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## Modern Chinese economic diplomacy in the Asia-Pacific region Tomsk Polytechnic University

Anastasiia Shatokhina <sup>a</sup>, Marina Meshcheriakova <sup>a</sup>, Anatoly Pershikov <sup>a</sup>

<sup>a</sup> Tomsk Polytechnic University

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### Abstract

The paper considers a number of aspects of modern Chinese economic diplomacy in the Asia-Pacific region. After the Asian financial crisis of 1998, the role of China in regional economical and political relations has extremely increased. Chinese economy has become one of the most powerful in the world. Due to these factors China is able to reach its regional foreign policy objectives with the help of economic diplomacy. The article also describes different economic diplomacy strategies and instruments used by Chinese government in international relations. A new fifth generation of Chinese leadership has introduced new foreign policy priorities and started to implement new economic diplomacy methods.

*Keywords:* China, Asia-Pacific region, economic diplomacy, new initiatives, foreign policy;

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### 1. Introduction

In the age of globalization, while countries are getting more economically interdependent, economic diplomacy becomes an important element of international relations like never before. Economic diplomacy as well as other types of diplomacy is a part of the country's foreign policy. The term economic diplomacy means the use of diplomatic methods and economic instruments (assistance, loaning and technology provision, easing or tightening of trade terms) by states trying to stimulate country's economic growth, fulfil its foreign economic interests and gain certain political objectives. Economic diplomacy can be implemented on bilateral and multilateral basis [7].

During the past decade the role of economic diplomacy methods and practices used by the People's Republic of China is increasing in order to reach its foreign policy and economy objectives in Asia-Pacific region. Chinese economic power and its growing economic influence on developing and even some developed countries of the region, so evident after the Asian financial crisis of 1998, encourage China to a large-scale use of economic instruments.

### 2. Materials and methods

In this research the following methods were applied: firstly, analysis and synthesis, in order to examine the object of investigation (Chinese economic diplomacy) as a cohesive phenomenon and as a number of separate but interconnected elements; secondly, systemic approach, which

allowed to point out the priority areas of Chinese economic diplomacy in Asia-Pacific region and its main tendencies; thirdly, problem method, to investigate each of the economic diplomacy directions and instruments in particular.

### **3. Results**

At the beginning of the XXI century Chinese foreign policy course reflected China's new role in regional economic and political processes after the Asian financial crisis of 1998.

Chinese government has been implementing gradual profound reforms for more than 30 years. According to the main macroeconomic indicators, China ranks first in the world and is represented as a great power, which cannot be ignored by other countries.

China has made a drastic economical leap. Chinese GDP for 30 years (1978 - 2008) has increased 16, 5 times and reached 4 trillion USD (more than 30 trillion RMB) in 2008 [1]. In 2014 GDP (PPP) has already surpassed USA GDP and stood at 17,632 trillion USD (according to IMF). Thereby, China ranked first in the world in terms of GDP and has become the most powerful economy for the first time. In 2015, China's GDP reached 19,51 trillion USD, holding the first place in the world [2].

During the period of reform and opening up China's foreign trade turnover has increased more than 120 times and amounted to 2,56 trillion. USD in 2008, compared to 20, 6 billion USD in 1987. Foreign trade turnover continued to grow and it reached more than 4 trillion USD in 2015. Thus, China has a status of the first trading power in the world and the largest exporter in 2015 (China's export – 2, 27 trillion USD) [3].

China has accumulated a sufficient economic potential to promote its geopolitical influence in the region. Due to the rapid economic growth, as well as the increasing involvement of the national economy in the global and regional economic relations, economic diplomacy has become one of the most important Chinese foreign policy instruments.

The Main “four forces” of Chinese diplomacy are as follows: work to increase China's political influence, strengthen its economic competitiveness, and develop the image attractiveness of China and the ethic force of attraction of its decisions.

Today, the formation of the economic diplomacy mechanism and methods has been basically completed, although the process of their improvement is still continuing along with the search for new opportunities. Economic diplomacy will be used not only for solving social and economic development problems, but also for forming a network of friendly states based on the partnership approach. It is thought to be a kind of platform for further promotion of China's influence in the world.

