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STRUCTURE AND PROCESS IN
CHINESE FOREIGN POLICY:
IMPLICATIONS FOR CANADA

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ABSTRACT

Policy is shaped by the intentions of authoritative decision makers and the structure and capacity of the institutions from which they derive their authority. Policy initiatives serve the interests of the person pushing it, who calculates how an initiative might serve to enhance their own authority. Where someone stands most often depends on where they sit, so any analysis of policy must take account of the institutional setting. This paper looks at how the structure of authority and the way that the functions relating to the making of foreign policy are distributed in China's state system affect the outlook of Chinese policy makers and the ways Canadians must approach China to gain action or attention to their interests.

RÉSUMÉ

Les politiques sont établies suivant les objectifs des décideurs en autorité ainsi que la structure et les capacités des institutions d'où ils tirent cette autorité. Les initiatives stratégiques servent les intérêts de leurs instigateurs, qui évaluent comment chacune viendra renforcer leur propre autorité. Enfin, le poste occupé détermine généralement le point de vue mis de l'avant, de sorte que toute analyse des politiques doit tenir compte du contexte institutionnel. Ce document examine ainsi comment la structure de l'autorité et la répartition des fonctions liées à l'élaboration de la politique étrangère au sein du régime politique chinois influent sur l'attitude des décideurs du pays, de même que l'approche que doit adopter le Canada pour faire valoir ses projets et intérêts en Chine.

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The opinions expressed in this paper are those of the author and do not necessarily reflect the views of the Canadian International Council, its Senate or its Board of Directors.

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INTRODUCTION

Policy is shaped by the intentions of authoritative decision makers and the structure and capacity of the institutions from which they derive their authority. Policy initiatives serve the interests of the person pushing it, who calculates how an initiative might serve to enhance their own authority. Where someone stands most often depends on where they sit, so any analysis of policy must take account of the institutional setting. This paper looks at how the structure of authority and the way that the functions relating to the making of foreign policy are distributed in China's state system affect the outlook of Chinese policy makers and the ways Canadians must approach China to gain action or attention to their interests.

THE STRUCTURAL DETERMINANTS OF CHINA'S FOREIGN POLICY

Despite 30 years of market reform, the People's Republic of China (PRC) is still a tightly organized Leninist state, characterised by narrow vertical policy silos with weak interconnections below the apex of the Communist Party of China (CPC). De facto decentralization, which some have termed as "market conforming federalism,"¹ is characterized by poor delineation of legal jurisdiction with a court and legal system that is too weak and insufficiently legitimized to define jurisdictional boundaries in any coherent and consistent fashion. China has been rightly described as a system of "fragmented authoritarianism."² This is a system in which responsibility is typically pushed upwards while accountability is pushed downwards.

Chinese society and the economy are no longer directed or controlled from the centre, but social actors lack clear and effective legal autonomy that would allow them to engage internationally free from license and supervision by government organs. It is a system where government departments and bureaus fight fierce turf battles, local administrations compete with one another both for economic advantage and for the favour of the centre and private and public entrepreneurs seek to manipulate regulatory ambiguity to personal advantage. Dealing with China means that it is always imprudent to ignore the views of the central Party authorities but foolish to assume that policies agreed to by the central state will be implemented fully or consistently at the local grass-roots level. Dealing with China requires gaining the approval of the proper central authority while identifying and engaging the grassroots organization with the capacity to act and implement policies in the desired area of interest.

The structure of power is such that normal diplomatic relations do not engage across government departments and have very limited impact over security unless the senior leadership is involved. Narrow silos and entrenched hierarchies mean that comprehensive engagement requires leadership from the apex of the Party and government. This is reinforced by information flows and policy-making procedures. Typically, in China, reports flow up and are commented on by top leaders. The comments made by top leaders on reports submitted by lower levels and officially distributed through formal Party communications channels have a status similar to that of a Cabinet minute. Only those reports authorized by top leaders get circulated outside the departments that originated them.

This is the main structural reason that deep and broad engagement must be cemented by high-level meetings at the top level. Engagement at the most senior level is the only way to ensure cross-departmental commitment to a set of policies. Symbolic labels such as "strategic partnership" have a resonance within the

¹ Barry Weingast, "The Economic Role of Political Institutions: Market-Preserving Federalism and Economic Development," *Journal of Law, Economics, & Organization* 11, No. 1 (April 1995): 1-31; Gabriela Montinola, Qian Yingyi and Barry Weingast, "Federalism, Chinese Style: The Political Basis for Economic Success in China," *World Politics* 48, No. 1 (1996): 50-81.

² K. Lieberthal and Michel Oksenberg, "The Fragmented Authoritarianism Model and its Limitations," in *Bureaucracy Politics and Decisionmaking in Post-Mao China*, eds. K. Lieberthal and David M. Lampton (Berkeley: University of California Press, 1992), 1-30.

Chinese hierarchy and bureaucracy. They signal to lower-level officials that the higher-level authorities are interested in forming partnerships and that such partnerships will be looked upon with favour by their immediate superiors. By contrast, where the word is that a certain foreign government or individual is 'unfriendly' there can be negative implications to forming foreign partnerships. At the very least there would be caution and delay in highlighting any international cooperation.

THE PARTY

The CPC is the core decision-making organization in China. However, most routine decisions are made by professionals working in specialized sectoral government organizations. They are directed in their decisions by directives from the summit of the Party organization and are bound by the discipline that grants the Party organization sole authority to appoint, promote and remove government officials at every rung of administration. The top decision-making body of the Party is the **Standing Committee of the Politburo of the Central Committee**, which includes nine members, the majority of whom are *ex officio* representatives of functional governmental organs such as the Premier and the executive Vice-Premier of the State Council, the Chair of the National People's Congress and the Chair of the Chinese People's Political Consultative Conference (a 'United Front' organization that coordinates policy with non-Communist political elites). The **General Secretary** of the CPC is simultaneously State President (Head of State) and the **Chair of the Central Military Commission (CMC)** – China's Commander in Chief. The General Secretary is the only official who is simultaneously in charge of both China's civil and military administration. In that position he is the head of the **Foreign Affairs Leading Small Group (FALG)** that coordinates and leads foreign policy within the CPC and includes the Minister of Foreign Affairs and is coordinated by a former Vice-Minister of Foreign Affairs, State Councillor Dai Bingguo.

The Party does not constitute a parallel and autonomous deliberative and decision-making bureaucracy so much as the core decision-making group *within* the state. Except for the precise formulation of ideological slogans it is unusual for policy options to be developed outside the official state bureaucracy. Most of the business of the central government is carried out by the **State Council** under the **Premier**. The General Secretary has the power to set the agenda, but for the most part he proceeds incrementally in close consensus with his colleagues in a risk-averse manner that tends to preempt conflict and shy away from controversy that could split the Party leadership.

The Party **Central Committee** has its own specialized International Liaison Department **Zhongyang Guoji Lianluobu (Zhonglianbu)** that historically took care of relations within the Comintern and fraternal Communist Parties.³ It also houses an intelligence bureau that provides analysis to top Party leaders. Since the 1980s, this office has taken the role of establishing and coordinating relations with foreign political parties of whatever stripe, ruling and non-ruling. Nevertheless, the location of this office close to the centre of political power ensures its seniority within the foreign policy system. It is not unusual to see senior members of the **Ministry of Foreign Affairs (MFA)** come through this office before assuming ministerial level posts. Rather than a separate power centre, it is a node and alternative vantage point for the General Secretary to oversee the foreign policy system other than through his additional post as President of the PRC. Formally speaking, this office also handles the arrangements that involve the international relations of the Communist Party School system that also serves as a high-level staff training system and think-tank for the Central Committee. In this way the General Secretary and the Politburo can maintain its own staff system for foreign affairs that is not dependent on the line ministries.

