INTRODUCTION

For the Chinese leadership, a foreign policy position is a unified, theoretically articulated, comprehensive design for dealing with other countries as well as the global system. Such a position begins with an analysis of the international situation. On the basis of that analysis, the position requires a strategy for dealing with the principal problems that it identifies. This strategy, within a logically integrated framework, contains prescriptions for both, politico-strategic as well as international economic relations.

As seen in Appendix-I, there have been, broadly speaking, three periods in the fifty years of the People’s Republic of China’s (PRC) history during which the PRC implemented a comprehensive and distinctive, line in foreign relations. Each of the three positions was based on a specific perception of the global system and China’s role in it; as Appendix-I reveals, each position constituted a different approach to dealing with the global environment. In terms of this particular interpretation, a foreign policy position requires that the components of politico-strategic policy and international economic policy be compatible and synchronised.

An official survey of Chinese diplomacy between 1949 and 1986 offers a periodisation similar to that of some western studies. Corresponding to the three phases into which the Appendix-I divides the PRC’s diplomatic history, three theoretical guidelines of Chinese foreign policy can be discerned.

From the founding of the People’s Republic to the late 1950s, China’s foreign relations were characterised by an alliance with the Soviet Union and were governed by ‘three great strategic decisions’ laid down by Mao. These three decisions were: [i] ‘to set up a separate kitchen’ (to make a fresh start) — that is, ‘to refuse to recognise the diplomatic relations with other countries established by the Guomindang(GMD) government, but to establish instead new relations with foreign countries on a new basis’; [ii] ‘to clean up the room before sending invitations to the guests’ — meaning, ‘not to be in a hurry to establish diplomatic relations with them’ (the imperialist camp headed by the United States), but ‘to get rid of all imperialist forces from China which could otherwise still have some influence’; and [iii] ‘to lean to one side’ (the socialist camp headed by the Soviet Union). A theoretical foundation of these policies had been articulated by Mao in his, ‘On the People’s Democratic Dictatorship.’

The writings of Mao in the 1940s, highlighted the role of the national liberation movement — and the role of the Chinese revolution in particular — in contributing to the international communist movement. How to evaluate the importance of the national liberation movement in fighting against the imperialist bloc headed by the United States, became a central issue in the Sino-Soviet ideological dispute. But the framework had also emphasised self-reliance in domestic construction. They disputed, split and finally, by the end of the sixties, engaged in armed conflict with the former Soviet Union, whom they termed ‘revisionists’ and considered to belong to the category of ‘social imperialists.’ Sino-American relations remained hostile and frozen, and Mao personally called for ‘the people of the world to unite and defeat ‘US imperialism and all its running dogs.’ The world revolution theory was best manifested in a series of polemical
articles written by the Chinese Communists in 1963 and 1964, and was further radicalised during the initial period of the Cultural Revolution.\(^6\)

[b] 'Three Worlds'

From the early 1970s to the early 1980s, the Chinese leadership redefined its international strategies and their theoretical foundations. Beijing gradually moderated its attacks on the United States and improved relations with the western world, resumed and expanded commercial transactions with foreign countries, and supported established governments in Asia, Africa and Latin America in their demands for a new international economic order. Identifying the Soviet Union as the gravest threat to China's security, Beijing sought to establish an "international united front against Soviet hegemonism". The theoretical milestone of this period was the lengthy *Renmin Ribao* (People's Daily) article in October 1977 entitled, 'Chairman Mao's Theory of the Differentiation of the Three Worlds is a major contribution to Marxism-Leninism.'\(^7\) The basic tenets of this theory had already been elucidated by Deng Xiaoping in 1974.\(^8\)

[c] 'Peace and Development'

From 1982 onward, Beijing assumed a more balanced position between the United States and the Soviet Union, and reasserted its solidarity and co-operation with what it defined as the Third World. The conceptual framework of Chinese leaders in adjusting foreign policy was reflected in Premier Zhao Ziyang's detailed survey of China's foreign relations at the Sixth National People's Congress in June 1983.\(^9\) Deng Xiaoping was the general architect of this adjustment. He singled out

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7. Excerpts of this article in English can be seen in King C. Chen (ed.), *China and The Three Worlds: A Foreign Policy Reader* (White Plains, NY: M.E. Sharpe, 1979).
‘peace’ and ‘economic development’ as the ‘two really great issues confronting the world today,’ noting, that peace involved East-West relations and development involved North-South relations. China would be truly non-aligned and oppose hegemony. In North-South relations, China supported dialogue and South-South co-operation.\(^\text{10}\)

