organizations promoting democratic ideals. This should be done in consultation with the organizations themselves, who are often able to best gauge how foreign support would or would not serve them.
- Policymakers should not immediately presume that Chinese values or Chinese structures are inherently incompatible with democracy. Until recently, most Hong Kong people believed it was not incompatible for Hong Kong to both belong to the PRC and be a full-fledged democratic territory with universal suffrage and protected rights. The belief is just as important, if not more important, than powerful people in Beijing who claim that democracy cannot survive in a Chinese-led space.

Chapter 14

The Innovation Race: US-China Science and Technology Competition and the Quantum Revolution

Brandon Kirk Williams

Abstract:

Technology competition is the fundamental driver of long-term US-China strategic competition. Technology racing will define the bilateral rivalry over the coming decades, and it is an innovation marathon that American policy-makers must navigate to preserve the United States' security and economic competitiveness. After taking power in 2012, Xi Jinping launched a determined campaign to shift the vital center of science and technology (S&T) from the United States to China by pioneering emerging technologies such as quantum. Quantum technologies offer revolutionary potential to upend the geopolitical balance of power. Chinese champions are shifting away from deep investments in quantum communication to keep pace with American progress in quantum computing and sensing. In the next decade, quantum technologies will enter a new stage of maturity that will have the potential to disrupt economies and security. There is no certainty that the United States will retain its historic innovation leadership in quantum, nor that China will best the United States. The nation that best harmonizes its domestic innovation system will determine the course of the twenty-first century's economic and security order.

Policy Implications and Key Takeaways

- US-China strategic technology competition will be determined by the country that best optimizes its innovation system. Two innovation systems are vying for global primacy, but it remains unclear which country will capitalize on technological revolutions unfolding today and in the future. The nation that integrates the products of its S&T ecosystem and private sector will retain leadership in the decades to come.
- China aims to close the gap on the United States' public and private advances in quantum computing and sensing. The race to utilize quantum

has distinct first mover advantages. Ingenuity, dedication, and luck could yield strategic surprise.

- Investing in human capital for science, technology, engineering, and math (STEM) will pay dividends for quantum and a range of other emerging technologies. US policy should address reforms for immigration and devoting resources to K-Ph.D. education that can build a heterogenous STEM talent pipeline.
- The United States possesses a well of quantum soft power that China cannot replicate. An updated National Quantum Strategy is essential for tailoring the right policy solutions for accelerating talent cultivation, public funding, research and development (R&D), and private capital.

Chapter 15

Necessary Fictions: The CSRC's Stock Market Philosophy and its Implications for US-China Engagement

John Yasuda

Abstract:

Why do Chinese regulators continue to employ hard paternalistic tools that appear to undermine their efforts to build a better and more global stock market? In contrast to studies focusing on fleet-footed capital, political patronage, and state capitalism, this research project unveils the hidden *ideational* underpinnings of financial regulation in China to explain the persistence of hard paternalist tools. As a matter of Sino-American financial relations, the CSRC's interventionist behavior has fueled conflicts over information disclosure requirements, led to restrictions on US investments in China, and the de-listings of Chinese firms on American bourses. I argue that regulators in China, as they are elsewhere, are guided by a host of "necessary fictions" that undergird financial regulatory interventions. In particular, I highlight how Chinese regulators are driven by the specter of irrational investors, a paternalistic state, and an inefficient market. These economic ideas are self-reinforcing, and shape the way

regulators approach the market, sometimes with devastating consequences. In a moment where bilateral regulatory mistrust threatens to dismantle many of the financial ties built-up over the last three decades, understanding the mindset of the Chinese regulator becomes all the more important.

Policy Implications and Key Takeaways

- Whereas in the Anglosphere, financial regulation assumes the presence of rational investors, an arms-length regulatory state, and semi-strong commitment to the efficient capital market hypothesis, in China, the regulator is driven by the specter of irrational investors (the anchoring fiction), a paternalistic state (the enabling fiction), and distrust in the market mechanism (the rationalizing fiction).
- US Policymakers should remain skeptical that new financial reforms in the Chinese equity market—a proposed registration-based system, increased access to on-shore markets, and a liberalizing trading regime—will lead to genuine convergence on the US-led system of financial governance.
- Pressures from global capital and the gradual diffusion of financial ideas vis a vis technical assistance, regulatory exchanges, and increased engagement in international regulatory bodies have reached their limit. Despite extensive consultations from the 1990s, financial regulators in China have settled on a regulatory philosophy diametrically opposed to the one adopted in the Anglosphere.
- Conflict between the SEC and CSRC is likely to increase in the short-to-medium term. While compromise is possible if core regulatory principles of the CSRC are not violated, increased scrutiny will likely drive Chinese-listed companies back to Hong Kong or the Mainland. US government scrutiny of outbound US investment (either by House Select Committee on China or the White House) will undermine China's integration with the global financial order. This is an unavoidable consequence of the increased securitization of financial flows.

- One area for positive engagement with China is through the stock connect schemes via Hong Kong, which provide a number of safeguards for foreign capital, while also allaying Chinese government concerns about capital flight. These initiatives should be supported and used as a trust-building mechanism. However, the continued viability of the scheme is conditional on the “One Country, Two Systems” framework, which is under pressure.

Foreword

Stephen Del Rosso is the Senior Director of the International Peace and Security Program at the Carnegie Corporation of New York.

China's prominence in American foreign and economic policymaking and as focus of public and legislative interest and concern have only grown since the inaugural class of Wilson China Fellows was announced in 2020. Since, then a host of developments within and outside China have affected both the reality and perception of this country's evolving role in global affairs. Its autocratic governance system, aggressive behavior over Taiwan and the South China Sea, growing military might, and its conditional support for Russia's war in Ukraine, have hardened American opinion of its superpower rival. Credible public opinion surveys report that 83 percent of Americans have negative views of China, mirroring similar views of the United States in China in what has been described as echo chambers of discourse within both countries. With armed conflict between these adversaries no longer unimaginable, the deterioration of Sino-American relations has enormous consequences for international peace and security.

And although there seems to be bipartisan American consensus on the U.S. National Security Strategy's description of China as the "most consequential geopolitical challenge facing the country," differences abound between and within the Democratic and Republican parties on how best to meet this challenge. As part of the US "de-risking" approach to counter China's efforts to achieve technological and market dominance across sectors, US trade and investment controls and industrial policy have become areas of contention both domestically and internationally. At the same time, previous assumptions about China's dramatic economic growth can no longer be taken for granted given China's endemic environmental and demographic challenges, sluggish economic emergence from the COVID-19 pandemic, and what are increasingly seen as the fragile foundations on which its economy is based. Because of China's still pervasive role in global trade

and investment, the implications of this slowdown are bound to reverberate across both the Global North and South.

Notwithstanding the growing complexity and, at times, toxicity of Sino-American relations, as American Secretary of State Antony Blinken has noted, “China is also integral...to our ability to solve challenges from climate to COVID-19. Put simply, the United States and China have to deal with each other for the foreseeable future.” It is within this context that the need for Americans to better understand China’s internal developments and external policies remains vitally important. To address this need, Carnegie Corporation of New York supports a range of China-related activities, from Track II engagement to policy and public outreach to training. The Wilson China Fellowship program is a major part of this effort. The fifteen scholars and practitioners who comprise the 2022–23 class of multidisciplinary fellows have delved deeply into a wide range of important issues and, in keeping with the Wilson Center’s long tradition of advancing policy relevant research, have translated their findings into accessible form.

At a time when the ability of Americans to conduct field research or work in China has become increasingly problematic, and American policies and practices are discouraging Chinese counterparts from staying in or coming to the United States, the Corporation again seeks to advance its founder’s deceptively simple but timeless interest in promoting “the advancement and diffusion of knowledge and understanding.” We hope you find this most recent compendium of the work of Wilson’s China Fellows as an informative and useful expression of this abiding mission.

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Introduction

Robert Daly is the Director of the Kissinger Institute on China and the United States at the Wilson Center

The Kissinger Institute is pleased to present the work of the 2022–2023 cohort of Wilson China Fellows to the reading public. This volume, like the two that preceded it, brings together the scholarship of some of America’s best young China scholars to cast light on three vital questions: What is the nature of the relationship between the United States and China? How do superpower relations affect the interests and strategies of countries in the Indo-Pacific? And, most importantly, what is happening in China itself?

Thanks to the partnership of the Carnegie Corporation of New York, the Kissinger Institute has, to date, recognized the work of fifty-six scholars from the social sciences, the humanities, and law and has helped them form connections that will strengthen their disciplines and enhance the United States’ ability to understand China and its political, economic, and environmental diplomacy.

The China Fellows have delved into the history of their subjects from a purely scholarly point of view, but they have also produced required reading for policymakers, journalists, and diplomats. To cite just a few examples from this volume: Kyle Jaros of Notre Dame explicates subnational policies and attitudes toward China just as American states have grown suspicious of Chinese investment and have begun passing laws prohibiting Chinese entities and individuals from purchasing real estate; Suzanne Scoggins of Clark University wrote about how China’s security forces shape public opinion on national security issues before China amended its counterinsurgency laws and before the Ministry of State Security took a leading role in warning the United States to treat China with “sincerity;” and Gina Tam, of Trinity University, focused on women activists in Hong Kong just as women were taking a leading role in the White Paper Protests.

We hope you will read all fifteen essays in this collection. If you do, you will understand why the Kissinger Institute remains optimistic about the future of

American China studies despite the decline in demand for Mandarin courses nationwide, despite the collapse in bilateral relations, and despite the hyper-politicization of Chinese universities that is crippling higher educational exchange. Despite all of this, China Studies still attracts many of the best minds in America.

Thank you for your support of the Wilson Center and for your interest in the work of the China Fellows.

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2022-2023 WILSON CHINA FELLOWSHIP

Chinese Law and Development: Implications for US Rule of Law Programs

Matthew S. Erie is an Associate Professor at the University of Oxford and a 2022–23 Wilson China Fellow



Abstract

China is emerging as an alternative source for law and development for low-income and middle-income states. This is despite its conventional reluctance to engage in policy export abroad and, more immediately, its slowing economy, calcified rule, and a somewhat deprioritized foreign policy in the post-COVID era. A number of supply and demand factors account for the increasingly important role of law in its global development. On the supply side, against the backdrop of the decade-old “Belt and Road Initiative” and newer initiatives including the Global Development Initiative, Global Security Initiative, and Global Civilization Initiative, China is becoming increasingly assertive in offering “Chinese-style modernization” to host states in the Global South, part of which includes policy and law diffusion. Specifically, the Party-State has endorsed what is called “foreign-related ‘rule of law’” which is a bi-directional policy initiative that seeks to both integrate more foreign law into the Chinese legal system and also incorporate more Chinese law into foreign and international law. Beyond the political bluster and political signalling, there is evidence of such initiatives affecting legal practice and institutions. Legal organs are creating transnational networks with lawyers, judges, and businesspeople in host states to mitigate investment risk, share resources, and problem solve. Some of these networks have led to the establishment of legal institutions which, even if primarily symbolic, may gain traction over time. On the demand side, which is arguably more salient, host states value Chinese industrial policy, governance strategies, and digital ecosystem as facilitative of China’s economic growth model, of which law and regulation is part. Hence, host states borrow from Chinese law, policy, and standards. Even where China is not intentionally seeking to export its law, by the sheer size of its economic footprint in smaller states, the Chinese presence may have unintended effects on the domestic legal system. In the long run, these innovations may promote South-South solidarity but they may just as likely support the commercial and geo-strategic interests of Chinese enterprises which may have aggregate effects on access to justice, procedural transparency, and human rights in vulnerable states. How should US promoters of rule of law respond to Chinese law and development? While it is still early days for China’s legal development abroad, US policymakers should start thinking now about how to confront Chinese law and development, how to

work with host states on building local knowledge about Chinese law, and where the US may even learn from China's experimental efforts.

Policy Implications and Key Takeaways

- Whereas the US has held a privileged position in legal development assistance in the past several decades, it is no longer the only donor and needs to prepare for a more active China in this field. Against the backdrop of an increasingly visible China in the Middle East, Latin America, Central Asia, and Indo-Pacific in the post-COVID era, the normative resources of Chinese governance, including law, policy, and standards, hold some attraction to elites in nondemocratic or weakly democratic states.
- Rather than mimic what China is doing, which is, to some degrees the US approach in development generally (e.g., the Build Back Better World and Blue Dot Network are billed as alternatives to the Belt and Road Initiative), the US should build on its traditional strengths in supporting local actors in host states who are promoting rule of law. In fact, the US should not blunt its rule of law and democratization edge; the message needs to be communicated both more decisively and more broadly.
- Whereas the US has rejected engagement with certain regimes as a matter of principle, for example, as reflected in the Biden Administration's 2022 National Security Strategy with its emphasis on competition between democracies and autocracies, it may want to engage more coherently with those states on matters of legal development. Many states are trying to hedge between the US and China in a "decoupled" or "de-risked" world. Rather than non-engagement with those states, the US needs to develop long-term and comprehensive strategies to support rule of law in those states.
- China's efforts to nudge international law, especially international economic law, towards its own commercial and geo-strategic interests, which is one dimension of Chinese law and development, may present

a long-term challenge to US interests. The US needs to “ally shore” not just other G7 states but also emerging economies within multilateral organizations and international law bodies.

- The US needs to improve its record of access to justice and quality of rule of law at home to avoid charges of hypocrisy. As part of this, state and federal legislatures must reject out-of-hand laws which discriminate against Chinese in the US, for example, in terms of their right to purchase real estate. Such discriminatory laws significantly erode the rule of law in the US. The US can only engage in rule of law promotion abroad when it has sufficiently addressed such instances of injustice on its own soil.
- The US needs to stimulate innovation both within would-be partner states and also domestically. As to the former, a greater focus on building communities on the ground that can help communicate local needs is critical. Problem-based approaches should supersede mere technical programming. One dimension of the problem-based approach is being more actively part of local knowledge production about China’s footprint in-country. As to the latter (domestic innovation), members of the legal industry in the US have not yet sufficiently tapped the deep symbolic capital of US legal institutions to build connections with partner states, for example, through dispute resolution networks. In short, the US can learn from what China is doing without following its agenda.

Introduction

In the years following the 2008 world financial crisis, China became the largest trading country, one of the largest outbound investors, and the largest aid donor in the world. These trends accelerated with the launch of the decade-old “Belt and Road Initiative” (BRI), a program to create “connectivity” between the Chinese economy and those of partner states mainly in low-income and middle-income countries throughout the world through infrastructure and energy projects. Along with its increasing economic footprint throughout the world and especially in developing states, and despite its conventional reluctance to engage in the domestic affairs of host states and its own economic slow-down, China is becoming a player in the “law and development” industry. Most broadly, law and development refers to policy prescriptions for legal reform to facilitate economic growth. While it is still early days for China’s emerging role as a home state for law and development and China’s approach varies in important ways from traditional Anglo-American donors, this trend is likely to continue and has implications for US rule of law programs.

The People’s Republic of China (PRC or China) is, at least rhetorically, committed to reforming global governance.¹ In recent years, the PRC has launched the China Development Initiative, China Security Initiative, and China Civilization Initiative, which have built on relationships established through the BRI, and which promote China’s norms through existing and new multilateral efforts. Bilaterally, along with China’s capital export, China’s influence in recipient countries has grown considerably, and will likely continue to do so given recent diplomatic overtures and the push for “Chinese-style modernization.” Scholars have studied these evolving relationships through a number of lenses including, notably, international relations, diplomacy, lending practices, and “soft power,” among others.² Many of these are undergirded by law; in fact, law serve as a blueprint for such relationships by identifying parties’ rights and obligations, the terms by which agreements are made, and how the parties’ relationship is affected by disputes. In the Chinese context, formal law works adjacent to other sources of norms including policy, soft law, and technical and industrial standards, all of which can shape not only the bilateral relationship between China and host state but also, potentially, the host state’s legal and regulatory regimes.

This report, funded by the Carnegie Corporation of New York, focuses on a subset of a broader project, the “China, Law and Development” (CLD) project, based at the University of Oxford. A multi-disciplinary and international team of researchers with a background in law and social sciences have examined the role of law in China’s global development.³ This includes two levels of analysis: international and transnational law as well as the internal legal orders of host states that rely on Chinese capital. Started in 2019, the CLD project has collected empirical data from host states throughout the world, mainly low-income and middle-income states, as well as from the People’s Republic of China (PRC or China). As part of this larger project, this report identifies the key findings to date as pertains to legal development assistance, including China’s approach to bilateral development assistance as well as providing a typology of how Chinese parties are engaging with different areas of international law. The report also provides a set of policy responses for US rule of law programs.

The Background

China is a non-traditional legal donor and, in fact, its role in affecting change in other legal systems defies conventional definitions of legal development assistance. As traditionally understood, legal development assistance is a strategy by developed countries to provide advice and capacity-building to less developed or developing countries for a variety of reasons.⁴ These include the diplomatic importance of the bilateral relationship, historical ties, the volume of trade and investment between the countries, presence of cross-border diaspora, whether the host country functions as a satellite state for the host, and other causes. Specific support may take the form of providing expertise to draft legislation, advising on constitutional reform, reforming civil or criminal procedures, establishing law school curriculums, designing legal aid, providing training for lawyers, judges, and other legal experts, and establishing academic exchange. A number of countries provide such assistance, including the United States, United Kingdom, Germany, Japan, South Korea, and Singapore. International financial institutions such as the World Bank and International Monetary Fund as well as regional development banks are also important actors in legal development assistance usually through conditions imposed on recipient states in the course of borrowing loans.

The academic field that studies legal development assistance is called “law and development” and, reflecting its large role in the field, has been dominated by the United States.⁵ Starting in the 1960s, different types of US institutional actors such as the USAID and Ford Foundation but also prominent legal scholars at elite law schools began advising developing states in Latin America on how legal reform could stimulate economic growth.⁶ These actors brought with them certain assumptions about the nature of law, the adversarial process, and the relative roles of the state and the market.⁷ While these projects had a mixed record, law and development was given a boost in the 1990s through the “rule of law revival” which expanded such projects into Asia and former Soviet states to provide legal development support to transitional economies.⁸ Projects were informed by neoliberal prescriptions, and showed varied adaptation to local circumstances. Contemporaneous with such legal development assistance, US law in particular was gaining more importance in international transactions and international law through globalizing US law firms and the US’s ascendant position in multilateral organizations like the United Nations and NATO as well as its close links to the international financial institutions.⁹

China’s entry into the field of law and development, including its integration into international law, has very different origins from that of the United States. China was classified as a developing country in the 1960s and was a major recipient of World Bank and Asian Development Bank loans.¹⁰ Despite the fact that China’s own planned economy was only just industrializing at the time, and further, despite the fact that the PRC was undergoing domestic turmoil during the Cultural Revolution (1966–1976), nonetheless, the PRC became a donor to less developed states.¹¹ The main reason for China’s early entry into the development field was the interpretation of Marxist-Leninist principles by Mao Zedong and the Chinese Communist Party (CCP), specifically, Third World solidarity against imperialism. Afro-Asian connections were particularly vibrant following the Bandung Conference of 1955 and the establishment of the Asian African Legal Consultative Organization a year later. Chinese overseas projects followed. For instance, the PRC issued an interest-free loan of about a billion yuan to Tanzania and Zambia to finance the construction of the Tazara Railway between 1970 and 1975, and not only financed the project but built it with its own laborers.¹² Tazara became the first of many such mega infrastructure projects in Africa. Notably, these were

not legal development assistance, which is an important distinction from the US experience.

There are two main reasons to help explain why China has been an “infrastructure first, law second” donor. First, the PRC has valorized the principle of non-interference in its foreign policy and perceives non-interference to be the bedrock norm of international law.¹³ China’s position reflects its own experience of “semi-colonialism” during the late Qing dynasty when Western powers imposed extraterritorial jurisdiction on parts of south-eastern China and also China’s sensitivity about Tibet, Xinjiang, Hong Kong, and Taiwan. The second reason is that law is itself not a privileged category in Chinese political culture; rather, policy and even Party campaigns have often been more commonly used methods of social control than formal law.¹⁴ As a result, compared to American evangelicalism in terms of its law, China has not traditionally shown such levels of confidence. However, both these two factors are changing.

Given China’s deepening footprint in many host states, some of which are high-risk investment environments, China’s adherence to non-interference is slackening in practice. For instance, the PRC or its proxies have favoured certain politicians and political parties in host states, installed security forces, mediated cross-border disputes, and engaged in overseas arrests and rendition without extradition treaties in place. As for law, in recent years, the PRC has attached much more importance to formal law. The 2014 Fourth Plenum of the 18th Central Committee of the CCP, colloquially called the “rule of law plenum” marks one milestone in this recent history, with another being the 2020 launch of the “foreign-related ‘rule of law’” (*shewai fazhi*) initiative.¹⁵ Hence, these obstacles to a more proactive legal development assistance approach are somewhat muted. This is particularly true under the push for “Chinese-style modernization” (*Zhongguo shi xiandaihua*) which Xi has touted as a corrective to Western modernization, although the contents of his alternative remain vague.¹⁶ Still, while China has studied US and other developed economies’ methods to supporting legal development overseas, China demonstrates a range of approaches that diverge from the orthodoxy.

Against this backdrop, the CLD project has sought to understand how Chinese authorities engage in the field of law and development. To be clear, the use of law and development in the CLD project refers to not just bilateral

assistance¹⁷ but also the extent to which China may “nudge” international law norms, practices, and principles towards its own interests.¹⁸ The two levels are related as international investment law frameworks, for example, can shape bilateral investment. As for the latter category of international law, international economic law, including trade and investment, has been the primary focus, although we view these issues as intrinsically related to questions of public international law, including human rights.

As a subset of the larger CLD project, research questions pertinent to this report include:

1. Is there a strategy of legal development that China promotes overseas?
2. What are the specific methods or mechanisms used to support China’s version of legality abroad?
3. How do host states respond to such efforts?
4. What are the effects—intentional or otherwise—of Chinese projects in recipient states?
5. How do institutional actors seek to change different areas of international law?
6. What are the lessons that non-Chinese stakeholders (e.g., host states and American proponents of rule of law) need to know?

To address these questions, the CLD research team has conducted long-term qualitative fieldwork in a number of countries, both host and home states. In the following section, I describe the methodology and data before discussing the preliminary findings.

Methodology and Data

The CLD research team has been conducting research since 2019. The COVID-19 pandemic negatively affected both the method and object of the

study. First, the research design focused on qualitative data to develop comparative case studies. This research design was, in turn, predicated on long-term immersive fieldwork and international travel. Visa bans and travel restrictions thus curtailed our ability to do research and delayed much of the fieldwork. Second, as the economic relationships are first and foremost, with law a trailing consideration, the project has been dependent on the amounts of capital export over the course of the last several years, and the amounts were likely affected over the course of the pandemic.

For example, whereas the official statistics from the PRC Ministry of Commerce indicate that Chinese overseas direct investment (ODI) remained constant over the course of the pandemic, non-Chinese scholars have suggested that Chinese ODI dropped by some 60 percent.¹⁹ According to both the World Bank and the United Nations Conference on Trade and Development, China's trade exports increased over the course of the pandemic while its imports slightly declined.²⁰ Chinese aid is notoriously difficult to track given that it is considered a state secret and thus figures are not made public. While the pandemic certainly rerouted central and provincial budgetary expenditures toward disease mitigation and recovery, China remains a major economy. Beijing's recent diplomatic overtures in the Middle East, Latin America, and Central Asia all suggest that China's relationships with emerging markets in the Global South will continue to grow in the post-pandemic period.

To collect data on how law may be playing a role in China's overseas development projects, the CLD research team, comprised of interdisciplinary scholars working at the intersection of law and the social sciences, conducted empirical data in China and in host states on the processes and effects of China's growing footprint in international law and the law of host states. Research produced by the CLD research team is available on the CLD website <https://cld.web.ox.ac.uk/> and has been published in a number of academic and policy-relevant outputs.²¹ Drawing from long-term qualitative fieldwork in a number of countries, this report summarizes some of those findings with respect to both what China is doing; the report further suggests how the US may respond. With this description of the research design, the next section turns to some of the preliminary findings.

Investment Risk Mitigation

One of the primary drivers for Chinese law and development is to mitigate investment risk in the host state. The BRI, for example, covers some of the riskiest countries in the world.²² Chinese investors face different types of risks in different countries, including economic, political, compliance, and legal risks. The great range of countries China is actively conducting business in present a similar diversity of such risks. Each country presents its own (different levels of) challenges.

Given the profile of investment destinations, one immediate question pertains to the nature of Chinese investment. Chinese state-owned enterprises (SOEs) and private companies have different levels of risk tolerance. Chinese SOEs in energy, construction, and telecommunications, for example, have been the vanguard of the BRI projects. Chinese SOEs are generally perceived to be instrumentalities of the state and carry out geo-strategic (and not just commercial) functions of the government.²³ Their risk tolerance appears higher (sometimes significantly so) compared to private companies. Oftentimes, Chinese embassies and consulates in host states will try to mediate in problems encountered by Chinese SOEs as one strategy of mitigating loss. At the end of the day, however, Chinese SOEs can bear significant economic losses in the course of their business abroad.

This calculation is different for private companies. First, the question of whether any company is truly “private” is a challenging one. Even if not “public” in terms of ownership, the PRC government and the CCP may have means of controlling nominally private companies through various horizontal linkages between the corporation and state or Party units.²⁴ Many Chinese managers may also wear “two hats” meaning they may have a position in a governmental or Party capacity. This is not to say that the CCP dictates everyday matters in private companies, but it may have oversight over major business decisions, such as investing in politically sensitive projects.

With a view to the complicated relationships between the Party-State, on the one hand, and SOEs and private companies, on the other hand, Chinese ODI to some degree challenges the conventional notion of “investment” in terms of acquiring an asset with the aim of obtaining appreciated value given that commercial logic does not always apply to Chinese projects. The clearest example of this is the China-Pakistan Economic Corridor, valued at some \$62

billion, which has struggled through regime change, labor strikes, extensive delays on the part of local governments, charges of “debt traps,” fatal terrorist attacks, and extensive litigation—all reasons why most investors would have cut their losses, and yet the Chinese remain. Clearly geo-strategic aims justify China’s losses.

In terms of the nature of the risks Chinese face in the course of their projects, one consistent source of economic and reputational damage has been domestic legal systems of host states. Chinese companies have repeatedly bemoaned the underdeveloped state of host state law.²⁵ Specifically, they complain about judicial corruption, bureaucratic morass, time delays, exorbitant costs, and distrust of local lawyers to name a few concerns. Chinese investors have three possible responses to the problem of local law: change it, avoid it, or lump it. Chinese are generally reluctant to do the first, although this is changing, as discussed below.

They evade it when they can, and this usually takes the form of choosing international commercial arbitration in their business contracts. By its nature, international commercial arbitration bypasses local courts as parties have autonomy to decide where their arbitration is seated, and therefore what law applies to the proceedings. Arbitration is conducted through a kind of “private order” that is independent of the court system belonging to the jurisdiction wherein the parties are doing business and the arbitration award is confidential, meaning that parties do not air their dirty laundry out in the public. As a result, Chinese have become strong exponents of international commercial arbitration. They often use Hong Kong or Singapore as seats or, when possible, a Chinese city, although the opposing party may balk at the idea. The Chinese have also developed their own international litigation capabilities to deal with the same problem of local courts. Not only has China established the much-discussed China International Commercial Court, but has also built municipal-level international courts in over ten cities across the country. While many of these new institutions are primarily symbolic in nature, they may gain some level of traction among parties overtime as stakeholders improve institutional capacity and proficiency. Lastly, China has pushed business mediation as an alternative to local courts. China prides itself on its long history of “popular mediation” (i.e., grassroots mediation conducted to address interpersonal disputes) and while business

or commercial mediation differs from the Chinese-style popular type, the government, chambers of commerce, and the legal services industry have created a number of mediation centers for cross-border disputes. However, as with arbitration and international courts, there is likely an over-supply of commercial mediation centers.

Chinese companies also lump it when it comes to suits in local courts of host states, meaning that they simply accept the costs, financial, reputational, and otherwise, as part of their long-term presence in (and commitment to) that jurisdiction. The CLD project has collected a number of cases across the Global South that prove that Chinese companies face a steep hill in navigating local forms of justice. Lawsuits run the gamut from civil and commercial (contractual, breach of duty, IP, product liability, privacy, etc.), public and administrative (regulatory, enforcement, tax, public procurement), torts (wrongful death, assault, etc.), and criminal law (smuggling, drugs, corruption and bribery, etc.). From the number and frequency of the suits, it is clear that there are widespread problems in Chinese firms' adaptation to local jurisdictions. While Chinese parties have opted for more informal and indirect approaches to deal with these problems, occasionally, they change the host states' formal laws or there are unintentional knock-on effects of their presence, as I show below.

Networked Justice

One of the defining features of Chinese law is its relationality. This is the idea that law is embedded in social relationships, and those relationships are more important than legal rights or redress for harm. Scholars have noted the networked nature of the legal profession in China, including judges, lawyers, and other experts.²⁶ Networks are both a seemingly naturally-occurring feature of the legal profession in China and also a concerted effort by members of the network. These networks are extending outside of China, suggesting that *guanxi* (what are perceived to be distinctively Chinese social ties) can also be cross-cultural.

A number of actors in China are building transnational networks. On the governmental side, the China Law Society, Supreme People's Court, Supreme People's Procuratorate, All China Lawyers Association, the Ministry of

Justice, National Judges College, and Ministry of Foreign Affairs are all creating professional networks. They do so by holding conferences, trainings, and other cooperative events, which were held online during the pandemic. Foreign lawyers attend the sessions to learn about developments in Chinese law (especially law and technology like smart courts). While content is usually more bread-and-butter such as Chinese commercial law, Chinese constitutional law, and the like, it can also be ideological as in the instance of “Xi Jinping Rule of Law Thought” being taught to foreign judges in the National Judicial College trainings. The events that bring the networks together can be mainly ceremonial, but the resulting networks can be instrumental for cross-border business. Both trainer and trainees have said that the people they met through the network have helped them on a variety of matters, whether referrals for local counsel, identifying potential clients, or for contacting relevant officials.

Sometimes, networks may lead to legal change and even institutional outcomes. For example, it was trainings of Uzbek officials along with members from 35 other BRI countries on cyberspace, big data, and media management in 2019 that led those Uzbek officials to introduce a Data Protection Law and bylaws later that year. As with most recipient states, Uzbekistan looked to a number of different sources of law in promulgating its own law and yet the Ministry of Justice put particular emphasis on legal cooperation with the PRC. Similarly, it was the traveling back and forth of political elites in Cambodia to China that led to the borrowing of language in the Chinese Constitution for amendments to the Cambodian Constitution in 2018. Those amendments made Cambodia the only other country in the world, other than China, to include a specific prohibition against actions by citizens that can be construed as having a negative impact on state interests. A third example comes from Vietnam where consultants from Shenzhen travelled to Hanoi to advise the Vietnamese on drafting a Special Economic Zone bill in 2018. While that bill ultimately failed due to popular protest fuelled by concerns that Chinese investors were gaining preferential treatment, Vietnam’s Cybersecurity Law, also modelled, in part, on the Chinese version, was passed in that same year.²⁷ A final example is the China-Africa Joint Arbitration Centre (CAJAC) which was founded in 2015 in Johannesburg after extensive consultation with Chinese arbitrators and in fact the earliest

version of CAJAC's institutional rules borrowed extensively from those of the Shenzhen Court of International Arbitration.²⁸ In each instance, transnational networks led to legal or institutional change in the recipient state. While some of these new institutions, like CAJAC, are often more about signalling collaboration than functional competence, they should not be dismissed prematurely and may grow in the future.

Chinese Views on International Law

China's and its host states' networked method to introducing legal change is reflected, in part, in China's approach to international law. International law, especially international economic law (i.e., trade and investment) provide frameworks for China's overseas development projects. For instance, China has entered into more bilateral investment treaties (BITs) than any other country except for Germany. The PRC has also entered into a large number of free trade agreements (FTAs), including the Regional Comprehensive Economic Partnership (RCEP), the largest free trade agreement in the world. For the most part, scholars have viewed China's adoption of these instruments as no different from any other state.²⁹ Indeed, in some regards, China acts like (developed) home or donor states.³⁰

This may be true, for the most part, in terms of China's approach to international economic law, but once the top layer of international investment agreements are peeled back and the analysis focuses on more granular aspects of practice, then the story becomes more complicated. In line with this, Chinese parties have varying approaches to different areas of international law. Briefly, I summarize them as: status quo power (international economic law, health law, environmental law), revisionist power (public international law, boundary disputes), and first-comer advantage in "frontier" (*qianyan*) areas of international law (data governance, global emissions, green finance, IP standards, health, international law enforcement, maritime, space, and oil and gas). China's different approaches to these areas depends on a number of factors, including its foreign affairs priorities, domestic policy needs, relative experience and capacity, and competitive advantage of the U.S. and other non-allies. Given space constraints for this report, I will not be able to provide a comprehensive assessment of each area; rather, I provide a basic characterization.

In terms of international economic law, which again, is the main area of law involved in China's integration into the world economy, China has for the most part been a supporter of the status quo. China's ascension to the WTO in 2001 came at a significant cost as the "WTO-plus obligations" were exacting and heavy, much more so than was the case for other members.³¹ Yet China accepted them and gained proficiency in the relevant rules over the last two decades.³² It is clear that the US takes issue with some of China's interpretation and application of those rules, especially in terms of the lightning rod issues of subsidies and anti-dumping.³³ Hence, there are apparent differences in terms of how a "state capitalist" system views trade law. In addition to these, and below the level of BITs and FTAs, China has built a thick lattice-work of soft law, including memoranda of understanding (MOUs) and memoranda of guidance (MOGs). These sources of soft law permit more flexibility, adaptability, and, frankly, non-transparency, than public-facing treaties or contractual agreements.³⁴ While below the MOUs and MOGs, there may be yet another layer of contracts (e.g., EPC contracts and sub-contracts). Yet the soft law layer is instrumental as it allows the parties which are often the PRC government and the host state government to create a framework for transactions, including their financial terms, which is outside the public domain, effectively excluding regulators, civil society, affected stakeholders, and so on. While Western governments and parties also use MOUs, the Chinese practice is much more extensive particularly in the context of the BRI.

China is more active in trying to shape international law in other areas, for example public international law, namely human rights. Starting in 2017, the PRC has supported a number of resolutions that have been adopted by the United Nations Human Rights Council (UNHRC) proposing the idea of "the contribution of development to the enjoyment of all human rights" (CDEHR). The CDEHR is a Chinese innovation although it overlaps with the "right to development" which originated with African initiatives in the 1960s. The CDEHR identifies development, understood chiefly in socio-economic terms, as a foundational human right, that is, human rights cannot exist without development. The prioritization of development creates a degree of hierarchy within human rights and addresses a long-standing interpretive difference between Western liberal proponents of human rights and Chinese ones, often inspired by Marxist views.

The CDEHR has gained traction in the UNHRC. For example, on May 28, 2021, the UNHRC held a virtual seminar on “The Contribution of Development to the Enjoyment of All Human Rights” that featured speeches by not only the Permanent Representative of the PRC to the UN and Chinese intellectuals, but also the UN High Commissioner of Human Rights, representatives from Brazil and Pakistan, and Jeffrey Sachs of Columbia University. Along these lines, China has supported five regional seminars in developing countries to further popularize the concept of CDEHR. While it cannot be said that the CDEHR has gained a consensus support in the UNHRC or that it is shaping domestic law in host states, it does demonstrate the gradual change that Chinese delegates can bring to create alternative ideas in public international law.

Another third category is the “frontier” (*qianyan*) areas of law where China is informing international law norms and practices given that the areas of law are either relatively new or unsettled. Unlike certain areas of law like the law of war where the norms are long established, the twenty-first century has introduced increasingly complex problems relating to technology, artificial intelligence, environmental crisis, outer space, and global terrorist networks that require appropriate international law responses. China is leading the way in some of these emerging areas. One example is data governance. China is developing a regime of data governance laws that is in many ways more sophisticated than many other developed economies.³⁵ This regime includes not only formal legislation and governmental agencies that regulate data content, transfer, and storage, but also the very prominent role of Chinese technology companies which act as “infrastructural agents” overseas.³⁶ China’s data governance regime is having effects in host states that may have more nascent laws for data and privacy concerns, although it is not a story of simple domination of Chinese norms.³⁷

In summary, on the question of China’s interpretation and application of international law as a developmental framework (domestically or overseas), the analysis has to drill down on specific areas. Different domains of law show different types of Chinese behavior. Transnational law and international law are not the only fields for Chinese activity, however, as it engages in questions of law and development abroad. There is yet another type of interaction with local law which is more inadvertent. I next turn to this question in the following section.

Accidental Empire

One of the chief insights that has come out of the study of “Global China” in recent years is contrary to the narrative of Beijing’s “long game.” In fact, much of what happens is ad hoc, unplanned, and unpredictable.³⁸ Diverse actors have their own interests and agendas, and, while they may seek to promote these within the broad outlines of a Beijing initiative, (e.g., BRI, “Chinese-style modernization,” or “foreign-related ‘rule of law’”), they may also try to nudge those outlines themselves, carve out their own projects, and even compete against each other. This is very much the story of Western empires that expanded often not necessarily through top-down well-planned strategies but rather through exigencies of extending rule over domains where home state entities were based and whose interests were endangered in some way or another.³⁹ Related to this, actors can have inadvertent effects in host states. The main reason for this is that Chinese businesses bring capital, resources, technology, labor, managerial know-how, and other forms of organizational expertise. These may have unintended effects on local state systems and those systems may respond in ways that are not always knowable *ex ante*. In short, there is a grey space between intentional and unintended effects.

One area that highlights these questions is the special economic zones China is helping to establish in host states, and what the governing law is in those zones (SEZs). One narrative is that China applies its law extraterritorially to those zones to create jurisdictional carve-outs in challenging legal systems. While China has created such carve-outs in its own SEZs, China’s SEZs in bordering Southeast Asian states and in Africa do not necessarily have the same form or function as these other ones. China clearly has much more control over SEZs in its own territory as well as Hong Kong where the PRC Central Government is indeed restructuring the legal system. It can design or experiment with applicable rules, accordingly, whether tax, customs, duties, labor, immigration, dispute resolution, and so on.

Co-establishing SEZs in other sovereign states is a different matter and requires a different sort of calculation. On the one hand, it does seem that Chinese companies and Chinese law may be given some level of preference in certain SEZs in some countries. To be more precise, preferences for Chinese companies in terms of the bidding process for major construction contracts, for example, may exist outside of SEZs in host states. This is the case, at least, for Pakistan.

Yet, the question of which law applies in SEZs is a complicated one and is determined by state legislation and any additional regulations specific to SEZs. International agreements and MOUs may also shape legal regimes on the ground and this is where the non-transparency of some of the soft law sources factors in. Some evidence suggests that some soft law agreements provide exemptions for Chinese companies operating in the country and in its SEZs. Whether Chinese law applies is a separate question and may likewise be determined by soft law or informal agreement. A third question is whether Chinese public officials and investors pushed such exemptions and applicability of their law or if host states simply acceded extraterritoriality to them.

A fourth question is whether it is Chinese authorities or unofficial, and often, illicit Chinese actors, who push Chinese “extraterritoriality” in these SEZs. Fieldwork in Cambodia’s Sihanoukville SEZ, a joint venture between Chinese and Cambodian developers and approved in 2006, shows that it suffers from some of these negative externalities. Approximately six years after the SEZ’s founding, when Beijing rolled out its anticorruption campaign, some of south-eastern China’s criminal underworld, the “black society” (*hei shehui*), moved over the border to Cambodia and became active in a host of illegal and quasi-legal activities in the Sihanoukville SEZ including online gambling, human trafficking, and prostitution. Problems grew so alarming that in 2020, Hun Sen, the Prime Minister of Cambodia, had to ban online gambling, the economic lifeblood of much of the criminals’ presence, resulting in hundreds of thousands of Chinese leaving Sihanoukville. Such SEZs, then, are less Chinese legal carve-outs and more zones of lawlessness; they show the negative spill-over effects of Chinese law and political campaigns across borders. Meanwhile, local law enforcement either is ineffective or is itself benefiting from kickbacks. Either way, local communities suffer. There are similar accounts in countries like Laos, Thailand, Myanmar, and elsewhere.⁴⁰ In summary, usually, the deeper the analysis drills into the empirics of the context, the more complicated the picture becomes.

By way of another example, against a backdrop of indebtedness to China, Sri Lanka passed a controversial Colombo City Economic Zone Bill in 2021 that provides the governance structure for an SEZ financed by a subsidiary of China Communications Construction Company for a cost of \$1.4 billion in exchange for a 99-year lease from the Sri Lankan government. The

bill does not expressly provide for the application of Chinese law but it does propose an International Commercial Dispute Resolution Centre that would use arbitration, effectively ousting the jurisdiction of Sri Lankan courts. As discussed above, such dispute resolution mechanisms have been preferred by Chinese investors in the past, and the bill's provision opens the door to the use of Chinese law as governing law of arbitration pertaining to SEZ-related disputes. Yet, this possibility differs from the blanket application of Chinese law in the Sri Lankan SEZ. Many SEZs likely endorse choice of law provisions which similarly opens the door to the application of Chinese law without explicitly providing for the sole use of PRC law. To summarize: while *de jure* (even soft law "formal") extraterritorial application of Chinese law may be happening in certain circumstances, often Chinese law may *de facto* apply as a choice of law.

The question of intentionality, for example, who in the Sri Lankan example, pushed for the dispute resolution provision, and the role of Chinese investors, in particular, is hard to ascertain empirically. There is no question that Chinese authorities have deployed trade or economic coercion in some of its dealings with smaller states.⁴¹ Host state initiatives to create carve-outs for Chinese parties may occur against these backdrops or may also occur under softer forms of influence and mutual desire to maintain the bilateral relationship. It is important to understand the difference as more accurate diagnoses can lead to better policy responses on the part of host states and the United States.

Conclusion

It is still the early stage of Chinese law and development, a multi-pronged and evolving set of relationships between Chinese law, on the one hand, and foreign and international law, on the other hand, in the context of China's global development initiatives. It is important not to overstate what China is doing. China is not transplanting its "rule of law" system overseas through industrial policy transplant and extraterritorial jurisdiction. Likewise, China is not dominating local judges by indoctrinating them into Xi Jinping Rule of Law Thought. What China is doing is creating transnational networks of legal professionals to support its commercial and geo-strategic interests abroad; and some of these networks lead to institutional or legislative change in those

host state destinations. Moreover, the PRC authorities are creating platforms within the PRC to deal with more foreign law and international law issues in the course of cross-border business, including development projects.

Beyond the level of bilateral legal interactions, Chinese experts are active in most all major international law organizations, especially those for trade and investment. Chinese delegates are active in the UNCTAD, UNCITRAL Working Groups, industrial and standard setting organizations like the ISO, and, of course, the UN system. While it is a slippery slope to conclude that every PRC national working in such a capacity is furthering the interests of the CCP, and such equations are discriminatory, the Party-State's interests can be furthered through such activities.

If one zooms out and assesses the likely long-term effects of China's growing footprint in global governance through international and local host state law, then one can see China having more of a say in certain areas of law. The emerging "frontier" areas where China either has a first-comer advantage (e.g., AI regulation, data law, space law, etc.) or has focused its material and military resources to reshape or pre-empt the law (e.g., maritime law), are particular areas of concern. It is through these areas where China will seek to further its commercial and geo-strategic interests. In so doing, China is acting as any major state, yet what differentiates China from predecessor is the role of the CCP and its intolerance for freedom of speech, movement, belief, and other values privileged by Western liberal states.

At the level of local law in partner states, Chinese law and legal and political institutions may gain traction as host states seek alternatives to liberal law and institutions that appear less attractive than they did, say, a decade ago. Assuming China continues its economic growth (and, as of the time of the writing of this report, this is an assumption to underscore), then low-income and middle-income states, especially those in Southeast Asia, but also those in Africa and Latin America, may gravitate towards Beijing's approach to law and development. In the long-term, there may be more mimicry of China's authoritarian law in such jurisdictions, yet localized for specific jurisdictions with their own political, economic, and cultural exigencies. There may be legal development, but also *under*-development, as some of the unintended effects of China's version of economic globalization may erode host state regulatory systems or whatever checks and balances are in place.

In response, US lawmakers and policymakers must adopt a granular and empirically informed assessment of Chinese involvement either in host state or international institutions. Otherwise, they run the risk of forsaking the principles that make the US system what it is, namely, fairness, due process, and equality. Carrying those principles forward into US foreign policy on these matters remains more important than ever.

Host states are not passive vassals in the evolving de-risking landscape, and the United States needs to treat them accordingly. US actors can participate in the knowledge production about Chinese projects on the ground in these countries, and do so in a way that avoids the perception that the US experts are lecturing local counterparts. Rather, the United States can establish workshops to discuss common problems, and can also convene events that bring actors, including NGOs and activists from multiple jurisdiction together, so that they can learn from each other. One problem of Chinese law and development is that it tends to silo such actors and there is little cross-jurisdictional learning. The United States can help facilitate such new networks.

Along these lines, the United States can learn from what China is doing. At one level, Chinese authorities are trying to build dispute resolution institutions such as the China International Commercial Court that invite foreign experts, including those from developing states, to participate in proceedings. So far the China International Commercial Court has been more ceremonial than substantive, but there is value to what the Chinese purport to be doing. US rule of law promoters can also think more inclusively in terms of building platforms for sharing resources and expertise between and among states identified for development assistance. Inclusivity means inviting experts across racial, gendered, and nationality lines so that the United States can confront and disprove perceptions that its legal institutions are “male, pale, and stale” and exist to legitimize US hegemony. Conversely, the United States can make more of the deep symbolic capital of its own dispute resolution institutions and law schools, to generate more links with developing states through affiliations, partnerships, and programming. In addition to building new inclusive institutions that showcase American leadership, the United States needs to take seriously existing multilateral institutions and show true commitment.

Across areas of international law, there are opportunities for the United States to work with partner states to find equitable solutions to pressing

issues. Most immediately, given that environmental crisis is upon us and global warming represents perhaps the most urgent threat to development and human flourishing, the United States can more effectively implement the Paris Agreement. The United States can do so through its own enhanced emission reduction targets and clean energy investments. It can also foster international collaboration, including with the PRC, to share best practices and technological solutions. The United States can also be a champion of climate diplomacy and encourage other countries, including China, to enhance their own commitments to mitigating global warming and aligning their domestic laws and policies with the Paris Agreement.

The frontier areas of law also present opportunities. For example, the United States can become a leader in digital development. The Digital Economy Economic Partnership Agreement (DEPA), for example, promotes digital trade between small economies and has Chile, Singapore, and New Zealand as signatories. Large economies are not excluded, however, and China has already made inroads to accede to DEPA. The US has, thus far, shown little interest. If the United States did join, it would provide an important vehicle for the United States to demonstrate strategic engagement in the emerging field of digital trade and inclusion.

In short, there are a number of ways that the United States can continue to promote “rule of law” abroad, including through international law organizations. China has emerged as a newcomer to the area of legal development assistance. To date, many of its initiatives are marginally effective, but it is learning. The United States needs to take seriously what China is doing in this space—intentionally and in terms of the unintended knock-on effects. The United States can develop means to challenge China’s efforts, but it can and should also focus on means of collaboration. Development is not a zero-sum contest, and the most urgent problems of development, including poverty alleviation, environmental collapse, and inequality, may be too heavy a lift for either the United States or China working adversarially.

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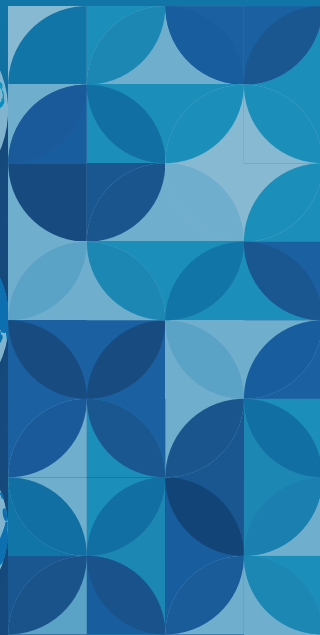
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2022-2023 WILSON CHINA FELLOWSHIP

State-level US-China Relations at the Crossroads: Predicaments and Prospects for Subnational Engagement

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Abstract

The subnational level of the US-China relationship has become increasingly important but remains poorly understood. Over the past several decades, many US states have engaged extensively with Chinese official counterparts to promote economic development, educational cooperation, and cultural exchange. Once routine, these forms of subnational interaction with China have attracted fresh scrutiny and grown politically fraught amid worsening US-China relations. In this essay, I examine the stakes of state-level engagement with China and the challenges that have arisen as low politics and high politics blur together, considering the dual risks for US states of unbalanced engagement and radical recoil. To better understand how states are navigating a rapidly changing US-China relationship, I carry out a detailed case study of Indiana-China interaction while also exploring broader nationwide trends. Through this analysis, I develop insights into the drivers of both historical moderation and recent volatility in state-level relations with China, and I distill lessons and recommendations for policymakers at both the state and federal level.

Policy Implications and Key Takeaways

State-level US-China relations, which center around economic links, educational cooperation, and cultural exchange, have become an increasingly prominent and polarizing part of the US-China relationship in the past five years.

- The case of Indiana, a relatively typical state in most respects, highlights the practical significance of subnational ties and the increasing politicization of such ties.
- Indiana's ability over the past five years to chart a middle course between unbalanced engagement and radical recoil has depended on executive-level commitment, dedicated institutional capacity, pragmatic Chinese partners, and limited politicization. However, some of these conditions are in doubt at present.

- States and the federal government should work to forge common guidelines for subnational engagement with China and should expand efforts to educate state- and local-level policymakers on the complex stakes and dynamics of US-China relations.

Introduction

State and local interactions with China form a critical yet often neglected piece of the larger US-China relationship.¹ Though most visible in western states such as California and Washington,² subnational engagement with China extends nationwide, involving the heartland and the coasts, red states and blue states alike. Fifty sister-state/province arrangements and over 200 sister-city relationships have taken shape since Ohio and Hubei became the first pair of regions to formally partner in 1979.³ Subnational engagement in the form of reciprocal official visits, trade- and investment-promotion delegations, university partnerships, science and technology cooperation, and people-to-people exchanges grew especially quickly in the 2000s and 2010s.⁴ Though these subnational links are politically overshadowed by relations between Washington, DC and Beijing, they have been both a mainstay of US-China engagement and, in recent years, an increasingly prominent site of tensions.

Like the foreign relations of states and localities more broadly, or what scholars such as Duchacek and Tavares term “micro-diplomacy” or “paradiplomacy,”⁵ US-China subnational engagement in the early 21st century centered on everyday issue-areas such as economic development, educational cooperation, and cultural exchange. These pragmatic, “low politics” domains traditionally have stood in contrast with the “high politics” of national security and international diplomacy.⁶ For this reason, subnational relations have been regarded by some observers as a form of ballast in an increasingly topsy-turvy US-China relationship.⁷ Consistent with this view, many US states’ and localities’ China ties expanded in the early 2010s even as national-level US-China relations cooled.⁸ During the past five years, however, US-China tensions have threatened to upend subnational engagement with China, as high and low politics issue-areas blur together. Amid overt economic and geopolitical competition, even once-routine forms of state- and local-level US-China interaction have come under scrutiny. And, between 2020 and 2022, the Covid-19 pandemic that originated in Wuhan, China disrupted economic relations and people-to-people contact, worsening an atmosphere of mutual suspicion.

Against this backdrop, subnational US-China relations have experienced unprecedented “securitization.”⁹ At the federal level, officials such as FBI Director Christopher Wray have raised the alarm about how state and local

engagement with China exposes US communities, businesses, and government institutions to malign foreign influence, economic predation, and national security threats.¹⁰ State politicians such as Florida's Ron DeSantis have also been vocal about concerns of alleged CCP infiltration and have proposed or supported far-reaching measures to restrict official, economic, and educational links with China and PRC-affiliated actors.¹¹ Tapping into public anger and suspicion over the Covid-19 pandemic, state attorneys general from Missouri, Florida, and various other US states have pressed the federal government to hold China's leadership accountable for the pandemic or have filed lawsuits themselves.¹²

Despite growing politicization, however, subnational engagement with China has not ceased. In recent years, California continued its high-profile cooperation with Chinese central and local government entities: in December 2021, leaders from Los Angeles and Guangzhou marked the 40th anniversary of their Sister-City Relationship,¹³ and in early 2022 the State of California renewed an MOU on climate cooperation with China's Ministry of Ecology and Environment.¹⁴ Indiana, hardly a west coast liberal bastion, renewed an official partnership with Zhejiang province in 2019 and welcomed the Chinese ambassador to its 2022 Global Economic Summit. There is no question, however, that subnational engagement with China has diminished in recent years and faces major obstacles.

This essay explores how mounting US-China tensions and the disruption of the Covid-19 pandemic have reshaped interaction between US states and PRC counterparts. I examine the challenges state-level actors face as they try to balance the opportunities and risks of cooperating with China, and I trace their changing policy approaches. Three related questions guide the analysis: First, in what ways have pragmatic domains of state-level relations with China become entangled with political and security competition? Second, to what extent have rising tensions—along with the disruption of Covid-19—derailed subnational engagement? Third, how have state leaders navigated a rapidly changing landscape of US-China relations to avoid what I call *unbalanced engagement*, on the one hand, and *radical recoil*, on the other?

To address these questions, I combine a detailed case study of one state's evolving China approach with discussion of broader trends in subnational US-China relations. As the self-proclaimed "Crossroads of America," and a

middle-of-the-pack state in most respects, Indiana is a useful case for understanding the larger predicament of state-level ties with China. I trace the recent history of Indiana's official and quasi-official engagement with China, showing how—at least until recently—the state has avoided both complacency and overreaction amid US-China tensions. To gain insights into Indiana's experience and more general dynamics in state-level US-China relations, I draw on evidence from elite interviews, English- and Chinese-language written sources, and a new dataset on subnational US-China ties compiled by Jaros and Newland.¹⁵

Indiana's experience points to the role of executive-level commitment, dedicated institutional capacity, patient partners, and limited politicization in sustaining cooperation for years even as US-China strains mounted. But analysis of the case also underscores the growing political difficulties of working with Chinese partners and the growing risk on the domestic front of hastily crafted China policies that create collateral damage. For policy and practice audiences, the paper attempts to develop new analytical frameworks and policy recommendations relevant to actors at different levels of government. For academic readers, the paper offers new evidence and hypotheses about the dynamics of subnational foreign engagement during a period of rising great power tensions.

Subnational foreign engagement amid great power tensions

Scholars' understanding of subnational foreign relations has largely taken shape over the past four decades, a period of global economic integration and muted great power rivalries. We know less about the dynamics of paradiplomacy when international tensions spike and security concerns come to the fore—as has happened during the past five years in the US-China relationship. Under such circumstances, subnational actors may intentionally take on matters of political and security sensitivity; they may also find that such issues have arrived on their doorsteps unbidden. Less well equipped to navigate foreign affairs and security matters than national governments, subnational actors risk either underreacting or overreacting to changing political conditions.

Blurring low and high politics

Foreign engagement by states, provinces, and localities has a long history but has proliferated in recent decades in tandem with economic globalization and governance rescaling.¹⁶ Subnational diplomacy is least contentious when states, provinces, and cities can venture abroad without wading too far into geopolitics. In his classic account of “micro-diplomacy,” Duchacek notes the centrality of trade and investment promotion, environmental cooperation, transportation, and tourism to the foreign relations of states and cities.¹⁷ Fry discusses how states and localities have gone abroad to protect and advance their economic interests in a rapidly integrating global economy.¹⁸ Similarly, Hocking explains that “complex interdependence” in world economy has invited “localization of foreign policy” in routine issue-areas,¹⁹ while Tavares highlights the emergence in a globalized economy of policy areas that are “intermestic”—neither fully foreign nor fully domestic.²⁰

While central governments typically hold constitutional authority over matters of international security and statecraft, they often allow—or even encourage—subnational authorities to pursue less-sensitive interests abroad. In the US context, states (and lower-level jurisdictions belonging to them) are barred by Article I, Section 10 of the Constitution from entering into any “Treaty, Alliance, or Confederation” with foreign powers. However, they may form foreign “agreements” or “compacts” with the consent of Congress, and, as Scoville explains, “a modern view suggests that, even without congressional consent, states may generally enter international commitments that neither qualify as ‘Treat[ies]’ nor implicate the Compact Clause.”²¹

China’s provincial and sub-provincial jurisdictions have also carved out a sizeable role in foreign relations, albeit one that is strictly subject to central party-state guidance. In a context of great power détente and economic globalization after the 1980s, Chinese provinces and cities enjoyed growing latitude to pursue political relationships and economic opportunities overseas. Work by Summers, Li, and others highlights the agency of provincial actors in China who are able to navigate within the broad parameters of Chinese foreign policy to pursue trade and investment links abroad as part of a larger process of economic internationalization.²² Even scholarship focused on the Xi era highlights the local as well as central interests behind Chinese subnational

outreach and the high degree of provincial and local agency permitted within central policy frameworks such as the Belt and Road Initiative.²³

From the start, however, the distinction in subnational foreign relations between economic and security matters—and low politics and high politics more broadly—has been slippery. Duchacek and Tavares note various cases where the foreign economic interests of subnational governments have collided with the political or security agendas of national authorities.²⁴ Tubilewicz and Ormond discuss the longstanding coexistence of ideologically-driven and economically-minded strands of US-China paradiplomacy.²⁵ More fundamentally, as Hocking notes, high and low politics domains have become interwoven amid economic globalization.²⁶ Such entanglement is tolerable during a period of great power *détente*, but may be problematic when international tensions rise and a zero-sum calculus replaces positive-sum thinking. Of course, the current moment in world politics presents just such a challenge. Economic globalization has paused and possibly shifted into reverse, and great power tensions are spiraling. During the past decade, and especially the past five years, the US-China relationship has veered from cooperation toward competition. Under these conditions, subnational foreign relations become far more politically sensitive.

Relatively little research has considered the plight of subnational foreign engagement amid great power tensions, and what work does exist reaches varying conclusions. Some authors express hope that, by accentuating cooperative areas of foreign relations and giving voice to democratic values, paradiplomacy can play a constructive role amid geopolitical tensions between China and other world powers. Examining interactions between US states and cities and counterparts in China and Taiwan, Tubilewicz and Ormond argue that subnational governments are able to navigate complex international issues and stand up for democratic values.²⁷ Writing in the European Union (EU) context, Kaminski and Ciesielska-Klikowska argue that “promoting and maintaining relations at the sub-state level may be a perfect solution for difficult relations in the triangular relationship between the EU, the United States (US) and China,” given focus on “low politics areas” and given the possibility that subnational relations might even serve as “transmission belts” for European values.²⁸ However, these scholars also acknowledge that paradiplomacy can be weaponized in a context of great power rivalry, noting that

“subnational links may create a channel for the Chinese to further undermine European cohesion,” and that “China may use its relationship with particular regions to convince their authorities to act as agents of Chinese interests.”²⁹ As geopolitical and trade tensions with China have mounted in the United States and Australia, work by policy analysts has increasingly highlighted the risks of subnational engagement. Policy research from the Hoover Institution, Heritage Foundation, and Foundation for Defense of Democracy argues that China’s foreign policy establishment may exploit the openness of the federal US system by cultivating friendly partners at the subnational level,³⁰ while a report from the Australian Strategic Policy Institute provides case studies of successful Chinese efforts to influence subnational policy-making in Australian states.³¹ A Wilson Center study details cases in which PRC officials have threatened the academic freedom and safety of individuals on US college campuses,³² while a 2019 Federal Bureau of Investigation report contends that the US economy suffers an annual cost on the order of hundreds of billions of dollars due to predatory PRC practices such as industrial espionage and counterfeit production.³³

The dual risks of underreaction and overreaction

As rising US-China tensions transform the policy landscape, subnational actors aiming to responsibly *recalibrate* their engagement strategies have to contend with multiple challenges. First, there is the need to keep informed of and appropriately respond to shifting priorities and policies at the federal level. Second, there is the challenge of maintaining up-to-date knowledge of Chinese counterparts—their motives, methods, and the changing political system in which they operate. Third, and related, is the task of identifying risks that accompany subnational engagement with China and addressing these risks in a targeted way. Fourth, there is the challenge of sustaining desirable areas of cooperation with Chinese partners while managing intense politicization of China-related issues at both elite and popular levels.

Recalibration of subnational foreign relations is a learning process and a balancing act for state-level policymakers, not a one-size-fits-all prescription. Indeed, it is reasonable for different states to approach economic, educational, and exchange relations with China differently insofar as China-

related opportunities and risks are not evenly distributed across the country. At the same time, there is a growing need for all state-level policymakers to remain sensitive both to the existing benefits of subnational relationships with China and to evolving risk environments in their communities, in Washington, DC, and in China.

On the one hand, state-level policymakers face the risk of *unbalanced engagement*—expanding or deepening linkages with China at a moment when it is difficult to separate political and security concerns from pragmatic areas of interaction. Far-reaching institutional cooperation with China may involve first-order risks such as unwanted foreign influence in state and local politics, but it may also lead to second-order political difficulties. If state-level actors deepen partnerships with Chinese official actors at a time when other states or national-level actors are pulling back, this might facilitate the use of “divide and conquer” tactics by China’s foreign policy establishment or create counterproductive friction with national-level authorities.³⁴

The case of Australia’s Victoria state offers a cautionary tale. Victoria sought close cooperation with China and granted high levels of policy access and influence to individuals with political links to China even as Canberra’s China policy hardened. State premier Daniel Andrews, who maintained warm ties with Melbourne’s overseas Chinese community and outlined an ambitious economic agenda for the state that depended on large-scale Chinese investment, deepened cooperation with several Chinese provinces and signed on to China’s Belt and Road Initiative in 2017 despite pushback from Canberra. Many observers worried that Andrews’s courting of China reflected influence from a multicultural adviser who had strong links to China and the overseas Chinese community rather than consultation with other experts and stakeholders.³⁵ Ultimately, the national government moved to overrule Victoria’s decision using authority from new laws adopted in 2021 that allowed Canberra to vet state-level foreign agreements, declaring Victoria’s deals “inconsistent with Australia’s foreign policy or adverse to our foreign relations.”³⁶

On the other hand, there is the risk of *radical recoil*, whereby subnational units shut down foreign cooperation in a sudden or arbitrary way that creates collateral damage. Arguably, it is this risk, rather than that of unbalanced engagement, that looms largest in US states at present. At the subnational level, where foreign relations are less institutionalized or norm-bound than

at the federal level, rapid swings in policy are possible. The impulse toward recoil comes from growing awareness of risks that accompany economic, educational, and exchange ties with China, but healthy vigilance can mutate into overreaction. The example that looms largest is Florida, where Governor Ron DeSantis, Attorney General Ashley Moody, and state legislators have decried the CCP’s “pervasive, nefarious influence” and quickly closed doors to China opened under previous administrations.³⁷ Between 2020–2023, DeSantis spoke out vehemently against China and supported a slew of executive actions and legislation meant to hold China accountable for the Covid pandemic, require businesses and universities to divulge ties to China, pressure the state pension fund to divest from China, restrict university engagement with China, and—most dramatically—prohibit real estate purchases by Chinese nationals.³⁸ While some state-level threats from China are real, Florida’s approach has focused single-mindedly on security concerns—rather than making an effort to balance the risks and rewards of subnational engagement with China. This state-level policy posture risks fanning xenophobia and anti-Asian racism, harming the prospects of businesses or universities that benefit from Chinese talent, and compounding national-level US-China tensions.³⁹

A variety of economic, social, and political factors may affect states’ postures toward China and their ability to dynamically balance risks and rewards, but these factors are not clear at the outset. The goal for the empirical analysis that follows is therefore to highlight the specific challenges states face in finding a balanced approach to subnational relations with China and to identify some of the conditions that may help or hinder states in managing these challenges.

Searching for a middle way: Indiana’s relations with China

To gain insight into the contemporary predicament of state-level US-China relations, I examine the case of Indiana in depth while also situating this case within the larger national context. Indiana’s experience is useful for understanding the emergence, recalibration, and—most recently—crisis, of a middle-of-the-road approach to China engagement. The case sheds light on both the practical and political challenges facing subnational engagement and the

factors that have sustained some forms of interaction with China through a turbulent period.

Besides highlighting the dynamics of recalibration and retrenchment in state-level relations with China, the choice of Indiana as a case for in-depth analysis has three main virtues. First, as the self-professed “Crossroads of America,” Indiana is a relatively typical state in most regards, if such a thing exists. Besides its heartland location, the state ranks in the middle of the pack on metrics such as population (17th), GDP (19th), per capita GDP (31st), and foreign-born population (32nd). Though solidly Republican for the past decade, Indiana went for Barack Obama in 2008 and elected a Democratic senator in 2012, and the state contains sizeable Democratic enclaves. While no longer a battleground state, it embodies the blue-city, red-country dynamic common across the country.

Second, Indiana’s industrial structure speaks to the paradoxical mix of competition and cooperation in US-China economic relations. While unexceptional in most respects, Indiana has a higher manufacturing share of GDP (28.6 percent in 2017)⁴⁰ than any other US state; indeed, it outstrips nearby Michigan and Ohio by a large margin. Indiana thus has grappled with the challenge of maintaining competitiveness amid the larger decline of manufacturing in the US economy over the past several decades. China is at once a partner and threat to Hoosier firms; Indiana’s business community has both suffered in some ways and benefited in others as a result of deteriorating US-China trade and investment relations. The overall trend, however, has been one of growing Indiana exports to China: the state’s goods exports to China rose from \$2.7bn to \$4.6bn between 2016–2021, and China made up 11 percent of all global exports in 2021.⁴¹

A final consideration is proximity and access. As a researcher based at an Indiana university, I have been able to observe recent developments in the state at close range and to identify and interact with key stakeholders. I had the opportunity to interview over a dozen direct participants in Indiana-China relations, which supplemented and helped me contextualize information gleaned from written sources. Of course, proximity also creates ethical complexities for a researcher. Given the sensitivity of US-China relations, I have sought to protect the identities of interviewees and respect their preferences about what material is on/off the record.

In what follows, I first examine the high point of subnational US-China relations reached during the early and mid-2010s across the country, broadly, and in Indiana specifically. I then trace the shift in subnational US-China relations that accompanied the confrontational policies of the Donald J. Trump administration and the upheaval of the Covid-19 pandemic, exploring how this period played out in Indiana, specifically. Finally, I look at how state-level actors have recalibrated China policies, where they have succeeded, and where they have overshot the mark.

The height of subnational engagement: Indiana-China ties in the early and mid 2010s

For Indiana, as for many states across the US, the early 2010s represented a high-water mark for engagement with China. The state's links with the PRC dated back decades, with Cummins Inc., an engine-maker based in Columbus, Indiana, making inroads into the China market in the mid-1970s⁴² and Governor Robert Orr launching an Indiana-Zhejiang sister-state/province relationship in 1987.⁴³ However, it was under Governor Mitch Daniels (2005–2013) that relations entered high gear. Daniels's tenure, during which Indiana prioritized global economic links, saw the establishment of two organizations that would shape Indiana-China relations over the following years. One of Daniels's first and most significant moves as governor was to create the Indiana Economic Development Corporation (IEDC), a public-private partnership tasked with promoting economic growth, trade, and investment for the state.⁴⁴ Led by the state secretary of commerce on a day-to-day basis but answering to the governor, who served as board chairman, this quasi-governmental entity took the lead in Indiana's domestic and global economic development work in the years to follow. Later, in 2011, Daniels attended the inaugural meeting of the America China Society of Indiana (ACSI), a membership-based, non-profit organization with a mission to foster Indiana-China trade and investment ties.⁴⁵ Over the following decade, the ACSI would work alongside the IEDC in facilitating Indiana's economic links with China.

With the active involvement of the governor and help from these organizations, Indiana's subnational China outreach accelerated. In the aftermath of the global financial crisis, Daniels relied on the IEDC to organize official

trade delegations to China in 2009 and 2010, where he visited Zhejiang and Shanghai. In 2012, Indiana's China engagement continued as lieutenant governor Becky Stillman marked the 25th anniversary of the Indiana-Zhejiang partnership by leading a 37-person trade mission to China.⁴⁶

Although Governor Mike Pence (2013–2017) invested less energy into building China ties than Daniels, he carried on with regular engagement. Under the Pence administration, regular business and educational contacts between China and Indiana continued, with the IEDC, the ACSI, and major state universities playing an active role as facilitators. During Pence's administration, the ACSI hosted various delegations from China,⁴⁷ and Pence made an IEDC-supported visit to Zhejiang and Shanghai in May 2015 during which Indiana renewed its partnership with Zhejiang through an MOU with the Zhejiang provincial leadership that called for continued cooperation on economic, educational, and cultural fronts.⁴⁸ Following Pence's trip, lieutenant governor Sue Ellspermann led a trade delegation to China in June 2015.⁴⁹

Alongside Indiana's governmental outreach to China under Daniels and Pence, various cities and universities across the state upgraded their own relationships with China. New sister-city arrangements were unveiled, including agreements between Logansport and Jiashan (Zhejiang), Carmel and Xiangyang (Hubei), and Kokomo and Dongyang (Zhejiang). According to an individual involved in building sister-city relationships at the time, many of these agreements were driven by Chinese cities but were welcomed by Indiana localities as a way to promote economic links with China and to foster globally minded citizens.⁵⁰ By the end of the 2010s, as many as 23 such agreements were on the books, even if only a handful remained active.⁵¹

Meanwhile, public and private institutions such as Purdue University, Indiana University-Bloomington, the University of Notre Dame, and the Rose-Hulman Institute of Technology established educational partnerships with Chinese universities and business groups. As one university administrator recalls, the Daniels administration "gave sanction" to and actively supported Indiana universities' formation of partnerships in China, especially in Zhejiang.⁵² Purdue was especially active on this front, launching educational initiatives as well as efforts to promote economic cooperation between Indiana localities and China.⁵³ For its part, Zhejiang was energetic

in promoting higher education cooperation with Indiana, with both provincial officials and universities approaching Indiana institutions to float ideas for joint projects or exchanges. Unlike today, the political atmosphere was optimistic. With both sides focused on expanding cooperation, security concerns and ideological differences did not seem to weigh heavily on state officials' or university leaders' minds.⁵⁴ Chinese government-funded Confucius Institutes had been established at Purdue University in 2007, Indiana University-Purdue University Indianapolis in 2007, and Valparaiso University in 2008, and these entities remained active through the late 2010s. Besides on-campus programming related to Chinese language and culture, Confucius Institutes also engaged in broader outreach and publicity efforts to promote China-Indiana ties.⁵⁵

Institutionalized Indiana-China cooperation spurred growing trade and investment ties and surging Chinese student enrollment at Indiana universities. As one former business association official put it, "the metronome of constant contact and visits...made it worthwhile for a lot of folks."⁵⁶ Indiana's goods and services exports to China reached \$3.5bn in 2016, up from \$3.1bn in 2012.⁵⁷ Indiana also imported over \$7.8bn in goods from China in 2016, with China ranking as the state's second-largest import source. Outbound FDI from China to Indiana climbed from \$72mn in 2012 to \$173mn in 2016.⁵⁸ On the educational side, ties continued to grow rapidly in the early 2010s; by 2016, over 10,000 international students from China were studying in the state.⁵⁹

Indiana's experience under Daniels and Pence paralleled a broader warming in subnational US-China relations. The period between 2012–2016 saw least 52 visits by US governors and lieutenant governors to the PRC, several hundred reported interactions between state and local officials and Chinese consulates,⁶⁰ and dozens of MOUs and other agreements between US states and Chinese counterparts.⁶¹ This period is remembered by frontline actors in subnational US-China relations, both in Indiana and beyond, as the most active period for state and local relations with China—a time of heady optimism. However, the subnational ties that were quickly built up during this period came under scrutiny in the following years, as mounting US-China difficulties during the Trump presidency spilled over to the subnational level.