³ See David Shambaugh, "China's 'Quiet Diplomacy': The International Department of the Chinese Communist Party," *China: An International Journal* 5, No. 1 (March 2007): 26-54.

Alongside the proliferation of interests and actors in the policy-making arena, we have long-standing disjunctures in China's policy implementation. This occurs most importantly between centre and locality (province or municipality) and across the central bureaucracies, the so-called *tiao-tiao, kuai-kuai*; the vertical "strips" (line departments) and the horizontal "squares" (territorial jurisdictions) of policy implementation. Among the most notable of these is the weak integration of the foreign policy institutions of the MFA with the security and military policy organs of the **People's Liberation Army (PLA)** centered on the CMC. For this reason high-level visits and understandings ratified by heads of government can galvanize cross-bureaucratic and central-local cooperation in areas of interest to Canada.

THE CENTRAL MILITARY COMMISSION

The CMC is nominally responsible to China's legislature, the National People's Congress but does not report to it. It is cognate to the Central Military Commission of the CPC which is appointed by the Party Central Committee.⁴ Defence and security policies are lodged completely outside China's State Council (equivalent to our Cabinet) system. This is the purview of the CMC which is equivalent in rank to the State Council and where the Premier is not a member. China's current Defence Minister, General Liang Guanglie, is a member of the CMC but is not even its Vice-Chair. He is ranked only 4th in the military hierarchy. In addition to its Chair who, since the retirement of Deng Xiaoping in 1989, has always been the civilian Party General Secretary, it is made up exclusively of uniformed military officers. These include the Vice-Chairs Guo Boxiong and Xu Caihou, the Minister of National Defence Liang Guanglie, the head of the General Staff Department Chen Bingde, the head of the General Political Department Li Jinai, the head of the General Logistics Department Liao Xilong and the head of the General Armaments Department Chang Wanquan. The remaining members are the Commander of the Navy, the Airforce and the Second Artillery (Strategic Rocket Forces). This institution does not have any explicit policy function outside the military field, and is mainly an executive arm of military policy. However, members of the CMC do serve on the FALG. The Second Bureau of the General Staff Department is responsible for military intelligence and also dispatches China's military attachés. However, the CMC plays no deliberative role in foreign policy as such.

In recent years, the PLA has become much more active internationally. China is now the largest contributor of peacekeeping personnel to United Nations peacekeeping missions among the Permanent 5 of the United Nations Security Council. According to *China's National Defense in 2008* white paper, more than 2,000 troops and police are currently serving in various missions around the world, with the cumulative total of almost 10,000 over the past two decades.⁵ In the past two years, Chinese military delegations have visited more than 40 countries and Chinese forces have held 20 joint exercises or training operations with a score of nations.⁶ Canada's military diplomacy with China has been sparse and sporadic but this year, Rear-Admiral and Commander of Maritime Forces Pacific, Tyrone Pile, paid a visit to Qingdao, Headquarters of China's Northern Fleet on the occasion of the 60th anniversary of the founding of the PLA Navy.⁷ The growing international presence of the PLA has resulted in the PLA acquiring its own military spokesperson, and a bureau that now prepares China's defence white papers.⁸

⁴ See the author's "Civil-Military Relations in China: An Obstacle to Constitutionalism?" *The Journal of Chinese Law* 9, No. 1 (Spring 1995): 35-65 and "PLA Allegiance on Parade: Civil-Military Relations in Transition," *The China Quarterly* 143 (September 1995): 784-800.

⁵ *China's National Defense in 2008* (Beijing: Information Office of the State Council of the People's Republic of China, 2009), 100-101.

⁶ *Ibid.*, 72-73.

⁷ See "President Hu Meets Foreign Navy Delegations, Says China No Threat to Other Nations," Xinhua, April 23, 2009, http://news.xinhuanet.com/english/2009-04/23/content_11240705.htm (Accessed February 16, 2010); Mark Mackinnon, "China Makes its Debut as World Sea Power," *The Globe and Mail*, April 21, 2009.

⁸ See "Guofangbu jianli xinwen fayanren zhidu, xian choujian xinwen shiwuju," ("Ministry of National Defence Establishes the System of a News Spokesperson, Is Preparing for the Establishment of a News Bureau,") *Jiefangjun Bao*, December 28, 2007.

The PLA is displaying more interest in and becoming more active in non-traditional security areas, such as anti-terrorism, anti-piracy and disaster relief, including international humanitarian relief. China's dispatch of an anti-piracy naval escort task force to the Gulf of Aden in December 2008 constitutes China's first long-range naval expeditionary force since the voyages of Zheng He 500 years ago. It should be noted, however, that this task force has very limited rules of engagement, involving escort of Chinese ships (including those of Hong Kong and also Taiwan) only, ruling out interdiction, let alone offensive operations or coordination with naval escorts of other states.⁹

Because there is little contiguity, let alone serious conflict of interest regarding the core security interests of China and Canada, the CMC is not a highly salient actor in the making of policy towards Canada unlike the case of the US, with its ongoing commitments to Taiwan and regional security interests on the Korean Peninsula and Japan as well as its interests in global security and non-proliferation. In these areas the CMC plays a salient and even decisive role.

China's active and growing involvement in non-proliferation issues has prodded greater interaction and promoted greater coordination between the CMC and the foreign affairs system anchored in the State Council. Nevertheless, gaps in communication and coordination can still occur, as witnessed with respect to China's anti-satellite test of January 2007, where it took more than a week for China's Foreign Ministry to respond to US expressions of concern.¹⁰

THE STATE COUNCIL

The State Council is the Central executive body of the Chinese State. It is headed by the Premier, assisted by the Vice-Premiers and the State Councillors and has some 28 ministries and commissions under it. The State Council (Premier, Vice-Premiers and State Councillors) meets weekly, but the coordination and deliberation of foreign policy is the purview of:

i) **The Central (Committee) Foreign Affairs Leading Small Group – State Council Foreign Affairs Office**

The **FALG** is a coordinating body. It is simultaneously the Central Leading Group for National Security. Headed by General Secretary Hu Jintao, State Councillor Dai Bingguo acts as its Secretary General. Its membership includes Vice-President Xi Jinping (Party Secretary and heir-apparent), Party Propaganda (Publicity) Department Head Liu Yunshan, Minister of National Defence and CMC member General Liang Guanglie, Minister of Public Security and State Councillor Meng Jianzhu, Head of the Hong Kong and Macau Office Liao Hui, Foreign Minister Yang Jiechi, Vice-Minister and head of the Party Fraction of the Ministry of Foreign Affairs Qiao Zonghuai, Head of the International Liaison Department of the Central Committee Wang Jiarui, Head of the Central Committee Office for

⁹ For China's interests in non-traditional security, see *China's National Defense* in 2008. For the Gulf of Aden escort operation, see "China's Navy Escorting Missions in Gulf of Aden, Somali Waters," People's Daily Online, <http://english.peopledaily.com.cn/90002/96181/index.html> (Accessed February 16, 2010). For debates concerning China's rules of engagement, see "Zhongguo gaibugai yuanzheng Suomali?" ("Should China Send an Expeditionary Force to Somalia?") Renminwang, December 11, 2008, <http://military.people.com.cn/GB/42967/8501481.html> (Accessed February 16, 2010). See also "China Navy's Main Goal is to Escort Ships during Somalia Mission," People's Daily Online, January 2, 2009, <http://english.people.com.cn/90001/90776/90883/6565758.pdf> (Accessed February 16, 2010).

¹⁰ There is consensus, confirmed to the author from a reliable source, that the MFA even at the highest level had no specific knowledge of the test beforehand and no talking points prepared for this eventuality and that it learned of the test only after the US revealed its concern publicly. For the evolution of China's non-proliferation policies and their impact on the structure of China's foreign policy apparatus, see Jingdong Yuan "Reluctant Restraint: The Evolution of China's Non-Proliferation Policies and Practices, 1980-2004," *The Nonproliferation Review* 15, No. 3 (2008): 543 – 548.