Economic diplomacy issues are generally subjected to the main domestic economic development needs and country's foreign policy objectives. Further impulse was given to promotion of “opening up and going out policy”. Further development of the reform and opening up policy requires a stable external environment, therefore achievement of priority objectives through the economic diplomacy methods, without the use of force methods, is the basis for international economic activity and foreign policy. China has actively enhanced its foreign policy and launched a large-scale geo-economic incursion, using different economic diplomacy forms and strategies, and managed to achieve certain results. Long-term strategic planning is the main feature of Chinese diplomacy. It became the main characteristic of China's relations with the great powers, neighboring and developing countries, China's participation in various international forums.

Nowadays, economic ties with Asia-Pacific countries have become strategic security factor for China, because China is unlikely to be able to strengthen its position in the region without

intensified economic cooperation in the region. China's economic diplomacy objectives in Asia-Pacific region are as follows:

- to become a formation center for a new "regional security" in Asia-Pacific region;
- to secure favourable environment for internal reforms;
- to prevent the absolute domination of one political and economic powers in the region, including the US and Japan;
- to hold and improve China's international image and reputation in the region;
- to form a close strategic relationships with Russia and, possibly, other Asia-Pacific countries, as well as the ASEAN and other regional organizations through the establishment of stable, long-term and close economic ties. As for China, economic diplomacy is an instrument of weakening partner preferences towards the United States and a mechanism for minimization of USA political, economic and reputational influence;
- to participate actively in integration associations of the Asia-Pacific region (APEC, ASEAN + 3), to initiate the establishment of new regional structures (SCO, FTA "China - ASEAN", Agreement on investment cooperation (2012) - the basis for the formation of the FTA with the participation of China, Japan and South Korea) [6].

The Chinese leadership finds participation in the Asia-Pacific integration processes to be one of the most promising China's foreign policy directions and aimed to pursue an active foreign policy towards integration processes in the region. Significant economic base has been largely created for China's active participation in the integration processes in the Asia-Pacific region.

Beside the participation in several multilateral international organizations, such as APEC, ASEAN + China, ASEAN + 3, ASEAN + 6, China also initiates the creation of new regional associations, for example, promoting the idea of a Regional Comprehensive Economic Partnership. Furthermore, nowadays China has already gained an opportunity to insist on the participation in negotiations or agreements, which define international business rules and one's government business behavior in certain specific spheres and regions.

The economic integration process with its core in China is an objective reality, which could have a significant impact on the forces balance in the region, configuration and principles of the international structures in the Asia-Pacific region in the future.

China through the development of economic diplomacy promotes the formation of free trade zones, enhances economic and trade cooperation with some developing countries of the region. Through trade cooperation, investment cooperation and joint development of resource objects with developing countries, China is strengthening its influence and position in international economic affairs and avoids large-scale protectionism and sanctions.

China makes good use of various economic diplomacy instruments (for example, trade and investment sanctions or promotion instruments) to settle territorial disputes with Japan, disputes over a group of islands in the South China Sea with a number of Asian countries, to hold its ground in the Taiwanese, Uigur and Tibetan issues. China, with its powerful economic capacity, manages to put pressure upon other countries when conflicts arise, forcing other side to settle for a compromise or accept China's terms.

Chinese economic diplomacy has recently revealed a number of new changes. In order to influence other country's policy through the use of economic power, Beijing primarily prefers not Beijing avoids using punishment, but applies promotion instruments. China rarely resorts to economic coercion, as far as such course often leads to deterioration of its international image, as well as to willingness of target countries to reduce economic and other types of dependence on China.

Promotion may be carried out in a form of a wide range of different measures:

- stimulating trade cooperation with other countries (for example, initiation of special preferential treatment in trade with foreign countries, big public purchases from abroad);

- expansion of China's foreign investment;
- foreign assistance, including assistance in fulfillment of large-scale infrastructure projects [8].

