

INTERNATIONAL AND STRATEGIC STUDIES REPORT



JULY 25 2017

ISSUE. 51

Institute of International and Strategic Studies, Peking University

China's Grand Strategy: Continuity and Change¹

Avery Goldstein

David M. Knott Professor of Global Politics and International Relations in the Political Science Department, and Director of the Center for the Study of Contemporary China at the University of Pennsylvania

I. The Meaning of Grand Strategy

The term “grand strategy” can be broken into two parts. Of these, “grand” indicates that the term encompasses military, diplomatic, economic and other aspects of policy. From this perspective, the study of a state’s grand strategy entails a comprehensive consideration of how a state’s political, military, and diplomatic relations are expected to enable it to realize its national interests.

“Strategy” indicates that states operate in a context of interdependent choice. Put otherwise, when a state adopts policies, other states will respond with decisions of their own. Because of this, states try to anticipate how others are likely to react. When a state is making a strategic decision, it is calculating, “If I know how you are going to respond, what choice can I make that will best serve my interests?”

“Grand strategy” thus links various aspects of a country’s foreign policies and guides their implementation. Of course, the real world is more complicated than this idealization. But the point is that when states are determining a grand strategy or formulating policies, they not only have to consider their own economic, military and diplomatic strength, but also consider their international circumstances and the possible

¹ This article is adapted and printed upon the approval and authorization of Prof. Avery Goldstein based on his keynote speech at a seminar entitled “China’s Grand Strategy: Continuity and Change” held by IISS, PKU, June 23, 2017.

responses they will face from other states.

II. China's Cold War Strategies of Survival

Since the founding of the People's Republic of China in 1949, China has had just two basic grand strategies — a Cold War “strategy of survival,” and a post-Cold War “strategy of rejuvenation.”

The strategy of survival went through three different phases, in succession they were “lean to one side” (allying with the Soviet Union), lean towards the other side (aligning with the United States), followed by a different type of lean towards the United States. The main reason that China's leaders were constrained to adopt these strategies of survival was the serious external military threat they faced — first from the United States and later from the Soviet Union.

As long as the United States was the greatest threat China faced, China's leaders recognized that they could only counter the Americans with help from the Soviet Union. Yet, adopting the strategy of survival based on siding with the Soviet Union also caused a number of problems for China. Among these, it entailed various consequences outside the military security realm. The strategy required that China become a part of the economic bloc headed by the Soviet Union, isolating it from the Western economic system. In addition, China's leaders' distaste for always having to follow the advice they got from the Soviets resulted in problems that contributed to the Sino-Soviet split in the early 1960s.

In the mid-1960s, the Soviet Union began the large-scale deployment of its armed forces along on the Sino-Soviet border and became a major military threat to China. When this military threat increased to the point that it was hard to ignore, Mao Zedong came to the realization that China needed to turn to the United States. As a result of this shift, China entered the second phase of its strategy of survival — alignment with the United States. Although China preferred not to depend on any other country, at the time its leaders had no better alternative, even if depending on the United States meant that China had to make some compromises. In this period, China did what it had to do to preserve the strategic relationship with the United States as a counter to the Soviet Union.

The third phase of the strategy of survival, a different type of tilt towards the United States, began after Deng Xiaoping was restored to his positions at the Third Plenum of the Eleventh Central Committee in December 1978. Deng realized that China not only faced an external military threat from the Soviet Union, but that China's failed strategy for development had also given rise to a major domestic challenge to the Chinese Communist Party's (CCP) grip on power. Consequently, while continuing the strategic relationship with the United States, Deng also adopted unprecedented measures, such as opening economic engagement and cultural exchanges with the West, to catalyze the country's economic development that would eventually establish the foundation for military modernization. Clearly, Deng Xiaoping had his own take on the strategy

of survival. But in terms of general direction, during this period China was still tilting towards the United States. As long as the Soviet Union maintained its military presence in Afghanistan, and as long as Vietnam was its close ally, China had reason to continue worrying about the Soviet threat, though this concern began to diminish during the 1980s.

III. China's Post-Cold War Era Strategies of Rejuvenation

In 1991, the Soviet Union collapsed, marking the end of the Cold War and China's shift to a grand strategy of rejuvenation. The precondition for adopting this strategy was that as of the early 1990s, external military threats to the survival of Communist Party rule in the People's Republic of China were no longer as serious a problem. The main reasons for this change were the following. First, although China had already possessed nuclear weapons during the Cold War, their deterrent capability was still in doubt. But by the early 1990s, adversaries knew that they had to be cautious in dealing with China because it possessed a viable nuclear capability that could inflict unacceptable punishment on any enemy. Put otherwise, China's nuclear deterrent had at last become effective and credible. Second, in the 1990s China's military modernization had progressed to the point that, even without nuclear weapons, other countries would shy away from challenging China because it had the ability to use its conventional forces in a strong counterattack inflicting serious damage on opponents. Such capabilities were enough to dissuade other countries — even the United States — from directly challenging China's vital, or “core” interests.