From low politics to high politics: the late 2010s and Covid-19 years

In the second half of the decade, competitive elements of US-China relations surged while cooperation receded. Shifts in US policy toward China had already been visible during Obama's presidency, as the administration deepened its geopolitical "Pivot to Asia" and made demarches to Beijing over China's economic and security espionage in the United States.⁶² However, the Obama administration avoided full-fledged confrontation with China, holding to the premise that pragmatic aspects of the US-China relationship such as climate cooperation, higher education exchange, and trade could be separated from intensifying security competition. The first two years of the Trump administration, which saw an escalating tariff war and a more aggressive security posture toward China, thus marked a major inflection point. Trump and top administration officials made clear that they viewed not only the security relationship with China but also the economic relationship in zero-sum terms. At a speech to the Hudson Institute in October 2018, for example, Vice President (and former Indiana governor) Mike Pence suggested that the United States, in its willingness to patiently and pragmatically engage with China, had left itself vulnerable to abusive trade practices, espionage, and influence from CCP operatives.⁶³

This reframing of the US-China relationship, which called into question a clear line between pragmatic domains and securitized areas, challenged the assumptions behind US states' decades-long engagement with China. While curtailing subnational US-China engagement was not the first order of business for the Trump administration, which spent the period between 2017 and 2019 engaged in brinksmanship with Beijing over trade protection, IP theft, and addition of Chinese companies to the Commerce Department's Entity List, officials such as Secretary of State Mike Pompeo and FBI Director Christopher Wray also called for guarding against subnational manipulation by the PRC. In 2018, the Department of Justice (DOJ) launched a China Initiative aimed at "countering Chinese national security threats" across the country related to industrial espionage, critical infrastructure, and political influence.⁶⁴ The same year, Trump signed into law the Foreign Investment Risk Review Modernization Act, which clarified and expanded the powers of the Committee on Foreign Investment in

the United States, a federal interagency body, to bar foreign investments on a national security basis.⁶⁵ In a February 2020 speech at the National Governors Association winter meeting, Pompeo cautioned state leaders that they were being cultivated and manipulated by PRC officials, telling them “competition with China is happening inside of your state, and it affects our capacity to perform America’s vital national security functions.”⁶⁶ In a July 2020 speech at the Hudson Institute, Wray echoed these themes and highlighted lobbying efforts and the use of economic carrots and sticks by PRC officials to pressure state officials to adopt pro-PRC statements and policy stances on sensitive issues such as Taiwan and Covid-19.⁶⁷

During the first three years of the Trump administration, states and localities were simultaneously confronted with impacts of the US-China trade war and with growing federal pressure to take China-related political and security risks seriously. This created an uncertain environment for subnational engagement with China, and indicators of cooperation declined. Whereas the three-year period between 2014–2016 saw at least 23 visits to China by US governors, the period from 2017–2019 recorded only 12.⁶⁸ Many universities paused further expansion of cooperative programs with Chinese partners and dozens shuttered their existing Confucius Institutes.⁶⁹ Some observers felt such closures were politically motivated rather than based on specific problems. As an administrator from a large research university explained, “we never thought there was any issue or harm [with the Confucius Institute]—it was all perception. Legislators were knocking on the door.”⁷⁰

On top of these political difficulties, the outbreak of Covid-19 and declaration of a global pandemic in early 2020 damaged state-level ties to China. By bringing US-China travel to a halt, creating economic turmoil, and amplifying anti-China sentiment in the United States, the pandemic presented an existential challenge to state-level engagement. International travel and in-person events—and the preparation for such events—had been the bread-and-butter for state and local engagement with China across the educational, business, and cultural realms. As one business association official said, “Not being able to travel has hurt. A lot of business is done when you have a meal and communicate. I definitely haven’t had that connection [to Chinese actors] at the subnational level to the same extent as before the pandemic.” In this person’s view, “visits drive the interaction [with Chinese counterparts].”⁷¹

With in-person events delayed indefinitely, much of the activity of trade and investment promotion, educational cooperation, and people-to-people exchange ground to a halt. Though some activities pivoted online, and though many Chinese provinces and cities made a point of sending personal protective equipment to their sister regions in the United States,⁷² the regular rhythms of subnational engagement were badly disrupted. This is seen, for example, in the flatlining of US governor visits to China between 2020–2022 and the sharp drop-off in reported PRC consulate events with state-level actors, which almost entirely ceased during the height of the pandemic.⁷³

The experience of Indiana, more specifically, highlights the mounting challenges for subnational US-China engagement since 2017 and the securitization of what had previously been routine cooperation. As the Trump administration adopted a hardline posture toward China and escalated trade conflicts, many Indiana businesses with China ties were buffeted by political uncertainty, rising import tariffs, and stricter regulations.⁷⁴ The Covid-19 pandemic compounded the impacts of the tariff war, upending global supply chains and international people movements. As one former business association official noted, China's "Zero Covid" policy was disastrous for Indiana companies with investments or partners in China, because businesses "need to be able to check on manufacturing facilities in China."⁷⁵ Heightened security and human rights-related restrictions imposed on trade and investment with China in recent years, especially following the Uyghur Forced Labor Prevention Act of 2021, have also forced business actors to fundamentally rethink their practices. As one business consultant noted, "As a person interested in China, you have to draw this diagram yourself. Where is the party? Or Xinjiang? This is new. In twenty years of doing business in China, I never thought about how a company was connected to the party-state."⁷⁶

Indiana's universities, which host thousands of PRC international students and maintain a variety of China partnerships, have had to deal with high-profile cases involving alleged wrongdoing by Chinese nationals on campus and have come under criticism from state officials. At Indiana University-Bloomington, federal investigators indicted a PRC national doctoral student in informatics in 2020 for allegedly lying about his links to the PLA.⁷⁷ In 2021, students of PRC nationality at Purdue University allegedly harassed a fellow Chinese national after he circulated an open letter lauding 1989

Tiananmen Square student protestors.⁷⁸ In 2021, Indiana Attorney General Todd Rokita launched an investigation into what he insinuated was unlawful activity at Valparaiso University's Confucius Institute.⁷⁹ Using inflammatory language, Rokita's office argued that "the Chinese Communist Party operates in the state of Indiana via Valparaiso University."⁸⁰ While the university strongly denied any wrongdoing, it announced plans to close the Confucius Institute shortly thereafter.⁸¹ As one administrator from a different institution explained, security concerns have been front and center in recent years, and universities are now very carefully vetting agreements with institutions in China and carrying out background checks for international visitors.⁸² A faculty member from another university observed that "many faculty who used to be engaged with China in STEM fields started to pull back or disengage when the [DOJ's] China Initiative was at its peak."⁸³

The political headwinds for state-level engagement with China only continued to stiffen after Trump left office. Despite breaking with its predecessor on many issues, the Biden administration maintained a hard line on China. Federal legislators, particularly (but not exclusively) Republicans, called for even more aggressive efforts to combat PRC influence, challenge China's geopolitical rise, and enhance US economic competitiveness vis-à-vis China. Several of Indiana's US senators and representatives, including CHIPS and Science Act sponsor Sen. Todd Young and House China Select Committee Member Rep. Jim Banks (IN-03), were especially outspoken in this regard. Banks, for example, has touted his status as the foremost anti-China Twitter user in Congress.⁸⁴ Russia's full-fledged invasion of Ukraine in February 2022, coming shortly after the declaration of a "no-limits" partnership between the PRC and Russia, only deepened suspicion of China in Washington, DC.⁸⁵

At the state level, lawmakers have put forward several bills in recent years to limit aspects of economic and educational engagement with China seen as problematic. Legislation to curb Indiana state pension investments in the PRC was proposed in 2021 and 2022; a similar bill would become law in 2023.⁸⁶ In 2022, Indiana passed legislation requiring higher education institutions to report foreign gifts and that barred foreign businesses from agricultural land purchases over 320 acres.⁸⁷ Indiana also passed a law in 2023 to bar entities from China and other geopolitical rivals of the United States from taking part in critical infrastructure work or purchasing land directly adjacent to military

installations.⁸⁸ Following his investigation of Valparaiso University, Attorney General Rokita took further action on the China front, launching twin lawsuits against video-sharing app maker TikTok, Inc., which is owned by China-based ByteDance, Ltd..⁸⁹

Outside of government, too, many voices in both local and national media outlets have harshly criticized not only the PRC but also US elites or institutions deemed to be too soft on China. National outlets such as Fox News and Breitbart as well as local news organizations such as the Seymour Tribune took US politicians and university elites to task for being overly cozy with China.⁹⁰ Overall, political and public sentiment turned more sharply against the PRC after 2017 and especially after 2020—particularly among Republicans, who remain dominant in Indiana state politics.⁹¹ In short, state and local officials in Indiana have come under growing pressure to reduce cooperation with China.

Navigating between unbalanced engagement and radical recoil

Amid the shifting political landscape of the past five years, state-level actors in Indiana and elsewhere have faced conflicting pressures in their approaches to China. As just noted, there have been calls from some quarters to sever ties with China. But, at the same time, many subnational stakeholders have sought to protect economic, educational, and cultural exchange relationships built up over years of painstaking back-and-forth. Meanwhile, Chinese central, provincial, and local government actors have doubled down on subnational outreach in the US at a time of sharply deteriorating national-level relations, offering opportunities for state-level actors still willing to cooperate with China.

In many states, anti-China sentiment has led to retrenchment of China ties and state-level efforts to curb Chinese economic and political influence through executive orders and/or legislation. Jaros and Newland track a surge in state-level anti-China legislation across the United States, with 81 proposed or adopted bills emerging between 2017–2022, compared with only 3 between 2012–2016.⁹² In states such as Florida, governors and attorneys general have made confronting China a core piece of their policy agenda. Even states that had until recently pursued close business ties with China

have rapidly changed course. In Tennessee, Governor Bill Lee in 2021 shuttered the state's China investment office and moved to prohibit Confucius Institutes, just one year after state officials had made of point of encouraging investment from China.⁹³

But even as elite and public sentiment has turned against China, many businesses and universities in Indiana and elsewhere have worked to maintain existing links—even if they have balked at further deepening ties. Indiana's goods and services exports to China spiked between 2017–2021, from \$3.8bn to \$5.2bn, deepening the country's importance as a foreign market.⁹⁴ During the same period, the state recorded almost \$200mn in inbound Chinese FDI.⁹⁵ Major multinationals such as Eli Lilly and Cummins retained strong links to the China market and major in-country presences,⁹⁶ and a wider array of Indiana manufacturers continued to rely on China-based supply chains. According to one business consultant, “[Indiana businesses] want to source from China but they don't want to say anything about it.”⁹⁷ As he explained, firms have tried to reduce supply-chain risks by having Chinese vendors ship goods on consignment or working with vendors who are moving some of their own operations out of China.

Universities, too, have had important reasons to preserve ties with China despite the difficult political climate. Indiana's universities continue to enroll several thousand Chinese students and still seek to maintain their own access to China for alumni relations, study abroad programs, and research cooperation. As one university administrator notes, higher education institutions in both Indiana and China have worked hard to adapt to the challenges of Covid-19 and worsening bilateral relations and have cooperated to keep many partnerships afloat. The administrator observes that “the bridge is not severed.... But [the current path] is uphill and not downhill.”⁹⁸ In the view of a former government official working at a university in the state, Indiana is likely to keep protecting the educational relationships built up with China, albeit in a low-key way. At a time when the private sector and government often have conflicting interests with respect to China, he sees universities—with their knowledge-creation and sharing function—as having a unique role to play. In his view, some sensitive areas of research can be cordoned off while cooperation in another areas, such as agriculture, environmental protection, and standards-setting for new materials and nanotechnology, should be continued.⁹⁹

For its part, the administration of Governor Eric Holcomb (2017–present) has taken an approach to relations with China one former business association official describes as “100 percent pragmatic.”¹⁰⁰ While his predecessor, Mike Pence, had cooled on China by 2016, publicly criticizing Chinese trade practices,¹⁰¹ Holcomb placed Indiana-China ties on a functional footing from the outset. In 2017, Holcomb celebrated the 30th anniversary of the Indiana-Zhejiang partnership, hosting Zhejiang party secretary Che Jun and a large Chinese delegation. Two years later, in the thick of Trump’s trade war, Holcomb and Commerce Secretary Jim Schellinger traveled to China with an IEDC-funded delegation to visit Zhejiang, Beijing, and Shanghai and promote Indiana-China business links. Criticized by some politicians back home in Indiana for traveling to China amid trade frictions, Holcomb argued that “it’s the perfect time to be making the trip.”¹⁰² Sensing eagerness from Chinese counterparts to strengthen links with Indiana, Holcomb also approved the IEDC’s reopening of an office in China to promote trade and investment. Although the Covid-19 pandemic hampered Indiana-China interactions in the following years, the IEDC and ACSI took some business promotion work virtual, with a Zhejiang-Indiana Virtual Roundtable and an online China Business Conference in fall 2021.¹⁰³ By May 2022, in-person China-Indiana activities resumed on a large scale as the IEDC held its inaugural Indiana Global Economic Summit. Chinese ambassador Qin Gang made a high-profile appearance at the summit, and the ACSI also hosted a Chinese subnational business delegation and officials from the Chinese Consulate in Chicago.¹⁰⁴

Holcomb’s business-oriented engagement with China was reciprocated by Chinese central and subnational government officials, who themselves were actively promoting cooperation with Indiana and other states and using state-level platforms to try to steer US-China relations in a more positive direction. In 2017, Consul General Hong Lei made an appearance at Purdue University at which he praised ongoing economic, educational, and cultural cooperation between the United States and China and expressed hopes for a constructive relationship with the Trump administration.¹⁰⁵ More generally, Chinese consulates across the United States engaged in regular outreach, with nearly 300 reported events with state and local officials between 2017–2019 in 35 states for which data are available.¹⁰⁶ Indeed, as it became clear from 2018 onward that the Trump administration would adopt an aggressive approach to China

on both the economic and security fronts, the Chinese government redoubled its subnational outreach. Ambassador Cui Tiankai and his successor Qin Gang both engaged with state-level officials in an effort to amplify cooperative voices in the US-China relationship.¹⁰⁷

As US-China frictions worsened further under the Biden administration, the Holcomb administration remained open to engagement with China but also sought to diversify its East Asia links. Among other things, this meant strengthening cooperation with Taiwan, even if doing so irked Chinese officials. By 2022, with Covid-19 travel restrictions easing, US-China tensions mounting, and Indiana taking an interest in microelectronics as a growth industry, Governor Holcomb felt the timing was right for a trade promotion visit to Taiwan.

Indiana had long maintained economic ties, official exchanges, and state- and city-level partnerships with Taiwan, but no Indiana governor had visited Taiwan since Mitch Daniels's trip in 2005. Interviews with knowledgeable individuals suggest that the scheduling of Holcomb's trip just weeks after US House Speaker Nancy Pelosi's wave-making visit to Taipei and Biden's signing of the CHIPS Act, in August 2022, was coincidental.

Despite this, the image of a previously friendly US governor following in Pelosi's wake, meeting with Taiwan's president, and forging tighter ties with Taiwan angered Indiana's Chinese counterparts. Officials from the Chinese consulate attempted to dissuade Holcomb from making the trip, but to no avail. China's Foreign Ministry condemned the visit,¹⁰⁸ and following Holcomb's trip Indiana received the cold shoulder from Chinese officials at various levels of government. For months, the state was largely cut off from communication with official Chinese counterparts and excluded from certain trade promotion events in China and the United States. In the words of a former business association official, "You know it's bad when it's Chinese New Year and you don't hear from anyone on the Chinese side."¹⁰⁹ However, a business consultant viewed the episode differently, seeing the fallout from Holcomb's visit to Taiwan as mostly a "talking point" that did not affect businesses' day-to-day activities with China too severely. In his words, "it came and went, and was not as big as the Pelosi or McCarthy visits."¹¹⁰ By mid-2023, Indiana's engagement with Chinese trade associations was resuming and signs of an official thaw were appearing.

If Indiana's strengthening of economic ties with Taiwan marks an appropriate recalibration of China policies, there have also been impulses of anti-China recoil. As noted above, the Indiana General Assembly passed multiple pieces of legislation during the 2022 and 2023 sessions that took aim at China. While concerns about Chinese-controlled entities gaining access to military installations and critical infrastructure in the state appeared genuine, more nebulous fears and surging anti-China sentiment were also in play. Senate Bill 268, which passed both houses of the General Assembly with unanimous bipartisan support and was subsequently signed into law by Governor Holcomb, required Indiana's state pension fund (INPRS) to divest from most of its \$1bn-plus portfolio of Chinese investments over five years. The bill's author, Sen. Chris Garten, used extreme rhetoric, arguing that China was "engaged in multi-dimensional warfare with every Hoosier who is invested in these funds" and claiming that "at any time that \$1bn in investments could be zeroed out by the rogue Communist government."¹¹ Whatever the merits of divesting from China, it is striking that a bill that had direct financial consequences for thousands of Indiana employees and their families and that lacked the endorsement of the pension fund passed both houses of the General Assembly with minimal debate and little discussion of potential negative consequences or precedents. Also striking is that the political climate for discussion of China had evolved to the point where the sweeping assertion, written into SB 268, that "economic support for and investment in Chinese entities unnecessarily increase the risk to the security and welfare of the United States and the people of Indiana", went unchallenged. Given that SB 268, like the other pieces of anti-China legislation adopted in Indiana's 2022 and 2023 sessions, had overwhelming and veto-proof support, it is unclear how much to read into Holcomb's decision to sign the bill. But the governor's approval suggested that his own political position on China was also evolving beyond the pragmatism of prior years.

Notwithstanding the recent tilt toward recoil, Indiana has managed to preserve much of the substance of its business, educational, and cultural links with China even as more politically sensitive aspects of the relationship are curtailed. At least some participants in the Indiana-China relationship remain optimistic about the prospects for meaningful, if more low-key, cooperation in the coming years. As a university professor noted, there are

stable and strong ties with China on both the student and faculty side, and Chinese higher education institutions' commitment to working with Indiana will probably continue.¹¹² An expert on sister-city ties saw Indiana-China relationships as able to weather geopolitical ups and downs: "For every negative, there are positives there. Whether it's from industry or from municipal leadership, there is still plenty of opportunity for peace-building and citizen diplomacy."¹¹³ Even a Republican state legislator involved in anti-China legislative efforts acknowledged the possibility of a continued constructive economic and cultural relationship with China, provided bilateral tensions could be kept under control. In his words, "The Chinese economy is a powerhouse and it's no secret that they're a huge trade partner, and there are advantages from an economic standpoint. But if things escalate much further, the executive in the state would need to pump the brakes."¹¹⁴

Discussion and policy implications

Over the past five years, Indiana has recalibrated its relationship with China, preserving many aspects of cooperation with China while limiting further deepening of the relationship and standing up to pressure from China on issues such as Taiwan engagement. What factors have been conducive to moderation in Indiana's approach, and what factors are threatening to upend such moderation now? More broadly, what lessons and policy implications for other states can be drawn from Indiana's experience?

Analysis of Indiana's experience over the past several years calls attention to four factors that have helped Indiana navigate between unbalanced engagement and radical recoil, and which may contribute to balanced subnational postures toward China more broadly. Indiana's experience also suggests specific policy measures that could be adopted at the state and federal level to assist states as they grapple with conflicting pressures on China policy.

Sources of moderation in Indiana's approach to China

One source of moderation in Indiana's approach has been sustained *executive-level commitment* to working with China as part of a larger strategy of global outreach. From Mitch Daniels to Eric Holcomb, recent Indiana governors

have invested political and organizational capital in building international economic, educational, and cultural exchange links for the state. As part of these larger efforts—but never as the only part—governors have recognized the importance of China as the world’s most populous country and second-largest economy, and they have supported the building of institutionalized partnerships that bracket ideological differences and highlight shared interests. From paradiplomacy in the form of reciprocal delegation visits to the day-to-day work of economic development and higher education cooperation, Indiana’s governors have pursued an effective working relationship with China. This has created political space for key institutions in the state, from the IEDC, to universities, to municipal governments, to build pragmatic links of their own. However, by positioning official cooperation with China as the means to an end rather than an end in itself, avoiding endorsement of Chinese talking points, and balancing China links with robust ties to Taiwan, Japan, and other East Asian and global partners, Indiana’s leaders have not become overly beholden to China.

A second factor contributing to Indiana’s moderation has been *dedicated institutional capacity*. Many states and subnational entities have limited expertise and organizational capacity to draw on in managing relations with China, placing them in a passive position when interacting with Chinese officials and institutions. Because Indiana is home to two institutions—the IEDC and ACSI—that communicate and work closely with state government and with one another, the state has enjoyed greater institutional memory and organizational capacity for China dealings than some of its peers.¹¹⁵ The IEDC’s public-private partnership model is such that it keeps economic development work aligned with the governor’s priorities while partially insulating engagement with China from partisan politics.¹¹⁶ In addition, Indiana’s major universities have developed substantial know-how and institutional capacity for dealing with China and East Asia more broadly, in part because of the presence of large numbers of ethnically Chinese or Chinese-American faculty members. In the case of Purdue, university leadership has also been a key factor: Mitch Daniels served as Purdue University president after leaving the governor’s office, while Purdue’s current president is of Chinese descent.

A third factor limiting volatility in Indiana’s relations with China has been the role of *patient and committed counterparts*. During the 1980s, Indiana

entered into a partnership with a province that would become one of China's most prosperous, innovative, and economically open regions by the 21st century. Unlike some sister-state/province relationships, which have served mainly ceremonial purposes, the Indiana-Zhejiang partnership has proved increasingly substantive over time and both partners have worked to maintain it, using the relationship as a platform for deepening business, educational, and cultural exchange ties. Despite its radically improving fortunes and the fact that its population outnumbers that of Indiana by a factor of eight, Zhejiang province consistently invested in its ties with Indiana and remained engaged even when further deepening of cooperation became politically difficult. That said, there are serious questions about whether a similar relationship with Zhejiang can be maintained during a second decade of Xi Jinping rule in which China has further centralized its governance of paradiplomacy and more forcefully injected geopolitics into the conduct of subnational outreach.¹¹⁷

A final factor enabling Indiana's middle-of-the-road approach has been *limited politicization* of Indiana's ties with China, though this factor is increasingly in doubt. For most of the past two decades, Indiana has been led by business-minded Republican governors committed to engaging globally in pursuit of economic advantage for the state. Until recently, the question of China has been subsumed under the heading of economic development in a state that has remained single-mindedly committed to growth.

However, Indiana, like many other states, has seen greater politicization of China issues as US-China relations have grown more confrontational. Under the influence of federal China policy debates, increasingly feverish media coverage of China, and shifting public sentiment, state legislators and state attorneys general have asserted a much larger role on policy questions related to China. While growing concern about security risks from China on the part of various state-level officials is warranted, such actors' relative unfamiliarity with the subject matter makes it easier for extreme—and potentially harmful—rhetoric to prevail in policy discussions. Along these lines, Indiana's 2023 legislative session showed the potential for sweeping anti-China measures to gain ground quickly and with little debate. Moving forward, increasing involvement by legislators and the attorney general's office in shaping Indiana's relationship with China raises the likelihood of sharp swings in policy and may make it harder to balance risks against rewards.

Policy recommendations

Lessons from the experience of Indiana, a relatively typical state, point to broader priorities for subnational engagement with China and specific measures that could be adopted to help states avoid either unbalanced engagement or radical recoil.

A first priority is to keep state-level policymakers—and closely associated actors in economic development agencies, universities, business chambers, and community organizations—fully informed about the evolving risks and opportunities involved in working with PRC partners. At present, governors, state legislators, and attorneys general across the United States are making increasingly consequential policy decisions and public statements related to China. These actions not only affect the future economic, educational, and exchange relationships states have with China; they also affect national-level US-China relations and many groups in society, not least Chinese nationals, Chinese-Americans, and the Asian-American community more broadly. It is therefore critical to push state-level policymakers beyond a Manichean view of China and US-China relations, and help them appreciate the various stakeholders and complex dynamics of the US-China relationship. It is dangerous for state-level policymakers to ignore the risks that come with China engagement; it is also dangerous for them to focus single-mindedly on such risks to the exclusion of potential benefits of interaction.

A second priority is to help states develop common norms and red lines for engagement with Chinese counterparts. State-level approaches toward China have cross-state, national, and even international externalities, and should not be crafted in isolation. To the extent that there are risks to US national security involved in engagement with China, such risks do not begin or stop at state boundaries.¹¹⁸ And when xenophobic rhetoric or highly confrontational policy measures are adopted in one state, they may have ramifications for other states and the communities within them as well. States rightfully enjoy the autonomy to determine many aspects of subnational foreign relations, but it would benefit them to agree to shared floors and ceilings for economic, educational, and cultural engagement with the PRC. If it is problematic for PRC-controlled businesses to invest in critical energy infrastructure in one state, it is problematic everywhere. And if it is unacceptable to bar Chinese students from public universities in one state based on nationality alone, it is unacceptable everywhere.

A third priority is to counter efforts by the PRC to instrumentalize subnational economic, educational, and exchange linkages for the purposes of covert political influence, espionage, or national security advantage. Of course, amid breathless warnings from some politicians and media personalities that any PRC-connected investment project and educational institute in the United States is a trojan horse for the CCP, there is a risk of significantly exaggerating the security risks that accompany routine subnational engagement. However, growing paranoia about malign PRC-backed activities in states and localities has grown out of demonstrated cases in which the Chinese government has leveraged links with state politicians to push for US government policy changes or used sister city relationships and ostensibly apolitical organizations such as Chinese Students and Scholars Association branches for overtly political goals such as limiting US engagement with Taiwanese officials and Chinese dissidents.¹¹⁹ To the extent possible, Chinese government actors should be persuaded that it is not in their interest to inject national security priorities into subnational outreach. If state and local engagement with China can be at least partly insulated from the dynamics of great-power competition, subnational actors will be better positioned to play a stabilizing role in the US-China relationship.

To address these priorities, several more specific measures could be pursued by US state and/or federal-level policymakers:

Provide financial support to enable state governments and major city governments to develop in-house or closely aligned institutional capacity for foreign relations work generally, and China relations specifically.

Organize more learning days and seminars for state and local government officials to familiarize themselves with the changing landscape of risks and opportunities around subnational engagement with China. Presenters should include a diverse mix of policymakers and researchers from federal government agencies, think tanks, and in-state universities.

Conduct public outreach and education to help US businesses, universities, and ordinary citizens understand the structure and nature of the Chinese party-state and its links with the business world and non-governmental organization sector, including the party-state's ties with organizations such as Chinese People's Association for Friendship with Foreign Countries, the Chinese Students and Scholars Association, and the China General Chamber of Commerce.

Enhance state-to-state communication and coordination around approaches to China relations to share best practices and develop common baselines. Platforms such as the National Governors Association, National Conference of State Legislatures, and the US Conference of Mayors should play leading roles in this regard.

Strengthen mechanisms at the federal level for intergovernmental communication and coordination around China relations. The creation of a seven-person office of the Special Representative for City and State Diplomacy at the Department of State is a valuable first step, but the staffing and funding of the organization remains inadequate at present. Other federal agencies, such as the Department of Commerce, should consider creating similar entities. In addition, intergovernmental dialogues between government, businesses, and research institutions on how to appropriately manage scientific and technological cooperation with China, such as those recently convened by the National Academies of Science, Engineering, and Medicine, should be expanded.

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Notes

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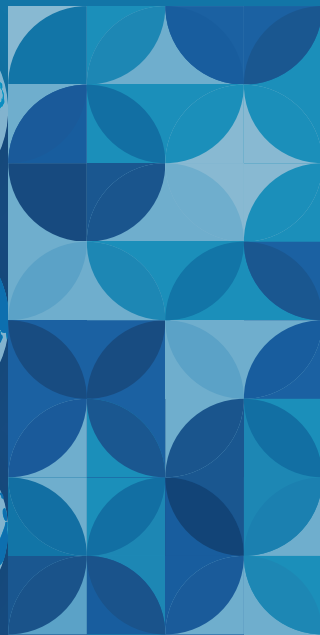
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2022-2023 WILSON CHINA FELLOWSHIP

Bringing China Back into the World: The Historical Origin of America's Engagement Policy and Its Implications for Contemporary US-China Relations

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Abstract

With the deterioration of US-China relations in recent years, America's engagement policy toward China has been heavily criticized for failing to change China into a liberal democracy and turning Beijing into a peer competitor of Washington instead. However, a more balanced history of engagement shows that engagement has served American interests quite well. During the 1970s, American officials and the broader foreign policy public forged a new perception of China as a "frustrated modernizer." The priority of China was not to spread communism abroad but to turn the country into a first-class industrial power. However, China failed to modernize under communism, with the Sino-Soviet split further threatening China's national security. America's engagement policy was conceived as a realistic response to those changes. Engagement successfully turned China into America's tacit partner against the Soviet Union, helped Washington to end its war in Vietnam, moderated China's radical foreign policy, and contributed to the end of the Cold War. While the desire to change China into a liberal democracy loomed large in the background, that desire was only pursued as a long-term goal and no American administration ever set a firm timetable to turn it into reality. A balanced assessment of engagement can help us to forge a realistic strategy by aligning means with ends. America must realize many of the factors that will shape China's future are beyond American control. A more realistic goal for US China policy is to shape China's choices so that it will abide by the rules-based international order with or without political reforms. Washington should consistently convince Beijing that America does not seek to contain China's rise if China can truly become a responsible stakeholder.

Policy Implications and Key Takeaways

- America should achieve a balanced assessment of the US-China engagement before abandoning it. Engagement was conceived as a realistic strategy that served America's interests well since the 1970s. Regime change has never been the main aspiration of engagement. To hope that China will eventually move toward liberal democracy is not the same as setting a time-table and assuming that America has the capabilities to achieve that goal. A balanced assessment of engagement

can help us to forge a realistic strategy by aligning means with ends. A more realistic goal of America's future China policy is to shape China's choices so that it will abide by the rules-based international order with or without political reforms.

- Washington should consistently convince Beijing that America does not seek to contain China's rise if China can truly become a responsible stakeholder. The feeling that China can never do right in the eyes of America, is the kind of perception that America should dismantle. History proves that China is willing to work with America on specific issues, even thorny ones, when it believes that the overall relationship is on a constructive track. For many Chinese, China's rise in the recent past was largely achieved within the US-led international order. America should encourage the argument that China can continue to develop within the existing world order without disrupting it.
- Being consistent is the key. America should refrain from overreacting to the China challenge and focus on areas where America has maximum leverage and enjoys broad support from its allies. America should not hesitate to offer carrots when China makes verifiable changes. By doing so, Washington can demonstrate that it is willing to work with Beijing on specific issues, rather than containing China across the board. Equally importantly, Washington should demand Beijing make deliverable and verifiable pledges that China does not seek to promote its interests at America's expense.
- America should take China's legitimate concerns seriously. America and China must work together to uphold rules acceptable to both and negotiate their differences in good faith. It also helps if America can have frank conversations with China about its "Century of Humiliation." America should make it clear that uncontrolled nationalism will only have detrimental effects on China's future development.
- The White House should play a more forceful role in shaping a balanced narrative about China. In the world of diplomacy, rhetoric and symbols

matter. Even if there is no substantial change of policy, a more balanced narrative is likely to alleviate concerns among US allies and smooth relations with Beijing.

- Continued engagement is the practical policy toward China. Engagement is not appeasement, and the alternatives carry more risks than benefits. A new Cold War aimed at containing China cannot work, given the high degree of China's integration into the world. Plus, few nations are willing to choose side between America and China. A shooting war between the two nations is unimaginable.

Introduction

In recent years, US-China relations have experienced unprecedented challenges since the normalization of relations between the two nations in the 1970s. While both Beijing and Washington publicly deny the coming of a second Cold War, strategic competition, if not rivalry, is now the frame through which the US government views its relationship with China. For many foreign policy analysts, the transition to an increasingly mutually destructive Sino-American relationship is disconcerting, a trend highlighted when the former US Secretary of State Mike Pompeo announced the end of America's engagement policy toward China on July 23, 2020.¹

Indeed, Washington has a long list of grievances against Beijing including unfair trade practices, intellectual property theft, human rights abuses, China's aggressive moves in the South China Sea, and the future of Taiwan, just to name a few. Many of those contentious issues, however, are not new. Their origins can be traced back to the 1970s, when the two nations decided to normalize relations. Accordingly, my paper is designed to examine the historical origin of America's engagement policy toward China and its implications for contemporary Sino-American relations. By historicizing and contextualizing America's China policy, the paper aims at achieving a nuanced evaluation of the effectiveness of engagement.

America's engagement policy toward China was grounded in a shared discourse on China's modernization between America and China, which first gained currency between the late Johnson administration and the Carter administration, a period I call the "long 1970s." During the long 1970s, Sino-American interactions were framed both explicitly and implicitly by perceptions of China's modernization, the meaning of which was being constantly negotiated and imagined. This discourse on China's modernization was generated both by assumptions underlining American foreign policy such as the need to champion capitalism and liberal democracy, and by China's understanding of the US-led international order. However, the term "engagement" was not used to describe Washington's overall policy toward Beijing. Rather, "rapprochement" and "normalization" were the official terms used in the long 1970s. Engagement has only become the new buzzword in recent years because of the need to find a convenient label for the multidimensional relationships between the United States and the People's Republic of China (PRC).

While “rapprochement” and “normalization” suggest a narrower and more-or-less manageable policy agenda, “engagement” runs the risk of misinterpreting America’s past China policy by confusing long-term policy goals with short-term ones. During the long 1970s, America’s China policy was gradual and had phased goals. While the desire to change China into a liberal democracy loomed large in the background of America’s policy toward China, that desire was only pursued as a long-term goal and no American administration ever set a firm timetable to turn it into reality. Moreover, Washington often put that long-term goal on the back burner in favor of pursuing other goals that served America’s national interests. Before rejecting engagement as a complete failure, therefore, it is necessary to examine why and how the policy of engagement was developed and what it has achieved since the long 1970s.²

The Cognitive Foundation of Engagement: China as a Frustrated Modernizer, 1966-69

Policy and reality mutually reinforce each other. On the one hand, policy reflects reality and derives from decision-makers’ perceptions of reality. On the other hand, policy also shapes reality by creating the discursive context of reality, analyzing reality selectively, or misinterpreting reality. America’s engagement policy toward China is subject to the same policy-reality dynamics. While policy and reality mutually shape each other, the key link connecting the two, the perception of reality, is equally important. The historical origin of America’s engagement policy toward China, therefore, can be found in the changed perception of China during the long 1970s.

During the early Cold War period, Washington primarily perceived the Beijing regime as a “Red menace” bent on “continuous revolution” at home and exporting communism globally.³ As so often in politics, however, the pendulum started to swing again during the late Lyndon Johnson administration. The year 1966 saw a rapidly growing effort to reevaluate America’s China policy. This was a natural development from the accumulated frustration over the deadlock in US-China relations during the previous decades.

The Vietnam War further revived the call for improved Sino-American relations, because more people now wanted to aim directly at the root problem of the war: the shadow of Communist China in Southeast Asia. A new public

debate over China thus emerged, first initiated by members of the US Congress and prominent scholars on China. They successfully reconstructed America's perception of China by examining China's modernization under communism. As a result, China came to be primarily perceived as a "frustrated modernizer," a country that failed to become a first-rate industrial power and establish modern economic sectors under communism. Promoters of this perception argued that new policies toward China were not only conceivable but also highly feasible, because the Beijing regime, with all its weaknesses and vulnerabilities, would eventually change its foreign policy if America would take advantage of China's failed modernization to exert the right kind of pressure.

The "frustrated modernizer" image was first brought sharply into focus when J. William Fulbright, chairman of the Senate Foreign Relations Committee, launched three weeks of congressional hearings on US-China relations in March 1966.⁴ To Fulbright, the war in Vietnam was a result of America's misunderstanding of China: "China is not judged to be aggressive because of her actions; she is *presumed* to be aggressive because she is communist." Revolutions, Fulbright argued, shared a common feature: "their principal purpose in any case is to modernize rather than democratize and they are more interested in material results than in abstract ideas." The Chinese Communist Revolution was the latest stage of the Chinese effort to modernize their country and to become equal with the West.

The best way to deal with China, Fulbright argued, was not to pursue a rigid containment policy but to bring China into the international community. By engaging China, America could moderate China's behavior and make Beijing realize that a healthy relationship with the West was indispensable to the modernization of China.⁵ Fulbright's effort to understand the Beijing regime through the lens of China's modernization was echoed by the fourteen witnesses who testified before his committee.⁶ A. Doak Barnett particularly proposed a new strategy that would soon catch the attention of the mass media: "containment but not isolation."⁷ This strategy aimed at forcing Beijing realize that accommodation with the West could greatly benefit China's modernization.⁸

As a new discursive construction of China, the "frustrated modernizer" perception signaled the beginning of US-China engagement. Yet no one expected engagement to produce immediate results. Instead, engagement was

perceived to be a long-term policy that should be pursued gradually with phased goals. For many, trade was the least sensitive and low-risk tool of diplomacy. Senator Henry M. Jackson, a key figure on the Armed Services Committee, openly called for the development of “a livable relationship with the Chinese Communists.”⁹ Jackson urged to establish trade relations to acquire “some leverage in negotiating other items with China.”¹⁰ Senator Mike Mansfield, the powerful majority leader in the Senate, urged the Johnson administration to negotiate the ending of the Vietnam War by talking directly to Beijing.¹¹ Mansfield reminded his audience in a speech of the old “China trade” days and questioned America’s trade embargo against China.¹² “It was a damned good speech,” Johnson’s aide Frank Valeo later recalled: “and very courageous considering the general atmosphere. He didn’t get but one single negative comment on it.”¹³

Unofficial cultural exchanges, or the so-called “people’s diplomacy,” also became a good tool to jumpstart engagement. The National Committee on United States China Relations pronounced its establishment in June 1966, shortly after the Fulbright hearings. Robert Scalapino, who testified before Fulbright’s committee, became its acting chairman, with numerous China scholars serving on its steering committee.¹⁴ The National Committee argued that by engaging China in trade, technological transfer, and cultural exchange, America would moderate radical Chinese behaviors and bring China back into the international community. “For too long a period of time we have concerned ourselves with attempting to use economic controls and restrictions to retard development and growth of unfriendly countries—without much success,” one committee study concluded. “The more positive approach would seem to be that of directing economic measures in a positive direction.”¹⁵

The “frustrated modernizer” perception was accepted by the Johnson administration officials when they launched a comprehensive study of China in 1966. The report rejected both “disengagement” and “showdown” as viable options in dealing with China. The report argued that America must understand that the current radical Chinese foreign policy could not last long, since “no responsible Chinese leadership can escape the task of social, political, and economic modernization. But...prolonged semi-failure is almost certain to wear down both the morale of the Communist cadres and the responsiveness of the Chinese people to exhortations for greater effort.” Painting China as a

frustrated modernizer, the report argued that “gaining access to the US market should be particularly attractive to the Chinese...Our long-term problem may well be how to ensure that, as containment succeeds, China will turn toward the free world rather than toward the Soviet Union.” To make this happen, American policy would follow two directions. On the one hand, “we should try to draw China into activities on the broader world scene where, through exposure to outside reality and successful assumption of international responsibility, she might gain a degree of status and respect which could substitute in part for the unattainable goals of regional domination and super-power status.” On the other hand, by gradually softening America’s military containment of China, “we might ease the tension between China and ourselves, thereby facilitating a decision that Chinese interests were better served by normalizing relations with us rather than risking another betrayal at the hands of Russians.”¹⁶

During the late 1960s, therefore, the perception of China as a “frustrated modernizer” became the cognitive foundation of America’s engagement policy toward China. While American analysts can be accused of being paternalistic toward China, the new engagement approach was not created by American naiveté or idealism. Engagement was proposed because a rigid containment strategy failed to change China’s behavior and reduce its threat to the America-led world order. Nor were maintaining the containment policy or going to war against China viable options when America was bogged down in Vietnam. Engagement, therefore, promised a better approach to achieve American foreign policy goals.

As a new policy, engagement was conceived as a response to what happened inside China. The constant and relentless political campaigns, from the Hundred Flowers Campaign, the Anti-Rightist Campaign, the Great Leap Forward, to the Cultural Revolution, caused significant damage to Chinese society and the Chinese economy was on the verge of collapse. China, indeed, became a frustrated modernizer. American analysts did not get China wrong. It was reasonable to believe that America could use Chinese weaknesses and vulnerabilities as leverages to change Beijing’s foreign policies. Finally, engagement was conceived as a long-term strategy. While it imagined that over time, China might join the rules-based international order led by America, the short-term goal of engagement was to moderate China’s radical foreign policy,

relax tensions of the Cold War, and help America to end its entanglement in Vietnam. Regime change was not on the top of engagement's agenda.

Engagement Bears Fruit: From Rapprochement to Normalization, 1969-79

Thanks to the “frustrated modernizer” perception, when Nixon became president, he was well-positioned to construct a new China policy on the foundation of a growing consensus that favored engaging China. Nixon's much-celebrated 1967 *Foreign Affairs* article showed that he was thinking along the same lines. “Any American policy toward Asia must come urgently to grips with the reality of China,” Nixon argued. “Taking the long view, we simply cannot afford to leave China forever outside the family of nations, there to nurture its fantasies, cherish its hates and threaten its neighbors.”¹⁷ The escalating Sino-Soviet Split, which culminated in the 1969 Sino-Soviet border conflict, provided a new geopolitical context to explore new possibilities.

To Nixon and his National Security Advisor, Henry Kissinger, the immediate goal of engagement was to realign the Cold War balance of power by forging an anti-Soviet alliance with China. Yet Nixon and Kissinger understood that the common threat from the Soviet Union could not automatically guarantee a smooth development of rapprochement. Trust had to be built and rapprochement had to start with small, low-risk steps. That's why the Nixon administration did not pursue a narrowly defined anti-Soviet alliance with China but encouraged a broadly defined engagement which encouraged the development of multilayered and multidimensional relations with China. Engagement served American interests in three ways simultaneously. First, by developing trade and cultural relations, America signaled that it was negotiating with China in good faith. Second, engagement showed that Nixon wanted to improve US-China relations per se, not to play Beijing off against Moscow. Finally, engagement could gain China access to Western markets and technologies, benefits that would bind China closer to America and prevent a Sino-Soviet rapprochement.

To Nixon and Kissinger, engagement could work because China as a “frustrated modernizer” had weaknesses that could be used as leverage. That the Chinese showed interests in several trade and travel related initiatives put

forward by America further made engagement promising. The Nixon administration concluded that “it is more likely that China’s policy ultimately will moderate, given an international climate conducive to moderation. Domestic economic pressures and the emergence of a more pragmatic leadership in Peking to cope with these pressures would contribute to such an evolution.” America should find a way to “obtain Chinese acceptance of such a system of independent states and Peking’s cooperation with other Asian countries in areas of common economic and social activity and interest.”¹⁸

For Kissinger, the priority of engagement was to serve America’s immediate strategic needs by opening relations with China. Despite the conviction that engagement could reorient China toward the West over time, Kissinger did not even hint that America would seek to change the Chinese regime when he visited China in July 1971. Yet Kissinger was convinced that Beijing recognized the flaws of its development model and needed Washington to counterbalance Moscow. The most encouraging sign was that China softened its stance on the Taiwan issue. The Chinese Premier Zhou Enlai made it clear that China did not want to use force to reunite Taiwan with the mainland, yet China also did not want to see “two Chinas” in the world. Kissinger told Zhou that America would “not [advocate] a ‘two Chinas’ solution or a ‘one China, one Taiwan’ solution.”¹⁹ The softened Chinese stance, which did not insist on immediately terminating diplomatic relations between Washington and Taipei and setting a firm time-table for withdrawing American forces from Taiwan, made it possible for the two sides to negotiate a joint communiqué for the anticipated Nixon visit during Kissinger’s second trip to China in October. Further, when the General Assembly of the United Nations voted to admit the PRC and expel Taiwan on October 25, the Nixon administration only fought a half-hearted battle to preserve Taiwan’s seat in the UN, largely to satisfy conservatives such as Ronald Reagan and Barry Goldwater.²⁰

When Nixon finally went to China in February 1972 and met with Mao Zedong, the Chinese supreme leader only wanted to discuss “philosophical questions” and not specific policy issues. But Mao indicated his support for strategic cooperation with America.²¹ The Chairman still wanted to show his confidence in the merits of his revolution by showing that he was not eager to improve relations with America overnight. Nixon, on the other hand, insinuated that Mao should get out of his own vision of history to find common

interests with the US. "History brought us together," Nixon told Mao, "The question is whether we, with different philosophies, but both with feet on the ground, and having come from the people, can make a breakthrough that will serve not just China and America, but the whole world in the years ahead."²² Kissinger perceived a weakened China and a less confident Mao. When Mao told Nixon that his writings did not change China but only changed a few places in the vicinity of Beijing, Kissinger thought Mao admitted the "revolutionary dilemma" he faced. "To Mao, Communism was the truth," Kissinger wrote, "But...he discovered that the evolution of Communism could wind up mocking its pretensions."²³

The Sino-American rapprochement was followed by a honeymoon period between the two nations. Engagement flourished as all kinds of American groups rushed to visit China. Kissinger went to China multiple times, and the two sides soon found that they had converging interests on a wide range of global issues, with the anti-Soviet alliance on top of their shared agenda. Kissinger even told Nixon that "we are now in the extraordinary situation that, with the exception of the United Kingdom, the PRC might well be closest to us in its global perception."²⁴ However, the move toward normalization, that is, the establishment of formal diplomatic relations, was stalled. Several factors contributed to the problem. While the Chinese put aside the Taiwan issue to pursue rapprochement, they demanded the US cut off diplomatic relations with Taiwan before normalization could happen. Nixon was not ready to accommodate this yet, which would require a broad bipartisan consensus. And the unfolding Watergate scandal further tied the president's hands. The power struggle inside China between the moderates led by Zhou Enlai and the radicals led by Mao's wife, Jiang Qing, was another obstacle. The radicals feared that opening to America would damage their unyielding Maoist ideology and they took every opportunity to undermine Zhou and his supporters.

Normalization regained its momentum when, on February 8, 1977, President Jimmy Carter, urged by Secretary of State Cyrus Vance and National Security Advisor Zbigniew Brzezinski, told Huang Zhen, head of the PRC Liaison Office, that his administration was firmly committed to achieving normalization.²⁵ The Carter administration had an even greater desire to preserve the anti-Soviet alliance with China in the aftermath of the fall of Saigon and escalated Soviet activities in the Third World. "To an even

greater extent than I realized, common concerns about the USSR drove the US and PRC together in 1971,” Brzezinski told Carter, “In sum, the Sino-American relationship helped stabilize our East Asian situation after twenty-five years of confrontation.”²⁶ Brzezinski worried that stalled normalization would damage America credibility in the eyes of Beijing, a concern shared by the Secretary of Defense, Harold Brown.²⁷

The “frustrated modernizer” perception played an even bigger role in the Carter administration’s China policy. The death of Mao, the downfall of the “Gang of Four,” and the rise of Deng Xiaoping confirmed America’s perception that China was moving away from Maoism and toward the West. Both Vance and Brzezinski believed that China wanted normalization to serve its modernization efforts.²⁸ In July 1978, Carter sent Frank Press, his advisor of science and technology, to China. The Press visit was designed to “strengthen the hand of those Chinese leaders who want to deal pragmatically with the US...anchor Peking’s current ‘tilt’ toward the West and diminish further any prospects for Sino-Soviet reconciliation...reinforce the PRC’s current moderate policies in Asia and possibly induce flexibility on Sino-US bilateral issues (e.g., Taiwan) by demonstrating the tangible benefits that flow from a clearer relationship with the US...[and] broaden US commercial opportunity vis-à-vis China.”²⁹

The Carter administration, in short, continued to regard engagement as the best approach toward China. Meanwhile, Deng’s need to reconfigure China’s modernization meant that he was willing to downplay the Taiwan issue to pursue normalization. In December 1978, Deng and Woodcock held the last round of negotiations on normalization. Deng was willing to allow unofficial relations between America and Taiwan after normalization, and reluctantly, he agreed to solve the issue of American arms sale to Taiwan later. Woodcock assured Deng that America would not try to “fulfill the defense treaty in a different form” by arms sales. Deng hoped that if the issue of arms sale was raised by the American media, “the President will be very vague and ambiguous in answering this question so that no problem will be raised.” He also agreed that China would not contradict American statements that the Taiwan issue would be solved peacefully.³⁰

US-China diplomatic relations were officially established on January 1, 1979, followed by Deng’s visit of America. Just before his visit, Deng officially

announced a new policy of Reform and Opening Up. America's engagement policy appeared to bear fruit after the long 1970s. "One of the best ways to put roots deep into the Chinese political system is to expose his people to the advantages of a relationship with Japan and the US," Vance reflected on Deng's visit. "The rapidly expanding relationships are important because they draw the Chinese further into involvement with us and the rest of the world. To the extent that the Chinese become part of the community of primarily non-Communist nations at this time in their development, so will our ties with China be more enduring when and if they are later tested by strategic or political strains."³¹

Engagement in Retrospect: A Bottle Half-Empty or Half-Full?

The effectiveness of a given policy should be measured against the results it expects to achieve. In this regard, engagement has successfully achieved its goals. That China became America's partner against the Soviet Union served American interests well and contributed to the end of the Cold War. China significantly moderated its foreign policy, stopped supporting radical revolutions around the world, and aligned its interests with America's in many areas. Engagement ended China's self-imposed isolation and paved the way for China's economic reforms. The rise of China as an economic power also served American interests. Not only did the US economy benefit from the vast China market, but a developing China proved willing, albeit sometimes reluctantly, to accept certain international rules and norms. At a minimum, China's transition to the market economy prevented a worse scenario from happening: a collapsed China could have created more problems for America. In short, the key rationale of engagement was to maintain a stable working relationship with China regardless of the nature of the Beijing regime. While America has legitimate reasons to be concerned about China's lack of political reform and human rights record, engagement was never designed to prioritize those values-based issues.

Critics have put forward two major arguments against engagement. On the one hand, they argue that with the end of the Cold War, the strategic rationale of US-China cooperation faded away. Issues that were previously

overshadowed by strategic needs such as unfair trade practices are bound to emerge as prominent problems. On the other hand, the rise of China as a major economic and military power has challenged American dominance of the global order. Instead of perceiving China as a frustrated modernizer, Washington increasingly treats China as a peer competitor and threat. In 2017, the Trump administration labeled China as a strategic competitor and revisionist power bent on undermining American security, eroding the rules-based international order, and challenging American power. Although China was not called an enemy, it was deemed more dangerous than Russia.³² In October 2018, Vice President Mike Pence accused Beijing of “employing a whole-of-government approach to advance its influence and benefit its interests” at the expense of America.³³ Secretary of State Mike Pompeo put the final nail in the coffin when he discredited Nixon’s China policy and declared that “the kind of engagement we have been pursuing has not brought the kind of change inside of China that President Nixon had hoped to induce.”³⁴

The criticism of engagement, however, suffers from empirical problems and ahistoricism. Even after the Cold War, successive American administrations from George H.W. Bush to Barack Obama continued to value strategic cooperation with China. Bush managed to stabilize relations in the aftermath of the 1989 Tiananmen Incident to deal with the uncertainties created by the collapse of the Soviet bloc. Later, Washington also needed China’s support during the First Gulf War. The Clinton administration delinked human rights issues from trade relations because expanded engagement with China was deemed vital to America’s economic recovery. The George W. Bush administration toned down its earlier harsh rhetoric against China and valued China as a partner in the Global War on Terrorism. While the Obama administration’s “pivot” to Asia was widely perceived as a move to contain China, Washington continued to stabilize relations to get China’s cooperation on a wide range of issues such as Iran, North Korea, and climate change.³⁵ Contrary to the critics’ claim that the previous American administrations ignored moral issues in pursuit of strategic interests, American foreign policy makers were keenly aware of the seriousness of those issues. Yet most recognized that Washington was not in a position to force Beijing to make immediate changes. The former Secretary of State Madeline Albright,

for example, argued that China's progress toward liberal political and human rights practices "will be gradual, at best, and is by no means inevitable."³⁶

Accusing China of being a revisionist power bent on undermining the rules-based order also exaggerates the China challenge and oversimplifies reality. As some analysts have convincingly argued, a singular US-dominated liberal world order has never existed in the post-WWII era. Rather, states interact with each other around "'issue-specific orders' where the key norms and institutions that regulate state behavior today vary depending on the issues area."³⁷ Nor is China the only power that abides by this order selectively. America too often operates outside the rules of this order.³⁸

A closer examination of China's behavior related to the issue-specific orders reveals that engagement has successfully integrated China, at least partially, into the US-led world order since the 1990s. China joined the World Trade Organization, the World Bank, and the International Monetary Fund. It signed treaties pertinent to the control of nuclear, chemical, and biological weapons, and signed the Paris Climate Agreement in 2016. Between 2000 and 2018, China supported 182 of 190 UN Security Council resolutions imposing sanctions on countries breaking international rules. China has also deployed more peacekeepers than the other Permanent Security Council members combined. China's actions during the 1997 Asian Financial Crisis were widely applauded as responsible and compared favorably with American actions. China's rapid economic growth has not only lifted 800 million of its citizens out of poverty, but also contributed significantly to global growth. China has also made great progress in addressing issues such as pollution and clean energy. While China's cooperation on some issues was often reluctant and inconsistent, the benefit of keeping China closer to American positions nonetheless outweighed the risk of an alienated China making mischief. Indeed, China's positive contribution to the world order was one reason why Robert Zoellick coined his oft-quoted term "responsible stakeholder" when he urged China to step up its efforts to maintain international norms.³⁹

To argue that engagement has been a success on balance is not to say that all is well with China. It is also not primarily about different perspectives. The debate over whether China's record is a glass half-full or half-empty can go on forever. Nor should we ignore that China's behavior since the rise of

Xi Jinping has contributed to the current estranged relationship. Xi's China appeared to have abandoned the Deng era's "low profile" foreign policy. A dazzling assortment of political slogans such as Wolf Warrior diplomacy, the China Dream, and Made in China 2025, combined with more assertive foreign policies such as the Belt and Road Initiative and island building in the South China Sea, make China's neighbors increasingly nervous. In the economic area, many believed that Xi reversed the liberal reforms under Deng by strengthening state control of the economy and increasing barriers for foreign business in China.⁴⁰ The result was that China managed to alienate a wide range of American constituencies who had supported engagement. Americans, in return, lost their patience with China. And the perception of China as a threat resurfaced to dislodge the "frustrated modernizer" perception.

It is unfair, however, to blame engagement for the current problems between America and China. Rather, a balanced assessment of engagement can help us to forge a realistic grand strategy, to use the popular buzzword, toward China. As John Lewis Gaddis has pointed out, a successful grand strategy must align one's "unlimited aspirations with necessarily limited capabilities."⁴¹ People who criticize engagement often sound like that the only acceptable outcome for America is regime change in China. Regime change, however, has never been the main aspiration of engagement. To hope that China will eventually move toward liberal democracy is not the same as setting a timetable and assuming that America has the capabilities to achieve that goal. Nor can we continue to assume that the market economy will inevitably lead to liberal democracy, as proven by China's development since the 1980s. While we should keep that aspiration alive, America must realize many of the factors that will shape China's future are beyond American control. It's the Chinese people who will have to decide their future. America should play an active role in shaping China's future, but not draw up a blueprint for China. A good grand strategy requires one, in Gaddis's words, to find flows you can go with instead of trying to control flows.⁴² Thus, a more realistic goal of America's China policy is to shape China's choices so that it will abide the rules-based international order with or without political reforms.

Engagement or Cold War 2.0: A Time for Philosophical Questions Again

When President Xi Jinping met with President Donald Trump during the 2019 G20 Summit in Japan, the two nations had been locked in “an epic trade war” for over a year.⁴³ Instead of hammering out a plan to end the trade war, Xi wanted to talk about what kind of a relationship the two nations wanted to have.⁴⁴ Like Mao who wanted to discuss philosophical questions with Nixon, Xi wanted to discuss philosophical questions too with Trump after 50 years of US-China engagement.

Indeed, it is time to discuss philosophical questions again. We need to think about the overall trajectory of the relationship: how to assess the challenges posted by China, how to prevent possible military conflicts with China, and how to align America’s strategic goals with its capabilities. We should focus on the big picture and decide what kind of relations we want to have with China in the next few decades.

For starters, we should have a clear-eyed assessment of China’s capabilities and intention instead of believing in the inevitability of the so-called Thucydides Trap. China, in many ways, is still a “frustrated modernizer.” It is true that China’s power has grown rapidly in the past decades. As the second largest economic power, China is even projected by some analysts to surpass America by the 2030s. Yet it is also true that China has not achieved power parity with America. On the contrary, China is behind America in key areas of hard power, such as the semiconductor industry, per capita income, and overall military power.

In terms of soft power, few nations want to copy China’s political system. American ideals and values are still appealing to many Chinese. As scholars have pointed out, contact with America itself has played a major role in cracking open China’s closed society and planting alternative ideas in China despite heavy Chinese propaganda.⁴⁵ The Chinese government’s fear about “peaceful evolution” or “color revolution” only confirms the erosive power of American ideals. Washington should not blindly cut back on cultural and educational contacts with China. Meanwhile, China faces difficult challenges ahead such as corruption, a greying population, health care, income inequality, environment protection, and the increasing popular demand of transparency and rule of law, to name just a few.⁴⁶ Dealing with

those challenges requires a stable international environment and global cooperation. America should convince China that its own interests can be best served by behaving responsibly on the world stage. As a “frustrated modernizer,” China is more a challenge that requires skillful management than a threat that America needs to confront at all costs. Plus, in the age of social media, efforts by a democratic government trying too hard to shape a narrative often backfire.

The question of China’s intention, however, is harder to answer. While China’s influence is growing globally, it is too early to assert that China wants to replace America and become the dominant hegemon of the world. That inspiration may be harbored by China’s ultra-nationalists, but it is not a realistic goal pursued by the Chinese government. China’s intention, in essence, is Xi Jinping’s call for the rejuvenation of the Chinese nation, which is not necessarily to be achieved by disrupting the US-led international order. China understands that its rise, if not properly managed, can make the Thucydides Trap a self-fulfilling prophecy. That’s why China coined the term “peaceful rising,” and then changed it to “peaceful development” when the word “rising” was considered provocative. China has become more assertive under Xi Jinping, but the official line continues to warn against a new Cold War and promise that China will not seek hegemonic power.

To achieve a balanced view of the national rejuvenation thesis requires a more balanced view of Chinese nationalism. The rise of Chinese nationalism since the 1990s can be best understood in light of the “frustrated modernizer” image. While China has clearly become a global economic powerhouse, the downsides of its development model are serious. New social problems have brought about a “left turn” in Chinese politics. Marginalized groups came to share the belief that “the Communist Party was abandoning socialism and embracing economic growth at all costs...to the benefit of an elite few and at the expense of the majority.”⁴⁷ Those groups have urged the CCP to revive certain policies during the age of Mao Zedong, when the Chinese society was supposed to be more egalitarian. The tightened state control of the economy and the intensified ideological struggle under Xi, which are perceived in the West as reversing China’s liberal reforms, are the CCP’s efforts to maintain the balance between economic reforms and the party’s rule. The primary audience of the rejuvenation thesis, therefore, is domestic. The CCP

has used nationalism to buttress the legitimacy of its rule, as it argues that only the party can steer China's modernization toward success.

The national rejuvenation thesis also has an international dimension. The success of China's modernization requires the restoration of China's status as a major power. For America, the key question is how to manage China's rise without falling into the Thucydides Trap. The first step is to take the Chinese perspective seriously instead of dismissing it as propaganda. For many Chinese, China is a returning major power that wants to regain its national pride from the "Century of Humiliation," rather than a rising power bent on disrupting the existing world order. When China is perceived in the West as another Nazi Germany or imperialist Japan, it is only natural that many in China complain that the West either misunderstands or intentionally demonizes China. Moreover, from China's perspective, America has not exactly been the role model of maintaining international rules and norms. American unilateralism has done significant damage to its credibility as a benign superpower. While international rules matter, so do the process of rule formation and the nature of the rule-making institutions. China, however, is not a player in making the existing international rules. China can choose to comply with certain international rules out of self-interest, but it does not necessarily internalize the international norms. The Chinese position was best summarized by Yan Xuetong, a leading Chinese scholar of international relations, who argued that the US-led international order lacks moral principles such as "fairness," "righteousness," and "civility," which Yan deemed as more important than "democracy" and "freedom."⁴⁸

Taking the Chinese perspective seriously does not mean that Washington should allow Beijing to rewrite international rules unilaterally. Rather, America should realize that China cannot be denied a seat at the table indefinitely. Those who argue that engagement is a failure often overlook the fact that while China has rejoined the world since the 1970s, it is not a true insider of the rule-making club controlled by America and its allies. China cannot become a responsible stakeholder if it is not a stakeholder in the first place. America and China must work together to uphold rules acceptable to both and negotiate their differences in good faith.

Washington should consistently convince Beijing that America does not seek to contain China's rise if China can truly become a responsible stake-

holder. Engagement from Nixon and Obama produced a more or less stable relationship because both nations wanted to keep the relationship on a constructive track. Once the trade war started, however, Beijing was no longer sure about Washington's intension. Take for example the coverage of the trade war by the *Global Times*, China's most influential and nationalistic-oriented tabloid. Initially, the *Global Times* focused largely on trade issues on its social media accounts. But increasingly, the coverage shifted away from mere trade issues to the possibility of an emerging new Cold War. "The beacons are being lit everywhere on China's 'Great Wall'—Hong Kong, Xinjiang, and the trade war," one editorial lamented. "What challenges do we have to face? What on earth does the enemy want from the Middle Kingdom?" "A rising great power naturally feels isolated," the readers were told. "Don't expect the rest of the world to understand us. We need to be calm and confident."⁴⁹ The feeling that China can never do right in the eyes of America, is the kind of perception that America should try to dismantle.

It is crucial that America should convince China and itself that a constructive relationship is still in the two nations' interests. Being consistent is the key. China cannot be persuaded with Congress passing laws targeting China, news media constantly portraying China in negative ways, and the FBI launching whole of society efforts to counter China's influence. However, consistency does not mean America should remain silent or speak in the same voice. As a democracy, America cannot and should not do so. Being consistent, therefore, is easier said than done. However, there are several possible ways worth trying.

First, America should refrain from overreacting to the China challenge. Before we start a second Cold War, we should take George Kennan's warning during the first Cold War seriously. "I sometimes wonder whether . . . democracy is not uncomfortably similar to one of those prehistoric monsters with a body as long as this room and a brain the size of a pin," Kennan wrote. "He is slow to wrath—in fact, you practically have to whack his tail off to make him aware that his interests are being disturbed; but, once he grasps this, he lays about him with such blind determination that he not only destroys his adversary but largely wrecks his native habitat."⁵⁰ While democracy survived the Cold War, overreaction indeed damaged American interest and credibility, the Red Scare and the war in Vietnam being examples. By confronting China on all issues at the same time, Washington will only stiffen China's resistance,

raise its suspicions about American intentions, and ironically reinforce the nationalists' argument that America is in decline. China has now frequently called America a "petty" superpower, whose toughness belies its fear.

Second, America should choose its battles wisely. Washington should focus on areas where America has maximum leverage and enjoy broad support from its allies. America should also focus on issues when a convincing case can be made that China's changed behavior can serve its own interests. By choosing where and how to engage China, America can both signal its firmness on issues that affect American interests and convince Beijing that America does not intend to destruct the overall relationship. History has proven that China is willing to work with America on specific issues, even thorny ones, when it believes that the overall relationship is on a constructive track. Mao Zedong and Zhou Enlai were willing to put aside the Taiwan issue to pursue rapprochement. Deng Xiaoping did not raise hell over American arms sales to Taiwan when he tried to achieve normalization. Jiang Zemin decided to maintain course despite the NATO bombing of Chinese embassy and Chen Shui-bian's visit to America.

Third, America should not hesitate to offer carrots when China makes verifiable changes. For example, Washington can set up clear criteria for Chinese companies like Huawei to meet. Once they comply with the criteria, Washington should ease or lift sanctions. The point is that America should focus on manageable issues that can be solved within a relatively short time span. By doing so, Washington can demonstrate that it is willing to work with Beijing on specific issues, rather than containing China wholesale. Equally important, Washington should demand Beijing make deliverable and verifiable pledges that China does not seek to promote its interests at America's expense. The two sides must mutually assure each other that they do not seek to violate the other's core interests.

Fourth, America should commend China's positive contributions where credit is due, hold China accountable for the international rules and norms that Beijing promises to uphold, and engage China in the discussion of the rising Chinese nationalism. America should make it clear that uncontrolled nationalism will only have detrimental effects on China's future development. It also helps if America can have frank conversations with China about its "Century of Humiliation." A major psychological drive behind the increased

Chinese assertiveness is the belief that the West, including and especially Japan, is unwilling to address China's past sufferings at the hands of imperialist powers. America and its major allies' policies toward China, from the Chinese perspective, are still based on the notion that might makes right. The US-China trade war, therefore, is widely interpreted in China as America bullying. It is difficult to establish strategic trust if China believes that America wants to keep it down indefinitely.

Finally, the White House should play a more forceful role in shaping a more balanced narrative about China. While the Chinese understand the complexity of American politics and the almost unavoidable whole of society backlash against China, they traditionally look at the US president as the ultimate authoritative voice of foreign policy. The Biden administration should discuss China in a less flammable way to counterbalance calls for a new Cold War and even military conflicts with China. National Security Advisor Jake Sullivan's recent speech that Washington is for de-risking and diversifying, not decoupling, is a good start.⁵¹ Maintaining regular high-level dialogues with China, such as the recent trips to China by Secretary of State Antony Blinken and Secretary of Treasury Janet Yellen, is another way to control the narrative. In the world of diplomacy, rhetoric and symbols matter. Even if there is no substantial change of policy, a more balanced narrative is likely to alleviate concerns among US allies and smooth relations with Beijing.

Engagement should be pursued with a firm and consistent understanding that America does not seek to block China's rise if the latter is willing to make positive contributions to the world order. The history of engagement has proven that China is not immune to America ideals and values. China is not a political monolith, and there is still a significant number of Chinese sharing American values. Often called "moderates" or "reformers," those people are the primary audience of America's engagement policy. Under Nixon, the US-China rapprochement strengthened the position of Zhou Enlai and other moderates. Under Carter, the US-China normalization reinforced Deng Xiaoping's credentials as the chief reformer. And under Clinton, China's entry into the WTO boosted Zhou Rongji's reformist agenda. While anti-American feelings are running high in China in the aftermath of the trade war and the Covid-19 pandemic, moderate and rational voices have never died out. Social media posts blaming China for

the deterioration of U.S.-China relations are not uncommon to find. For example, a recent social media post that went viral alleged that Deng Xiaoping once said “historically, countries with good relations with America all grew rich.”⁵² For many Chinese, China’s rise in the recent past was largely achieved within the US-led international order. America should encourage the moderates’ argument that China can continue to develop within the existing world order without disrupting it. America should also work together with its allies, not to contain China, but to show that other nations too prefer a rules-based international order.

In conclusion, continued engagement is the practical policy toward China. But engagement should be recalibrated by taking into consideration China’s legitimate concerns. Engagement is not appeasement, and the alternatives carry more risks than benefits. A new Cold War aimed at containing China cannot work, given the high degree of China’s integration into the world. Plus, few nations are willing to choose side between America and China. A shooting war between the two nations is unimaginable. Engagement, on the other hand, can set up realistic ends by aligning America’s goals with its capabilities. America should use engagement to shape China’s future choices so that it can contribute positively to the rules-based international order with or without moving toward a liberal democracy.

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Notes

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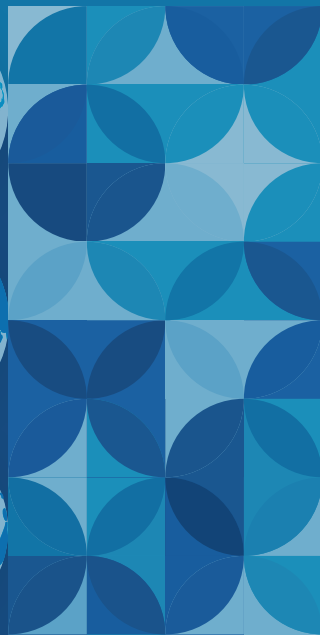
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2022-2023 WILSON CHINA FELLOWSHIP

Scaling Up and Going Out: The Politics of Chinese Agribusiness Development

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Abstract:

This paper investigates the politics of Chinese agribusinesses “scaling up” production domestically and “going out” to make investments globally. It addresses the following questions: What are the key drivers behind the transition from smallholder farming to industrial-scale agriculture in China? What are the domestic and global implications of this transition? The paper argues that the development of dragon head enterprises, or large-scale, agro-industrial firms, lies at the heart of China’s recent agricultural modernization efforts, that the factors driving their development are irreversible, and that US firms will face tough competition with them both within China and globally. Given the economic importance US-China agricultural relations and the two countries’ shared interest in promoting global food security, US policymakers should focus on enhancing the transparency of Chinese firms’ global activities, rather than banning Chinese investment in the US agricultural sector.

Policy Implications and Key Takeaways

- China’s largest agribusiness firms, known as dragon head enterprises, have emerged as central players in the development of Chinese and global agriculture. They are responsible for “scaling up” production domestically and “going out” to make investments globally.
- The factors driving dragon head development are irreversible. On the domestic side, the shift from smallholder to industrial farming is tied to shifts in the rural economy, changes in urban consumption, concerns about food safety, and promises of food self-sufficiency. On the international side, outbound agricultural investments are intended to mitigate global food supply risks, to improve firm competitiveness, and to help the Chinese state project political power.
- The idea that China is taking over America’s farmland and food supply is more myth than reality. The United States is not a major target of Chinese agribusiness activity, which means that recent efforts to ban investment are unnecessarily pushing Chinese firms toward other

markets. This trend makes it more difficult for the US to understand and compete with China, and it is costing potential jobs and export opportunities that those investments would have generated.

- US policymakers interested in repairing US-China agricultural relations should work toward normalizing trade relations, reducing barriers to Chinese investment in the US, and vice versa, and allocating more resources for enhancing the transparency of Chinese firms engaged in international trade and investment.

Introduction

China is the world's largest producer, consumer, and importer of agricultural goods. It ranks first in the global production of cereals, cotton, fruit, vegetables, meat, poultry, eggs, and fish products, in addition to being a lead purchaser of both raw agricultural commodities and high-value processed foods on international markets.¹ While most of what China produces is consumed domestically, the country has also emerged as a major agricultural exporter. It ranked third after the United States and Brazil in 2021, with total exports valued at 63.14 billion US dollars.² Following the path of many developed countries, China has become a significant subsidizer of domestic agriculture as well, creating new tensions in global trade governance. Producer support in 2019–2021 amounted to 14.8 percent of gross farm receipts, compared to 11 percent for the United States and 17.3 percent for all OECD countries.³

Much of China's agricultural growth over the past four decades has been attributed to internal reforms that facilitated the de-collectivization, marketization, and industrialization of the rural economy, albeit with uneven effects over time and across different localities. In the 1980s, the replacement of people's communes with household contract farming resulted in historic gains in economic growth and poverty reduction. So did the rise of township and village enterprises, which helped to absorb surplus farm labor and jumpstart China's industrial takeoff and export manufacturing drive. Yet, not all rural communities prospered. In the 1990s, it became apparent that industrialization had also drained the countryside of resources, as many local governments propped up fledgling industries by imposing heavy taxes on farmers and cutting spending on rural public goods. Farm incomes declined, and the rural-urban and coastal-inland gaps widened, causing social unrest, mass migration to the cities, and the hollowing out of villages. During the 2000s, the central government tried to improve rural conditions by abolishing the centuries-old agricultural tax and making rural development, broadly conceived, the country's top domestic policy priority. The government's focus on rural development continued into the 2010s and 2020s, while the goals of eliminating absolute poverty and modernizing agricultural production were elevated.⁴

One issue that lies at the heart of recent modernization efforts is the transition from smallholder farming to large-scale, industrial agriculture. Since the late 1990s, when references to newly emerging "dragon head enterprises"

first appeared in central policy documents, Chinese agribusinesses have been working closely with government agencies to transform the country's domestic agriculture and, increasingly, global agriculture. Also translated as "leading enterprises," the term dragon head refers to a company that the government deems capable of guiding rural communities toward prosperity. According to official statistics, by 2011, China had over 280,000 agro-industrial firms, of which 110,000 were registered dragon heads (the asset requirements for this status differ by locality). Altogether, they had reportedly integrated 110 million farm households into their operations, through various contracting, shareholding, and cooperative arrangements, and they had assumed control of more than 60 percent of total crop area and 70 percent of livestock production. They also accounted for about 66 percent of the urban food supply and 80 percent of agricultural exports.⁵ Although the total number of firms has declined in recent years due to mergers and standardization—at present there are about 90,000 officially registered dragon heads—the scale of these firms has grown rapidly, with the average operating income of the top 500 firms surpassing 12.36 billion Chinese yuan (1.71 billion USD) in 2021, a 62 percent increase from the previous year.⁶

Chinese agribusinesses have also made international headlines for several high-profile acquisitions of foreign firms. In 2013, China's Shuanghui (later renamed WH Group) acquired the US company Smithfield Foods for 4.7 billion USD (or 7.1 billion USD including debt), making it the world's largest pork production and processing firm.⁷ In 2014, China Oil and Foodstuffs Corporation (COFCO) began its acquisition of two international grain trading firms, the Netherlands-based Nidera and Singapore-owned/Hong Kong-based Noble Agri, after which it became one of the world's top food trading companies.⁸ Then in 2017, China National Chemical Corporation (ChemChina) purchased the Swiss company Syngenta for a record-breaking 43 billion USD, turning itself into one of the world's biggest agrochemical and seed firms.⁹ Collectively, these deals suggest a shift away from the long-standing dominance of Western multi-national firms in global agriculture.

This paper draws from a wide range of sources to provide an overview of the politics and practices of Chinese agribusinesses "scaling up" production domestically and "going out" to make investments globally. The main argument is that dragon heads have played a central role in China's domestic and

global agricultural strategies, that the factors driving their development are irreversible, and that despite the United States not being a major target of Chinese agribusiness activity, American firms will face tough competition from them both within China and globally.

The paper is organized as follows: First, on the domestic side, it identifies a few critical factors behind the shift toward industrial agriculture and discusses how state policies have supported agribusiness development. Second, on the international side, the paper explains how agribusinesses fit into China's global food strategy and summarizes key debates about their impacts abroad. Finally, the third section of the paper focuses briefly on US-China agricultural relations, which have become more and more contentious since the Smithfield acquisition ten years ago. It concludes with a few recommendations for US policymakers regarding agriculture, namely, to normalize trade relations, reduce investment barriers, and allocate more resources for enhancing the transparency of Chinese firms engaged in international trade and investment.

Section One: Scaling Up

Key Drivers

An investigation into the causes of China's domestic agribusiness development reveals at least four important drivers: 1) shifts in the rural economy—a dwindling rural labor supply facilitating land consolidation and farm mechanization; 2) changes in urban consumption—an expanding middle class fueling demand for meat and other high-value foods; 3) concerns about food safety—a growing public perception that industrial agriculture is safer and easier to regulate; and 4) promises of food security and food self-sufficiency—continuous political pressure to maintain or increase the production of staple grains and other foods.