The implementation of this kind of measures encourages strengthening of trade and economic relations with other countries and improving of political relations with China, as well as improving of China's international image. While economic sanctions are reactive, sporadic and usually temporary (sanctions are implemented until the desirable effect on the target country is made or until the sanctions are expedient), promotion instruments are sustainable and usually have long-term character. The ultimate aim of economic promotion is to make other countries economically dependent on China, which will increase the capacity of China's political influence on them and thus facilitate the realization of national interests for Beijing.

When the fifth generation of Chinese leaders and Xi Jinping as a Chinese President came to power in 2013 new priorities were revealed in Chinese foreign and economic policy. During the Boao Forum for Asia in March 2015, Xi Jinping pointed out the bullet points concerning new priorities in foreign and economic policy [4].

In the nearest future, one of the most important economic diplomacy courses for China will be "peripheral diplomacy", which was for the first time put on the first place on the list of the main lines of Chinese diplomacy. Pacific region is the most important geographical area for China as it concerns national security. [5] First of all, this refers to the Asia-Pacific region, where most of Chinese strategical economic and political interests is concentrated. Chinese government pays attention to the active promotion of its position and interests in the region, primarily through the bilateral and multilateral formats with the East and South-East Asian countries.

One of the most important elements of a new Chinese leadership image is initiating a number of conceptual innovations, which are also serving as foreign policy propaganda in a course of economic diplomacy.

Chinese diplomacy is becoming more creative, it conducts "creative performance", offering new initiatives: creation of "Silk Road Economic Belt", "21-st century Maritime Silk Road" and new free trade zones along the line of "One Belt – One Road", formation of an economic corridor Bangladesh-China-India-Myanmar, establishment of the Asian Infrastructure Investment Bank, active promotion of the idea of "Community of Common Destiny and A New Future for Asia".

According to Xi Jinping this Chinese "infrastructure expansion" is a chance for Asia and, in the future, for the whole world. The phrase "Asia's New Future: Towards a Community of Common Destiny" was the main slogan of the Forum. [4] In the nearest future, regional priorities of the Chinese diplomacy will be the main geographical lines of the "Silk Road Economic Belt".

Along with "Silk Road Economic Belt" and "21-st century Maritime Silk Road" initiatives, was introduced the idea of "new type of great power relations". During the the 18<sup>th</sup> National Congress of the Communist Party of China a new approach to the establishment of "new balance of forces" between the two countries was officially declared. This approach became a theoretical basis for initiating this new idea of "new type relations". Although the party document postulated that this approach is universal and applies to China's relations with all countries, it was primarily focused on relations with the United States [5].

It is also possible that the Chinese initiative was aimed at neutralizing "the USA rebalance in the Asia-Pacific region", because the USA calls China for the "co-government of the world" and announces the economic, military and political "US return to the Pacific Asia", proclaiming it a priority sphere of interests, at the same time.

#### **4. Conclusion**

In conclusion, Chinese diplomacy is quite successful. It should be noted that Chinese international influence and economic interest have a dynamic growth. Chinese leadership has an ability to build up a dialogue and to expand economic cooperation spheres without hurting its national interests.

China's foreign policy course can be described as pragmatic one in all directions with the main aim to form peaceful surroundings, ensure a favorable and stable environment for internal reforms. Economic diplomacy is widely used in China's foreign policy and international economy in the 21<sup>st</sup> century. China prefers economic diplomacy instruments to military force, because it allows to realize Chinese national interests practically in a non-confrontational manner, which is especially important due to widespread idea of the "Chinese threat".

China followed a soft policy towards most Asia-Pacific countries, trying to expand the number of partners. Following this foreign policy course, China promotes free trade zones, invests in the economy of a number of regional countries, provides financial aid and expands trade in a bilateral form. These actions are designed to influence the Asia-Pacific countries to make them take Chinese interests into account, while implementing their foreign policy, and to refuse from some actions that China could interpret as undesirable.

Beijing will continue to increase its financial and economic power, expand its economic presence in various countries and regions, increase its role in the international financial and economic systems, and engage other countries in the economic dependence on China providing generous assistance, investments, realization of large infrastructure projects and through other forms of promotion.

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