Having ensured that other countries could no longer pose an existential military threat to China, the CCP had other tasks to fulfill. China's leaders sought to achieve China's “rejuvenation” in two senses. First, it sought to restore China to its position as a great power on the world stage. Second, it sought to restore China's economy and civilization so that the country would once again take its place among the most advanced in the world. That meant that simply raising the standard of living of the people and the country's scientific and technological capabilities compared with the China of the 1970s was necessary but not a sufficient benchmark for the success of the regime's grand strategy.

The strategy of rejuvenation can be divided into three periods. The first version prevailed from 1991 to 1994-1995. In this period, Deng Xiaoping was still active on China's political stage and his guiding policy for China's foreign relations was “hide capabilities, bide time” (taoguang yanghui). The logic behind this was that if China maintained a low profile, then it would be able to traverse a long process of modernization and rejuvenation and become a great power on the world stage. As long as China maintained a low profile, there would be no need to worry that other countries would try to block it since China at the time was so utterly backward that it would not attract their attention.

But by 1995-1996, this approach was no longer working. ASEAN countries,

Japan, the United States, and others had started to take notice of the big increase in China's economic and military capabilities and were also concerned that China's foreign policy seemed to be more self-confident. Because of this, some countries began talking about the so-called "China-threat theory". The United States and its East Asian allies and friends started to respond to China with what might be termed the first version of the "Asia-Pacific rebalance". China's leaders soon realized that relying on "hiding capabilities and biding time" was no longer adequate; they needed to ensure that the alarmed reaction from the Americans and their close allies did not put China in a situation where, once again, guaranteeing the country's survival became the main problem it faced, perhaps depriving it of the freedom to focus on the task of rejuvenation. Thus, in 1995-1996, China's leaders accepted that their country's wealth and power had already increased enough to cause others to worry. It was under these circumstances that the CCP shifted from the low-profile approach to a "proactive strategy", one whose purpose was to reduce other countries' concerns about China while it pursued rejuvenation. From 1996 to 2008 China adopted various policies of reassurance and cooperation including the following: establishing strategic partnerships with many of the world's great powers; more actively participating in international organizations, especially the multilateral organizations of East Asia; playing a constructive role in trying to resolve the North Korea nuclear problem; and, cooperating with other countries during the Asian financial crisis. These actions provided tangible reasons to believe that China was not merely relying on cheap talk to allay other countries' concerns, but was also taking concrete steps that demonstrated it was a responsible actor.

However, beginning in 2009 China surprisingly altered what had become a very successful approach to its foreign policy. CCP leaders may have believed that actions it undertook at this time in the East China Sea and the South China Sea were justifiable efforts to uphold its legitimate rights, but the outside world saw these as a manifestation of a new Chinese hard line. Regardless, China's leaders at this time did not make the effort to dispel the outside world's misgivings. Many Western scholars wondered if China's leaders felt as though the external threats they faced were so greatly diminished that they could more or less do as they pleased in East Asia. Two reasons for this view were put forth. First, China's relative power in the world had changed. China's economic (and military) strength had already increased beyond expectations, and this contrasted especially sharply with the heavy losses the Europeans, Americans, and others were suffering during the global financial crisis. Second, the focus of the United States and some of its allies on wars in Afghanistan, Iraq, Libya, Syria, etc., reduced the strategic pressure and risks that China faced. The key point is that even though China may have thought the risk that other countries would block or contain China was very low, the reality it soon faced was that the United States began to implement its "Asia-Pacific rebalance strategy". As a result, between 2009 to 2012 China seemed to be putting itself back into the situation it had faced in 1995 when other countries

had begun to regard it as a threat. Under such circumstances, the CCP might have to focus its attention once again on preserving political sovereignty and military security, making it difficult to follow a grand strategy emphasizing rejuvenation.