Addressing each factor in turn, in recent decades China has experienced an exodus of rural labor. According to the National Bureau of Statistics of China, there were an estimated 292 million rural migrant workers in 2021, comprising over one-third of the country's total workforce. Most migrants were employed in manufacturing, construction, and services rather than farming, though rural-to-rural migration for hired farm work also occurs.¹⁰

Like in many developing countries, with young and middle-aged adults leaving the villages, farming and child rearing have become the responsibility of older family members. This trend, combined with longstanding concerns about the limitations of small family farms, prompted the government to revise rural land regulations and encourage land transfers from smallholders to cooperatives and agribusinesses. Between 2007 and 2016, the share of village land transferred for agricultural use to large operators increased from 5.2 percent to 35.1 percent, far outpacing the amount of village land taken for urban development projects.¹¹ Government subsidies for advanced farm inputs and machinery has further accompanied a push for more “agricultural social service enterprises” (i.e., agribusinesses) to manage village land and farm production.¹²

The urban dietary shift away from grain toward higher-value food consumption—especially meat and dairy, but also fruit and vegetables—is another reason for agribusiness development. Historian Philip Huang refers to this phenomenon as a “hidden agricultural revolution,” whereby the consumption of high-value foods, rather than improved crop yields, caused the output value of agriculture to rise during the first three decades of reform, 1980–2010. Although Huang maintains that the capital- and labor-intensive nature of China’s “new-age agriculture” still allows for small farmers to make a living, he also acknowledges that large operators such as dragon head enterprises play a role in vertically integrating small farmers into larger production, processing, and marketing chains.¹³

One problem, which feeds into the tilt toward agribusiness, is that neither consumers nor the government trust small farmers to produce nutritious and safe food. Following a series of food safety scandals, ranging from contaminated milk and baby formula to recycled cooking oil, public trust in China’s food safety record plummeted, with over two-thirds of respondents in a 2010 national survey claiming that they lacked a sense of safety about food.¹⁴ To rebuild public trust, the government attempted to reform the regulatory system, but the scale of the problem, and the scale of the bureaucracy itself, proved to be too great a challenge.¹⁵ The state’s solution has been to lean into industrial-scale agriculture, on the basis that fewer producers are easier to regulate. At the same time, agricultural producers, of various sizes, have embraced technologies that allow consumers to trace the foods they want to buy through the

whole supply chain. Of course, the irony of towering “hog hotels” and “block-chain chicken farms” is that they come with their own set of safety and environmental risks, and they accept consumer distrust as an unshakeable feature of modern society.¹⁶

With each new public health threat, such as the 2018 outbreak of African swine fever that killed up to 40 percent of China’s pig population, or the Covid-19 virus that was linked early on to a wet market in Wuhan, the government’s response has been to impose stricter health and safety standards that small producers with fewer resources often find challenging to implement. The pandemic indeed further pushed small farmers out of the market and gave large agribusinesses a boost, as wet markets that once served as an important venue for small farmers to sell their products were shuttered.¹⁷

Lastly, and closely related to food safety, is the government’s enduring commitment to food security, which is to say the ability of China to feed itself. This goal has led to grain support policies that increasingly privilege and rely on large agribusiness firms. In 1996, the central government released a white paper on “China’s Grain Issues” that set the goal of achieving 95 percent self-sufficiency in grain production. The paper was a response to the influential writings of American environmentalist Lester Brown, who posed the question: who will feed China?¹⁸ China was not food insecure at the time, but the ensuing debate struck a nerve for Chinese officials, who remembered the Great Famine of 1959–1961, and who were concerned with new threats to food security stemming from rapid industrialization and environmental pollution. Since then, the government has released numerous documents reiterating its commitment to food self-sufficiency, although in 2013 it stated that a moderate amount of imports could be used to supplement domestic production, and it removed soybeans and tubers from the list of products that fall under the self-sufficiency category, narrowing the targets to rice, wheat, maize, and coarse grains. It then adjusted the self-sufficiency goal for rice and wheat upwards to 100 percent.¹⁹ Some highlights from the most recent “Number One Central Document,” released in January 2023, include the goals of maintaining national grain output above 1.3 trillion *jīn* (650 billion kilograms), increasing grain production capacity by 100 billion *jīn* (50 billion kilograms), expanding soybean and oil crop production, and diversifying the food supply system by developing

all kinds of food resources (expressed in official-speak as “establishing a big food concept”).²⁰

To reach these goals, the government has identified certain provinces and counties as major grain producing areas and channeled significant financial support to them. Scholars Shaohua Zhan and Lingli Huang describe the relocation of grain production from southeastern coastal provinces to less developed parts of central and northern China as an “internal spatial fix,” made possible because of state policies, new technologies, and expanded irrigation infrastructure.²¹ Another “fix” is that, in many rice producing areas, local governments have promoted double cropping, even though it makes little sense from an economic perspective. In fact, because of the marginal gains and high costs of double cropping, small farmers have largely rejected the practice, causing local officials to turn to agribusinesses instead. Weigang Gong and Qian Forrest Zhang call this dynamic “betting on the big” and note that large operators such as dragon heads have become “preferred agents” for local policy implementation, helping officials to access the status (and spoils) of being a leading grain producer.²²

It should be noted that China’s lack of self-sufficiency in soybean production is a controversial subject among trade and agriculture experts. China laid the groundwork for becoming a net importer of soybeans when it temporarily reduced soybean tariffs in the mid-1990s, followed by a permanent reduction upon joining the World Trade Organization (WTO) in 2001. A few years later, in 2004–2005, extreme price fluctuations led to a crisis in which Chinese firms overpaid for soybean imports by an estimated \$1.5 billion US dollars, causing 70 percent of the country’s soybean crushing plants and refineries to go bankrupt, and creating an opportunity for foreign multinationals to step in and take over the industry.

By all accounts, the soybean crisis was a watershed moment, after which Chinese state-owned agribusinesses were tapped to rebuild the domestic soybean processing sector to the point of overcapacity, even though domestic production remains low (the self-sufficiency rate in soybeans was about 17 percent in 2020). The struggle to re-gain domestic control over soybeans has served as a warning to policymakers about the dangers of trade liberalization and as a reference point for those advocating greater domestic protection. At the same time, the incredible growth of China’s livestock sector, which depends on soybeans to produce animal feed, has rendered China highly dependent

on imports, a situation that even the staunchest advocates of domestic protection concede makes self-sufficiency in soybean production elusive. The soybean issue has also animated critics who point out that both the crisis and the state's solution to it have entrenched industrial agriculture at the expense of more sustainable farming methods.²³

Setting aside the question of whether small farms are more efficient and sustainable than large farms, the direction of change is clear. Taken together, all these factors—migration, consumption, food safety, and food security—have coalesced to set China on a path of agricultural industrialization.

Dragon Head Enterprises at a Glance

Beginning in the late 1990s, the central government issued several policy statements outlining its vision of modern agriculture: it would be commercialized, specialized, scaled up, standardized, and internationalized. Dragon head enterprises, along with cooperatives and large farm households, would serve as key vehicles for vertical integration, that is, connecting farmers to advanced technologies and the wider marketplace, and integrating agricultural production with processing and marketing.²⁴

Dragon head status can be conferred on companies by different levels of government—there are national, provincial, municipal, and county-level dragon heads—and comes with benefits such as direct subsidies, tax breaks, and preferential loans. In exchange, dragon heads are required to incorporate farm households into their operations, usually as shareholders or contract farmers. Consistent with China's "Company Law" (1994, revised 2018), dragon heads can have different ownership structures: state, collective, private, Chinese-foreign joint ventures, or even wholly foreign-owned (a situation that rarely if ever occurs). The latest stipulations for identifying "national key point" dragon heads, released in 2018, states that they must derive at least 70 percent of their sales revenue from agriculture. They must also meet certain criteria in terms of total assets, fixed assets, and sales revenue, in addition to having a healthy assets-to-liabilities ratio and significant links with farm households. Specific measures and thresholds for each criterion are laid out and broken down by region (eastern, central, and western China).²⁵

The relationship between dragon heads and farmers is a topic of debate among scholars, with some taking the view that capitalist agriculture can

accommodate smallholders, and others arguing that it has led to rural land grabs, dispossession, and proletarianization, turning once independent farmers into insecure wage laborers. There is also disagreement on whether farmers' cooperatives, which local governments have promoted alongside agribusinesses, are a viable alternative to agribusiness-led development. Most observers agree, however, that agricultural industrialization has proceeded unevenly, and that there are still places in China where smallholder farming has proven resilient, at least for the moment.²⁶ A recent survey-based study found that land transfers were not as widespread as official statistics maintain, and that smallholders producing fruit, tea, and other cash crops were already fully integrated into modern supply chains, often without the help of dragon heads.²⁷ Yet, regardless of conditions on the ground, developing dragon heads remains a priority for local governments because of the potential to attract outside funding and policy benefits and to generate local growth and tax revenues.

Although dragon head enterprises can theoretically be foreign-invested or foreign-owned, in practice few of them are. In 2022, there were 90,000 agribusinesses with dragon head status in China, registered at the county level or above, including 1,959 national key point dragon heads. I cross-checked the list of national key point firms with data from the Ministry of Commerce on all foreign-invested firms and found that 150 of them (about 7 percent) were foreign invested. Details about the identity of those investors reveal that many are Hong Kong-based companies or located in international tax havens, suggesting that much of what is being recorded as foreign direct investment is Chinese "round-trip FDI." The United States is also notably absent from the list of foreign investors (it shows up five times in the data and, in each case, appears to be linked to a Chinese individual or subsidiary based in the United States)—which is not to say that US investment is entirely absent from Chinese agriculture, only that it is not tied to the country's largest agribusiness firms. The same is true for well-known multinational agribusiness companies, such as the "ABCD" grain traders (Archer Daniels Midland, Bunge, Cargill, and Louis Dreyfus) and the top seed and chemical companies (Bayer-Monsanto, DowDuPont/Corteva, and BASF). None of them appear to be investors in the national key point dragon heads, even though these companies are certainly present in the larger dataset of foreign-invested firms operating in China.²⁸

Previous research on China's pork sector in particular shows that the industry is dominated by large agribusinesses rather than small farmers, and domestic firms rather than foreign capital. One study citing official statistics notes that, between 2009 and 2017, the number of rural households operating small pig farms (less than 50 pigs per year) declined from 64.6 million to 35.7 million, while the industry's largest companies (raising over 50,000 pigs per year) increased from 96 to 407. It further notes that only one foreign company, Thailand's Charoen Pokphand Group, ranked among the top pig producers.²⁹ Comparing pork to other sectors, Mindi Schneider found that the industry was almost entirely dominated by domestic firms and specifically dragon head enterprises: nine out of ten firms with the highest sales in 2011 were dragon heads. Poultry was similarly structured to pork, while the soybean sector in contrast was dominated by foreign firms (a situation that may have changed in recent years).³⁰

These findings are unsurprising when one considers the state's support for dragon head firms and the drivers of agribusiness development mentioned earlier, especially the commitment to strengthening food security. To that end, China maintains enormous grain reserves and a strategic pork reserve, reflecting the centrality of pork in the national diet.³¹ In the past decade, dragon heads have also become associated with Xi Jinping's poverty alleviation and rural revitalization initiatives, high-profile policies for which the party-state wishes to take full credit—with no role in the narrative for foreign actors or firms. In 2021, the Ministry of Agriculture and Rural Affairs announced plans to develop 2,000 national key point dragon heads and 500 national key point agro-industrial consortiums or clusters by the year 2025.³² Recent reports describe dragon heads as the "ballast stone" of the rural economy and the leaders of a "new flying geese pattern" of rural industrialization, a reference to the theory that technology transfers from leader to follower countries can promote catch-up development. Only in this case, the leaders are not other countries but China's own national champions in agriculture.³³

It is striking that Chinese agro-industrialization differs from previous patterns of (non-agricultural) industrialization because of the lesser role afforded to foreign investment. In contrast with the growth of Chinese manufacturing, which relied heavily on FDI, Chinese agribusinesses are being created by surplus domestic capital. This trend also makes China different from other

developing countries where agribusinesses are closely linked to, if not directly owned by, transnational capital. One explanation is timing: China's agro-industrialization took off in the 2000s, after the country had already experienced two decades of rapid economic growth and urban-industrial accumulation that could be redirected to the countryside. The 2004–2005 soybean crisis also left a legacy of wariness towards foreign firms. Another explanation is the securitization of the food sector: within China, food safety and security are seen as vital issues for social stability and regime legitimacy. As explained in more detail below, agriculture tends to become more "securitized" in official discourse when a crisis occurs, whether that be a food safety scandal, sudden spikes in global food prices, or other shocks to the international system (e.g., Covid-19, the war in Ukraine) that disrupt global food trade. Partly in response to that uncertainty, Chinese agribusinesses have expanded their presence beyond China's borders to influence the development of global agriculture as well.

Section Two: Going Out

Key Drivers

China has a long history of engaging in agricultural aid, cooperation, and investment activities abroad. During the Maoist period (1949–1976), China competed with the Soviet Union and Taiwan to establish itself as a leader among socialist and developing nations. It dispatched agricultural experts to dozens of countries in Southeast Asia, Latin America, and Africa, and built large state farms in places like Tanzania and Guinea. As China moved into the post-1978 reform era, its foreign agricultural engagement continued, though it mostly took the form of a few state-owned enterprises signing on to cooperative agreements and joint ventures that had a clearer business purpose than previous aid projects.³⁴

A turning point occurred in 1998, when the central government announced its "Going Out" strategy of encouraging both state and private firms to invest in other countries, a response to mounting overcapacity problems in Chinese industry. Agribusiness was not a major focus of the policy until 2007, when the "Number One Central Document" called for "hastening the implementation of an agricultural 'going out' strategy."³⁵ Since then, several

types of actors have participated in foreign agricultural investment projects, ranging from state-owned enterprises to private firms, policy banks, and individual expats. Among them, state and private firms with dragon head status have been the most active.

The primary drivers or goals behind Chinese agribusinesses going out are three-fold: 1) mitigating global food supply risks; 2) improving firm competitiveness; and 3) helping the state to project political power. Of course, the growing presence of Chinese firms in developing countries with rich agricultural resources has sparked accusations of land grabbing and neo-colonialism, an issue that will be addressed more below. The focus here is to better understand these drivers and to establish that China is not only a large buyer of agricultural commodities, but a major investor in global food production as well.

Mitigating risks in the global food supply, or “strengthening control over food imports and exports,” is the main government rationale for agribusinesses going out.³⁶ Firms and investors have responded by targeting specific commodities for which China relies on imports, diversifying the suppliers of those imports, and increasing China’s presence throughout the “whole supply chain.” That means investing in upstream and downstream segments, including food production, processing, storage, logistics, trade, and retail, as well as finance and research and development. The aim is not for China to purchase as many imports as possible, but to increase its purchasing leverage over the commodities it needs and to ensure access to them in the event of trade disruptions. Boosting or maintaining high levels domestic production, in order to avoid becoming overly reliant on imports, enhances China’s bargaining power in global trade. As Shaohua Zhan persuasively argues, China’s objective is to achieve an optimal “national-global food duality,” balancing a robust national food supply with access to imports that can help to alleviate internal resource constraints.³⁷

One facet of this global food and agriculture strategy is developing new sites of production from which to source imports, such as rubber from Laos, jasmine rice from Cambodia, or soybeans and oil crops from Russia.³⁸ Yet another facet is to enhance the ability of other countries to feed their own populations, thus reducing competition for imports. In many developing countries, and especially those that are quite far from China, increased production volume tied to Chinese investments has been absorbed by domestic consumers

in those countries or sold on international markets, without necessarily going to Chinese buyers. China is also a major food exporter to countries where it has invested, suggesting that it is not food insecurity at home that is driving investment abroad.³⁹

In general, the push to go out has focused on acquiring lower-value, non-grain crops that fall outside of China's self-sufficiency basket (soy, oil, sugar) or higher-value products that are very resource intensive (meat and dairy).⁴⁰ Indeed, a recent Chinese journal article reports that, during the 2000–2020 period, China's grain self-sufficiency rate stayed above 97 percent, while the self-sufficiency rate for other key products declined—from 81 to 25 percent for oils, 60 to 17 percent for soybeans, 92 to 75 percent for sugar, 99 to 93 percent for meat, and 98 to 91 percent for dairy.⁴¹

The drop in Chinese soybean and oil crop production after the mid-2000s soybean crisis, combined with upward surges in global food prices in 2007–2008 and again in 2011, prompted a shift in official discourse. It became increasingly urgent that China utilize “two markets and two kinds of resources” (i.e., domestic and international) to meet the country's growing demand for food. Chinese dragon head firms, moreover, would actively enter into and help to rebuild the “three chains” (production, supply, and value) of the global food system, becoming competitors to the world's leading multinational food companies.⁴²

Improving Chinese agribusiness firms' competitiveness is about mitigating risks and generating growth, as companies seek to exert greater influence over prices, capture more profits from trade, gain access to emerging technologies, and create new markets for exports that can drive growth and provide a safety net in the event of domestic economic and policy challenges. To compete with large multinationals, Chinese companies have taken a two-pronged approach: expanding into less developed markets where large multinationals have a weaker presence, while also making inroads to more developed markets through mergers and acquisitions.

There are numerous sources that report on these trends, but tracking Chinese investment systematically has proven to be a difficult task. To highlight just a few data points from a 2018 US Department of Agriculture report, which borrows from Chinese and outside sources, there were 1,300 Chinese firms with overseas agricultural investments valued at 26 billion US dollars in 2016. Most of that investment went to other countries in Asia (about 51 per-

cent in 2014), a roughly equal amount went to Europe (15 percent), Oceania (14 percent), and Africa (12 percent), and only a small portion was directed to Latin America (6 percent) and North America (only 2 percent). It should be noted that Europe includes the Russian Far East. Also, despite low levels of investment in North and South America, over half of China's food imports came from there in 2010–2015, and as mentioned previously, Chinese companies did acquire major firms operating in the pork and soybean sectors: WH Group's purchase of Smithfield Foods in 2013 and COFCO's purchase of Nidera and Noble Agri in 2014–2016 (Noble had significant assets in Argentina, Uruguay, Paraguay, and Brazil at the time of the acquisition). The report highlights a range of investments across a diverse set of countries and explains that they reflect a mix of commercial ventures and foreign aid or technical assistance.⁴³

A more recent Chinese news report states that there were over 1,000 firms investing in 108 countries at the end of 2020. The total capital stock for agricultural investment had also reached 30.2 billion US dollars in 2020, up from 9.7 billion in 2014.⁴⁴ Compared to the USDA report, these figures may be somewhat lower because of different measurements (the inclusion or exclusion of investments in agriculture-related manufacturing and services), or because Chinese outbound direct investment in general, not just in agriculture, grew at a slower pace after 2016, owing to problems with Chinese lending institutions and the Covid-19 pandemic.⁴⁵ There is also the possibility of consolidation among dragon heads, with smaller companies being absorbed by larger ones.⁴⁶

The same Chinese report emphasizes that two of the top ten global seed companies in 2021 were Chinese—ChemChina-Syngenta and Longping High-tech Rice—and that COFCO had become the world's largest grain trader by assets and the second largest by revenues and profits. Lastly, it states that China is both a beneficiary of and a leader in agricultural science and technology exchanges. By the end of 2021, China had established agricultural cooperation agreements with more than 140 countries and had carried out over 1,000 technological extension projects, increasing crop yields by 30 to 60 percent and benefiting over 1.5 million small farmers.⁴⁷

Of course, not all of China's investments are successful, and these figures tell us little about the reality of going out, which one report summed up as

“gold everywhere, and traps everywhere.”⁴⁸ But the statistics on cooperation do suggest that the rationale for going out is not purely economic—it is also about helping the Chinese state to project political power.

Agriculture going out became intertwined with the Belt-and-Road Initiative after 2013, leading to increased investments in BRI countries. Although agriculture comprises a small part of BRI—the American Enterprise Institute estimates that BRI countries received 18.08 billion US dollars for agriculture between 2014 and 2022, or just under 2 percent of total BRI investment for the same period (912.61 billion dollars)—the hope is that baseline infrastructure investments in BRI countries may enable greater agricultural trade in the future.⁴⁹ By 2015, Chinese trade with BRI countries already accounted for 20 percent of China’s total agricultural imports and 31 percent of its exports, figures that have likely grown in recent years and that suggest China is less dependent on trade with traditional (non-BRI) exporting countries than before.⁵⁰ As many observers have noted, through greater economic integration, China aims to reshape geopolitics and the global balance of power, or put another way, to seek both profits and political influence by “telling China’s story well.”⁵¹

Critical Debates

In contrast with propaganda messages about “win-win” and “South-South” cooperation, the global expansion of Chinese agribusiness firms has engendered fierce criticism and debate among audiences outside China. The country has been widely depicted as a land-grabber bent on gobbling up resources and, in doing so, causing damage to precious ecosystems. The conventional view is that threats to China’s own natural environment, stemming from urban-industrial development and intensified agriculture, have led to the outsourcing of production for commodities requiring large quantities of high-quality soil and water.⁵² Like the internal spatial fix mentioned earlier, which involved shifting grain production from coastal to inland areas, going out represents a kind of external spatial fix to dwindling agricultural resources at home.⁵³

Moreover, Chinese agribusiness firms have been treated with suspicion due to their close links to the state. Critics assert that China’s government provides too much financial support to agribusinesses going out, rendering it difficult for foreign firms to compete. Chinese firms are also said to be gaining too much control over key nodes in other countries’ food supply

chains, putting their food security and food sovereignty at risk. Lastly, there is a growing fear that Chinese firms are bad actors trying to steal genetically modified (GM) seeds and other advanced agro-technologies with the possible intention of weaponizing them. In two separate cases in 2016 and 2022, Chinese scientists working in the United States for Dabeinong (a Chinese dragon head firm) and Monsanto (a multinational) attempted to steal agricultural IP technology in order to benefit China. Since then, some US officials have expressed concerns that stolen GM seeds could be used not only for boosting crop yields in China but also for developing a virus or fungus that could destroy US crops.⁵⁴

As an aside, biotechnology is a highly protected sector in China, and while GM crops may be imported, they have yet to be cultivated commercially within the country. Exceptions include GM cotton and papaya, and recent news reports indicate that the policy toward GM corn and soybeans may be changing. However, given the public's strongly negative opinion of genetically modified foods, agriculture going out may also be about finding markets for Chinese GM seeds. For example, a GM soybean variety developed by Dabeinong was approved for use in Argentina in 2019.⁵⁵

But returning to the idea of China as a threat, fieldwork-based studies conducted in Africa and Latin America present a more nuanced picture. During the 2000s, Chinese leaders Hu Jintao and Wen Jiabao committed to developing agricultural demonstration centers across the African continent. Even though these projects were already underway at the start of the 2007–2008 spike in world food prices, the timing raised questions about whether China was engaged in a land rush in reaction to the crisis. Several reports claimed that China was buying up or securing leases to hundreds of thousands, if not millions, of acres of farmland in Africa and that Chinese settlers numbering in the tens of thousands would soon follow. Yet, based on case studies and visits to several sites in Africa, Deborah Bräutigam and Haisen Zhang found that many projects linked to Chinese investors were not operating or that they were much smaller than the official numbers and media reports had suggested.⁵⁶

In another study of Chinese demonstration farms in Rwanda and Uganda, Isaac Lawther found that African officials and farmers were motivated to pursue partnerships with China because its technology was more affordable and

more appropriate for adaptation to the African rural context than Western alternatives. Chinese firms, for their part, used the demonstration farms as a platform for understanding the local market and advancing their commercial interests.⁵⁷ Research from Zimbabwe, Mozambique, Ethiopia, Ghana, and the Republic of Congo further reveals a mix of state and private agribusiness firms with varying ties to Chinese provincial governments, or individual entrepreneurs with no ties to the Chinese government, all operating without clear coordination from Beijing.⁵⁸ Taken together, these studies push back against the image of China as a neo-colonial power seeking to exploit African resources.

Scholars of Latin America have also complicated the China threat narrative, without quite rejecting the neo-colonial exploitation framework. Borrowing from dependency theory and food regime theory, they assert that China's expansion into Latin American agriculture has eroded the region's control over trade and resources, and reproduced core-periphery dynamics that have historically inhibited the region's capacity for autonomous development.⁵⁹

They furthermore describe China as pursuing a “neo-mercantilist agri-food strategy” that blends state control with corporate dominance over the global food system. Much of the attention has focused on the rapid growth of COFCO and how that company has challenged the ABCD group's domination of the soybean sector in Brazil especially. The argument is that, despite this challenge, the “corporate food regime” remains intact—which is to say, a global system that subordinates the interests of small farmers to the logic of capital accumulation and to a kind of neoliberal market fundamentalism. The key difference is that COFCO is a Chinese state-owned enterprise, which gives the company and others like it access to sovereign wealth funds.⁶⁰ The company's SOE status also means helping the Chinese government to achieve its food security goals. Philip McMichael, a leading scholar of food regime theory, writes that China's going out strategy “combines considerations of *domestic food self-sufficiency*...with *international self-reliance* in terms of the capacity to exploit possibilities in the global food system, including competing with foreign agribusiness” (italics in the original).⁶¹

A few studies have added to the debate by showing that on-the-ground realities do not fully reflect these narratives. For example, Emelie Peine's work illustrates that China's penetration of Brazilian agriculture is highly uneven and that local actors are not powerless, but capable of contesting and

negotiating their relations to Chinese and other foreign firms.⁶² In another study, Tomaz Mefano Fares finds that after China's soybean crisis, COFCO and Chinatex (another large SOE) actually worked with big multinationals in Latin America and mimicked them by making speculative investments that contradicted China's food security goals. This behavior led to their political decline within China as two other SOEs, Jiusan and Sinograin, made nationalistic appeals to expand China's domestic soybean production and processing capacity.⁶³ One final point worth noting is that politicians in Brazil, Argentina, and beyond have responded to domestic fears of Chinese land grabbing by imposing tighter legal restrictions on foreign land ownership. The backlash to and failure of many direct land purchases has caused Chinese companies to shift their focus from greenfield to brownfield investments, that is from building farms from the ground up to purchasing or forming joint ventures with firms that are already established.⁶⁴

While these studies contribute to a more accurate account of Chinese agriculture going out, it is important to remember that not all firms are like COFCO. Most of them are smaller, private firms without privileged access to government funds. In fact, Chinese sources report that private firms comprise about 95 percent of all firms going out.⁶⁵ This trend makes generalizing from the Latin American experience difficult and suggests that more research is needed on the activities of private firms in other regions, particularly in Southeast Asia, where most of China's outbound agricultural investment is concentrated.

The above analysis nevertheless highlights three broad strategic shifts that are linked to Chinese agriculture going out—from a domestic view of food security to an international one, from a focus on food production to the whole supply chain, and from land purchases to mergers and acquisitions. In line with the goals of China's Belt and Road Initiative, dragon heads are being promoted as an alternative to the largely Western-based multinational corporations that have controlled global agriculture for the past half century. That being said, the reach of dragon heads is not limited to BRI countries. They can be found across the developing and developed world, including in the United States, which has not been a major target of Chinese agricultural investment but is now facing tough competition from Chinese companies globally.

Section Three: US-China Agricultural Relations

In late January of 2023, an assistant secretary of the US Air Force, Andrew P. Hunter, released a letter stating that a Chinese company's plan to build a corn mill in Grand Forks, North Dakota, posed "near- and long-term risks of significant impacts to our operations in the area." The announcement put an end to a yearlong debate about whether the company, Fufeng USA (a subsidiary of the Chinese animal feed and food additives company, Fufeng Group), should be allowed to develop 370 acres of farmland that it purchased with the help of North Dakota officials, who believed the corn mill would create jobs and boost the local economy. Opponents of the deal took issue with the firm's Chinese identity—although Fufeng is private, its leadership's ties to the Chinese government were a point of contention—and with the fact that the development site was less than 15 miles away from the Grand Forks Air Force Base. The implication was that Fufeng would use the corn mill project to spy on the US military.⁶⁶

The Grand Forks city council was pressured to cancel the deal, and in the wake of Fufeng, both Democratic and Republican lawmakers in Congress rushed to express support for legislative proposals that would restrict or ban Chinese purchases of American farmland. Below the federal level, dozens of state legislatures have already introduced or passed bills to that effect. Yet it was not long ago that American city and state officials were courting Chinese investment.⁶⁷

The present moment marks a departure from previous periods in US-China agricultural relations that were characterized by cooperation and optimism—from early scientific exchanges in the 1920s, to the signing of the US-China Science and Technology Agreement in 1979, to the incorporation of China into the WTO in 2001, not to mention then-Vice President Xi Jinping's return visit to Muscatine, Iowa, in 2012. Xi first went there in 1985 as a Chinese county-level official participating in an agricultural exchange.⁶⁸ In retrospect, it seems that 2012 was the high point, if not the peak, of positive US-China agricultural relations.

Trade has always been a contentious issue in US-China relations because of conflict over subsidies, tariffs, and other barriers to market access, although in many ways agriculture has also been a bright spot from the US perspective. China is the top market for US farm exports, and agriculture has been the one

area of trade with China that has consistently generated a surplus. However, a breakdown in governance at the WTO, combined with the US-China trade war that started in 2018, severely strained agricultural trade relations between the two countries.⁶⁹ Without getting into the details, the main effect of those developments was to push China in a direction that it was already inclined to go—toward other, non-US suppliers of key imports. China shifted its soybean purchases to Brazil and Argentina, and more generally, it reduced the average tariff on imports from the rest of the world (from 8 percent to 6 percent) while increasing tariffs on the US (from 8 percent to over 20 percent). Despite the US-China Phase One agreement, signed in January 2020, most of the tariffs from the trade war remain in place, and China has fallen short of its agricultural purchasing commitments, citing Covid-19 as the main reason. Some US farm exports to China, such as soybeans, corn, wheat, and cotton, are returning to pre-trade war levels, but China's diversification away from US exporters has only continued.⁷⁰

The topic of Chinese agricultural investment in the US is even more contentious than trade because it has ramifications for the control of food supply chains, critical infrastructure, and value-added production. These issues took center stage during the lead-up to Smithfield's acquisition by Shuanghui/WH Group in 2013. At a US Senate hearing that year, expert witnesses debated the merits of the transaction, with those opposed to it arguing that the company was primarily interested in accessing Smithfield's advanced hog genetics and moving its value-added pork processing functions to China, to the detriment of American farmers and consumers.⁷¹ After the deal went through, Shuanghui/WH Group gained 146,000 acres of Smithfield farmland spread across several states. It was the biggest purchase of an American firm by a Chinese company and the beginning of a more securitized discourse surrounding US-China agricultural relations.

A few years later, beginning in 2016, a Chinese investor, Sun Guangxin, bought 140,000 acres of land in Val Verde County, Texas, to develop a wind farm. The company, Guanghui Industry Investments Group and its subsidiary GH America, came under scrutiny for Sun's links to the Chinese military and the Communist Party as well as his background as a real estate tycoon in Xinjiang province. The proposed Blue Hills Wind Development Farm was approved by the Committee on Foreign Investment in the United States

(CFIUS) and cleared by the Department of Defense, which got involved because of the site's proximity to Laughlin Air Force Base. But state politicians—Governor Greg Abbott and Senators Ted Cruz and John Cornyn—came out against the deal, on the grounds that the farm would enable China to tap into the Texas energy grid. Abbott signed the Lone Star Infrastructure Protection Act in 2021, sealing off the state's critical infrastructure from companies tied to China, Iran, North Korea, and Russia, and eventually causing GH Group to abandon the project.⁷²

One could argue that the Chinese wind farm ordeal in Texas set the stage for the now failed corn mill proposal in North Dakota, and it is interesting that both projects were set to be located near air force bases. However, Fufeng's plant would not have been able to tap into North Dakota's energy grid, and the scale of its land holdings was miniscule by comparison. In the absence of more information that could establish Fufeng as a genuine threat to American security, one is left to wonder if the deal failed because of American politics. That is certainly China's view on the matter.⁷³

The idea that China is taking over the American heartland is more myth than reality. The latest figures from USDA estimate that foreign persons held about 40 million acres of US farmland at the end of 2022, which amounted to 3.1 percent of privately held farmland and 1.8 percent of all land in the country. China held 383,935 acres, or less than 1 percent of foreign-held land (agricultural and non-agricultural), with the largest holder being Smithfield. In contrast, Canada held 12.8 million acres, or 31 percent of foreign-held land.⁷⁴ Drawing from other sources, the American Enterprise Institute records only five Chinese investment deals targeting American agriculture between 2008 and 2022, worth a total of 8.29 billion US dollars (it should be noted that AEI only tracks deals at or above 95 million dollars).⁷⁵ Rhodium Group lists the same five deals in their database, and they also provide an interesting comparison with US investment to China. Between 1990 and 2020, China invested just over 8 billion dollars in US food and agriculture, while the US invested nearly 20 billion dollars in Chinese food and agriculture.⁷⁶ When one considers the various barriers that prospective Chinese agricultural investors face in the US—unstable trade relations, increased restrictions on investment, and a relatively consolidated sector that is difficult and expensive to penetrate—these numbers no longer seem surprising.

Of course, US policymakers do have legitimate concerns about protecting intellectual property and reducing trade and investment barriers facing American firms doing business with China. Unfortunately, the narrative that China has gained control of America's farmland and food supply, and the knee-jerk assumption that all Chinese firms are controlled by the government, adds up to a distraction from the real issues at hand. Policymakers would be well advised to remember the United States and China's shared goals of enhancing global food security, addressing climate change, and achieving healthy trade relations. They should understand that the current state of US-China relations is driving Chinese agribusinesses toward less hostile investment environments, making it more difficult for the United States to understand and compete with China, and potentially costing the United States jobs and export opportunities that those investments would have generated. Instead of banning Chinese investment, more resources should be allocated to normalizing trade relations and improving information access, so as to enhance the transparency of Chinese agribusinesses going out.

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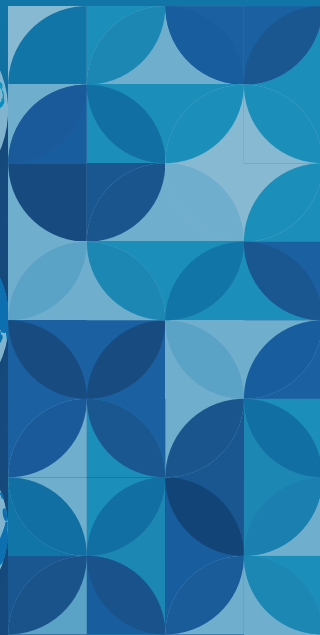
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2022-2023 WILSON CHINA FELLOWSHIP

The Decline of Factions in the PLA

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Abstract

How has the People's Liberation Army (PLA) changed under Xi Jinping? This study examines this question through a study of factional networks in the PLA. The presence of factions in the PLA has implications for the military's battlefield effectiveness, loyalty to the party's civilian leadership, and ability to maintain domestic stability. To investigate the changing role of factions in the PLA, I draw on a dataset of over 12,000 appointments to top military positions. I show a striking decline of the importance of promotion networks between Hu Jintao and Xi Jinping. Under Hu Jintao, having a career tie to one of the generals sitting on the Central Military Commission (CMC) was highly predictive of promotion. As later corruption prosecutions made clear, officers in the Hu Era were systematically paying patrons for promotion up the ladder. This likely eroded military readiness and increased the risk of domestic political instability. Under Xi, however, having a career tie to a CMC vice chairman no longer helps a general's career prospects. In recent years, generals with ties to a military officer on the CMC member leader are not more likely to be promoted than average. Instead, ties to Xi Jinping himself matter for promotion. The decline of intra-military factions in the PLA—and the rise in importance of ties to Xi Jinping—has likely ensured the army's loyalty to Xi while on balance increasing professionalism.

Policy Implications and Key Takeaways

- For U.S. policymakers assessing the PLA's ability to project power outside of China, the picture is mixed, but on balance points to growing military professionalism under Xi. Strong patronage networks within the PLA under Hu Jintao eroded military professionalism. Xi has largely stamped out these networks, although uncertainties remain. *Policy Implications:* Military assessments of PLA military readiness should not assume that the PLA will be vulnerable to the same severe corruption issues that have evidently harmed the Russian invasion of Ukraine.
- For U.S. policymakers assessing the likelihood of domestic political instability in China, the military is significantly less likely than before to support an elite split. Under Hu, the factionalism of the military

elevated the risk that some generals could side with a challenger to the top leader. Under Xi, that risk, already low, has become much smaller. *Policy Implication:* Policymakers in the United States should expect a continuation of the status quo in elite politics as long as Xi is healthy and does not retire.

- For U.S. policymakers assessing the likelihood of armed conflict in the Taiwan straits, Xi's tight control over PLA personnel suggests that compared to his recent predecessors he is likely to be less susceptible to pressure from PLA officers to ratchet up (or down) conflict. Moreover, the composition of the new Central Military Commission (CMC) should not be seen as a signal that Xi intends to go to war soon. *Policy Implication:* When assessing PRC behavior in the Taiwan Straits, United State military and civilian officials should not view Taiwan as a likely wedge issue in Chinese elite politics. Leaders should continue to seek military-to-military exchanges and conflict de-escalation hotlines, even if these efforts are rebuffed.

Introduction

Do factional networks matter in the People's Liberation Army (PLA)? This question has implications for the PLA's battlefield effectiveness, loyalty to the party leadership, and ability to maintain domestic stability. Research shows that militaries that are focused on preventing internal coups may perform poorly in external wars and conflicts.¹ Moreover, a military riven by internal factions may also be more likely to participate in a leadership challenge or coup, especially if one of the internal factions backs a challenger to the leader.² And a military that is internally divided may also be less likely to agree to repress protest and more likely to defect to the side of protesters.³

To examine the role of factions in the PLA, this report draws on a dataset of over 12,000 appointments to the PLA to examine the shifting role of internal patronage networks under Xi Jinping and Hu Jintao—this is among the first quantitative study of internal military factions in China.⁴ The data on appointments includes information on all leaders at the deputy military region commander and above for the entire history of the People's Republic of China. However, I focus the analysis on the two most recent administrations, the leadership of Hu Jintao (2002 to 2012) and Xi Jinping (2012 to present). Not only are the two most recent administrations the most relevant for policymakers, they are also notable for lax civilian oversight of the military in the Hu Era and tighter oversight in the Xi Era. Over the last decade, Xi Jinping has consolidated power across a number of dimensions, and the military and security services are one of the most important.

Overall, I find that under Hu Jintao, membership in patronage networks helped officers get promoted. That is, having a career tie to one of the generals sitting on the Central Military Commission (CMC), and especially the two Vice Chairs, was highly predictive of promotion to full general. I define career ties as overlapping service in the same military unit. Officers with career ties to CMC Vice Chair Guo Boxiong were more than 25 percentage points more likely to be promoted to full general than their peers. Remarkably, officers with career ties to CMC Vice Chair Xu Caihou were more than 50 percentage point more likely to be promoted than the average officer. Qualitatively, there is strong evidence that under Hu, officers were systematically paying their patrons like Xu Caihou for promotion up the ladder. I show that this eroded the professionalism of the officer corps, since

the promoted officers were systematically like likely to have combat experience than their peers.

Under Xi, by contrast, the importance of intra-military patronage networks has declined dramatically. Officers with ties to the CMC Vice Chairman are no more likely than average to be promoted. Instead, officers with career ties to Xi Jinping are more likely be promoted. This marks an important shift, since ties to Hu Jintao were not predictive of promotion in the 2002–2012 period.

The decline of intra-military factions in the PLA, and the rise in importance of ties to Xi Jinping, has important implications for policymakers.

First, the trends on balance point to growing military professionalism under Xi. Strong patronage networks within the PLA under Hu Jintao almost certainly eroded military professionalism and readiness. Xi has largely stamped out these networks, while at the same time basing promotion to top positions on ties to himself. Promotion of a small number of top officers based on ties to Xi is on balance likely to be less harmful to military readiness than the more widespread patronage networks of the Hu Era, which divided the PLA internally.

Second, the PLA today is significantly less likely than before to support an elite split. Under Hu, the factionalism of the military elevated the risk that some generals could side with a challenger to the top leader. Under Xi, that risk, already low, has become much smaller. The systematic promotion of officers with longstanding ties to Xi would make any coup plot extraordinarily dangerous to execute.

Finally, Xi's tight control over PLA personnel suggests that compared to his recent predecessors he is likely to be less susceptible to pressure from PLA officers to ratchet up (or down) conflict. Past reports suggested that leaders such as Jiang Zemin were susceptible to pressure from nationalist military officers.⁵ Under Xi, such pressure is on the whole less likely to play into the leadership's political calculus.

Background: The PLA

The People's Liberation Army is the armed wing of the Chinese Communist Party. It is not in name or in practice a national army controlled by the government. Instead, it is controlled by the Central Military Commission (CMC) of

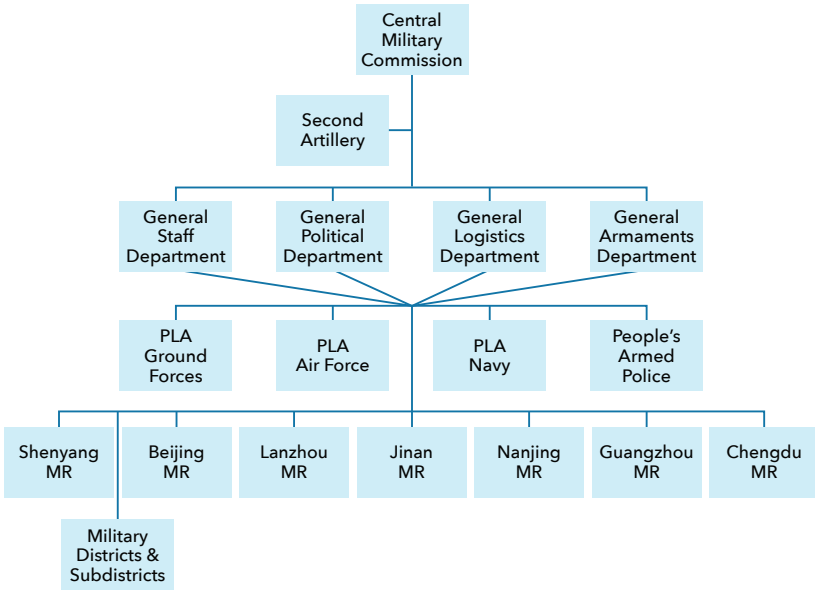
the CCP. In recent decades, the CMC has generally had a civilian chairman who is also generally the country's top civilian leader. The CMC chairman has control over all key military matters, including officer appointments and the deployment of troops, both domestically and internationally. There are generally two uniformed vice-chairmen of the CMC, who are the PLA's top two military leaders. This position is roughly equivalent to chief of the joint staff in the United States. At times there has also been a civilian vice chairman of the CMC, when the party is training a successor to the leader. The size of the overall CMC has fluctuated significantly over time. Currently, it has one chairman (Xi Jinping), two vice chairmen (both military officers), and four regular members.

It is telling that it is the CMC Chairman who has historically been the PRC's most powerful leader, not necessarily the party secretary or head of state. For example, even though Mao relinquished his post as head of government, he maintained the dual positions of CCP chairman and CMC chairman until his death. Deng Xiaoping was never the formal head of the CCP or the state, yet was recognized as paramount leader—that is, China's top political leader—and he exercised his authority in no small part by holding the post of CMC chairman through most of the 1980s. He did so, as Ezra Vogel noted, because “in a crucial power struggle, as Mao and Deng understood, allegiances among key military leaders would be crucial.”⁶

In Figure 1, I sketch out the organization of the PLA before a set of major organizational changes launched by Xi Jinping in 2016. The PLA was organized until recently into military regions and below them districts (and sub-districts). Each of these stationed forces throughout China's provinces, prefectures, and counties.

Importantly, the civilian leaders of these provincial, prefectural, and county party committees generally also have concurrent posts as the first party secretary of the local military garrison. This unusual feature of China's Leninist system ensures party integration with the military and control over it. It also provides opportunities for civilian party leaders to get to know their military counterparts as both attempt to climb the political ladder.⁷

FIGURE 1: A visualization of the PLA’s command structure prior to the 2016 reorganization.⁸ Each military region and branch has a commissar, commander, deputy commissar, and deputy commander. Each of the general departments has a director, deputy director, and assistant director.



The Data: Measuring Military Patronage and Professionalism in the PLA

To examine the role of military patronage in China, I draw on a new dataset of PLA officers in China, introduced in my prior work.⁹ This dataset includes extensive data on all officers who were deputy military region commanders or commissars from the founding of the People’s Republic until the present day. I compiled data on each officer who served in one of these positions from open source materials, including the CCP organizational histories for the military. I then used a variety of sources including organizational histories, news reports, and biographies to collect data on nearly every position that each officer held in the military, party, or state. I also collected information on officers’ birthplace, ethnicity, education, combat experience, parental background,

and training. I was able to collect data on some 1,295 officers and over 12,000 career postings for these officers on average about 10 postings for each.

This data allows me to measure officer career ties to each other and to paramount leaders. To measure ties between military leaders, I utilize the extensive career histories to code overlap in service in the same unit. I focus particularly on whether an officer served in a junior role in the same unit where one of the commanding officers later became a member of the Central Military Commission. If a junior officer served under an officer who later rose to the CMC leadership, I code them as belonging to the same career network. For example, in the 1990s, Xu Caihou served as the political commissar of Jinan Military Region. At the same time, the deputy head of one of the region's military procurement offices was an officer named Gu Junshan. I code Gu as connected to Xu. (More on Gu and Xu below.)

I also examine a couple of important outcomes. I create a simple binary measure for promotion. Here, I focus largely on whether officers are promoted to the position of military region commander and above, which often is accompanied by promotion to three-star general. I also create indicators for whether an officer had combat experience or postgraduate training, as potential markers of professionalism or capability.

PLA Factionalism in the Hu Era

I begin by examining the PLA under Hu Jintao, who served as the Chairman of the CMC from 2004 to 2012. Under Hu, PLA leaders at the highest level engaged in sometimes spectacular levels of corruption that undermined military readiness. Both of the CMC Vice Chairmen who served in Hu's two terms, Xu Caihou and Guo Boxiong, would later be prosecuted on corruption charges and expelled from the party.¹⁰

One indicator of the levels of corruption and factionalism in the military is that officers connected to Xu and Guo were more likely to earn promotion, even though they had fewer markers of professionalism like combat experience than their peers. The result was a more factional military where high-level officers sold promotions and took bribes.

Xu Caihou's corruption was especially serious since, according to party investigators, he systematically accepted bribes for positions in the PLA. The

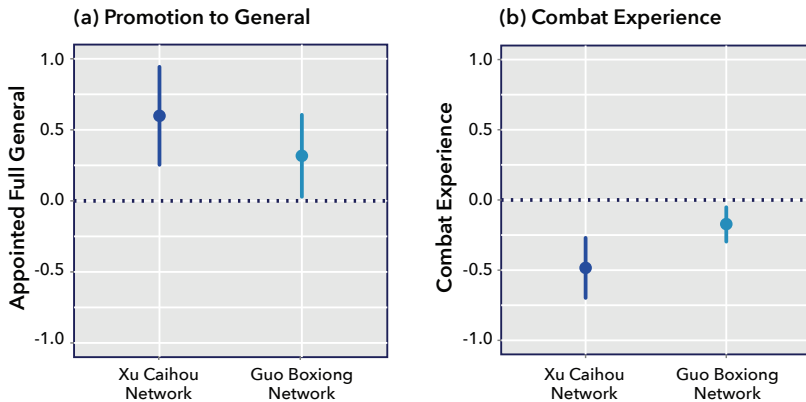
official report announcing his prosecution, which was reprinted across newspapers and read aloud on the state-run nightly news, described the amount of bribes he accepted as “especially enormous.”¹¹ Officials may have had reason to be vague in state-run media, since the scope of Xu’s corruption may have undermined faith in the party. Later reports suggested that Xu had acquired so much jade, gems, and cash that it took investigators a week to inventory it all and a dozen trucks to remove it from his house.¹² He was said to have acquired over a ton of cash in bribes—much of it kept in boxes marked with the name of the officer who had paid him.¹³ There was so much cash that Xu had evidently never bothered to open some of the boxes.

Guo Boxiong was also reported to have accepted “massive” amounts of bribes while in office. Guo was the more senior of the two men on the Central Military Commission. The extent and nature of his corruption is less clear than with Xu, since state-run media reports did not go into detail, and unlike with Xu’s case, few credible media reports appeared outside the mainland inventorying his corruption and the nature of it.

Did Xu and Guo’s political clients dominate promotion during this period? Where their clients less professionalized than other officers? To measure this, I used my dataset on top military officers and created a connection measure based on career overlap. Similar to the connection measure used for civilian leaders, I code an officer as connected to Xu or Guo if they served in the same office in the same year as them before either officer joined the CMC. The measure is somewhat restrictive, capturing connections if the officers served in relatively close proximity. For example, the measure does not capture connections to far-flung officers serving in the same military region, but only in the same unit, such as the same group army, or the leadership office of a military region.

Consistent with the notion that patron-client ties to Xu and Guo dominated promotion during this period, officers with career ties to either Xu or Guo were much more likely than their contemporaries to earn promotion to full general. In Figure 2a, I plot the difference in means between officers connected to Xu or Guo and to other officers active in the Hu Era. Officers tied to either CMC leader (before they became CMC members) were more likely to be promoted. Officers with ties to Xu were more than fifty percentage point more likely to be promoted than the average officer, which is an extraordi-

FIGURE 2: Ties to CMC Vice Chairmen Xu Caihou and Guo Boxiong and correlation with promotion to full general and combat experience. Officers with career ties to either chairmen were much more likely to be promoted than the average officer. However, officers with ties to the two leaders were also significantly less likely than the average officer to have markers of professionalism, such as combat experience. This is suggestive of how military professionalism and party discipline eroded under Hu.



narily large increase in probability. Officers tied to Guo were a little more than 25 percentage points more likely to be promoted, also a large jump.

At the same time, officers with ties to Guo and Xu were promoted even though they lacked markers of military professionalism, such as combat experience and education. Figure 2b plots the likelihood that an officer connected to either general had combat experience relative to their peers. Officers tied to Xu were about fifty percentage points less likely than the average PLA officer to have combat experience. Officers tied to Guo were also significantly less likely to have combat experience on average. Similarly, officers tied to Xu had average levels of education, but officers tied to Guo were likely to have a post-graduate degree (the two-sided difference in means is statistically significant at $p < 0.05$).

One officer who profited handsomely from ties to a CMC Chairman was Gu Junshan, who rose with the support of Xu Caihou. When Xu served as the political commissar of Jinan Military Region in the late 1990s, Gu was the deputy head in one of the military procurement and production offices. Gu had evidently seen in Xu a powerful potential patron, and he tried to ingratiate himself. According to the outspoken general Liu Yazhou:

Xu Caihou lived in a military guest house, and Gu Junshan came to see him with a gift, but he was turned away. The next morning, when the sun rose from the east, Xu Caihou opened the door and saw that Gu Junshan was still standing at the doorstep holding the present. Okay! Now he was moved. Later I said that Xu Caihou had no choice but to surrender to the hurricane-like blows of Gu Junshan.¹⁴

When Xu was elevated to top positions in the PLA leadership in the early 2000s, his subordinate Gu was quickly elevated within the central logistics department, eventually becoming the department's deputy head. He collected fine wines and was reported to be especially interested in gold: he acquired gold statues of Mao and an enormous gold boat. Not content with his relatively humble background, Gu reportedly paid a biographer to write a book about his father that manufactured a past as a revolutionary hero, and built a special "Revolutionary Martyrs" cemetery for his father to be interred in, to create the image that he had true "red genes."¹⁵

Gu's corruption made him powerful enemies within his own department—but Xu's protection spared him, at least while Hu was in office. Gu's lax party discipline had evidently outraged the Logistic Department's top leader, political commissar Liu Yuan. Liu did not have to invent a fictitious red blood past for himself: he was the son of former president Liu Shaoqi, making Liu one of the most prominent princelings in the country. In private speeches to PLA leaders, Liu expressed disgust at corruption of the PLA in general, and Gu Junshan in particular, which he noted was degrading China's military readiness.¹⁶ In late 2011, Liu recommended to Hu that Gu be prosecuted and removed from office.¹⁷

With Liu having turned against Gu, Hu Jintao ordered that the military's discipline inspection commission investigate the generals—but the CMC

dragged its feet, toeing the line of insubordination. Hu asked the CMC's discipline inspection team to investigate Gu two times without the investigation moving forward.¹⁸ According to multiple sources, Hu had to take the unprecedented step of asking the civilian discipline inspection commission to step in to investigate a military official.¹⁹ Even then, the investigation did not move swiftly. It was not until May 2012, around half a year from Hu's initial orders, that Gu was finally removed from his post.

The CMC's reluctance to investigate Gu was emblematic of the PLA's lack of discipline and responsiveness to Hu Jintao. In fact, it was not until 2013—under a new CMC Chairman, Xi Jinping—that Gu's home would be raided. And it would wait until 2014 for an investigation into Gu to be publicly announced. In his speeches, Xi would repeatedly single out Xu Caihou and Gu Junshan as egregious cases of a lack of party discipline in the military: “It is necessary to profoundly learn the painful lessons of Xu Caihou's case...Both Xu Caihou and Gu Junshan are important cases for cadres at all level to study, but especially senior cadres, so that they are warned about the bottom line.”²⁰ Next, I turn to the Xi Era to examine whether Xi Jinping was successful in reducing the importance of promotion networks in the PLA.

The Xi Era: Eradicating Promotion Networks and Promoting Officers with Ties to Xi

How did Xi Jinping's relationship with the military differ from Hu Jintao's? Was Xi able to reduce the importance of military patronage networks that had been important under Hu?

Stacking the CMC

Controlling the party's guns in China requires a firm grip on the Central Military Commission (CMC). Early on in his party leadership, Xi moved to dominate the CMC on several fronts: by devoting personal time, by reaffirming his supremacy in the CMC bureaucracy, and by stacking the commission with loyalists.

Unlike his predecessors, Xi devoted significant time on his schedule each week to his work on the PLA. Where recent paramount leaders rarely worked

in the CMC headquarters, Xi quickly established that he would work there at least half of a day each week.²¹ By contrast, Mao and Deng had rarely attended CMC meetings, and Hu had been sparing in going on inspection tours.

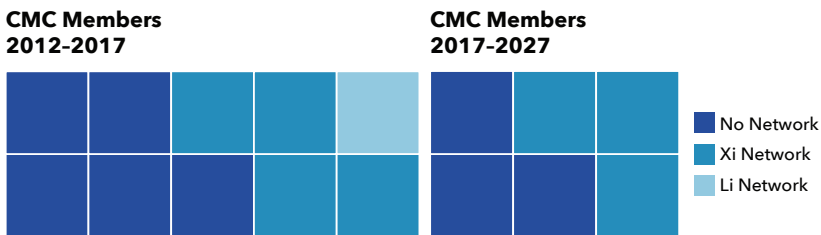
Xi also sought to reassert the primacy of the chairman in the operation of the CMC after decades in which the military vice chairman had effectively run the show. PLA propaganda organs began to discuss and highlight the importance of the “Chairman Responsibility System” (军委主席负责制), which highlights that the chairman has final decision-making power over all aspects of the operation of the CMC and military.²² In fact, the “chairman responsibility system” had been an institutional feature of the CMC since the 1982 party constitution, but the emphasis on it in PLA propaganda starting around 2014 signaled a rhetorical shift that embedded in it an implicit criticism of the power of the CMC Vice Chairman under Hu and Jiang.

In his first two terms, Xi stocked the CMC with an unusual number of leaders with ties to himself. During his first term in office as general secretary, Xi had ties to four of the ten members of the CMC (see Figure 2) including one of the CMC vice chairmen, Xu Qiliang. Xu had served alongside Xi in Fujian, where the two had met early on his career. By comparison, Li Keqiang had career ties to just one general on the CMC. The degree to which Xi stacked the CMC leadership with generals with ties to himself is equaled only by Deng and exceeds that of Mao, Jiang, and Hu.

During his second term in office, Xi increased his dominance of the CMC, at least in relative terms, as the proportion of generals in his network on the CMC rose from 40 to 50 percent (see Figure 2). Remarkably, Xi now had ties to *both* CMC vice chairs. Xi had known Xu Qiliang since the 1990s at least, when Xu served in Fujian alongside Xi. However, the general secretary had known the newly promoted vice chair, Zhang Youxia, even longer. Zhang’s father was a veteran CCP leader who was one of the founding generals of the PRC; he had fought alongside Xi’s father in the Northwest Field Army during the civil war, with Zhang as commander and Xi as commissar. Zhang and Xi had both grown up in the circle of princeling elites in Beijing, and both lived in military compounds as children (though it is not known if it was the same compound).

Notably, Xi also included two generals on the CMC who belonged to the PLA rocket force. It is not unprecedented for generals in the nuclear forces to

FIGURE 3: Career network ties to Xi Jinping and Li Keqiang among generals in the Central Military Commission. Generals in Xi Jinping’s network have made up a significant portion of the Central Military Commission, including during the 18th Party Congress (2012-2017) and the 19th Party Congress. During the later period, generals with ties to Xi were the two CMC vice chairs, and two of three generals without connections to Xi came from the rocket forces, which have historically not been politically powerful.



serve on the CMC, since generals with a background in the Second Artillery have served from Mao onward, but the fact that a third of the CMC has a rocket force background is unusual.

During his third term in office, Xi continued to ensure the dominance of generals he was connected to by breaking important precedent. Most remarkably, he elevated Zhang Youxia, his childhood acquaintance, from first to second CMC vice chair even though Zhang was 72 years old, four years past the retirement norm of 68, and Zhang also retained his seat on the Politburo. It is noteworthy that Xi broke retirement norms in place since the Jiang Era specifically to ensure continued CMC dominance. Second, Xi helicoptered General He Weidong from outside the CMC to the position of second-ranked CMC vice chair, allowing him to skip over a term as CMC chair. This rapid elevation to a vice chair role had precedent but was nevertheless unusual. He Weidong had been the commander of the major military unit stationed in the provincial capital of Fujian—the 86th division of the 31st group army—at the same time that Xi Jinping was the provincial governor. Once again he had

elevated a general he had career ties to top post and once again he had direct connections to half the CMC.

This combination of a personal investment in time, reasserting the chairman's dominance over the CMC bureaucracy, and, especially, stacking the CMC with loyalists gave Xi tighter control over the CMC than any leader at least since Deng. Indeed, it is possible to make a case that no leader including Mao or Deng has dominated the CMC to such a degree, since both Mao and Deng had to contend with other power revolutionaries at the top of the military hierarchy.

Purging Xu Caihou and Guo Boxiong

With ties to almost half of the CMC from his first day as CMC chair, Xi Jinping had the security to start to move against the entrenched networks created by Xu Caihou and Guo Boxiong. Xi's ability to undertake a corruption crackdown that removed two very powerful generals is, on its surface, somewhat puzzling. How did he crack down on the PLA without it leading to a backlash? Crucial to Xi's success was the sequencing of events: the two key players Xi sought to remove were no longer active-duty soldiers with control over troop movements, and did not pose a threat, and Xi used military organs under party control to pursue them.

In the spring of 2014, Xi Jinping began to move against the first key PLA leader, by succeeding in launching a prosecution of Gu Junshan, the former deputy director of the logistics department whose case in the late Hu era had symbolized the PLA's corruption and the lack of control (and near-insubordination). As discussed above, Gu had amassed an enormous fortune—he possessed solid gold statues of Mao and the Buddha in a compound said to be modeled after the Forbidden City—while the CMC dragged its feet when ordered by Hu Jintao to investigate Gu. Hu took the extraordinary step of ordering civilian party organs to investigate Gu after the CMC's discipline inspection department twice rebuffed requests to investigate him. Gu had evidently been protected by CMC Vice Chair Xu Caihou, who shielded him.²³ Gu was soon arrested but many of his allies in the PLA remained in place and the investigation dragged into the Xi years. Two years into Xi's tenure, prosecutors finally announced a case against him. In an internal speech, Xi

railed on a “Gu Junshan phenomenon” and ask the PLA to “dredge the soil that produced Gu Junshan.”²⁴

Building on the Gu prosecution, a few months later, the party launched parallel investigations into retired Central Military Commission Vice Chairs Guo Boxiong and Xu Caihou. Xu and Guo had been appointed to the CMC at the end of Jiang Zemin’s tenure as CMC chair, when Hu Jintao had become party secretary. Their appointments had undermined Hu and strengthened the hand of Jiang Zemin in his retirement, and the PLA under their leadership was not always subordinate to party rule.

Both CMC Vice Chairs were accused of accepting bribes in exchange for promotions. According to reports in the Hong Kong media, Xu had over a ton of cash hidden in his house as well as gems, jade, and antiques, and altogether, it reportedly took 10 trucks to haul away the goods Xu had collected.²⁵ When the case against him was announced, dozens of armed police were sent to remove Xu from a bed in PLA hospital 301, where he was dying of bladder cancer.²⁶ The Politburo issued a statement declaring: “His case is serious and leaves a vile impact.”

The two retired CMC vice chairs were stripped of their military and party positions. Guo was sentenced to life in prison, but Xu died of bladder cancer before his trial and sentencing was completed. The *PLA Daily* published an editorial that lamented Guo’s “evil influence”²⁷ and later wrote that “the negative impact of Guo and Xu’s cases should be fully eradicated, and the combat capacity of the army should be continuously enhanced...All military members should learn lessons from these cases and bear in mind that loyalty to the Communist Party of China is vital to PLA development.”²⁸

Following the charges against Xu and Guo, Xi undertook a broader years-long crackdown within the PLA that targeted generals that were untouchable under Hu. Among those targeted for investigation were former CMC members Fang Fenghui (who had some career connections, albeit tenuous, to Hu Jintao) and Zhang Yang. Thousands of lower-level officers were also prosecuted. As I noted earlier, these investigations had the ancillary benefit of helping Xi to rid the PLA of officers whose political networks made their loyalty suspect, such as those tainted by association with Bo Xilai.

Notably, the cases of the CMC Vice Chairs and other generals like Gu Junshan were handled through routinized party-army institutions. In the

Mao years, Luo Ruiqing had been expelled after an enlarged Politburo meeting struggle session, in which Mao surprised Luo and other leaders by attacking him, after which Luo attempted suicide by jumping out of a window. In the Hu years, party-military organs reportedly dragged their feet on investigating Gu for corruption. By contrast, under Xi, Guo was detained by party investigators and investigated by the Discipline Inspection Commission of the Central Military Commission. Evidence for his case was then presented in a dossier to the larger CCP Central Committee, who voted to expel him and refer his case to military prosecutors. While the party also used the extrajudicial system of *shuanggui* to detain and investigate officers through party organs, the process was on the whole more institutionalized, routinized, and under the control of party organs than in the Mao years.

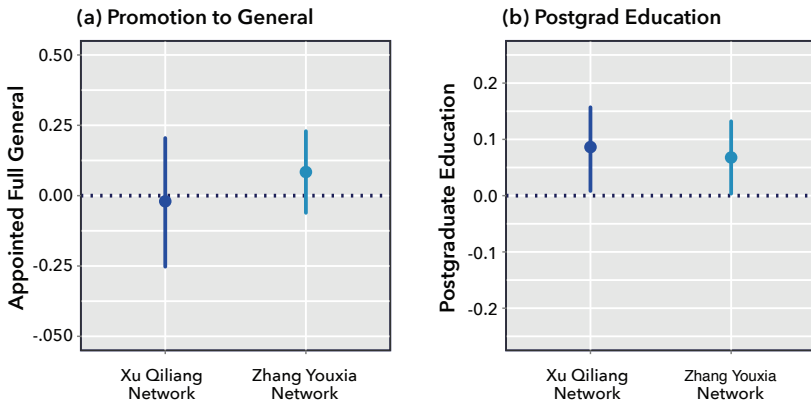
The sequencing of moves—first consolidating power within the active-duty PLA and then later taking down retired rivals one by one—was likely crucial. There are strong informal norms that discourage potential rivals against challenging a paramount leader, but Xi did not have to rely on these alone. He came into office with a strong power base in the CMC and the enlarged PLA leadership. Any challenger would need to find military allies while navigating a minefield of past Xi associates. By targeting leaders one-by-one, and withholding information about future targets of corruption problems, Xi made it difficult for disgruntled leaders to coordinate with each other.

Reducing the Importance of Patronage Networks

Did military patronage networks become less prominent under Xi Jinping? To examine this, I return to the main dataset to examine whether ties to the CMC Vice Chairman were correlated with promotion. I focus here on Xu Qiliang and Zhang Youxia, both of whom served at least two terms as CMC Vice Chairs, though the results hold examining the other CMC Vice Chairs.

In Figure 4(a), I plot whether being tied to either of the CMC Vice Chairmen is correlated with promotion to a position that is the equivalent of full general. The results show that ties to either general are not strongly correlated with promotion. Rather, the correlation between these ties and promotion is statistically indistinguishable from zero.

FIGURE 4: Ties to CMC Vice Chairmen Xu Qiliang and Zhang Youxia and correlation with promotion to full general and postgraduate education. Officers with career ties to either chairman were no more likely than average to be promoted. At the same time, officers with ties to the two leaders were also slightly more likely than average to have a postgraduate education.



At the same time, officers with ties to these generals are slightly more likely than average to have postgraduate educations. This is suggestive though not conclusive evidence that it is possible that officers with ties to these generals may on average be slightly more professionalized may actually be punished for their ties. However, because the number of generals with postgrad education has risen over time, this may confound this result, which should be treated with caution.

The Political Logic of Broader PLA Reforms

At the same time as Xi has reduced the importance of internal promotion networks, starting in 2015 he has undertaken a broad-ranging reform to the structure of the military. This set of reforms were designed to help the PLA be

a more effective joint fighting force. Among the major changes were the elimination of Military Regions, which had long structured PLA operations, and the creation of a smaller number of Theaters and a more integrated command structure. These changes have been extensively analyzed by others,²⁹ but it is worth mentioning two relevant points here.

First, the reorganization has also had the purpose of consolidating the CMC Chairman's control over the military. This has helped Xi to continue and deepen the anti-corruption campaign in the PLA.

Second, the elimination of the Military Regions and restructuring of the Group Army system has likely disrupted patronage networks. Soldiers who had spent years and sometimes decades working in the same region now found themselves shuffled together with a new set of commanders and commissars. This almost certainly made it difficult to maintain the sort of patronage networks common in the Hu Era.

Discussion

In this report, I have shown evidence for the decline in importance of intramilitary patronage networks in the PLA. Under Hu Jintao, officers with ties to the CMC Vice Chairman were significantly more likely than their peers to be promoted to one of the top positions in the military. Qualitative evidence suggested that patronage networks—in which officers bought promotions—likely distorted promotion patterns in the Hu Era. Under Xi, these patronage networks have been stamped out, with officers with ties to CMC Vice Chairmen no longer enjoying an advantage over their peers. However, for promotion to the top echelon of leadership, including the CMC, career ties to Xi Jinping himself do appear to benefit generals.

For policymakers, one core takeaway is that under Xi's leadership, the PLA has become more loyal to the party and especially Xi Jinping. Patronage based on ties to Xi, is likely to have less negative impact on military loyalty compared to the widespread patronage networks that existed during the Hu era, which caused internal divisions within the PLA. Today, the PLA is likely more unified.

A second takeaway lesson for policymakers is that today the PLA is less likely than before to act independently of its civilian masters and is less likely

than before to place meaningful internal pressure on the civilian leadership. Jiang Zemin was reportedly constrained by military elites in how he responded to the accidental bombing of the Chinese embassy in Belgrade by American forces in 1999. Hu Jintao reportedly was not made aware of key military exercises and could not be assured that the military would always quickly respond to his orders. Xi needs to be less concerned that the military might either challenge policy decisions or might act in a way that could interpreted as independent.

A final takeaway is that the PLA is a more professionalized and capable fighting force under Xi.³⁰ Under Hu, widespread factional networks undermined military readiness by promoting officers not based on merit but on patronage. Today, these networks are much less relevant, and indeed may not exist at all. This has likely increased the PLA capabilities, professionalism, and readiness.

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Notes

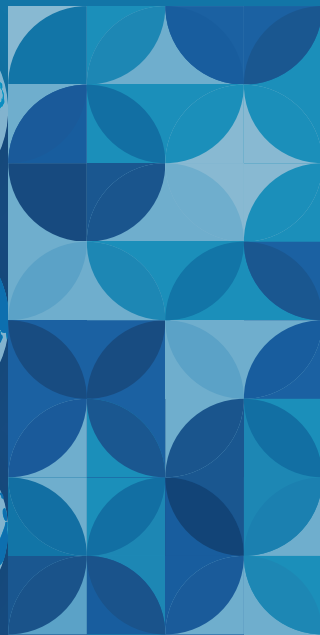
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2022-2023 WILSON CHINA FELLOWSHIP

Lending Tree: The Motives Behind and Implications of Chinese Bank Branch Growth in Foreign Markets

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Abstract:

China's four largest banks are setting up shop abroad. In 2020, these banks actively managed over 500 foreign brick-and-mortar locations, up from fewer than 100 in 2007. What is behind the international expansion of China's state-owned banks? What economic motives are driving these banks to "go out" and what, if any, role does geopolitics play in their overseas branch growth? Using an original dataset of foreign branches of China's "Big Four" banks, I find that these major state-backed financial institutions have opened more foreign branches in markets where China also has a larger presence in the development project space. Countries that are official participants in BRI, for example, have more Chinese bank branches. Similarly, as the number of Chinese development projects in a country grows, or as the size of the development project financial commitment increases, so too do the number of branches. Notably, a battery of geopolitical variables are not correlated with bank branch numbers, suggesting that—to date—bank expansion is primarily about executing China's foreign economic policy. However, in time, the presence of Chinese banks in these markets may play a role in improving Chinese resilience to economic pressure from the United States in the form of financial sanctions.

Policy Implications and Key Takeaways

- US policymakers should recognize that the Belt and Road Initiative and China's broader involvement in foreign development projects serve as a critical entry point for China's banks into foreign markets through the opening of branches and subsidiaries.
- Though their internationalization centers on serving Chinese firms operating abroad today in the development space, in time, these branches may deepen financial ties with local, host-country firms in other areas. Bank branches, then, may act as a beachhead for Beijing to develop closer financial ties between foreign firms and its financial institutions. Policymakers should support the robust funding for US-backed multilateral development banks so as not to cede the development lending space to Chinese state-owned banks.

- The growing number of Chinese firms operating abroad in the development space is in turn attracting Chinese banks to expand into these markets. US policymakers should consider steps to offset this. One way is to implement policies that incentivize American companies to bid on US-backed multilateral development contracts in foreign markets where Chinese firms are especially active. In turn, US banks will have incentives to “follow their customers” into these markets, countering the rising number of Chinese banks in these locations.
- Policymakers should consider the potential role of Chinese banks in providing cross-border financial services, like trade settlement, in China’s currency (RMB). This might eventually enhance China’s economic resiliency in the face of US financial sanctions.

Introduction

The US banking system is experiencing a moment of both tumult and consolidation. Tumult as several large regional banks, like Silicon Valley Bank, Signature Bank and First Republic Bank, failed in 2023 amid concerns about the value of their assets. Ultimately, large deposit withdrawals forced each institution to close its doors. It is also a moment of consolidation as the remaining assets and bank branches of these financial institutions were ultimately absorbed by larger American banks like First Citizens Bank, New York Community Bank, and JPMorgan Chase. As the number of American banks gets smaller, and remaining banks get larger, concerns about the concentration of the system in a few major banks often raises “too big to fail” fears among the public and regulators alike. American banks, it seems, are behemoths while the rest of the world’s financial institutions are Lilliputians.

So, it might come as a surprise to some that the largest bank in the world is not an American financial institution. Nor is it a European multinational bank. Measured in terms of total assets and Tier 1 capital holdings, the world’s largest bank is Industrial and Commercial Bank of China (ICBC), a Chinese state-owned lender. China is also home to the second, third, and fourth largest banks in the world: China Construction Bank (CCB), Agricultural Bank of China (ABC), and Bank of China (BOC). It is not until the number five slot that an American bank, JPMorgan Chase, makes the list.¹ As a group, these banks form the “Big Four” institutions of China’s financial system.

And yet, for all of their size, skeptics will point out that the Big Four’s global impact is negligible. Their assets are mostly confined to the Chinese mainland as they operate within a financial system that remains largely closed to the outside world.

It is true that Chinese banks dominate the financial marketplace in their home country. Chinese banks, including the Big Four, hold about a 98 percent market share in the mainland’s banking sector. Outside of China, their influence has historically been quite limited. But after a failed expansion effort in the early-2000s, China’s big banks are again going out.

Foreign loans now make up about 10 percent of Chinese banks’ balance sheet, and their share of global cross-border lending has increase from 5 percent in 2015 to 7 percent in 2020.² In 2000, foreign country debt to China totaled roughly \$500 billion; by 2017, this had increased to \$5 trillion.³ Most of

this lending went to developing and emerging market countries. In fact, today, China provides about two-thirds of all cross-border lending within emerging market economies—much of it through state-owned banks.⁴

These numbers are likely to grow in the future, especially as the economic shock of the COVID-19 pandemic continues to play out in China. Banks there are now flush with cash even as domestic demand for loans is falling.⁵ Further pushing outward will be critical to the Big Four’s business in the coming decade.

One potent symbol of these banks’ growing global ambitions, displayed in Figure 1, is the change in the total number of foreign branches from 1990 through 2020. Since the 2008 global financial crisis, the total number of foreign branches increased from fewer than 100 to over 500. The number of countries in which the Big Four maintain a physical presence also increased. In 2005, 24 countries were host to at least one branch. In 2020, this had risen to 69. Figure 2 maps the geographic spread of Chinese bank branches over this period, with darker shades of gray indicating more branches in that location.

Bank branches are “brick-and-mortar” establishments that function as storefront locations for parent financial institutions. They provide face-to-face services for customers, from taking deposits to financing trade settlement. Though some observers have argued that branches are no longer necessary in an age of online banking, when banks have entered new markets in an exclusively digital format, results have been mixed. Businesses and consumers,

FIGURE 1. Overseas Branches of China’s “Big Four” Banks

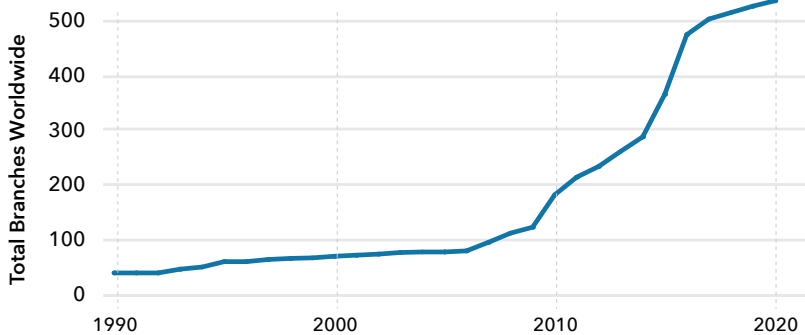
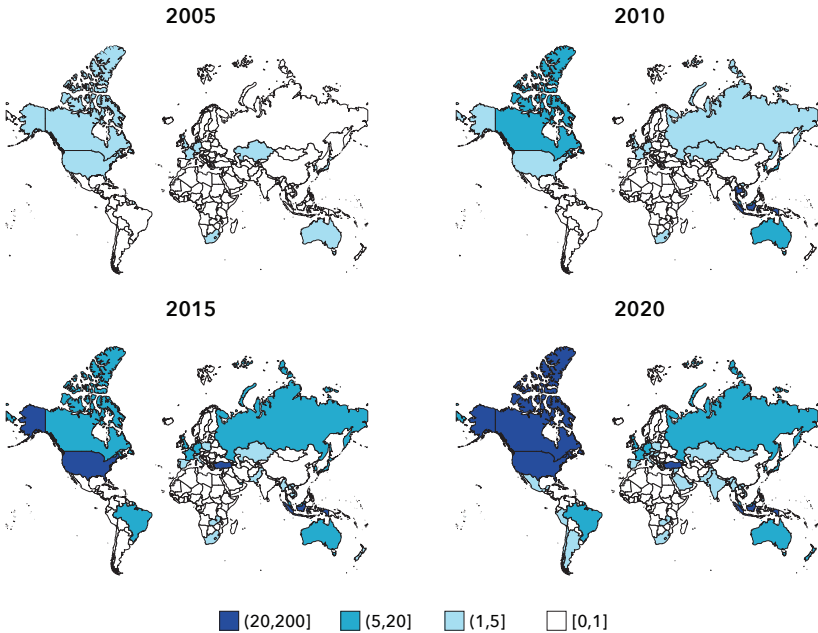


FIGURE 2. The Geographic Distribution of Chinese Bank Branches, 2005-2020



as it turns out, continue to say that having a branch nearby is important to them.⁶ This is especially the case in developing countries with large rural areas and limited internet access where physical locations are essential for banks to establish new business and grow existing relationships. Bank branch growth remains very robust in developing markets.⁷

The proliferation of state-owned, Big Four bank branches abroad is an important indication of Beijing's commitment to growing its financial influence in foreign markets. Given the long-term strategic implications of these developments, this project seeks to develop a keener understanding of Beijing's "going out" strategy for its big financial institutions. This requires a better understanding of the variation in their commitment to different markets. Why are Big Four banks opening branches in these particular countries?