A view shared by China watchers is that, ‘no theoretical formulations have emerged from the post-Mao leadership to provide an alternative framework for foreign policy.’\(^\text{11}\) But since the early 1980s, significant revisions with theoretical and conceptual implications have been made in Chinese foreign policy statements and international relations. And they are consistent with China’s domestic reform and ideological reorientation. As Zhao Ziyang said in 1986, “our domestic and foreign policies are an organic whole.”\(^\text{12}\)

As mentioned at the very outset, the theoretical framework within which the foreign policies of the PRC operate, begins with an analysis of the international system and situation. Here as well, a clear difference can be seen in the PRC’s understanding and use of the conceptual categories of contemporary international relations (IR) theory and that encountered in most western analyses.

Numerous definitions of ‘theory’ can be found in western political science and IR studies.\(^\text{13}\) Most have at least one thing in common: a political theory may


\(^{13}\) Stanley Hoffmann has defined contemporary theory of international relations as “a systematic study of observable phenomena that tries to discover the principal variables, to explain behaviour, and to reveal the characteristic types of relations among national units.” (Stanley Hoffmann, “Theory and International Relations” in James N. Rosenau (ed.), International Politics and Foreign Policy (New York: Free Press, 1969), p. 30. Kenneth Waltz argues that theories are not merely collections of laws, but statements that explain them. “A Theory, though related to the world about which explanations are wanted always remains distinct from that world. ‘Reality’ will be congruent neither with a theory nor with a model that may represent it.” [Kenneth N. Waltz, Theory of International Politics (Reading, MA: Addison-Wesley Publishing Co., 1979), pp. 1-17].
be a proposition (or a set of propositions) that tries to explain social reality. Some political scientists may agree to include part of the works of normative thinkers and of 'policy scientists' in the general boundary of IR theory, while some others may believe that normative works and policy-oriented studies can well benefit from scientific theory but they are not part of it. Western IR theory may not necessarily provide prescriptions or remedies leading to a better foreign policy or to desirable changes in international reality. The role of cultural factors as well, in influencing attitudes and approaches, further illustrates how far IR actually is from being a value free discipline.

By contrast, under the strong influence of Leninism and 'Mao Zedong Thought,' all (social science) theories in the PRC are expected by the leadership to contribute to the building of socialism. No distinction is actually made between those applied theories leading to the formulation of policy and social science theories with only descriptive, predictive and explanatory power. According to a standard Chinese definition, a theory (lilun) is a system of concepts and principles, or a systematic rational knowledge; a scientific theory is established on the basis of social practice, and has been proved and verified by social practice, and is a correct reflection of the essence and laws of objective things. The significance of a scientific theory lies in its ability to guide human behaviour.

Quoting Lenin's remarks that 'practice is higher than theoretical knowledge,' Mao Zedong observed:

"Marxist philosophy holds that the most important problem does not lie in understanding the laws of the objective world and thus being able to explain it, but in applying the knowledge of these laws, actively to change the world. From the Marxist viewpoint, theory is important, and its importance is fully expressed in Lenin's statement, 'without revolutionary theory there can be no revolutionary movement.' But, Marxism emphasises the importance of theory precisely and only because it can guide action."15

In the Chinese context, a theory is not much different from a doctrine, an ideology or a set of propositions serving as a guiding principle for action. In Chinese communist vocabulary, 'theoretical work' can be inferred to be 'ideological work,' and theory is more closely identified with practice than with reality.\textsuperscript{16} Theories without immediate relevance to policy-making or implementation are often referred to as empty and useless.

Therefore, international relations theory, as understood by the Chinese, is not only an explanatory tool or a prism through which world affairs are observed, but also more importantly a guide for international action and foreign policy. In recent years, Chinese IR scholars have found themselves dissatisfied with many existing theoretical notions and have made efforts to formulate new theories.\textsuperscript{17} At the same time, however, the Chinese conception of theory as defined above has hardly been challenged. When a senior Chinese International Relations researcher, Chen Zongjin, called for more theoretical ideas, he explained that 'without a deepening of theory, there would be no clear-cut decision or understanding of policy.'