External Propaganda and Head of the State Council Information Office Wang Chen, Minister of State Security Geng Huichang, Minister of Commerce Chen Deming and Deputy Head of the PLA General Staff Department and Head of its Foreign Affairs Office General Ma Xiaotian. Note that the Premier Wen Jiabao is not a member of this group, which means in practice that foreign policy is the powerful preserve of the President and General Secretary. Note also that the Minister of Foreign Affairs is outranked in this group not only by State Councillor Dai Bingguo, who is more and more occupying the informal role as National Security Advisor,¹¹ but also the Minister of Public Security Meng Jianzhu.

ii) The Ministry of Foreign Affairs

Foreign policy is the domain of the MFA. However, the MFA is a weak actor in China's State Council. The MFA can count on few domestic resources and does not manage a powerful "system" or *xitong* that generates strong economic resources. The MFA has no jurisdiction over security policy. Within the MFA normal bilateral relations are assigned to the geographic departments, and Canada is in the Department of North American and Oceanian Affairs, that includes both Australia and New Zealand in addition to the US and the Pacific Islands. The MFA is subordinated to the State Council; however, its effective subordination is to the FALG. This group is headed by State Councillor Dai Bingguo who is a former Vice-Minister of Foreign Affairs. The MFA has always had great prestige within the Chinese political system dating back to its close association with Premier Zhou Enlai. Its great prestige, however, is not matched by bureaucratic clout. Within China's domestic system it serves mainly to communicate with foreign governments and to uphold and maintain China's international image. The MFA is alone in handling routine bilateral relations and is responsible to ensure that China's 'core interests' are protected. Thus, while the MFA has little discretion to push diplomacy in particular ways, it has every incentive to raise China's prestige and to act preemptively to forestall incidents that might offend or embarrass top Party and State leaders.

iii) The Ministry of Commerce

This "superministry" has acquired extensive powers as the result of several rounds of reorganization stimulated by China's entry into the World Trade Organization (WTO) and partly conditioned by emulation of the US Department of Commerce. This ministry now oversees both domestic and international commerce, much of outbound and inbound foreign investment policies as well as inbound and outbound foreign development assistance. It also oversees China's intellectual property legislation, including patents, trademarks and copyright protection. **The Ministry of Commerce (MOFCOM)** dispatches the officials that man China's trade offices and trade officials in missions overseas. While it does not handle banking, finance or foreign exchange, it was MOFCOM that issued new regulations encouraging overseas investment as part of the "Go Out" strategy in March of 2009.¹² Bilateral Relations with MOFCOM are handled within its Department of American and Oceanian Affairs. As with the MFA, communication across ministries is fraught with potential for turf battles and may have

¹¹ When President Hu rushed home from the L'Aquila G8 Summit in July 2009 to take charge of the fallout surrounding the July 5 Urumqi riot, it was Dai Bingguo who stayed behind as his stand-in. Later that month, it was Dai who led the Chinese delegation to Washington for the first Sino-US Strategic and Economic Dialogue. See "First Round of China-US Strategic and Economic Dialogue Ends with Success," Xinhua, <http://www.chinaview.cn/jjzldh/> (Accessed February 17, 2010).

¹² "Shangwubu jiang fabu shishi <<jingwai touzi banfa>> jichi qiye 'zouchuqu'," ("MOFCOM Issues Regulations for Overseas Investment, Supports Enterprises 'Going out,'" Renminwang, March 16, 2009, <http://politics.people.com.cn/GB/1027/8970087.html> (Accessed February 16, 2010).

little impact on other ministries or even other specialized line bureaus within MOFCOM. On the other hand, the strategic importance of this ministry means that good relationships within this ministry can exert powerful effects on compliance with a broad range of issues of vital economic interest.¹³

iv) **The National Development and Reform Commission**

The National Development and Reform Commission (NDRC) is the successor to the old State Planning Commission and State Economic Commission. This commission which is under a Vice-Minister has overall responsibility for the direction of the economy and is particularly powerful in relation to energy and resource policies. Its policies trump the line ministries. Thus, for example, the Ministry of Land and Resources has the authority to authorize mine exploration and development, but approval by the NDRC is required to move a project forward. There tends to be both overlap and friction between the NDRC and the line economic ministries. Despite repeated efforts to reduce the powers of the Commission (in the areas of energy and telecommunications for example), it appears impossible to end the commission's discretion over operational decisions and reduce its powers to a staff function of strategic guidance.

v) **The State Assets Administration Commission**

The State Assets Administration Commission (SASAC) exercises "ownership rights" over the 150 large state corporations directly subordinated to the State Council. It appoints the boards of directors and is involved in any overseas investment decisions which have implications for ownership. It is now headed by the immediate past CEO of Chinalco who has Vice-Premier rank, and therefore outranks such line ministries as MOFCOM and the MFA (but not the NDRC).

vi) **The Ministry of Education**

This ministry has traditionally been involved in the administration of academic and educational exchanges. It has also been involved in the recruitment of foreign language teachers, as well as oversight recruitment and repatriation of Chinese students and graduates abroad.¹⁴ For these purposes it staffs the education sections of China's overseas missions. Since Hu Jintao's rise to power, it has taken on an additional role in the promotion of China's "soft power" through the establishment and management of China's "Confucius Institutes" established throughout the world. A powerful office within the Ministry, the Chinese Language International Council or "Han Ban" administers this program and concurrently reports to the Overseas Propaganda Group (*Zhongyang duiwai xuanquan xiaozu*) that is under the Central Committee Propaganda (Publicity) Department and the State Council Information Office.¹⁵

¹³ Contrary to popular stereotypes of nativist protectionism and lax enforcement of laws by Chinese bureaucrats, one Canadian interviewee averred that good relationships with MOFCOM allowed him to enforce his intellectual property rights and shut down a copycat factory that was illegally producing items with proprietary technology. A number of informants tell me that established foreign firms that have localized themselves and built solid local connections are often able to gain protection for their operations from local and national officials.

¹⁴ See David Zweig, *Internationalizing China: Domestic Interests and Global Linkages* (Ithaca NY: Cornell University Press, 2002) and "Learning to Compete: China's Efforts to Encourage a Reverse Brain Drain," *International Labour Review* 145, No. 1-2 (2006): 65-90.

¹⁵ See www.hanban.edu.cn.

vii) **Other Line Ministries and Commissions**

Each line ministry has a Foreign Affairs Office or bureau that handles external relations. These offices tie into the foreign affairs system linked with the MFA and the FALG and typically handle incoming and outgoing visitors and administer domestic regulations concerning overseas travel and entertaining foreign guests as well as housing in-house interpreter staff.

THE PROVINCES AND LOCALITIES

While provinces and localities have no jurisdiction to initiate or carry out foreign policy, they do have a role in twinning relationships and in investment promotion activities. Moreover, given the structure of China's court and regulatory system they often promote local policies at variance with central goals reinforced by the decentralization of personnel policy that means that local courts and administrators are beholden to local Party committees. Localities sometimes initiate policies that are later adopted by the central authority or are sometimes (as in special economic zones) designated as experimental "test points" where new policies are tried out for troubleshooting purposes.