Chinese investment in infrastructure and related development ventures in a foreign market relies heavily on Chinese firms, especially state-owned enterprises (SOEs), to execute the projects. Foreign activity of Chinese SOEs, then, generates the need for financial services between the mainland and overseas investment locations, which should provide incentives for major Chinese banks—which operate as financial arms of the state—to expand into these same foreign markets. Statistical analysis of original data on the foreign proliferation of Big Four bank branches coheres to this expectation.

Notably, additional analysis does not find evidence linking geopolitical considerations to overseas branch locations. For example, Chinese banks are not more likely to open branches in countries with similar foreign policy preferences to Beijing or countries that have been sanctioned by the United States. Moreover, there is limited evidence that Chinese banks prefer to open brick-and-mortar locations in countries with democratic political institutions.

These results suggest that Chinese banks are expanding in a manner consistent with the behavior of their Western counterparts in previous eras. That is, Chinese banks are incentivized to open branches in foreign markets where their clients are developing new business. This suggests profit-seeking, “follow-your-customer” behavior. As profit opportunities on the Chinese mainland continue to diminish, this is entirely rational behavior. Foreign markets offer growth opportunities for SOEs and the banks that serve them.

However, what makes this a uniquely Chinese phenomenon is the fact that these overseas development projects, which attract bank branches, did not result from market decisions, but rather reflect China’s centrally planned foreign lending initiatives. That is, Chinese SOEs and state-owned banks are expanding abroad in lock step with Beijing’s foreign economic policy strategy. In that way, the increasing number of overseas Chinese bank branches is inherently political. It represents not only a challenge to Western banks international influence, but also the influence of US-backed multilateral development banks.

In the medium-term, the presence of Chinese branches in these markets could facilitate deeper ties between host-country businesses and China. More importantly for US interests, these branches could help facilitate cross-border payments in China’s currency, the renminbi, diminishing the dollar’s role in these markets and weakening Washington’s capacity to use financial sanctions as a coercive tool.

Existing Studies on International Bank Expansion

European banks were the first to expand abroad during the “Golden Age” of globalization. Just prior to the First World War, there were roughly two-thousand overseas branches of British banks and about five-hundred foreign branches of French and German financial institutions.⁸ The motives behind these early international forays of European banks were multifaceted, but studies on the topic generally focus on the growth of foreign trade as a key propellant. Increased cross-border commercial activity both requires and incentivizes the provision of financial services (such as letters of credit and other forms of trade-finance) abroad, and so banks opened foreign subsidiaries to take advantage of such opportunities. In turn, their presence in foreign markets provided the financial lubrication necessary for growth in international commercial relations.⁹

The outbreak of war in 1914 ushered in the end to the Golden Age of globalization, and with it, a curtailment of cross-border bank expansions. It was not until the 1960s that financial institutions again began to spread their influence, along with their branches, into foreign markets. Once again, banks international presence grew alongside a wave of global economic integration, and this time it was American banks that led the way, European and then Japanese banks soon followed suit.

Studies that consider the motives behind banks’ foreign expansion in the latter half of the 20th century echo studies on the earlier period. Broadly, the literature identifies three “pull factors” that make a potential host country attractive as a branch location. First, analysis suggested banks were more likely to open branches in host countries that were important trade partners with the bank’s home country.¹⁰ Increased commercial ties generate increased demand for cross-border financial services between two countries, which propels banks to open operations in key partner country markets. Second, studies on the second wave of foreign bank branch growth also highlight the role of foreign direct investment (FDI) in incentivizing banks to open up shop abroad. The logic here is relatively straightforward: banks with established business relationships in their home country have an interest in following their customer into a foreign market where that firm decides to expand. Numerous studies find that outward direct investment (ODI) from the home country has a strong positive relationship with bank branch growth in

overseas markets, implying that so-called “follow-the-client” strategies were behind a significant share of international bank expansion.¹¹ Finally, research identified a third feature—whether the host-country possesses an international finance center—as another pull factor. In this case, banks relocated not because of increased business opportunities between the home and host country, but rather because location in a financial center offered special access to capital markets.¹²

Because Chinese banks’ international expansion is a relatively new phenomenon, we know little about whether they are opening branches abroad for similar reasons, or whether China’s financial institutions march to the beat of their own drum.

Banking with Chinese Characteristics

China’s financial system differs from those in the United States, Europe, and even Japan—markets that have historically been the main source of overseas bank branch expansion. Compared to these economies, China’s financial system remains heavily bank dependent. A small number of large state-owned banks are the primary funders of other state-owned enterprises in China. They also finance big government infrastructure projects within China.¹³ These examples illustrate a critical point: because China’s largest lenders are not private enterprises, but rather appendages of the state, they operate somewhat differently from their private-sector counterparts. Indeed, the banking system in China was created explicitly “to serve the fiscal arm of the state.”¹⁴ State-owned enterprises in China get the lion’s share of major bank credit and are able to borrow at lower rates than non-state-owned firms.¹⁵

Experts have described Chinese banks as being motivated by a mix of goals: while they do seek to be profitable, their lending decisions are also directed by the state’s developmental objectives.¹⁶ They are key players in executing the state’s industrial policy, which means some decisions are influenced by policymakers’ long-term development goals rather than by short-term profit maximizing considerations. This, scholars have noted, helps explain why Chinese banks tend to carry a larger share of non-performing loans than counterpart institutions in economies at similar levels of development.¹⁷ Financial policy reforms have made the banking sector somewhat more competitive, and profit

driven in recent years, which has marginally increased the independence of state-owned banks.¹⁸ Nonetheless, state-owned banks in China are expected to move in-step with the state as it executes the financial arm of its industrial policy, at home, and (increasingly) abroad.

Chinese Development Projects and Overseas Branch Growth

The close links between the Chinese state and its major banks suggest that any analysis attempting to identify factors associated with the selection of host country destinations for branches of state-owned banks must take Beijing's own foreign policy goals into account. Over the course of the 2000s, the Chinese government's interest in foreign lending and investment grew in response to two key factors. First, large current account surpluses in China led to the accumulation of low-yielding foreign exchange reserves, tied up in assets like US government bonds. Attention to alternative overseas investment opportunities that would yield higher returns grew as a result. Second, Chinese state-owned banks were also facing the challenge of domestic overcapacity, especially in the area of infrastructure. Profitable investment opportunities in the space were becoming saturated and the share of non-performing loans on their books were growing.¹⁹ Consequently, Beijing's interest grew in opportunities for venturing capital in overseas development projects to take the place of declining profitable investment opportunities on the mainland.²⁰

The culmination of this thinking took the form of the BRI, Xi Jinping's major international development investment initiative launched in 2013. BRI participation quickly became a catalyst for Chinese outward direct investment—increasing investment flows into member countries by as much as 20 to 50 percent.²¹ Though BRI is a critical pivot point, Chinese development investment spans beyond BRI member countries, and had been developing in the years prior to the initiative's launch. In sum, over the last two decades (but especially since 2013) Chinese outward investment in foreign development projects has become a central cog in Beijing's increasingly ambitious foreign economic policy.

Contracts for China's overseas development projects have flowed almost exclusively to Chinese companies with the lion's share going to state-owned

enterprises (SOEs) in China.²² Chinese companies—many of them SOEs—are building roads, bridges, airports, dams, as well as attendant amenities like shopping centers or other forms of property development in foreign countries. These firms need financial services from banks with ties to the mainland to pay for materials and supplies coming from China. Put differently, the growth in Chinese outward direct investment in developing and emerging economies through BRI partnerships and beyond should provide new business opportunities for big Chinese banks. Unsurprisingly, one study found that the foreign lending activities of two of the Big Four Chinese banks increased by 500 percent between 2013 and 2017; meanwhile, large development projects with price tags in excess of \$500 million, tripled during the same period.²³

In order to fully benefit from the overseas development project boom, Chinese banks should also look to set up shop abroad.²⁴ Just as European, American, and Japanese banks “follow their clients” to foreign markets by opening branches in those locations, major state-owned banks in China should be expected to do the same. Thus, a key determinant in where Big Four banks set up overseas branches should be the amount of Chinese overseas development investment projects and financial commitments in host countries. *I expect that participation in BRI and higher amounts of Chinese development-related investment should be associated with more Chinese bank branches in those markets.*

Other Factors Influencing Foreign Branch Locations

Chinese development projects ought to be a critical factor behind the expansion of Big Four bank branches abroad, but other considerations may factor into their decisions as well. As noted previously, numerous studies have found that banks, regardless of nationality, are more likely to open branches in countries that are major trading partners with their home country. Given the importance of trade in China’s development model, commercial relations may also play a role in where Big Four banks set up shop abroad. Indeed, one study on cross-border flows of Chinese bank loans (rather than the location of branches) found a strong positive correlation between a country’s trade with China and the amount of loans it receives from Chinese banks. Notably, in that study FDI was only loosely correlated with loan flows.²⁵

Previous studies also indicate that banks are more inclined to open overseas branches in financial centers to improve access to capital markets. Chinese banks are likely to weigh similar considerations. For example, recent work has also highlighted how London and Luxembourg—major European financial centers—have attracted a large number of Chinese bank branches.²⁶

Finally, any study on the expansion of Chinese economic influence abroad ought to consider the role of geopolitics in the geography of that growing influence. This is especially true in the arena of international finance, a space where foreign policy and grand strategy increasingly butt up against economic exchange and efficiency. The United States growing use of financial sanctions in the 21st century have raised concerns in China and in other foreign capitals about dollar dependence and vulnerability to US coercion.²⁷ On one hand, Chinese banks may view opening branches in countries facing US financial sanctions as a risky move, something that puts their reputations and business at risk. On the other, Chinese state-owned banks may view such markets as opportunities for growth if firms and actors cut off from the dollar view China's currency and its growing financial network as a potential lifeline. Beyond narrow sanctions risk, it may be the case that Big Four banks consider a country's general geopolitical relationship with China or its political institutions when weighing whether or not to expand into a market. One new study on the location of foreign branches of Chinese banks identifies geopolitical considerations as a factor in the selection process.²⁸

Data and Methods

Turning to the empirical portion of this project, below I describe the data and methodological choices I use to test the link between Chinese investment and foreign bank branches.

Outcome Variable

The dependent variable in the study is the number of Big Four Chinese bank branches by country-year. Observations span twenty-two years, 1999 through 2020, and 206 countries. The data collection methodology followed the followings steps, which relied on help from a research assistant. First, branch

names, and the year of each branch's founding, were identified via Big Four bank websites. When all or some of these data were missing from the official bank websites, Google and Baidu were used to fill in the blanks. Searches often led to host country Chinese embassy websites which provided missing details, typically in the form of a press release highlighting the bank's arrival. Finally, searches of social media posts (e.g. Facebook, Twitter, Weibo) were used as a last effort to fill in missing observations.²⁹

Explanatory Covariates

To capture Chinese overseas investment and development lending, I rely on two sets of variables. First, I employ a simple dichotomous variable that indicates whether a country in a given year has officially joined China's Belt and Road Initiative. For this, I rely on data published by the Council on Foreign Relations.³⁰ As of 2021, a total of 139 countries had joined the initiative. While BRI participation is a relevant indicator for this study, there are limitations to this measure as well. BRI membership may signal the potential for new business for Chinese banks, however, a simple dichotomous measure like this does not indicate the extent of actual Chinese involvement in the economy.

BRI membership does not always mean the same thing. As a recent Brookings Institution report noted, some countries join BRI via a Memorandum of Understanding (MOU) while others sign on via a cooperation agreement.³¹ In this case, the MOUs tend to include details about specific development projects that will be launched with Chinese assistance while cooperation agreements typically express mutual interest in future collaboration. Thus, membership in BRI does not necessarily translate into Chinese investment opportunities in the development space. Some participants are more deeply engaged than others. Moreover, BRI was not officially launched until 2013, meaning it is not useful as a predictor of branch development prior to that year.

As a more nuanced alternative to the BRI membership indicator, I constructed two additional covariates drawing on data from a recent *AidData* report on Chinese overseas development projects.³² First, I employ the annual number of new Chinese development projects announced in a given country for each year. An increasing number of Chinese development projects is one way to measure the extent of China's investment in that country, which has implications for Big Four banks expansion in that location. Because the data

are heavily skewed to the left (e.g. most country-year observations have a small number of projects while a minority have many) I “bin” the variable into terciles representing low, medium, and high number of projects for that year.

Finally, I constructed a country-level variable that accounts for the total development finance commitment (in constant US dollars) pledged by China in each. I created the measure by summing project-level commitments, by country, in each calendar year.³³ A larger annual development commitment in a given country would indicate increased business opportunities for Big Four bank branches. Together, these two variables provide a more granular picture of the distribution of Chinese overseas development lending and investment at the country level, and extend back to the year 2000, offering improved time coverage.

Economic Control Covariates

There are a range of economic factors, outside of Chinese development lending and investment, that could influence bank branch expansion. First, given existing evidence that the likelihood a multinational bank opens a branch in a foreign market increases as commercial ties between the bank’s home country and the host country increase, I control for level of trade between China and potential host countries. I rely on data from the UN Comtrade database, summing total exports and imports between China and each country in the sample.³⁴ Second, certain countries are home to major international financial centers. These destinations are likely to attract more foreign bank branches relative to non-financial centers. To control for this, I employ a dichotomous variable equal to 1 if a country is host to at least one of the top-20 financial centers according to the Global Financial Centres Index, zero otherwise.³⁵ Chinese banks may find fast growing economies more appealing locations for expansion, so I control for the annual GDP and GDP per capita growth rates. Finally, I control for GDP and GDP per capita to account for economic size and development. All macroeconomic indicators are from the World Bank’s World Development Indicators dataset.

Geopolitical Control Covariates

Given the heightened importance of geopolitical considerations in international economic integration, it is also worth exploring whether China’s

political relations with potential host countries, or host countries' own political characteristics, shape where Chinese state-owned banks choose to expand. First, the United States has been using financial sanctions against foreign governments with increasing frequency over the last two-decades, but especially since 2010. One possible way that politics could shape bank branch expansion is if Chinese financial institutions view sanctioned economies as attractive business opportunities since actors in those states may be cut off from US banks and the dollar system. To account for this, I use a dichotomous variable which identifies countries that are targets under US financial sanctions program at US Treasury between 2000 and 2020.³⁶ It may also be the case that Chinese banks are more inclined to expand into markets that have more positive strategic relations with China. Such markets may be viewed as less exposed to geopolitical risk, or Beijing may be keen on cultivating closer financial and commercial ties between friendly countries to further entrench positive relations. To account for the similarity between China and each country's foreign policy preferences, I rely on widely used data estimating the ideal point distance in UN General Assembly votes, where higher values indicate greater foreign policy disagreement between China and the potential partner.³⁷ Finally, I rely on Polity IV data to account host country regime type, which may shape Chinese bank decisions.³⁸ On one hand, Chinese banks may prefer to operate in democracies which tend to have stronger rule of law and greater transparency; on the other, if Beijing is keen to strengthen economic ties with states that are not closely aligned with the United States, then Chinese banks may be more likely to expand into countries with poor democratic credentials.

Estimation Strategy

To assess the relationship between overseas Chinese development projects and foreign branches of Big Four banks, I fit a series of negative binomial regressions, appropriate for an outcome variable that expressed as "count" data.³⁹ I estimate separate models for each of the three main explanatory variables (BRI participant, project count, and development commitment) along with the battery of economic control covariates described above. All models include year and region fixed-effects.⁴⁰

Results

As Table 1 reports, in all three models, the coefficients on the Chinese development investment variables are positive and statistically different from zero. This indicates that increased Chinese investment in a country's developmental space—whether measured as BRI participation, the annual number of Chinese development projects, or as the total annual financial commitment in Chinese development projects—the predicted number of Big Four bank branches also rises. The results, while not causal, confirm a strong relationship between overseas bank branch growth and official Chinese development activity.

To express the magnitude of the relationship between each of the three development investment variables on the outcome in question, I estimate the marginal effects of each variable on the number of foreign branches of Chinese banks by country. Turning first to BRI membership in Figure 3, the model predicts that the average non-BRI member will have 0.82 branches while the typical BRI participant will be host to 1.76 branches, or a difference of nearly one additional branch per BRI member.⁴¹ Figure 4 reports the marginal effect of the annual project count variable, which has a less substantive impact on the number of branches than BRI membership. Moving from one standard deviation below the mean of that variable (zero projects) to one standard deviation above the mean (eleven projects) is associated with an estimated move from 0.62 branches to 1.32 branches, or an increase of about two-thirds of a branch. At two standard deviations above the mean (18 projects) the model predicts 2.41 branches, for an increase of nearly two branches. Finally, looking to the development commitment variable, Figure 5 reports that moving from the lowest tercile (countries in the lower third of Chinese development commitment in a given year) to the highest tercile (countries in the highest third) leads to a predicted change in the number of branches from 0.65 to 1.74, or more than an additional bank branch per country.

TABLE 1. Chinese Development Projects and Foreign Bank Branches, Main Results

	Model I	Model II	Model III
BRI participant	0.769** (-0.237)		
Project count		0.0752*** (-0.011)	
Development commitment (bins)			0.492** (-0.0174)
Total trade with China (log)	0.266 (-0.196)	0.336 (-0.204)	0.284 (-0.207)
Financial Center	0.181 (-0.367)	0.307 (-0.345)	0.460 (-0.359)
GDP (log)	0.590** (-0.200)	0.470* (-0.207)	0.512* (-0.206)
GDP per capita (log)	0.25 (-0.158)	0.447** (-0.171)	0.392* (-0.186)
GDP growth	0.0695 (-0.049)	0.0513 (-0.045)	0.094 [†] (-0.049)
GDP per capital growth	-0.0568 (-0.0525)	-0.0248 (-0.047)	-0.068 (-0.051)
N	3854	3146	3146
pseudo R-sq	0.355	0.372	0.364
Year FEs	✓	✓	✓
Region FEs	✓	✓	✓

FIGURE 3. Predicted Marginal Effects of BRI Membership on Bank Branches

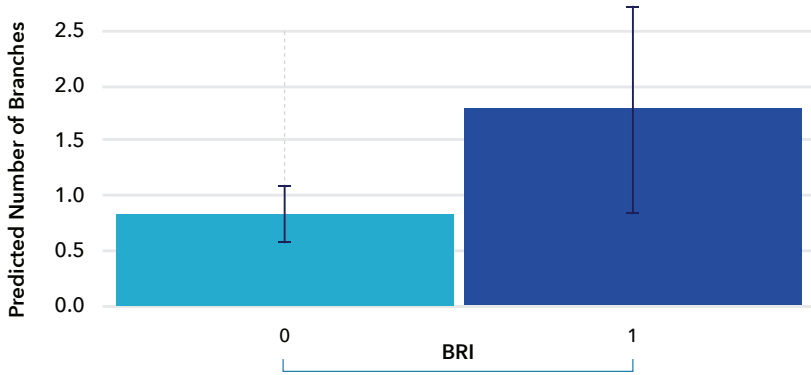


FIGURE 4. Predicted Marginal Effects of Chinese Development Projects on Bank Branches

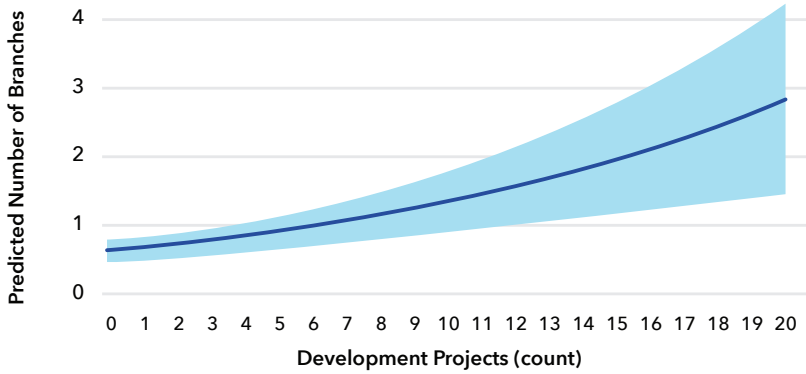
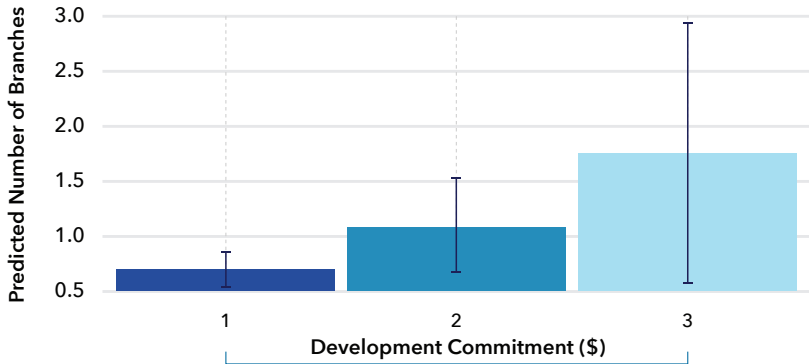


FIGURE 5. Predicted Marginal Effects of China’s Financial Commitment to Development Projects on Bank Branches



Turning to models with additional geopolitical covariates, inclusion of these additional measures does not substantively change the underlying results on the Chinese development investment variables. In all three cases, coefficients remain positively signed and statistically different from zero, indicating that an increased role for China in the country’s development space is associated with a higher number of bank branches.

Moreover, a survey of the geopolitical variables indicates that there is no evidence that China’s strategic interests play a systematic role in bank branch growth abroad. Beginning with the dichotomous measure of US financial sanctions, in all three models the coefficient for this variable is negative, and in two cases the variable is statistically significant. This implies that countries facing US financial sanctions, on average, have fewer Chinese bank branches than countries that are not sanctioned by Washington. The notion that Chinese banks are setting up shop in economies blacklisted by US Treasury to help actors in those markets evade sanctions is not supported in the data.

There is also no evidence that Chinese banks prefer to expand into markets where governments have similar foreign policy preferences with Beijing, based on UNGA voting similarity. The UNGA ideal point distance variable is inconsistently signed and far from statistical significance in all three mod-

els. Finally, Chinese banks are not more likely to open branches in authoritarian countries. In fact, the coefficients for the Polity measure are positive in all cases, and significant in one, suggesting that if anything, Big Four banks are more inclined to expand in countries with stronger democratic credentials.

Discussion

China is home to the world's four largest banks. Increasingly, those state-owned institutions are opening branches in foreign markets—a trend that is reshaping cross-border financial flows and challenging traditionally dominant multinational banks from the US and Europe in developing and emerging markets. This study has considered the relationship between the “going out” strategy of Chinese banks and the country's ballooning portfolio of overseas development projects.

The evidence presented here suggests that these two trends cannot be understood apart from each other. The Big Four banks have opened foreign branches in order to serve the financial needs of Chinese SOEs that are overseeing development projects. Chinese outward direct investment into developing and emerging markets, via BRI and even outside of that initiative, would not have been possible without the financial services provided by Chinese banks. Such lending was facilitated by the opening of branches where Beijing's development investment was greatest. Conversely, Chinese banks, saddled with non-performing loans and a mainland landscape mired in overcapacity, needed overseas development projects to improve their profitability. The symbiosis between China's ambitious development investment initiatives and the global ambitions of its banks are two sides of the same coin.

Notably, geopolitical considerations do not appear to be a determining factor in overseas Chinese bank expansion. Rather, the Big Four banks appear to act—in many respects—much like American or European banks. That is, they go where the economic opportunities are, following their customers around the world. Yet, because the opportunities are the result of Beijing implementing its broader foreign economic policy agenda, there is an underlying element of politics at play here, even if the banks' incentives are primarily economic.

In time, the presence of Chinese bank branches in these locations may serve to create and then deepen financial ties between host country businesses

TABLE 2. Chinese Development Projects and Foreign Bank Branches, Supplementary Results

	Model IV	Model V	Model VI
BRI participant	0.661** (0.231)		
Project count		0.0789*** (0.0130)	
Development commitment (bins)			0.536** (0.181)
Total trade with China (log)	0.281 (0.188)	0.369 [†] (0.194)	0.276 (0.204)
Financial Center	0.0941 (0.384)	0.347 (0.337)	0.537 (0.359)
GDP (log)	0.584** (0.189)	0.409* (0.185)	0.491* (0.192)
GDP per capita (log)	0.132 (0.165)	0.396* (0.176)	0.311 (0.189)
GDP growth	0.128* (0.064)	0.0884 (0.055)	0.133* (0.062)
GDP per capital growth	-0.127 [†] (0.068)	-0.0650 (0.055)	-0.113 [†] -0.113 [†]
US sanctions	-0.182 (0.436)	-1.320* (0.575)	-1.404* -1.404*
UN voting ideal point distance	-0.151 (0.395)	0.007 (0.351)	0.0843 (0.338)
Polity	0.0318 (0.030)	0.0495* (0.024)	0.0442 (0.031)
N	2042	0.321	1605
pseudo R-sq	0.321	0.357	0.342
Year FEs	✓	✓	✓
Region FEs	✓	✓	✓

and China. Given that banks are attracted to locations where Chinese development projects are ongoing, the United States would be best positioned to counter these trends by incentivizing US firms to bid on US-backed development projects in similar markets. This, in turn, would create incentives for US banks to open their own branches in these locations, rather than ceding the space to Chinese state-owned financial institutions.

This is especially important as the role of geopolitics in international economic matters looms larger over time. As talk of a US-China decoupling intensifies, and China's interest in internationalizing its own currency to enhance its financial resilience grows, the factors behind Chinese bank branch expansion in the next decade may become more explicitly strategic. But, for now at least, the story is one of economic incentives driving financial institution behavior; or, from a slightly different angle, a story where state-owned banks are playing their expected role in executing the Chinese government's foreign economic policy strategy.

The views expressed are the author's alone, and do not represent the views of the US Government, Carnegie Corporation of New York, or the Wilson Center. Copyright 2023, Wilson Center. All rights reserved.

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40. Region fixed-effects were used in place of country-fixed effects because the models would not converge when using the latter.
41. This amounts to one-fifth of a standard deviation in the outcome variable.

2022-2023 WILSON CHINA FELLOWSHIP

Claiming the South China Sea with a New National Mythology: Hainan Island and the South China Sea in China's History and Current Geopolitics

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Abstract:

This paper examines the shifting histories of the relationship between mainland Chinese regimes and their southern coast, Hainan Island, and the South China Sea. While Beijing today claims that Chinese regimes have administered the South China Sea in some form for 2,000 years, from the perspective of successive dynasties' centers of power, the far regions of the Sea were in fact culturally alien territory, and often far beyond their administrative control. When we examine the South China Sea from the perspective of the Hainanese people, not to mention that of China's neighbors around the Sea, the mainland myth of continuous administrative control and Chinese cultural presence quickly breaks down. It is important, in a scholarly context, to counter this mainland mythology of continuous Chinese dominance in the region, and also present a version of this history that reflects the region's reality, diversity, and complexity. The People's Republic of China's (PRC) current narrative of the South China Sea, embodied by the "nine-dash line" maritime boundary, is a retroactively imposed cultural lineage within the region, not a story of real political control through the imperial past. Past narratives, and the current one, embody a range of the regimes' anxieties and ambitions, and while they may be disingenuous, we can and must still learn much from them. Rather than confronting these claims' historical veracity directly in a political context, however, the United States should continue to articulate its firm support of a rules-based international order, particularly through the United Nations Convention on the Law of the Sea (UNCLOS), and the legal claims of other regional players. Washington's failure to formally accede to this framework prevents the US from ensuring that it will have a hand in shaping a stable and peaceful future for the South China Sea, and an equitable and sustainable future for other regions, including the Arctic and Antarctic polar regions. Through ratification of UNCLOS and more robust support for the claims and interests of other regional players—such as the Philippines, Vietnam, Taiwan, Indonesia, and others—Washington could more effectively, safely, and sustainably counter Beijing's unilateral and ahistorical claims to the South China Sea.¹

Policy Implications and Key Takeaways

- The United States should ratify the United Nations Convention on the Law of the Sea (UNCLOS) through a two-thirds US Senate vote for advice and consent. This is among the most common-sense and beneficial treaties in US history, and a great achievement of the legal team of US President Ronald Reagan, as led by John Norton Moore. Failure to ratify UNCLOS, in spite of numerous efforts, and after all reservations and real concerns and arguments against the treaty have already been completely addressed, is causing Washington and US businesses loss of revenue, security, and international credibility. At the time of writing, Washington remains outside of the framework, and is a signatory but not a ratified member. Several recent works, including one by Moore, enumerate the benefits of accession to the treaty, and the daily losses of remaining outside of it.²
- The United States should continue to support the claims of regional states to their sovereign maritime territory and Exclusive Economic Zones (EEZ) according to UNCLOS, especially where those claims are violated by Beijing's refuted nine-dash line. While some in the United States may be wary of the optics of publicly challenging Beijing's "historical" claims, endorsement of the rules-based order, international law, and legal claims by regional states is a sustainable and necessary position.
- The United States should take a more active hand in shaping the region's media and scholarly narratives by consistently endorsing the legitimate claims of regional players such as the Philippines, Vietnam, Taiwan, Indonesia, and others. This could include scholarly exchanges and funded research in the region, expanded academic ties, and public diplomacy. This starts with a deeper understanding and appreciation for the region's complex history and geopolitics, beyond the simplistic framework of US-China rivalry in the region.
- Through official and non-official channels, the US government and American citizens should be wary of implicitly or explicitly endorsing Beijing's narrative of the region when it violates international law and

the sovereignty claims of other regional players. These endorsements may come in the form of silence or ignorance in the face of false claims, or in pop culture products, scholarship, or public diplomacy that reproduce Beijing's false claims of historical continuity and the "nine-dash line."

- Americans should recognize and counter two related aspects of the PRC educational and media environments: Beijing's efforts to close off foreign influences on key issues, and its efforts to impose a constrained narrative of history within popular culture and academia. Americans should energetically nurture dialogues, institutional ties, and personal friendships in the PRC, and amplify the diverse voices that have always been expressed and heard there.

Introduction

For a week in February of 2023, an alleged spy balloon launched from China's Hainan Island captured the attention of the American public as it drifted over the United States. Beijing claimed that it was a weather balloon.³ It was finally shot down by an AIM-9X Sidewinder (air intercept missile), fired by a Lockheed Martin F-22 Raptor.⁴ Comparisons abounded, in sensational headlines and punditry, to the 1957 Soviet Sputnik satellite launch, a reminder of technological and military rivalries and tensions. The brief flight of Sputnik became part of the impetus for more urgency in the funding of American science, technology, and higher education in general, culminating in the successful moon mission of 1969 and enduring American leadership in education and military prowess.⁵ The Chinese balloon incident, on the other hand, may remain a relatively trivial footnote, but the episode does reflect current tensions between Washington and Beijing. More importantly, its launch site—Hainan Island in the South China Sea—continues to be a flashpoint of geopolitics. Understanding Hainan's place within the People's Republic of China (PRC) is crucial to understanding PRC priorities, and their place within the longer sweep of Chinese history. Hainan, for centuries a marginal region in mainland Chinese history, is emerging not only as a hub of China's aerospace program, but also as a strategic watchtower on the South China Sea, as the provincial claimant to the "historical waters" of the Sea, as an island-wide free-trade zone, as a site of luxury consumption for China's wealthiest class, and more.

Hainan is the smallest province in terms of dry land, the largest island administered by the PRC, and a site of growing importance and regional tensions. It is an important hub of the China National Space Administration (CNSA), particularly the island's northeastern launch site of Wenchang.⁶ While Hainan Island is China's smallest province in terms of terra firma, it is also technically the administrative authority over the maritime claims that Beijing asserts in the region, namely the area within the "nine-dash line." In this respect, Hainan is paradoxically both the smallest (terra firma) and the largest (overall territory) Chinese province. According to the provincial government's website:

The administrative area of Hainan Province includes the islands and reefs of Hainan Island, Paracel Islands, Zhongsha Islands, and Nansha Islands and their sea areas. It is the largest province in the country. The

province's land (mainly including Hainan Island, Xisha, Zhongsha, and Nansha Islands) has a total area of 35,400 square kilometers and a sea area of about 2 million square kilometers.⁷

Hainan's and thus China's unilateral claim to nearly all of the South China Sea is based on a maritime claim by the Republic of China (RoC) government in the 1940s on several maps, prior to the success of the Chinese Communist Revolution and the establishment of the PRC in 1949. Beijing has carried over these maritime claims, asserting them as "historical" and claiming that they go back not only to the RoC claims, but indeed centuries and even millennia as the Ministry of Foreign Affairs noted in a 2016 statement:

The activities of the Chinese people in the South China Sea date back to over 2,000 years ago. China is the first to have discovered, named, and explored and exploited Nanhai Zhudao and relevant waters, and the first to have exercised sovereignty and jurisdiction over them continuously, peacefully and effectively, thus establishing territorial sovereignty and relevant rights and interests in the South China Sea.⁸

For its part, today the Republic of China (Taiwan) echoes the sweeping maritime sovereignty claims, but it also encourages adherence to UNCLOS, which would effectively honor several of the regional challenges to Beijing's nine-dash line claims.⁹ It seems likely that Taipei's articulation of this claim is part of the "strategic ambiguity" that marks so much of its policy, since any change to these "historical" claims could mean opening a larger cultural and historical can of worms with Beijing.

The United States and others have asserted that Beijing's current claims have been made in a manner that has been persistently vague and not substantiated in formal documents or international adjudication.¹⁰ Indeed, Beijing's claim has been refuted both by individual countries within the region as well as by distant powers like the United States, and perhaps most significantly, in 2016 by the Permanent Court of Arbitration (PCA) in the Hague, in a suit brought by the Philippines.¹¹ Within academic scholarship, Bill Hayton has done the most precise work to explore the origins of modern maps and claims in the South China Sea.¹²

Looking further back, this paper summarizes the historiography of Chinese mainland interests and control in Hainan and the South China Sea based on the most recent scholarship and political developments. Beijing's new narrative, or new mythology, reflects its priorities and aspirations in the region, and for its future more broadly. While the 2023 spy balloon incident may not seem as grave as Sputnik was in 1957, we are likewise in a moment of reckoning with a rival power whose ascent requires clear comprehension and priorities for the future. This is not only a question of quibbling over antique maps or cultural relics. The South China Sea is where these antiquarian claims intersect with current geopolitics, navigation rights, and access to natural resources.¹³ Understanding the histories and mythologies of the region will hopefully offer a clear framework for an equitable and rules-based future in the South China Sea. Going back to China's beginnings and moving briskly to the present day, this study aims to emphasize the importance of how we frame that history, even in the ancient past. The echoes of perceived past greatness and past humiliations surround us today.¹⁴

Myths of Imperial Control and Cultural Continuity

The written record from the Bronze and Iron Age dynasties of China extends back to about 1600 BCE, with mythology stretching back another thousand years or so, leading some to refer to five millennia of Chinese history. But even in terms of the written record that we do have, the Shang bronzes and oracle bones make China the longest continuous civilization or culture, though how we define that culture and its continuity may be contested.

The Xia (mythological), Shang (c. 1600–1045 BCE), and Zhou (1045–256 BCE) dynasties were based in northern China in the Yellow River Valley, the site of the first two millennia of what we call Chinese civilization. Defining Chinese culture or civilization is not simply an intellectual exercise since it constitutes some of Beijing's territorial claims today. In defining Chinese culture, we might start with a shared written language, a rich philosophical tradition featuring Confucian and Daoist texts, sericulture (silk making) and distinctive foodways, traditions of governance by a Confucian-educated elite, or some combination of these components. The degree to which we can call this "China" or "Chinese" is a rich question best left for another forum.¹⁵ But

for the purposes of this section, we can consider the territories, culture, and administrative limits of these early kingdoms, and the empires that followed them, with an eye to the extent of incorporation of what we call the South China Sea and the southern coast and islands.

In brief, the South China Sea (called simply the South Sea or *Nanhai* in Chinese; called the East Sea in Vietnamese; and with portions called the West Philippine Sea in the Philippines) was not administered in any way whatsoever by the Xia, Shang, and Zhou dynasties. These three kingdoms were focused in the Yellow River Valley in the north of what is today the PRC. The people of the south, like the nomads to the north, were considered alien to the emerging culture of the Xia, Shang, and Zhou. Proto-Confucian cultural values of filial piety in the Zhou world dictated that reverence for elders and ancestors should entail ritual burials and shrines at which sacrifice could be made, both by individual families and by the virtual family of the state. This early identifiable trend and marker of civilization in the Yellow River Valley cultures made both the horseback northern nomads and the boat-dwelling southern fishers clearly barbarians, and in a world apart. What we today consider Chinese civilization was defined in contrast to, and conflict with, these surrounding peoples and regions, some of which are inside today's borders of the PRC.¹⁶

And so, with no evidence in the Xia, Shang, or Zhou of governance of southern China, let alone the South China Sea, we can jump to the establishment of the brief first unified imperial dynasty of the Qin (221–206 BCE), from which some scholars assert we derive our word, “China.”¹⁷ The Qin carried on the northern focus of previous rulers of the Yellow River Valley, extending its territory to the south where it encountered the foreign Yue people. The northern emphasis is evident in the major cities and impressive garrisons that became the foundation for the realm of the following Han Dynasty, which would reign for over four centuries (202 BCE through 220 CE).¹⁸

Under the Qin and then the Han, portions of the southlands were incorporated through alliance and conquest, but this history was a complex and varied one. Southern “Yue” territories, broadly defined, extended into what is today Southeast Asia, and Yue culture was diverse and certainly distinct from the invading Qin and Han armies. Han expansion eventually overcame resistance efforts including those of the legendary Trưng Sisters of the first century

CE, who have gone on to become national heroes in modern Vietnam.¹⁹

What followed in some of the Han-conquered regions has sometimes been termed “Sinicization” or “Sinification” (“becoming Chinese” or *Hanhua*) by some historians, entailing the enforcement of Han bureaucratic rule and adoption of Han customs and language. The question of Sinicization is a flashpoint of contentious debate throughout Chinese history, including this early period as well as the governance of later “conquest” dynasties like the Mongol Yuan and the Manchu Qing.²⁰ The question of Sinicization is an emotional one not only for conquered peoples, but also for Chinese students and scholars, as historian Xin Fan has noted.²¹ Sporadic resistance to Han rule continued, and not all of the distinctive Yue customs disappeared, which had included a separate language, short hairstyles, facial and body tattooing, and great ability in boat-building and sailing. Indeed, the Yue distinguished themselves from the Han people in their abilities and interests in seafaring.²²

Their short hair is remarkable in contrast to the Chinese tradition of men growing their hair long as a sign of respect to their parents—cutting the hair was considered a mutilation of the body, which was inherited from one’s parents.²³ These examples are intended to illustrate how essentially foreign the southern Yue were from the perspective of the early culture of the people we today call the Han. The grounding in Confucian virtues, especially filial piety, meant that long hair for men, often top-knotted or capped, was the norm, and shorn hair was the ultimate marker of barbarity or a lack of filial virtue.

The cultural delineations struck in this early period endured for centuries. Zhou Qufei, the twelfth-century Song Dynasty scholar wrote of the southern Dan (Tanka) people that they “use boats as homes, treat water as if it were land, make a living off the sea.”²⁴ These characteristics, were almost as foreign as could be imagined for northern Chinese people. The seventeenth-century scholar, Qu Dajun, wrote, also of the Dan/Tanka people:

All Dan women are known to eat raw fish and swim under water. In the past, they were seen as belonging to the family of dragons. It was because they dived into water with tattooed bodies in order to look like the offspring of dragons. They could move in the water for thirty, forty *li* without difficulty... The women are seen as sea otters and the men as dragons. They are really nonhuman.²⁵

There is perhaps no more extreme alienation of a fellow human than to make beasts of them. Qu's final line above is a clear indication that the inhabitants of the southern coasts and southern seas were not only uncivilized, they were considered to be utterly foreign and indeed subhuman. These examples serve to show, from earliest times, that the people of what is today southern China were long considered beyond the pale of Chinese civilization.

In his classic analysis of Hainan's relationship with early mainland regimes, Edward Schafer wrote that Hainan had always been a realm of contradictions, and he referred to the hyperbolic dynamics of the place in early mainlanders' encounters with the south:

The fierce and brilliant world of Hainan, surrounded by blank, primordial waters, provided little that the Chinese imagination could grasp. Mirroring no familiar conception, [Hainan] could paralyze the minds even of cultivated [mainland] men. Or if some comprehensible content could be discerned, it was likely to be a loathsome and deadly vision—a scene as unlike the good homelands far to the north as possible.²⁶

Schafer emphasized the foreignness of Hainan through the first thousand years in which mainland regimes were aware of it from the Han through the Song Dynasties. In his examination of poetry and official documents produced by mainland officials sent to Hainan either as representatives of the emperor, or as exiles, Schafer finds a land of potentially Edenic splendors, but more often of terrors almost beyond the reaches of imagining.

Today, Beijing's refers to the Han Dynasty in its claims of the South China Sea. It was indeed during the Han that Hainan Island was incorporated into a mainland regime for the first time, with the establishment of a garrison on Hainan, across the treacherous ten nautical miles of the Qiongzhou Strait. But today, Beijing's official statements go on to date claims to the entire South China Sea to this same period. Here is one 2020 example from the Chinese ambassador to Canada, echoing verbatim elements of the 2016 Ministry of Foreign Affairs statement above:

Chinese activities in the South China Sea date back over 2,000 years. As early as the second century B.C., Chinese sailors explored the South

China Sea and discovered what they called Nanhai Zhudao (aka the South China Sea islands). Well documented by both Chinese and foreign historical materials and archaeological digs, there is evidence of ancient crops, wells, houses, temples, tombs, and inscriptions left by Chinese fishermen on some of the islands and reefs of the South China Sea islands. Many foreign documents illustrate clearly that for a lengthy historical duration, only Chinese people lived and worked on these South China Sea islands. Throughout this long process of exploring and developing the South China Sea islands, the Chinese people have gradually increased and improved China's side rights in the South China Sea. These include historic claims, which have in turn been upheld by successive Chinese governments.²⁷

The activities, artifacts, and records referred to here are not those of official Han embassies, since those did not extend beyond the coast of Hainan Island. It is more likely that these are artifacts of locals, and as noted above, it is contestable that these southern barbarians could be considered culturally "Chinese" in the continuous sense that is suggested here. The foundation of the claim rests on the contention that Chinese cultural or civilizational continuity through this period is sufficient for contemporary geopolitical claims. Some archaeological finds suggest trade in Chinese goods through the region, but this does not mean the area was governed by a mainland regime.²⁸ One rather recent claim to continuity of Chinese presence in the region has come in the form of "route books" (*genglubu*), used by fishers especially from Hainan to navigate the sometimes-dangerous shoals. Johannes L. Kurz recounts the contrast between the careful scholarship by historians compiling these texts, like Zhou Weimin and Tang Lingling, and the more bombastic and totalizing claims made in the popular press and by officials about the "route books." Ultimately, Kurz finds that no evidence of the books' claims of a 600-year legacy is offered in any of these accounts.²⁹ Authenticating the "route books" would not serve to establish administration of the South China Sea, but rather maritime knowledge on the part of Hainanese fishers, far from the northern centers of imperial culture.

With the brief Sui (581–618 CE) and longer Tang (618–907) dynasties, the southern regions of the current PRC map, including the coast and Hainan,

were more thoroughly incorporated into the northern-based empires. Still, the southern coast remained a distant place within the imperial worldview. It was considered to be fraught with dangers from diseases and hostile local people. This perception is evident in the use of southern regions, especially the island of Hainan, as a destination of banishment for ministers and scholar-officials. Historian, Zhou Quangen, in his study of Sui and Tang officialdom on Hainan, notes that the location of “banishment” on a list of punishments falls between torture and decapitation, which provides a clear sense of the island’s political and cultural place within the realm.³⁰ A series of high-ranking officials were banished to Hainan as a result of factional struggles in the court, or the act of “loyal remonstrance,” the dangerous Confucian act of publicly lecturing an emperor on his failings, and accepting the ensuing punishment for this patriotic opposition.³¹ Today in Haikou, the provincial capital of Hainan, the Temple of the Five Ministers honors those officials banished to the island. Some of the officials died in their southern exile, and others were summoned back by later emperors and a return to posts more suitable to their talents. In the Song Dynasty (960–1279), the exile to Hainan of one of the most illustrious scholar-officials of Chinese history, Su Shi (Su Dongpo), and the writings he produced, both confirmed mainland views of the island as uncivilized and dangerous, and also humanized the island’s inhabitants and depicted a bountiful world of natural wonders.³²

Maps of the Mongols, the Ming, and the Manchus

The Mongol conquest and the Mongol-ruled Yuan Dynasty that followed was in some ways the greatest cataclysm of Chinese history. To point to the later “Sinicization” of the Mongol rulers is only one part of a complex history that saw the utter devastation of the Song political world. The Song had first been forced to acknowledge that it was one among equals, in relation to its northern neighbors, and then, of course, the Mongol conquest confirmed Song inferiority at least on the battlefield. Advocates for the continuity of Chinese history would argue for the “Sinicization” of the Mongol rulers and/or the endurance of Chinese cultural traditions through this period. But, while there are many aspects of the Mongol Yuan that were cataclysmic, it was also the first empire to rule from what is today Beijing, and it was the first empire to establish a

map that began to take the shape of the current PRC, including what is today Xinjiang, Tibet, and northeastern China. In this way, quintessential aspects of “China,” including the shape of the map and the site of the capital, exist because of, not in spite of, the Mongol conquest. The Mongol-ruled Yuan lasted less than a century (1279–1368), and internal rebellions led to its overthrow and the establishment of the Ming Dynasty. The Ming was ruled by people we would today call Han Chinese, and under its rule, the map shrank to exclude the far reaches of the northwest and northeast, as well as the southwest. The Han-ruled Ming never reached the extent of the Mongol Yuan’s claims.

Administering the frontiers was a fraught affair in the aftermath of the Mongol Yuan rule, and it was only in the Ming that the Great Wall took on its recognizable shape, snaking along the north of “China proper,” or the culturally Han region, excluding large swathes of territory now claimed by the PRC. In the south, as Chinese scholars have shown, questions of administration have reflected the kinds of priorities a colonizing authority have long tried to negotiate: to what extent should funds and resources be dedicated to infrastructure, services, and other investments; and to what extent should funds and resources be dedicated to military garrisons and policing/pacification actions directed at the locals.³³

One crucial success of the Ming set it in contrast to the previous Mongol dynasty: whereas the Mongols failed in their maritime adventures, including attempts to conquer the Japanese archipelago, the Ming “treasure voyages” of the early 1400s displayed the wealth and splendor of the new dynasty to neighbors to the south and as far west as the Swahili coast. The voyages, led by the Muslim eunuch Admiral Zheng He, demonstrated a brief but glorious and massive investment in the projection of sea power.³⁴ Today, the voyages can be used to fit into a longer narrative of maritime greatness, and scholars continue to scrutinize and verify historical records to show the scale of the splendid ships.³⁵

The Ming crumbled first in the face of devastating internal rebellions and then foreign invasion. From what is today northeastern China, but was then beyond the reach of Ming administration, the Manchus (formerly the Jurchens) were ushered across the northern border by bewildered and desperate Ming officers who considered the invading foreigners to be more palatable than the rebels that had seized the capital and sacked much of the realm.

The conquering Manchus forced all Chinese males to shave their forelock and adopt the queue hairstyle, but they also returned their conquered realm to a period of wealth and splendor. The imperial map of the Ming had shrunk compared to the Yuan, to exclude all but the heartland or “China proper,” but under the Manchu Qing, the map again expanded to incorporate Xinjiang, Tibet, Taiwan, and of course “Manchuria” to the northeast. The non-Han Mongol and Manchu “conquest dynasties,” therefore gave us roughly what is today the map of the PRC, and yet they also bequeathed a challenge to the Chinese nationalist, or the Han chauvinist: how to manage this inheritance of conquest and subjugation and turn it into a narrative of Chinese cultural continuity and greatness. The answer has shifted over the decades. In 1967, David M. Farquhar noted that the Maoist option was to simply not look too closely, as the field of history was especially impoverished, even by the standards of the Cultural Revolution, when it came to the study of Mongol or Manchu history.³⁶

More recently, the Hong Kong-born author, Jeanette Ng reminds us that “The shrunken vision of the CCP is not the only way to see the Chinese past. There is no one true way of being Chinese.”³⁷ Recent scholarship on the maritime world of the “High Qing” (1644–1800) has embraced this complexity. It gives a much richer picture than the Sinicization narrative or the “Western Impact” model that, in much foreign scholarship on China, had implied a dormant and static Qing awaiting the magic touch of foreign commerce.

In the 2023 two-volume *Cambridge History of the Pacific Ocean*, dozens of leading scholars help correct these modes of thinking about the region and make sense of an enormously complex history. In Chapter 30, Xing Hang writes of the “multi-polar trading environment” of both the Ming and the Qing eras. While he highlights the increase in Chinese mercantile activity through the Qing, he also notes that this was often not state-sanctioned activity, but indeed was a result of Ming loyalist activities that blended into what many would consider piracy during the Qing dynasty. Hang refers to “Ming loyalist creoles” who expanded a Chinese cultural footprint throughout the Pacific during the Qing, rather than seeing this as smooth imperial administration.³⁸ In the same volume, Ronald C. Po also highlights the complexity and hybridity of the history of the region:

Unlike the PRC government in the present century, no exact boundary such as the nine-dash line had been established for the maritime space the Qing court claimed. Instead, time and space, coupled with relationality, malleability, mutuality, and contrariety, were the foundations of the Qing's justifications for its sovereignty across the western end of the Pacific Ocean.³⁹

Also in this new collection, Daria Dahpon Ho writes about the colorful and complex maritime world of the High Qing, and how personal vendettas, shifting identities, and of course piracy shaped a diverse region. Ho vividly recounts attempts to secure trading ports (or pirate nests, depending on one's perspective), and explains episodes of violence and betrayal involving the Portuguese, the Dutch, the Japanese, and then the Zheng regime (Koxinga) on Taiwan, followed by the English as "the world's first great drug dealers."⁴⁰

Following the "High Qing," imperial decline in the nineteenth century is a story well known to all Chinese school children. The devastation of internal rebellions and wars of foreign imperialism dragged the Qing and its subjects through a century of agony. This would become known as the "century of humiliation," and while it has become a shibboleth in Chinese nationalist history and memory, it represents a reality of inestimable devastation on the part of millions of Chinese people. Anti-Manchu revolutionaries, Nationalists, and then the Chinese Communist Party would strive to rescue, revive, or rejuvenate China after this period.⁴¹

From the End of the Qing to Today

A crucial decision was made after the fall of the Qing and in the halting first steps of the Republic of China, to preserve the map of the empire as essentially the same map of the new government. As Joseph Esherick points out, maintaining this map was by no means a foregone conclusion, and it met with resistance around the frontiers, where Tibetan and Mongolian leaders, for example, declared that their allegiance had been to the Great Qing, not necessarily to any who might claim the ruling authority in Beijing, or Nanjing for that matter.⁴² Conceptions of China and its map were not a complacent default, or "factory setting," to which any new regime might revert. Remember

that the China of the Ming (“China proper,” ruled by ethnic Han Chinese) was much smaller than the Mongol Yuan or Manchu Qing maps, and after the Qing’s collapse, it was the map of these two non-Han dynasties that the Han nationalists of the early Republic claimed.

Some early leaders of the republic were willing to sacrifice territories in the interest of good relations with neighbors, support for a nascent revolution, or even the self-determination of the peoples there. Sun Yat-sen, for example, was ready to surrender Hainan as a colony to the Japanese in the 1920s, and the fate of Xinjiang, Tibet, and Manchuria were also in flux.⁴³

Taiwan had been a Japanese colony from 1895, and Hainan was also occupied by the Japanese from 1939 until 1945. During the Republican period (1912–1949), the strategic importance and economic potential of Hainan and the South China Sea was evident and widely discussed. An early Republican survey noted the island’s possibilities for economic development but bemoaned the corrupt mainland officials who used it as a political springboard and source of exploitation for graft and personal gain.⁴⁴ Besides the Japanese and mainland Chinese governments, the French in Indochina also looked to Hainan and the surrounding waters as their sphere of influence.⁴⁵ Imperial forces continued to see the South China Sea as a site of rivalry and a crossroads of great power. As in the late Qing, the Republican period saw a government too weak to back up its expansive territorial and maritime claims with effective military force.

As Hayton and Ulises Granados point out, the current claims in the region were first articulated in the early republic. Related to the priorities noted in Esherick’s examination of the empire-to-nation transition, the Chinese republic aimed to articulate boundaries in keeping with conceptions of a modern state, and with the urgency of a new nation that was beset by potentially hostile neighbors.⁴⁶ The final decades of the “century of humiliation” were perhaps the most devastating, since they saw the Civil War tear China apart and the genocidal Japanese occupation of much of China.

On Hainan, the Communist forces waged a struggle against the Nationalists that was often severed from the mainland forces in terms of supply lines and even basic communications. The Communist forces allied with the indigenous Li people to sustain a resistance movement that grew out of the island, and ultimately helped to bring about the end of both the Japanese and Nationalist occupations. The isolation of the Hainan Communist struggle,

even beyond the 1950 Communist takeover, carried on a perennial island resistance to outsiders, including mainland Chinese.⁴⁷ In terms of official Party histories of Hainan written during the PRC, one typical summary is found below, in the Party history of ethnic struggles, compiled by the Hainan Provincial Gazetteer/Chronicle Office:

During the nearly 2,000 years from the Western Han to the Qing Dynasty, the ethnic minorities in Hainan continued to fight against the oppression of the *feudal dynasties and strive for national survival* [my emphasis]. There were more than 70 uprisings large and small...In modern times, Hainan has become a place where imperialism and feudal warlords have competed for plunder. Therefore, the ethnic minorities of Hainan and the local Han people have fought heroically against imperialism and feudal warlords to protect their homeland.⁴⁸

This account goes on to cite the shared struggle of the Hainan Li people with the Communist guerrilla fighters on Hainan, against the Nationalists and the Japanese, effectively placing the alienation and exploitation of the southern island in the realms of previous regimes, with the Communists making common cause not with the authorities, but with the ethnic rebels who fought to overthrow them. While this fits neatly with revolutionary propaganda, it certainly does not square with claims to cultural or administrative continuity of maritime claims. The lineage of resistance here is with those who fought the administrators and efforts at control.

In the early days of the PRC, Beijing's decision to join the Korean War on the part of the Democratic Republic of Korea, or North Korea, also had implications in the South China Sea. Amidst the Communists' threat of taking Taiwan and the revolutionary movements in French Indochina and throughout the wider region, anxieties about the spread of communism shaped the politics of the day, leading to the blockade of the Taiwan Strait by the US Navy's Seventh Fleet.

Within the South China Sea, although Beijing was not capable of projecting power on air or at sea, it projected a narrative of strength and emergent regional power status, inheriting the bold maritime claims of the Republican regime it had banished to Taiwan. Beijing also asserted that this was the end

of the “century of humiliation,” and that Mao Zedong and the Communist Party had inherited the map but not the frailty of the late Qing and the Republic. The famous Cultural Revolution drama “Red Detachment of Women” expressed a confident and dominant chauvinism in the region, particularly over Hainan and the southern seas.⁴⁹

After the end of the Cultural Revolution and the death of Mao Zedong in 1976, Hainan would move into the “reform and opening” period along with the rest of China. For Hainan, this meant an effort to finally gain provincial status, and administrative separation from Guangdong. Attempts to build up its tropical agriculture and tourist sectors, among others, would finally pay off when in 1988, Hainan was granted provincial status—the smallest province in terms of dry land, and the newest provincial addition to the PRC. This triumph took place under a cloud of corruption that would continue to dog Hainan’s development through the decades to come.⁵⁰

Questions remained about Hainan’s ability to thrive with its new provincial status. Its ability not only to avoid extreme corruption issues, but also to assert its role as provincial overseer of the South China Sea would become increasingly important as well. The role of sub-state actors in the South China Sea are important, and Audrye Wong has written insightfully on provincial actors and their economic and security roles. The role of Hainan as a provincial entity is complex, and the behavior of provincial actors may sometimes mitigate regional tensions, and in other cases, may aggravate them.⁵¹ In economic terms, provincial authorities like Hainan Province’s Department of Oceans and Fisheries are sometimes an important line of strategic claims, at the intersection of economic development and security.⁵²

In recent years, Hainan has emerged as a luxury tourist destination, but issues of corruption have remained in the headlines. Ocean Flower Island (Haihuadao) is an artificial strip of land, but very unlike the South China Sea artificial land formations that now house military installations and have attracted global attention in the past decade. Ocean Flower Island is a massive theme park and hotel development near Hainan’s Danzhou City, initially touted as the world’s most expensive commercial development ever, at \$25 billion. It is also the site of controversy related to corruption, environmental damage, and overheated real estate development. The affiliation of the project with Evergrande’s spectacular failure and the downfall of Zhang

Qi, the Party chief of Haikou, for corruption made it still more emblematic of systemic challenges not only in Hainan, but throughout the PRC. Recent moves to make all of Hainan a massive “free-trade zone” have shown the island to be open for global business, even as Beijing’s recent actions in Hong Kong have threatened to chill the economy there.⁵³

Hainan’s role in reproducing Beijing’s narrative of the region has also become increasingly important as more mainland tourists visit the island. Recently, a spectacular new Museum of the South China Sea has opened near the fishing village of Tanmen, which is also near the site of the annual Bo’ao Forum for Asia. This forum was initially touted as the “Asian Davos,” but in about two decades, it has become largely an opportunity for recitation of talking points and the occasional diplomatic flap caused by “wolf warrior” diplomats violating protocol in an attempt to assert dominance. The proximity of Bo’ao and the new museum is deliberate, since the museum is a convenient afternoon outing for Forum attendees. One recent visitor to the Forum and the museum remarked that the latter was “a vast, empty, museum concerning the South China Sea. The investment in the museum must have been huge, it was almost totally devoid of visitors, and the sheer scale of the museum indicated that China was not going to move on South China Sea issues in a thousand years, figuratively speaking.”⁵⁴ This final line indeed reflects the effort to portray an immovable permanence to the excessive maritime claims of China in the region. Isaac Kardon has recently noted this inflexibility as being key to Beijing’s policy in the South China Sea. Its aim is to establish a presence and reshape aspects of the rules-based order to suit its current needs.⁵⁵

Sustainable Futures in the South China Sea

The development of the United Nations Convention on the Law of the Sea ran parallel to the “rise of China” through the 1980s and especially in the 1990s. UNCLOS is still relatively new on the world stage, but it received a decisive endorsement in 2016 when the Philippines and China had their claims assessed by the Permanent Court of Arbitration (PCA) in the Hague. Still, Beijing can point to the failure of Washington to ratify UNCLOS, even though it signed the treaty and is widely understood to act in a way that is in compliance with it. Several major recent works of scholarship from legal

scholars, historians, and political scientists emphasize the importance of fully endorsing the rules-based order, especially as Beijing continues to flout it in the South China Sea. Better understanding the history of the region and the ways in which that history is distorted and deployed to bolster Beijing's claim may not resolve the real threats to stability and peace in the region, but it will help to counter that distorted narrative and present one that is based on the rules-based international order that all parties are so deeply invested in.

As far as American activities, Gregory Poling notes in his recent book, "Forging a network of agreements to manage the South China Sea will be difficult and drawn out. But it is the only way forward."⁵⁶ Understanding the PCA ruling is essential, but it is also important to understand the historical, cultural, and legal perspective of regional players like the Philippines, as expressed by advocates like Justice Antonio T. Carpio.⁵⁷ Recent scholarship argues for a richer understanding of Southeast Asian players in the region and resisting the easy narrative of a US-China rivalry. Indeed, some would argue that there is neither a Chinese nor an American solution to the South China Sea. The only solution will come through hearing multiple actors in the region, and together charting a sustainable path forward.⁵⁸

These diverse views are not as well funded as the positions of either Washington or Beijing. Beijing's narrative, as represented by the nine-dash line, has even found its way into the background of recent blockbuster films, including *Abominable* (2019), and perhaps more dubiously, *Barbie* (2023), where an inexplicable dotted line in a briefly shown child-drawn map was enough to convince Vietnamese authorities that the film should not be released in their country.⁵⁹ While the line has been dismissed as an unintentional coincidence by representatives of the *Barbie* film, the lack of awareness of, and sensitivity to, regional players like the Philippines, Vietnam, and others is unfortunate. Furthermore, the trend of accommodating the political, historical, and cultural preferences of PRC audiences and censors in the pursuit of profits has been a common theme for major American cultural exports, including film and television.

Americans should also be mindful of the ways in which, intentionally or not, some public diplomacy proclamations, scholarly publications, and other cultural interactions can similarly pander to Chinese official audiences. This is more subtle than *Barbie*, perhaps, but equally welcome in Beijing. It may in-

clude the simple conflation of the Chinese people and the Chinese Communist Party; or it may entail assuming a flattering (but monolithic) timeless cultural mindset of the Chinese people, which serves to describe the ancient past as well as it does the current regime. While most cultural essentialism is fundamentally racist and ignorant, this particular brand can be flattering, since it reinforces the place of the current regime within the long duration of Chinese history, portraying the PRC as the latest to hold the Mandate of Heaven. Not only does it ignore the regime's half-century attempt to pulverize most remnants of that culture and history (from burning books to desecrating the tomb of Confucius), but it flatters the current leaders that they draw on the wisest traditions in their imperial past.⁶⁰

While some observers of China see a confident rising superpower, anxieties about history naturally plague a regime that has done so much to demolish its own culture and is reluctant to reckon with that destruction. While some foreign observers, from elder statesmen to professional wrestlers, help Beijing to smooth over the cracks in an effort to control the past, silencing the voices of history will perhaps prove to be an impossible challenge.⁶¹ These cultural anxieties reflect China's desire to retroactively impose continuity on a long historical record that is much more complex than any continuous and homogenous culture or civilization. In concluding a 2006 lecture titled "Qing Culturalism and Manchu Identity," Frederic Wakeman asked "Can Panglossian global capitalism coexist with a fragile and even touchy Chinese nationalism?... Citizens of China, I think, have every reason to be proud of their country's international progress during the 1980s and 1990s. But their pride has not yet produced a serene confidence about the future of the Han nation."⁶²

Understanding this insecurity and the "touchy nationalism" is essential to understanding Hainan, the South China Sea, and Beijing's role there. Alarm at the brinkmanship and regular confrontations that take place on the surface of the seas can crowd out discussions of deeper currents in history and cultural identity; but they are certainly interwoven and cannot be fully understood without each other.

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Notes

1. The author would like to thank Lucas Myers at the Wilson Center for his leadership, as well as others in the 2022–23 cohort of Wilson Fellows for their suggestions and guidance. All opinions and all mistakes are mine.
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13. Timothy Brook, *Mr. Selden’s Map of China: Decoding the Secrets of a Vanished Cartographer* (New York: Bloomsbury, 2013), 10.
14. Timothy Brook, Michael van Walt van Praag, and Miek Boltjes, “The Presence of the Past,” in Brook, van Walt van Praag, Boltjes, eds., *Sacred Mandates: Asian International Relations since Chinggis Khan* (Chicago: University of Chicago Press, 2018), 194–195. The use of history in contemporary Chinese politics is a rich and important subject, explored by many scholars,

- notably Rana Mitter in *China's Good War: How World War II Is Shaping a New Nationalism* (Cambridge, MA: Harvard University Press, 2020); and for the Wilson Center, Emily Matson in "From Regional to National: Northeastern Scholars and the National Discourse on the War of Resistance," from Lucas Myers, ed., *Essays on China and U.S. Policy, 2021–22* (The Wilson Center, 2022), 261–282, <https://www.wilsoncenter.org/publication/2021-22-wilson-china-fellowship-essays-china-and-us-policy>; also Abraham Denmark and Lucas Myers on the memory of the Korean War, "Eternal Victory," *The Wilson Quarterly* (Summer 2020), <https://www.wilsonquarterly.com/quarterly/korea-70-years-on/eternal-victory>
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 18. See Lewis (2006) for notes on the Wang Mang interregnum (9–23 CE), and the considerable variation across different periods of the Han, most notably the Former and Latter Han (23–24, 69, 100).
 19. Christopher Goscha, *The Penguin History of Modern Vietnam* (London: Penguin, 2016), 137–138.
 20. This important debate was sharpened and clarified, if not settled, in an exchange between Evelyn Rawski and Ping-Ti Ho, first in Rawski's "Presidential Address: Reenvisioning the Qing: The Significance of the Qing Period in Chinese History," *Journal of Asian Studies* 55, no.4 (1996), 829–850; and Ho's "In Defense of Sinicization: A Rebuttal of Evelyn Rawski's 'Reenvisioning the Qing,'" *Journal of Asian Studies* 57, no. 1 (1998), 123–155.
 21. Xin Fan, "The Anger of Ping-Ti Ho: The Chinese Nationalism of a Double Exile," *Storia della Storiografia* 69, no. 1 (2016), 147–160. Ho believed that scholarly challenges to the sinicization narrative were intended to undermine Chinese cultural identity in a way similar to that of the Japanese propagandists in World War II, and this was part of the reason for his impassioned response to Rawski and the school of "New Qing History."
 22. Erica Brindley, "Barbarians or Not? Ethnicity and Changing Conceptions of the Ancient Yue (Viet) Peoples, ca. 400–50 BC," *Asia Major* 16, no. 2 (2003), 1–32.
 23. With the arrival of Buddhism, the tonsure, or shaving of the head for a monk or nun was one of the most stubborn sticking points in the spread of the faith in China. Then, in 1645, the new Manchu Qing dynasty promulgated the queue edict, which stipulated that men must braid their hair in a long Manchu-style queue, but more grievously, men must also regularly shave their forelock. It was this second stipulation that led to massive uprisings after the Manchus had successfully conquered China proper and were consolidating their rule. See William T. Rowe, *China's Last Empire: The Great Qing* (Cambridge, MA: Harvard University Press, 2009), 22–23. The massacres of Han Chinese in the wake of the uprisings caused by the queue edict would inspire the anti-Manchu revolutionaries of the early twentieth century. See Peter Zarrow, "Historical Trauma: Anti-Manchuism and Memories of Atrocity in Late Qing China," *History and Memory* 16, no. 2 (2004), 67–107. Also see Alexander J. Serrano, "The Manchu Queue: A Complex Symbol in Chinese Identity" (2022),

- California State University, San Bernardino Master of Arts (History) Thesis, <https://scholarworks.lib.csusb.edu/etd/1496/>
24. As cited in Helen F. Siu and Liu Zhiwei, "Lineage, Market, Pirate, and Dan: Ethnicity in the Pearl River Delta," in Pamela Kyle Crossley, Helen F. Siu, and Donald S. Sutton, eds., *Empire at the Margins: Culture, Ethnicity, and Frontier in Early Modern China* (Berkeley: University of California Press, 2006), 285.
 25. As cited in Helen F. Siu and Liu Zhiwei (2006), 287.
 26. Edward H. Schafer, *Shore of Pearls: Hainan Island in Early Times* (Berkeley: University of California Press, 1969), 102.
 27. H.E. Cong Peiwu, "The History and Reality of the South China Sea Issue" September 13, 2020 (Embassy of the People's Republic of China, Canada), http://ca.china-embassy.gov.cn/eng/sgxw/202009/t20200913_4615002.htm. This verbatim repetition, sometimes considered "message discipline" is an aspect of the foreign service culture that Peter Martin examines in *China's Civilian Army: The Making of Wolf Warrior Diplomacy* (New York: Oxford University Press, 2021).
 28. Xinhua, "Chinese Archaeologists Discover Ancient Ceramics off Xisha Islands," May 10, 2007 <http://www.china.org.cn/english/culture/210346.htm>
 29. Johannes L. Kurz, "Gauging the South China Sea: Route Books (*genglubu*) since 1974," *The China Quarterly*, Vol. 240 (December 2019), 1135–1143.
 30. Zhou Quangen, *Sui, Tang, Wudai Hainan renwu zhi* [Prominent figures on Hainan in the Sui, Tang, and Five Dynasties Periods] (Haikou: Sanhuan Publishing House, 2007), 171–173. Zhou elaborates on the degrees and levels within each punishment category, which might include torture, demotion, and/or banishment, or some combination of these.
 31. Perhaps the most famous example of this was the Hainan official, Hai Rui (1514–1587). See Ernst Wolff, "A Preliminary Study of Hai Jui: His Biography in the Ming-shih," in *Journal of the Oriental Society of Australia* (December 1970), 147–161.
 32. James M. Hargett, "Clearing the Apertures and Getting in Tune: The Hainan Exile of Su Shi (1037–1101)," *Journal of Song-Yuan Studies*, Vol. 30 (2000), 141–167.
 33. Leading historians of Hainan, Zhou Weimin and Tang Lingling, note that these questions were central in debates about the island in the Ming Dynasty. One of their studies draws a precise comparison between military spending on Hainan and funds dedicated to the maintenance of postal roads. This perennial question is one rare element of continuity in the relationship between mainland regimes and the southern island, and of course the ways in which it was addressed was constantly a subject of debate and disagreement. Zhou Weimin and Tang Lingling, "Zhongshan zhengfu youxiao tongzhi de xiangzheng: Mingdai Hainan yidao kao [Symbol of effective central government rule: Research on post roads in Ming Dynasty Hainan]," in Yan Guanglin, ed., *Hainan Lishi Wenhua* [Hainan History and Culture], Vol. 2 (Beijing: Shehui kexue wenxian chubanshe, 2012), 21–29.
 34. Kuei-Sheng Chang, "The Maritime Scene in China at the Dawn of the Great European Discoveries," *Journal of the American Oriental Society*, Vol. 94, No. 3 (July-September 1974), 347–359.
 35. Hu Xiaowei, "Zheng He baochuan chidu xin kao: Cong Quanzhou dongxi ta de chidu tanqi" [A New Study on the Scale of Zheng He's Treasure Ships—From the Scale of Quanzhou's

- East and West Pagodas], *Haijiaoshi Yanjiu* [Journal of Maritime History], Vol. 2 (2018), 107–116.
36. David M. Farquhar, “Chinese Communist Assessments of a Foreign Conquest Dynasty,” *China Quarterly*, No. 30 (April–June 1967), 79–92.
 37. Jeannette Ng, “China’s Vast History Can’t Be Caught in the CCP’s Net,” *Foreign Policy* (October 1, 2019) <https://foreignpolicy.com/2019/10/01/chinas-vast-history-cant-be-caught-in-the-ccps-net/>
 38. Xing Hang, “The Resurgence of Chinese Mercantile Power in Maritime East Asia, 1500–1700,” in Ryan Tucker Jones and Matt K. Matsuda, eds., *The Cambridge History of the Pacific Ocean: Volume 1, The Pacific Ocean to 1800* (Cambridge: Cambridge University Press, 2023), 682, 697.
 39. Ronald C. Po, “China and the Sea in Literature and (Mis)Perception,” in Jones and Matsuda, eds., *The Cambridge History of the Pacific Ocean: Volume 1, The Pacific Ocean to 1800* (Cambridge: Cambridge University Press, 2023), 563. Po furthermore makes an important point about the four major seas in the Qing realm, and the fact that our current “southeast China-centrism” is misguided in historical terms. Po emphasizes the Bohai Sea, and the more direct administration of it by the Qing, as contrasted with the southern seas. This shift in historical priorities would help balance the misperception of the Qing as inert or hermetic, in the “Western impact” model that persists in some discussions of China and Chinese history.
 40. Daria Dahpon Ho, “Naval Rivalry in the Western Pacific: Portugal, England, Holland, and Koxinga, 1600–1720” in Jones and Matsuda, eds., *The Cambridge History of the Pacific Ocean: Volume 1, The Pacific Ocean to 1800* (Cambridge: Cambridge University Press, 2023), 674.
 41. Mark Metcalf, “The National Humiliation Narrative: Dealing with the Present by Fixating on the Past” *Education About Asia*, Vol. 25, No. 2 (Fall 2020) <https://www.asianstudies.org/publications/ea/archives/the-national-humiliation-narrative-dealing-with-the-present-by-fixating-on-the-past/>
 42. Joseph W. Esherick, “From Qing to China” in *China in Revolution: History Lessons* (Lanham, MD: Rowman and Littlefield, [2006] 2022), 111–144.
 43. Jeremy Murray, *China’s Lonely Revolution: The Local Communist Movement of Hainan Island, 1926–1956* (Albany, NY: State University of New York Press, 2017), 52–53.
 44. Peng Chengwan, *Diaocha Qiongya shiye baogao shu* [A Report on the investigation of the industry and commerce of Hainan], (Haikou: Hainan shuju, 1920).
 45. M. Savina, *Monographie de Hainan* [Monograph on Hainan] (Hanoi: Cahiers de la Société de Géographie de Hanoi [17], 1929).
 46. Ulises Granados, “As China Meets the Southern Sea Frontier: Ocean Identity in the Making, 1902–1937.” *Pacific Affairs*, Vol. 78, No. 3 (Fall 2005), 443–461.
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 48. Hainansheng difangzhi ban’gongshi [Hainan Provincial Gazetteer Office], ed., *Hainan shengzhi: Minzu zhi* [Hainan Provincial Gazetteer: Nationality/Ethnicity Volume] (Haikou: Nanhai chuban gongsi, 2006), 737.
 49. Jeremy Murray, “Taming the Southern Frontiers through Song and Dance: Chauvinisms (Han and Male) in *The Red Detachment of Women*,” in Paul Gladston, Beccy Kennedy, and

- Ming Turner, eds., *Visual Culture Wars at the Borders of Contemporary China: Art, Design, Film, New Media, and the Prospects of "Post-West" Contemporaneity* (London: Palgrave-Macmillan, 2021), 179–200.
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 51. Audrye Wong, "More than Peripheral: How Provinces Influence China's Foreign Policy," *The China Quarterly*, 235 (September 2018), 735–757.
 52. Romi Jain, "China's Geoeconomic Diplomacy and the South China Sea Dispute: Promises and Pitfalls," in Nalanda Roy, ed., *Navigating Uncertainty in the South China Seas Disputes: Interdisciplinary Perspectives* (London: World Scientific, 2021), 21–22.
 53. Xinhua, "Former Senior Provincial Official Confesses to Bribery Charges," July 9, 2020 http://www.xinhuanet.com/english/2020-07/09/c_139200977.htm; Reuters, "Authorities Turn Seized Home Towers at Evergrande's Resort Island to Rental, Commercial Use," November 7, 2022 <https://www.reuters.com/business/authorities-turn-seized-home-towers-evergrandes-resort-island-rental-commercial-2022-11-08/>. On Hainan as a free-trade zone, see Seong Hyeon Choi and Luna Sun, "How Will China's Hainan Free-Trade Port Affect the Greater Bay Area and ASEAN?" *South China Morning Post* (April 8, 2023), <https://www.scmp.com/economy/china-economy/article/3216325/how-will-chinas-hainan-free-trade-port-affect-greater-bay-area-and-asean>
 54. Quote and interview from author's private correspondence. Find the museum website here: <http://www.nanhaimuseum.org/>, and the Bo'ao Forum page here: <https://english.boaoforum.org/>
 55. Isaac B. Kardon, *China's Law of the Sea: The New Rules of the Maritime Order* (New Haven, CT: Yale University Press, 2023).
 56. Gregory B. Poling, *On Dangerous Ground: America's Century in the South China Sea* (New York: Oxford University Press, 2022), 248. Poling further notes, "On the legal front, the most important thing the United States could do is ratify UNCLOS. The substantive arguments against the convention were laid to rest in 1994. An ideological minority has held the convention hostage in the Senate for too long." (252–253)
 57. Antonio T. Carpio, "Historical Facts in the West Philippine Sea," (undated), accessed here: <https://www.scribd.com/doc/228795733/The-Historical-Facts-in-the-West-Philippine-Sea#>; *The South China Sea Dispute: Philippine Sovereign Rights and Jurisdiction in the West Philippine Sea – Murillo Velarde Map* (2017), accessed here: <https://murillovelardemap.com/south-china-sea-dispute-philippine-sovereign-rights-jurisdiction-west-philippine-sea/>
 58. One recent example of a reminder to consider the many and diverse interests in the region, and the need for deft American diplomacy is by Lucas Myers, "Indonesia Should Be at the Heart of US Indo-Pacific Policy," *The Wilson Quarterly* (Spring 2023), <https://www.wilsonquarterly.com/quarterly/when-goods-cross-borders/indonesia-should-be-at-the-heart-of-us-indo-pacific-policy>. For more, see these comprehensive recent volumes: Donald K. Emmerson, ed., *The Deer and the Dragon: Southeast Asia and China in the Twenty-First Century* (Stanford, CA: Stanford University Press, 2020); Sebastian Strangio, *In the Dragon's*

- Shadow: Southeast Asia in the Chinese Century* (New Haven, CT: Yale University Press, 2020).
59. Fred Kaplan, "Does *Barbie* Need China?" *Slate* (July 21, 2023), <https://slate.com/news-and-politics/2023/07/barbie-china-map-vietnam-controversy.html>; "Vietnam Bans "Barbie" Movie Over South China Sea Map" *Reuters* (July 3, 2023), <https://www.reuters.com/world/asia-pacific/vietnam-bans-barbie-movie-over-south-china-sea-map-2023-07-03/>
 60. This kind of civilizational, racial, or cultural analysis is ahistorical and it papers over the ruptures in Chinese history, from the arrival of Buddhism, to the Mongol and Manchu conquests, and much else. It implicitly or explicitly engages in the nationalist reading of "Sinicization" of all Chinese history and collapses any distinction between one regime or another, and Chinese civilization, as noted above. Naturally, this is an appealing take for a regime in Beijing that is desperate to forget the cultural demolition derby it enacted in the twentieth century. Perhaps most notable in this trend, on the flattering side, is Henry Kissinger in his *On China* (Penguin, 2011), which may account for his enduring status as what Beijing terms a "friend of China," and all that that mantle entails. See also Daniel W. Drezner, "Why Kissinger Went to China – Again," *Politico* (July 22, 2023) <https://www.politico.com/news/magazine/2023/07/22/why-kissinger-went-to-china-again-00107676>. Another notable example of cultural essentialism is Robert Kaplan, whose book, *Asia's Cauldron: The South China Sea and the End of a Stable Pacific* (New York: Penguin, 2015) includes this line: "It is not ideas that Asians fight over, but space on the map." (33) Kaplan concerns himself mainly with the modern era, so this timeless line is especially puzzling. The enduring influence of Kaplan and Kissinger in some policy circles means that these old-fashioned fantasies about an eternal and essential Chinese mindset (let alone an Asian mindset) continue to spread.
 61. Anja Blanke, "How the CCP Has Failed to Obtain Control Over China's Collective Memory of the 1950s," in Anja Blanke, Julia C. Strauss, and Klaus Mühlhahn, eds., *Revolutionary Transformations: The People's Republic of China in the 1950s* (Cambridge: Cambridge University Press, 2023), 256–274.
 62. Frederic Wakeman, "Qing Culturalism and Manchu Identity," (April 21, 2006), Lecture at the University of California, San Diego, available here: <https://www.uctv.tv/speakers/Frederic-Wakeman-97545> This was the third in a series of three lectures, "The Last Millennium of Chinese History: Transitions from Culture to Nation," in which Wakeman challenges the nationalist Chinese narrative of cultural continuity, emphasizing instead the themes of rupture and reinvention, and the need to examine each period on its own terms.