One of the lessons, almost axiomatic it would seem, in the post world war era, and indeed, more specifically in the 'post-cold war' period, is that the success of a country's foreign policy is mainly underpinned by the efficiency of its economic policies and by its stature in the world economy. Successful economies have relatively greater degrees of freedom in shaping an independent foreign policy than weak economies in an increasingly interdependent world. More importantly, the economic policy of a nation, can itself be an instrument of foreign policy, as the People's Republic of China (PRC) has amply demonstrated, particularly in its interaction with Southeast Asia, especially the ASEAN countries


\textsuperscript{17} Reportedly, the Chinese President, Jiang Zemin has for the past few years encouraged scholars in major universities and think-tanks to come up with more independent, in depth analyses of foreign affairs in the spirit of "having multiple voices internally, while speaking in one voice externally." As mentioned in Yong Deng, "The Chinese Conception of National Interests in International Relations," \textit{China Quarterly} (London), no. 162, 1998, pp. 308-29.
and in the emerging economic linkages with countries that comprise Northeast Asia (i.e., the Korean peninsula and Japan).

For more than 20 years after its establishment, the PRC was largely isolated from the rest of the world. During the Maoist period, 'revolution,' both internally and externally, was the chief concern and its foreign policy as well as interaction with other countries served as instruments to achieve its political objectives. The Sino-US rapprochement in the early 1970s, ushered in a new era of Chinese interaction with the rest of the world on multiple axes. With the advent of Deng Xiaoping, the inauguration of the reform era, and the policy of opening to the outside world, the chief priority of the nation shifted to 'economic development and modernization.'

For close to two decades, and emerging from the structural changes that the post- Cultural Revolution leadership made, China has pursued a long term economic development strategy based upon greatly expanded domestic market incentives within the framework of the global capitalist economy. A critical component of its efforts to build a prosperous modern economy, has been the adoption of an "inclusive" and "participatory" approach to the global economic system in order to gain access to foreign capital, technology and expertise. To realize these objectives, the thrust of China's foreign policy has shifted to the nurturing and sustaining of 'economic diplomacy' which stems from primarily commercial interests. This study would focus on the aspect of 'commercial/economic diplomacy' of China in the reform era, analyzing a broad spectrum spanning nearly two crucial and definitive decades up to 1997 (i.e. before the Asian financial crisis) in China's quest for modernization and great power status.

The emergence of economic diplomacy is reflective of the emerging world system; nations have over the last two and a half decades re-oriented their foreign

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policy, blending it with their commercial agenda to serve their respective economic interests. Economic diplomacy gains greater currency in the capitalist world economy that is characterised on the one hand by the processes of globalisation and on the other, by a trend towards regionalism.

The practice of economic diplomacy, which shall be examined in detail later, by China evolved in the mid-1970s but took shape by the mid-1980s and one may say matured and bloomed by the mid-1990s. It draws attention to the central importance of economic development and modernisation, the key themes in the PRCs national agenda and therefore primary objectives of China’s foreign relations. The PRC has in the past two decades refashioned and reoriented its foreign policy, virtually recasting it as a function of its development strategy. The economic diplomacy practiced by China has three broad characteristics and objectives, each of which impinge on the other to some extent. They are:

1. **Political**: A conscious and deliberate separation of ideological content from its foreign policy has facilitated the process of overcoming some formidable obstacles in the conduct of the PRC’s diplomatic relations, especially with regard to Korea and Vietnam among others, and led to an increase in the number of countries with which the PRC has formal diplomatic relations.

2. **Economic**: The strengthening and enhancing of such aspects and conditions which further expand trade, investment and other commercial and technological exchange.

3. **Strategic**: China’s modernisation drive appears to be underpinned to a considerable extent, by nationalism. While this ensures that China does not compromise on any issue of vital national interest (such as security or disputed territory), an equally clear approach is seen which ensures that contentious bilateral or multilateral issues and problems (e.g., the dispute over the South China Sea Islands) do not become stumbling blocks in the PRCs attempts to strengthen economic and commercial relations with these countries. Such disputes would be amenable to solutions under more propitious circumstances, when cordiality has been established or may even be left for future generation to resolve.
The Chinese state in the post-Mao period has undoubtedly undergone a remarkable transformation – rather metamorphosis – when we consider its conduct of foreign relations. It is also clear that the process is not yet over. The so-called "reform" which ushered in the changes, began with the introduction of market forces in the late seventies, which spawned elements of a "market facilitating state." This has been most pronounced in the Special Economic Zones (SEZ's) where the concentration of foreign capital is highest and domestic economic reform has proceeded furthest.

Elements of this "market facilitating state" can be seen at varying levels of development, as a result of the various structural adjustment programmes initiated over the last two decades and equally importantly in the changing social base of the ruling communist Party-State as well as its emerging power elite.