There can be considerable variance in the implementation of policy between one locality and the next depending on local priorities and local business-government alliances. Local government has no jurisdiction to defy central authority but can exercise wide discretion on how regulations are implemented.¹⁶

Local officials at the provincial and particularly the municipal level are especially keen on attracting investment, especially export manufacturing. Local officials often behave in an entrepreneurial manner. That is because the promotion of local Party officials is closely tied to their success in raising local GDP.¹⁷ Central officials are less keen to encourage local investment by foreign firms that is likely to compete with local state-owned firms, but foreign invested enterprises, both joint ventures and wholly owned foreign enterprises, become "localized" once they are established and become a factor in the local economy. Once entrenched in local production, foreign enterprises are in a position to enhance their local market share at the expense of Chinese competitors, sometimes with the connivance and support of local officials. Local officials are even known to have supported foreign-owned firms in opposing Chinese anti-dumping actions.¹⁸

POLICY PROCESSES

China's policy process is nominally *both* top-down and bottom-up. The Charter of the CPC makes central policies (adopted by the Central Committee or its stand-in the Standing Committee of the Politburo) binding on all Party members, who constitute more than 95% of China's 39 million state officials or *cadres* (Chinese *ganbu*). Party members are obligated to carry out the line, policies and orientations of the Party centre. Those who do not can be subjected to Party disciplinary measures, ranging from warnings on their personnel files (blocking promotion) to expulsion from the Party and criminal prosecution. Party bodies and Party officials are strictly attuned to precedence and rank, with officials often listed on rank order of seniority. Party members have the nominal right to reserve their opinions and challenge policies internally, but do not have the right to defy superior directions. There has been a movement to improve 'inner-Party democracy.' This includes ensuring that policies receive a full airing at the appropriate level Party committee and that committee members are fully briefed and

¹⁶ The best study we have of sub-national politics and the international political economy is Zweig, *Internationalizing China*.

¹⁷ See Pierre F. Landry, *Decentralized Authoritarianism in China* (New York: Cambridge University Press, 2007).

¹⁸ See Scott Kennedy, "China's Porous Protectionism: The Changing Political Economy of Trade Policy," *Political Science Quarterly* 120, No. 3 (Fall 2005): 407-43 and *The Business of Lobbying in China* (Cambridge: Harvard University Press, 2005).

policies are voted upon. While this may curb arbitrary exercise of authority by individual Party secretaries, state-enforced Party rules concerning the secrecy of inner-Party communications ensure that policy-making processes are neither transparent nor easily open to outside influence.

Under Hu Jintao the formalization of Party procedures has included the Standing Committee of the Politburo. This now makes policy in regularly scheduled weekly meetings and takes formal votes. This is how Hu Angang, an economist and influential public policy advocate, described the relationship of the Politburo Standing Committee to the ministries in relation to policy making:

I've never attempted to influence the ministries. It is enough to influence the nine members of the Politburo. The ministries have never been major policy-makers, they only provide information. I need to break that monopoly on information, to compete with them. They provide their information, I provide mine – and not just to one person, to all nine. Central policy-making is handled by the Politburo, not by one individual: it's not like it was in the era of Mao, Deng or Jiang. Now there are policy-making mechanisms with democracy, political consultation and votes. Your influence over those nine people is your influence over the policy-makers.¹⁹

In addition it holds monthly study sessions on a variety of topics that are announced in the media with the participation of academic and policy experts.

Party policy is issued through **Party Congresses**, held every five years, where the report delivered by the Party's General Secretary establishes the Party's line and elects the Party's top bodies, including the **Central Committee** and the **Central Discipline Inspection Commission**. The Central Committee meets immediately after the Party Congress to elect the Politburo and before the first session of each new National People's Congress to elect the slate of top state leaders, including the President and Premier. The Central Committee includes the top 200 or so executive managers of the Central civil and military administration alongside the top provincial level leaders plus 100 or so alternates that represent a reserve corps eligible for promotion to the Central Committee between congresses and meets at least once a year. It is less like a parliament or deliberative assembly than a forum for ensuring face-to-face familiarity of China's senior central and local executives. Central Committee resolutions as well as Politburo circulars and documents are circulated internally to lower levels, often with extensive commentary in the Party media. Complementing this top-down process is a bottom-up process where reports are addressed to higher-level Party authorities. These reports can capture the attention of top leaders, and then be recirculated to lower ranks with comments by the leaders who adopt and sponsor the point of view within. Members of the Central Committee are privileged participants in an exclusive communication system managed by the Central Committee's General Office under the direct control of the Party General Secretary.²⁰ When endorsed by the Politburo documents of the Central Committee have an authority that resembles our Cabinet minutes within the Chinese bureaucracy. Until the formal adoption of a Party resolution, the policy process in China can be quite pluralistic, with central-local and cross-bureaucratic turf battles raging. General Secretary Hu Jintao's insistence on formal resolutions and formal votes is, in part, an effort to maintain Party unity by limiting the circulation of documents with rival endorsements.

¹⁹ Hu Angang, who used to edit a reference publication for senior officials entitled *The Chinese Study Report*, in the context of promoting a report to the Standing Committee of the Politburo that called for China to adopt a policy favouring real cuts in greenhouse gas emissions at the Copenhagen Conference in December. Yi Shui and Liu Jianqiang, "I Openly Call for Emissions Cuts," *China Dialogue*, August 6, 2009, <http://www.chinadialogue.net/article/show/single/en/3209--I-openly-call-for-emissions-cuts-1-> (February 16, 2010).

²⁰ The General Office of the Central Committee is now directed by Ling Jihua, who is a member of the Secretariat of the Central Committee and was previously Hu Jintao's personal secretary (*mishu*) in charge of his private office.

THE LEGISLATURE: THE NATIONAL PEOPLE'S CONGRESS

The National People's Congress (NPC) is constitutionally China's supreme authority and the highest organ of state power. This body of some 2,900 part-time legislators elected indirectly by subordinate people's congresses from nomination lists vetted by the Organization Department of the CPC. It meets normally only once a year for a week to hear the reports of the State Council and other bodies and to pass legislation. Discussions are only held within tightly controlled provincial delegations and there is no formal interpellation. When the NPC is not in session, its powers are exercised by its Standing Committee of some 200-300 full-time legislators. The NPC Standing Committee has an important role in reviewing draft legislation especially in its Legislative Affairs Committee, and also hears the reports of state visits by China's leaders. However, there is no evidence on record of it directly influencing foreign policy, although it has in recent years occasionally delayed and re-drafted legislation. The NPC itself is keenly interested in international exchanges. The Parliament of Canada maintains an active exchange program with the NPC and the Canadian International Development Agency has also funded projects that train People's Congress officials in sub-national legislatures. To the extent that there is any trend towards increasing autonomy of the Chinese legislature, it is largely in the form of acquiring greater expertise in legislative drafting by its full-time Standing Committee. China's part-time legislators lack staff or even constituency offices to support them in their representative functions.

PUBLIC OPINION: OUTSIDE – INSIDE

The CPC recognizes the importance of public opinion and devotes considerable resources to shape and direct it. There are no formal channels through which public opinion exerts pressure on top leaders. China's leaders do not face a daily parliamentary question period nor are they subjected to interpellation in legislative hearings. However, the Party's vanguard or leading role requires, at the very least, that it not find itself in stark opposition to the popular mood and that it be able to co-opt public opinion to direct the national interest. The Party endeavours to keep abreast of public opinion by tailoring its message to what is popular and by allowing some range of opinion to be expressed, at least among experts, to be seen to adopt a moderate and pragmatic course. Spontaneous nationalism has grown as China has become a wealthier and more powerful state. The Chinese public, netizens and students abroad have been quick to rally to the defence of China's international image over issues such as Tibet and Xinjiang. While behind the scenes manipulation cannot be discounted, there is also considerable freelance activity that can be corroborated, for example, by viewing on-campus bulletin board system commentary and other popular sites. This pressure is strong enough that the Party may be as fearful of failing to defend China's perceived national interest forcefully as it is anxious to assuage and placate foreign governments.