2022-2023 WILSON CHINA FELLOWSHIP

Legal Hedging: Power Acceptance and Rejection in Sino-Southeast Asian Ties

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Abstract:

This research paper examines Southeast Asian states' use of law as a tool to both enmesh and resist the outsized impact of the People's Republic of China (PRC). This use of law—what I call “legal hedging”—combines strategies of power acceptance and rejection as a “bundled” foreign policy to at once take advantage of deeply enmeshed economic ties with China while hedging the risk of domination. Studies on Southeast Asia and its regional institutions, most prominently the Association for Southeast Asian Nations (ASEAN), have tended to emphasize pragmatism as the major mode of engagement with China. It would be remiss, however, to gloss over the dense network of laws and agreements that undergird this important relationship, as well as the nuanced ways in which Southeast Asian states use international law to advance their interests. Through case studies of Indonesia, Vietnam, and Cambodia, this paper analyzes how these states implement hedging strategies through selective partnership with China and the Western legal order, deliberate multilateralism, and pursuit of new legal innovations. Taken together, the legal strategies of Southeast Asian states suggest a robust, highly functional regional model that merit careful study. Importantly, they also demonstrate a subtle use of law and policies unique to Asian regionalism that does not cater to either the Washington Consensus or the Beijing Consensus but aims to selectively cooperate with both.

Policy Implications and Key Takeaways

1. “Legal hedging” is a prominent strategy used by Southeast Asian states to both enmesh and resist China's influence. By combining strategies of power acceptance and power rejection, Indonesia, Vietnam, and Cambodia each attempt to capture the benefits of the deeply enmeshed economic ties with China while simultaneously hedge the risk of Chinese ambition. As participant states in the Regional Comprehensive Economic Partnership (RCEP), China's Belt and Road Initiative (BRI), and the Sino supply chain networks, these states have benefited from the infrastructural, legal, and business linkages with China. At the same time, they have adopted robust strategies of “power rejection” hedging through engagement in multilateralism and selective embrace of the liberal legal order.

2. Taken together, the legal strategies of Southeast Asian states demonstrate a subtle use of law and policies that does not cater to either the Washington Consensus or the Beijing Consensus but aims to selectively cooperate with both. This suggests a highly functional regional model that may offer lessons for other states in their dealings with China.
3. To US policymakers, this model of legal hedging offers a number of policy implications:
 - a. First, despite conventional wisdom on Southeast Asia's relatively inactive participation in international law, we are seeing increasing participation and innovation in tandem with the region's economic rise. As such, opportunities exist for the United States to align its interests with Southeast Asian countries in supporting the revitalization of the region's economic and geopolitical rise, as an effective form of strategic competition with the PRC.
 - b. Second, to be effective, the United States' engagement with Southeast Asian states needs to start from a basis of understanding of these states' use and vision of the international legal order. As the case studies show, Southeast Asian states, not unlike other secondary states, prefer a pluralist vision of international law, even if they may at times embrace the alternative model offered by big authoritarian powers such as China. Such instinct to stay embedded in multiple legal orders stems from Southeast Asian nations' wariness of being overdependent on any single outside force and of being pressured to take side in great-power rivalries. Providing the space for these states to embrace aspects of the current US-led legal order would thus enable their continued engagement.
 - c. Third, it is critical for US policymakers to appreciate the legal and economic enmeshment of Sino-Southeast Asian economic ties, in order to ensure the effectiveness of US policies and enhance US competitiveness in the region. As one example, the dense linkages of the Sino-Southeast Asian supply chains can pose difficulty for the

United States and other countries in enforcing tariffs and import exclusion on Chinese products. Effective enforcement may require cooperation from Southeast Asian host states. Additionally, the RCEP's liberalizing rules-of-origin regime will create barriers for US suppliers when trying to access ASEAN and Asian trade blocs. The United States will thus need to strengthen its trade and economic presence in Southeast Asia to overcome these structural barriers—as it already started doing through the Indo-Pacific Economic Framework for Prosperity, the Just Energy Transition Partnership, and other initiatives.

- d. Fourth and finally, Southeast Asian states should be recognized on their own strength—that is, not just as a region to be won over, but as important international actors with significant experience on how to construct consensus and manage great-power conflicts. As is the ASEAN Way, Southeast Asia's method is careful, sometimes ambiguous, and particularly sensitive to the reality of power disparity—a stark contrast to the narrative of democracy-versus-autocracy dichotomy. As with any model, while such a method may not transplant well to other contexts, it can at least offer valuable lessons to other countries, the United States included, in a new era of strategic dealings with China.

Introduction

This research paper examines Southeast Asian states' use of law as a tool to both enmesh and resist the outsized impact of the People's Republic of China (PRC). This dual use of "legal hedging" combines strategies of power acceptance and rejection as a "bundled" foreign policy to at once take advantage of deeply enmeshed economic ties with China while hedging the risk of domination.¹ Through case studies of Indonesia, Vietnam, and Cambodia, this paper analyzes how these states implement hedging strategies through selective partnership with China and the Western legal order, deliberate multilateralism, and pursuit of new legal innovations. Taken together, the legal strategies of Southeast Asian states suggest a robust, highly functional regional model that merit careful study. Importantly, they also demonstrate a subtle use of law and policies unique to Asian regionalism that does not cater to either the Washington Consensus or the Beijing Consensus but aims to selectively cooperate with both.

This paper proceeds in four parts. Part I turns to the theory of hedging and argues that Southeast Asian states, in general, tend to advance a nuanced use of international law and policies to "hedge" the risk of big powers' domination. Instead of formal participation in international legal frameworks, such as treaty ratification or litigation before international tribunals (though these instances do happen), hedging states may prefer a more subtle use of international law and institutions to maintain "strategic ambiguity" vis-à-vis outside powers. By advancing a "bundle of policies" approach that combines "power acceptance" and "power rejection" behaviors, these states seek to both take advantage of China's economic opportunities while resisting its pressure.

Part II and Part III then turn to investigate "power acceptance" and "power rejection," respectively. Part II examines the deeply enmeshed economic ties between China and Southeast Asian nations through trade and supply chain linkages as a major form of power acceptance. Southeast Asian countries, including Indonesia, Vietnam, and Cambodia, have all benefited from downstream supply chain architecture from China, in particular the infrastructure, legal, and business network that propel the region's economic rise. This section focuses on two salient features of the Sino-Southeast Asian supply chains: a liberal rules of origin regime under the Regional Comprehensive Economic Partnership (RCEP) and a network of densely

weaved infrastructure, including the proliferation of supply chain cities and special economic zones throughout Southeast Asia.

Even as Southeast Asian countries seek to take advantage of Chinese economic links, they also engage laws and policies to resist China's domination—a form of “power rejection” hedging. Each state's ability to hedge, however, varies based on complex internal and external factors, including domestic politics, historical ties, relative strength of regional and international partnerships, among others. Part III highlights two notable forms of “power rejection” hedging from Vietnam, Cambodia, and Indonesia: engagement in multilateralism through diverse partnerships, notably in trade, and selective embrace of the liberal legal order. For Indonesia, one form of such engagement has been its projection of its democratic values in multilateral forums, even as it articulates critiques of financial institutions with regards to global inequalities. For Vietnam and Cambodia, the South China Sea disputes showcase these states' careful and nuanced maneuvers against China within the power-sensitive ASEAN Way of doing international law.

While each Southeast Asian country is unique in its approach and relation with China, these three countries make interesting case studies because they represent a diverse range in political systems, regional positions, and attitudes towards China. Indonesia is Southeast Asia's leading regional power who has been increasingly vocal on the need to reform existing international institutions. Vietnam is one of the few socialist countries left in the world. Despite sharing an ideological root with China, its strong identity of resistance against Chinese domination coupled with strong emphasis on economic development has led to its eagerness in deepening ties with multiple economic partners. Cambodia, on the other hand, is regarded as one of China's “client state”; yet even it strives for some degrees of autonomy in fear of domestic discontent. These three countries thus display a range of hedging abilities and behaviors, highlighting just a taste of the diversity that is characteristic of Southeast Asia.

Part IV steps back from the analysis to offer several implications to US policymakers. Among other takeaways, it points out that despite conventional wisdom on Southeast Asia's relatively inactive participation in international law, we are seeing increasing participation and innovation in tandem with the region's economic rise and eagerness to take part in shaping a changing international landscape. As such, opportunities exist for the United States to align

its interests with Southeast Asian countries in supporting the revitalization of the region's economic and geopolitical rise, as an effective form of strategic competition with the PRC.

I. Legal Hedging: A Theoretical Framework

This Part lays out the theoretical framework of “legal hedging” as an analytical tool to understand Southeast Asian states’ strategies towards China. While all states, big and small, can display hedging behaviors, this strategy is often associated with non-dominant states, with special prominence in Southeast Asia.² This paper focuses on the roles of law in executing hedging strategies—what I call “legal hedging.” Specifically, I focus on the roles of law in executing a dual hedging framework of both power acceptance and power rejection—through selective partnership and collaboration as well as selective resistance and counterbalancing partnership vis-à-vis outside influence.³

First, as a general definition, to hedge means “to protect oneself from losing or failing by a counterbalancing action” by “making transactions on the other side.”⁴ In finance, hedging refers to strategies to limit risk by placing a bet in the opposite direction in case market conditions change.⁵ In international relations discourse, hedging refers to state behaviors that feature a mix of cooperative and confrontational elements to avoid overreliance on any outside force—sometimes also called “multilayered” or “omnidirectional.”⁶ Hedging is fairly young as a matter of theory—it took on prominence in the post-Cold War era, as an alternative to the two realist theories of bandwagoning (aligning with the dominant state) and balancing (aligning against the dominant state through alliances).⁷ As the 1990s ushered in flourishing trade and globalization, it soon became clear that the bandwagoning-balancing dichotomy no longer captured the complexity of state behaviors in a time of declining military risks and deepening economic ties. Hedging thus emerged as a useful concept to articulate the space between these extreme poles.

At its core, hedging is a “bundles of policies” approach to manifest “deliberate ambivalence” or “strategic ambiguity” towards one or more major powers.⁸ The goal is to cultivate a state’s ability to flourish without overreliance on any particular external force. As such, hedging states strive to display “a middle position that forestalls or avoids having to choose one side at the obvious

expense of another.”⁹ Critically, hedging is distinct from non-alignment in that, rather than seeking neutrality through non-engagement, weaker states are actively engaging with multiple partners and pursuing deep enmeshment. In other words, while non-aligned states deliberately stay out of the arena to avoid entanglement, hedging states do not shy away from engaging with both sides. By design, hedging is also “policy without pronouncement,”¹⁰ as doing otherwise would defeat the purpose of deliberate ambiguity. As a result, hedging behaviors are often not transparent or easily discerned. Seemingly idiosyncratic or contradicting conducts may not make sense when viewed in isolation but may fit a theme of hedging-driven behaviors when viewed holistically.

As one main mode through which state leaders communicate a nation’s policies and values, laws play a critical role in a state’s manifestation of hedging, both as acceptance and rejection of the outside power’s influence. “Power acceptance” refers to laws and policies that, to a varying degree, signal the hedging state’s acquiescence of the external influence, often done through selective partnership, collaboration, and deference where the outsized role of the external power is acknowledged. “Power rejection,” on the other hand, refers to laws and policies that advance nuanced resistance. This can be done directly through counterbalancing partnership and measures, or subtly through diversification of partnership and multilateralism. Moreover, legal hedging may be related to the same issue (for example, security) or spanning across issues (for example, economic and security linkage). The latter rings particularly true to the reality of today’s globalization, where states pursue both security and non-military interests such as trade and investment, and the concept of security is manifesting in areas well beyond military threats, including in international economic law, critical supply chains, and data governance.¹¹

The following sections analyze power-acceptance and power-rejection laws and policies, respectively, through the case studies of Indonesia, Vietnam, and Cambodia. With distinct political systems, regional positions, and attitudes towards China, these three countries display a range of hedging abilities and behaviors, highlighting the diversity that is ubiquitous of Southeast Asia.

II. Legal Hedging as Power Acceptance: Sino-Southeast Asia's Economic Links

This section examines the deeply enmeshed economic ties between China and Southeast Asian nations through trade and supply chain linkages as a form of power acceptance. Southeast Asian countries, including Indonesia, Vietnam, and Cambodia, have all benefited from downstream supply chain architecture from China, in particular the infrastructure, legal, and business network that propel the region's economic rise. Here, I focus on two salient features of the Sino-Southeast Asian supply chains: a liberal rules of origin regime pursuant to RCEP and a network of densely weaved infrastructure.

A. Rules of Origin

Today's trade and tariff regime is governed by a system of "origin certifications" that create a fictional legal nationality for consumer goods—known as the rules of origin (ROOs) regime.¹² Akin to passports, certificates of origin declare the "nationality" of the product to satisfy customs and trade requirements. ROOs vary by trade agreements and are designed to ensure that a certain percentage or portion of content of any good has to come "from" production within the member states to benefit from preferential tariffs.¹³ As such, ROOs create one major way to incentivize local production. Globalization, however, has presented considerable challenges to trade law. The current system of ROOs is often criticized as cumbersome and ill-suited for the reality of today's global supply chains, where complex networks of global production make it difficult, if not impossible, to determine the 'nationality' of any particular product.¹⁴

The Sino-Southeast Asian supply chains are remarkable in the pioneering of an innovative, more liberal, and more flexible ROO design through the RCEP. Currently the world's largest free trade agreement, the RCEP partners Southeast Asian nations with the PRC, as well as Australia, New Zealand, Japan, and the Republic of Korea. Notably, it creates a free trade relationship for the first time among the three East Asian powerhouses. One critical feature is the creation of a "cumulative" ROO regime, which enable a single certificate of origin for goods originating from the entire RCEP bloc.¹⁵ Such regime enables companies to easily ship products among RCEP countries without having to worry about country-specific rules or cumbersome criteria

for certain manufacturing steps—as has long been the challenge with ROOs in existing free trade agreements.¹⁶

As a result, companies operating in the region can enjoy greater options and flexibility in designing and optimizing their supply chains. Multinationals that export to RCEP countries would further benefit from establishing supply chains within and across the bloc to take advantage of preferential tariff.¹⁷ The RCEP is poised to increase the ease for Chinese companies to invest in regional markets, while other member countries also benefit from market access into China, as well as Japan and South Korea. Vietnam, for example, has already observed substantial increase in its export to RCEP countries as compared to the CPTPP.¹⁸ Indonesia, as Southeast Asia's largest economy, has been eager to upgrade its supply chains into higher-end products and gain better access to China's strong consumer market.¹⁹ Cambodia, too, has leaned heavily into trade with China through both the RCEP and the 2022 Cambodia-China Free Trade Agreement.²⁰ For Cambodia, Chinese engagement has been critical to temper the effects of economic pressures and sanctions from the European Union and the United States, imposed due to Cambodia's concerning human rights record.²¹

Ease of doing business aside, a cumulative ROO regime can also impact other areas of international law. As one example, it may make it harder for the United States to impose sanctions on Chinese products such as those originating from the Xinjiang Uyghur Autonomous Region. In the apparel and textile context, suppliers have already started to reconfigure their supply chains and route them through other countries to get around sanction measures.²² The RCEP's liberal cumulative ROO rules would lower the costs of such reconfiguration. Under current US laws, both the Xinjiang withhold release orders and the Uyghur Forced Labor Prevention Act hinge on US importers' ability to trace the origin of their products and to produce documents demonstrating that those products do not involve forced labor.²³ This complex documentation regime likely requires cooperation from local suppliers and host countries, whose control over and proximity to the production process reasonably enable greater supply chain traceability compared to end-of-chain buyers and importers.²⁴

B. Supply Chain Cities and Infrastructure

Chinese investment and infrastructure represent another form of power acceptance by host countries in Southeast Asia. Consider, for example, the model of special economic zones (SEZs) and “supply chain cities” that were the signature of the PRC’s Reform and Opening era, which have now proliferated throughout Southeast Asia and beyond.²⁵ “Supply chain cities”—a modern reincarnation of the once-popular “company towns” of the industrializing West—have become a staple infrastructure of Chinese manufacturing multinationals. In these communities, an enterprise or a group of enterprises operates and controls an entire dwelling area, providing not only employment but also housing, public services, education, healthcare, entertainment, and more. A prominent example is Foxconn’s electronic equipment plant in the Longhua Science and Technology Park in Shenzhen, China—its largest plant worldwide. Dubbed a “forbidden city,” over 1,000 security guards staff the complex, which together with fingerprint scanners and ID checkpoints, keep order, ward off curious reporters, and prevent leaks of highly anticipated consumer products.²⁶ In addition to its dozens of assembly lines and dormitories, Longhua has a fire brigade, a hospital, restaurants, banks, a grocery store, and its own TV channel. Workers typically work exceedingly long hours during shifts where no talking or eating are allowed, eat subsidized meals, and can choose to live rent-free in company dormitories inside the walled-off compound.²⁷ A series of Foxconn workers’ suicides have been attributed to the high-stress work culture and subpar living conditions of the Longhua campus.²⁸ While originating in China, this model of supply chain cities has proliferated across Southeast Asia and beyond as companies diversify to new locations in search of lower wages and more favorable environments. This has significant implications on human rights, employment law, and sustainability concerns.²⁹

The proliferation of supply chain cities is part of a broader infrastructure vision by Chinese and Southeast Asian leaders that privilege regional ties. Unlike the old company towns of the West, which largely served a single, vertically integrated corporation, modern factory towns are often international hubs, carefully curated as part of transnational commerce. These communities are usually located in tax-favorable locations that are designated economic zones, industrial zones, or free trade zones, sometimes governed under distinct bodies of law. These special administrative areas not only enable economic development but

also act as “regulatory laboratories” to test controversial policies such as land auctions, wholly foreign-owned companies, or labor market liberalization without the state having to commit to large-scale changes.³⁰ In China, many supply chain cities are located within its several SEZs and bonded zones, first created in 1979 as part of Deng Xiaoping’s “Open Door” policy.³¹ An early adopter, Vietnam has designated over 150 industrial parks, mostly located along its coastal provinces, governed under “carve-out” regulations that are separate from its prevailing regulatory framework.³² In Indonesia, while the first SEZ was not in operation until 2015, Indonesian leaders have coupled such development with a policy priority to build up roads, ports, railways, and power plants as a core part of its engagement with the PRC’s Belt and Road Initiative.³³ Indonesia’s high-profile Jakarta-Bandung High Speed Railway project, for example, had attracted funding bids from both Japan and China, with the final bid awarded to the PRC after it announced a highly favorable deal with the Jokowi administration.³⁴ Indonesia is now the second largest recipient of BRI infrastructure funding by project value, just after Pakistan, and hosted the third highest number of BRI projects, following Pakistan and Cambodia.³⁵

Taken together, Sino-Southeast Asian economic ties can be viewed as examples of host countries’ “power acceptance” of China’s influence and economic acumen. Indonesia, Vietnam, and Cambodia, together with other ASEAN states, are part of Asia’s newly emerging economic regionalism, which encompasses infrastructure projects under the BRI, supply chain architecture and linkages, as well as legal innovation such as the cumulative ROO regime under the RCEP. As companies increasingly turn to Southeast Asia as an alternative global supply base, the model of supply chain cities and carved-out zones is poised to take on increasingly important roles in the global economy, both for their production efficiencies and concerns regarding workers’ rights.

III. Legal Hedging as Power Rejection: Diverse Partnerships and Selective Embrace of the Liberal Legal Order

As Southeast Asian countries seek to take advantage of Chinese economic links, they also engage laws and policies to resist China’s domination—a form of “power rejection” hedging. Each state’s exercise of hedging and degree of

success is based on complex internal and external factors, including domestic politics, historical ties, relative strength of regional and international partnerships, among others. This section highlights two notable forms of “power rejection” hedging from Indonesia, Vietnam, and Cambodia: one, engagement in multilateralism through diverse partnership and, two, selective embrace of the liberal legal order.

A. Multilateralism Through Diverse Partnership

Indonesia, Vietnam, and Cambodia have all sought to diversify relations with other partners, especially through trade and security cooperation. Indonesia has been pursuing an “active and independent” foreign policy, which focuses on strengthening its autonomy and unique identity as a Muslim-majority democracy in the international order.³⁶ A key convenor of the 1955 Asian-African Bandung Conference and founding member of the non-aligned movement, Indonesia has continually articulated a commitment for sovereignty and non-intervention while simultaneously seeking to deepen ties with the United States, Australia, India, and other external powers in the post-Cold War era.³⁷ For example, as the 2011 Chair of the East Asia Summit—the premier forum for ASEAN regional security—Indonesia welcomed, for the first time, participation from the United States and Russia, as it previously supported the inclusion of Australia and India.³⁸ It also announced the adoption of the Principles for Mutually Beneficial Relations, known as the Bali Principles, which highlights the country’s belief that regional stability can be achieved through ASEAN’s process of “omni-enmeshment” to draw major powers into adopting regional norms.³⁹

Such strategy is also reflected in Indonesia’s infrastructure policies, where its leaders have carefully managed competition between Japan and China. While leveraging Japan to obtain a more favorable offer from China in the construction of the Jakarta-Bandung railway, Indonesia simultaneously courted Japan with another mega railway project, the Jakarta-Surabaya line, motivated at least in part by domestic concerns about the BRI’s economic statecraft.⁴⁰ Though having two different railway standards and technologies can be challenging, by diversifying Indonesia appears to be able to attract both Chinese and Japanese investments and engages both in negotiation for better terms. While the fate of the Jakarta-Surabaya line remains uncertain,

Indonesia's maneuvering between Japan and the PRC shows an example of how a middle power may perform "power rejection" at the same time that it performs "power acceptance" vis-à-vis China.

Vietnam, too, has been actively seeking a multilateral approach through its aggressive free trade strategies. It is a member country of the CPTPP, the RCEP, as well as the European Union (EU)-Vietnam trade and investment agreements. The latter set up a permanent dispute resolution mechanism, with tribunal members appointed in advance by the EU and Vietnam, and incorporate the rules on transparency recently adopted by the United Nations Commission on International Trade Law.⁴¹ The agreements, once effective, will supersede existing bilateral investment treaties concluded between EU member countries and Vietnam. This makes Vietnam among the first countries to sign up for the new multilateral investment court mechanism and marks a significant, proactive change in the single party-state's engagement with formal international institutions.

Vietnam has also significantly shored up its relationship with the United States. Following President Biden's visit to Hanoi in September 2023, the two countries elevated their diplomatic ties to the highest level of "comprehensive strategic partnership," a status Vietnam maintains with China, Russia, India, and South Korea. In addition to stronger military-to-military cooperation and bilateral capital flows, Vietnam has been selected as a US strategic partner in the semiconductor industry and the Just Energy Transition Partnership for climate change—two areas of priority for the Biden administration.⁴² Notably, Biden's delegation to Hanoi included executives from top US chip-making and technology companies, suggesting the significant role of these industries in future cooperation.⁴³ Taken together, Vietnam has demonstrated highly active hedging behaviors with partners across ideological aisles, true to its style of multidirectional foreign policy.

Compared to Vietnam and Indonesia, Cambodia's heavy dependence on Chinese investments for poverty reduction, long seen as a measure of legitimacy for former Prime Minister Hun Sen's regime survival, naturally leads to its strong embrace of the BRI and narrows the space for hedging. Even then, Cambodia's initial enthusiasm was tamped down due to concerns about debt distress risk and anti-China discontent. The PRC's monopoly on investment in several key sectors in Cambodia—Chinese companies, many of which are

state-affiliated enterprises, own around 90% of textile firms and nearly all hydropower plants in Cambodia—has long caused tension in domestic politics.⁴⁴ As China also receives the largest share of land grants for economic development, displacement caused by BRI-related infrastructure development continues to cause tension.⁴⁵

B. Selective Embrace of the Liberal Legal Order

Selective embrace of the liberal legal order represents another form of power rejection hedging by the three states. For Indonesia, such engagement is driven by its national ethos as a “home-grown” democracy, having emerged from internal conflicts and through political and economic reforms.⁴⁶ In the world stage, Indonesia has built an identity as an active supporter of democratic values in various international forum. Since 2008, it has convened the Bali Democracy Forum, a platform to share experience among experienced and young democratic states.⁴⁷ It played a critical role in supporting the discourse on democracy and human rights in the drafting of the ASEAN Charter, and was active during its leadership tenure at the United Nations Human Rights Council.⁴⁸ At the same time, Indonesia has also insisted that democracy does not simply equate to the Western model. Core to Indonesian leaders’ vision is equitable development. As such, Indonesia has become increasingly vocal in its critique of financial institutions such as the World Bank and the International Monetary Fund for their failure to reduce global inequalities.⁴⁹

For Vietnam and Cambodia, the South China Sea dispute presents an apt case study for their judicious engagement with international law as a way to push back against China’s encroachment, while seeking to isolate maritime tensions from dense Sino economic and political ties. In its bid to protect its maritime interest, Vietnam departed from ASEAN’s long-standing principle of regional harmony and consensus to advocate for a multilateral approach.⁵⁰ As ASEAN’s 2010 chair, it zealously, if informally, encouraged regional outsiders such as the United States, Japan, and Australia to intervene.⁵¹ Vietnam’s effort appeared successful when then-US Secretary of State Hillary Clinton declared at the ASEAN Regional Forum that the United States had “national interests” in the freedom of navigation in the region.⁵²

US intervention put pressure on the PRC to restart committee-level meetings at ASEAN, rather than maintain its preferred method of bilateral

dialogues. Unlike the Philippines, Vietnam stopped short of fully availing itself of international legal institutions, though it appeared to lay some preparation groundwork. Vietnam's March 2020 note verbale, the latest in a series of note verbale battles, laid out, for the first time, its legal position, including an acknowledgement of the U.N. Convention on the Law of the Sea (UNCLOS) as the "sole legal basis" for dispute resolution.⁵³ Significantly, by articulating a legal basis for Vietnam's position, the note verbale would fulfill the "exchange of views" prerequisite for submitting to an UNCLOS tribunal's jurisdiction—a signal that Vietnam may be laying the groundwork for a possible future claim.⁵⁴

Even Cambodia, deemed the PRC's "client state," has felt some need to distance itself from China's strongman stand in the South China Sea, following backlash both at home and abroad. As ASEAN chair in 2012, Cambodia came under fire for thwarting Vietnam and the Philippines' push for a unified regional position on the dispute, resulting in ASEAN's first-in-history failure to produce a joint statement at the Foreign Ministers Summit and sparking criticism of the organization's waning relevance.⁵⁵ Cambodia, however, did sign on to a major ASEAN's joint statement in June 2020. This statement was crafted by Vietnam but endorsed unanimously by other member states. It explicitly affirmed, for the first time, that "UNCLOS sets out the legal framework within which all activities in the oceans and seas must be carried out."⁵⁶ Though it sounded rather mild and without direct reference to the *Philippines v. China* arbitration, the joint statement marked ASEAN's hard-won unified rejection of China's territorial claim.

The South China Sea disputes thus demonstrate the nuanced modes of dispute resolution that secondary states such as Vietnam and Cambodia may choose to utilize. Subterranean to formal mechanisms (and therefore, uncaptured by official data), these modes are nonetheless tethered to the democratic-led international legal order, occupying the space *between* the formality of international adjudications and private negotiations. Vietnam's note verbale posture and Cambodia's finally signing on to ASEAN's June 2020 statement showcase these states' careful, evolving maneuvers against the PRC's ambition, within the power-sensitive ASEAN Way of doing international law.

IV. Conclusion & Implications for US Policymakers

This research paper examines Southeast Asian states' dual use of "legal hedging" as a way to both enmesh and resist China's influence. By combining strategies of power acceptance and power rejection, Indonesia, Vietnam, and Cambodia attempt to both capture the benefits of deeply enmeshed economic ties with China while hedging the risk of Chinese ambition. As participant states in the RCEP, China's BRI, and the Sino supply chain networks, these states stand to benefit from the infrastructural, legal, and business linkages with China, including through legal innovation such as the cumulative rules of origin regime under the RCEP. At the same time, these states are also wary of the risk of Chinese domination and have adopted robust strategies of "power rejection" hedging through engagement in multilateralism and selective embrace of the liberal legal order. Taken together, the legal strategies of Southeast Asian states demonstrate a subtle use of law and policies that does not cater to either the Washington Consensus or the Beijing Consensus but aims to selectively cooperate with both. This suggests a highly functional regional model that may offer lessons for other states in their dealings with China.

To US policymakers, this model of legal hedging offers four policy implications. First, despite conventional wisdom on Southeast Asia's relatively inactive participation in international law, we are seeing increasing participation and innovation in tandem with the region's economic rise and eagerness to take part in shaping a changing international landscape. As such, opportunities exist for the United States to align its interests with Southeast Asian countries. By supporting the revitalization of the region's economic and geopolitical rise, the United States can build diverse alliances with this important region, as an effective form of strategic competition with the PRC.

Second, at a macro level, to be effective, the United States' engagement with Southeast Asian states, as with any partnership, needs to start from a basis of understanding of these states' use and vision of the international legal order. As the case studies show, Southeast Asian states, not unlike other secondary states, prefer a pluralist vision of international law, even if they may at times embrace the alternative model offered by big authoritarian powers such as China. This instinct to stay embedded in multiple legal orders stems from Southeast Asian nations' wariness of being overdependent on any single outside force and of being pressured to take side in great-power rivalries. Providing

the space for these states to embrace aspects of the current US-led legal order without taking on all of it would thus enable their continued engagement.

Third, it is critical for US policymakers to appreciate the legal and economic enmeshment of Sino-Southeast Asian economic ties in order to ensure the effectiveness of US policies and enhance US competitiveness in the region. For example, the dense linkages of the Sino-Southeast Asian supply chains pose a challenge for the United States and other countries in enforcing tariffs and import exclusion on Chinese products. Understanding the ways in which Chinese materials are routed and processed through Southeast Asia can be helpful for US policymakers in designing effective sanctions, including identifying the cooperation needed from Southeast Asian host states. Another example is the RCEP's liberalizing rules-of-origin regime that privileges materials, goods, and services originating from within member countries. As the United States is not a member of either the RCEP or the CPTPP, US suppliers will be severely disadvantaged when trying to access ASEAN and Asian trade blocs. As part of its geopolitical bid, the United States will need to strengthen its trade and economic presence in Southeast Asia to overcome these structural barriers—as it already started doing through the Indo-Pacific Economic Framework for Prosperity, the Just Energy Transition Partnership, and other initiatives.

Fourth and finally, from the perspective of secondary states, one hopes that US policymakers can recognize Southeast Asia for its own strength—that is, not just as a region to be won over, but as an important international actor with significant experience in constructing consensus and managing great-power conflicts. As is the ASEAN Way, Southeast Asia's method is careful, sometimes ambiguous, and particularly sensitive to the reality of power disparity—a stark contrast to the narrative of democracy-versus-autocracy dichotomy. As with any model, while such a method may not transplant well to other contexts, it can at least offer valuable lessons to other countries, the United States included, in a new era of strategic dealings with China.

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Notes

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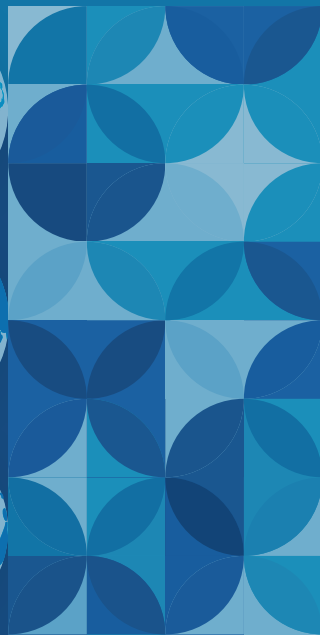
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2022-2023 WILSON CHINA FELLOWSHIP

Transnational Civil Society and Authoritarian Politics in China and Russia

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Abstract

Over the past decade, China and Russia have both passed laws restricting foreign organizations or foreign support to civil society, including the 2012 “foreign agents” law and 2015 “undesirable” organizations law in Russia and the 2017 Overseas NGO Law in China. This essay compares these developments to understand 1) the motivation behind these laws and the extent to which authoritarian leaders in China and Russia are learning from each other’s responses to transnational actors or activism; 2) the response of international foundations and NGOs to these regulations and the changing nature of their operations in increasingly autocratic China and Russia; 3) the paths forward for transnational support of civil society in these countries, including support of activists abroad. In so doing, this essay provides important insights for policymakers and practitioners interested in continued engagement with civil society in China and Russia in light of these new developments. In particular, it offers insight into emerging trends in international philanthropy and transnational engagement in authoritarian contexts.

Policy Implications and Key Takeaways

- The essay finds some empirical evidence for shared motivations and “authoritarian learning” between China and Russia regarding perceptions of threat from foreign organizations or foreign-supported civil society, which helps to explain similar restrictive laws in both countries. However, an examination of how these laws impact foreign foundations and NGOs reveals that there are still many ways to continue engaging with civil society stakeholders from these countries despite the mounting constraints. Given the potential for authoritarian learning, international foundations and NGOs would benefit from recognizing the shared context and promoting opportunities for learning from within their own community.

Recommendations for INGOs and Foundations

- For INGOs and foundations, there is a pressing need to not only share best practices with other groups operating in authoritarian contexts, but also to learn from other country offices within their own organization.

Given the evidence of authoritarian learning behind growing restrictions on foreign organizations, adaptations from the Chinese or Russian context might inform others working in these or other authoritarian spaces with similar laws.

- For those groups operating in China, there is still room to work on certain topics and, in particular, to engage on philanthropic capacity of Chinese partners. Still, funders operating in this space should communicate more regularly to make sure that their activities are not over-crowded in one or two permitted areas of work. Groups operating in Russia will have to make decisions about whether continued support of civil society groups in Russia is worth the risk but should do so in close consultation with their partners and grantees.
- For those INGOs and foundations that can no longer operate in these contexts or are looking to pivot their activities to hedge against risks, there are several other ways to remain engaged. One is working with partners in third country contexts on joint projects, such as those related to the impact of Chinese investment abroad, global environmental issues, or humanitarian aid. Another pathway is by supporting activists and their former partners from authoritarian contexts who are now abroad. This includes not only helping former partners leave the country, but also continuing to facilitate their activism from abroad. There is also a need within this community to have more training on digital security and other ways to mitigate transnational repression of activists.
- Finally, INGOs and foundations could also engage more with broader diaspora communities, which includes potentially funding alternative sources of information in the group's native language to combat isolation and disinformation.

Recommendations for Policymakers

- U.S. and European policymakers should not only understand the potential for learning between China and Russia and monitor their relationship, but also understand the differences between the two regimes

and their openness to international engagement. Although Russia's war against Ukraine has further cut off Russia from the West, there are, by contrast, many windows of opportunity for continued engagement with Chinese civil society, and policymakers should still seek ways to support and facilitate continued people-to-people engagement.

- At the same time, U.S. and European policymakers should become more engaged in combatting transnational repression of exiled activists from authoritarian regimes like China and Russia, especially as these regimes may be sharing or learning about these practices, as well. Humanitarian visa and asylum policies for activists at risk should also be strengthened.
- Finally, private and government funders should consider easing reporting requirements for grantmaking in these contexts to ensure the safety and security of grantees and enable INGOs to have the flexibility to respond to emergency situations. Funders should also consider widening the scope of grantmaking from a focus on funding only those who are in country to also include exiled activists and diaspora groups located abroad.

Introduction

Over the last decade, there has been a significant increase in laws that restrict foreign aid to civil society around the world.² Authoritarian regimes like China and Russia have been at the forefront of this trend. In Russia, the 2012 “foreign agents” law and 2015 “undesirable” organization law have stigmatized foreign funding to civil society and shut down many top international donors that had previously operated in the country. In China, the 2017 Overseas NGO Law increased regulations on foreign NGOs wishing to legally operate in the country. These laws—intended to restrict and control the operations of foreign foundations, international non-governmental organizations (INGOs), and their grantees and partners—have changed the atmosphere for international philanthropy and transnational civil society in China and Russia. While some INGOs and civil society activists are able to adapt to maintain their in-country connections, others have been pushed out or have pivoted their efforts elsewhere.

These developments raise several interrelated questions that demand greater policy and scholarly attention. First, what explains Chinese and Russian leaders’ motivations for restricting international funding to civil society or transnational activism? Do Chinese and Russian officials learn from one another when crafting these policies? Next, how have these policies changed the atmosphere for international support of civil society in China and Russia? In what ways have international funders and civil society groups adapted or changed their activities? What are the opportunities for continued engagement with civil society stakeholders from these countries?

This essay seeks to answer these questions in several ways. First, it analyzes an original dataset of high-level meetings between Chinese and Russian officials as well as primary source documents to identify shared motivations and determine the level of authoritarian learning and information sharing related to the regime’s management of foreign connections to civil society in both countries. Second, the essay shifts to the impact of these laws on foreign organizations over time, drawing on in-depth interviews conducted with international NGOs, foundations, and related stakeholders. This section briefly documents the challenges brought by the laws, but also highlights the innovations and opportunities for continued engagement in this sector despite the closing space. Finally, the essay provides recommendations

for paths forward for those in the international funding community, as well as US and European policymakers.

Overall, this essay provides important insights for policymakers and practitioners interested in continued engagement with civil society in China and Russia in light of these new developments. It will also be of interest to those seeking to understand the authoritarian parallels between China and Russia, and the extent to which these regimes are learning from one another as they engage in restrictions on transnational civil society. Finally, it provides insight into emerging trends in international philanthropy and transnational engagement in these contexts, including foreign foundations and INGOs pivoting to work with Chinese or Russian actors outside of their home country's borders.

Case Selection, Methods, and Data

Although the focus of the Wilson China Fellowship and this essay series is on China, this study centers its analysis on a paired comparison of China and Russia.³ China and Russia are comparable and valuable case studies for several reasons. From a scholarly perspective, the two are “most similar” cases of authoritarian regimes that have clamped down on foreign connections to civil society in recent years. From a policy standpoint, they are two of the most influential authoritarian regimes in the world. Understanding their behavior—and their interactions with one another—is of vital importance to scholars and policymakers alike. Furthermore, the comparison also illuminates their points of divergence, which is crucial for understanding how those differences in NGO management may create different challenges and opportunities for international stakeholders interested in continued engagement.

To provide evidence for this project, the essay relies on analysis of original data collected on high-level meetings between Russian and Chinese officials, in-depth interviews, and additional primary and secondary sources to support its claims. Interview material is drawn from over 25 semi-structured interviews conducted in 2022 and 2023 during the fellowship period for the purposes of this essay and for other related projects. Relevant background information is also informed by interviews that the author conducted previously from 2015–2021 as a part of a larger project on civil society in China and Russia. All interviews were conducted in the language of the interviewee's

choice (Russian, Mandarin, or English) by the author and all responses have been anonymized per interviewee request. The original dataset of meetings between high-level Russian and Chinese officials was collected from official Chinese and Russian government websites in 2022 and 2023 and coded by the author and a team of research assistants.⁴ Additional primary sources include Chinese and Russian language government documents, think tank reports, and news articles. Finally, secondary sources from the existing scholarly literature were collected and analyzed to provide additional support and background for the essay.

Background on NGO Laws in China and Russia

Driven by ideas about democratic peace theory and civil society's role in creating a healthy democracy, policymakers and funders alike encouraged and engaged in programs to develop civil society in a range of countries at the end of the Cold War. This blossoming of support helped a range of fledging civil society organizations that became part of a broader global "associational revolution" of the 1990s.⁵ In both China and post-Soviet Russia, international NGOs and foundations helped to support the establishment of these new civil society organizations. Over the 1990s and 2000s, international groups and Western governments funneled millions of dollars of aid to civil society in both countries,⁶ which was initially welcomed by the regime.⁷

But democracy promotion policies and international support to civil society were not without backlash.⁸ After the Color Revolutions that spread across Eurasia in the mid-2000s demonstrated the potential link between civil society, foreign groups, and regime change,⁹ many authoritarian regimes around the world began to more closely regulate civil society and its foreign connections. The Arab Spring's demonstration effects in 2011 and 2012 intensified these fears. Coinciding with these events, scholars have documented an increase in restrictions to civil society around the globe.¹⁰ In line with this trend, Russia and China have both passed regulations to restrict and control foreign organizations and their support of civil society organizations.

In Russia, after the 2011–2012 protests for fair elections, Putin returned to the presidency with a renewed interest in eliminating threats from societal unrest. As a result, several regulations were passed in summer 2012 to

mitigate leaders' perceived threats from organized protest and civil society organizations. This included a set of amendments to an existing NGO law, which has become known as the "foreign agents" law. The regulations require Russian civil society organizations who receive foreign funding and engage in ambiguously defined "political activity" to register with the Ministry of Justice as a "foreign agent" or face harsh penalties for noncompliance.¹¹ Then, in 2015, Russian lawmakers passed a law on "undesirable" foreign organizations. This law allows the Prosecutor General's office, in coordination with the Ministry of Foreign Affairs, to list any foreign organization that is deemed threatening to Russia's national security. Once listed, the organizations are effectively banned. As of August 3, 2023, there were 103 foreign organizations listed as "undesirable," such as the National Endowment for Democracy, the Open Society Foundation, the Free Russia Foundation, and the European Endowment for Democracy.

In China, after years of delay on clarifying rules for foreign and domestic civil society organizations, two new laws regulating these groups were passed within months of each other. First, the Charity Law, passed in March 2016, decreased registration requirements for Chinese NGOs and increased incentives for domestic philanthropy. The second, the 2017 Law on the Management of Overseas Non-Governmental Organizations (referred to here as the "Overseas NGO Law"), was passed in April 2016. Under the Overseas NGO Law, foreign organizations were required to find a new government-approved professional supervisory unit (PSU) to register under the Ministry of Public Security. For many observers and stakeholders, the decision to assign oversight to the Ministry of Public Security rather than to the Ministry of Civil Affairs (which oversaw a small number of foreign organizations under an earlier set of regulations) suggested that the regime perceived these groups as potentially posing a threat to regime security and stability.

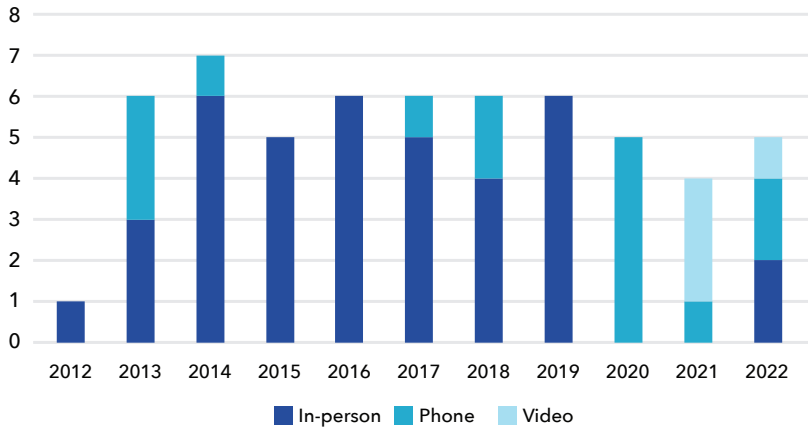
Existing research on these laws has focused on several aspects. First, a number of scholars have examined these regulations separately in single-country case studies. In the case of China, some have examined how the new regulations affect (or might affect) both international and domestic NGOs.¹² In the case of Russia, the primary focus has been on the impacts of these laws on domestic civil society,¹³ but not on international groups. Second, there have been some attempts to understand the diffusion of these types of laws that

restrict civil society groups. These range from macro-level studies of global or regional trends¹⁴ to single-country case studies.¹⁵ But the examination of learning between two of the world's most sophisticated authoritarian regimes, China and Russia, or the comparison of the two countries' management of civil society, has not received much attention.¹⁶ Through its comparison of China and Russia, this essay sheds light on not only on the motivations and potential learning between these two authoritarian regimes, but also compares how these laws have affected transnational support of civil society in the two countries.

As such, it addresses several questions. First, what are the motivations driving these restrictive laws in China and Russia? Are Chinese and Russian leaders learning from one another's management of foreign organizations or foreign supported civil society? How are international NGOs and foundations adapting or innovating in response to these restrictions? Is there room for continued engagement? The next section delves deeper into potential evidence for authoritarian learning between China and Russia on the motivations, design, and passage of these laws. The following section then turns to examine how international NGOs and foundations have adapted or innovated in response to closing civic space in both countries.

Evidence of Authoritarian Learning?

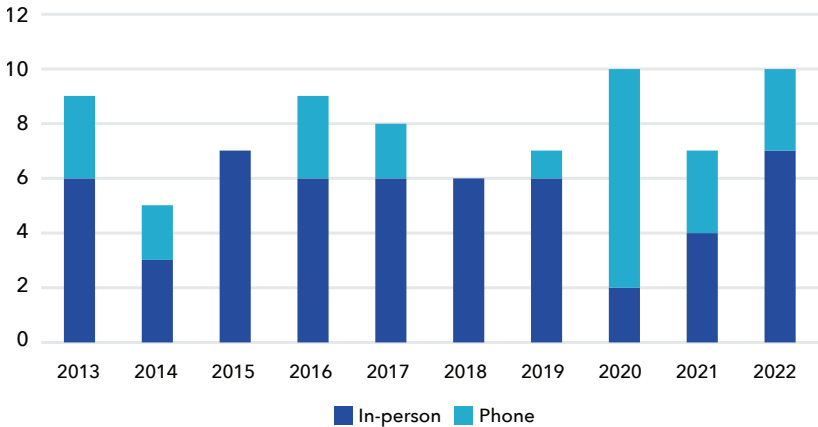
Over the past decade, scholars have begun to develop a body of literature investigating "authoritarian learning," or the idea that autocrats learn from other autocrats.¹⁷ In the context of explaining restrictions on NGOs, scholars Glasius, Schalk, and De Lange distinguish between two types of authoritarian learning: learning from threats and learning from examples.¹⁸ The first focuses on how autocrats learn from threats and maintain stability, particularly in the wake of the color revolutions and the Arab Spring.¹⁹ The second, based on concepts from the norm diffusion literature,²⁰ focuses on how autocrats learn from example. In this type of learning, autocratic governments would adopt NGO restrictions not in response to direct threat, "but because they see others do so and they think it is appropriate for them."²¹ In both types, ideas from one authoritarian regime can diffuse to another, explaining patterns of similar policies, such as NGO restrictions, across autocracies. Following

FIGURE 1. Putin-Xi Interactions, 2012-2022

Source: Author's dataset compiled from press releases from kremlin.ru and mfa.gov.cn.

this literature, this section considers the evidence for authoritarian learning—both learning from example and learning from threat—between Russia and China through an analysis of high-level meetings between Chinese and Russian leaders,²² as well as additional Chinese and Russian primary sources, such as government documents, think tank analysis, and new articles.

First, there could be direct learning through high level exchanges. Journalists, scholars, and policy analysts alike have highlighted the close relationship between Vladimir Putin and Xi Jinping, noting that the two have met one-on-one at least 40 times since Xi Jinping came to power.²³ Indeed, collection of original data on all official interactions between Putin and Xi, including in-person meetings, phone calls, and video calls, revealed that the two have interacted at least 58 times (see *Figure 1*).²⁴ Besides interactions between Russia and China's two top leaders, there have also been numerous interactions between top diplomats. Between 2013 and 2022, Chinese foreign minister Wang Yi and Russian foreign minister Sergei Lavrov interacted at least 78 times (see *Figure 2*).²⁵ Furthermore, there are many other exchanges between lower-level government officials,²⁶ business leaders,²⁷ and societal

FIGURE 2. Lavrov-Wang Interactions, 2013-2022

Source: Author's dataset compiled from press releases from mid.ru and mfa.gov.cn.

actors.²⁸ These exchanges and interactions not only bolster the Sino-Russian bilateral relationship, but they could also provide opportunities for the two regimes to learn from one another and share authoritarian tools of governance.

High-level meetings between Putin and Xi and Lavrov and Wang do not necessarily indicate that the two sides shared ideas about the management of foreign civil society. However, there are times when the motivation behind these regulations was discussed. One of the most cited reasons for the motivation behind the NGO laws in both countries is fear of foreign influence and foreign-backed attempts of regime change.²⁹ For example, on January 10, 2022, Wang and Lavrov discussed the unrest in Kazakhstan on an official call.³⁰ The Chinese readout states that both sides agreed to deepen their coordination and cooperation in Central Asia, including opposing “external forces” and preventing “color revolutions” (颜色革命).³¹ Overall, mentions of “external interference” or “color revolutions” appear in 26 of the 78 interactions (33 percent) between Wang Yi and Sergei Lavrov. For Xi and Putin, these terms appear in 12 of 58 interactions (21 percent) in the overall dataset. While this does not directly provide evidence of authoritarian learning, it

does indicate alignment among Chinese and Russian officials on the perception of threat from these sources.

These ideas about the threat of Western-supported civil society instigating regime change also have historical roots. There is ample evidence that the CCP is actively learning from history through its constant examination of the collapse of the Soviet Union. Several sources have documented the numerous scholarly articles, documentaries, and leaked internal government reports that analyze the collapse and draw lessons learned for the CCP regime.³² Often, these reports discuss the negative impact of Western ideas like “civil society” and the role of these “informal organizations” or NGOs in contributing to the Soviet collapse. For example, a 2013 documentary produced by the Central Commission for Discipline Inspection (CCDI) and the Chinese Academy of Social Science (CASS) spells out the lessons that CCP officials should learn from the collapse of the Soviet Union in order to avoid a similar fate. Among other factors, the documentary blames Western attempts to use NGOs to create a “fifth column” that will destabilize the regime through “peaceful evolution.”³³ Chinese leaders are keenly aware and regularly draw lessons learned from the Soviet experience.

Furthermore, some of the Western organizations perceived to be the most threatening are also shared between the two countries. For example, the primary U.S. government-funded democracy promotion organizations have been banned or sanctioned in both countries. After the 2015 law on “undesirable” foreign organizations was passed in Russia, the National Endowment for Democracy (NED), National Democratic Institute (NDI), and International Republican Institute (IRI) were among the first ten organizations listed, fully banning their activities in the country.³⁴ In China, although the Overseas NGO Law does not contain an equivalent designation to the Russian law on “undesirable” foreign organizations, these same organizations have been similarly sanctioned through other mechanisms. In 2019, the Chinese government announced sanctions on U.S. democracy promotion organizations such as NED, NDI, and IRI for their alleged role in the Hong Kong pro-democracy protests.³⁵ A year later, China’s Ministry of Foreign Affairs threatened sanctions against individual leaders of several of organizations, including the heads of NED, NDI, and IRI.³⁶ In May 2022, the MFA released a lengthy “fact sheet” on the National Endowment for Democracy (NED), linking it to

“color revolutions” and interference in the internal affairs of many countries around the world, including China and Russia.³⁷

While it is difficult to find direct and definitive evidence of China’s lawmakers learning from Russia’s laws, there are some indications that Chinese scholars and experts—including those at government-affiliated think tanks—were studying and learning from Russia’s management of civil society. For example, a 2020 scholarly article published by CICIR (China Institutes of Contemporary International Relations), a foreign policy think tank underneath the Ministry of State Security, examines how Russia has managed to deter external interference in its affairs.³⁸ After blaming foreign-funded and Western NGOs for trying to promote a “color revolution” in Russia, the authors detail several of the effective “countermeasures” that Russian leaders have taken, including the “foreign agents” and “undesirable” organizations laws. However, while the authors find that these countermeasures were effective for safeguarding Russia’s national security, they also critique the measures as too aggressive and irrational, often provoking a stronger reaction from the West in response. Although the article was published in 2020, it is plausible that experts within CICIR and security officials were aware of and watching the West’s response to Russia’s NGO laws when crafting their own. Furthermore, a fear of Western backlash after seeing the cost of Russia’s harsher policies could explain why China ultimately took a “softer” approach to regulating foreign NGOs, using the Overseas NGO Law to create a public “whitelist” of organizations green-lighted to work in mainland China, rather than a public “blacklist” as in the Russian laws on “foreign agents” and “undesirable” foreign organizations.³⁹

In sum, while it is difficult to find publicly available evidence that directly links the Russian and Chinese NGO laws, there are many indications that the two sides are closely watching the others’ styles of governance through high-level official interactions and exchanges, which often included discussions of the shared perception of threat emanating from foreign-supported civil society groups. This dovetails with recent scholarship that shows how states in the post-Soviet region, the Middle East, and Africa have learned from each other’s examples and from shared threats in developing NGO laws and other types of repressive legislation.⁴⁰ This is important because it underscores the need for INGOs and foundations operating in these contexts to be aware of developments in other autocracies around the world and to share

experiences and best practices between organizations and country offices. The section below investigates how the laws in China and Russia—similarly motivated by a fear of their perceived threat— have affected foreign foundations and NGOs. It also indicates that sharing—both among organizations within the same country and between organizations across the two countries—could be key to adapting to these restrictions.

INGO Adaptation in Authoritarian Contexts

Whether or not Russian and Chinese lawmakers were learning from each other's NGO laws, the laws carried similar pressures for foreign organizations and foreign funded civil society in both countries. This section draws on more than 25 in-depth interviews with US and European NGOs and foundations with current or former operations in China and Russia collected during the fellowship period in 2022 and 2023 for this project and other related projects. Informed by this material, it briefly covers international NGO and foundations' initial reactions to these restrictions before moving on to their innovations to remaining engaged with Chinese and Russian activists.

Adapting to the laws in Russia

In Russia, the 2012 “foreign agents” law cast a significant shadow over the atmosphere for foreign-supported civil society. Existing scholarship has largely focused on how the “foreign agents” law impacted domestic Russian NGOs.⁴¹ These studies reveal how Russian NGOs who are listed must grapple with increased audits and paperwork, paying fines for initial noncompliance, and social stigma. Some listed organizations have returned past foreign grants or refused future foreign funding to be removed from the register. Still others have formally closed. Although only a small number of Russia's NGOs have ever been listed, the “foreign agents” law had a major impact on some of the most prominent organizations in certain sectors, particularly those working on human rights or environmental issues.⁴²

For their foreign funders, the “foreign agents” law had less of a direct impact. This is because the law regulates Russian NGOs who receive foreign funding, but it does not require foreign funders to change their grantmaking

behavior. Still, by increasing the stigma and burden of accepting foreign funding, the “foreign agents” law may have reduced the demand for foreign grants among some Russian partners. As such, many interviewed organizations recognized that the 2012 “foreign agents” law marked a turning point in state management of civil society in Russia. However, the law did not stop foreign funders’ activities and grantmaking in the country. As one funder explained, “Most partners navigated this with courage and continuation. Very few of them shut down...While things were not good, they were also continuing in some ways as before.”⁴³ With time, grantees and partners figured out how to adapt to the law, and foreign funding and collaboration largely continued.

Although the “foreign agents” law affected international funders less, the law still set the stage for a further tightening of civic space. Over the years, the scope of the law and use of the label has been expanded, and, after the start of Russia’s war against Ukraine, it is now being used extensively to repress and stigmatize oppositional or anti-war individuals. One funder linked the NGO and donor community’s initial response to the “foreign agents” law to this expansion of repression. In their words, “The entire community failed to respond effectively to that threat.” Instead of uniting in opposition to the law, this respondent explained, each organization worried about mitigating risk and protecting themselves. This funder continued, “[This] enabled the government to move forward with a divide and conquer strategy that divided between the ‘good’ civil society that would not be declared ‘foreign agents’ and the ‘bad’ civil society that was declared ‘foreign agents’...In the early days, organizations could have done a better job unifying, coming up with a strategy, and not being as concerned about their own well-being.”⁴⁴

The next major hurdle for international NGOs and foundations came in 2015 with the passage of the law on “undesirable” foreign organizations. Compared to the law on “foreign agents,” the “undesirables” law had a more direct and immediate impact on foreign organizations. If listed, the activities of the foreign organizations are fully banned and any continuing activities are illegal. Although some foreign groups left in anticipation of being listed, such as the MacArthur Foundation and Charles Stewart Mott Foundation, many others decided to continue. Surprisingly, even organizations listed as “undesirable” organizations were not completely deterred from operating in or funding grantees in Russia. Interviews revealed that

several organizations included on the “undesirables” list continued to support partners inside Russia.

For all foreign organizations that were still operating in Russia, the next major turning point came after Russia’s full-scale invasion of Ukraine in February 2022. Several of those interviewed described how their organizations either immediately stopped or gradually stopped funding Russian civil society since February 2022. For many organizations, ethical and logistical concerns were paramount.⁴⁵ For others, it was a matter of safety and efficacy: “If we were to get money to a Russian partner, would they be able to do anything?...We [also] need to be a little ‘paternalistic’ in the sense that [our partners] may make mistakes that would be more costly than usual for them.”⁴⁶ This particular organization decided to release one final tranche of funding before concluding their Russia operations. Meanwhile, some funders are quietly continuing grants to partners in Russia, despite the closing space and the full-scale invasion of Ukraine, relying on guidance from the U.S. Treasury Department that engaging in this type of funding is legal and does not thwart sanctions.⁴⁷ However, many foreign funders and grantees that adapted to the “foreign agents” and “undesirables” laws are now struggling to move forward in the context of Russia’s war against Ukraine.

Adapting to the law in China

In China, all foreign organizations and their partners were impacted by the 2017 Law on Overseas NGOs under new rules requiring registration. After the law came into effect, many international organizations were, in fact, able to register, beginning with an initial cohort of organizations in January 2017 that included the Bill and Melinda Gates Foundation, World Wide Fund for Nature (WWF), and Save the Children.⁴⁸ Since then, over 600 representative offices have been registered under the new regulations, authorized to work in areas such as education, health, poverty alleviation, and others.⁴⁹ Despite fears to the contrary,⁵⁰ hundreds of international organizations have managed to overcome the hurdles of registration and continue to legally operate in mainland China. In addition, many others have filed temporary activities permits to legally conduct short-term activities in China alongside Chinese partners.⁵¹

Once registered, these organizations take careful steps to remain in compliance with the law. As one representative of a registered overseas organization explained, “I really try to identify and engage with stakeholders that we think are ‘authorizers’ of our environment: the PSU [professional supervisory unit] and the PSB [Public Security Bureau]. I make an effort to talk to them at least once a quarter, even when there’s nothing to talk about. So that when we have something to talk about, we know each other a little better. This has been a good strategy.”⁵² This respondent even provided additional information that was not required by the law in order to show good faith and maintain a positive working relationship. They added, “The bigger idea is to protect and expand the operating environment for [our organization], so that we can do the work that we want to do in as big of a space as we can create.”⁵³ While international media has focused on barriers to registration, particularly for human rights groups,⁵⁴ many international organizations have successfully registered and continue to operate in permitted areas of work. For these organizations, going through these extra bureaucratic steps to register and regularly report to the authorities are well worth it to preserve the space available for their activities and maintain an on-the-ground presence in mainland China.

However, other international NGOs and foundations—often those working in rights-based areas of work not formally permitted by the law—questioned how formal registration would impact the overall tenor of their continued operations in China. One former staff member of an INGO stated that choosing to register “meant that the CCP would have a ‘soft veto’ over everything you did, and that would restrict the range of activities.”⁵⁵ Other organizations working in more sensitive areas tried to evade this issue by strategically reframing their activities. One EU-based funder gave an example: “[I]f a project was normally framed as a ‘democracy’ project, then we wouldn’t use that word. We did not have the registration to be allowed to do that kind of work. Our labels changed according to the law. In our internal portfolios, I might still see the word ‘democracy,’ but we stopped using it outwardly.”⁵⁶ While nothing about the activity changed, the outward framing was made more agreeable for the organization’s professional supervisory unit (PSU) and Public Security Bureau (PSB) officials.

Other organizations remained engaged in China but decided not to register. One organization that decided not to register recognized that this raised

the stakes for local partners in China substantially, who were then subject to police harassment and informal repression.⁵⁷ Another representative of an unregistered foreign organization described a similar experience: “After the foreign NGO law, we still continued for a bit, but then had to shift our approach only because it was very difficult for our partners to continue their activities.”⁵⁸ These difficulties included not only repression of in-country partners, but also obstacles to passing funds through Hong Kong, which had been a place where many organizations could transfer funds to mainland grantees and partners. After the National Security Law, this avenue for pass-through funding was no longer a viable option.

Finally, some organizations left China entirely. One public example of this is the American Bar Association’s Rule of Law Initiative (ABA/ROLI), which left China shortly after the law went into force in January 2017.⁵⁹ Others left more quietly. For example, one organization described hearing a rumor from a colleague with government ties that the organization was blacklisted as a “threat to China” and would never be able to register.⁶⁰ This organization ultimately decided not to attempt registration and stopped all programming within China. They now focus instead on the impact of Chinese investment abroad, an innovative response to the law that will be explored below. However, the quiet nature of “exit” may also perpetuate problems of uncertainty for the broader community. One former staff member of an organization that left China explained: “At the time it was chaos. But I think we did the INGO community a disservice by not being forthright and contributing to the lack of information. Groups wasted so much time and money trying to register.”⁶¹ As in Russia, some members of the international NGO and foundation community felt that the uncertainty of the law—which some admitted was a strength of the legislation from the regime’s point of view—had discouraged organizations from sharing information or banding together to collectively address their concerns. As a result, while many international organizations have successfully registered under the Overseas NGO Law, others have been quietly pushed out of mainland China.

Exploring new opportunities for engagement

In the wake of these NGO laws in both China and Russia, foreign organizations—even if they elected to stay in country—have explored new opportuni-

ties for engagement with civil society. This section details some of these new opportunities, with an emphasis on engagement outside of China and Russia.

Even among those who stay in country, priorities may have shifted. As noted above, some groups working on certain issue areas may simply change the label on those activities. Others may be changing the focus of their activities to be more compliant with the laws or to make them more palatable to government officials. In China, the Overseas NGO Law has systemically allowed organizations to register in certain areas of work.⁶² Overseas NGOs have caught on to these patterns, which has created a crowding effect as international funders flock to certain permitted areas of work. As one funder lamented, “There are fewer international actors working in China, but the space is crowded because we’re all working on similar angles.”⁶³

For organizations that have ceased in-country operations but wish to remain engaged, there are several new pathways forward. First, several organizations have become more involved in helping their former grantees and partners leave the repressive contexts in China and Russia. In both cases, this had been happening for several years, but then intensified after the 2019 National Security Law in Hong Kong and the 2022 invasion of Ukraine. One funder of Russian civil society described getting together with a few other funders to identify resources for initial travel and living expenses for former partners seeking to leave Russia after the war.⁶⁴ Funders in China have also been engaged in these types of activities to help Hong Kong or mainland Chinese activists go abroad.⁶⁵

Furthermore, some funders are starting to engage more with actors outside of China or Russia, including with civil society groups in the region, activists abroad, or with the broader diaspora. For example, many international NGOs and foundations have pivoted to focusing on working with civil society actors to address the impacts of Chinese investment abroad. While this innovation is driven by a multitude of factors, including Chinese investment projects like the Belt and Road Initiative, the operating environment for Overseas NGOs in mainland China is one contributing factor.⁶⁶ Besides engagement with stakeholders on China’s overseas footprint, many international NGOs and foundations are also increasingly working with exiled activists, bringing activists to third country contexts to meet safely, or are engaging with the broader diaspora.⁶⁷ Although INGOs and foundations expressed concern about maintaining the missions of their in-country China-

or Russia-focused programs, the political atmosphere has given way to a new reality. A former representative of an international foundation recognized that funders' perception of this type of work is changing: "Now the question of engagement with diaspora communities and activists is more pressing given the [political] situation in China...It does seem like there's more receptivity to it now than there was a few years ago."⁶⁸

Overall, international organizations in China and Russia are remaining engaged with in-country civil society groups where possible, but also adapting by assisting former grantees or partners at risk, working with activists or diaspora communities abroad, or finding other ways to address the impact of these regimes abroad.

Recommendations for Paths Forward

Alongside these new opportunities and innovations, there are other recommendations that would enable continued engagement despite the closing space for transnational civil society activism in authoritarian regimes like China and Russia.

First, one theme that came up repeatedly in interviews is for INGOs and foundations to create more formal and informal opportunities for sharing information and best practices. Heeding the warning from the Russian case, it is crucial for international NGOs and foundations to share knowledge of how to continue to operate despite the constraints within autocracies. Another interviewee, currently working for a US-based NGO with programming in East Asia, supported efforts for information sharing, noting that it was "a critical step for any closed or closing society, because authoritarian governments operate best when civil society organizations are isolated because they're easier to pick off."⁶⁹ The existence of such mechanisms was mixed among interviewees. Some mentioned that a donor organization arranged regular meetings with its grantees for this purpose, including one meeting where the donor organization invited its Russia grantees to discuss their experience with Russia's NGO laws to a group of grantees working on China.⁷⁰ But others reported that these exchanges were ad hoc and informal, if they happened at all. Expanding these opportunities for information sharing and exchange would not only help share best practices, but also help counter the isolation and challenges of operating in authoritarian contexts.

In addition, expanding these exchanges could even be beneficial between different program, regional, or country offices within the same organization. As one interviewee explained, “One of our projects was inspired by a MENA [Middle East and North Africa] team success. They had found a way to work with groups in the region that was effective, so we then worked with them to craft our program.”⁷¹ This same interviewee described organization-wide training on digital security so that those working in autocratic contexts were all briefed on these skills. The main office or headquarters of these organizations should consider where connection and learning in a more formal capacity may help spread innovation and best practices throughout the organization to all staff operating programs in closed societies. With the growing likelihood that autocrats are learning and sharing their repressive tactics, it becomes crucial for foreign foundations and INGOs to learn from one another and share across autocratic operating environments.

Another theme for those continuing to operate in authoritarian contexts is for funders and governments to ease grant reporting requirements. While transparency is important, funders discussed the importance of balancing transparency and safety concerns: “We want all this information to be publicly available, but if good work is being done in closed societies where protection of identity is key for them to continue to make progress, how do we handle that?”⁷² Others noted that some of the receipts necessary for reimbursement were not only burdensome, but also a security risk. There was also a concern that some of these regulations created inflexibility for responding to emergency situations, such as an activist needing to urgently leave the country.

Additionally, those working with activists abroad or in the broader diaspora expressed a need for further support and protection. First, organizations providing emergency assistance to activists in danger expressed a need for stronger or speedier humanitarian visa or asylum policies. Second, besides helping activists relocate abroad, organizations could consider creating hubs or spaces for periodic engagement in smaller, more open countries within the region that would be easier for activists to reach for a shorter visit on an easier-to-obtain visa. Third, transnational repression of activists abroad is a growing concern, with China and Russia at the forefront of this trend.⁷³ Policymakers and funders should consider ways to increase digital and physical security for

these activists to protect them from these emerging threats, including providing training to activists on digital security, increasing awareness among law enforcement, and holding perpetrators legally accountable.

Finally, while some questioned the efficacy of continuing to fund civil society in closed or closing societies (particularly in Russia after the invasion of Ukraine), many interviewed funders still expressed a willingness to engage with activists on the ground in both countries. Although there are serious ethical, security, logistical, and political risks to consider, continuing some granting or other activities may be feasible for certain organizations or certain partners. As one funder explained, the decision to continue engagement with foreign foundations is “an individual choice and a case-by-case decision,” but that there were still plenty of activists in country who were willing to take those risks.⁷⁴ Funders should not completely ignore closed societies and, where possible, recognize where there are still windows of opportunity to engage with civil society activists on the ground.

Conclusion

In sum, international engagement and support of civil society groups in China and Russia has been challenged by recent restrictive laws on their activities. Chinese and Russian leaders shared a perception of threat from these groups in passing these laws and have increased their exchanges and opportunities for mutual learning in the past decade. However, as the interviews attest, the laws have not completely curtailed international engagement. There is still room for some in-country engagement, as well as new opportunities for engaging with activists abroad, in third countries, or in the broader diaspora.

However, transnational support to civil society has also been significantly affected by the overall political context and the current state of US-Russia and US-China relations. In Russia, the war against Ukraine has stymied any potential new engagement between transnational actors and Russian civil society for many reasons, including ethical, logistical, and political. While international NGOs and foundations are rightly focused on helping Ukrainians and will play a large role in helping to rebuild Ukraine after the war, there will come a time when these groups will also need to re-engage with Russian stakeholders to solve other global challenges, such as climate change and a warming

Arctic. In the words of one funder: “We need to start preparing now to re-engage with [Russia] to solve the issues that we face as a global community... But at this point, it is going to be about preparing for a future Russia that is able to engage.”⁷⁵ Thinking about this eventuality now may make it easier to help re-establish ties whenever that opening comes.

In the Chinese context, the US-China relationship is presenting an additional roadblock to continued engagement. In one funder’s words, “The US-China relationship makes it trickier to hire people, trickier for our partners, and...the risk that one of us would actually get seized has gone up.” Yet, as one interviewee explained, “China is an essential country...That means there has to be interaction and engagement.”⁷⁶ In both cases, despite the challenges and risks, international NGOs and foundations should find ways to continue their engagement, and policymakers should be prepared to support these efforts.

At a time of global conflict and tense relations, finding avenues for easing that tension or re-building ties through people-to-people interaction, wherever possible, are vitally important. While the atmosphere for transnational support of civil society in China and Russia is not likely to drastically improve in the short-term, a long-term approach to both countries must include engaging with their societies.

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Notes

1. The author thanks Lucas Myers, Jennifer Turner, Jesse Rodenbiker, Matthew Erie, Kristen Looney, Diana Fu, and several anonymous interviewees for their helpful comments and suggestions. Additional thanks to Diana Fu for permission to share interview data from ongoing collaborative work.
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 45. Author interview with a representative of a US-based NGO with former programming in Russia, May 2023
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2022-2023 WILSON CHINA FELLOWSHIP

China-Russia Convergence in the Communication Sphere: Exploring the Growing Information Nexus

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Abstract

This paper examines China-Russia relations through the lens of information politics. Specifically, it analyzes the extent of the bilateral “information nexus” or the strengthening of ties between the two sides in the communication domain, and its key dimensions, limitations, and policy implications. Drawing on a mix of primary and secondary sources in Chinese and Russian languages, this study demonstrates a growing and systematic coordination and collaboration in the information sphere at the bilateral level. The analysis uncovers an increasing institutionalization and socialization in bilateral media relations and efforts at content co-production and synchronization of mutual media coverage. At the same time, this relationship also faces some limitations, including inconsistency and asymmetry in media interactions and limited coordination directed at global and non-official contexts.