The key features of this "market facilitating state" have been identified as follows:

First, it is entrepreneurial, that is, it both promotes entrepreneurship and engages in risk taking, profit-seeking economic pursuits. Second, it is legalistic, that is, it legally defines relations between economic actors in the market place and settles economic disputes through the law. Third, it is technocratic, that is, the state is increasingly being run technically and professionally, and lastly it is regulatory, that is, it seeks to regulate the market at the macro-economic level whilst withdrawing through deregulation. The proposed thesis would seek to analyze these features and evaluate their role in formulation and practice of Chinese economic and commercial diplomacy.

The 'economic diplomacy' of the PRC has been greatly influenced by the impact of the twin trends of 'globalisation' and 'regionalisation'. These trends play an enhanced role in influencing the policies that are decided. The role of 'Keystone International Economic Organizations' (KIEO's) and regional fora

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20 Ibid., p. 76.

indicate that Chinese recognition of economic interdependency among countries in an era of economic globalization is a reality that is progressing with every passing day. The two themes of economic globalisation and regional economic integration are seen by the Chinese as being mutually complementary.\textsuperscript{22}

The response to globalization can be appraised by understanding the nature and functioning of regional organizations all over the world. The old regional organizations are being adapted to new conditions while new ones are getting formed. The conclusion of the North America Free Trade Agreement (NAFTA), the single Europe Act of 1986, the Maastricht Treaty, are but recent examples of formation or consolidation of regional blocs. The ASEAN and its chequered history is powerful elucidation of regionalisation in a globalising context.\textsuperscript{23}

The continued upward spiral, in China's economic growth, has fostered competition and cooperation in the economic sphere, among others in two areas of geographical proximity - Southeast Asia and Northeast Asia. The study would analyse in detail, the multilateral imperatives propelling the continued engagement of China with nations coming together under the aegis of the ASEAN. The policy and practice of China's economic diplomacy in both regions - Southeast Asia and Northeast Asia - as also the disputes and varying perceptions are best illustrated by the following cases, which shall constitute two case studies for the proposed thesis.

The South China Sea – Spratly Islands Dispute

The early 1970s saw an intensification of the contest for maritime rights in the South China Sea. However, the most important development in the contest over the waters around the Spratly Islands was the growing global practice during the decade of the 1970s, of establishing Exclusive Economic Zones (EEZs) in line with the declaration by \textit{UNCLOS III} (United Nations Conferences on the Law of

\textsuperscript{22} Shen Jiru, p. 41.

the Sea) which concluded in 1982. As countries like Indonesia, Philippines and Malaysia pressed claims to their countries’ respective continental shelves, China stepped up its military build-up in the region, in tune with its growing offshore oil interests. Such interests greatly increased the potential of military confrontation between China and Vietnam (which also has claims) over the Spratly Islands. However, because of geopolitical consideration, military pressure could not be applied similarly to other parties, involved in the dispute over the Spratly’s, China had to look for an alternative approach. (Spratly Islands, Spratly’s and Spratly Island are one of the same and will be used interchangeably in this thesis).

During the early 1980’s, there were signs that the practice of “joint development” was more feasible and attractive as an alternative approach. The joint development of maritime space, which involved competing claims, was earlier seen in the form of the Japan-South Korea-Taiwan Liaison Committee, that was established by business people from the three countries, for research into and development of resources in the East China Sea.

The Spratly Islands thus represents a situation in which overlapping claims to maritime space between states with opposite or adjacent coasts, cover large areas of waters. It may be more advantageous for the governments concerned to agree on joint development of the sea areas under dispute, than remain locked in a stalemate.

Echoing this new approach to territorial disputes, Deng Xiaoping during a meeting with a delegation from the Centre for Strategic and International Studies of Georgetown University, said,

“I have also considered the possibility of resolving certain territorial disputes by having the countries concerned jointly develop the disputes area before discussing the question of sovereignty. New approaches should be sought to solve such problems according the realities.”

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25 Deng Xiaoping made these remarks while receiving a delegation of scholars from Georgetown University who were on a visit to Beijing and had called upon him in March 1985. Deng Xiaoping, “A New Approach to Stabilising the World Situation,” February
The Tumen River Project: A Multilateral Regional Development Programme

The Tumen River Basin is shared by China, Russia and North Korea. An agreement entered into by these nations seeks to jointly develop the Tumen River Basin and become partners in the spin-offs generated. In brief, the agreement seeks to ensure that:

- The section of Tumen River from the conjunction of the three countries borders to the river mouth, be common property of the three countries.
- China formally regains access to the Sea of Japan via the Tumen River.
- A port to be constructed at Fang Chuan or Hunchun, and that a railway and highway be constructed in the Hunchun area to connect it to the hinterland.
- The three countries develop adjacent Special Economic Zones for processing raw materials and manufacture of consumer goods.
- Japan and South Korea finance and implement the scheme.