THE MEDIA

In the current economic and political setup there is a lot of information and opinion that circulates freely, through the media, blogs and the internet. Not every policy debate is related to factional struggles among authoritative individuals in the higher ranks of the Party. Party leaders mostly avoid taking positions on controversial issues and try to seek consensus in the name of stability. On foreign policy issues where Chinese interests are not directly engaged, there can be a considerable range of opinion expressed in the public media and on the internet. Interest in foreign policy is growing, and there is considerable media attention to foreign affairs. Academics are often brought in by Chinese TV and other media outlets to discuss foreign policy issues, and there is a daily newspaper published by the Party Central Committee's *People's Daily* group called *Global Times* that is exclusively devoted to international affairs. This paper now has a sister publication in English. Today, the Party has to contend with rapid communications among China's more than 300 million internet users and an active culture of cellphone use. This now enables civil society actors to mobilize nationalist anger, organize demonstrations and even boycotts against foreign multinationals alleged to have slighted China.

Some Chinese media outlets are well-known for their boldness in attacking controversial subjects. This is especially true of two publications in the *Nanfang* (Southern) group, such as the *Nanfang Zhoumo* (Southern Weekend) and *Nanfang Dushibao* (Southern Metropolitan Daily). The former, for example, published a long article in February 2009 which explained Canada's lengthy refugee determination process involved in the Lai Changxing case, and made clear to the Chinese readership the distinction between the position taken by successive governments and the role of the courts.²¹

THINK TANKS

The development of quasi-autonomous think tanks since the 1980s is an important feature of the Chinese policy process.²² There are few fully independent think tanks. Most are attached to academic or research institutions (such as the Chinese Academy of Social Science) or to public institutions and line ministries. Many engage in research along the planning manner, with specific tasks allocated to them. However, there is a growing trend of independent research supported by research funds, foundations and foreign funding sources. Some non-governmental organizations (NGOs) also fill a similar role, providing a platform for independent public intellectuals. Few such bodies, however, have developed or maintained a continuous, sustained interest in issues of concern in bilateral Sino-Canadian relations.

Like all other areas of high policy, China's foreign policy is set by the CPC. The foreign policy process is headed by the Foreign Affairs Leading Group which is a subset of the CPC Politburo. However, in the past two decades the process has opened up considerably. There are leading think tanks (The Chinese Academy of Social Sciences and its numerous institutes, especially the World Economy and Politics Institute, the European Institute, the American Institute and the Asia-Pacific Institute; the Central Party School, particularly its International Strategy Institute; the China Institute of Contemporary International Relations; the China Institute of International Relations; the China Association for International Strategy; the Centre for Peace and Development; as well as academic institutions such as the Foreign Affairs College, the Faculty of International Relations at Beijing University, the International Relations Institute at Tsinghua University, the International Relations Department at Renmin University as well as Fudan University's Department of International Relations and the Shanghai Institute of International Relations in Shanghai, to name just a sample). All of these institutions (as well as many others) produce studies and research that are widely circulated within a growing foreign policy community.

NON-GOVERNMENTAL ORGANIZATIONS

The proliferation of NGOs in China is a significant phenomenon of the past two decades. Yet most NGOs survive in precarious autonomy. Each NGO requires a sponsoring organization, and registration with the Ministry of Civil Affairs is extremely difficult. For this reason many NGOs have preferred to register as businesses. In either case, the precarious situation of NGO autonomy discourages activity outside areas clearly defined as consistent with designated Chinese public policy. This does not mean that such NGOs do not bravely push the envelope. Rather, that they do so knowing that this will endanger their position as legal entities under Chinese law. Many NGOs are careful to cultivate relations with foreign foundations and NGOs both as a means to bolster their financial independence but also as a way of heightening international visibility in a search for survival. In doing so, they must carefully tread a pathway of acceptability to the Chinese state and to foreign sponsors. In this they can play

²¹ See Yang Cheng, *Nanfang Zhoumo*, February 12, 2009, cited in Zhu Yuchao, "Unbridgeable Gap or "Lost in Communication?" Political-Legal Disputes between Canada and China – The Cases of Lai Changxing and Huseyn Celil," *Canadian Foreign Policy* (forthcoming).

²² See David Shambaugh, "China's International Relations Think-Tanks: Evolving Structure and Process," *The China Quarterly* 171 (September 2002): 575-596.

a useful role to bridge international understanding and expand the reach of favourable views towards the Chinese state in their area of activity.

FORMAL AND INFORMAL

The formal policy process of reports commissioned by top leaders, circulated for comment and endorsed by formal resolution or promulgated into laws by the National People's Congress, is paralleled by a continuous process of policy consultation. This includes open discussions in the open media and in public, as well as closed discussions circulated through the Party's closed communications system. This includes special publications and bulletins circulated to officials above a certain rank, reports commissioned from individuals and institutions that are addressed and circulated to top decision-making bodies, as well as academic debates that often mirror or parallel debates within the bureaucracy. The role that personal authority plays within the Chinese system often means that the policy process is both informal and ad-hoc. Since authoritative individuals have the power to sponsor reports and to circulate information under their own signature or chop, then these authoritative persons can steer the policy process towards desired ends. Once subordinate officials know that a certain policy has a powerful sponsor, they may steer supporting documents and information towards that individual and policy goal exercising a degree of policy and political entrepreneurship in the competition to gain notice and favour within China's hierarchy.

INFORMAL POLITICS

The paramount role of the CPC with its quasi-monopoly over formal political participation, means that formal opposition to stated policy is discouraged and dangerous. Nevertheless, the CPC itself recognizes that a market society entails diverse interests. So, while the CPC itself dominates formal channels of interest articulation, interested groups and individuals constantly attempt to shape and alter policies that have a bearing on their own activities.²³ The Party does engage in formal consultations and solicit opinions on formal documents, such as reports to the Party Congress, the Five Year Plan and major legislation. Often, however, interested parties prefer to intervene over the implementation of policy in their own regard rather than challenge the premise of stated national policy. Informal politics usually takes the form of trying to block unfavourable initiatives before they are adopted as policy or to shape the implementation of policy by lower-level and local officials once an undesirable policy is adopted. There is a common expression – *shang you zhengce, xia you duice* – “Above there is (a) policy; below there is (a) countermeasure.” These “countermeasures” are usually arrived at through tacit understandings through personal intervention by interested parties. It is in these personal interventions that the famous role of *guanxi*, or informal connections, comes into play. These connections can be formed in a variety of ways through family, hometown, school, business or professional ties, networks maintained and serviced through the exchange of favours that shade from dinner invitations to symbolic gifts and potentially illicit bribes.

Chinese businesspersons are frank in their admission that the range of official discretion in China is so large and unpredictable that some recourse to informal ties is indispensable.²⁴ While the transparency provisions of

²³ See the discussion in Jonathan Unger, ed., *The Nature of Chinese Politics* (Armonk, NY: ME Sharpe, 2002).

²⁴ As reported in an economist's blog: “If one day all officials don't dare to be corrupt at all, our company would have to close down. It wouldn't be just us, business would be very bad for most other companies as well [...] This is because officials have too much power to make decisions. Break one regulation and you can be fined from thousands to tens of thousands of RMB – that is a scale of over ten to one. If officials become determined to stand on principle and not to bend the rules, they just assess the maximum fine each time. How could a company survive that? [...] This is the crux of the problem [...] Companies in some fields can't but break the rules, even companies with very high moral principles. This is because the government has too much power. It wants to control everything and there has to be a standard for everything. If officials dare to be corrupt, their flexibility gives companies a space in which they can survive. If an official refuses to be corrupt, then a company will not be able to survive.” Xu Changsheng, “Wo weishenme bu ken peihe jijianwei,” (“Why I Didn't Cooperate with the Discipline and Inspection Committee,”) July 19, 2009, <http://byxucs668.blog.163.com/blog/static/111026337200961934624959/> (Accessed February 16, 2010).

China's WTO accession have had a significant role in reducing the proliferation and scope of informal regulation, official discretion remains an entrenched reality of Chinese administrative life.