IV. Xi Jinping's Strategy of Rejuvenation

This was the overall situation Xi Jinping faced in 2013 when he became China's leader. He responded by devising yet another version of the "strategy of rejuvenation". His approach rested on the following assessment: China was already strong enough that other countries were going to pay close attention to its actions. Consequently, it could not simply go back to the "low-profile approach" to rejuvenation of "hiding capabilities and biding time". It would also be infeasible to go back the "proactive approach" of peaceful rise or peaceful development. The hardline policies adopted between 2009 and 2012 meant that other countries were unlikely to believe they could always count on China adhering to a foreign policy of cooperation. To make progress towards the goal of becoming a true great power and advanced society, Xi had to devise a new approach that would simultaneously avoid antagonizing other countries even as China's strength grew, ensure the regime's vital interests, and enable it to continue its quest for comprehensive economic and military modernization.

The three key elements of Xi Jinping's strategy of rejuvenation can be conveniently depicted using three "Rs"—reassure, reform, and resist.

Reassure repeatedly. First, whenever possible China should repeatedly reassure other countries. It should nurture their confidence that even as China's power continues to grow, it will not pose a threat to others and convince them that China's rise presents an opportunity for mutual benefit-- that, for example, all can benefit from developing cooperation on trade, and that China can contribute to addressing other countries' security concerns — essentially a return to exactly what China had been doing between 1996 and 2008.

Responsibly reform. Second, China should responsibly reform the international system. Since China is becoming richer and more powerful, it should actively promote changes in the international system and play a more important role, but the same time clarify that its purpose is not destroy or overthrow the existing global order but rather to carry out needed reforms. These kinds of reforms not only serve China's needs but also benefit other developing countries, and even people in developed countries who have become dissatisfied with globalization.

Resolutely resist. Third, China has the capability and has the will to ensure the country's bottom line on core interests by resolutely resisting challenges to them, even though this may make some countries nervous and lead them to doubt whether China is still an actor with which they can cooperate. But because of this possible reaction, Xi's approach requires carefully balancing the elements reassurance, reform, and resistance. If China overemphasizes reassurance, other countries may believe they can infringe on

China's vital interests; if China overemphasizes resistance, other countries may again worry about the threat it poses to them, causing the attempts at reassurance to ring hollow.

I see four pieces of evidence under Xi Jinping's leadership that reflect "repeated reassurance". First, at a summit meeting with U.S. President Obama in Sunnylands, California just after Xi Jinping became China's President, Xi tried to convince Obama and his advisors that China and the United States should establish a "new type great power relationship", to avoid falling into the "Thucydides trap". Although the United States would ultimately reject the proposal, Xi made a strong push on this at Sunnylands and afterward. Second, in October 2013, shortly after the Xi-Obama Sunnylands summit, China announced it was establishing the Asian Infrastructure Investment Bank (AIIB). Jin Liqun, who was later named president of the AIIB let people know that it was not designed as a challenge to Bretton Woods or the Asia Development Bank. On the contrary, it was China's contribution to global development. Subsequent events demonstrated that this reassurance was successful. Even though the United States strongly advised allies not to join the AIIB, in the end they ignored American advice and insisted on joining. Third, when launching the One Belt, One Road initiative (OBOR or BRI), China again repeatedly emphasized that its objective was not to set up a new Chinese sphere of influence but rather to build infrastructure and connectivity. Later, China also sought to dispel India's concerns about the BRI's China Pakistan Economic Corridor, insisting that it would not pose a threat to others. Fourth, at the 2016 summit meeting of the G20 in Hangzhou, Xi Jinping and Barack Obama announced that China and the United States would be approving the Paris Climate Accord. For China, this was a major triumph that garnered a very positive reaction from the outside world. Chinese and American approval of this agreement addressed issues that India and other large developing countries had raised before they would sign onto the terms of the Climate Accord. Of all the diplomatic efforts at reassurance under Xi, this has been China's greatest success. Even though some countries still had doubts about China's commitment, many more saw it as a manifestation of a China that would play a constructive role in the global response to climate change.

There is also some evidence of Xi Jinping's attempts to "responsibly reform" the international order. First, while attending the January 2017 Davos Economic Forum, Xi emphasized China's support for building an open international economic order. Although he acknowledged that globalization has resulted in various problems, he argued that "we must make some changes in order to defend globalization." This stance reflects the essence of any reform strategy. Xi's speech was seen not simply as evidence of China's reform strategy but also of his effort to play a constructive role in international leadership. In 2016 there had been a number of "black swan" events, such as the United Kingdom's referendum to exit the European Union, the election of Donald Trump as U.S. President, and electoral campaigns in European countries that looked

as though they might presage the breakup of the EU. Focusing on their own national interests, each country seemed to be reflecting a trend toward anti-globalization. Xi Jinping's Davos speech occurred in the wake of these events. Xi could have asserted, "See? The American-made international order is now headed for collapse," and suggested that it was now China's turn to build a new international order. If all this had happened in 2007-2009, perhaps China's leader would have said something along these lines. But that is not what he said. His stance since January 2017 provides additional reasons to believe that Xi Jinping was instead carefully rolling out his reform strategy.