Policy Implications and Key Takeaways

US policymakers should treat the information domain as integral to China-Russia relations. In the past three decades, the two countries have institutionalized their media ties, embarked on routine socialization of their media professionals, co-produced selective content, and publicized mutually complementary content in their state media. While the joint distribution of explicit disinformation thus far presents a relatively minor part of this information nexus, the convergence in China-Russia communication ties still poses a number of challenges and implications for US policy interests:

- First, it creates opportunities for the diffusion of norms and values, and for shaping public opinion in both countries in favor of this relationship. It creates a symbolic cushion for this relationship that can potentially help mitigate other tensions and suspicions.
- Second, Chinese and Russian outlets practice subtle forms of disinformation in their mutual coverage, such as biased usage of sources. A broader conception of disinformation is needed to incorporate these less perceptible means of shaping public opinion.

- Third, China's symbolic ties with Russia serve to bolster China's discourse power and media reach in important global contexts like Central Asia, which further complicates the US-China competition for narratives.

The gaps in the China-Russia information collaboration also present opportunities for the United States:

- First, the concentration of bilateral efforts on partnerships amongst official national media leaves space for shaping public narratives about China and Russia through non-official channels. More investment into training and forums for independent Russian and Chinese journalists, many of whom are now part of the diaspora, would help construct alternative narratives in local languages.¹
- Second, the Global Engagement Center and other institutions involved in public diplomacy should more forcefully target the post-Soviet space (especially Central Asia) in communicating both the US interests in the region and alternative narratives about China.
- Third, publicly underscoring the gaps and asymmetries in China-Russian information ties would help expose the limitations of this relationship, especially for audiences in the Global South that might be more inclined to consume Chinese and Russian media narratives.

Introduction

As the Russia-Ukraine war persists, Chinese officials continued to hold bilateral meetings, including a visit by Xi Jinping to Moscow in March 2023, where Xi described Putin as a “dear friend” and the China-Russia relationship as “mature and resilient.”² Both leaders stressed the detrimental influence of the United States on the international order and the importance of joint efforts toward establishing multipolarity. Throughout the war, Chinese leaders abstained from overtly criticizing Russia. Instead, Chinese diplomats often criticized the West as the instigator of this conflict—a rhetoric widely invoked by the Russian administration. In some instances, Chinese officials even spread major disinformation claims concerning the war, including a rumor about Ukraine hosting US biological weapons.³

The unwavering ties between the Chinese and Russian leadership amidst Russia’s invasion of Ukraine have attracted concern from US policymakers, journalists, and the general public. The US government officials have repeatedly expressed warnings to China against supporting Russia.⁴ Western journalists and commentators have described China and Russia as engaging in “an epic struggle against the West,”⁵ and think tank analysts warned that the ties between the two will only “deepen” post-invasion, as Russia becomes more co-dependent with China.⁶ The unease over China’s relations with Russia is also expressed in US public opinion. Pew Research Center survey from April 2022 found that 62 percent of the survey participants perceived the partnership between China and Russia as a serious concern. This compares to about 47 percent concerned about China’s involvement in US politics.⁷

Russia’s war in Ukraine, of course, does not mark the beginning of intensification in China-Russia camaraderie in the contemporary era. The growing convergence between the two regimes has been long observed by analysts and scholars in the field, with a special emphasis placed on economic,⁸ security,⁹ and geopolitical facets¹⁰ of this partnership. China-Russia communication during the ongoing war in Ukraine, however, has underscored the importance of moving beyond these dimensions and examining this relationship through the lens of information politics and symbolic allegiances. Beyond their apparent anti-Western synergy, however, little is known about the extent to which the Chinese and Russian governments have attempted to coordinate their communication and build closer ties across their media domains.

This study engages with this question by tracing China-Russia media collaboration over a period of nearly three decades or since the start of Putin's regime, as well as by examining mutual media coverage over the past year. It draws on an in-depth analysis of bilateral media summits, co-production agreements, and narrative analysis of media reporting in major national media, amongst other sources, to explore the key facets of bilateral information convergence. The analysis demonstrates that while much of the emphasis in Western commentaries has been on China-Russia coordination in external messaging, more extensive media partnerships and interactions are present at the bilateral level. Specifically, this study uncovers multifaceted collaboration efforts, including growing institutionalization and socialization in China-Russia media relations, as well as efforts at co-production and harmonizing mutual coverage.

These efforts, however, also feature some limitations, including the uneven nature of collaboration, as manifested in episodic engagements and in notable power asymmetries, and in limited efforts made at expanding collaboration to transnational and non-official contexts. The paper proceeds to trace the different layers of media collaboration, starting with the institutionalization of media ties.

Part I. Institutionalizing China-Russia Media Relations

Although some information exchanges took place between Chinese and Russian media representatives and officials from 1991 to 2000, the institutionalization of bilateral media ties was launched in 2002, with the establishment of the Russia-China work group on media cooperation.¹¹ The workgroup operated as part of the Russian-Chinese Commission on Cooperation in Education, Culture, Healthcare and Sports. Its main goal, as described by the former deputy prime minister, Valentina Matviyenko, was to develop cooperation in the fields of information exchange between the two countries "in a wide range."¹² This workgroup included high-level officials, including Russia's Ministry for Press, Television, Radio Broadcasting and Mass Communications and China's State Administration of Radio, Film and Television. The workgroup held meetings in 2002, 2004, and 2006. During the last meeting (in 2006), media outlets from China and Russia expressed

their willingness to exchange delegations and TV programs, as well as to hold joint seminars and conferences.¹³

In 2008, this workgroup transformed into the Media Cooperation Subcommittee of the Russian-Chinese Commission for Humanitarian Cooperation. Co-chaired by the deputy minister of Russia's Ministry of Digital Development, Communications and Mass Media and the deputy head of China's National Radio and Television Administration (NRTA), the subcommittee brings together top Chinese and Russian media and communication stakeholders. The 2021 meeting, for instance, included Russia's deputy minister of Digital Development, Communications and Mass Media, Bella Cherkesova, and China's deputy head of NRTA, Meng Dong.¹⁴ This gathering also featured representatives of major national media outlets, including top media managers, editors, and producers from Xinhua News Agency, CGTN, *People's Daily*, *China Daily*, Russia Today TV, Rossiya Segodnya media group, *Rossiyskaya Gazeta*, Sputnik, TASS, and *Kommersant*.

Between 2008 and 2022, the subcommittee met 15 times, including three annual meetings in a row between 2020 and 2022 that took place remotely during the pandemic. The elevated status as a subcommittee came with more responsibilities, such as outlining biannual bilateral cooperation plans. The publicly available and leaked work plans publicized for periods of 2019–2020 and 2021–2022,¹⁵ as part of the meetings of the Media Cooperation Subcommittee of the Russian-Chinese Commission for Humanitarian Cooperation, for instance, included 120 cooperation items in the former, and 64 in the latter. These cooperation items range from joint content production to plans for future forums and visits, to information exchanges, to organizing photo exhibitions, joint animation festivals, and movie screenings, to potential exclusive interviews with state leadership, and workshops and seminars with media experts.

While many of the pronouncements documented in these work documents carry an aspirational character, the institutionalization of China-Russia media ties has facilitated some tangible outcomes, including increasing socialization or network formation between Chinese and Russian media professionals and officials, joint content co-production by Chinese and Russian media outlets, and the apparent synergies in how Chinese and Russian media cover each other's countries respectively. The following section examines the deepening of socialization in China-Russia media ties.

Part II: Growing Network Formation: Media Summits and Forum Diplomacy

The period between 2014 and 2022 featured an acceleration and an expansion in the China-Russia media network formation, as evident in media summit diplomacy, as well as in bilateral people-to-people exchanges between Chinese and Russian journalists. As for the former, several major forums were held regularly over the past seven years. The China-Russia Media Forum co-hosted by the CCP Propaganda Department and the Russian Presidential Administration, took place annually between 2015 and 2022. These forums engage with Russia-China media cooperation across different domains, including discussions on professional standards, content sharing, protection of personal data, and the role of media in supporting the Belt and Road Initiative and the Eurasian Economic Union, amongst other topics.

The China-Russia Internet Forum, hosted by *China Daily* and overseen by the Cyberspace Administration of China and the Ministry of Digital Development, Communications and Mass Media of Russia, is another major annual bilateral event. This forum is primarily dedicated to Internet governance with discussions focused on trends in new media, Internet security, challenges faced by online media companies in Russia and China, and usage of new technologies (big data, 5G and artificial intelligence, and cloud computing) in the media industry.¹⁶

Other than these routine forums, some major events took place on episodic bases, including the Russian-Chinese Forum of Young Journalists, held in Russia in 2016–2017, and the Forum of Russian-Chinese cinema cooperation, held in 2019. In 2016–2017, China and Russia also held joint “Media Years” marked by a large number of bilateral events in both countries. These events included, for example, the joint project, “Ten Masterpieces of Chinese Literature in Russia and Ten Masterpieces of Russian Literature in China,” initiated by TASS and *Guangming Ribao*, “This is China!” documentary series launch by RT TV channel and Beijing Zhongshi Yayun Center for the Promotion of Chinese Culture, and a joint photo exhibition, “Look into Past and Future,” dedicated to the 60th anniversary of cooperation between Xinhua and TASS.

Similar to the subcommittee meetings, media and Internet forums are attended by representatives of leading media outlets, industry-related organizations, and senior officials from both sides. For example, at the Fifth

Media Forum in Vladivostok in 2019, the Russian delegation was headed by at the time Deputy Prime Minister of the Russian Federation and Chief of Government Staff, Konstantin Chuychenko, and the Chinese side was led by Xu Lin, at the time the Deputy Director of the Publicity Department of the CPC Central Committee and the Minister of the State Council Information Office. In total, the Fifth Forum was attended by more than 100 officials and media representatives.

Network-building between major state media on both sides also takes place through bilateral people-to-people exchanges, with Chinese editors and journalists visiting Russia and vice-versa. The joint tours tend to be organized around specific themes pertaining to China-Russia relations. In 2014 and 2016, for instance, a media tour titled '*The Russian and Chinese Border is the Border of Peace and Cooperation*,' organized by TASS and *People's Daily*, focused on bilateral journalistic immersion into the border region on both sides. In 2014, 40 participants visited the five largest cities of Heilongjiang Province.¹⁷ In 2016, 41 Chinese and Russian journalists from both federal and regional media outlets visited Russia's Amur Region and Primorsky Krai, and met with heads of the two regions, as well as with the top directors of key enterprises, including joint ones.¹⁸ Another media tour, called '*China and Russia on the Silk Road*', was also held in 2016. For two weeks, a group of almost 40 reporters from major Russian and Chinese media outlets visited Xi'an, Dunhuang, Lanzhou, Urumqi, and other cities.¹⁹

Other than bringing together key stakeholders in China-Russia media industries for extensive and in some cases routine dialogues, these social events can facilitate new bilateral media agreements, as well as carry a symbolic value of signaling to Chinese, Russian, and international audiences the legitimacy of Chinese and Russia media, and the strength of China-Russia relations. As for binding agreements, careful tracing of all media agreements signed from 2015 to 2022 reveals a total of at least 15 publicly available agreements signed between Chinese and Russian media, including that between *Rossiyskaya Gazeta* and China Radio International; Tass and Guangming Ribao; CCTV and Gazprom-Media; Russia Today and Renmin Wang, and between the China Media Group and "Rossiya Segodnya," amongst others (please see table 2).²⁰ While most of these agreements appear to primarily serve the purpose of publicly affirming bilateral ties by declaring strategic partnerships, some have

TABLE 1. Agreements between Russian and Chinese media outlets

N°	Parties	Type of Agreement
2015		
1	TASS and China Foreign Languages Publishing Administration	Joint publication of the album "Remembering History and Protecting Peace: On the 70th Anniversary of Victory in World War II"
2	<i>Rossiyskaya Gazeta</i> and China Radio International	Cooperation agreement, specific contents not available
2016		
3	TASS and <i>Guangming Ribao</i>	Cooperation agreement, specific contents not available
4	<i>Rossiyskaya Gazeta</i> and <i>China Daily</i>	Cooperation agreement, specific contents not available
5	CCTV and Gazprom-Media	Strategic cooperation agreement, specific contents not available
6	<i>Rossiyskaya Gazeta</i> and <i>China Daily</i>	Printing inserts in <i>China Daily</i> in 2016
7	Russia Today and Renminwang	Cooperation agreement, specific contents not available
8	Russia Today and <i>China Daily</i>	Cooperation agreement, specific contents not available
9	SPB TV and Jingji Ribao Media Group	China Economic Network channel global broadcasting via SPB TV platform
10	SPB TV and CCTV	CCTV international channels global broadcasting via SPB TV platform
11	Ostankino Television Technical Center and Poly Technologies Inc.	Ostankino renovation
2017		
12	National Media Group, CTC Media and Huace Film & TV	Cooperation agreement, as part of this agreement the Chinese side acquired the rights to showcase Russian series "Molodezhka"
2018		
13	China Media Group and "Rossiya Segodnya"	Strategic partnership, specific contents not available

more detailed pronouncements about collaboration plans, primarily involving sharing and distributing news materials and stories. This will be discussed more in the next section.

As for symbolic value, the analysis of media coverage of these events, especially of major media summits reveals extensive reporting by both Russian and Chinese media outlets, with the latter being more prolific. Xinhua News Agency, *People's Daily*, *China Daily*, CCTV, TASS, RIA, Sputnik, and *Rossiyskaya Gazeta*, all cover the summits. The Chinese side goes as far as developing websites for some of the forums. For instance, *People's Daily* designed a website for the first China-Russia Media Forum, which took place in Saint Petersburg in 2015. The breadth and variety of content available on the website are overwhelming, ranging from articles to photo collections and infographics. The forum was categorized by *People's Daily* as 'a 2015 special topic' (2015年专题). Most of the reports tend to underscore successful and productive media collaboration between the two sides. The reports mention achievements like joint projects and signed agreements, the growing number of participants at the forums, the overarching significance of the forums, and deepening contacts between media organizations, amongst other highlights.

At times, media coverage of the summits also emphasizes successes in media cooperation as feeding into larger bilateral and global ambitions. For instance, at the start of the first China-Russia Media Forum in 2015, *China Daily* reposted a Xinhua article saying that 'remarkable achievements have been made in China-Russia media cooperation in recent years, which has played a positive role in promoting China-Russia relations and safeguarding world peace and stability.'²¹ Media cooperation here is framed as a propeller for the enhancement of the relationship, which in turn contributes to global stability. A Xinhua report following the same forum featured an interview with Andrey Bystritskiy, dean of the Faculty of Communications, Media and Design (now Faculty of Creative Industries) of the HSE University who argued that the media forum is the optimal way to strengthen Russian-Chinese relations.²²

These routine events, ranging from major summits to joint journalistic trips and smaller-scale thematic gatherings demonstrate the growing socialization in bilateral media ties, as media and creative professionals, as well as media governance officials, and in some cases also internet companies, form a friendly network as part of these exchanges. These networking events also

yield direct agreements between Chinese and Russian media outlets, some of which facilitate co-production that's discussed in the following section. The symbolic value of these social events is also significant, as the media in both countries use them to ascertain to domestic and global audiences the deepening of China-Russia ties in the information space and beyond. We now turn to the next dimension of China-Russia media cooperation: content co-production.

Part III: Launching Joint Content: China and Russia as Media Co-Producers

From 2015 to 2022, China-Russia media and creative content co-production can be categorized into joint production ventures and deliberate distribution and circulation of each other's content for respective domestic audiences. As for the former, joint projects have been launched in the news, film, and animation spheres. In the news media sector, in 2017, China Radio International and MIA Rossiya Segodnya launched "Russia-China: Top News"—a standalone news app that produces daily news feeds on China-Russia relations, and on the latest developments in both countries. This application has a large following on both Russian and Chinese social media platforms, including 650,000 followers of the project on VK, a Russian social media networking service, and 590,000 followers on Weibo, China's most popular microblogging platform.²³ This application is also widely used by Russian journalists in their coverage of China-Russia relations, as well as of Chinese news events. For example, *Rossiyskaya Gazeta*, Russia's official government newspaper, maintains a special section on its website with reposts or publications written based on content from the application. Titles include: "Chinese delegation holds talks with UN chief at COP27", "Quotes of Xi Jinping's 2022 New Year Address", and "China-Russia youth tour on the Yangtze River concluded,"²⁴ amongst others.

Between 2015 and 2022, Chinese and Russian counterparts also co-produced three feature films, two documentaries, and two animation series (see Table 3)—a number that's relatively small in comparison to China's film co-production with other major countries, such as the United States (American films produced with Chinese investment between 2015–2021 amounted to

TABLE 1. Agreements between Russian and Chinese media outlets

Title	Year	Genre/Type
<i>Ballet in the Flames of War</i>	2015	History/Feature
<i>Russia and China: The Heart of Eurasia</i>	2015	History/Documentary
<i>This is China!</i>	2017–2019	Documentary series
<i>How I Became Russian</i>	2019	Romance/Comedy/Feature
<i>Viy 2: Journey to China</i>	2019	Fantasy/Adventure/Feature
<i>Panda and Krash</i>	2021	Family/Animation series
<i>Ask Tina</i>	2022	Family/Animation series

134).²⁵ Some of these co-productions, however, carry a significant educational and symbolic mission of telling the China-Russia story. The 2015 documentary film, “Russia and China: The Heart of Eurasia,”²⁶ written and directed by a Russian journalist and editor-in-chief of *History* TV channel, Aleksey Denisov, with input from Chinese consultants and state media organizations, for instance, tells the story of joint struggles against fascism during WWII, featuring interviews with Putin and Xi. *Rossiya One* TV channel that first broadcast the film in 2015 introduced it as a story of shared sacrifices against fascism in the Second World War, noting that the two nations experienced the biggest losses during this war.²⁷ By building a shared narrative about the war, the film attempted to reassert the longevity and resilience of China-Russia relations.

As for content placement and circulation, these agreements span the broadcasting, print, and digital media sectors. In 2015, SPB TV and CNTV (China’s national web-based TV broadcaster) signed an agreement to broadcast all eight international CCTV channels on the territory of Russia as well as CIS.²⁸ The channels were launched in the SPB TV user app. In 2016, the

agreement extended to broadcasting all of CCTV's international content to global audiences via the SPB TV app.²⁹ The Russian company provided a channel for Chinese content to go beyond Russia, as the SPB TV app had 53 million users worldwide (as of March 2016).³⁰ Russian TV channels have also recently aired *Classics Quoted by Xi Jinping*—a video series of Xi Jinping's popular quotes. The new season launched in March 2023 on Russia 24—a popular TV channel.³¹ Some Russian TV content has also made its way to China. Russia's entertainment channel, "Katyusha," has broadcast in China via CCTV. The content includes Russian cultural, educational, scientific, and historical programming, and is being transmitted in Russian language with Chinese subtitles.

In print media, *Rossiyskaya Gazeta*, Russia's main official newspaper, produces an insert, titled *Toushi Eluosi (Perspective of Russia)*, for the *Global Times* that covers Russian politics, culture, sci-tech, and business. *China Daily* produces an insert titled *Kitajskij Vzglyad (China Watch)* for *Rossiyskaya Gazeta*, which tells Russian readers about China, including China's foreign policy, economy, scientific and technological innovations, cultural heritage, and stories on bilateral relations, amongst other topics. In 2016, when the insert was launched, Li Hui, at the time the PRC Ambassador to Russia, expressed hope that it would 'introduce China's contemporary reality, and serve as a 'window of friendship.'³² The China Media Group also distributes its *Breath of China* journal via *Rossiyskaya Gazeta* which covers Sino-Russian friendship, BRICS and SCO cooperation, as well as Chinese culture and history, and publishes educational articles on mastering the Chinese language and cooking.

China-Russia content co-production ranges from direct collaborations, as in the case of the news app launch and joint work on selective films, as well as the more indirect co-production carried out through mutual content placement. The latter appears to be a more developed facet of this partnership, which has likely materialized from the socialization of bilateral media ties and the agreements signed between different outlets, introduced in the previous section. External communication through foreign media content placement, of course, is a tactic widely practiced by China across global contexts. What's interesting in the case of China-Russia relations is that Russia also appears to present a pathway for China to communicate with larger audiences, especially in the former Soviet Union, with the help of Russian media infrastructure

and programming that is widely used in the larger post-Soviet world. Russia, in turn, gets more access to the Chinese public opinion sphere through its content placement in Chinese media. We now move to the final section that examines how Chinese and Russian state media cover each other and the synergies that are apparent in their reporting.

Part IV: Co-Shaping Narratives: Mutually Supportive Coverage in State Media

In addition to different forms of direct co-production, there is also more implicit shared narrative formation taking place in Chinese and Russian media, as evident in their reporting about each other. The analysis of one year of content from two major national newspapers, *Rossijskaya Gazeta* and *Renmin Ribao*, from February 2022 to February 2023, reveals that their coverage of China and Russia respectively is mutually complimentary in different ways.³³ Specifically, whereas *Rossijskaya Gazeta* bolsters China's image by prioritizing positive stories about China's accomplishments, *Renmin Wang* indirectly reinforces Russia's official position in the context of its war in Ukraine. The two media outlets also devote some coverage to celebrating the breakthroughs in China-Russia relations.

The sampled articles from *Rossijskaya Gazeta*'s coverage of China over the selected time frame reveal the dominant themes of China's governance and Xi Jinping's engagements. In covering either China's policies or Xi Jinping's statements and appearances, Russian state media appears to serve a PR role for China by informing Russian and Russian-speaking readers of China's new governance directions, praising and celebrating China's policy successes, and reporting on Xi Jinping's meetings and public addresses. The coverage of China's domestic governance often carries at once a declarative and celebratory tone. Story titles include: "China is the world leader in the pace of air filtration,"³⁴ "China has conquered children's dependency on video games,"³⁵ and "The Chinese Communist Party has led its country towards rejuvenation."³⁶

In reporting on China's policy accomplishments, *Rossijskaya Gazeta* tends to emphasize its achievements across different policy arenas, from rural poverty alleviation to technological innovation to environmental governance, to

global financial reach, amongst others. An article in a form of a letter to one younger self, for instance, published in January 2023,³⁷ tells a story of a young Chinese woman who experienced childhood poverty. She writes that in 20 years the small mountain village where she grew up “transformed completely, and there have been tremendous changes in people’s everyday life.” The positive changes mentioned include online shopping, better nutrition, and food deliveries, particularly, from other parts of China and from abroad, improved housing with air conditioning and heating, and transport infrastructure, e.g., an airport and high-speed rail. “Today, 20 years later, us, our village, our town, and our country, everything is becoming better,” concludes the article.

At times, the articles also highlight how China’s rise is being recognized globally. An article from August 2022, for instance, notes that the majority of respondents in a recent public opinion poll from 22 countries highly value China’s developmental accomplishments, with a special focus on its economic performance.³⁸ Another piece from November 2022 claims that overseas youth showed support for China’s development concepts, also quoting an opinion poll with respondents from 30 developed and developing countries.³⁹ This article further explains that among China’s achievements over the last 10 years, the respondents named economic development, sci-tech progress, and PRC’s growing international status. One more piece from the same date is titled “China’s Global Development Initiative received strong support from serious international organizations, including the UN.”⁴⁰ It quotes Antonio Guterres, the Secretary-General of the United Nations, as saying that “China has become the most important pillar of multilateralism and an irreplaceable, trustworthy force for the establishment of world peace and the development of countries.”

Moreover, *Rossiiskaya Gazeta* extensively covers Xi Jinping’s addresses and meetings, both domestic and international. Internationally, reports cover, for example, Xi’s 2022 state visit to Saudi Arabia, including bilateral meetings with leaders of Yemen, Oman, Bahrain, and Lebanon, as well as his remarks at the first China-Arab States Summit and the China-Gulf Cooperation Council (GCC) Summit.⁴¹ Across Xi’s domestic engagements, *Rossiiskaya Gazeta* published quotes from his 2023 New Year address, from the speech marking 25 years of Hong Kong’s return to PRC in July 2022, as well as from reports about the 20th CPC National Congress in October 2022.⁴²

Across its China coverage, *Rossijskaya Gazeta* relies heavily on either the joint news application, introduced earlier, or on Chinese state media and official sources. The Russian sources used include federal-level media, Russia's official agencies, such as the Ministry of Economic Development, academic institutions, state representatives, and major companies. Non-official societal voices are largely absent in this coverage, as is any mildly critical or investigative take on China-Russia relations or on China's domestic policymaking.

The analysis of sampled coverage of Russia in *Renmin Wang* finds that Russia is most often invoked in the context of Russia's war with Ukraine— not surprising given that this conflict occupied much media attention over the past year. China's coverage does not directly endorse Russia's position or actions in Ukraine, but it does indirectly legitimize it by emphasizing the responsibility of the West, especially of the United States throughout this conflict, and by significantly channeling Russia's official voices and positions, including on controversial issues like the accusations about US biolabs in Ukraine.

The framing of the West, and especially of the United States as the key actor in this conflict permeates the sampled coverage throughout the past year. In the earlier months of the war, the focus was on NATO (and the US as the core member) as pushing Russia into the conflict. An article published in May 2022, for instance, features a cartoon with a Russian and Ukrainian bear lying side by side, and an eagle, symbolizing the United States, hovering over it and extending a sharp knife to the Ukrainian bear, presumably to attack Russia. The article argues that in the current situation of Russia and Ukraine evolving from being neighbors to resorting to arms, one cannot separate out the US "contribution."⁴³ The author further writes that the US quest for hegemony and "absolute security" has led to it using every means to encircle Russia. The United States has at once pressured Russia's regional security, and supported Ukraine's color revolutions that have tilted Ukraine's position against Russia, according to this article. Ukraine, therefore, in this case, is presented as an unfortunate victim of US geopolitical strategy, rather than of Russia's regional ambitions. Other articles around the same time period feature the arguments of critical US scholars, such as John Mearsheimer, who famously claimed that the root of the conflict between Russia and Ukraine is NATO.⁴⁴

As the conflict progressed the reporting shifted from explaining the origins of the conflict to explaining its prolonged nature, blaming the United States and

the West at large for inflaming tensions by providing immense ammunition to Ukraine, as well as for global economic costs of sanctions imposed on Russia. As for prolonging the war, an article from December 2022, for instance, notes that the United States and the West continue to “add oil to the fire” (*gonghuo jiao you*), citing a Russian expert who argues that the United States plays a critical role in providing ammunition and military intelligence to Ukraine.⁴⁵ Other articles also critique Western sanctions imposed against Russia for exacerbating an economic crisis. An article from September 2022, for instance, notes that Western sanctions have created the blockage of grain imports into African countries that are heavily dependent on buying grain from Russia and Ukraine. The article gives an example of Kenya as facing an especially dire situation of food security as a result of the current crisis that followed several years of very dry weather that cut the domestic grain yield by nearly 80 percent.⁴⁶ In other *Renmin Wang* writings, the United States is also blamed for dysregulating the global costs of natural resources around the world.⁴⁷

Other than emphasizing Western and especially the US responsibility in this conflict, *Renmin Wang* reporting also indirectly bolsters Russia’s position by granting significant space to Russian official voices and perspectives in its coverage, thereby giving “discourse power” to Russia in Chinese media. The most blatant channeling of Russia’s narratives is manifested in articles about US biolabs in Ukraine. An article from July 2022, for instance, is titled as “Russia’s Minister of Foreign Affairs: There is no evidence that showcases that the US military’s biological labs in Ukraine are of peaceful nature.”⁴⁸ Another title around the same time reads as “Russia issues more evidence of US biological labs in Ukraine.”⁴⁹ In more routine reporting of the evolution of the conflict, *Renmin Wang* tends to give significant space to Russia’s perspectives and official voices. Reporting on perspectives from Ukraine tends to be balanced with Russian voices, whereas reports on Russian voices are not always complemented by perspectives from Ukraine. On major developments, such as the bombing of the bridge in Crimea, Russian voices are consistently prioritized. Some reports also appear to directly communicate Russia’s messages to other countries. In an article from June 2022, for instance, Russian officials issued a warning that Europe will face the consequences for the gas embargo.⁵⁰ In another article, *Renmin Wang* features Russia’s vice-foreign minister as warning the West to stop politicizing the grain issue.⁵¹

Overall, China's coverage of the Russia-Ukraine war tends to indirectly bolster Russia's position by highlighting the responsibility of the West (and namely the United States) throughout the period of the conflict, and by channeling Russia's narratives and perspectives, including in spreading rumors about US bioweapons and issuing warnings to the West. As such, without directly endorsing Russia or praising its actions, this coverage deflates Russia's responsibility and strengthens its discursive power.

Other than reinforcing each other's official narratives, mutual coverage in Chinese and Russian state media outlets also focuses on China-Russia relations. Both outlets cover bilateral meetings between their respective high-ranking officials. For example, over the sampling period, *Renming Wang* covered Li Zhanshu, the head of the China's legislature, meeting with Putin and other Russian officials during his visit to Russia in September 2022⁵² and Russia's Ambassador to PRC Morgulov meeting with Heilongjiang province officials in January 2023,⁵³ while *Rossiiskaya Gazeta* published an article on Li Zhanshu meeting with Andrey Denisov, Morgulov's predecessor as Russia's Ambassador, in September 2022.⁵⁴

The coverage in both papers also includes some stories of successful dimensions of bilateral relations, with Russian media placing a more pronounced emphasis on this theme. *Rossiiskaya Gazeta* emphasizes the implementation of joint agreements, such as the resumption of a visa-free regime in February 2023,⁵⁵ and underscores the future potential of strengthening bilateral ties through statements of high-level officials on both sides, but especially from Chinese counterparts. A number of these articles are almost entirely dedicated to publicizing the statements and interviews with Chinese officials. An article from October 2022, for instance, extensively quotes the Chinese ambassador to Russia on his view on China-Russia relations. "Sino-Russia relations have entered the best period in history and are characterized by the highest level of mutual trust, the highest degree of interaction, and the greatest strategic significance," reads the Ambassador's quote in *Rossiiskaya Gazeta*.⁵⁶ Some of the articles are also aspirational, highlighting the future prospects of China-Russia relations. In April 2022, for instance, *Rossiiskaya Gazeta* again quotes the Chinese ambassador as reassuring Russian businesses about the continuous demand for Russian goods on the Chinese market.⁵⁷ Overall, Russia-China relations are portrayed as

thriving across multiple domains, from people-to-people ties, to trade, to border relations, amongst other areas.

The coverage of China-Russia relations in *Renmin Wang* focuses primarily on trade and economic cooperation between the two countries, especially in border regions, and tends to place this cooperation into the broader context of China's economic engagements. An article covering Xu Qin, Party Secretary of Heilongjiang, trip to the border city of Heihe, where he visited different infrastructure objects. Among these objects is the China–Russia East-Route Natural Gas pipeline (Power of Siberia), which the article calls “a landmark achievement of the strategic collaboration between China and Russia in the field of energy.”⁵⁸ The article quotes Xu Qin, as stressing the need to deepen pragmatic cooperation between China and Russia in the field of energy. Another piece on trade expansion of China's Heilongjiang province⁵⁹ mentions Russia as one of the top three trading partners of Heilongjiang and gives the imports and exports data. Another piece, titled “Russian experts: China will remain the engine of global economic growth,”⁶⁰ puts cooperation with Russia into a larger context of China's economic development.

The analysis of how two major national media outlets, *Rossiyskaya Gazeta* and *Renmin Wang*, cover China and Russia respectively, demonstrates that the media play an important role in channeling, synchronizing, and legitimizing mutual official narratives on both sides. In the case of Russia's reporting, the dominant theme is that of China's success story, with Russian journalists vocalizing and at times directly transmitting China's official narratives about its multifaceted accomplishments. In the case of Chinese media coverage, the focus is less so on Russia's domestic breakthroughs, but more on echoing Russia's official rhetoric about the war in Ukraine. This is apparent in *Renmin Wang's* persistent emphasis on the West (and the United States) as the culprit in this conflict, as well as in the conflict coverage disproportionately featuring Russian official voices and perspectives. Both media outlets also cover bilateral official meetings and more broadly, China-Russia relations, though the tone is more targeted and optimistic in the case of the Russian press—a distinction that may be linked to Russia's growing isolation during the war and the need for external legitimation through China partnership. I discuss some of these asymmetries in more detail in the next section on limitations.

Limitations and Frictions in China-Russia Media Partnership

Despite the increasing bilateral convergence in the information domain, the China-Russia media partnership also features some limitations, including the sporadic and uneven nature of the collaboration, limited coordination at the global or external level of communication, and the gaps between the official and unofficial focus of communication efforts.

As for the irregularity in China-Russia media engagements, tracing of bilateral media events over the past two decades, reveals a concentration of activities during specific years, followed by fewer encounters in others. The 2015–16 China-Russia Media Years, for instance, witnessed a flurry of events and bilateral agreements. The intensity of engagement then significantly waned from 2016 to 2019 and peaked again in 2019 with a slight increase in the number of bilateral events. However, due to the global outbreak of COVID-19, this peak point did not last long, and 2020–2021 saw a cooperation decrease. Even though some of the collaboration formats migrated online, cooperation has not returned to the pre-pandemic levels as of now, and major forums have been paused. Initially planned for 2020, the Sixth China-Russia Media Forum, for instance, has not been held as of June 2023. The China-Russia Internet Media Forum was held online in 2020 and 2021 (the fourth and the fifth one) but did not convene in 2022.

The implementation of joint pronouncements made as part of the Subcommittee meetings has also been relatively uneven, with more success delivered in content placement, hosting large-scale events, and synchronizing media narratives, but fewer outcomes recorded when it comes to joint production of content, especially in film and cultural spheres. Unlike China's co-production with Hollywood, moreover, the few films produced had limited popularity amongst viewers in both China and Russia.

The uneven ties are also manifested in notable asymmetry in power dynamics between China and Russia. The analysis of co-production and media coverage, in particular, suggests that China may be reaping more gains from this partnership. For instance, as discussed earlier in the paper, China-Russia content placement agreements allowed for large-scale Chinese broadcasting footage to be transmitted not only to Russia, but also to former CIS countries, and globally. China also managed to place political and arguably

ideological content on popular Russian TV. Russian broadcasting content, in contrast, has more limited diffusion in China and introduces largely soft cultural and entertaining stories to Chinese viewers. The mutual media reporting also features some power asymmetries, with Russian media publishing more explicit pro-China content than vice versa, and more forcefully underscoring the strength of the China-Russia relationship in comparison to more limited and generic pronouncements made in Chinese media. These power dynamics mirror the larger asymmetry in China-Russia relations, including in economic, security, and geopolitical spheres.⁶¹ While the official aim of strengthening the bilateral media ties is that of bolstering and legitimizing the Sino-Russian relationship, in practice, media encounters also mirror its underlying frictions and inequities.

Other than the uneven developments in China-Russia media engagements, another limitation is their emphasis on coordination in domestic, rather than external contexts. While both regimes regularly proclaim their resistance to Western hegemony and the importance of rebalancing the global geopolitical order, when it comes to joint information and media governance, the pronouncements and initiatives are mainly of bilateral nature or focused on each other's public opinion environments. The analysis of available documents from Subcommittee meetings, as well as of co-production agreements and initiatives finds that generally, the focus is on creating a shared public opinion environment that's supportive of closer China-Russia relations. When it comes to constructing joint narratives for global audiences, it appears to take on a more episodic and opportunistic form, as in the case of Chinese media's anti-Western emphasis in its coverage of the war in Ukraine. Some scholars, like Berzina-Cerenkova, further find that in their external communication China and Russia often ignore each other, especially when it comes to promoting their regional initiatives like the Belt and Road and the Eurasian Union.⁶²

Finally, China-Russia media initiatives primarily center on official-level communication, involving major national-level state-owned or state-affiliated media that emphasize official sources and pronouncements. Little effort is made to create linkages across media outlets and platforms at the subregional level, as well as to facilitate communication ties in popular culture by bringing together popular social media influencers, writers, and other influential groups that are not directly associated with the government. As a result, the

efficacy of these media connections when it comes to building favorable public opinion environment remains uncertain. State-to-state media ties play the role of signaling mutual official policies and shared stances, but whether they manage to shape public perceptions and build deeper trust amongst Chinese and Russian publics requires further investigation.

Conclusion: Implications and Policy Recommendations

This study underscores both the deepening of bilateral ties, especially in terms of developing shared public sentiments, as well as the limitations of this relationship in the information domain and beyond. The strengthening of China-Russia joint information management, uncovered in this analysis, underscores the strategic importance of this relationship for Chinese and Russian elites. A major orientation of joint collaboration in the information realm is that of shaping domestic public opinion on both sides in favor of this relationship, and as such to also, indirectly, sway the public away from the West and Western aspirations. Recent public opinion surveys in both countries suggest that mutual sentiments have moved in a more positive direction. In the case of Russia, a 2021 joint survey by the Chicago Council on Global Affairs and the Levada Analytical Center, reveals that nearly 74 percent of surveyed Russian citizens had a favorable view of China, and the majority shared that “respect for China has grown compared to 10 years ago.”⁶³ In the case of China, a public opinion survey conducted by the U.S.-China Perception Monitor months after Russia’s invasion of Ukraine, found that the majority of Chinese respondents thought that supporting Russia in this war is “in China’s national interest,” though this support was understood more as giving moral reassurance than as provision of arms to Russia.⁶⁴ The growing synergies in joint media narratives, powered by the establishment of networks between Chinese and Russian state media journalists, have likely played a role in shaping Chinese and Russian publics in favor of stronger China-Russia ties.

At the same time, the findings presented in this policy paper also underscore that we should be cautious about not overestimating the potency of China-Russia relations when it comes to their joint coordination and dissemination of disinformation and propaganda aimed at global audiences. As noted above and throughout the paper, the main target of China-Russia information

coordination efforts is the domestic front, with less effort thus far dedicated towards external messaging coordination. In the context of Russia's war in Ukraine, for instance, Russia and China don't appear to spread coordinated campaigns in strategic regions, such as the Global South, though some of their anti-Western narratives can overlap and complement each other.

The analysis in this paper also highlights the importance of power asymmetry as a defining feature of China-Russia relations. China-Russia information partnership, thus far, appears to bring bigger gains for China. Russian media produces and airs more political pro-China content than vice-versa, and China is able to reach a wider post-Soviet audience through media partnerships with Russia. This asymmetry in the symbolic domain echoes China's growing sway over Russia in other sectors, including in economic and geopolitical domains.

This paper offers several core recommendations to US policymakers. First, US government agencies, especially the State Department's Global Engagement Center, should invest in supporting Chinese and especially Russian journalists in exile to craft alternative narratives about China-Russia relations. Partnering with and sponsoring projects of NGOs, such as Global Voices, which have long-established ties with media professionals and journalist activists from both countries would be most effective.

Russia's invasion of Ukraine has led to a large-scale exodus of Russian media professionals. These journalists and some of their outlets, like *Meduza*, now operate from Europe and still have a large following within Russia, which could be utilized to shape public opinion about China and China-Russia relations. On the Chinese side, newly formed exiled HK media and some individual mainland Chinese journalists currently operating outside of China could also be targeted for the production of alternative narratives about Russia, Russia-China relations, and Russia's war in Ukraine. Ideally, more critically minded Chinese and Russian journalists would be gathered together to brainstorm joint ways of shaping public narratives.

Second, the Global Engagement Center and other institutions involved in public diplomacy should deepen engagements with more independent-minded media professionals in post-Soviet space. Considering China's increasing penetration of local media networks with the help of Russian media platforms, it is critical to craft and disseminate alternative narratives about China in

Russian-speaking countries, especially in Central Asia, where Chinese soft power is becoming influential.

Third, whereas it's important to call out China-Russia joint disinformation when it happens, it is equally critical to publicly and privately communicate the rifts in China-Russia messaging. Highlighting the asymmetry in China-Russia ties, in particular, exposes the fragility of this partnership and helps break the illusion of coherent and expansive China-Russia geopolitical block.

Finally, the State Department (and especially the Global Engagement Center) should adopt the framework of this study (i.e. institutionalization, socialization, co-production, and narrative synergies) to map out China's information politics in other contexts. A global mapping would help illustrate where China has invested more heavily in building information collaborations that could further guide more targeted policy choices.

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Notes

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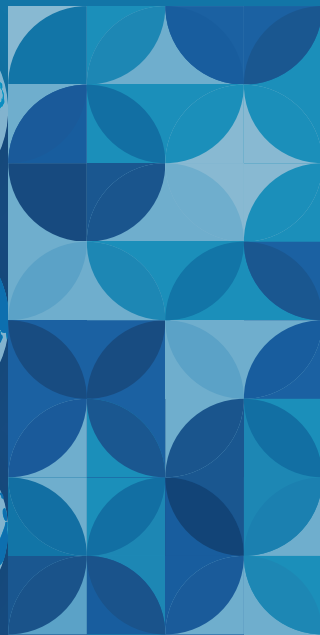
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Ecological Civilization Goes Global: China's Green Soft Power and South-South Environmental Initiatives

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Abstract

China's involvement in Global South environmental and development issues is reshaping 21st century environmental governance. This report examines China's green soft power through multilateral and bilateral environmental initiatives and exchanges. It draws on interviews and fieldwork conducted during the COP-15 UN Convention on Biological Diversity and in Southeast Asia on environmental exchanges with China-based organizations. The report finds that China's environmental leadership in multilateral arenas has progressed significantly over recent decades as exhibited by successfully advancing the Kunming-Montreal Global Biodiversity Framework. However, the report finds China's ability to influence international actors to adopt shared values and positive associations to China is limited. The report, furthermore, examines case studies of state-state exchange in Thailand and civil society exchange in Indonesia. In each case, Chinese organizations provide essential support to advance local environmental goals. These exchanges, however, exhibit limited influence in shaping values and attitudes toward China, in part, because the field of international environmental exchange is highly saturated, particularly with international and Global North organizations. This indicates that China's green soft power, while on the rise globally, remains relatively weak. The report concludes that the relative weakness of China's green soft power is attributable to strong political economic alliances with Global North countries and international organizations, as well as China's fragmented authoritarian governance, which limits governance effectiveness in international environmental arenas. Rather than viewing green China rising as a threat, China's emerging environmental leadership harbors potential for enhancing international collaboration. Policymakers and civil society organizations can engage with Chinese organizations and emerging conservation networks in the Global South to work toward shared environmental goals and enhance global environmental governance.

Policy Implications and Key Takeaways

- China is ushering in a new era of environmental leadership. Financial resources and human capital should be mobilized by policymakers to identify common goals and interests that advance international cooperation and environmental stewardship. Conserving biodiversity and

mitigating climate change are essential to global security and peaceful international relations in the 21st century.

- Ecological civilization building is not only a political discourse in China, but a vision for global environmental change toward a socio-naturally optimized state of being. While the cognitive resonance of the discourse is strong with some people, it remains limited globally. It is imperative for policymakers and environmental practitioners to deepen their understanding of Chinese concepts of global environmental change, rather than viewing them as a threat. Furthermore, it is crucial to research and critically scrutinize environmental exchanges operating under this rubric to assess the processes involved and their socio-environmental outcomes.
- China's South-South environmental initiatives are not wholly directed by the state. Rather, there are numerous state, private, and civil society projects with distinct, yet occasionally overlapping goals. At times Chinese organizations compete with one another. Other times they cooperate. US engagement from policymakers and non-governmental actors should identify and capitalize on opportunities for cooperative exchanges with Chinese organizations to support conservation across Global South contexts.
- Policymakers should provide resources and programs to pluralize the types of organizations involved in Global South conservation. Moreover, training and tools should be developed for partner organizations to work more effectively in international environmental exchange and scientific knowledge sharing. Because one-size-fits-all models tend to be ineffective, flexibility and attention to locally-specific factors are crucial for successful socio-environmental outcomes.
- International environmental collaborations should be enhanced and new collaborations forged in effort to define and achieve shared global environmental goals. US institutions and civil society groups, such as NGOs, as well as universities, should seek collaborations with Chinese organizations and other international organizations through a variety of cooperative programs.

Introduction

China is ushering in a new era of environmental leadership domestically and globally. From 2014 onward, the Chinese Academy of Sciences began working toward a comprehensive functional zoning program referred to as ecological redlining.¹ In 2020, China initiated a national park system with ten national pilot sites. Regionally, policies were adopted for enhanced protection of wetlands along the Yangtze River,² as well as migratory bird habitats in coastal regions.³ Scholarly work has aptly drawn attention to how domestic conservation efforts solidify state power while reorienting citizens' relationships to land, livelihood, and everyday life.⁴ However, it is crucial to differentiate between what China does domestically, in regard to the environment, and what it does internationally.

Internationally, China has initiated a wide array of green development, infrastructure, and conservation initiatives, particularly in Global South contexts. China's signature international investment and infrastructure program, now referred to as the "Belt and Road Initiative" (BRI) has undergone a process of "greening,"⁵ which often benefits Global South partner state interests.⁶ Tyler Harlan and Juliet Lu have provided a typology of green cooperation with BRI partner countries, including environmental trainings, dialogues, research, and development projects. Importantly, Harlan and Lu also show that many of these cooperative forms are not new at all. Instead, they are long-standing programs that are being reframed as green "to strengthen China's environmental leadership and soft power."⁷ One way in which cooperative programs enhance China's interests is through the use of state finance to support green BRI developments, like hydropower and renewable energy projects.⁸ Weila Gong and Joanna Lewis, in contrast, differentiate between direct engagements that influence green BRI project outcomes and indirect engagements that shape policies and investment practices.⁹ Analyzing, what could be considered, direct engagements and capital interests, Jessica Liao argues that the use of Chinese state capital to forge BRI coalitions constitute green mercantilism as Global South countries support Chinese state interests through project-based cooperation.¹⁰ In addition to forms of green cooperation and green mercantilism along the BRI, China has taken on key leadership roles in global environmental forums, most notably through serving as president of the United Nations Convention on Biodiversity.

During 2021, the city of Kunming hosted part one of the 15th UN Biodiversity Conference, followed in 2022 by part two in Montreal co-hosted with Canada. The conference was thematically titled “Ecological Civilization: Building a Shared Future for All Life on Earth.” Ecological civilization building is a vision of global environmental change toward the optimization of socio-natural relationships. Further, it has been the Chinese state’s way to differentiate its sustainable development trajectory from that of the West.¹¹ Domestically, however, ecological civilization building has been a key part of the party-state narrative that asserts China as a leader in environmental sustainability, thereby contributing to the solidification of state power¹² and the pacification of a beleaguered citizenry tired of living with pollution.¹³ Internationally, in venues like the UN Biodiversity Conference, Chinese delegates drew on ecological civilization to project a *global* sustainable development trajectory. China is endorsing ecological civilization building on the global stage through existing multilateral platforms and its own institutional channels. President Xi Jinping, for instance, pledged 230 million USD to fund biodiversity conservation in developing countries through the Kunming Biodiversity Fund (KBF)—a Chinese state-funding mechanism that sits outside of the Global Environment Fund (GEF), which is the world’s largest biodiversity-focused environmental fund governed through multilateral cooperation.

As examined below, China led the UN delegates toward adopting a new global biodiversity framework, which calls for 30 percent of the planet to be set aside as protected areas.¹⁴ How will such large-scale conservation interventions transform environmental governance around the world? How has China’s environmental leadership in global arenas progressed to bring new global environmental governance goals into being? Do China’s efforts to make ecological civilization a “shared future for all life on earth” strengthen China’s soft power internationally? Likewise, do China’s bilateral South-South environmental initiatives, spearheaded by the state and civil society, strengthen China’s influence abroad? These questions are particularly important for the Global South, where China is investing heavily and spearheading numerous environmental initiatives. Furthermore, these questions are of key importance for US policymakers in considering how to reorient environmental policies and international cooperative exchanges on the environment in a multipolar world.

As ecological civilization goes global, it is crucial to examine the role of China's environmental initiatives on the global stage. In this report, I examine *green soft power* through China's global environmental leadership in multilateral forums and bilateral South-South environmental exchanges. In conceptualizing green soft power, I place scholarship on soft power in conversation with green discourses and practices.¹⁵ Joseph Nye, describing changing power relations in the post-cold war era, coined what he called "soft power" as a process wherein "one country gets other countries to *want* what it wants" through influential means "in contrast with the hard or command power of *ordering* others to do what it wants"¹⁶ In this sense, soft power operates by producing the effects desired by a given state through persuasive communicative means rather than so-called 'hard' actions like coercion, threats to use force, or violent action. Drawing on the soft power concept, Maria Repnikova details fluid practices "whereby material resources and motivations tend to intermingle with political and cultural ones" to reach the minds of "target audience[s]... both domestic and international."¹⁷ Repnikova argues that international communication and educational programs embedded in Confucius Institutes facilitate what she calls "Chinese soft power"—particularly in African countries like Ethiopia. Harlan and Lu, as noted above, have brought attention to the possibility of China's soft power operating through environmental trainings, dialogues, research, and development projects.¹⁸

Building on these insights, I define green soft power as expressions constituted in relation to environmental discourses and practices that influence actors to adopt shared values, goals, and positive associations to a given country. Based on cases of multilateral and bilateral environmental exchanges, I argue that while China's green soft power is growing globally it remains relatively weak. It is particularly weak relative to Global North countries and international organizations. To clarify, this argument pertains to the specific cases examined in the study. These include two cases of bilateral exchange, state-state exchange in Thailand and civil society exchange in Indonesia, as well as multilateral exchange through the COP-15 UN biodiversity conference, analyzed below. In other cases of bilateral or multilateral environmental exchange, however, one may find alternative articulations of China's green soft power. Indeed, additional studies across regions, countries, and exchange platforms are needed for a more holistic accounting of China's green soft power.

Furthermore, I argue that the relative weakness of China's green soft power is attributable, in part, to strong political economic alliances with Global North countries and international organizations, as well as China's fragmented authoritarian governance, which limits governance effectiveness in international environmental arenas. A consequence of fragmented governance is that China's global environmental initiatives do not elicit uniform responses in partner countries. Despite fragmentation, the Chinese state has achieved great strides in multilateral environmental leadership, as evidenced by their successful brokering of a post-2020 Global Biodiversity Framework and the resonance of China's home-grown concept of "ecological civilization" with some UN delegates, as discussed below.

It is crucial to recognize that China's green soft power operates through bilateral transactions ensconced in competition and cooperation. After all, scholarship has shown that bilateral environmental cooperation is permeated by competing domestic interest groups, such that China's domestic politics become entangled with international relationships.¹⁹ Environmental cooperation entails a process of exchange often manifesting in a "project," or in other words shared goals approached through spatiotemporally limited cooperative activities. A project may be a community-supported conservation pilot area, an environmental plan, or a green fund, just to note a few examples. Environmental projects inevitably serve the ends of both partners. And not infrequently, environmental projects open the door for Chinese economic investment. Financial resources are abundant in China. So too are China's scientific expertise and reservoirs of data. In environmental exchanges, sound scientific practices and data are often the currencies of the realm.

As both financial capital and scientific expertise are in high supply within China, there is incredible domestic competition, across sectors and scientific fields, for international partners. Among highly competitive domestic environmental arenas, there are also instances of cooperation. A crucial feature of China's green soft power, therefore, is that it can manifest through environmental projects, which are not necessarily centrally orchestrated by the state but rather emerge from an amalgam of domestic competition and cooperation. The resulting projects serve the interests of local partners and the Chinese partner organizations who successfully forged partnerships abroad.²⁰ It is crucial to emphasize that Chinese organizations, whether

state, private or civil society, are at times in competition with one another for Global South partners and at other times they cooperate to advance shared goals. With limited space in this report, I will highlight one example below to illustrate this point.

In what follows, I examine green soft power through interviews with UN delegates before, during, and after the COP-15 biodiversity conference, as well as interviews and observations with those involved in China's environmental exchanges in Southeast Asia. After detailing the methods of the study, the report examines China's leading, albeit contested, role in producing the Kunming-Montreal Global Biodiversity Framework. The report contends that this event marks a watershed moment in China's international environmental leadership. Yet, the report also indicates limitations to the influence of "ecological civilization" among UN delegates. China's green soft power in this multilateral arena, therefore, is limited in scope and extent. The report further examines cases of bilateral environmental exchange between Chinese and Thai state actors involved in marine spatial planning in the Gulf of Thailand, as well as civil society exchange between environmental NGOs based in China and those in Indonesia on community-based mangrove conservation. In each case, Chinese organizations provide crucial support to advance local environmental goals. Hence, these cases of bilateral exchange exhibit a degree of influence as the projects contribute to defining and pursuing shared environmental goals. But they also reveal limitations of influence, particularly when compared to international and Global North partners.

Research Methods

The data in this report comes from mixed methods including interviews about environmental initiatives and exchanges, as well as participant and non-participant observations from July 2022 to July 2023. To be definitionally clear, an environmental exchange, in this context, refers to a cooperative mechanism that brings together at least two different organizations around given practices, scientific endeavors, or market platforms explicitly aimed at addressing environmental issues. An environmental initiative is the process by which environmental exchanges initially proceed and the rubric under which they continue. I conducted interviews before, during, and after the UN

COP 15 Biodiversity Conference with delegates from various regions of the world. Interviews were conducted both in person and remotely. These interviews focused on perceptions of China's environmental leadership and the goals of delegate-affiliated organizations. I also participated in the conference. Additionally, I conducted interviews and fieldwork in Thailand and Indonesia including attending environmental exchange meetings and accompanying relevant parties on site visits. Interviews in Southeast Asia spanned representatives from local state, civil society, and scientific communities engaged in China's environmental exchanges, as well as representatives from Chinese organizations. All interviews are anonymized.

I chose a case of state-state exchange in Thailand surrounding marine spatial planning and a civil society exchange in Indonesia surrounding community-based mangrove conservation to have a comparison between state and civil society environmental exchanges. In Thailand, I conducted site visits and interviews with national-level and local-level environmental ministries in Bangkok and Chonburi. Furthermore, I accompanied local scientists and environmental ministry representatives during participatory planning sessions on marine spatial planning. In Indonesia, I visited conservation sites and environmental NGO offices in Jakarta and Bandung. I interviewed representatives from Indonesian environmental NGOs partnering with China-based environmental NGOs on community-based mangrove conservation. I analyzed the findings from interviews and field observations alongside a comprehensive literature review.

One might expect that state-led exchanges would be more effective than either civil-society-led or multilateral exchanges and, therefore, produce stronger articulations of green soft power. As illustrated below, however, I found that state-led, civil-society-led, and multilateral environmental exchanges all produced forms of green soft power. Yet, each expression was articulated through professional and interpersonal engagements, as well as political circumstances specific to a given case. The environmental exchanges examined below, contributed to shaping shared values, goals, and associations toward China. However, each case also revealed limitations to positive associations and shared values indicating that China's green soft power, while on the rise globally, is delimited in ways contingent on the political context and relative subject positions of those engaging in environmental exchanges.

In the following sections, I first examine China's environmental leadership and the resonance of ecological civilization building at the UN COP-15 conference. Then I examine two cases of environmental exchange, a state-state exchange in Thailand and a civil society exchange in Indonesia. I conclude by discussing the key findings and policy recommendations.

China's Global Environmental Leadership: Progress and Limitations

China has become a global environmental leader, particularly regarding climate change and biodiversity governance. The transformation has been incremental. After being widely blamed by Western media for disrupting negotiations during the 2009 Copenhagen UN Climate Change Conference,²¹ China has developed extensive programs in environmental knowledge sharing to support Global South biodiversity conservation, climate adaptation, and green energy transitions.²² By exporting Chinese finance and expertise to countries in Asia, Africa, and Latin America, China is building networks with Global South countries and facilitating practical environmental work internationally.²³ Such exchanges, discussed in this section and those below, contribute to China's green soft power.

One means of environmental knowledge sharing and exchange is the China South-South Climate Cooperation Program. China is sharing knowledge regarding ecosystem management and restoration campaigns with developing countries, as well as its technocentric approach to engineering nature, increasingly referred to as "nature-based solutions." As Jeffrey Qi and Peter Dauvergne discuss, although nature-based solutions have been present for decades, they have only become mainstream in recent years.²⁴ Nature-based solutions refer to the idea that humans can engineer ecosystem relations to solve environmental and societal problems, such as climate change and biodiversity loss. A key shift in this environmental discourse came in 2019, when China and New Zealand spearheaded the nature-based solution tract at the UN Climate Change summit. Instead of thinking simply about sequestration or mitigation, nature-based solutions include energy transitions toward green and renewable sources such as large-scale afforestation projects. For example, China is providing technical support to build the "great green wall" in the

Sahara and Sahel in North Africa—a program that mirrors China’s “three north shelter belt,” a project colloquially referred to in Chinese as the “great green wall.”²⁵ These projects have developed through decades of engineering desert landscapes.

Alongside these material transformations is the repositioning of China as an environmental leader within developing countries. Knowledge sharing,²⁶ scientific exchange, and promotion of China’s environmental models, such as ecological redlining—a comprehensive functional land zoning and ecosystem management technique—as solutions for Southeast Asian conservation,²⁷ are some of the ways China’s green soft power finds expression. These examples further index how China’s environmental leadership is shaping global environmental governance. The shift in leadership emerged from multi-decadal processes through which China incrementally honed environmental leadership capabilities.

Zhou Enlai was China’s first representative to a UN environmental event, attending the 1972 Conference on the Human Environment, held in Stockholm, Sweden. Despite Zhou’s reputation as a one-man diplomatic charm offensive,²⁸ China’s early leadership on the environment was muted by geopolitical tensions with the West and widespread reservations to ally with socialist states. A substantial shift in China’s leadership in the global environmental policy arena emerged from the 1992 United Nations Conference on Environment and Development (UNCED)—sometimes called the Earth Summit—in Rio de Janeiro, particularly surrounding the principle of Common but Differentiated Responsibilities (CBDR). The CBDR principle holds that while all countries are responsible for environmental destruction, some countries, in particular Global North countries, have contributed the most to environmental disrepair and therefore should bear larger financial and practical responsibility.

While CBDR was widely debated in Rio de Janeiro, the discourse has roots in earlier discussions spearheaded by China’s alliances with Global South countries. One of the main diplomatic issues in China gaining common ground with Global South countries was the transferring of financial resources and technologies from the Global North to the Global South for addressing environmental crises.²⁹ This position was spearheaded under China’s leadership. In 1991, before the 1992 Rio Convention, China released a Beijing

Ministerial Declaration on Environment and Development, which framed the key issue of the UNCED as the transfer of financial wealth and technology from Global North to Global South. China, at the same time, advanced the notion of starting a “Green Fund” to be managed with equitable representation from the Global North and South to assist with environmental and development issues in developing countries, but with the majority of finance capital coming from Global North countries.³⁰

Another rallying point for China-South relations was the issue of natural resource sovereignty. China supported unfettered national sovereignty over Global South natural resources, such as forests, while Global North representatives, in contrast, emphasized that forests ought to be managed as a global commons for the benefit of humankind.³¹ Competing arguments regarding uneven responsibilities for restoration and who should bear the costs of conservation are iterative. They remain sites of struggle to this day. China’s role in spearheading CBDR, however, serves to denote China’s rising capability to express moral leadership in global environmental arenas and forge alliances with Global South partner states. Therefore, it serves both as an example of China’s green soft power and a moment of incremental progress for China’s environmental leadership as evidenced by its ability to popularize a new conceptualization of differentiated responsibility in global environmental governance.

China’s global environmental leadership has continued to transform over time, most recently with a field-redefining display during the COP-15 Convention on Biological Diversity. The COP-15 conference marked the first time in history that China acted as president over a major UN environmental conference. Huang Runqiu, of the Ministry of Ecology and Environment, served as the President for COP-15. No less significant was the conference agenda, which entailed a new global biodiversity agreement to replace the 2010–2020 Aichi targets. To frame this process, China’s homegrown concept of “ecological civilization building” was chosen as the theme of COP-15.

The concept of ecological civilization building emerged through global exchanges of China’s premier scientists across Marxian political economy, systems science, and ecological economics.³² Drawing on multiple ideas across disciplines, ecological civilization came to connote a socio-technical imaginary³³ wherein humanity achieves a future state of socio-natural optimization and sustainable development.³⁴ Xi Jinping and the upper echelons of the

CCP often draw on ecological civilization in their political rhetoric in effort to differentiate China's approach to environmental governance from that of the West and to frame China as a global environmental leader. The Director of the UN Environment World Conservation Monitoring Center, speaking after the initial announcement of the conference theme, said "ecological civilization not only reflects the essential role that nature plays in underpinning people's lives but also the need to improve our relationship with nature...we are working to help the world re-establish a balance in our relationships with other life on earth and we look forward to continuing to support the development of the future plan for nature."³⁵ Here ecological civilization operates as a strategic narrative that signals global green transformation.³⁶ Hence, within UN environmental platforms the concept of ecological civilization has found high praise, and therefore, expresses a modicum of green soft power.

While choosing ecological civilization as the theme for the UN global biodiversity conference signals a degree of resonance, the reality of how the discourse resonated with delegates during the multi-year conference was more complex and varied. Some international delegates that attended COP-15 found resonance with the concept of ecological civilization, as highlighted below. Others, however, expressed a level of dissonance or even explicitly criticized Chinese leadership for not adequately explaining the concept to a global audience. Interviews with delegates before, during, and after the conference, signal inherent limitations. This indicates that China's green soft power in this multilateral environmental forum, while exhibiting a degree of force to influence actors, is limited in scope and extent.

For example, a high-level civil society delegate based in Africa expressed a significant degree of support for and resonance with ecological civilization. The delegate stated:

We believe in ecological civilization. For those in Africa, for my organization specifically we need to build that and create that awareness...I would say Africa hosts a greater percentage of global biodiversity and a greater percentage of economies dependent on nature. However, our level of civilization is low, so yes, of course we resonate and connect with that theme...There should be a kind of level of civilization—a level of change...That change in behavior must be sustainable and it must be

communicated to the people. It needs to be reflected in government policy and the like. The theme of the conference is very relevant and it's very critical to us (Africa-based High-Level Civil Society Delegate, January 2023).

This expression reflects a UN delegate's substantial resonance with the concept of ecological civilization. Moreover, it shows how this interviewee interpreted the concept and applied it to the localized context in which they work. This example shows that there is a high degree of resonance for some. Other UN delegates to COP-15, however, found that Chinese representatives' efforts to fully explain the concept of ecological civilization were insufficient. For instance, a delegate stated:

Regarding the message of ecological civilization building a shared future for all life on earth, I can see the way that China is trying. I don't think they were successful, because the academics come up trying to explain it, but in China they only listen to the leader. Whatever the leader says, they just repeat the same words. They did not try to explain it to the world enough. So, I still don't think that ecological civilization has been understood right...At this point China didn't explain much so the world is still in confusion. I saw them trying but I saw that their efforts were not very effective (North-America-based High-level Civil Society Delegate, February 2023).

This expression contrasts with that of the aforementioned delegate by claiming that the effort to spread the vision of ecological civilization was limited and ultimately not effective. Comparing these statements indexes regional differentiation in China's green soft power. At this point, it is important to note that the meanings associated with discourses are, by nature, malleable. People may make innumerable personal associations to a given signifier based on how they perceive and interpret it. Interpretation and ascription of valences enhances, and indeed broadens, the relative meanings and values associated with a given discourse. We can see from the latter example, however, that ecological civilization discourse, at times, doesn't leave a substantial impression.

Despite competing reflections from UN COP-15 delegates, China was successful in bringing the world to a new global biodiversity agreement. Some suggest China's environmental leadership and diplomacy was integral to agreeing on a post-2020 Global Biodiversity Framework. In the penultimate day of the conference, China led a session through the night into the early hours of the morning, ultimately confirming a new global biodiversity agreement. In the lead up to the conference, Western news media and advocacy groups portrayed a lack of leadership, as China had failed to lead the parties to an agreed upon framework at that point in time.³⁷ Chinese media, in contrast, framed China's leaders as integral negotiators finding the right balance between competing demands and smoothing out differences behind closed doors.³⁸ At around 3:30 a.m., prior to the final day, without formal objections to the proposed framework, COP-15 President Huang Runqiu consulted with the executive leadership and acted decisively to approve the global biodiversity framework in the face of concerted opposition from the Democratic Republic of Congo (DRC), a country that could have derailed the agreement if they lodged a formal objection. After a politically partitioned applause, DRC representatives began to protest claiming they did not support the agreement. But since they had not lodged a formal objection, the agreement was sustained. In the aftermath of lowering the gavel, China appeared to some as having made a bold and powerful move. Though others claimed they had neglected full consideration of competing interests.³⁹ The following day, China offered a symbolic apology in a handshake with DRC representatives. DRC representatives acquiesced to the global biodiversity agreement. In these diplomatic moves, Chinese representatives brokered a deal for nature by establishing a new global biodiversity framework. They did so with a day to spare in the conference, something uncommon in major UN conferences. COP-15 delegates reflecting on the negotiation process had positive things to say about China's leadership in this environmental arena. One delegate in particular lauded classical philosophical principles of negotiation as crucial to the global biodiversity agreement. The delegate stated:

We can see the wisdom in China. China finds a middle way—not exactly in the middle but a way through the middle. They find a way through which all sides can come together to agree. In Chinese, this is

called ‘the middle way’ (中庸之道). That is a saying that reflects ancient Chinese wisdom. You try to listen to whatever key concerns from each country and community, and that community of key concerns are incorporated into the agreement. There is room for some disagreement but some of them can be dealt with later. I think that wisdom and that determination and willingness to compromise, all of that showed in the leadership practices of China (North-America-based High-level Civil Society Delegate, January 2023).

This statement offers praise for an essentially Chinese style of negotiation, which according to this delegate has roots in classical thought. Assertions of positive leadership, such as this, were echoed by delegates during interviews, thereby indicating a degree of green soft power. They were also echoed by Chinese environmental NGOs reflecting on shifts in the Chinese state’s approach to the environment.

Presently, the Chinese state is paving the way to enhance international relationships through national policies and financial mechanisms that facilitate environmental exchanges between China-based NGOs and those in the Global South. China-based NGO representatives have commented on how the Chinese state has made conditions more favorable for supporting collaboration across Global South contexts stating:

Generally, the door is opened and political hurdles removed. Because once the government talks about ecological civilization, or whatever it is, it’s about ecology so any effort on ecology or environment or conservation or so on becomes relatively easier. There are fewer political constraints for these kinds of efforts. In the early 90s, if you talked too much about the environment then you’d get a lot of political pressure because at that time the government set up development as a national policy priority. Environment was not prioritized in national policy. But it is now. So, in that sense whatever it is ecological civilization or whatever you call it—it’s a political term in my opinion. But the content is always conservation. That makes our work easier (China-based High-Level NGO Representative, February 2023).

Clearly, from the perspective of China-based environmental NGOs, the Chinese state is emphasizing environmental protection and making efforts to enhance China's international environmental collaborations.

The divergent receptions of ecological civilization and China's environmental leadership, visible in the above-noted quotes, is representative of variation across interviewees. Analyzing the interviews, I found that ecological civilization exhibited degrees of resonance but was ultimately limited in scope. Further, interviews revealed that degrees of resonance and perception of China's leadership do not neatly align with geographical regions or types of organization. Despite these varied responses, China's leadership during COP-15 exhibited substantial progress in the global environmental leadership arena.

Compared to China's inaugural appearance in a UN environmental forum in 1972 and the early 1990s, when China sought Global South alliances through CBDR, China at COP-15 was emboldened and acted decisively to bring about a global environmental agreement. These actions in a global environmental arena are a reflection of China's green soft power. By way of contrast, the United States did not sign the Global Biodiversity Framework, which signals relatively weak environmental leadership and hinders US engagement in multilateral environmental governance. As the case studies below attest, however, China's efforts to support Global South environmental projects are crucial for advancing local conservation aims, yet are limited in producing positive associations toward China.

China's South-South Environmental Initiatives: Case Studies

Scholarship has shown that technocratic approaches to engineering nature and society underlie China's efforts to extend state power into new territories.⁴⁰ China promotes ecological civilization building not only to shape domestic conservation policies—such as zoning over 20 percent of China's national territory for conservation—but also to facilitate resource territorialization through conservation and green development initiatives.⁴¹ In turn, environmental planning initiatives have contributed to creating new forms of inequality⁴² and social injustices domestically.⁴³

In Global South contexts, as discussed in the case studies below, China's conservation initiatives enhance green soft power but only to limited degrees. Because the field of international environmental exchange and cooperation is highly saturated, particularly with financial support and longstanding cooperation from organizations hailing from Global North countries, China's conservation efforts in Thailand and Indonesia result in relatively weak green soft power. Moreover, conservation-based exchanges and cooperation fail to elicit uniform responses from international partners or extend sovereign control over natural resources.

As shown in the case of Thailand, there is inter-state competition for international partners, as well cooperation, thereby indexing the pluralistic and fragmented nature of the Chinese state. Furthermore, the financial support profiles of China-based environmental NGOs are generally constituted from an amalgam of domestic and foreign sources, which may or may not include public and private contributions in the form of donations and grants. Government-organized NGOs (GONGOs), which are a separate category of NGO wholly funded by the Chinese state, were not included in this study. Civil society exchanges between environmental NGOs exhibit mutualistically beneficial relationships and outcomes, which do not simply serve governmental interests, but rather advance the relative goals of local partners.

These findings suggest that China's coercive environmentalism, prevalent within the mainland and projected as a potential model of global green governance,⁴⁴ is not materializing through Global South environmental initiatives. Rather, expressions of green soft power materialize, but to limited degrees. Given these circumstances, policymakers and NGOs should identify and capitalize on opportunities for cooperative exchanges with Chinese organizations. Furthermore, financial resources and human capital should be mobilized by policymakers, NGOs, and universities to identify common goals and interests that advance international cooperation and environmental stewardship across Global South contexts.

State-State Environmental Exchange: Marine Spatial Planning in Thailand

This section examines green soft power through state-state environmental exchange between China and Thailand. In 2013, representatives from China's

Ministry of Land and Resources and State Oceanic Administration approached the Thai Ministry of Natural Resources and Environment regarding scientific exchanges on marine spatial planning. They agreed to begin scientific exchanges on marine spatial planning and initiated regular meetings between ministries. Experts and scientists from Chinese and Thai universities and state research institutes took part in these exchanges. In 2018, the environmental initiative shifted to China's Ministry of Natural Resources, as the Ministry of Land and Resources and State Oceanic Administration were replaced by this new Ministry. After ten years of international exchanges, Thailand had outlined its first marine spatial plan, which now is under consideration at the national level.

Marine spatial planning entails collecting and analyzing spatiotemporal data on human-environmental interactions in coastal areas and at sea in effort to achieve specific ecological, economic, and social objectives.⁴⁵ The content of marine spatial plans often take the form of multi-sector functional zones for specific land and sea uses. Producing a marine spatial plan entails assembling eco-system-based management frameworks and locally specific geospatial databases.⁴⁶ Collectively, a decade of exchanges contributed to producing Thailand's first marine spatial plan for Koh Lan.

The Koh Lan marine spatial plan pilot project is located in Chonburi province, the second most economically productive administrative region in Thailand, just behind Bangkok, which is a large city-region with provincial administrative status. Chonburi has a rich history of tourism and industry, both of which have negatively affected local coral reefs. A key aspect of the marine spatial plan, entails functional zones for tourism, a marine protected zone around the island, and enhanced treatment of water runoff in the coastal mainland.⁴⁷ The proposed marine spatial plan is set to be debated at the national level. Thailand's long-term national plans, however, already include marine spatial planning.⁴⁸ Hence, this marine spatial planning pilot project is likely to be adopted and potentially serve as a case for national emulation.

Marine spatial planning in Thailand entailed substantial exchange of scientific data from Chinese to Thai experts. A large amount of data had already been collected by Chinese scientists and institutes through remote sensing technologies. Early exchanges revolved around the sharing of data collected by Chinese scientists such as information about current flows and geophysical

data on ocean environments, which was used to develop models and projections. Much of this data was readily available to Chinese scientists and experts, but not to Thai experts until bilateral environmental exchanges began. A Thai scientist remarked, “Chinese scientists already have all the information they needed to begin modelling through remote sensing.”⁴⁹ The Chinese scientific community, from the perspective of Thai marine scientists, was sharing data already collected at the beginning of the exchanges, something local experts greatly valued. With this data as a base, subsequent years entailed scientific exchanges and joint data collection on effluent pollution from coastal urban areas, changes to coral reefs over time, chemical compositions of ocean water, and biological surveys of marine organisms. Thai scientists explicitly noted that they undertook multiple visits to China and benefitted from studying China’s marine functional zoning and spatial planning processes.⁵⁰

China’s functional zoning practices, data collection processes, and modelling served as a model for Thailand’s marine spatial planning. In this sense, state-state scientific exchange on ocean conservation strengthened China’s green soft power, as it advanced shared environmental values and goals. As a Thai scientist noted, “Cooperation with China strengthened my understanding of Marine Spatial Planning and contributed to the success of the Koh Lan marine spatial planning project.”⁵¹ In Thailand, though not necessarily in China, marine spatial planning includes a community-based participatory component to assess and estimate impacts on local communities, which I observed.⁵²

It is crucial to reiterate in this example that neither the Chinese state nor its ministerial operations abroad are monolithic. An enduring conceptual framework to understand the character of the Chinese state is “fragmented authoritarianism.” Fragmented authoritarianism holds that while bureaucratic structures, policies, and decision-making are centralized, the policy implementation process and actually existing state practices are disjointed often resulting in localized adaptation in pursuit of political economic advantage.⁵³ This framework, often used to discuss China domestically, is valuable for understanding China globally, as I demonstrate below.

Above, I noted that this was a case of state-state environmental exchange between the Thai Ministry of Natural Resources and the Environment and Chinese Ministry of Natural Resources. Within large Chinese ministries,

however, there are numerous subsidiary organizations. The two that matter most for illustrating this point are First Institute of Oceanography (FIO), based in Qingdao, and Third Institute of Oceanography (TIO), based in Xiamen. These are both nonprofit research institutes of oceanography that operate under the direction and financial support of China's Ministry of Natural Resources. These organizations work toward common goals yet are also in competition to obtain international partnerships and contribute to environmental projects abroad. Initially, they were in competition to obtain working cooperative relationships and projects in Thailand. Eventually, the two organizations came to cooperate with one another to advance shared interests, as well as Thailand's environmental goals for marine protection. The organizations maintain distinct but complimentary cooperative agreements for different aspects of the marine spatial planning data collection and planning. For instance, both gather and share relevant marine data. But FIO has established the China-Thailand Joint Laboratory for Climate and Marine Ecosystems. This example supports the claim that China's green soft power is operationalized through bilateral transactions characterized by both interstate competition and cooperation, as discussed above in the Introduction.