The absence of judicial independence and the unitary hierarchy of the CPC make it difficult if not impossible to delineate clear lines of jurisdiction in China. China's Law on Legislation gives priority jurisdiction to higher levels of authority – national legislation supersedes provincial legislation, provincial legislation supersedes municipal, etc. In practice, however, since local judicial and enforcement authorities are subordinated to evaluated and promoted by local Party Committees, local Party authorities have considerable say in law enforcement and judicial proceedings. This gives rise to many instances of local protectionism and localism in general. Of course, if central authorities are aware of and have their interests challenged by localism, the centre has both the legal authority and the power to enforce its policy. The constraint is one of information and attention. On the other hand, the fact that local authorities compete for investment and business opportunities is one of the major factors behind China's remarkable advance as a market economy. Local officials know that rent-seeking activity is itself hostage to the volume of investment and business in the local community, therefore they are anxious to expand the scope of business activity in their local jurisdiction. This is behind the logic of what Barry Weingast called "market conforming federalism" in China.²⁵

The Party hierarchy is the central mechanism that is used to overcome jurisdictional silos and local balkanization in China. Because the Party centre controls the personnel system that appoints, promotes and removes officials down to the lowest level, the central authorities can enforce their writ whenever they are aware of resistance and are willing to apply their power. Since fierce turf battles and contradictory interests often afflict actors at the same administrative level, only a superior Party official has the authority and the means to overcome red tape and impose a uniform and coherent solution. Courts are powerless in this regard. In the case of mining, for example, formally speaking the lead agency is the Ministry of Lands and Resources. However, approval is still required from the NDRC whose officials look with extreme disfavour at foreign-owned mining corporations.²⁶ For a company like Blackberry to gain approval to operate in China would require coordination with the Ministry of Communications, the Ministry of Information Industry, the NDRC, etc.²⁷

The same problem of silo policy-making afflicted Canada's human rights dialogue with China, which was managed by the MFA, as the MFA has little or no influence on Chinese police and judicial authorities in the area of human rights.²⁸ Even the visit of special rapporteur on unlawful detention for the United Nations High Commissioner for Human Rights sponsored and approved by the MFA, was unable to prevail over a prison warden in Drapchi Prison in Tibet, who vetoed prisoner interviews previously agreed to by Chinese authorities.²⁹

The Party expects that territorial and line administrators will carry out their tasks in their own jurisdiction and that those who fail to carry out their duties will be subject to administrative discipline. Officials from the lowliest county administrator to the level of ambassador or even minister are careful to try to minimize the risk that a controversy in the performance of their duties will require higher-level intervention. The harsh warnings sometimes voiced by embassy officials over, for example, a proposed visit by the Dalai Lama, are necessary because the ambassador might in some degree be held responsible.

²⁵ Weingast, "The Economic Role,".

²⁶ Interview with an executive of Canadian mining firm, June 23, 2009; interview with China-based geologist, July 12, 2009. He confirmed that gold mining is something of an exception. This appears to be confirmed in Richard Blackwell, "Eldorado Goes for Gold in China," *The Globe and Mail*, August 27, 2009.

²⁷ Interview with RIM executive, October 2008.

²⁸ See Charles Burton, "Assessment of the Canada-China Bilateral Human Rights Dialogue," April 19, 2006, <http://spartan.ac.brocku.ca/~cburton/Assessment%20of%20the%20Canada-China%20Bilateral%20Human%20Rights%20Dialogue%2019APR06.pdf> (Accessed February 17, 2010).

²⁹ Interview with staff member Human Rights Commission in Geneva, Switzerland, June 2005.

Overcoming bureaucratic inertia and jurisdictional bottlenecks is therefore highly dependent on gaining the ear of higher-level central officials. In this rank-conscious bureaucratic system, where officials are highly tuned to status and precedence, relationships of reciprocity between officials of equivalent rank can break the Gordian Knots that bind lower-level officials. Relations between heads of state and heads of government involve elaborate exchanges of “face” that work to diminish controversy and maximize the harmonization of views. Only a Canadian head of state or head of government can intervene with China’s head of state and expect to get a hearing, and this also requires carefully cultivated relationships.

MODES OF ENGAGEMENT

There is an elective affinity between the consensus-based decision-making process exercised inside the CPC and the kind of diplomacy practised by the PRC. The concept of harmony and the doctrine of the mean rooted in Confucian thought are complemented by the United Front tactics perfected by Mao Zedong during the Civil War that ultimately led to Communist victory in 1949. This concept calls for a broad-based unity of forces in the friendly camp and the isolation of ‘the enemy.’ China’s policy makers like to paint themselves as standing inside a broad front of like-minded nations while concentrating their opprobrium on a ‘small group’ of wilful opponents. To maintain this stance requires a considerable forbearance with respect to actors who do not constitute the main focus of disapproval, and active bridge-building to maintain a plurality of actors engaged on the friendly side. After the setback of international opinion and the sanctioning of China at the UN Sub-Commission on the Promotion and Protection Human Rights following the Tiananmen crackdown in 1989, China worked assiduously to change the composition of the UN Human Rights Commission and shape the ultimate contours of the UN Human Rights Council, by working to bring in additional representatives of the Third World and helping to formulate procedures and concepts to blunt the human rights criticisms emerging from the liberal democracies.³⁰ China began to wave the banner of diversity and pluralism in human rights discourse as a means to parry sharp barbs directed by those who claim the PRC stands outside the universal norms of human rights enshrined in the Universal Declaration of Human Rights and the UN Human Rights convention. In this way China works to actively build a consensus that it can stand behind, but at the same time this shows China’s extreme sensitivity to isolation within the international community. China often prefers to reveal its role as part of a broadly emergent consensus rather than project itself as the leader in line with Deng Xiaoping’s injunction to “bide time in obscurity and never take the lead.” A transparent leadership position carries the potential cost of offending long-standing friends and attracting opposition that might potentially endanger China’s status as a member of the consensus should it prove unable to attract sufficient followers to its point of view. Nevertheless, despite China’s reluctance to lead from the front it is committed to playing the role of a ‘responsible great power’ that is willing to shoulder burdens on behalf of global objectives. For example, while China remained opposed to hard caps on CO2 emissions during the Copenhagen Summit in December 2009, China nevertheless is pledged to a cooperative role in restraining global warming.

CONSENSUS, CONFRONTATION, COORDINATION

Canadian policy should be sensitive both to China’s fear of isolation and its reluctance to take the part of the strong against the weak. Canada can play a role to build a consensus that includes China on issues of interest to Canada. Canada is a middle power that does not compete directly with China for international prestige and leadership and has considerable experience in building bridges across the developed and developing world. China would not see itself in humiliating thrall to the Great Powers or the US superpower if it joined a consensus

³⁰ See the detailed discussion of this process in Ann Kent, *China, the United Nations and Human Rights: The Limits of Compliance* (Philadelphia: University of Pennsylvania Press, 1999).

actively promoted by Canada. Canada proved this with pioneering the G20 concept that has enabled China to showcase its importance in the current financial crisis. Unfortunately, the pioneering of the structure predated the crisis which eventually gave it a *raison d'être* leaving Canada with little role and little credit for the organization's ultimate significance. The key is to align current interests in ways that can potentially interest China in a specific commitment. China does not need Canada to build consensus with its Third World friends, nor does it need Canada to communicate directly with the other Great Powers. China's consensus-seeking behaviour complements Canada's consensus-building tradition as a basis for potential diplomatic exchange and pragmatic alignment in issues that transcend the developed/developing country divide where Great Power diplomacy has not proved adequate to form a consensus. The essence of our leverage is that we are neither a Great Power nor irretrievably tied to a regional bloc like the European Union (EU).