As the economies of the Asia-Pacific region become increasingly interdependent, there is a corresponding growth of interest in closer dialogue about their economic prospects and opportunities for co-operation. A growing interdependence would require progressively closer co-ordination of policy making to identify new economic opportunities and to resolve potential frictions and bottlenecks in the way of mutually beneficial trade.

The analysis of the PRC's foreign policy and economic diplomacy within a multi-lateral framework in the Northeast of Asia offers compelling contrast to the same in Southeast Asia. The differences in political, economic and strategic aspects between these two regions, could not be greater and yet, what is interesting is the manner in which the PRC has adjusted the wide diversities and adapted its policies aimed at enhancing economic and commercial ties and cooperation. This

contrast is one of the major factors motivating this study analysing the widely different strategies devised by China within the overall framework (of its economic diplomacy).

Review of Literature

The study of contemporary Chinese foreign policy since the 1970's has produced significant scholarship. Broadly, there are five major schools which dominate foreign policy interpretation and analysis, and which to varying degrees extend their influence over contemporary research. They are:

The Classical School

The classical approaches of foreign policy decision-making contend that 'foreign policy decision making' is the rational choice among possible alternatives made by nation states as basic actors within the international system to maximise utility within a total, perceived environment that includes their national political system as well as the international environment/system as a whole.

While focussing on the determinants leading to the study of the decision, a choice is to be made between the 'external setting' and 'internal setting'. The external setting includes the state's geopolitical position within the global system and regional balance of power as well as its relationship with relevant individual powers. As for the internal setting, two crucially important variables are the state's military and economic capabilities, which set limits to what the government can do. The internal setting also includes the domestic systemic environment and the structure of the political system in which the decision-makers must operate. In sum, they believe that the objectives constitute the critical determinants. Also, within this classical school, some theorists diverge from the traditional political analyses that reify or personify nation-states as the basic actors. Instead of directing attention to metaphysical abstractions of the state, the government or

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broadly labelled institutions as "the Executive," narrow the subjects of their inquiry from a larger collectivity to a smaller unit of identifiable persons responsible for making decisions. As Richard Snyder, H.W. Bruck and Burton Sapin put it:

"It is one of our basic methodological choices to define the state as its official decision-maker — whose authoritative acts are, for all intents and purposes, the acts of the state. State action is the action taken by those acting in the name of the state."27

Apart from the above, scholars, who assign perception a central place in foreign policy decision-making, regard the world as viewed subjectively by decision-makers to be more important than objective reality. In line with this classical school in the study of foreign policy, there are three traditional schools that for some time dominated the study of contemporary Chinese foreign policy: the traditional/historical, the Maoist/communist ideology and the realist/rational schools.28

The Traditional / Historical School

The Traditional / Historical school of scholarship, represented by such eminent China scholars as the late John K. Fairbank, emphasises China's uniqueness.29 As most of its proponents were historians, it argued that China's

27 Ibid., p. 72.
29 A selected number of works in this School include: John K. Fairbank (ed.), The Chinese World Order (Cambridge: Harvard University Press, 1968); "China's Foreign Policy in Historical Perspective," Foreign Affairs (New York), no. 47 (April 1969); C.P. Fitzgerald, The Chinese View of Their Place in the World (London: Faber and Faber, 1967); Chih-Yu Shih, China's Just World: The Morality of Chinese Foreign Policy (Boulder: Lynne Rienner, 1992); Mark Mancall, China at the Centre: 300 Years of Foreign Policy (New York: Free Press, 1984); "The Persistence of Tradition in Chinese Foreign Policy," The Annals, 349 (September 1963); Morris Rossabi, China Among Equals: The Middle
foreign policy behaviour can only be understood on the basis of the historical and cultural legacy of the past. Foreign policy, under the communist regime, represents a continuation of the practice of traditional ‘sinocentrism’ according to which the world as perceived by Chinese rulers is not one based on the concept of sovereign equality of nation-states, but one structured in hierarchical terms. Under such a world system, as perceived by the Chinese rulers, China — the “Middle Kingdom” — is the pre-eminent power that maintains a suzerain-tributary relationship with the rest of the world.