While China's exchanges on marine spatial planning are essential to advancing Thai efforts toward ocean conservation, Thailand has a much longer history of scientific cooperation and exchange with other international agencies. The International Union for Conservation of Nature (IUCN), an international organization aimed at promoting nature conservation and the sustainable use of resources, for example, has partnered with Thai environmental ministries for over 20 years on multiple projects. Additionally, there are numerous regionally based international organizations such as the Partnership in Environmental Management for the Seas of East Asia (PEMSEA), which is a network of 14 countries that aim to foster resilient coastal areas and oceans with over 20 years of exchanges. Furthermore, multiple generations of Thai scientists have participated in US cultural and scientific exchange programs, such as the US Department of State's International Visitor Leadership Program (IVLP), which forges novel science-based relationships between US organizations and international scientific communities. US universities, likewise, have hosted numerous international educational exchange programs that contribute to enhancing environmental knowledge sharing.

China's bilateral exchanges between state ministries are of comparatively less temporal duration and, thus far, enhance China's green soft power in limited ways. Furthermore, marine scientists and environmental managers expressed concerns over emerging partnerships with China on science and environmental protection. For example, there were multiple expressions of concern over environmental monitoring and the possibility of monitoring military activities in Thai seas.⁵⁴ As part of remote sensing and joint data collection, Chinese representatives may be able to gather knowledge relevant to military interests. Interviewees jested, however, that both China and the United States could obtain information on military activities without Thai consent and, therefore, they may as well obtain benefits from scientific exchanges.⁵⁵ These expressions point to the presence of China's green soft power and its limitations.

Finally, in Thai conservation agencies, the green soft power of the United States—not China—looms larger. Not only is there a long history of exchanges with the United States and other international organizations, but the US National Park conservation model is held up as an example of successful environmental management. For instance, I observed multiple conservation stations displaying representations of the US National Park system. Representations of US national parks adorned the walls of local-level Thai environmental agencies and punctuated our conversations during planning meetings, thereby indexing the predominance of American conservation models in the banal structures of the workplace and everyday discourse.

If maintaining a strong presence in the region is desired, US policymakers should advance more substantive scientific and environmental cooperation with local national organizations, as well as Chinese organizations, while continuing to offer international exchange programs like IVLP. Doing so would enhance strategic regional partnership on environmental science already in place, bolster data production and knowledge exchange, and further the development of shared environmental goals across the Southeast Asian region.

Civil Society Environmental Exchange: Community-based Mangrove Restoration in Indonesia

This section analyzes green soft power through civil society environmental exchange between China-based NGOs and those in Indonesia. China-based

NGOs have begun to partner with NGOs across Global South contexts on conservation. Community-based mangrove restoration is one kind of partnership between Indonesian NGOs and China-based NGOs. In these exchanges, China-based NGOs share their expertise, offer Chinese translation support to facilitate communication with Chinese organizations, and assist in obtaining financial support for conservation from international donors. Additionally, China-based NGOs undertake cooperative projects in Indonesia, which at the expiration of “project-time”⁵⁶ funding schedules become part of Indonesian NGOs’ general conservation program. In these ways, China-based NGOs’ green exchanges and cooperation enhance Indonesian NGOs’ capacity to perform community-based mangrove conservation work and obtain financial support. Like the case of state-state exchange, civil society exchanges exhibit a degree of green soft power for China, as they further local environmental goals and promote shared values on conservation, but they also reflect limitations to the expression of China’s green soft power.

Community-based mangrove restoration projects are underway across numerous provinces in Indonesia to combat coupled socio-environmental problems of climate change, biodiversity loss, sea level rise, and poverty. Mangrove root systems hold sediment in place, thereby preventing coastal erosion. With rising sea levels globally, mangroves can stem the tide of land loss. Furthermore, mangroves act as sinks for carbon sequestration, storing substantial amounts within their above and below ground vegetative stocks.⁵⁷ Some Indonesian mangroves have become part of global carbon credit trading systems with corporations offering financial support for planting and maintaining mangrove plantations.⁵⁸

Participation is a key component of community-based mangroves. Fostering participation entails a multi-step process of stakeholder engagement, knowledge sharing in mangrove forest management, and training in how to utilize mangrove-based resources. First, there is a process of land aggregation and payment to the community for land use. This often entails a minimum 20-year land-lease agreed upon through an MOU. Public awareness programs follow. The establishment of nurseries and monitoring of planting is jointly organized by Indonesian NGOs and the local community. This entails establishing a community partnership unit and spatial plan for mangrove protection, often drawing on already existing village government infrastructure

and resources. Finally, there is support for community training in developing mangrove-related products, such as batik art crafts, coffee, or softshell crab for sale on the international market. Indonesian NGOs, furthermore, market these agroforestry products and facilitate market transactions, which financially benefits relatively poor communities, particularly rural women who are otherwise pigeonholed into gendered forms of household reproduction.⁵⁹

While Indonesian NGOs have already produced robust programs of community-based mangrove restoration, Chinese NGOs are cooperating with them by providing their expertise on community-based restoration and, importantly, access to grants and other financial support. China's environmental NGOs offer financial mechanisms to enhance and produce new community-based conservation projects in provinces like Java and Sumatra. Particular to some projects is training in agricultural methods or craft production, such as batik, which uses organic dyes produced through mangrove tree roots and leaves. This entails training for local women in batik—an art style endemic to central Java. The resulting projects entail new community-based mangrove restoration areas replete with women empowerment and livelihood enhancement. While the project-time for these programs elapses after roughly three years, the partnerships between China-based and Indonesian-based NGOs continue as they endeavor to acquire more funds and create new environmental projects.

As this case illustrates, China's environmental NGOs are active in Southeast Asian conservation by supporting local non-governmental organizations. As an Indonesian NGO representative claimed, "China is very aggressive now trying to support local conservation."⁶⁰ Yet the forms of support offered from China to Indonesia for conservation are emanating not merely from civil society, but also from China's private sector and the state. In addition to the examples noted above, China's Society of Entrepreneurs and Ecology, an organization aimed at protecting the environment, has created the Blue Partnership Action Fund (BPAF), which promotes "nature-based solutions" and marine conservation. The fund has earmarked capital for supporting coral reef restoration in Indonesia.⁶¹ From the Chinese state, the Foreign Environmental Cooperation Center of the Ministry of Ecology and Environment has promised funds to support mangrove restoration. Both Chinese state and private funds have been promised to support conservation

in the years to come, which may extend green soft power through the proliferation of shared environmental values and goals.⁶² But again, as Chinese organizations pursue environmental initiatives they are at times in cooperation and at times in competition with one another, as described above.

Within this pluralistic landscape of environmental exchange and project generation, and parallel to the Thai case noted above, Chinese organizations are entering a field already saturated with international green financial assistance and partnerships. Indonesian environmental NGOs already have substantial multi-decade partnerships with international organizations and those hailing from Global North countries, particularly those in Europe, Japan, and the US. USAID has been funding Indonesian mangrove conservation⁶³ and marine spatial planning⁶⁴ projects for decades and is among the largest of financial supporters. In this sense, China is fighting an uphill battle for green soft power amidst myriad international organizations. In interviews, Indonesian representatives remarked that substantial funding for conservation comes from organizations hailing from the United States, France, Belgium, Japan, India, United Kingdom, Norway, and other Global North countries.⁶⁵ The field of international conservation and green development aid in Indonesia is saturated. Moreover, China's environmental NGOs also compete with one another to secure relationships with promising environmental NGOs in Indonesia, thereby thickening the competition for local partners.

Corroborating the argument of this report, Indonesian NGOs expressed reservations about working with Chinese organizations on conservation. An Indonesian representative reflected on their experiences partnering with Chinese companies that slashed the prices for mangrove-based products, saying: "I hope that America does not lose to China. China is not in it for the long-term collaboration. They are not consistent. Working with their companies, they try to get more profit and continually cut the costs until the communities in Indonesia are making a loss on the products."⁶⁶ Assertions like this, which were numerous, index widespread concerns over partnering with Chinese organizations in Indonesia. "China wants to be involved in a lot of projects, but in Indonesia working with China is sensitive. We lost lots of money in the past. We hope America will come back like they did five or six years ago, before the Trump administration. China is big and they are having a bigger influence," stated another NGO representative.⁶⁷ Yet, the

NGO representative tempered this claim by discussing how Chinese organizations are still building their networks in Indonesia with civil society and government institutions. These comments from these NGO representatives reflect a long history of political economic ties linking the United States and Indonesia, including substantial US investment in the country.⁶⁸ Indeed, engaging the histories of political economic and scientific exchange is essential to further illuminate the processes shaping contemporary environmental initiatives across Global South contexts.

To support engagement on environmental issues in the non-governmental sector, American NGOs and universities may consider strengthening partnerships and financial support for environmental initiatives in greater Southeast Asia, as well as partnering with Chinese organizations and emerging Southeast Asian conservation networks. Furthermore, US government agencies should consider offering financial incentives to enhance international environmental exchanges with civil society organizations and promote policies that facilitate environmental initiatives globally.

Conclusion

China is ushering in a new era of environmental leadership as evidenced by taking on a leading role in global environmental governance and brokering a post-2020 global biodiversity framework. However, China's home-grown concept of ecological civilization building, while resonant with some, has found limited resonance globally. Furthermore, in instances of bilateral state-state and civil society environmental exchange, as discussed through the cases of marine spatial planning in Thailand and community-based mangrove conservation in Indonesia, Chinese organizations provide essential support to collectively advance local environmental goals and shape shared environmental values. Yet, the capacity of China's environmental exchanges to influence Global South actors to adopt shared values and positive associations toward China are limited. Therefore, China's green soft power in these environmental arenas is relatively weak. The report concludes that the relative weakness of China's green soft power is attributable to strong political economic alliances with Global North countries and international organizations, as well as China's fragmented authoritarian governance, which limits governance

effectiveness in international environmental arenas. In other cases, however, one may find stronger articulations of China's green soft power. Accordingly, additional studies are needed for a more holistic accounting.

It bears reemphasizing that expressions of China's green soft power emerge through both concerted efforts of the state to shape international discourse and practice, such as in multilateral arenas like the UN COP-15 Biodiversity Conference, as well as bilateral exchanges that cross state, private, and civil society organizations. These arenas underscore how green soft power emerges not merely through state orchestration but also through intra-state competition and international efforts from civil society and the private sector. Myriad expressions of Chinese green soft power emerge through pluralistic relationships characterized by competition and cooperation. The fact that the Chinese state is increasing financial support for environmental projects indexes how international cooperation on the environment has become a geopolitical field through which green soft power articulates.

While one might expect that enhanced financial support for state-led environmental initiatives would result in stronger green soft power, this report found that state-led, civil-society-led, and multilateral environmental exchanges all produced forms of green soft power. The limitations of China's green soft power, across these cases, can be partially explained by the fact that Chinese organizations are entering a highly saturated field of environmental diplomacy wherein Global North countries have long dominated. Moreover, countries with a history of strong political and economic ties to the United States, such as the cases discussed in this report, benefit from partnering with Chinese organizations but also wish to continue cooperation on the environment with US organizations. Policymakers should provide resources and programs to pluralize the types of organizations involved in Global South conservation. Moreover, training and tools should be developed for US partner organizations to work more effectively in international environmental exchange and knowledge sharing. Because one-size-fits-all models tend to be ineffective, flexibility and attention to locally specific factors are crucial for successful socio-environmental outcomes.

The question of how China's environmental influence will shape global environmental governance in the years to come is pertinent. It is crucial to point out that China's current limitations in the realm of green soft power

reflect the fragmented nature of “China” as a national entity operating in global environmental arenas. China’s environmental exchanges are not monolithic. Nor are they fully orchestrated by Beijing. Rather, they emanate from the state, private enterprise, and civil society.⁶⁹ Moreover, structural weaknesses and inconsistencies in state orchestrated efforts exist, such as inefficiency in the coordination of environmental ministries abroad and the relative failure to project a clear and unified message on ecological civilization in global environmental forums. If state structural limitations that undergird China’s state power can be surmounted, the pace of global influence on the environment may accelerate. Any future reality will inevitably be subject to sectoral and regional differences and shaped by political economic relationships specific to given types of environmental exchange. China’s environmental exchanges are most abundant in Africa and Southeast Asia, no doubt because these regions signify China’s most important political and economic partnerships. China’s efforts to enhance green soft power are likely to continue to be most heavily concentrated in these regions and should be given concerted attention in future studies. It is imperative to empirically research and critically scrutinize environmental exchanges operating under the rubric of ecological civilization building to assess the processes involved and their socio-environmental outcomes.

While China’s involvement in Global South environmentalism is on the rise, it should not be viewed as a threat. Rather, this moment of heightened awareness of environmental crises harbors unprecedented potential for international collaboration. Policymakers and civil society organization can contribute to rapidly transforming African, Latin American, East and Southeast Asian conservation networks by doubling down on scientific exchanges and financial supports to collectively define and work toward shared environmental goals. International environmental collaborations should be enhanced and new collaborations forged in effort to define and achieve shared global environmental goals. US institutions and civil society groups, such as NGOs, as well as universities, should seek collaborations with Chinese organizations and other Global South organizations through a variety of cooperative programs. Therefore, it is necessary for policymakers to mobilize resources to strengthen already existing cooperative alliances and partnerships in conserving biodiversity and combatting climate change, and to forge new ones. Doing

so will deepen engagement in Global South conservation, while bolstering global environmental capacity. Conserving biodiversity and mitigating climate change are essential for global security and peaceful international relations in the 21st century.⁷⁰

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2022-2023 WILSON CHINA FELLOWSHIP

New Propaganda: How China's Security Forces Seek to Shape Public Opinion

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Abstract

For over a decade, Chinese security forces have invested in new forms of propaganda. From television to social media, the state's efforts are widespread and well-funded. But in no area have new propaganda efforts been more prolific—or entertaining—than on *Douyin*, the popular short video sharing app known as TikTok to the rest of the world. Why expend valuable and in many cases limited resources when the ability of propaganda to persuade domestic audiences is limited at best? I argue that new types of propaganda on *Douyin* are more integrated and persuasive than traditional propaganda, making them a powerful, though not unlimited, tool for communication with the public. To understand the scope and response to new security propaganda, this report typologizes propaganda efforts and uses text analysis to analyze public comments to videos posted on key accounts, providing insight into how new propaganda is created and received. The results show that propaganda is largely focused on traditional goals of demonstrating state strength as well as newer and more sophisticated efforts to educate the public and present positive images of police and military officers. Importantly, state-produced propaganda is inwardly focused on China and Chinese interests.

Policy Implications and Key Takeaways

- US policy makers must differentiate between generalized fears about the Chinese government's influence on social media and the actual content that is produced and consumed.
- PLA and police propaganda on *Douyin* is focused on shows of military capabilities and efforts to educate or help the public. The most popular videos humanize officers by showing details of their everyday lives.
- Security force propaganda rarely references the United State or other countries. Content is focused almost exclusively on China. Any shifts in this trend, especially during times of strained US-China relations, would indicate a significant break from past practices.

- User comments also seldom reference foreign countries and the United States. Of the nearly 100,000 comments analyzed, only 33 mention the United States, indicating that the China-centric focus of security propaganda is also echoed by its most engaged users.

Introduction

State propaganda was once an obvious affair. Flags, military parades, slogans, and posters were all clear in their functional intent and source. But what happens when propaganda evolves and inserts itself seamlessly into daily social media feeds? For over a decade, Chinese security forces have invested heavily in new forms of propaganda. From elaborate TV specials to posts on social media accounts, the state's efforts are widespread and well-funded. But in no area have propaganda efforts been more prolific—or entertaining—than on *Douyin*, the popular short video sharing app known as TikTok to the rest of the world. Why would military and police officials expend valuable and, in many cases, limited resources when the ability of propaganda to persuade domestic audiences is marginal at best?¹ The Chinese government seems to be betting that these new types of propaganda are more integrated and persuasive than traditional “hard” propaganda, although their power to shape hearts and minds remains unclear.

Why care about propaganda? China is an authoritarian state, but the power of government leaders is not absolute. By devoting considerable resources to propaganda production and dissemination, Chinese security forces show that they take public opinion seriously.

We should too. These new propaganda forms on *Douyin* are funny, humanizing, and engaging. They aim to send a message and sway opinion in ways that older forms of propaganda could not. By understanding these new forms of propaganda on *Douyin*, and how users respond to them, we can gain insight into state priorities and strategies, especially during periods of international crisis or uncertainty in US-China relations.

Learning how Chinese security forces use new propaganda on *Douyin* at home can also help policy makers in the United States recalibrate our own expectations and fears about the potential of *Douyin's* international version, TikTok, to serve as a mouthpiece of the Chinese state. This study shows that new propaganda on *Douyin* is far more focused on showing off military capabilities and building goodwill toward security personnel than in casting aspersion or engaging international issues. Understanding the nature of this content is essential for making informed decisions about government intentions and capabilities on social media.

In the sections that follow, I describe the evolution of security force propaganda in China and the rise of *Douyin* as a new mode of propaganda delivery.

I then present a typology of propaganda content produced by Chinese military and police forces and discuss the prevalence of each type. The section that follows outlines public response to *Douyin* propaganda by presenting the results from a qualitative analysis of 1200 videos and a text analysis of comments posted to propaganda videos. Taken together, the results of this study provide insight into how propaganda is created by state accounts and received by the Chinese public. Throughout the paper, I define security forces as military and police personnel. Despite its name, the People's Armed Police is a branch of the military and treated as such. This broad approach acknowledges the similarities between content created by military and police accounts while also helping to capture differences among the two. Throughout the paper, I disaggregate the two where relevant and note key differences.

Evolution of Security Force Propaganda

Understanding the history of propaganda in China helps to inform the present day. During the Mao Era, posters and banners were distributed widely in a concerted effort to marshal support for the new communist ideology and related policy changes. Catchy and not-so catchy slogans conveyed important state messages, while print media, radio, and television platforms were employed to disseminate this information as widely as possible. For security forces, propaganda was frequently used during campaigns to combat political and traditional crimes. Military propaganda also flourished during this time as a way for government leaders to showcase strength and celebrate accomplishments.

During the early Reform Era, security force propaganda remained active as military and police forces built and maintained propaganda divisions that were gradually rebranded as public relations departments. Moreover, military forces continued to stage large scale performances to show off gear and precision training that often included select police forces, and both military and police were prominently featured during special times like Spring Festival celebrations. In these activities, propaganda served an entertainment function that would help usher in a new era of public engagement.

Television and live special performances soon became the bread and butter of security force propaganda. Both the military and the police maintain dedicated divisions that focus on providing entertainment. The Ministry's

Grassroots Police Culture Group was formed in 2006 to produce large scale performances that tout the achievements of local police and honor officers for service to the country. Military and police performances are frequently broadcast on CCTV channels to reach a national audience. Similar groups, known as “police officer art troupes” (*jingcha yishu tuan*), have also formed at the provincial and municipal levels and frequently put on performances in their area and beyond.

The rise of social media brought new propaganda opportunities for entertainment and education. Around 2010, security force Weibo accounts began popping up around the country to communicate directly with the public about daily news, military and police activities, and other issues of interest. Police accounts like Peaceful Beijing (*pingan Beijing*) were particularly popular since they communicated information that might be immediately useful to residents like road closures or local crime reports. As these accounts gained popularity and migrated to new platforms like WeChat, the content often became more sophisticated and positive. Stories about police officers helping the elderly or highlighting the sacrifices officers and military personnel make in the line of duty also became common. Later, these accounts migrated to WeChat as the platform’s popularity grew.

Security Force Propaganda on Douyin

Recently, *Douyin* emerged as the latest space for the state to expand its propaganda reach. Security forces from Beijing to Xinjiang are creating content to persuade and entertain at a rapid clip. The first police and military accounts went online in 2018 and quickly morphed from a few handful to over 5,000, and in some areas, police officers can even increase their monthly take-home pay by posting new content. According to ByteDance, the private Chinese tech company that owns *Douyin* and its international version, TikTok, over 600 million users in China interact with the app on a daily basis.² Because the popularity of the app expanded so quickly, industry experts and scholars are racing to understand the success of the app’s algorithm as well as its addictive properties.³ *Douyin* works by providing users with a continuous scroll of videos populated by an algorithm based on viewer history and new, suggested content. The medium of *Douyin* thus provides a unique opportunity for savvy public relations officials

to infiltrate user feeds by sandwiching pro-military, pro-state content between clips of celebrities, cooking how-tos, and self-care tips.

What does the content look like? The videos posted to military and police accounts are sometimes very traditional, such as press release clips or news media style interviews. Yet most accounts also embrace more engaging messaging styles. Military accounts, for example, frequently post impressive videos of highly trained soldiers loading and firing bullets in time to music or short clips of happy soldiers sending heartfelt Mother's Day greetings to their moms. Police content also seeks to engage viewers, often presenting real-life footage to convey their messages. Notable content includes videos of police officers helping children get to school safely or saving people from dangerous situations. In true social media fashion, videos also show police officers singing, dancing, and cracking jokes. For all types of security force propaganda, the most popular short videos provide a full sensory experience by timing visuals and words to the music.

In contrast to heavy-handed "hard" propaganda, such as military parades or ideological training, "soft propaganda" is more subtle and entertaining and has been shown to more successfully manipulate emotions and attitudes toward the state and other outside groups.⁴ Humorous propaganda can also be used as a tool of the state⁵ by providing a way to indirectly connect audiences with regime priorities. This study builds off prior research to understand how certain types of new propaganda—particularly humorous and humanizing approaches—are used to persuade and convey information to the Chinese public. For many years now, security forces in China, particularly the police, have been leaders in propaganda innovation,⁶ and on *Douyin*, they have found a new, promising platform to disseminate state messages.

To analyze security force propaganda, I identified 20 key military, People's Armed Police (PAP), and police accounts and viewed the most recent 60 videos posted to each account that had garnered at least 1000 hearts.⁷ While these accounts are not necessarily representative of all security personnel accounts, they likely come close, since some small accounts will repost or mimic videos on the most popular accounts. Most importantly, these accounts produce the content that members of the public are the most likely to see, simply by the very nature of their popularity.⁸ The 10 military and PAP accounts have the highest viewership, with an average of 254 million hearts and 12 million

followers. In contrast, the police accounts have an average of 78 million hearts and 4.5 million followers. However, there are far fewer military accounts in comparison with police. This means that while a few large military accounts may have considerable reach, the more localized police accounts may reach a broader audience.

I use the dataset of 1200 propaganda videos from the 20 key accounts to create a typology of propaganda types. I also collected comment data for 60 videos and employed text analysis to understand how users publicly respond to the content. The results reveal new information about the nature of security personnel propaganda that is currently circulating on *Douyin* as well as key indicators of how users react to this content. Significantly, the study finds that propaganda is largely inwardly focused on educating and impressing the Chinese public while avoiding mention of foreign adversaries and international issues.

Types of Propaganda on *Douyin*

There are seven major types of propaganda posted to security accounts on *Douyin* that serve two primary functions: education and entertainment. From a propaganda perspective, the most successful videos will do both. For example, one series of videos posted to the Chengdu Tianfu Police account (成都天府公安) featured the same actor comically playing all roles of cop, criminal, and members of the public. In an effort to make viewers both laugh and learn, one of the videos shows the cop pulling over a driver (played by the same actor) and the female passenger (also the same actor). While the cop is looking at the driver's identity card and license, the passenger inadvertently tells the officer that they have been drinking. The driver and companion then proceed to argue in comical voices about whether drinking beer counts as drinking, prompting the police officer to step in and settle the dispute. As the video ends, viewers are treated to a written public reminder that consuming beer before driving following is illegal.

Propaganda as Entertainment

Of course, not every video serves an educational function. Many videos are designed for pure entertainment, such as the displays of military might that are

commonly featured on military and PAP accounts. These videos tend to vary depending on the account holder. People's Liberation Army (PLA) Ground Force accounts, for example, often feature videos of soldiers firing bullets or setting off explosives, while PLA Navy accounts often feature footage of ships in action. Similarly, PAP and some police accounts might show officers in riot gear, participating in training drills, or engaging in undercover operations. Military might videos are typically short and visually interesting. The accompanying music can be serious or whimsical, but the overarching theme is to show officers doing something impressive, such as assembling a gun from scratch, parachuting out of planes at high altitude, or piloting boats at high speeds in formation. The most successful videos can easily garner tens of thousands of hearts and are the most widely viewed form of military propaganda.

Relatedly, another type of propaganda video shows officers in action. These videos are often crafted from body or security camera footage or still photos of officers doing their jobs. The results are sometimes grainy or choppy, but officers in action videos convey a sense of authenticity that is often lacking in more heavily produced or actor staged videos. Because these videos rely on real footage, this type of propaganda is favored by police accounts, since police have the most contact with the public as well as easy access to body and security camera footage. A typical officer in action video might show a drug bust, a fast-paced chase, or undercover officers engaging in a sting operation. While less frequently seen in military propaganda, military accounts also post videos of officers in action for search and rescue missions or with videos of training that occurs under difficult conditions such as heavy rain or snow.

Not all entertainment propaganda is serious in nature. Many accounts create and post what is best described as social media style propaganda. These videos serve a pure entertainment function, but unlike military might and officer-in-action propaganda, they rely on familiar social media tropes or tactics to gain likes and views. Social media style propaganda might show impressive food prep skills in a PLA kitchen or feature officers or soldiers singing and dancing. One recent trend in military propaganda simply shows officers flashing genuine smiles at the camera. Other common videos feature cops and actors playing criminals who are engaging in slapstick humor or before and after shots of officers in street clothes and uniforms. These videos tend to be short and light-hearted.

Propaganda as Education

While military might, crime fighting, and social media style propaganda videos aim to entertain, another subset of propaganda commonly featured by security personnel accounts is designed to educate the public. As noted, sometimes these videos are also funny or engaging, but the primary purpose of educational propaganda is to stretch beyond entertainment to convey an important message, either overtly or subtly.

Overtly educational videos that aim to inform or teach the public are very common among police videos. There is a wide range of propaganda on *Douyin* that falls into this category and the messages vary. Some videos target very specific behavior, such as one video posted to the Wuhan City Public Security account that encouraged residents to lock their car doors by filming officers walking around the city streets and checking car door handles until they found unlocked cars. Other educational videos might involve more shocking footage, such as a short video from the same account that reminded viewers not to drink and drive by showing security footage of a car that crashes head into a motorcyclist.

Often there is a fine line between officer-in-action videos and educational ones, as many education videos contain elements of both. Ultimately, an officer-in-action video will show cops arresting suspects, sometimes without clear portrayals of the exact crime, whereas education videos that include officer in action elements will include clear explanations of the crimes or undesirable behavior in question and end with a notice telling viewers not to engage in x behavior. These videos will also sometimes include information about fines or punishment. In contrast to police educational propaganda, education videos posted to military accounts tend to focus on helping the public learn about the work that military personnel do on a daily basis. The accounts, for example, might describe life on a naval ship, provide a lesson in military history, or describe the differences between various bars on military uniforms.

Other types of educational propaganda tend to be more subtle in nature. Videos that show security personnel helping people, for example, do not flash formal educational messages on the screen, but they do signal an important state message: the police and the military are here to help. As noted, police officers typically have more contact with the public and easy access to body and security camera footage; thus, helping propaganda is more commonly seen on

police accounts. Typically, videos might show police officers assisting others during the holiday season, bringing food to senior citizens, or saving a person after a traffic accident. Many of the helping videos feature children, and occasionally some videos will feature animals such as cats, dogs, and even wildlife. During the National College Entrance Examination (*Gaokao*) period, for example, some accounts showed videos of officers stopping traffic to ensure that students would get to their exam on time and even putting students on the back of police motor scooters to escort them to the exam site. When helping videos appear on military and PAP accounts, they typically show soldiers engaged in humanitarian efforts during floods or other natural disasters.

Relatedly, many security personnel accounts feature efforts to humanize officers. This type of propaganda often tells a story from an individual perspective. In these videos, security personnel might describe the hardships they face on the job or explain the reasons they entered the military or police force. A typical military video often showcases the physical difficulties soldiers face such as time spent away from family members, and some videos will show joyful reunions. One PAP account also frequently features propaganda videos of officers sweating profusely and straining to hold position during grueling drills or while standing at attention, presumably to solicit empathy with the officers and respect for their training. Similarly, police videos show footage of officers describing the dangers of their work and the time it takes away from their families. As a group, these videos are more likely to feature female personnel. While the majority of videos present only male military or police personnel, 147, or just over 12 percent, of the videos also featured females. Sometimes the female subjects will discuss gendered differences they face, but more often they are simply presented as soldiers or police officers doing their jobs.

Traditional Propaganda

Even as these new types of propaganda flourish, more traditional propaganda continues to appear on nearly every security force account in this study, although it tends to be less common. Typical examples include footage from military parades, clips of officers saluting, or videos of officers singing patriotic songs. Sometimes, the traditional propaganda contains modernized elements.

For example, one video posted to a Chengdu Tianfu district account featured four officers in uniform reading quotations from Xi Jinping out of shiny red notebooks, but it also includes sweeping, cinematic views of the city. Often, this type of propaganda receives fewer likes and comments, but not always.

Propaganda By the Numbers

Figure 1 presents the frequency of propaganda types across all accounts and videos in the study. It shows that security force accounts produce more videos that are designed to educate the public, convey messages about military might, and show officers helping people. Humanization and social media style videos are slightly less prevalent, and only 85 videos in the study were traditional propaganda videos. We also observe a lower number of officer in action videos.

Because military and police accounts tend to feature slightly different content, Figures 2 and 3 break down propaganda types according to account type. In Figure 2, we see that military account propaganda is largely characterized by military might videos with significant attention also given to social media style, helping, and humanization videos. In contrast, Figure 3 shows that police accounts are more focused on education and helping videos. These numbers make sense, given differences in the nature of the work performed by military personnel and police.

Public Reception of Police Propaganda

How does the public receive and respond to these different types of propaganda? Interacting with users directly is difficult and carries risks, but fortunately some key indicators about the public's reception of propaganda are readily available online. Both hearts and comments to videos indicate user interactions with videos, and while it is possible that private and official accounts connected to other security personnel artificially inflate these numbers, there is significant variation both within and across accounts, indicating that there are no obvious efforts to drive up the popularity of videos across the board. Put more simply, some videos are more popular than others and some accounts receive far more traffic than others. In fact, many security accounts and videos garner very little attention at all. Moreover,

FIGURE 1. Propaganda Type Counts Across 1200 Military and Police Videos

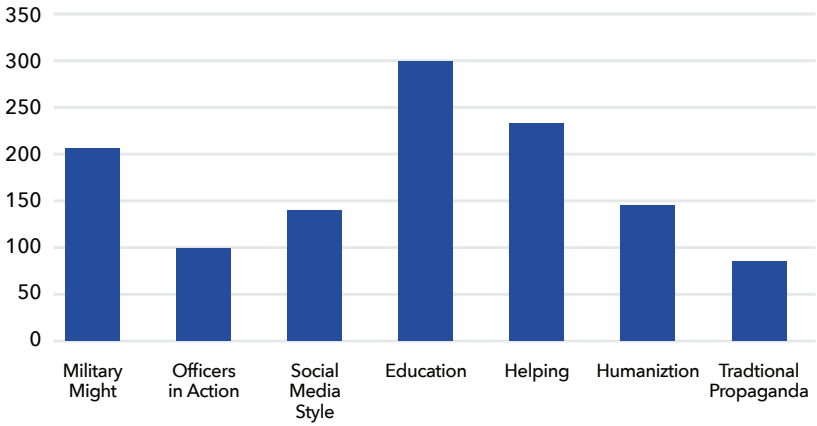


FIGURE 2. Propaganda Types across 600 Military Videos

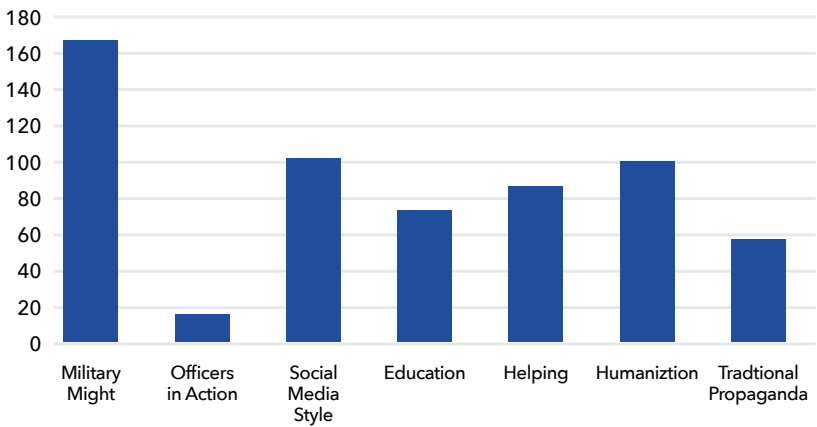


FIGURE 3. Propaganda Types across 600 Police Videos

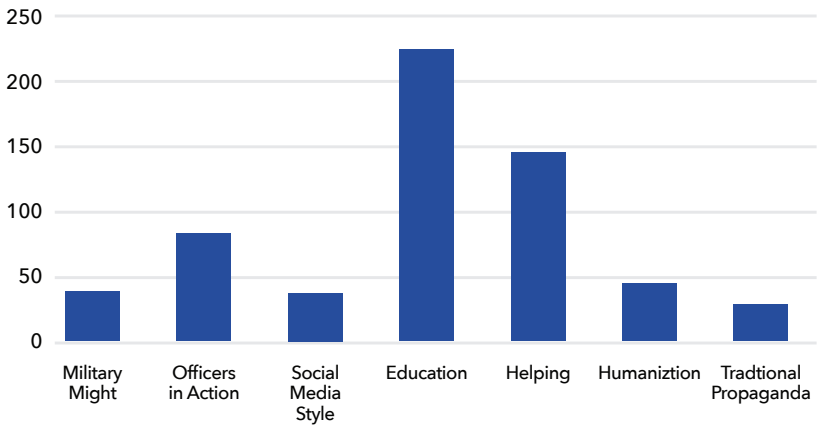
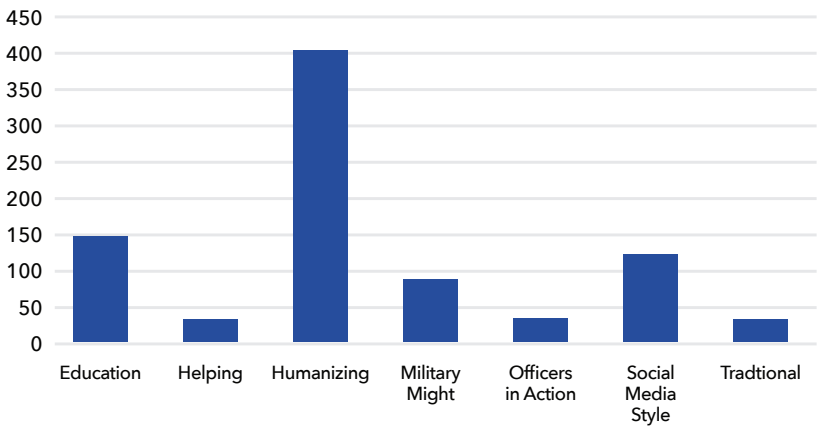


FIGURE 4: Average Number of Hearts Across all Videos and Accounts



the qualitative analysis of the videos revealed that more popular videos (as denoted by likes and hearts) were typically more engaging.

Public Perceptions and Hearts

The first metric for assessing the public's response to a video is the number of hearts it has received. I chose to select videos based on hearts rather than comments, because hearts indicate quick, positive engagement with a video, whereas comments are more indicative of a deeper engagement with the video but are not always positive in nature. I take the action of users clicking the heart on a video at face value (i.e. as an indication that the viewer likes the video), although it is possible that people with negative responses to the video will also heart it in order to see more content of that style. Figure 4 shows the average number of hearts received by each type of propaganda across all videos and accounts in the study.

Humanizing videos—the ones that emphasize hardships officers face and tell their life stories—are clearly favored by viewers in comparison to other types of propaganda. This is logical, given the rising prevalence of this type of video in recent years on government accounts. *Douyin* gives security forces a special opportunity to tell visual stories that might not translate the same way over written text. Video of an officer showing their blistered feet and recounting their efforts to recover victims from a car accident, for example, provides a powerful message about the job that officer is doing. This is apparently far more engaging to viewers than images of officers simply helping people, which ranks slightly below traditional propaganda in terms of number of hearts. Not surprisingly, social media-style videos are more likely to gain hearts, but so are educational videos, which may be one reason why we see so many education videos in the sample.

Public Perceptions and Comments

While the number of hearts tells us something about the popularity of a particular video or type of video, actual user comments give us even more information about public perceptions of security personnel propaganda on *Douyin*. Because the most popular security videos can garner as many as a few million

hearts and tens of thousands of comments, analysis of this data immediately becomes an issue of scale for both collecting and classifying the comments. This is further complicated by the frequent use of emojis and coded language in the comments, as well as a need for proper context. Someone saying something negative in the comments, for example, might be directing the comment at the suspects or the situation, not the police or military. With these issues in mind, I collected 96,449 comments data from 60 propaganda videos by carefully selecting videos from each propaganda type that were both representative of typical videos and less likely to involve multiple actors that could skew the comments in an ambiguous direction.

Text analysis of user comments can provide more information about questions that emerged in the qualitative analysis. Notably, few of the 1200 videos made any reference to foreign actors or adversaries. For the handful of videos where mention of international actors surfaced, commentary was vague or superficial. For example, one video posted by the PLA Naval account noted that submarines could face provocation and harassment by foreign troops (*mi-andui wajun tiaoxi zirao*) but the narrator quickly pivoted to say this is not the only threat they face and went on to describe the difficulties and safety of life under the water. Similarly, the one video in the sample that directly mentioned Taiwan simply showed images of the island's landscape and skylines accompanied by a simple message: Taiwanese compatriots, we are waiting for you to return home (*Taiwan tongbao, deng ni huijia*). Yet the widespread absence of direct references to foreign actors in the propaganda videos does not mean that users do not draw their own connections to international issues.

To see if users were writing about international issues when commenting on video content, I employ a keyword analysis to identify the prevalence and placement of such discussions. Among the nearly 100,000 comments, only 22 referenced foreign nations (*waiguo*) generally and 33 mentioned the United States specifically. Of the references to the United States about half were negative, and interestingly, every type of propaganda contained references to the United States, even the categories of helping, humanization, and social media style, which we might expect to be the most inwardly focused. Comments on videos of officers in action contained 10 references out of over 18,000 comments, and even displays of military might contained only 12 references out of nearly 12,000 comments. The text analysis thus reveals that the inward focus

TABLE 1. References to Foreign Nations and the United States in Security Force Propaganda User Comments

Category	Number of Videos	Number of Comments	Mention of Foreign Countries	Mention of the United States
Helping	10	13,816	2	1
Humanization	8	13,151	0	2
Officers in Action	9	18,186	4	10
Military Might	9	11,872	12	12
Trad Propaganda	8	1,045	0	2
Social Media Style	8	16,397	0	3
Education	8	21,982	4	3

on China of the videos themselves is also echoed in the comments section; comments were thus not a hotbed of anti-foreign sentiment or a place for discussion of international issues. Table 1 shows the full breakdown. Notably, traditional propaganda is so scarce and user comments are so infrequent that it is under-represented in this sample.

Analysis

By parsing the actual content of security personnel propaganda on *Douyin*, this article has sought to demystify Chinese propaganda by giving concrete examples of real videos and analyzing two different indicators of public response to propaganda. The study finds that security force propaganda content is inwardly focused on improving perceptions of security forces and/or educating the public in ways that avoid engagement with international issues or outside actors, although a handful of viewers make those comparisons. Familiarity with *Douyin* videos helps us better understand the actual content that is produced and consumed. It also provides a baseline by which to assess any shifts during times of crisis or change.

Understanding security force propaganda is important for several reasons. First, this analysis reveals the broad range of propaganda that is present on *Douyin*. I present seven primary types, but one could also divide the content into subtypes that further classify elements such as humor, intent, and video sourcing (i.e. staged or realistic). Rather than all security force accounts operating from a central playbook or relying heavily on reposts across accounts, the videos analyzed demonstrated very little repetition, with each account producing much of its own content and in some cases creating a particular niche. The Siping Police account, for example, is dominated by longer skits featuring the same group of actors who may or may not be real police officers. Mostly, they interact with one another, but sometimes the primary actor will go and talk to real suspects and post these interactions. Other accounts, such as the Hefei police account, tend to rely heavily on traffic footage for their videos, and often feature images of police helping people on the street. The variety of all the videos demonstrates the level of commitment that security personnel leaders and officers place on producing and disseminating this type of content as well as their interest in developing a unique voice on social media that may increase their reach and number of followers.

Security force propaganda also reveals state priorities. Some types of propaganda, such as military might and crime fighting videos, aim to show the state as strong and competent. This is consistent with traditional propaganda goals and, at least in the case of police propaganda, may serve to invoke a sense of fear among would be criminals that could further governance objectives like adherence to the law. Similarly, many of the education propaganda videos more directly encourage law-abiding behavior, both by showing what happens to people who don't follow the law and by educating people about what actions are illegal. Helping and humanizing propaganda reveal another state priority: improvement of state-society relations. Because security personnel like police have extended and sometimes negative contact with the public, propaganda that shows them as regular people or as helping those in need might ease those tensions and establish a more positive relationship. In the case of military-produced helping or humanizing propaganda, state leaders may also be seeking to invoke feelings of national pride and connection.

Finally, the analysis of security force propaganda is informative because of what is absent. Though military account propaganda could easily target

military rivals or invoke real world crisis scenarios such as trouble in the Taiwan Strait or the Korean Peninsula, international actors and issues were largely absent from the sample. Thus, rather than developing adversarial content, the propaganda produced by security personnel accounts remains inwardly focused on Chinese capabilities and affairs. As a result, military propaganda is largely positive in nature and appears to be designed to make people feel awe, pride, and connection to the PLA rather than negativity toward another nation. While this sample does not account for every military or police account and is not necessarily predictive of what type of content we might see in the future, the ultimate finding of this study is that the United States is not currently being targeted on security force *Douyin* videos in terms of content produced or user generated comments.

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7. On Douyin, users who like a video can click a heart button to show their appreciation. Videos with more hearts are more likely to be shown to other users, and the user who clicked the heart will be shown similar content to that video, either from the same or other accounts. Typically, a higher number of hearts will also indicate a higher number of user comments, though this is not always the case.
8. Readers interested in the full list may email the author at sscoggins@clarku.edu.

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Democracy in Hong Kong: The Benefit of a Gender Mainstreaming Approach

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Abstract

In June 2019, millions of Hong Kong citizens marched in opposition of an extradition bill, spearheading a movement that evolved into a broader campaign for a more democratic government and autonomy from the PRC. Among policymakers, the movement also became representative of the global fight against authoritarianism and a key focal point of the US government's efforts to support democratic movements around the world. Historically, this movement is the most recent example of a long history of Hong Kong's democracy movement, which began in earnest during the colonial period. And while the world has long paid attention to Hong Kong's struggle for democracy, we have often paid little attention to the significance of women to its goals, tactics, and achievements. The purpose of this paper is to highlight the importance of women to the fight for democracy in greater China, with a particular focus on Hong Kong's democracy movement of the 1980s. This focus on gender will not only reveal a more complete picture of Hong Kong's fight for democracy, but also give a new understanding to how a democratic society—one in which political power, broadly imagined, is truly shared among citizens—can be built and sustained, not just in present-day Hong Kong, but in the broader Sinosphere.

Policy Implications and Key Takeaways

- Government supports for democracy organizations should conduct a gender mainstreaming analysis to consider how any organization's activities or programs affect all genders and their ability to participate as full, empowered citizens.
- Government supports for democracy organizations should consider the gender makeup of its leadership and empower women to be equal leaders in civil society organizations promoting democratic ideals. This should be done in consultation with the organizations themselves, who are often able to best gauge how foreign support would or would not serve them.
- Policymakers should not immediately presume that Chinese values or Chinese structures are inherently incompatible with democracy. Until

recently, most Hong Kong people believed it was not incompatible for Hong Kong to both belong to the PRC and be a full-fledged democratic territory with universal suffrage and protected rights. The belief is just as important, if not more important, than powerful people in Beijing who claim that democracy cannot survive in a Chinese-led space.

Introduction

On March 8, 2023, the Hong Kong Women Worker's Association planned an organized march in honor of International Women's Day. The march would have been the first approved organized civil rights event since 2020, when the People's Congress in Beijing passed a sweeping new National Security Law that designated a host of vaguely defined actions such as succession, subversion, and collusion with foreign entities punishable by imprisonment. Yet, this potentially historic event was canceled the evening before with little explanation.¹ The sudden cancellation was a potent reminder of how much Hong Kong's civil society has changed since May of 2020, especially given the sustained months-long protest movement, with approved marches nearly every weekend, in 2019. It signaled that Hong Kong's civil society and culture of protest, once robust, remains under threat.

It is notable that the first organized march to be scheduled and subsequently canceled in a post-National Security Law Hong Kong focused on women's rights. On its face, such advocacy would not be at odds with the law's spirit. The Hong Kong Women Workers' association, a grassroots organization founded in 1989 to advocate for equal labor rights, seems to have little overlap with a law that targets subversion of state power and foreign influence. Beyond this, the government People's Republic of China, the same government that crafted and enforced the National Security Law in Hong Kong, has long upheld itself as a champion of women's rights. In the early days of the Chinese Communist Party's (CCP) founding, they centered gender equality as a core part of their party platform, proclaiming "women hold up half the sky."² Since then, the CCP has, at least in rhetoric, stressed gender equality as both a key policy priority and a distinguishing feature of their regime compared to both previous Chinese states and Western countries.³

Yet, when we consider that the National Security Law, at its core, targets the democratic features of Hong Kong's government and the city's broader democratic culture, the suppression of a march for women's rights makes more sense. It is well documented that when non-democratic governments seek to chip away at democratic structures, it often disproportionately harms women. This is in part because the "social institution of patriarchy" and the oppression of women that it causes—including a lack of equal economic opportunities, freedom of movement, or bodily autonomy— is fundamental to the main-

tenance of non-democratic governments.⁴ This can certainly be seen in the PRC. From the marriage law in the 1950s that, while claiming to empower women, ultimately ensured the continuation of patriarchal family structures, to the One Child Policy that robbed women of bodily autonomy, to heavy-handed censorship of women's calls for better laws on sexual assault and intimate partner violence, the PRC is one of many governments that claim to support gender equality while actively thwarting progress towards it.⁵

The way the HKWWA march's cancellation highlights the gendered realities of anti-democratic measures and crackdowns is not the only reason it was notable. The fact that it was planned at all underscores how women activists have no intention of prematurely declaring the death of Hong Kong's civil society nor leaving basic rights untested. This kind of boldness is inherent to civil society organizations like the Hong Kong Women Workers Association. Hong Kong has long had a robust civil society in which NGOs and grassroots organizers were the central forces empowering Hong Kong citizens, pushing for structural change, and protecting basic rights. In the 1980s, Hong Kong's civil society became focused upon safeguarding Hong Kong's future in the face the impending handover to the PRC. The HKWWA was born in this time period, one of many organizations helping to mobilize different constituencies to participate in the democratic process and clearly articulate democratic reforms. And as a women's organization, they and others like them sought to ensure that women were treated as equal citizens in Hong Kong's democratization.

Yet, despite the fact that women leaders and women's organizations were critical to Hong Kong's democracy movement, they often faced more than one uphill battle. Male leaders relied upon women's labor while rarely ceding them leadership positions within major organizations. Women's concerns were also frequently dismissed. They were told that gendered concerns were too divisive. They were told that they were distracting from the larger goals of democratization. Or they were told to wait—that gender equality would be addressed after democracy was achieved. As a result, women's ability to fight for democratic representation and equal rights for all citizens was limited by the patriarchal structures stymieing them from integrating the experiences of all genders into decision making. This lack of what scholars call “gender mainstreaming” has reverberated from the 1980s democracy movement through the present.⁶

The purpose of this paper is to use the history of Hong Kong's 1980s democracy movement to highlight the critical importance of a gendered approach to the study of democracy movements in Greater China. It will do so by highlighting two important trends. First, it will show how women's voices and experiences were sidelined during Hong Kong's democracy movements. Second, it will show how and why a lack of attention to gender issues ensured that any movement towards democratic reforms often failed to benefit both genders equally. Ultimately, this paper contends that any analysis of democracy movements must give equal weight to the experiences and relative political power of its female citizens, because without their full participation, democratization will remain woefully incomplete.

The United States government has long established itself as the vanguard of democratic ideals abroad. In December, 2021, President Biden hosted a Global Democracy Summit. Arguing that democracy “doesn't happen by accident,” President Biden presented his summit as an “opportunity to listen, learn, and engage with a diverse range of actors whose support and commitment is critical for global democratic renewal.”⁷ Inherent in this statement is the presumption that the United States is impaired without nuanced, locally-created knowledge of how democracy is built and sustained around the world. As United States policymakers think about how to best serve democratic movements, it is critical that they consider how the organizations and states they support empower (or disempower) women. In so doing, we will have a clearer view about how a democratic society—one in which political power, broadly imagined, is truly shared among citizens—can be built and sustained.

I. Democracy and Social Movements in Hong Kong

A Wider View of Democracy

Democracy is a difficult thing to define. Since the Second World War, it has been common to equate democracy with elections, “fairly conducted and honestly counted.”⁸ This definition, supported by prominent political theorists and used often in qualitative datasets, privileges political processes and procedures over other political or societal structures.⁹

Certainly, it is difficult to imagine any definition of democracy that does not include free and fair elections. Yet, as many political scientists contend

today, to define democracy by the existence of elections alone can easily warp the core of what democracy is meant to accomplish.¹⁰ Elections frequently happen in societies that are on their face undemocratic, such as the People's Republic of China, South Korea under martial law (1960s–1980s), or even Hong Kong today. This truth has led scholars to recognize that a society can simultaneously expand its electorate and narrow the ability of citizens to exercise political power.¹¹ Some of these scholars even suggest we think of democracy not just as a political system but as a “social form,” with our governing procedures constituting one portion of it.¹² In their view, democracy is less about which procedures exist and more about how political power functions and how a society guarantees that citizens remain equal and significant participants in the political system.

This wider view of democracy is particularly fruitful when we add a gendered lens.¹³ States and systems that were, and still are, categorized as paragon democracies have for much of their histories denied women and ethnic and racial minorities the full rights of citizenship. Indeed, some scholars of democracy are still willing to actively ignore unequal suffrage in their definitions of democracy—in a book by Robert Dahl, one of the most cited political theorists, defined democratic countries as those with “male or full suffrage,” thus conflating countries that give the most basic right of voting to only half of its more privileged citizens to those who extend it to all citizens.¹⁴ On the one hand, this stark gap in our conversations about democracy show how and why elections based upon full suffrage can be a good marker of democratization. To be blunt, a state that guarantees full suffrage likely has a more democratic culture than those that guarantee only male suffrage.¹⁵

But perhaps this gap should compel us to think more widely about how women can act as political actors. Even in societies where women can vote, their ability to exercise political power and have agency as equal citizens is not always guaranteed. Indeed, many countries with full female suffrage still pass laws that target women and strip away their basic rights. Simultaneously, women who are denied the right to vote are not necessarily barred from being political actors, often finding creative ways to exercise power. In short, women's experiences bring into sharp relief that there was not always a direct corollary between being able to *vote* and having more political power.¹⁶

In this paper, I do not mean to neglect the question of elections. Indeed, the Hong Kong democracy movement I will cover here is primarily about efforts to introduce universal suffrage and direct elections into Hong Kong's governing system. Yet, I also take seriously the idea of democracy as a social form rather than just a political system. When we do, we can more clearly center the questions of how citizenship is defined and how political power is shared, rather than simply checking a box when elections exist. This, to me, is a much better way to consider how and in what ways people of all genders maintain equal citizenship during the process of democratization.

The Democracy Movement in Hong Kong

Despite contestations over definitions of democracies, it is difficult to argue that Hong Kong has ever been one. For most of its history, the Hong Kong British colonial government was overseen by the British government in London. Key government positions were appointed by the Hong Kong governor who, himself, was appointed by the British monarch, and most powerful positions were usually occupied by white British men. The first direct elections were introduced in the 1980s for a proportion of seats on the District Council, a local administrative body charged with advising the central government on the needs of local districts and overseeing a certain amount of government funds. For Hong Kong's legislative body, the Legislative Council, direct elections were not introduced until 1991 for a minority of its seats, while the remaining majority were either selected by economic interest groups called "Functional Constituencies" or appointed by the governor. Since 1997, the number of directly elected seats has waxed and waned but has never constituted a majority of the body's seats. The Chief Executive position, created in the 1980s as a replacement for the governor as the head of the Hong Kong government, was and still is decided by a several-hundred member "election committee." Taken together, a minority of positions in government today are directly elected, and even then, elected representatives must still pass the approval of the PRC national government, thus severely limiting the political positions any candidate could feasibly support lest they be disqualified by Beijing.¹⁷

Put plainly, Hong Kong's government representatives are largely not chosen by popular elections, and those elections that do exist are neither free nor fair.

Yet, Hong Kong has a long tradition of democracy *movements*, defined here as grassroots-led movements to push for democratic governance and institutions. Historians frequently point to the 1980s as the birth of Hong Kong's democracy movement.¹⁸ In 1982, with the looming end of Britain's 99-year lease on the New Territories, Margaret Thatcher traveled to Beijing to meet with Premier Zhao Ziyang and Chairman Deng Xiaoping to discuss the future of Hong Kong's sovereignty. These meetings directly informed the Sino-British Joint Declaration in 1984, which established the transfer of Hong Kong's sovereignty to the People's Republic of China on July 1, 1997. In tandem with the Joint Declaration, the British government released a Green Paper titled "The Further Development of Representative Government in Hong Kong," a document that signaled the British belief that the establishment and safeguarding of basic rights and democratic structures in Hong Kong was a prerequisite for a smooth transition of power.¹⁹

These events galvanized a sharp increase in activity by civil society organizations pushing popular elections.²⁰ Such activities only increased with the drafting of the Basic Law, Hong Kong's postcolonial founding document, from 1985–1988. Perhaps most importantly, Hong Kong citizens were inspired to consider their own democratic prospects by the widespread protests and subsequent crackdown in Beijing's Tiananmen Square from April through June of 1989. That summer, millions of Hong Kongers participated in activities supporting the protestors Tiananmen, protestors they saw as allies in their goals to make China a place where democracy thrived.²¹

It is clearly true that the 1980s was a turning point in Hong Kong's democracy movement. But grassroots organizations had been pushing the British government to empower Hong Kong citizens to build their own future well before 1984. The 1970s saw a flourishing of new periodicals from local Hong Kong intellectuals that proffered critiques of local, national, and international issues. Many of them, recognizing the global tides turning against colonialism, argued directly that the British should both transfer sovereignty of Hong Kong to the PRC while also safeguarding democratic institutions in the territory as part of the transfer negotiations.²² From the Hong Kong Observers, a group of young professionals who began pressuring the colonial government to consider Hong Kong's future beginning in the 1970s through a series of English-language op-eds, to student unions, literary magazines and leftist

underground groups, Hong Kong's flourishing civil society was buzzing with conversation about the territory's future years before the 1980s.

To take a bigger step back, a wider view of democracy would encourage us to turn our gaze towards the moments in which the groundwork of democracy—a fundamental shift in the city's civil society that reorganized the relationship between state and citizens—began to take shape. To understand this in Hong Kong, we must turn to Hong Kong's robust history of social movements. Since the early twentieth century, grassroots protest was the primary way citizens of Hong Kong exerted political power in a colonial system. A watershed moment happened in the 1960s with a series of overlapping protests about labor conditions, cost of living, and the inequities of imperialism.²³ These so-called "1967 riots" shifted the British approach towards the colony, motivating them to institute a series of reforms, including universal education, better labor law protections, and anti-corruption campaigns. In a word, the reforms that stemmed directly from the social movements of the 1960s—as well as the kind of nationalistic critiques of imperialism that underlay the movement—were critical in creating the kind of civil society that made later democracy movements possible.²⁴

This history reminds us that the relationship between democratization and social movements are inextricably linked. Not only are social movements critical to the construction of democratic institutions, they also are fundamental to the rearrangement of power relationships more broadly. As many scholars have noted, social movements serve as "avenues of representation and participation" that can be just as important as voting, in particular for underrepresented and marginalized groups, and in particular within a non-democratic system.²⁵ In our understanding of Hong Kong's democratization, focusing only on the push for elections in the 1980s blinds us to the kinds of forces that made Hong Kong's civil society robust and guaranteed the economic and social conditions that made it possible for people to advocate for themselves.

A focus on how social movements reinforce democratic cultures and structures also implicates the relationship between democracy and gender. The existence of elections or even universal suffrage does not necessarily lead to a society of equal citizens with equal access to political power. Women, often any society's most marginalized citizens, had to think creatively about how to assert themselves as political actors. This was commonly done

through grassroots activism. By refocusing our attention on activism and protest, we can better spotlight neglected voices in the quest for a more democratic society while also emphasizing how structural power inequities made activism an important avenue underrepresented groups, like women, to make their voices heard.

II. Women in Hong Kong's Democracy Movement

Waiting for Gender Equality

Ms. A sat at a table listening to a man give a speech. A prominent democratic activist, he spoke to a room full of representatives of civil society organizations involved in Hong Kong's democracy movement, brought together to craft a manifesto on human rights and democratic governance at their next event. Her attention was drawn to one line: that they would seek *first* direct elections, and *then* pursue equal rights and people's livelihood. As one of the youngest participants in the room and one of few women, Ms. A sat at the edge of the table. But that line compelled her to raise her hand. "Excuse me," she said, "why does it have to be *and then*? Why does equality have to come *after* direct elections?" She then pushed, "What about gender equality—does that too have to come after?" The senior members—all men, all seated at the center of the table—responded with an uproar. Why was she being divisive? Did she not understand that equality, including gender equality, would naturally come from direct elections? Why was she attacking the main speaker? Ms. A stood her ground; she knew that treating gender equality as an afterthought, or treating gender equality as a natural byproduct of democracy that required no extra effort or attention, would likely preclude its realization. But the men at the center of the room had made their position clear: gender equality would have to wait.²⁶

Ms. A's story echoes a common refrain from women activists in Hong Kong's democracy movement. Beginning in the 1980s, dozens of groups, some already in existence and some newly formed, began pushing for democratic reforms in anticipation of the impending handover. In 1986, almost 200 civil society organizations joined together under the umbrella organization Joint Committee on the Promotion of Democratic Government (JCPDG, or the 民主政制促進聯委會 (*minzhu zhengce cujin lianweihui*))

abbreviated as 民促會 (*mincuhui*). This organization and the groups that constituted its membership formed the heart of Hong Kong's democracy movement—they were the most influential grassroots organizations able to pressure the three power brokers determining Hong Kong's future: the Hong Kong colonial government, the government of the United Kingdom, and the government of the People's Republic of China.

Nearly all of these groups, including the JCPDG itself, had exclusively or primarily male leadership. Two well-known members of the JCPDG were Martin Lee and Szeto Wah, both remembered today as the “fathers” of Hong Kong's democracy movement. Among JCPDG's core leadership, there was only one woman, Helena Wong (Wong Pik Wan).²⁷ Other organizations were hardly better. As Wong explained in a published interview, the number of women in leadership in democracy-focused civil society organizations was shockingly small.²⁸ To confirm, I asked Ho Chi Kwan, a longtime activist who served as core committee member of one prominent democracy organization, if there were many women serving in the leadership of her group or others like it. She bluntly responded, “of course not.”²⁹

For many of these women, this was nothing new. Many got their start years earlier in the social movements of the 1970s, during which time most leaders were men. Several women I spoke to said that most of the sexism they faced from their male counterparts was not overt.³⁰ But their lack of voice within leadership cast a shadow over their participation. Women reported having to be cautious in how they advocated for women's issues, if they did at all, and when they did speak up, they were frequently told that such issues were “divisive” or that they distracted from the core issues they all agreed mattered.³¹ They also had to learn to survive in cultures that tended towards hypermasculine tactics. As Helena Wong explained, male leaders rarely thought about how gender affected group dynamics, in everything from the gendered language of their rallying cries and songs to their distinct style of debate and leadership.³²

Yet, while many of these challenges existed for decades, something new happened in the 1980s: women began creating new organizations led by and advocating for women. The first women-centered organization in Hong Kong, the Hong Kong Council of Women, was founded in 1947, but its leadership and funding were largely British, and its advocacy largely focused upon middle

or upper-class women.³³ Yet by the 1980s, many women involved in Student Unions, Christian organizations, political activist movements, and labor unions—spaces where they were often minoritized—began to realize that the solution for their marginalization was to create organizations specifically dedicated to their goals. The first women’s advocacy group created entirely by local women was the Association for the Advancement of Feminism (AAF 新婦女協進會, *xin funü xiejinhui*) in 1984, though they were quickly followed by organizations such as Harmony House, the Hong Kong Federation of Women’s Centers, the Hong Kong Women’s Christian Council, and the Hong Kong Women Workers Association. And once the Sino-British Joint declaration shifted public attention towards the impending 1997 deadline, these organizations, like so many at the time, turned their gaze towards ensuring that women had a say in Hong Kong’s future.

These organizations were critical sources of empowerment. Ho Chi Kwan, one of the founding members of AAF describes it as a space for women to lead when they lacked those leadership opportunities elsewhere. Ho got her start in politics two working for a candidate for District Council elections, which first opened up for popular voting in 1982. There, she recalls, she and other female staffers became cognizant that women’s issues seemed to be of less importance to both the candidates they worked for and the other civil society organizations that were attempting to influence Hong Kong’s future.³⁴ Perhaps because of these experiences, when AAF was founded, she pushed for AAF’s elected leadership to remain closed to men. “Women needed a space where we can run our own organization,” she told me. Helena Wong also recalls the problem of leadership during her experience in civil society organizations in the 1980s. “If you look at the democracy movement,” she explains, referring to the male-dominated organizations, “they have clear leaders.” The women’s movement, on the other hand, found this “hero” model antithetical to a more equity-based organization. “[Women] did not really emphasize this image of heroism, nor did they believe the movement had to have one leader whereas everyone else followed. The relationships among them were more equal.”³⁵

Women’s organizations also allowed activists to prioritize empowering women in politics. This was something that AAF made as a core part of their platform. AAF’s first task upon being founded was to do a broad survey to understand women’s participation in Hong Kong politics.³⁶ This choice was met

with fierce criticism by male colleagues, who believed that “women’s issues” ought to be limited to policies regarding the home and children. “We didn’t want to do that,” Ms. C, one of AAF’s founders, told me. From the outset, AAF stressed that they wanted, instead, to understand how to better integrate all women into Hong Kong’s polity.³⁷

But the power of women’s organizations did not necessarily lead to representation within the broader democracy movement. Indeed, not only did women remain marginalized in democratization leadership, so too did the concerns their organizations focused on. One of the founders of AAF, Leung Laiching, recalls asking the leaders of JCPDG to include issues regarding gender equality to their platform and programming at one of the many rallies held in Victoria Park in the leadup to election reform in 1988. Begrudgingly, they offered her a speaking slot at the end of the program. While she took the opportunity, she recalls, the experience made her realize just how “marginalized,” in her words, women were in the movement. By having only one or two women speak about the relationship between gender and democracy, the movement treated women as a flattened and homogenous constituency. “I can’t represent all women, I can only represent myself,” she said.³⁸

The Importance of Gender Mainstreaming: The Case of Functional Constituencies

It is easy to look at gender inequalities in civil society leadership and focus on how it affected the women who were ignored, dismissed, or challenged. But structural patriarchy affects more than women leaders: it often ensured that blind spots and key problems went unaddressed. Perhaps the most obvious example of how and why a gendered analysis matters in understanding Hong Kong’s quest for a democratic system regards the fate of what were called “functional constituencies.”³⁹ As mentioned above, when the British colonial government began to move away from a system of appointment for legislative councilors, they introduced two methods of electing members: one set of seats chosen by popular vote within several geographic districts, and another chosen by members of several “Functional Constituencies” (FC) representing major professional and economic sectors such as Real Estate, Finance, Medicine and Health Services, Social Welfare, Labor, or Agriculture, to name a few. Laws determined who could vote within the FCs through a convoluted

set of limitations—in some cases, “umbrella organizations” such as chambers of commerce or corporations are directly given the power to vote, whereas in other cases, voting is based upon registration or professional qualifications (the Social Welfare and Medical and Health Services FCs, for instance, limit voting only to those who have a particular level of certification in their respective fields). The end result is that both the FCs themselves and those eligible to vote within each FC are those with pre-existing economic power.⁴⁰

On the one hand, FCs give political power to a broader cross-section of Hong Kong society than the appointment system that preceded it. On the other hand, by explicitly tying political power to economic power, the system ensures that only certain interests—particular professions that are disproportionately constitutive of economic elites—outweigh the needs and interests of the public. Indeed, the identities of the supporters and detractors of the FC system makes this clear. The groups generally supportive of the FC system are economic elites and business leaders; importantly, FCs are also highly favored by the Chinese Communist Party in Beijing, which believes, likely correctly, that alliances with wealthy elites would strengthen its rule in Hong Kong while direct elections would weaken it. Those opposed are organizations that generally speak for and represent grassroots interests.⁴¹

As a system that explicitly gives economic elites the right to choose a plurality of elected officials, it is clearly undemocratic. But its undemocratic nature becomes even more obvious when we consider how it starkly disenfranchises women. Both the professions represented by FCs and those empowered to vote within each FC are overwhelmingly male, because leadership roles in nearly all economic sectors remain male-dominated. In Hong Kong, women are given fewer promotions, experience more employment precarity, are more likely to work part-time and receive lower pay than their male counterparts in nearly all fields. This means they were much less likely to have the right to choose electors within their respective fields, either because they did not serve in the umbrella organizations or they did not meet certain certification requirements. Beyond that, women are much more likely to work in the home than their male counterparts. There was, and is, no FC for homemakers.

Hong Kong is not the only place where female labor is devalued. Around the world, women are almost universally paid less than male counterparts for similar work, and work gendered as “feminine” is usually valued less than

work gendered as masculine.⁴² Women's domestic labor around the world is also rarely considered economic output.⁴³ While the cooking, cleaning, and childcare work women perform in their own homes certainly contributes to a capitalist society—indeed, that work creates the labor conditions that make a capitalist economy possible—it remains unpaid and ineligible for a whole host of other material benefits attached to paid work, from insurance to government benefits to inclusion in national and regional economic data. These facts are as true in Hong Kong as they are elsewhere.

The system of FCs, however, adds a new dimension to the devaluing of female labor. In this political system, only people who are leaders in their chosen economic sector had the power to choose representatives. The fact that the work women do is so often underpaid or unpaid not only means women are not being fairly compensated. They are also being directly denied political power.

Certainly, there are other reasons FCs are deeply unequal. Nearly all of the major democracy organizations opposed the continuation of FCs due to how they empowered wealthy elites and their interests above those of Hong Kong citizens. But a gender mainstreaming approach brings into sharp relief just how much political power in Hong Kong is skewed towards men. Women involved in Hong Kong's democracy movement in the 1980s frequently stated that this inequity was one of the reasons they fought for direct elections right away.⁴⁴ To the best of my knowledge, their male colleagues, even among those who did support direct elections, nonetheless found their gendered arguments unimportant or unconvincing.

The FC system is not the only example of how existing structures disempower women in Hong Kong. From transportation to inheritance rights, rooftop heat and pay equity, societal inequalities often barred women from being able to be full participants in a democratic system. In each of these instances, it was women-led organizations that brought these inequalities into public consciousness when mainstream civil society organizations ignored, downplayed, or disregarded them. This history gives us a clear warning: without equal suffrage, equal access to transport, equal rights, equal access to work, or equal compensation of time, women can never truly be citizens. And democratization will remain incomplete.

Hong Kong's Democratization Today and Recommendations for Policymakers

Since the 2020 National Security Law, Hong Kong has seen civil society organizations targeted, democracy leaders jailed, news organizations shuttered, and everyday citizens arrested for actions that were recently acceptable. Today, Hong Kongers wait with trepidation to see what future restrictions await them. This is particularly true for women civil society leaders. Many women activists are familiar with the ways the government sustains unequal gender hierarchies in China—from the lack of protections against sexual assault, intimate partner violence, and workplace discrimination, to government actions that silence feminist protests, control women's reproductive activity, and pressure women to maintain strict gender roles. In Hong Kong, where legal protections for women are only marginally better, in part because of the plethora of civil society organizations focused on women's rights, women activists fear that the National Security Law currently gutting Hong Kong civil society will ensure that any progress on gendered justice will similarly fall to the wayside.

Yet, the fact that Hong Kong is experiencing rapid democratic backsliding does not mean we should abandon the lessons of the democracy movement of the 1980s. It is worth keeping in mind that Hong Kong has never been a full-fledged democracy. As such, women in Hong Kong have always been pushing for democratic and equitable structures within an undemocratic system. Many of the women I spoke to are not shocked by the threat of state crackdowns and have come up with creative solutions to dealing with the ever-changing nature of repressive policies. For instance, organizations primarily focused on domestic violence and assault have attempted to quiet their associations with democracy-focused institutions and high-profile democracy leaders. Others have, because of the National Security Law's focus on foreign collusion, maintained distance from foreign organizations. Others have attempted to find new ways to fight for equality that are not obviously associated with the direct fight for electoral democracy, such as conservation efforts, worker rights, or online safety. Others still have stressed the importance of maintaining networks, organizations, and alliances afloat, even if their activities remain muted or dormant.

Based upon these historic and contemporary realities, there are several lessons that we, in the United States, should take. First and most importantly,

policymakers who are considering support of particular organizations dedicated to democratization should consider how and why gender mainstreaming is critical to any democratization movement. Throughout the 1980s and 1990s, women's organizations highlighted roadblocks to broader democratization that were often unnoticed or ignored by male organizers since the primary victims of those roadblocks were women. As United States policymakers, global NGOs, or citizens around the world imagine how and what democracy means, it is critical that we engage in gender mainstreaming to ensure that we are considering the impacts of policies on those citizens that society frequently marginalizes.

Similarly, policymakers should also consider how a lack of women's leadership in democracy organizations reflects upon the priorities of any democratization movement. The history of the 1980s in Hong Kong shows how powerful democracy organizations thought little about the gender dynamics of not just the policies they promoted but also their day-to-day functioning. While it is impossible to prove direct causality, the women dedicated to Hong Kong's democratization clearly believed the lack of female leadership contributed to why women's concerns were often ignored. As such, government-funded programs, international NGOs, and civil society organizations might begin by prioritizing relationships with female-led NGOs, platforming women as speakers in events pertaining to democracy, or emphasizing gender mainstreaming as a focus in international events and summits. The 2021 Summit for Democracy included a panel on women's rights and democracy, but integrating this throughout more sessions would be a better way to emphasize how gender mainstreaming is inherent to all questions pertaining to democracy's success. In practice, structural gender inequality is difficult to solve solely through a focus on representation or through speeches or events, but it is a start.

With both of these recommendations, it is worth noting that today, foreign aid for civil society organizations often comes with certain risks for those organizations. This, however, should not inhibit us from offering support, financial or otherwise. In all cases, we should listen to and privilege the voices of NGO and CSO leaders on how support would be most helpful.

Finally, this history tells us that there is not something intrinsic to China or Chinese-ness that is antithetical to democracy. It is common today to claim

that democratic values are incompatible with China, its governing structure, or its core cultural values. This is a claim not only repeated by Western policy-makers, journalists, and academics, but also by powerful leaders in Asia. Yet, at the heart of democratic values is the contention that it is the people who decide if their government, society, or culture can or should be more democratic, not foreign actors who look at that society as alien or foreign, nor its most powerful players who benefit from a non-democratic system with stark power hierarchies. In the 1980s, many Hong Kongers genuinely believed that democracy and Chinese-ness were not incompatible. They believed not only could Hong Kong be both democratic and a part of the PRC nation-state, but that the eventual unification of Hong Kong and China spelled hope for democracy on the mainland as well. That memory is still fresh today, and many Hong Kongers remain steadfast that their hope was justified.

Their imagined hope has obviously not yet come to pass. Instead, Hong Kong's picture of democracy looks bleak. Even if we consider democratic structures beyond direct elections, Hong Kong looks significantly worse than it did only a few short years ago, and certainly less hopeful. But history empowers us to think creatively and analytically about how the past relates to the present and mobilize that knowledge to imagine a more malleable future. When we do, we see that activists can and do build democratic futures within oppressive presents, and they often do so guided by historical knowledge. Mass movements tend to build on one another, finding hope and purpose by studying the past and situating themselves within a collective narrative. A historical lens reveals not only where democracy-builders have been, but how they imagine what can be.

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Notes

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2022-2023 WILSON CHINA FELLOWSHIP

The Innovation Race: US-China Science and Technology Competition and the Quantum Revolution

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Abstract

Technology competition is the fundamental driver of long-term US-China strategic competition. Technology racing will define the bilateral rivalry over the coming decades, and it is an innovation marathon that American policy-makers must navigate to preserve the United States' security and economic competitiveness. After taking power in 2012, Xi Jinping launched a determined campaign to shift the vital center of science and technology (S&T) from the United States to China by pioneering emerging technologies such as quantum. Quantum technologies offer revolutionary potential to upend the geopolitical balance of power. Chinese champions are shifting away from deep investments in quantum communication to keep pace with American progress in quantum computing and sensing. In the next decade, quantum technologies will enter a new stage of maturity that will have the potential to disrupt economies and security. There is no certainty that the United States will retain its historic innovation leadership in quantum, nor that China will best the United States. The nation that best harmonizes its domestic innovation system will determine the course of the twenty-first century's economic and security order.

Policy Implications and Key Takeaways

- US-China strategic technology competition will be determined by the country that best optimizes its innovation system. Two innovation systems are vying for global primacy, but it remains unclear which country will capitalize on technological revolutions unfolding today and in the future. The nation that integrates the products of its S&T ecosystem and private sector will retain leadership in the decades to come.
- China aims to close the gap on the United States' public and private advances in quantum computing and sensing. The race to utilize quantum has distinct first mover advantages. Ingenuity, dedication, and luck could yield strategic surprise.
- Investing in human capital for science, technology, engineering, and math (STEM) will pay dividends for quantum and a range of other emerging

technologies. US policy should address reforms for immigration and devoting resources to K-Ph.D. education that can build a heterogenous STEM talent pipeline.

- The United States possesses a well of quantum soft power that China cannot replicate. An updated National Quantum Strategy is essential for tailoring the right policy solutions for accelerating talent cultivation, public funding, research and development (R&D), and private capital.

Introduction

The United States and China are locked in an innovation race to control the technologies that will determine economic and security competitiveness in the twenty-first century. Two conflicting systems—the United States’ public-private market approach and China’s state-dominated economy—are searching for advantage. “Technological innovation has become the main battleground” for global leadership, Xi Jinping declared in 2021. Actions since his remarks are a testament to the centrality of technological competition between the United States and China. Although this is a contest that takes lessons from the Cold War, it is an entirely novel policy challenge. It is also occurring against the backdrop of dizzying technological revolutions that will demand agility and far-sighted resolve from policymakers.