The dichotomous mode of engagement between friends and 'enemies' involves differential approaches to interaction. Among friends and partners, the watchword in negotiation is *baotong cunyi* – 'preserve points of or underline an agreement, set aside differences.' With enemies, on the other hand, the watchword is *huaqing jixian* – 'draw a clear line of distinction' or 'underline differences through clearly dissociating yourself from the other.' Under those circumstances, agreements may only be temporary, contingent, instrumental and unstable. In general, as China has embraced globalization and global engagement, the circle of identifiable enemies has shrunk considerably. Likewise, a regime that celebrates social harmony under Party leadership is reluctant to highlight the presence of hostile elements. Nevertheless, a regime that insists on governance that dissents from liberal universalism must maintain a floating discourse of endangerment from vaguely defined hostile powers loosely identified with the West. Internal opponents that are clearly identified as opposed to the interests of the Party and State are then linked to these outside forces. Identifiable enemies against whom clear lines of distinction must be drawn most prominently include the Dalai Lama. For this reason, merely favouring dialogue with the Dalai Lama or celebrating his spiritual role is regarded as 'unfriendly.'

The 'harmonious world' that China favours today carefully avoids identifying any state or group of states as implacably hostile. Instead, Chinese ideologists may occasionally refer to 'Cold War thinking' or certain circles addicted to Cold War thinking as responsible for the image that paints China in an unfavourable and hostile light. Those who challenge the legitimacy of Chinese policy or actions on liberal grounds are urged to engage in 'dialogue' and respect national and cultural differences. This leaves some room for handling individual human rights cases in the manner that does not rise to a public and principled condemnation of China on the one hand while allowing for engagement at a higher-level of abstraction on alternative policies or modes of governance in the course of modernization and reform.

The notion of China as a work in progress that is undergoing very real development and reform does leave room for further engagement over future change so long as there is no demand for specific performance along a specific timetable. The CPC, for example, rejects convergence with 'Western' democracy while reaffirming its own commitment to democracy and the rule of law. At the same time, it confesses that democracy and the rule of law 'remain to be perfected' in China. China is therefore willing to acknowledge in general terms that its governance systems suffer both from institutional defects as well as problems in policy and its implementation. This admission leaves room for cooperation in the solution of mutually defined problems but does not grant any license for external criticism of China's governance mechanisms as these are protected by the doctrine of sovereignty and non-interference.

TEAM CANADA AND THE CHINESE POLICY PROCESS

Though the Team Canada approach has been criticised in retrospect because Canada's market share of Chinese imports declined, the approach was shrewdly calculated to take advantage both of the importance of status, rank and prestige in Chinese society and the importance of senior political support in opening up new business

activities. Moreover, the coordinated effort by federal and provincial government leaders was helpful in addressing the growing Chinese problem of localism and provincial decentralization that had grown acute during the reform period. However, a dramatic swarm of government leaders and business executives is not a substitute for the patient husbanding of local business opportunities on the ground, a strategy pursued with notable success by Canadian corporations such as Manulife Financial and Bombardier Transportation. Chinese officials, both at the centre and at local levels, are especially keen to promote business activities that will expand markets overseas and enhance development in China. Local officials are evaluated in large measure by their capacity to increase local economic development, while central authorities are especially keen to promote foreign investment and participation in areas that can promote new business activities in China and the transfer of technology.

Manulife has benefitted from the strategy that the Chinese government has promoted as part of its accession to the WTO to use the entry of foreign firms and foreign competition to help build a market for life insurance where Chinese (state-owned) firms can respond competitively and achieve global scale. Bombardier has not only benefitted from China's enormous investment in infrastructure as a key to building manufacturing competitiveness, it has also benefitted from the central government's desire to use joint ventures to bring new technology, management and capital to renew older obsolete heavy industrial enterprises that were the legacy of Stalinist industrial planning. The commitment to localize economic benefits is a key consideration for Chinese officials at all levels. Thus, one-time events like Team Canada are useful targets to wrap up complex negotiations in way that maximizes the prestige value for political patrons (in both countries) but is not enough to propel or sustain a project in itself. Manulife and Bombardier are examples of exceptional Canadian corporations of extraordinary scale and breadth of experience that can sustain the kind of localization called for. Moreover, China's risky business culture tends to wager on the strong and prey on the weak. Size promotes security while weakness provokes the appetite for short-term opportunism.

WHY AUSTRALIA, WHY NOT CANADA?

Australia has been a target of intense Chinese investment interest for the past decade, while by contrast Chinese investment in Canadian resources has been more tentative and smaller scale. Part of the reason for this has been the presence or absence of alternatives. The growth of the Chinese market for Canada coincided with the development and maturation of NAFTA and the consolidation of North American markets. Since Chinese investment, at least until recently, has been stimulated largely by filling Chinese needs and has been risk-averse in the sense of going head-to-head in bidding against established global players, Chinese have been reluctant to enter the fray against more established and experienced players and have been more enthusiastic about entering markets where their political leverage weighs heavily, such as Africa. Australia has also offered a number of green field projects like liquefied natural gas where China had no direct competitors for the resource. Chinese steel demand rose exponentially at a fortuitous moment for the development and expansion of Australian iron-ore resources.

STRATEGIC PARTNERSHIP

Since the 1990s, China has established a growing number of bilateral 'strategic partnerships.' While this label is first and foremost a mark of prestige and priority bestowed on favoured bilateral partnerships, it is not devoid of substantive meaning. In Canada's case it grew out of the trans-century partnership established between Jean Chretien and Jiang Zemin in November 1997, and transformed into a 'strategic partnership' with President Hu Jintao's visit in September 2005. What this partnership afforded Canada was an annual consultation on a range of issues at the Vice-Minister level.

Comparable consultations with the US have been established with the Economic and Strategic Consultation that took place in July of this year. In the American case, the consultation took place at the more senior Vice-Premier level. Strategic partnerships in the Chinese lexicon should be looked upon as a framework for enhanced engagement by a state that eschews formal alliances. Such consultations afford a comprehensive look at the bilateral agenda at senior levels in the bureaucracy that can provide a focus to break bureaucratic logjams and a timetable to resolve outstanding issues. The timetable of the meeting puts pressure on lower-level officials to coordinate their responses to enable senior leaders to clear the bilateral agenda. It may even allow lower-level officials to get senior officials across departments in one place at one time so that they may simultaneously sign-off on a particular issue and end cross-departmental football play. Like high-level visits, such strategic consultations are measured by the volume and depth of agreements achieved, for which senior officials are anxious to gain political credit. With the spotlight on agreement, subordinate officials become particularly anxious to avoid standing in the way of senior officials.

Unlike high-level visits where the stakes of failure to reach agreement stand much higher and lower-level officials work assiduously to avoid giving offence by keeping controversial issues off the table, strategic consultations permit incremental progress on thorny subjects at a working level that can prepare the way for agreements established at high-level summits. They also provide an opportunity to place controversial issues on the agenda that allows the principals of each side to review respective positions prior to undertaking substantive negotiations. These consultations provide for continuity of engagement that goes beyond routine communication that may not penetrate beyond the foreign affairs system. The fact that a strategic partnership establishes a framework in search of a purpose should be seen as an opportunity rather than an empty label.³¹ Canada has every reason to revive and revitalize our strategic partnership mechanism with the aim of institutionalizing bilateral engagement on a permanent and regular basis.

China's increasing multilateral engagement also produces greater pressure for closer policy coordination across China's policy sector silos. It is ironic, and perhaps somewhat tragic, that the G20 notion that has played such an important and prominent role during the present financial crisis, should have been pioneered by former Prime Minister Paul Martin with the most enthusiastic support of China.³² Yet, when the current crisis arrived, after a change in regime in Ottawa, Canada's pioneering contribution was little noted and remarked on by the participants, let alone Canada's own officials. This story serves to illustrate quite clearly the shortcomings of Canadian engagement strategies. The G20 idea was a strategic initiative without a clear strategic purpose. It was a structure in search of a function until the current financial crisis hit and exposed the weakness of the G7 economies and their obsolescent capacity to steer the global economy. Yet, the experience of the G20 thus far also exposes the structural weakness of China as a global power.