The Maoist / Communist Ideology School

The Traditional/Historical school that emphasises China’s uniqueness is challenged by the Maoist/Communist ideology school of the early 1950s, coinciding with the onset of the politics of the cold war and American military involvement in Asia. The historical and cultural legacy of the past, this school argues, is less relevant than the principles of orthodox Marxism-Leninism and its Chinese derivative — Maoism — in understanding contemporary Chinese foreign policy behaviour. It suggests that China interacts with the rest of the world, largely on the basis of the ideological belief of its elite, as personified in Mao Zedong, some of whose ideas often appear antithetical to Chinese tradition.30

The Realist / Rational Actor School

The realist/rational actor school focuses its attention on the objective "operational environment." Allen Whiting in his 'China Crosses the Yalu: The Decision to Enter the Korean War' is able to reconstruct the events that led to the Chinese decision to intervene in the Korean War. By carefully analysing U.S. intelligence information and sifting through Beijing's public pronouncements at the time, Whiting concluded that the Chinese action was largely reactive, for the purpose of self-defence. Its explanation therefore does not lie in an aggressive communist ideology or a traditional impulse to pacify its periphery, but in realism, to be found in the mainstream western theories on international relations. Given the operational environment, the realist/rational actor school argues, Chinese foreign policy can be viewed in traditional western paradigms of balance of power, national interests, and domestic, economic, military and systemic constraints. Yet another sub-branch to emerge from the realist school is the factional model which places greater emphasis on the influences of some dynastic domestic variables like factionalism in China's power elite in the formulation of its foreign policies.

In conclusion, the classical school assumes that decision-makers strive to be consistent, to make optimal choices in narrowly constrained neatly defined situations, and to rank and maximise values by choosing the most efficient alternative. It assumes that decision-makers discern clearly their objectives, the options available, and the likely consequences of each alternative choice before making their decision.


32 Works in this regard include: Andrew Nathan's "A Factionalism Model for CCP Politics," China Quarterly, no. 53 (January-March), 1973; Allen Whiting, Chinese Domestic Politics and Foreign Policy in the 1970s (Ann Arbor: Centre for Chinese Studies, 1979); John Garver, China's Decision for Rapprochement with the United States (Boulder: Westview
The Institutional School

The Institutional School emerges as a result of the inadequacies found in the rational actor model to explain foreign policy behaviours of nation states. The Institutional School offers two frames of reference: the organisational process model and the bureaucratic politics model. ³³

The Organisational Process model envisages government behaviour less as a matter of deliberate choice and more as independent outputs of several large, key organisations, only partly co-ordinated by government leaders. The behaviour of these organisations is primarily determined by standard or routine operating procedures with only gradual, incremental deviations.

The Bureaucratic Politics model, on the other hand, hypothesises intense competition among decision-making units, and foreign policies are the result of bargaining among the different components of a bureaucracy. At times, the players are guided less by conceptions of national, or even bureaucratic and personal goals. The outcome thus depends not on the rational justification for the policy or on routine organisational procedure, but on the relative power and skill of the bargainers.

A number of paradigms have been developed in an attempt to capture the essence of the Chinese politics and economic system. They range from 'bureaucratic authoritarianism,' which emphasises the rigidity of central control and party-dominated bureaucratic hierarchy, to 'fragmented authoritarianism' that focuses on the centrifugal effects of the bureaucratic interactive bargaining process with the power elite and lower level components of the system. ³⁴

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For a brief discussion of these and other paradigms, see Carol Lee Hamrin and Suisheng Zhao, "Introduction — Core Issues in Understanding the Decision Making Process," in Hamrin and Zhao (eds.), *Decision-Making in Deng's China* (Armonk: M.E. Sharpe, 1995); Kenneth G. Lieberthal, "Introduction — The 'Fragmented Authoritarian' Model
In conclusion, the Institutional School believes that the rational-actor model under the Classical School does not completely capture the whole picture of decision-making and all the forces that influence policy formulation. It points to organisational processes and bureaucratically based politics as significant factors affecting the final policy outcome.

From the available literature on Chinese foreign policy, China’s diplomacy can be broadly classified on the basis of the emphasis / focus which inform the analysis:

- those which stress the international situation, the external environmental as constituting the principal determinant of the PRC’s foreign policy.
- Those which identify the domestic factors as providing the key to understanding foreign policy. (Goodman and Segal, 1994; Harding, 1984).