This chapter begins historically in the Cold War and winds through the heyday of US-China science and technology (S&T) cooperation that presages the innovation race. It explains how an escalating S&T rivalry after 2012 culminated in pivotal events in 2022 and 2023 that birthed a technology competition. American policy arrived late to an innovation contest that Xi embarked upon after 2012. Washington is now announcing policies that seek to establish what National Security Advisor Jake Sullivan dubbed “a small yard and high fence,” where export controls are wedded to domestic spending to boost American competitiveness. Xi’s response to export controls and American industrial policy was to assert the Chinese Communist Party’s (CCP) authority over S&T.

The final section addresses quantum technology competition and is written for a general audience. Quantum is equally mystifying and awe inspiring. I am not trained in quantum physics, but policy audiences require direct explanations for how the technology can shape the United States. I describe applications for quantum sensing, computing, and communications followed by an evaluation of the United States’ and China’s standing in public support, private sectors, and workforce. I then conclude the paper with a brief history of China’s state-sponsored endeavors, primarily to control information with quantum communications. Quantum exemplifies how two divergent innovation systems are locked in a contest for supremacy. The stakes of this rivalry call for urgent policy action instead of complacency in the face of a committed adversary that seeks to commence a new era of global power by dominating innovation.

S&T Competition in the 21st Century

Xi is heeding lessons from the CCP's past to harness S&T for the state but to avoid Mao Zedong's tragedies that catalyzed an intellectual decay before Deng Xiaoping's modernization. After the Second World War, Mao welcomed the repatriation of over 1,000 professors and graduate students across scientific disciplines. Many, like Qian Xuesen, returned with a deep knowledge of advanced Western weapons. Mao's 1955 order to deliver an atomic bomb galvanized scientists in the Two Bombs and One Satellite campaign by led Qian and other scientists at the Chinese Academy of Sciences (CAS). Scientists who may have skirted the worst of the excesses of the Great Leap Forward did not escape the Cultural Revolution's ideological violence. China's S&T stagnated in the 1970s before Deng Xiaoping ushered in a new era to reform China.¹

Deng's determination to modernize China, especially in S&T, hinged on normalizing relations with the United States during Jimmy Carter's administration. Deng recognized that breaking China's S&T isolation from the United States was vital for China's recovery in the 1980s. A fact not lost on Carter or his National Security Adviser Zbigniew Brzezinski when deliberating the strategic benefits of normalization. The resulting US-China Agreement on Cooperation in Science and Technology was the first substantive accord signed by Carter and Deng on January 31, 1979. The agreement was critical for fulfilling Deng's reform oriented Four Modernizations of agriculture, defense, industry, and S&T. When the United States and Western Europe were at the dawn of the information revolution in the 1970s, China had little access to Western breakthroughs. The Four Modernizations were fundamentally driven by the necessity for China to import American technology in the 1980s. Deng nurtured the US-China S&T relationship throughout the 1980s to sustain China's recovery from Mao.²

Deng and his successors also committed to ambitious domestic development campaigns to overcome S&T deficits. The CCP launched several well-funded projects for scientific research in 1986 and 1997—the 863 and 973 Programs—and flagship education initiatives named Project 211 and 985 that led to the foundation of China's impressive rise in STEM education after the turn of the century. Undergraduate student numbers exploded after 1998 from 1.08 million students to 1.6 million the following year, with a growing preponderance of degrees matriculating in STEM disciplines. The

48 percent jump of new undergraduates between 1998 and 1999 ballooned further year-after-year in the 2000s according to the National Bureau of Statistics of China.³

Chinese S&T earned respect in many fields, such as biotech, in the 2000s for tremendous progress, but questions lingered if the headway was sustainable. A 2010 assessment of China's S&T ecosystem outlined numerous factors constraining China's optimistic plans to mature into a global S&T leader. Chinese R&D hubs failed to independently incubate the tools and talent to make significant strides. Imports constituted a critical source of R&D capital, machinery, and expertise. And although an authoritarian nation, national plans could not stem brain drain or fully capitalize on China's indigenous S&T resources. The CCP could not afford to disrupt S&T cooperation with the United States.⁴

Chinese Vice Premier Wen Jiabao in a 2008 *Science* interview captured the spirit of a high tide of US-China cooperation. Wen emphasized several pillars to sustain China's growth, principal among them creating pathways for S&T talent to flow into China. Within the same year, the CCP would also inaugurate multiple talent plans to entice Western researchers and Chinese students to return. His comments praised the decades of U.S.-China S&T cooperation that attested to science's promotion of unity across borders. The Vice Premier's statements characterize a dominant perspective that collaboration, not competition, was Beijing's priority.⁵

Xi's 2012 ascension marked a rupture from the past and placed China on a course to overtake the United States in innovation unlike his predecessors. China's S&T ecosystem, in his words, would "strengthen a primary driver: innovation" that would be the basis of China's twenty-first century power. CCP leaders post-Deng certainly praised the value of S&T for China's growth and innovation capacity. None exhibited the same tenacity to employ S&T in a long-term bid to reorient the commanding heights of innovation away from the United States. For China's security, economy, and prestige, Xi envisioned a future where the world's innovation flowed outward from China. Industrial policy formulated in the 2015 strategic plan *Made in China 2025* encapsulated the muscle behind the rhetoric and his conviction that the future belonged to a China-centric Asia.⁶

Xi's determination to dominate global innovation upended claims that China could not innovate. Repeating a then-popular claim that China copied

without innovating, authors in a *Harvard Business Review Article* opined that the CCP circumscribed China's innovation capacity. Xi upended this specious assertion. In 2013, he called for speedy reform of CAS and China's S&T management to elevate China's basic research to propel innovation. The CCP's 2016 Innovation-Driven Strategy bore the imprint of his resolve to move beyond rhetoric into results. The strategy inextricably merged innovation and China's development, noting that China "entered a new normal" where the old motors of development were eclipsed by emerging technologies. The strategy indicated that China lagged developed nations' S&T breakthroughs, workforce, and ecosystem to incubate innovation. "It is the nation's destiny to be innovation-driven," and China advanced with startling speed. Rankings in the World Intellectual Property Organization's annual *Global Innovation Index* charted China's dizzying ascendance from thirty-four in 2012 to the eleventh spot in 2022. The climb reflected China's human capital development, state spending on education, newfound respect for Chinese universities, in addition to leadership in emerging technologies of energy, artificial intelligence, and 5G.⁷

Despite China's rise, the 14th Five Year Plan in March 2021 raised doubts about China's headway in channeling S&T for innovation-driven development. The uncertainty crystallized in a blunt appraisal. "Our capacity for innovation is insufficient for the requirements of high-quality development." The Plan extolled the urgency of fulfilling Xi's directive to establish China as a S&T powerhouse by reforming the country's innovation architecture. Key planks of this program included revamping China's S&T infrastructure to establish an innovation base that nourished state-owned enterprises while also incentivizing the private sector to bear the mantle of accelerating innovation. Incubating indigenous talent and recruiting foreign S&T expertise were singled out for a crucial role in realizing China's maturity to a world-class innovation powerhouse.⁸

Xi evoked similar concerns in his address to the 2022 20th CCP Congress. Xi touted the rise of China as an S&T power and vowed that "innovation will remain at the heart of China's modernization drive." He pledged to commit state resources to accelerating China's indigenous talent development. But, he also acknowledged setbacks. Central to them being that "there are many bottlenecks hindering high-quality development, and China's capacity for scientific and technological innovation is not yet strong enough." One of the most insightful diagnoses of China's S&T hurdles appeared in September 2022

from Zhang Yuzhuo, an energy scientist and the China Association of Science and Technology (CAST) Party Branch Secretary. Zhang candidly elucidated the factors that prevented China from pioneering S&T advances, including what he called “American containment.” But he was frank that “we lack major theoretical breakthroughs and leading original achievements.”⁹

Xi’s ambition to overtake the United States in S&T compelled Congress and the Biden administration to act. A 2020 American Academy of Arts & Sciences publication criticized decades of post-Cold War failure to spend on innovation in a searing report titled *The Perils of Complacency*. By reducing government’s primacy in funding R&D over decades—as well as lacking a vision for influencing private sector innovation—the United States ceded ground to China. The response in Joseph Biden’s administration included a raft of industrial policy spending for the Inflation Reduction Act, the CHIPS and Science Act, and the Advanced Research Projects Agency for Health. The dynamics of a US-China technology race called for federal spending on R&D in the technologies that will shape the twenty-first century. Spending was married to export controls to establish, in National Security Advisor Jake Sullivan’s words, “a small yard and high fence.”¹⁰

In 2023, Xi explicitly responded to export controls and the United States’ industrial policy by centralizing authority for S&T under the CCP. He chaired a February Politburo Study Session on S&T where he lauded self-sufficiency in basic research that preserves first mover advantages in the era of “big science.” In early March, the National People’s Congress submitted formal reforms to China’s science and technology enterprise amid pressure from the United States and its allies. Xi praised the reorganization that inserts stronger party control with less authority in the Ministry of Science and Technology (MOST) and greater oversight in a newly formed Central Science and Technology Commission (CSTC). Xi insisted that China’s capacity to “fully implement the strategy for invigorating China through science” demanded Party control. MOST survived but CSTC officials are entrusted with managing “the construction of the national innovation system and the reform of the S&T system.” National planning duties will also fall to CSTC officials—bending China’s S&T landscape to the Party’s will. Xi understands the stakes of the competition, especially for quantum where he has insisted China’s innovators lead the charge to best the United States.¹¹

Quantum Technologies: Quantum Racing in the Era of Utility

Writing an analysis on the state of a technology risks obsolescence within a startlingly narrow window after publication. For many, jokingly, quantum use cases were always a decade or more away. Galloping advances are compressing decades-out projections for proof of concept to commercialization that are convincing skeptics. This section explains quantum applications—divided into computing, sensing, and communications—and the comparative strengths and weaknesses for China and the United States. It is then followed by a recent history and opensource analysis of China’s quantum trajectory. This section does not historicize, nor is it an explainer of, quantum mechanics. As the subtitle suggests, this section adopts the premise that quantum technologies entered a new era of utility in 2023, in IBM Vice President Jay Gambetta’s telling. Nevertheless, it takes a sober look at quantum to avoid the hype cycles that cloud how policy audiences should approach its revolutionary potential.¹²

General and policy audiences must understand the implications of quantum competition and how or if quantum sensing, computing, and communications will manifest in the coming decades. Although readers may be familiar with the Schrödinger’s Cat thought experiment, explaining quantum states, decoherence, tunneling, or the physics of photonic, trapped ion, or superconducting qubits is a barrier to a fulsome discussion that evaluates the current state of quantum competition between the United States and China.

China’s quantum R&D ecosystem is vibrant, and Xi elevated quantum into the top tier of technologies for China’s security and economic competitiveness in the twenty-first century. According to McKinsey, the CCP has allocated \$15.3 billion for quantum that outpaces European and American government funding. That total is rounded out by a small but respectable amount of venture and private capital—however thin the boundary dividing private interests and the CCP—totaling to \$255 million invested in 2022. The direction of this funding falls to various state universities and laboratories and other bureaucracies that have mostly directed resources to quantum communications. A quantum scientist and technocrat occupies a prominent position in China’s state-directed efforts. Popularly referred to as the Godfather of Quantum for China, Pan Jianwei earned esteem for his role in building

China's national quantum capacity and his proximity to CCP technocrats and politicians.¹³

The United States possesses signal advantages of a dynamic private sector R&D landscape, superlative universities, a decentralized S&T infrastructure, allies and mechanisms for technology transfer, and diverse funding sources. The United States possesses quantum soft power that China cannot match. But no responsible analysis would declare the United States the inconvertible frontrunner. Ingenuity, dedication, and luck could trigger strategic surprise.

State of Public and Private Funding

Since the bipartisan 2018 National Quantum Initiative Act (NQIA), the United States government's funding has remained steady. Nearly a billion dollars was appropriated in 2022 and several billion have been spent since 2018. America's federal investments remains behind the CCP's financing and the European Union's committed funds. Not to be overlooked, the Defense Advanced Research Projects and In-Q-Tel back long-shot R&D that may prove pivotal in a quantum race by meeting national security needs and enabling consequential commercial quantum applications. Private sector champions and venture capital supplies the largest proportion of backing for quantum R&D, and commercialization guides the market rather than a government's imperatives.

Opacity reigns in China's public and private financing for quantum technologies. Official financing totals to over \$15 billion, but doubts persist on the accuracy of these amounts. The CCP will remain the predominant financer for quantum development, and accordingly it steers R&D via a network of labs, professional organizations, and companies. Leading venture capital firms devoting resources to quantum, such as Shenzhen Capital, are often CCP state owned enterprises or affiliated with the state or PLA. Although the PLA's doctrine anticipates utilizing quantum technologies ranging from unhackable communications to radar to detect stealth aircraft, PLA amounts allocated for quantum R&D remain uncertain if not impossible to uncover.

State of Government and Academic Institutions

The United States government's institutional influence has remained steady thanks to the NQIA. The Departments of Energy and Defense, the National Science Foundation, the National Institute for Standards and Technology, and national laboratories influence the direction of quantum R&D. American universities across the country are global champions that attract elite talent, and university research is diffuse beyond coastal technology corridors. Public-private quantum networks in Tennessee, for instance, speak to the vitality of decentralized R&D.

China's leading universities, professional organizations, companies, and the CCP overlap on quantum R&D, often with scant distance separating each entity that orbit the sprawling National Laboratory for Quantum Science in Hefei. Distinguished academic institutions home to pioneering research are found at the Beijing Academy of Quantum Information Sciences, CAS' Institute of Physics and its Center for Excellence in Quantum Information and Quantum Physics, Tsinghua University Center for Quantum Information, University of Science and Technology of China's (USTC) Division of Quantum Physics and Information, and more centers of excellence will likely appear soon. Academics routinely publish in *Nature*, *Science*, and *Physical Review Letters* for peer review and dissemination of their research to a Western audience.

State of the Quantum Workforce

The United States lags the European Union, India, and China's talent base. McKinsey's 2023 estimate ranks America's approximately 45,000 individuals fourth compared to third place China's over 57,000 workers. Chinese education programs matriculate record numbers of STEM graduates, but both the United States and China are vastly outpaced by the European Union and India. Neither the United States nor China can meet the needs of domestic quantum industries with a heterogeneous STEM talent pool. The United States, on the other hand, has the outsized benefit of attracting foreign talent if immigration policies are smartly reformed.

State of the Private Sector

Several American companies occupy industry leader positions in the race to dominate quantum computing. IBM, Google, Microsoft, Amazon, and Intel top the list of United States-based companies. IonQ, Quantinuum, Atom, PsiQuantum, and nearly 350 startups exist in a thriving ecology. IBM is peerless in its investments in R&D, quantum cloud access, international partnerships, talent development, public outreach, and sales of quantum computers. No other corporation publishes a detailed roadmap that charts a plan for routine scaling of quantum software and hardware. IBM may be best positioned to build and commercialize a functioning quantum computer with an integrated hardware and software stack. Industry stakeholders are also connected via the Quantum Economic Development Consortium (QED-C). QED-C is joined by other associations such as the Chicago Quantum Exchange to network between industry, academia, government, and national labs.

Alibaba, Baidu, TenCent, Origin, and QuantumCTek have the largest quantum market share in China. Many Chinese private entities and startups welcome the commercial opportunities from quantum computing and cloud services, such as from Alibaba's Quantum Laboratory that was jointly created by Alibaba and CAS. One question that arises is the autonomy of Chinese companies and their proximity to government labs and funding. Analysis from a 2023 Center for Strategic and International Studies' Big Data China report outlines how the CCP exerts control over the management and daily operation of businesses. As mentioned above, the overlap between public and private quantum interests is extensive.

Numerous established technology firms invest in quantum globally, and startups are populating developed nations. Although this chapter concentrates on American and Chinese competition, an abundance of international companies sit at the cutting edge of quantum innovation. Global companies may deliver quantum sensors to market before China or the United States. Preparing for this likelihood requires that policy audiences understand the applications of quantum technologies and stakes of leadership in this field.

A Basic Quantum Introduction for Policy Audiences

Quantum technologies use theories and discoveries from quantum mechanics for a range of use cases. Contemporary lasers, electron microscopes, atomic clocks, and magnetic resonance imaging (MRI) machines operate on principles of quantum physics. The difference between today's tools and future quantum sensing or computing can be distilled to acute improvements in precision and speed. Quantum is best divided into sensing, computing, and communications. These three fields possess the latent potential for transforming a range of applications that will reshape security, economics, and everyday life. Preeminence in quantum carries distinct first mover advantages for a diverse set of industries and nation-states. Quantum computers will not replace a modern desktop or laptop computer, nor will civilians possess portable quantum sensors in the near term. Quantum technologies will enable faster processing and utility for AI, cloud computing, communication networks, biomedical research and design, and myriad other fields.

The fundamental data unit for quantum technologies is the quantum bit, known as a qubit. There are many types of qubits, and each qubit possesses unique properties for diverse applications. Currently, the best funded quantum experiments use superconducting, trapped ion, neutral atom, or photonic qubits. No one qubit will dominate computing, sensing, or communications based on today's technology readiness levels. Accordingly, R&D for quantum applications will remain heterogenous and necessitate diverse supply chains, laboratory components and materials, and expertise. The heterogeneity warrants steady experimentation, investment, and patience with routine monitoring for operational potential. Ensuring a robust quantum R&D ecology in the United States will prevent a latent technology from altering the balance of power via strategic surprise.

If such potential exists, why haven't quantum technologies transitioned from laboratories to prototypes or real-world use? The current state of technology readiness level varies by qubit and application, but quantum technologies are brittle. Experiments with superconducting qubits require optimal temperatures in a cryogenic chamber known as a dilution refrigerator that hovers around -460 degrees Fahrenheit, near absolute zero and colder than outer space. For photonic qubits, lasers measure changes at the atomic level without dilution refrigerators. Several obstacles ranging from heat, improper

materials, or interference at the atomic level can cause qubit experiments to easily fail. Scott Aaronson, among others, urges caution in inflating the practicality of quantum devices owed to the steep costs of time, capital, and talent for operation and experimentation. News in 2022 and 2023, nevertheless, inspires confidence that quantum technologies are embarking on a new era of utility for sensing, computing, and communications.¹⁴

Sensing

Quantum sensing acutely measures changes to electrical and magnetic fields at the atomic level. The acute sensitivity from quantum sensing improves on today's sensors such as radar or sonar by detecting shifts in atoms. This mode of measurement enables leaps in precision to identify minute variances. Different qubits have innate strengths for sensing, including but not limited to: trapped ion measures time, cycles, and disturbances in electrical fields; photonic assesses temperature; superconducting detects change in magnetic and electrical fields.

Quantum sensing has the highest potential for products that will reach commercial sales in the next five years. The disruptive effect of today's prototypes will be limited initially due to constraining factors such as size, reliability, and resilience. Rising availability of quantum sensors will nourish an economy of scale where established industry manufacturers and startups will miniaturize and harden sensors for use. Prohibitive cost barriers will most likely decline over time. Industry and government clients stand to benefit from accuracy for medical diagnostic devices, underground and deep-sea resource detection, design and manufacturing for efficient chemical processes, global positioning systems, and a host of use cases relying on hyper-precise, rapid measurement.

For national security, quantum sensing will offer numerous defense solutions for position, navigation, and timing in denied environments with high levels of friction. Unmanned aerial and underwater vehicles could operate with newfound autonomy. Threat detection and monitoring of military assets—ranging from antisubmarine warfare to radar—also stands to benefit. Ensuring rugged and secure utility, however, will demand a high tolerance for trial and error in addition to leveraging federal funding to shape the quantum sensor market. Interoperability with allied military systems will pose unique

challenges, and the United States' technology sharing alliances such as the Quad and AUKUS are routes for boosting integration of quantum sensing into allied militaries. Preserving the United States' national security may also require a tailored export control regime that is proactively enforced in advance of quantum sensors reaching commercial sales.

Computing

A quantum computer is a computer that uses principles from quantum physics and calculates data or information in qubits. A quantum computer differs from a classical computer—such as today's laptops and desktop computers—that uses binary 1s or 0s and functions via silicon chips and transistors. Many quantum computers require optimal conditions to operate, and thus struggle with interference commonly referred to as noise that generates error-ridden results lacking steady replication. The current state of quantum computing is commonly referred to as the era of noisy intermediate-scale quantum. The promise of quantum computing is that it will overcome errors to process calculations faster than a classical computer could accomplish in thousands of years. Crossing that threshold is known as quantum supremacy. The nation or company that achieves stable error correction and scaling up qubits will achieve first mover advantages over peers.

A number of global companies are building quantum computers, and most use diverse tools, methods, and qubits. Differing qubits may be advantageous for various applications, and it is too soon to claim that one qubit type is guaranteed to operate without error. In fact, error correction remains one of the most tenacious difficulties for quantum computers' ability to surpass classical computers. Thus far a handful of companies have claimed to attain the milestone of quantum supremacy. Quantum computers may have considerable potential for biotechnology, energy, chemical production, and finance.

Trends from patent data reveal an appetite for Chinese and global companies to vie for market control in quantum computing. This push will likely persist in a climate of heightened technology competition. Patents for quantum computing tell a story of North American dominance. American firms and Canadian company D-Wave notch eight out of the top ten spots for most quantum computing patents. IBM's total of 1,323 patents are followed by

Google's 762. Origin places sixth on the list with 234 and Baidu at eighth with 186. Other Chinese companies such as Tencent climbed from two patents in 2020 to ninety-three by 2022—evidence of several Chinese entities such as SpinQ surging into quantum computing patents. European companies, although behind the United States and China, are joining in the rising tenor of controlling intellectual property for quantum computing. Patents represent an imperfect snapshot of the quantum ecosystem, but they document Chinese companies' climb that shows no signs of abating.¹⁵

Communications

Quantum communication uses qubits to protect and transmit data. Quantum communication via quantum networks can encode qubits for only two parties to decode the data, known as quantum key distribution (QKD). One approach entails data sent via particles of light known as photons, and this enables space-based quantum communications that joint Chinese-Austrian researchers demonstrated in 2016 via the Micius satellite. Quantum key distribution degrades over distances, and it requires a trusted network supporting its fidelity across terrestrial or space domains.

No other nation funds more R&D for communications than China. Origin Quantum, founded by Guoping Guo and teams at CAS and USTC, possesses singular global market control for quantum communication hardware and software. Chinese telecommunications companies are pouring capital into R&D for a next generation quantum communication stack that will optimize 5G and 6G. Debate exists on the utility and security of quantum communications. The United States' National Security Agency disputes the reliability of QKD and instead promotes post-quantum cryptographic algorithms for secure communications. No evidence exists that Chinese investment in communications will dwindle, and it remains a preoccupation of China's quantum community as it has for a decade.¹⁶

From 863 to a Quantum Moonshot: Quantum in China

China's first published acknowledgement of a quantum research agenda appeared in the 1986 863 Program before assuming a prime spot in 2015 in Xi's

agenda to lead the world in emerging technologies. China's quantum ecosystem sprouted in the early 2000s before adopting a new logic to achieve strategic advantage over the United States. Established private companies such as Alibaba and Baidu are joined by Origin and QuantumCTek alongside a host of startups like TuringQ. State energies emerge from Hefei where Pan Jianwei and scientists supporting USTC toil to realize a quantum moonshot.

Although Chinese quantum physics programs predated Xi's rise, Pan's 2013 briefing for Xi on quantum's security implications commenced a national campaign for quantum primacy. Pan earned a Ph.D. at the University of Vienna in 1999 under the direction of Nobel Laureate Anton Zeilinger. Pan returned to China where he was elected to the CAS in 2011 as the youngest member to date and was full-time faculty in quantum physics and information at USTC.

Research conducted by Strider Labs charted an initiative led by Pan at USTC to send aspiring Chinese quantum physicists to earn Ph.D.s in Europe to export European expertise to China. In his own words, Pan bluntly stated "we've taken all the good technology from labs around the world, absorbed it and brought it back." He leveraged his personal ties to Heidelberg University and throughout Europe to erect a quantum beachhead where aspiring Chinese scientists were directed to study. Cosponsored programs connected cutting edge S&T institutes in Europe to Chinese labs. European experts were also enticed by talent programs, like the Thousand Talents Plan. Strider's researchers concluded that this strategy achieved its goals in a startlingly fast period. China's capacity to test and deploy dual use quantum technologies blossomed within a few years with low investment. Europe's quantum community unwittingly enabled China to make its own quantum strides to potentially outpace Europe and the United States. Pan's connection to Zeilinger and European physicists was elemental to China's growth.¹⁷

In 2013 Pan proposed a visionary space based QKD experiment with Zeilinger at the Austrian Academy of Sciences. The fruits of their collaboration in the world's first quantum satellite, Micius, was a landmark achievement that boosted Pan's reputation and respect for China's S&T prowess. Xi's backing resulted in a vast influx of funding for the Quantum Experiments at Space Scale (QUESS) project that launched Micius and catapulted China's quantum communication program. Micius weighed in at 600 kilograms and

was launched at the Jiuquan Satellite Launch Center on August 16, 2016. Pan and a team of researchers experimented with transmitting data via photons within China between the Nanshan Telescope in Xinjiang and Xinglong Observatory in Yanshan. The QUESS team confronted the obstacles that photon signals decay across distances, thus degrading QKD's reliability. QUESS's team sustained photon signals between Xinjiang and Yanshan and other ground stations before initiating the next step of the collaboration with Zeilinger's team. The next and more significant stage tested a secure seventy-five-minute video conference from QUESS to the Austrian Academy of Sciences in 2017 via Micius. QKD secured the Beijing-Vienna call by transmitting secure keys to decrypt in real time.¹⁸

Scientific, reputational, and political accolades followed Micius's success. Micius proved the possibility of encrypted quantum communications for a backbone of a space-based quantum internet. It also earned notoriety as the first quantum experiment that captured the imagination and attention of today's global media, technologists, and rivals. Pan was named to *Time* magazine's Top 100 People—where Zeilinger praised his former student for advancing a quantum internet—and he won a raft of prestigious international scientific awards.¹⁹

Did Micius test and prove QKD as a viable path for secure quantum communications? Not at first. QUESS programmed Micius with the keys to transmit and assumed the satellite was a trusted entity for the experiment, and not the subject of eavesdropping. Results from the 2017 test lacked error detection and correction. QUESS also relied on optimal conditions, timing, and alignment for Micius to operate. The QUESS teams, nevertheless, demonstrated in 2020 that satellite-based quantum communications could prove secure. Researchers transmitted keys between Delingha and Nanshan, separated by nearly 700 miles, and resolved the trusted satellite program by tasking the satellite with sending and not relaying the keys.²⁰

Chinese investments in mixed-public private enterprises for quantum computing steamed ahead alongside the enduring R&D for quantum communications. Xi urged China's S&T community in 2020 to adopt a newfound sense of urgency in attaining growth in all aspects of quantum. In 2020 Pan's team published breakthrough findings in a *Science* article, "Quantum Computational Advantage Using Photons," achieving quantum supremacy

with a photonic quantum computer named *Jiuzhang*. Similarly, a joint CAS-QuantumCTek quantum chip named *Zuchongzhi-2* boosted its total qubits from sixty-six to 176 in 2023, with a new online platform that is open to researchers globally. Advances in quantum computing will enable cloud computing, like Alibaba's eleven qubit cloud, and the steady evolution of China's aim to control and secure information via quantum communications.²¹

Pan and other scientists in China maintain an active research agenda into 2023 for boosting QKD's fidelity, and they continue to achieve breakthroughs. Dual papers published in *Physical Review Letters* by teams led by Pan and a Chief Scientist at the Beijing Academy of Quantum Information Sciences Zhiliang Yuan tested and substantiated QKD's transmission over 600 miles via optical fibers without intermediary tools to repeat the signals. The separate tests gained efficiencies across distances and reliability of data transmission. Pan, Yuan, and others' published research is a testament to China's near monopoly of quantum communications peer reviewed publications and R&D for commercialization.²²

The PLA aspires to operationalize quantum communications for strategic and tactical use. A 2011 MOST press release shared that the PLA deployed its first quantum-encrypted communication tool. In 2014, an article in a PLA publication *China National Defense News* proclaimed quantum encryption's potential to ensure secure PLA communications for joint operations.²³ Several years later in 2018, a PLA post on WeChat publicized the military's use of a device with dimensions akin to an iPhone that functioned as a quantum encrypted terminal. The 2018 post touted that the terminal was integrated with Micius for space-terrestrial quantum communication. Although the PLA exhibited a sample terminal at the 2018 Ninth Military-Civilian Dual Use Technology Expo, the network had yet to graduate from testing to utility. PLA investment in quantum branched out from communications into sensing and training a generation of experts. In July 2022, the National University of Defense Technology opened a quantum research institute with focus areas in quantum simulation, navigation, materials and equipment, and sensing.²⁴

After the 2015 military reforms, it appears that PLA leadership embraced the futurist promise of quantum communications despite reasonable doubts on reliability. It is a beguilingly attractive option for joint operations that hinge upon uncompromised communications. But the technical limitations

of quantum communications—ranging from photon fidelity to potential eavesdropping on user endpoints—raises questions. PLA Commanders and CCP elites would place considerable faith in the communication infrastructure supporting quantum encryption, presuming its durability under wartime stress or adversary deployment to compromise China’s space and terrestrial information architecture.

The Quantum Information Association of China’s 2022 *Quantum Security White Paper* reports that a quantum computer will soon break today’s standard encryption schemes that will thus endanger the security of China’s information architecture. The report writers insist that a US-China “qubit war” is unfolding for quantum advantage. Urgency is paramount to protect vulnerable systems, the report concludes, because the time for safeguarding networks and data is shrinking. The White Paper emphasizes that the stakes for preserving information security will prove essential in a post-quantum world where crippling an adversary’s networks are “silver bullets” for combatting rivals.²⁵

Although the theme of quantum security predominates the document, the White Paper also clarifies the necessity of China sustaining quantum leadership for economic and technological competitiveness. Capitalizing on quantum’s commercial applications for “biomedicine, materials science, chemistry, code breaking, weather forecasting, aerodynamic calculations, weapons development, artificial intelligence, energy,” and data science will preserve China’s strategic edge. The report also praises the efforts of USTC, Tsinghua University, Alibaba, Tencent, Baidu, and Huawei for investments that elevated China to race with the United States and its industry leaders. The report also notes that a revolution in quantum computing will overcome the restraints of Moore’s Law for semiconductor processing power—an argument even more salient after the release of the United States’ export controls.²⁶

Conclusion and Policy Recommendations

Winning the twenty-first century innovation race will not be distilled down to the system that delivers the most cutting-edge semiconductor. The country that best channels its people’s ingenuity and productivity with new technologies will set the world’s economic and security agenda in

the decades to come. Urgent policies are necessary to preserve the United States' short- and long-term innovation competitiveness for S&T as a whole and quantum technologies:

- **Invest in People Immediately**—America's immigration system for highly skilled individuals requires immediate overhaul and the United States suffers from the lack of a bold nation-wide push for STEM K-Ph.D. education. The United States' historic innovation excellence was partially owed to its ability to attract the best and brightest. Highly skilled immigrants must navigate a byzantine immigration process. Legislation to remedy this is key to recruit and retain the world's best and brightest—including Chinese nationals—for competing in quantum by developing a heterogeneous STEM talent pipeline. Fixing immigration must be paired with enduring investments in America's STEM education to prepare US citizens for the technology revolutions ahead.
- **Forge A New Innovation Consensus**—The old balance of Washington taking a back seat as Silicon Valley set the nation's innovation trajectory is broken. Government once again must reassert its primacy in shaping innovation for national security. The Trump administration's Operation Warp Speed and the Biden administration's industrial policy and export controls point to the right direction of this rebalancing by leveraging federal spending to both shape incentives and cooperate with the private sector. The next few years are critical for cementing a new innovation consensus that benefits from historical lessons while also paving the way for an S&T ecosystem that delivers tangible gains for national security.
- **Make Enduring S&T Investments**—Government is the only national institution that can ensure guaranteed funding for frontier, risky S&T that is a critical enabler for the United States' competitiveness. For instance, preeminence in quantum technologies, as with other critical emerging technologies, can only thrive with sustained federal funding. The Departments of Energy and Defense will play a key role in nurturing S&T fields that the private sector cannot fund. Lower technology readiness levels fall outside industry's risk profile, and

government must fill the gap to maintain the path for the private sector to deliver products to market.

- Update the National Quantum Strategy—Since the first and only National Strategic Overview for Quantum in 2018, the field has grown by leaps and bounds, US-China competition is amplifying, and, most importantly, technology readiness level timelines are compressing. The intersection of science and geopolitics requires that White House convene experts from industry, academia, and government to publish a new guide for national planning. The report can appraise progress of the National Quantum Initiative, identify shortcomings, and propose new national goals for funding, talent, and R&D. Principal among the recommendations should be categorizing skills that will establish a quantum ready workforce where benefits will accrue for the nation at large and not quantum industry leaders.

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2022-2023 WILSON CHINA FELLOWSHIP

Necessary Fictions: The CSRC's Stock Market Philosophy and its Implications for US-China Engagement

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Abstract

Why do Chinese regulators continue to employ hard paternalistic tools that appear to undermine their efforts to build a better and more global stock market? In contrast to studies focusing on fleet-footed capital, political patronage, and state capitalism, this research project unveils the hidden *ideational* underpinnings of financial regulation in China to explain the persistence of hard paternalist tools. As a matter of Sino-American financial relations, the CSRC's interventionist behavior has fueled conflicts over information disclosure requirements, led to restrictions on US investments in China, and the de-listings of Chinese firms on American bourses. I argue that regulators in China, as they are elsewhere, are guided by a host of "necessary fictions" that undergird financial regulatory interventions. In particular, I highlight how Chinese regulators are driven by the specter of irrational investors, a paternalistic state, and an inefficient market. These economic ideas are self-reinforcing, and shape the way regulators approach the market, sometimes with devastating consequences. In a moment where bilateral regulatory mistrust threatens to dismantle many of the financial ties built-up over the last three decades, understanding the mindset of the Chinese regulator becomes all the more important.

Policy Implications and Key Takeaways

- Whereas in the Anglosphere, financial regulation assumes the presence of rational investors, an arms-length regulatory state, and semi-strong commitment to the efficient capital market hypothesis, in China, the regulator is driven by the specter of irrational investors (the anchoring fiction), a paternalistic state (the enabling fiction), and distrust in the market mechanism (the rationalizing fiction).
- US Policymakers should remain skeptical that new financial reforms in the Chinese equity market—a proposed registration-based system, increased access to on-shore markets, and a liberalizing trading regime—will lead to genuine convergence on the US-led system of financial governance.

- Pressures from global capital and the gradual diffusion of financial ideas vis a vis technical assistance, regulatory exchanges, and increased engagement in international regulatory bodies have reached their limit. Despite extensive consultations from the 1990s, financial regulators in China have settled on a regulatory philosophy diametrically opposed to the one adopted in the Anglosphere.
- Conflict between the SEC and CSRC is likely to increase in the short-to-medium term. While compromise is possible if core regulatory principles of the CSRC are not violated, increased scrutiny will likely drive Chinese-listed companies back to Hong Kong or the Mainland. US government scrutiny of outbound US investment (either by House Select Committee on China or the White House) will undermine China's integration with the global financial order. This is an unavoidable consequence of the increased securitization of financial flows.
- One area for positive engagement with China is through the stock connect schemes via Hong Kong, which provide a number of safeguards for foreign capital, while also allaying Chinese government concerns about capital flight. These initiatives should be supported and used as a trust-building mechanism. However, the continued viability of the scheme is conditional on the "One Country, Two Systems" framework, which is under pressure.

Introduction

The development of China's stock market is a story of failed promise. State efforts to liberalize, globalize, and revitalize bourses in Shanghai, Shenzhen, and Beijing have fundamentally changed the financial landscape of its capital markets with new innovation focused boards, a growth in financial product offerings, and increased on-shore foreign investment opportunities.¹ Yet its position as the second largest equities market in the world belies fundamental problems in listing, trading, and product offerings: extreme volatility, inefficient price discovery, a sclerotic listings process, and rampant corporate fraud are defining features of its stock market.² The Chinese equities market remains an underutilized venue for corporate financing, standing at a mere 3 percent of total social financing in 2021.³ Why have state initiatives failed to establish a functioning stock market?

An extensive literature highlights how China's industrial policy, closed capital account, and lopsided emphasis on the state-owned sector have had a distortionary effect on its stock market development. Compounding this narrative is the *seemingly* erratic behavior of the CSRC (China Securities Regulatory Commission). Arbitrary interventions of China's national team at the direction of the CSRC, which has deployed over \$158 billion to buoy the market, are viewed as warping the market.⁴ The regulator's frequent bans on shorting have angered major fund managers, who argue they are deprived of a hedging tool to manage risk.⁵ And, haphazard moratoriums on listings in sectors tied to national security or pose significant risk to the economy have closed down much needed access to corporate financing.⁶ These approaches towards the stock market impede price discovery, contribute to moral hazard, and arguably make it more crisis prone as a risk calculus never obtains among investors.

Analyses of the CSRC's behavior have tended to focus on the institutional and political factors with less attention paid to the deeper ideological forces at play that suggest a more consistent approach to stock market governance. This paper argues that regulators in China, as they are elsewhere, are guided by a host of "necessary fictions" that undergird financial regulatory interventions.⁷ A "necessary fiction" is a regulatory construct—an untested assumption taken to be true—that regulators use to make sense of an uncertain environment to identify problems and develop solutions. These constructs are fictional, in so far as the reality is feigned or imagined, either because they have yet to be em-

pirically validated, are overly reductive, or overly inclusive. They are necessary for the regulatory enterprise in so far as they provide a workable theory to test hypotheses, develop solutions, and implement policies. These necessary fictions interweave with varying cross-pressures emanating from foreign capital, state capitalist or developmental legacies, and state-business relations, which together ultimately shape a regulator's approach to the market.

An anchoring fiction identifies an idealized investor subject that is the target of regulation ("the who"). The enabling fiction explains the role of the state and its appropriate tools ("the how"). Finally, a rationalizing fiction provides the rationale for regulatory interventions ("the why"). Whereas in the Anglosphere, financial regulation assumes the presence of rational investors, an arms-length regulatory state, and semi-strong commitment to the efficient capital market hypothesis, in China, the regulator is driven by the specter of irrational investors (the anchoring fiction), a paternalistic state (the enabling fiction), and distrust in the market mechanism (the rationalizing fiction). These economic ideas shape the way regulators approach the market, sometimes with devastating consequences. As such, any account that lacks an explanation of the philosophy of the Chinese regulator risks an incomplete and ultimately inaccurate understanding of China's financial evolution.

The study's findings draw on over forty elite-level interviews from 2015 to 2019 with CSRC regulators, stock exchange directors, and financial executives and over 5000-pages of archival material. Because much of the regulatory decision making process is veiled from the broader public, interviews provide an opportunity to understand the reasoning behind regulatory rules. Interviews focused on identifying the link between a necessary fiction and a hard paternalistic approach to the stock market ("measurement data"), in addition to addressing potential confounding variables ("identifying data") (Nielsen, 2016). Data from interviews were triangulated by meeting with regulators to understand government intent, market practitioners to discuss practical effects, and those adjacent to the rule-making process for analyses. Where possible archival evidence was consulted to corroborate statements made by individuals.

The need for new research on China's stock market regulation is pressing given the rise in US-China tensions in the financial sphere and the Chinese stock market's position as second largest in the world.⁸ Scholars have often

overlooked the equities markets in China because of the small size of equity financing relative to bank lending. As an empirical matter, this lacunae is problematic given that a robust equities market is viewed as crucial to de-leverage corporate balance sheets, improve corporate governance, and foster innovation in the Chinese economy.⁹ As a matter of theory, focusing on changes in stock market governance and the core beliefs of regulators is crucial as differences in regulatory regimes have grown increasingly “fuzzy” and “hybridized” following the Global Financial Crisis.¹⁰ In China, where new market-oriented practices exist alongside a state-coordinated market, identifying the necessary fictions in financial regulation will provide clarity on the ever elusive “Chinese Model” of finance.

This focus on the regulatory philosophy of the CSRC draws our attention to agents and the norms that motivate them in addressing regulatory problems. In a broad sense, scholars recognize that policymakers in China do not subscribe to a vision of market rationality.¹¹ But, yet, we have no insight as to how regulators understand investor rationality, efficient price formation, and market self-correction. Whereas shareholder value is the driving force in advanced capital markets, the examination of this seminal concept in a Chinese context has received scant attention.¹² Less still is understood how regulators think about moral hazard given their frequent interventions in the market. A better understanding of the mindset of Chinese regulators is a necessary first step, as US regulators seek to move China in the direction of a more open market.

Identifying the baseline ideological principles of the Chinese financial regulator has several policy implications for the United States. First, understanding that these regulatory principles effectively serve as “red lines” for the CSRC during negotiation will provide a clearer sense of the parameters for compromise. Second, the United States can more effectively seek engagement with Chinese counterparts to address specific problems in relation to an irrational investor base, inefficient markets, and bolstering their paternalistic approach. And finally, notions that more passive pressures for convergence will shift China towards global financial norms are unfounded. The SEC can no longer simply rely on its reputation as the manager of the world’s deepest and most liquid capital market to nudge Chinese counterparts in the direction of more open markets.

This paper proceeds as follows. First, I identify three necessary fictions—an idealized irrational investor, an inefficient capital market, and a paternalistic state—that motivates the CSRCs behavior. Second, I highlight how alternative explanations are necessary but insufficient to explain the CSRC’s regulatory behavior. Finally, I explore the potential policy implications of this work for US-China financial relations.

The Rationality Assumption, Efficient Capital Market Hypothesis, and Arms-length Governance

Scholars have identified a host of financial ideas that drive regulatory behavior that are not empirically grounded, but are taken for granted as true.¹³ These fictions are adopted in order to provide a common language for regulators as they debate issues, routinize responses to stock market activity, and develop a trajectory for the market’s development.¹⁴ Over time these fictions become *necessary* to the business of regulation in that they often precede interest formation in highly uncertain environments, providing institutional blueprints, the weapons for political combat, and cognitive locks for how governments intervene in the economy.¹⁵ Adopting a non-materialist ideational lens, thus, enables us to understand how the regulatory construction of particular actors, market dynamics, and the role of the state can vary widely as the presence of certain ideas lends itself to the construction of “actors of type x rather than type y.”¹⁶ These ideas may arise from epistemic communities, regime strategy, or a developmental mindset.¹⁷ And because necessary fictions can be described as core beliefs about markets, they are more resilient than regulatory practices.¹⁸

This paper’s focus on the irrational investor, a lack of trust in the market mechanism, and a paternalistic state draws on CPE scholarship that has long shown how East Asia’s policymakers display a skepticism towards “market rationality,” which in no small part stems from its developmental past. While global norms have pushed for a regulatory orthodoxy centered on light-touch regulation, self-regulatory bodies, and markets premised on rational actors, the logic has never been wholly embraced in East Asia.¹⁹ While this broader aversion to market rationality has been well-explored, much less has been said about how it affects the creation of an idealized investor, the regulatory conceptions of market efficiency, and how it is linked to state action in the market.

The anchoring necessary fiction refers to who the regulator believes they are regulating—their modal investor. Investor rationality can be arrayed along a spectrum from rational to irrational. Notions of investor rationality are adopted by regulators as an “as-if” proposition in regulation, untethered to the behavior of real investors.²⁰ When regulators assume a rational investor, they envision market participation that is conditional on self-reliance, with informed investors given the freedom of choice.²¹ These investors are rational, passive, with a long-term horizon, and of average sophistication.²² Crucially, as a matter of law, the behavior of a hypothetical rational investor is used as a benchmark for cases of financial fraud, market manipulation, and insider trading in the United States.

In the Anglosphere, despite recent relaxations of the rationality assumption in terms of investor sophistication and vulnerability, scholars highlight how a clear thread of rationality still guides the logic of regulators.²³ To the contrary of a growing literature in behavioral economics and the law, which has advocated for a more paternalistic approach to address investor cognitive biases, the principle of investor rationality remains an anchor on regulatory development.²⁴ Regulators default to rationality because behavioral theories provide insufficient guidance for regulatory reform, and due to its ideational consistency with governing principles that prioritize autonomous choice.²⁵

The anchoring fiction of a rational investor is closely tied to a rationalizing fiction of why markets behave the way they do. In the United States, this rationalizing fiction presents itself as a regulatory commitment to the efficient capital markets hypothesis (ECMH), which was embraced by the Securities Exchange Commission in the 1970s.²⁶ Markets are believed to correctly value the securities of traded firms due to a variety of forces that price new information fast enough such that arbitrage opportunities cannot be exploited. As in the case of the rationality assumption, a growing literature has questioned the wisdom of the premature adoption of this notion in regulatory practice given that economists argue that markets are somewhere in-between inefficient and efficient.²⁷ Evidence suggests that the SEC’s commitment to the ECMH was due to political expediency rather than a firm understanding of economics.²⁸ Nevertheless, the ECMH remains the guiding principle of stock market regulation in much of the Anglosphere.

Given a commitment to investor rationality and an efficient market, an enabling fiction of a liberal regulatory state offers a template for how the

regulator should operate in the market. A liberal regulatory state envisions an arms-length relationship to the market and greater tolerance of risk taken on by individual investors.²⁹ Based on “caveat emptor”—let the buyer beware—risk is to be borne primarily by the investor, provided that all information affecting a stock price has been made available to a participant through a codified disclosure system. Listings are handled primarily by the exchange, intermediaries, and the issuer. Aside from crisis situations, the regulator seeks to preserve the efficiency of the price clearing mechanism set by market participants, and largely refrains from interventions aside from policing insider trading, market manipulation, and fraud.

An alternative trio of necessary fictions have emerged in China that guides the CSRC’s regulatory interventions. The irrational investors envisioned by the CSRC are aggressive, possess a short-term horizon, and lack sophistication. Irrationality is driven by an inability to synthesize information in decision making, and exacerbated by product complexity, herding, and general overconfidence in the market.³⁰ While an irrational investor is not explicitly mentioned as a matter of jurisprudence, tellingly regulators have not adopted the rational investor benchmark for questions regarding materiality of price relevant information, a notable exception given the acceptance of other regulatory principles from the Anglosphere, such as Fraud on the Market theory.³¹

The regulator in China holds onto a rationalizing fiction that markets cannot be trusted to value securities in an efficient manner. China’s inefficient markets have been tied to interventions by the CSRC itself, weak market surveillance, and continued market segmentation of listed companies.³² Another thread explores distortionary interventions as a result of the state’s industrial policy. However, whereas a significant debate regarding the efficiency of China’s stock market continues in the academic realm, the regulator has largely concluded that its markets are not to be trusted.³³ Regulatory arguments about its inefficient market center on three facets: first, the overall lack of a working financial ecosystem to distill information, price new listings, and provide arbitration services; second, a lack of trust in institutional investors; and, third, its stage of development as an emerging stock market.

If the idealized investor subject is irrational and its markets cannot be trusted, the logical response of the regulator is to behave paternalistically in the market. China lacks the markers of what scholars define as a “regulatory

state”—regulatory independence, due process, and an arms-length approach to the market. While the institutional form for the regulatory state has been appropriated, it is as one scholar puts it, “old wine in new bottles” and genuine independent regulatory agencies in China are nowhere to be found.³⁴ The state does not endorse an arm’s length relationship to the market. And the commitment to a rules-based system of governance premised on standardization, predictability, and equity is tenuous at best. Instead, the regulator envisions a paternalistic state girded by the conviction that the state is able to make individuals better-off than if they were to make decisions themselves. Paternalism substitutes regulatory judgment for that of the investor and seeks to enhance decision making by removing discretion or making bad decisions difficult. Rather than due process, the regulator is provided maximum flexibility to address market problems through administrative guidance. Outright bans, mandatory requirements, and penalties for bad decision-making *ex-ante*, leave little room on the part of investors to harm themselves or the market.³⁵

Note that both liberal and state-led markets emphasize investor protection, and thus, some degree of paternalism is unavoidable to the extent that all regulatory systems impose a choice architecture that is set by a planner with the goal of influencing behavior.³⁶ But China’s paternalist approach is hard—reducing the choice set of market participants, whereas paternalism in the Anglosphere is soft—nudging investors towards better choices without curtailing their autonomy.³⁷ In listings management, trading, and product innovation, we observe the CSRC operating a merit-based review of IPOs, strong control over the price mechanism, trading volume, and approvals for financial products.

Distinctions between the median practices adopted in the Anglosphere and in China should not be viewed as static categories, as regulators have and continue to adjust their regulatory practices, while underlying necessary fictions remain more resilient to change. For example, in the West, measures taken in the interest of consumer protection have involved the professionalization of the financial advisory industry, simplification of disclosure, and restricted access to certain types of investment through suitability requirements.³⁸ Likewise in China there have also been movements towards less paternalistic treatment of the stock market, such as the country’s recent trials with a registration system for listing, widening trading bands, and the relaxation of controls over new

structured products. Despite the blurring of the lines in terms of regulatory practice, as will be shown, given the anchoring fiction of an irrational investor, the rationalizing fiction of a market inefficiency, and an enabling fiction of state paternalism, ideational inconsistency leads to a roll-back towards the default.

Alternative Explanations for China's Stock Market Regulation

Existing literature has sought to explain China's divergence from global best practice in regulation due to its closed capital account, political patronage, and its state capitalist orientation, but these analytical frameworks still leave unanswered questions. The adoption of liberal stock market governance practices is thought to be tied to pressures from fleetfooted finance following the gradual increase in cross-border mobility of capital.³⁹ However, China's deployment of hard paternalistic regulation has persisted even as it has increased access to the stock exchange through the Qualified Foreign Institutional Investor Scheme, and linked the Shanghai and Hong Kong Bourses. A more political explanation for the persistence of paternalism might point to the state's desire to control rents through the financial system.⁴⁰ However, paternalistic approaches in the stock market appear to hurt as much as help the state's traditional allies—big business, state-owned enterprise, and large securities firms. In China, it is the largest financial firms that must bear the brunt of the costs of state interventions when they are called on to purchase devalued shares to shore-up markets or to compensate investors for losses.⁴¹

The state capitalist paradigm offers another useful vantage point to explain China's approach to the stock market. Strong state control over finance is tied to legacies of industrial policy and the strategic value of sectors.⁴² These arguments hinge on the idea that finance more broadly is to be used as a tool to support the state's strategic initiatives, and, thus, the sector is prevented from developing in a way that might harm institutional comparative advantage. The state capitalist argument still raises an important puzzle, however, because one of the key goals of policymakers has been to use the stock market as a tool to develop a high-tech ecosystem through NASDAQ-like boards. However, the regulator's heavy control over these markets have led to the most innovative companies listing off-shore, leading the CSRC to entertain a ban

on foreign IPOs.⁴³ Thus, the state's attachment to paternalism appears to be more an obstruction than a facilitation of its strategic aims.

This paper views the aforementioned factors as necessary, but insufficient to understand the dynamics of China's stock market. Arguments centered on closed-capital accounts, political patronage, and state capitalism can explain the broad contours of the CSRC's regulatory approach, but still do not capture important features in listings management, trading, and product innovation. The key to identifying the effect of the CSRC's necessary fictions then is to disentangle the effects of a regulatory commitment to an irrational investor, inefficient markets, and state paternalism from these other factors, which is done below.

A regulatory commitment to an irrational investor, an inefficient market, and a paternalistic state is clearly identifiable and shapes the CSRC's behavior. Despite its state capitalist impulses and special treatment of SOEs, these necessary fictions still guide the regulators' penchant for pre-vetting companies for listings, its preference for underpricing, and share allocations to retail investors. In its secondary markets, this logic dominates regulatory decision making with strong curtailment of trading, restrictions on new products, and market interventions.

Chinese regulators envision a market populated by irrational investors, which to date drive nearly 80 percent of market turnover (Table 1). CSRC regulators involved in financial product approvals grumble that most of their investors simply "chase trends," "lack maturity," and are "too impulsive."⁴⁴ This underlying characterization of their investor base, senior regulators argue, serves as a first principle, informing most decisions that relate to listing, trading, and product innovation.⁴⁵ The emotional exuberance of investors can lead to a number of problematic behaviors. In 2015, regulators note that the severity of the market crash was due to investors being overexposed to certain stocks without adequately hedging their positions. Individuals that borrowed money to invest in the stock market through margin financing found themselves in a dangerous position, said a senior researcher at a government think tank: "individuals went long and did not go short—they were over exposed. So, when the market would collapse, what might have been a 50 percent loss, ended up being many times over."⁴⁶

As a matter of market efficiency, to the CSRC's embarrassment, the market exhibits high levels of volatility, excessive leverage, and the overwhelming

TABLE 1. Stock Market Characteristics

	China	Korea	Taiwan	Japan	US	UK
Market Capitalization (2020) ¹	\$12.2 Trillion	\$2.1 trillion	\$1.6 trillion	\$6.7 trillion	\$33.9 trillion 2019	\$3.57 trillion 2014
Market turnover (2020)	\$31.6 trillion	\$5.2 trillion	\$1.6 trillion	\$6.3 trillion	\$23.2 trillion 2019	\$2.4 trillion 2014
Listed Companies (2020)	4154	2318	907	3754	4266	1858
Market Volatility (2010–2020) ²	22.5 St. Dev.	18.6	>22.5	20.2	16.8	15.5
Retail investor/volume ³	80 percent (2019)	67 percent (2020)	75 percent (2020)	27 percent (2020)	~25 percent (2021)	20 percent (2020)
Individual ownership ⁴	30 percent (2020)	28 percent (2020)	36 percent (2020)	16.8 percent (2021)	15 percent (2019)	15 percent (2020)
Institutional Ownership ⁵	18.7 percent (2021)	20 percent (2017)	38 percent (2020)	30 percent (2020)	>80 percent (2019)	62 percent (2020)
Foreign Ownership ⁶	6 percent (2020)	31.4 percent (2020)	25 percent (2020)	30 percent (2021)	40 percent (2019)	66 percent (2021)

References (1) World Bank (2020); TWSE (2021); (2) World Bank (2020); (3) Lockett (2021); Yang and Murdoch (2021); Taipei Times (2021); TSE (2020); BNY (2021); SS (2020); (4) Lockett and Kinder (2021); Jie (2021); TWSE (2021); Nippon (2021); Smart (2021); SS (2020); (5) Lin and Puchniak (2022); De La Cruz et al (2019); Nippon (2021); PI (2017); Segerstrom (2020); (6) Lockett and Kinder (2021); Koo (2021); TWSE (2021); Rosenthal and Burke (2020); Inman (2021) Necessary Fictions and the Chinese Stock Market

presence of small investors.⁴⁷ Markets are viewed to be thin, exacerbating volatility, analysts estimate that 60 percent of circulated shares are in fact tied up in the form of founders stock, pledged stock, and stocks used as collateral for bank financing.⁴⁸ In addition, the lack of a working financial ecosystem to distill information, price new listings, and provide arbitration services have impeded price discovery. Regulators recognize the weakness in the stock market's development: "The stock market has not really found a long-term sustainable course of development. We still have problems with pricing, our financial structure remains incomplete."⁴⁹ Investment banks and their research are still deemed to be too weak and to lack the capacity to conduct long-term research. Brokers do not yet have in place adequate monitoring systems. And, it is not clear whether lawyers devote their time towards due diligence, or as fixers, brokering deals with the state. As one foreign investor comments, "in the end you need the banks, the lawyers, the innovators, the financing, and the rule of law...but you target one piece of it and it's just not going to end up right."⁵⁰

Regulatory skepticism of the efficiency-enhancing role of institutional investors is clear. One senior fund manager explains because institutional investors have been involved in market manipulation scandals regulators remain unwilling to loosen controls over the market. One common market manipulation scheme involves an institutional investor driving up the price of a security by purchasing a stock through multiple accounts.⁵¹ In others, a fund might be involved in spreading rumors about a particular company and then cashing in as retail investor money follows suit. And, in some instances, major securities companies have been caught-out in money laundering networks, as was the case for Guosen securities in 2019.⁵² Across the border in Hong Kong, regulators argue that mainland traders often use price sensitive information for the purposes of market manipulation.⁵³ Claims about insider trading in a messy chaotic market place are common as one senior financial analyst comments: "There is the idea that markets assimilate information well, and that institutional investors are good at this...the negative interpretation, of course, is that stock market is a mess and trades are based on insider information and the like."⁵⁴

Regulators are the first to highlight how their market remains "immature," "unbalanced," and "lacking sophistication." But they argue that this is part of a multi-staged process. One ex-regulator explains that in the 1990s the issue was about how regulation was to become more standardized, and later in

2004, the primary focus was on allowing the market to take on a more authoritative role while working on issues in the company law: “It is a coming-of-age and it will take a process,” she says.⁵⁵ The same regulator highlights that in the United States, the investor ecosystem was characterized by excessive volatility, fraud, and weak research: “The notion here is that China must go through the same stages, of course, with Chinese characteristics.”⁵⁶

Because regulators assume the presence of an irrational investor and an inefficient market, the CSRC’s approach in the primary market is the most paternalistic in the region. Because market intermediaries do not have the capacity to conduct due diligence and irrational investors are believed to be incapable of distilling market relevant information, the state has actively taken on the role of risk mitigation on the investor’s behalf. The CSRC conducts a merit-based review, vetting all listing candidates according to stringent criteria related to their business models, profitability, and underlying assets. The CSRC is also actively engaged in pricing, share allocations, and rules regarding the selling of shares following the IPO.

The necessary fictions of an irrational investor and inefficient market, however, are often overshadowed by the regulator’s state capitalist management of the market. Because the initial listing of a firm relates to the raising of capital, the state’s interest runs through the equities markets in terms of industrial policy and broader macro-economic goals. It is important to highlight, however, that the effect of industrial policies on regulatory deliberations occur on an episodic basis, in contrast to the regulator’s longstanding concern over irrational investor behavior and market inefficiencies. IPO moratoriums have indeed been dictated in arenas that the central government has deemed to be potentially risky, such as real estate, or where national security concerns have arisen, as is the case for big technology firms. But the effects of these policies are often temporary: for example, the crackdown on technology in China did lead to a drop in IPOs for technology firms from 22 percent in 2020 to 16 percent of IPOs in 2021.⁵⁷ But by 2022, IPO applications had recovered, comprising 32 percent of the IPO pipeline.⁵⁸ By contrast, a more consistent current in regulatory decisions regarding listings are more often tied to adverse reactions by retail investors in the secondary markets that are perceived to be overly volatile: since the early 2000s, the CSRC has frozen new IPOs nine times due to investor concerns that new issuances would tighten liquidity.⁵⁹

A more persistent state capitalist feature of the primary market is the regulator's preference for SOEs. But a deeper look at issuance rules provides support for the proposition that fears of an irrational investor and weak market efficiencies remain a defining feature of regulatory thinking even with respect to state assets. The price at which IPO shares are offered are unusually low in China. The CSRC maintains an unofficial cap of 23 times earnings per share, regardless of state-ownership, which leads to severe underpricing. This is bad for the listing company which would otherwise be able to raise more capital, but good for investors who are guaranteed a price bump on the first day of trading. The CSRC also exercises a claw back mechanism, which requires a substantial portion of the offering to be allocated to retail investors at a fixed price, which also leads to lower expected proceeds from a listing.⁶⁰ Guidance in pricing also has much to do with the fact that market intermediaries are assumed to be manipulating information to the benefit of institutional players. Qian et al. (2022) estimates that from 1990–2018, approximately 450 Billion USD was left on the table for China's listed companies due to underpricing and share allocations to retail investors.

A curious consequence of the state's paternalist approach is that it has often undermined rather than facilitated its industrial policy. One goal of the regulator has been to repatriate China's best technology firms, which listed abroad in the early 2000s, to decouple its firms from foreign finance.⁶¹ Using a new board with loosened listing requirements and restricting participation to high net-worth individuals was seen as a way to ringfence experiments and prevent disruptions to its main boards, while facilitating the listing of start-ups, which are often not profitable at the time of listing. However, the CSRC's previous attempts to establish start-up friendly boards—the ChiNext board in 2009 and the NEEQ board in 2012—failed due to the CSRC's heavy-handed management of listing and pricing on account of concerns over volatility chasing among speculators.⁶²

In 2019, the STAR market, which piloted a new registration-based system akin to that of the United States with relaxed controls on trading, has also struggled despite initial enthusiasm: 40 percent of IPOs that had been granted approvals in 2021 were terminated due to tightened rules on listing candidates' finances.⁶³ A part of the roll-back in the STAR market was indeed related to broader concerns by regulators over technology firms' handling of data, ques-

tions over the appropriateness of entertainment platforms, and monopolistic business practices. Ant Financial's listing denial in late 2020 also seemed to highlight the central government's concern that technology giants had grown too fast and too powerful without sufficient oversight. But most terminations of listings occurred in sectors outside the purview of the tech crackdown, such as in high-tech manufacturing and pharmaceuticals.⁶⁴ And, crucially, new rules for the STAR market were largely focused on tightening IPO sponsorship due to the weak performance of listings and individual investor losses.⁶⁵

Further discussions with regulators reveal deep concerns about the STAR market's rule changes given China's irrational investor base and weak market dynamics. One regulator overseeing listings argued that the emphasis on information disclosure was misplaced given the lack of an ability of investors to process this information. This in turn increased the risk of fraud, the same regulator asked, "Can a process of asking for more information really address the fraud and manipulation in the market?"⁶⁶ Yet another problem was that retail investors were likely to view the market as a guaranteed win due to government support: "Investors think because the government is setting-up the new board that it will have to succeed, this also encourages non-rational behavior."⁶⁷ Finally, regulators were worried about volatility, particularly because high-tech firms were inherently risky.⁶⁸ Concerns about how these start-up boards would affect the country's investor base appears to have trumped its tech ambitions.

In China's secondary market, the effects of a logic based on investor irrationality and market inefficiency driving regulatory paternalism is less ambiguous because retail investors execute the vast majority of trades. Chinese stocks are subject to price floors and ceilings based on the previous day's closing price. On the main boards, a stock is not permitted to fluctuate more than 10 percent in either direction and, when its price limit is reached, trading is suspended for the day. In so doing, regulators argue that this functions as a "cool down" period and enables investors to recalibrate expectations.⁶⁹ Without such measures, regulators say that investors are more likely to herd into the market and drive wild price swings that ultimately lead to above average losses. One retired senior regulator said, "over time we will tweak these mechanisms...as our investor base becomes mature these things will become less prominent...but we must guide them."⁷⁰

The stock market has additional trading restrictions in place to protect its irrational investors and preserve market integrity. China still applies stringent rules for day trading: the T+1 rule stipulates that traders can only sell a purchased stock the next trading day. High Frequency Trading, which exacerbates volatility chasing on the part of traders, is severely constrained by rules on order flow, pre-funded margin trades, and restrictions on direct access to market data.⁷¹ The CSRC also restricts short-selling—betting that a stock price will fall. The practice was banned in 2015 during the market downturn, followed by a gradual relaxation in 2020.⁷²

A positive list system is employed with respect to the types of financial products that are available to investors. This, too, has been done with the view that investors are incapable of assessing their own risks and markets are too weak to accurately price the underlying asset values of products. Aside from a period of significant financial innovation from 2010–2015, the CSRC has largely been conservative in approving new structured products and financial derivatives.⁷³ Access to new market segments is ringfenced to individuals following an examination of investor financial profiles.⁷⁴ The vast majority of derivative products remain on tenuous regulatory ground. Stock index futures, for example, can be subject to rules restricting “excessive trading” during market downturns as was the case in 2015, with trading curbs adjusted in 2017.⁷⁵ Unsurprisingly, China’s derivative market is undeveloped relative to the size of its financial markets representing roughly 1 percent of global turnover for 2019.⁷⁶

When all else fails, the state intervenes in the market to prevent a collapse in prices. This task has been left to a “National Team” of SOEs, Asset Management Companies, and Securities Companies.⁷⁷ The CSRC will instruct major financial institutions to shore-up markets by buying shares as they plunge. Such actions are defended as necessary to restore confidence to a skittish investor base and framed as a financial institution’s duty to national service.⁷⁸ In the region, it represents the most direct intervention (i.e. purchasing equities rather than providing liquidity) and coercive approach to stemming a stock market rout (i.e. corporations are ordered to participate).⁷⁹ It is, of course, impossible to disentangle whose interests are best served by these interventions, as both state assets and retail investor positions are upheld. But, while this network of state-owned firms has benefitted from their stock holdings acquired during downturns, scholars note that the national team does

not offload shares, tying up a substantial amount of liquidity for the long-term.⁸⁰ And those seeking to sell shares run the risk of running afoul of the regulator and being labelled a market manipulator.

Why have these fictions become necessary?

The regulatory beliefs of modal investor irrationality, market efficiency, and the necessity of state paternalism run deep in the CSRC. A self-fulfilling cycle makes evidence running contrary to this logic difficult to accept. Regulators have adopted and experimented with more light-touch stock market regulation, only to backtrack or re-regulate, reasserting a paternalist approach. As discussed above, this has been the case for rules regarding new start-up boards, short trading, and wealth management products. The CSRC views its many attempts to liberalize the market as being too premature. Each time restrictions have eased the CSRC has had to deal with large investor losses, volatile markets, and, stock market crashes. Rather than view these unfortunate events as part and parcel of a difficult learning process as part of market recalibration, the CSRC re-affirms its position that investors are indeed irrational and its markets are inefficient.

A more critical observer might argue that the CSRC is the author of its own predicament. In order to reduce overall risk to market players, the regulator frequently changes rules in order to keep market manipulators at bay, and to ensure the smooth operation of the stock market. However, investors adopt a short-term horizon precisely because rules change frequently with often devastating consequences for the investor. As a result, investors try to avoid holding a stock for too long, entering and exiting positions as rules relax and then tighten. A senior government thinktank researcher characterized it as following:

Take it from the viewpoint of the retail investor, there is far too little information within the market—massive information asymmetries—so retail investors just chase volatility.... there's a fundamental issue of policy uncertainty within the system because the entire regulatory system is one with trial and error. When rules change suddenly, long-term investors are put in a bad

position...But you have the government then saying that they need to change rules in order to deal with the retail investor problem. They've put themselves into a bind.⁸¹

Conclusion and Policy Implications

The regulator in China must navigate cross-pressures emanating from foreign capital, state-business relations, and state-capitalist initiatives as they manage their stock market. Yet an underlying commitment to an irrational investor, an inefficient market, and a paternalistic state remains clearly identifiable in the CSRC's approach to listings, trading, and product innovation. These deeply held positions will likely serve as impediments to further integration with global financial markets.

US Policymakers should remain skeptical that new financial reforms in the Chinese equity market—a proposed registration-based system, increased access to on-shore markets, and a liberalizing trading regime—will lead to genuine convergence on the US-led system of financial governance. Time and again pundits and scholars alike have misread regulatory reforms in China's financial markets as indicating an acceptance of global best practices, only to be disappointed as new start-up boards are shut-down, regulatory rule-changes are rolled-back, and bans on new financial products are announced.⁸² Pending deeper changes to the underlying regulatory philosophy of the CSRC, a change in regulatory practices will not amount to fundamental reform.

Pressures from global capital and the gradual diffusion of financial ideas vis a vis technical assistance, regulatory exchanges, and increased engagement in international regulatory bodies have reached their limit. Despite extensive consultations from the 1990s, financial regulators in China have settled on a regulatory philosophy diametrically opposed to the one adopted in the Anglosphere. International regulations and best practices were transferred unaltered into Chinese law beginning in the 1990s as a result of consultations between the newly staffed regulatory agencies and foreign advisers.⁸³ Regulators managed to remain in charge of negotiations with global regulatory bodies, and thus were in control of setting the agenda for domestic financial regulatory reform.⁸⁴ But the window for fruitful financial engagement between the United States and China is fast-closing.

While most analysis contends that the rejection of a western model of financial governance can be directly tied to the rise of Xi Jinping, this paper suggests that Chinese concerns with the American regulatory approach go back far earlier. The lack of openness to a more liberal approach to the stock market began with the collapse of faith in the western regulatory order following the Global Financial Crisis. Prior to 2008, the state-market orthodoxy was premised on leadership by autonomous, non-majoritarian institutions dominated by technocratic experts.⁸⁵ While China did not implement the orthodoxy wholesale, it did appropriate certain institutional forms and parts of the agenda, such as the establishment of quasi-independent regulatory institutions, partial liberalization, and an increased role for market-based capital allocation.⁸⁶ But following the Global Financial Crisis in 2008, elite leadership grew fundamentally skeptical of western approaches.⁸⁷ Moreover, recent financial crazes, such as meme stocks, and major regulatory failures, such as the collapse of Silicon Valley Bank, have not endeared the CSRC towards American-style approaches to regulation. If the United States still seeks to play a role in facilitating China's integration with the global financial order, it will have to get its own house in order first.

This portends increasing conflict over American and Chinese financial practices in the short-term. More recent tensions have already centered on the quality of information disclosures of Chinese-listed firms in the United States, questions related to the foreign investor protections in China, and the Chinese government's intentions to repatriate technology giants to its on-shore bourses.⁸⁸ Calls for limiting the flow of US dollars to China's on-shore markets have reached fever pitch.⁸⁹

Conflict between the SEC and CSRC over US-listed Chinese companies while contentious have been resolved because proposed rule changes did not conflict with the CSRC's underlying regulatory principles. During the 2021 Variable Interest Entity structure controversy, a long-held practice in which Chinese companies use a specialized structure to seek foreign financing offshore came under significant scrutiny by the SEC in June 2021 on account of issues related to investor protections. The CSRC then moved forward clarifying rules regarding VIEs in December 2021. In another instance, legislation was introduced by Congress in 2020, which would delist Chinese companies from US Exchanges if a special SEC-designated auditing body, the Public

Company Accounting Oversight Board, was denied access to China and Hong Kong auditors for a period of 3-years. The threat of forced de-listings of non-compliant Chinese firms eventually led to an agreement between the CSRC and SEC in December 2022. While compromises were reached, it should be noted that SEC actions and congressional investigations prompted many Chinese companies to re-list in Hong Kong or mainland bourses.

More recently, US government scrutiny has turned to outbound American investment to China, which is likely to further undermine China's convergence with the global financial order. The House Select Committee on China's recent probes into Black Rock and MSCI weighting of China in its indexes is overly broad and, if acted upon, could dramatically rewind the clock on China's financial regulatory development. And, if surgical bans by Executive Order on US tech investment by venture capital and private equity funds is expanded to include public market investments, it will undoubtedly reinforce a fortress mindset of the CSRC. A major goal and impetus of the CSRC's willingness to open-up its markets to foreign institutional investors, most notably through the stock connect and bond connect schemes, was to eventually warrant Chinese listed companies inclusion in major indexes. In so doing, the CSRC had hoped that foreign institutional investors would help improve price discovery on its domestic markets. Managing US national security concerns while also seeking to encourage China's financial market liberalization has seemingly reached an impasse.

James Fok, a former executive at Hong Kong Exchange and Clearing, does highlight one potential avenue for global capital to interface with China's on-shore market through the various stock connects linking mainland bourses to Hong Kong: the Hong Kong-Shanghai Direct Connect and the Hong Kong-Shenzhen Direct Connect.⁹⁰ The stock connect schemes allowed exchanges to be linked electronically such that an investor in Shanghai could directly purchase shares listed in Hong Kong from a broker linked to a mainland stock exchange, and international investors could purchase mainland shares through a Hong Kong broker. Crucially, each market maintains its own rules and regulations, with enforcement undertaken by the local regulator. A major benefit for international institutional investors fearing potential political interference from Chinese authorities—such as the freezing of funds—is that their cash account under the stock connect scheme remains in Hong Kong. Moreover,

if ChinaClear, the mainland's clearing house, refused to release cash to be disbursed by Hong Kong Security Clearing Company (HKSCC) when Mainland A-Shares are sold by international investors, the HKSCC, which holds all mainland investors' Hong Kong Shares, could likewise refuse to settle transactions for mainland investors. Fok argues expanding Hong Kong's role as a depository center for mainland investor's holdings for international shares would allay Chinese government concerns about capital flight and vulnerability to foreign sanctions, while giving Chinese investors greater diversity of investment options to fund retirement. The West would benefit from investments from China's vast pool of bank deposits, and because shares would be purchased by individual investors, it would reduce the risk of government control. Of course, this scenario is contingent on the maintenance of the One-Country, Two Systems framework, which has been under significant pressure.

Yet even as pressures for financial decoupling ratchet-up, it will remain ever more important to avoid characterizing China's financial order in broad strokes. This paper suggests that not all of China's regulatory behavior can be simply characterized as a nefarious plot by the CCP to assert state dominance in the market. One should recognize that regulators in China believe they are addressing distinct problems with an irrational investor base, an inefficient market, and the costs of paternalistic governance.

While this paper has shown that China's necessary fictions have had a pathological effect on its markets, it does not argue that the country would be better-off adopting an Anglo-American approach. It may be more productive to consider these differing philosophical positions as engendering different trade-offs in terms of stability, efficiency, growth, and equity. As much as American commentators are wont to criticize the market philosophy of China's regulators as illiberal or anti-market, it is important to remember that the SEC's own attachment to a rational investor, efficient market, and an independent regulator are also fictions that stand on shaky empirical ground. Legal scholarship argues that relaxing assumptions about investor rationality and market efficiency might be necessary to address significant inequities in financial regulation in the United States that leave investors unprotected.⁹¹ The tortuous debates on financial regulation in the United States suggests that deeper paradigmatic change is slow-moving, and we should expect no less in China.

Evidence from the East Asian region suggest that while China's necessary fictions will anchor the country's regulatory development, there is room for change. Necessary fictions do not operate in a vacuum. Financial regulation is shaped by different exposures to foreign capital, legacies of developmentalism, and state-business relations. China's regulatory regime, given the predominance of its state capitalist framework, preference for SOEs, and low exposure to foreign capital, alongside an ideological underpinning of investor irrationality, a lack of trust in markets, and state paternalism makes it more an extreme case. Conversely, in Japan, despite holding similar beliefs to their Chinese counterparts, the regulator's weak, hard paternalist approach to the stock market is driven by high foreign ownership of the stock market, liberalization of the economy as part of Abenomics, and major reforms in its corporate sector. And, in Korea and Taiwan, we observe how an irrational investor regulatory vision interacts with foreign capital, post-developmentalism, and state-business relations to effect a moderate, hard paternalist approach. While none of these countries have fully converged on the liberal market economy, it does suggest that China does have some flexibility in its financial regulatory evolution.

Regulators in China envision a very different type of equities market where innovation must not compromise stability; a focus on shareholder value should not disrupt a stakeholder system; and institutional investors must share the market with the region's rowdy retail investors. Notions of maximizing shareholder value, and the deployment of new financial technologies that underpin this transformation in the Anglosphere, conflicts with the normative orientations of the Chinese regulator.

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