Despite China's craving for global status, China still operates according to Deng Xiaoping's injunction *taoguang yanghui, shanyu shouzhou, jue budang tou* – "flee the limelight, bide time in the shadows, don't stick out." Or as it is more often translated, "hide your strength, steer clear of the limelight, don't seek leadership." China's leaders dread the responsibilities of leadership and the entanglements and resentments that accompany those that take charge. Both culturally and organizationally their political style favours consensus over bold initiative. This factor creates opportunities for a secondary power to broker the consensus that China's leadership can stand behind. This is a traditional role for Canadian foreign policy and an opportunity in the current circumstances where Canada and Canadian institutions are by and large not tainted by the policies that led to the current crisis. China does not need Canada, and has actively coordinated its policies with the other BRIC countries (Brazil, Russia, India and China).

³¹ For example, one interviewee described how an American colleague related that during the US-China Strategic and Economic Dialogue, Chinese officials used the opportunity to chase down senior officials in one location to get signatures on MOUs.

³² Andrew F. Cooper, "The Logic of the B(R)ICSAM Model for G8 Reform," *Policy Brief in International Governance* 1 (May 2007), http://www.cigionline.org/sites/default/files/Policy_Brief_no1.pdf (Accessed February 17, 2010).

In the aftermath of the Great Recession of 2008, Russia, China and the other BRIC countries found common cause, both in the preparation for the G20 and in the wake of the G20 meetings. Whereas the emergence of the G20 was an acknowledgement that the G8 was incapable of resolving the financial crisis (indeed it was its epicentre), the BRIC countries found themselves organizing to avoid being dictated to by a G8 consensus. Once it became clear that China had no intention of forming a G2 with the US, Russia found itself with an opportunity.³³ As the weakest and most marginal member of the G8 it could strengthen its hand by using its priority relationship with China and its long-standing relations with India. Given Brazil's ambivalent relationship with the US and the former colonial powers of Europe, and its new emergence as a global economic player, Brazil was only too happy to cooperate. China was and is highly concerned about preserving its identity as a developing state, albeit "the largest developing country," and India, especially under the Indian National Congress political party, was anxious to preserve the legacy of non-alignment. While the BRIC countries are very far from institutionalizing their relationship along the lines of the G7, they can credibly establish themselves as its counterpart in relation to the G20. They have symbolized the power shift that signals the decline of the hegemony of the Euro-Atlantic with the US at its core.

Canada is well-placed to engage with the BRIC and developing countries to forge a broader consensus. China would just as soon leave the heavy lifting of global financial reform to others to preserve its political capital and avoid the all-important danger of a breach with the US. Moreover, China already revealed its ambivalent relationship with the EU when it abruptly postponed the China-EU summit in late 2008. For Canada to play as important a role in the new global order as it did in the post-Second World War era, it must remain as engaged with China as it once was with its Atlantic partners.

Critics on either side of the Pacific might object that the cultural and ideological obstacles to closer engagement run too high and too deep. We should not allow our very real differences to excuse our failure to build an institutional infrastructure that would bind our countries closer. We have not found the means to consolidate the considerable human interactions and relationships bequeathed through migration, education and training, business contracts, trade and investment, development assistance and nascent civil society linkages in a permanent bilateral framework. We have a dense network of *guanxi* that should be the envy of our international competitors. Our challenge is to build a framework around these relationships that can allow us to develop state-to-state ties in a more strategic fashion.

³³ See "Chinese President Makes Proposal for Tackling Global Financial Crisis at BRIC Summit," June 17, 2009, http://news.xinhuanet.com/english/2009-06/17/content_11553352.htm (Accessed February 16, 2010).

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THE CIC CANADA-CHINA RELATIONS PROJECT

Bilateral relations between the governments of Canada and the People's Republic of China are a matter of strategic interest to Canada. Recent changes in the frequency of high-level visits, the effective style and content of bilateral communications and perspectives held about each country by various sectors of each other's society all suggest that the Canada-China relationship has changed significantly in recent years. Yet China remains vitally important to Canada for a variety of reasons and in a variety of sectors. Political and diplomatic cooperation on issues of direct bilateral concern and also on issues of global import remains critically important. Commercial and trade ties linking Canada with the world's third largest and fastest growing economy are of obvious importance. Cultural and civil society ties, including immigration patterns and the ancillary effects they generate, are also important. In these and other matters, the Canada-China relationship will likely grow in importance in the years to come. While the diversity of links between Canada and China militates in favour of giving due attention to a multiplicity of commercial, academic and civil society links, bilateral cooperation at the federal/central government level remains important.

In keeping with CIC objectives to advance research and dialogue on international affairs issues of importance and interest to Canadians, the CIC Canada-China Relations Project has focused on supporting research and analysis toward building a policy framework for Canada's relationship with China. The project's activities have been developed along three thematic areas that reflect issues of common concern: a) Chinese domestic institutional and normative contexts for engagement; b) Economic relations; c) Collaboration on global issues such as environment, health and security.

- a) **Domestic Context for Engagement:** The Canada-China relationship can be most effective when it is grounded on complementarity of interests, which in turn requires mutual understanding of domestic normative and institutional conditions in both countries. Canadian initiatives with China, ranging from WTO compliance and business regulation to human rights, can be effective only if they are designed and implemented in light of China's domestic conditions, ranging from popular norms to governmental structures and policy priorities. Similarly, China's success in nurturing productive relationships with Canada will require appreciation of Canadian domestic conditions. The papers for this thematic area were commissioned and directed by Professor Jeremy Paltiel of Carleton University.
- b) **Economic Relations:** Economic relations between Canada and China are critically important. Economic relations include bilateral trade and investment relations, and also extend to local effects of economic conditions and behaviour. In the trade area, Canada's strengths match up extremely well with China's needs. In trade and investment relations, efforts to promote normative and institutional accommodation in China for Canadian business objectives are consistent with Chinese development policies and also serve important Canadian interests in the areas of good governance. As well, national economic behavior by the two countries in response to changing economic conditions at the global, regional and local level have important effects on the Canada-China relationship. The papers for this thematic area were commissioned and directed by Yuen Pau Woo, President of the Asia Pacific Foundation of Canada.
- c) **Collaboration on Global Issues:** The importance of China's responsible participation in systems for addressing global policy concerns in areas such as environment, health and security cannot be overstated. Yet China's participation in the global community can be distorted by its responses to apprehension and competition from other global actors, particularly the United States, the European Union and Japan. Canada has a significant role to play in supporting China's responsible participation, not only through direct bilateral programming but also through our capacity to deploy good offices, legitimation and other soft power resources both bilaterally and globally. The papers for this thematic area were commissioned and directed by Professor Brian Job of the University of British Columbia.

The papers here presented in connection with the CIC Canada-China Relations Project offer informed, non-partisan recommendations for a variety of stakeholders in Canada, including the government and private and public sector institutions and individuals, with a view toward furthering the development of healthy long-term relations between Canada and China. While historical and current conditions may result in disagreement as to how best to manage the Canada-China relationship, China's importance to the world requires our attention. We hope that the papers presented here can further the process of understanding and effective engagement that will strengthen the foundation for productive relations for the long-term interests of both countries.

Dr. Pitman B. Potter

Chair

CIC China Working Group

The Canadian International Council (CIC) is a non-partisan, nationwide council established to strengthen Canada's role in international affairs. With local branches nationwide, the CIC seeks to advance research, discussion and debate on international issues by supporting a Canadian foreign policy network that crosses academic disciplines, policy areas and economic sectors.

The CIC features a privately funded fellowship program and a network of issue-specific Working Groups. The goal of the CIC Working Groups is to identify major issues and challenges in their respective areas of study and to suggest and outline the best possible solutions to Canada's strategic foreign policy position on those issues. The CIC aims to generate rigorous foreign policy research and advice.

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