Clearly, the earlier works have tended to overemphasize the role of one set of factors, minimizing or downplaying the impact and influence of the others, even if they do not necessarily negate them. Growing recognition of the limitations of such exclusively and particularistic approaches, as well as an increasing attempt since the 1980s to bridge the gap between area studies and social sciences theories and concepts, has led to multiple-level analytical studies or the Micro-Macro linkage approach.35 In general terms, the approach may be defined as one which studies the mutual interaction between the international structure, the domestic factors (institutions national, regional and societal forces) as well as role of individuals and their perceptions and ideology.

Works which have therefore appeared over the last two decades on foreign policy reflect this growing concern with a multiple level analytical approach.

International relations theorists since Thucydides (the ancient Greek philosopher / theoretician) have noted the critical importance of perceptions in


In his work on China’s opening to the outside world – The Experience with Foreign capitalism, Robert Kleinberg develops a starting point for China’s economic diplomacy. Beginning in 1978, China acknowledged the need for external development assistance by shifting its status from aid giver to aid recipient within the framework of the United Nations Development Programme (UNDP). Subsequent revisions in China’s long standing policy of self-reliance opened the way for significantly higher levels of trade (foreign), and acceptance of foreign investment, loans and credits from both bilateral and multilateral sources, Harold K. Jacobson and Michael Oksenberg in their book titled China’s Participation in the IMF, the World Bank and GATT – Towards a Global Economic Order outline the process that China adopted in becoming a member recipient of the KIEO’s.

One important outgrowth of the Open-Door Policy in the 1980s, was China’s formal entry into the World Bank group - the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD) or World Bank, and its affiliated agencies, the International Development Association (IDA) and the International Finance Corporations (IFC). In 1983, China was granted observer status in the General Agreement on Tariffs and Trade (GATT), and in 1986 it formally applied for full membership. In 1986, China joined the Asian Development Bank. Samuel S. Kim (China and the World (1989); China in and Out of the Changing World Order (1991)) asserts in his works the important role international organizations have had in shaping the domestic agenda in China.

The interlinkages forged by the PRC over the past two decades, as part of its economic diplomacy, are to a great extent, the outcome of the vision of globalisation and regionalisation that is gradually taking shape, is the perception of Denis F. Simon and Hong Pyong Lee in their book Globalization and

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36 Thucydides, "History of the Peloponnesian War," as accessed on www.mitholyoake.edu/irresource/thucydides.htm
Regionalization of China’s Economy which examine this aspect. To qualify the intricacies involved in establishing an interrelationship between IR theory and the study of Chinese foreign policy, Allen Whiting (1994) juxtaposes the current posturing with future trends.

The shift in favour of economic diplomacy is bound to alter established mechanisms that co-ordinated foreign policy. Gao Shanquan and Chi Fulin in *Theory and Reality of Transition to a Market Economy* trace the emergence in the past two decades of a symmetry between the rapidly expanding foreign economic relations, and a reformist leadership that has seen the creation of several new central institutions. These include the Foreign Investment Commission, which manages the introduction of foreign investment; the Staté Import and Export Commission which makes policies concerning technology imports and new trading arrangements; and the General Administration of Customs, which was to formulate preferential customs policies as well as the MOFERT (Ministry of Foreign Economic Relations and Trade) and CITIC (China International Trust and Investment Company), which was to facilitate joint ventures. Beverly Crawford in her edited book *Markets, State and Democracy: The Political Economy of Post-Communist Transformation* deals with the institutional mechanism and change brought about in part by the external commercial relations entered into by China.

The policy of “opening up to the outside (world) – duiwai kaifeng zhengce” policy once introduced, found further echo in the objective of transforming China into a ‘socialist market economy’. The role of the various decision making bodies that constitute the highest level of governance in China have been favourable to the promotion of the reform process by creating space for function. To encourage greater entrepreneurship, as a whole body of available literature proves, the reforms split the tasks involved in foreign trade. The non-governmental, China Council for the Promotion of International Trade, also plays a key role in arranging trade negotiations between China and potential trading partners, mounting trade expositions and providing consultancy services.

The most visible elucidation of China’s economic diplomacy is seen in Southeast Asia. Southeast Asia as a vehicle for promoting trade and investment,
has in the ASEAN an example of what a regional economic alliance can achieve, despite the recent setbacks. Zhao Quanshang in his article “Achieving Maximum Advantage, Rigidity and Flexibility in Chinese Foreign Policy” (American Asian Review, Spring 1995) and Chiao Siow-Yue and Cheng Bifan in their book ASEAN-China Economic Relations-Trends and Patterns, establish that regarding ASEAN, there used to be little complementarity between China and the developing countries of Southeast Asia, and thus little scope for Chinese involvement in the region. Post-1978 saw the establishment of diplomatic ties between the Southeast Asian nations and China. This has been followed by an engagement with commercial interests dominating other issues. In the coming years, as the ASEAN economies renew their development programmes, there is bound to be an expansion in the economic sphere, notwithstanding the existence of contentious issues. The growing regional cooperation would be sustained by competition that would provide the necessity to minimize and resolve competition-based disputes, and to stress the importance of international economic institutions.