A second indication was an important speech he delivered on February 17, 2017 at a work conference discussing comprehensive national security and China's role in the international system. In describing the conference, a news story with the headline, "Xi Jinping invoking 'the two guides' has profound significance" noted "At this very moment, our domestic and foreign strategies must keep up with the times, leave the period of 'hiding our capabilities and biding our time', not only participate more in international affairs, playing a constructive role in the international system, but also contribute to and guide the international system." In other words, the key message from Xi Jinping was that China is neither a passive "status quo power" simply accepting the current international order, nor a disruptive "revisionist power" out to destroy or overthrow it, but is instead a "reformist power" seeking to make necessary changes to improve a global order worth saving.

Third, at a subsequent One Belt, One Road Summit, Xi Jinping's speech in various ways again suggested that "China can do some things to reform the international order."

Yet, for many Americans, a big unanswered question remains: "When all is said and done, exactly what sort of reform of the international order does China under Xi Jinping seek?"

The third "R" is "resist resolutely", which signifies that Xi Jinping's grand strategy is not entirely about being pleasant or cooperative. The logic behind this is that China can and will rely on its own strength to safeguard its core or vital interests. In this regard, Xi Jinping's actions have spoken louder than words.

Firstly, with respect to military modernization, China has not only increased its spending and procured more equipment, but has also undertaken large-scale organizational reforms, such as elevating the status of the PLA Navy and Rocket Forces and creating the Strategic Support Force — showing the international community that China is deploying more advanced conventional forces, backed by ballistic missiles and nuclear weapons, as well as space, information, and cyber weapons.

Secondly, China has stuck with its hardline stance on disputes in the East China Sea and South China Sea. China's posture was reflected in its 2013 declaration of an air defense identification zone (ADIZ) in the East China Sea. Although China did not rigidly implement the announced ADIZ rules, the announcement was seen as a signal of China's stern view of its bottom line on a core interest. In the South China Sea disputes,

China has asserted its sovereignty claims by building islands and constructing military fortifications on them. Even when other countries concerned did not like what China was doing, China's leadership persisted in viewing its South China Sea sovereignty claims as a core interest that they would resolutely defend. Like others, I think domestic politics is a key reason why it is difficult for China's leaders to compromise on this issue. If they are unable to defend the longstanding publicly repeated claim that "the South China Sea islands have been China's territory since ancient times," then the CCP believes it would face very serious consequences at home. As it turned out, China has also gotten lucky in the South China Sea dispute. After last year's South China Sea arbitration ruling, all parties were very nervous. But the situation unexpectedly took a turn for the better when the Philippines' new president, Duterte, clearly indicated that he did not want a confrontation with China. The result was that Xi and Duterte more or less ignored the ruling that was unfavorable to China and instead sought to deepen cooperation, avoiding a clash over the South China Sea problem.

The third issue in which resolute resistance has been apparent is Taiwan Strait relations. Last year, Tsai Ing-wen was elected as Taiwan's leader. The leadership headed by Xi Jinping had already clearly laid out their position — China would not make any concessions on the Taiwan issue until Tsai Ing-wen endorsed the 1992 consensus on the one-China principle. If Tsai Ing-wen did not accept China's bottom line, then the Taiwan issue would remain at an impasse.

In my presentation, I have not discussed whether or not Xi Jinping's version of a grand strategy of rejuvenation is likely to succeed. In reality, continuing to implement this grand strategy faces big challenges because it requires China to skillfully balance the relationship among reassurance, reform, and resistance. It requires that China's responses to other countries not overemphasize resistance lest that lead them to perceive China mainly as a threat. At the same time, China's leaders will have to carefully avoid appearing too weak or soft, inasmuch as its grand strategy also has to account for internal politics that could pose a challenge to regime security and the success of rejuvenation. In short, Xi Jinping has to ensure that foreign policy continues to serve his domestic political and economic agenda and vice versa. A variety of pressures within China at times constrain the leadership's actions in international affairs. Indeed, some believe that the domestic challenges that the CCP under Xi Jinping faces far exceed the international challenges. Understanding how these will be managed and what effect that may have on Xi Jinping's grand strategy of rejuvenation will require us to wait and see what results from the Nineteenth Communist Party Congress.

Edited by Dr. Gui Yongtao

Tel: 86-10-62756376

Email: iiss@pku.edu.cn

Fax: 86-10-62753063

Web: www.iiss.pku.edu.cn

Address: IISS, Peking University, Beijing, China