The expansion of China’s foreign economic relations has prompted the emergence of an intermediary layer of quasi-state institutions mediating between the state and foreign capital. The rise of such quasi-state institutions has accompanied the ebb and flow of decentralization policies. Whilst these quasi state institutions are supposed to operate like business entities, there is a need for further research to find out how much they relate to subordinate companies and enterprise according to economic rather than administrative principles. The rise of the quasi-state institutions reveals the emergence of a more entrepreneurial state. Quasi-state institutions allow for greater maneuverability than other state organs as is evidenced in the work States Versus Markets in the World System by Peter Evans, Dietrich Reuschmeyer and Evelyn Stephens.

Harry Harding, Steven Goldstein, David Shambaugh, Barry Naughton, and others involved in examining various facets of China’s foreign policy represent a whole body of texts and interpretations upon which this proposal thesis draws its essential understanding.
The introduction of the 'reform and opening to the outside world' policy in the PRC in the late 1970s and 1980s has also resulted in a more flexible political and academic environment, which has enabled Chinese scholars to conduct their studies in more creative and critical ways. Simultaneously, the release of many previously unavailable documentary sources detailing the working of the Chinese Communist Party (CPC) makes it possible for scholars to base their studies on a more comprehensive documentary foundation.

Chapterisation

The proposed thesis is composed of four chapters, apart from the introduction and conclusion. The time frame of this study is 1978-98 – two decades – stopping short of the Asian financial crisis and its impact.

Chapter-I: The ‘Domestic Factors – External Policy’ Linkage in Historical Context: An Overview up to the Present

This chapter as the title suggests, examines the evolution of Chinese foreign policy and diplomacy since the inception of the Communist Party of China (CPC) in the context of domestic requirements and their linkage to the external perspective. The main thrust of the chapter is to analyse the linkage and understand the factors which give shape to a particular policy.

Chapter-II: The Role of the Economy in Foreign Policy and Diplomacy

This chapter evaluates the content of the domestic economy in influencing patterns and contours of China's foreign economic relations. From the early days of the People's Republic to the period of reform there has been a remarkable transformation in the foreign policy decision making of China, that to a large extent is responsible for the PRC's higher profile in the international arena. The chapter seeks to understand the imperatives that have given shape to the policy of economic diplomacy and its successful implementation.
Chapter-III: The Spratly Islands: Claims, Conflicts and Cooperation

To examine and validate the concept of economic diplomacy in praxis this chapter emerges as a case study of the Spratly Islands in South China Sea. The overlapping claims notwithstanding, most of the claimant nations would very much like to develop the economic resources under the seabed. The potential of vast hydrocarbon reserves has made the dispute all the more intense as countries recognise the potential of being self sufficient in energy resources. Being one of the principle claimants to the Spratly islands China is keen on shelving the issue of sovereignty in favour of 'joint development' - a seminal aspect of economic diplomacy examined in detail.

Chapter-IV: Multilateralism in Northeast Asia: A Case Study of the Tumen River Area Development Project

With the potential of being the 'Rotterdam of Northeast Asia' owing to its proximity to the resource rich hinterland that includes the Primorsky Krai region of Russia, the provinces of Jilin and Heilongjiang of China, the Tumen river is a classic example of multilateral cooperation. If developed as a waterway with supporting infrastructure, under the aegis of the Tumen River Area Development Project (TRADP) the resources of the region would find markets abroad. North Korea and Mongolia are other countries that stand to benefit from the development of the Tumen river. This chapter examines in detail the circumstances, trajectory and evolution of the multidimensional project since its inception and its future prospects.

One last point may be made here – and that is with reference to the issue and problem of Taiwan. There is no question but that in the case of PRC-Taiwan relations as well, a tremendous transformation has been wrought in the past decade and a half-despite the periods of tension and political uncertainty. In this context as well, we can observe Chinese economic diplomacy at work, flowing out of its assessment of the kind of role that Taiwan can play in promoting its economic development and modernisation. Fascinating though this change is, it is very firmly
outside the scope of this study and the researcher had in fact to make some
determined efforts to prevent the issue from coming into the chapters that follow.