FOREIGN POLICY RESEARCH INSTITUTE
E-NOTES
March 2013

CHINA AND THE WORLD: THE VIEW FROM SALZBURG, THEN AND NOW

By Jacques deLisle

Jacques deLisle is Director of the Asia Program at FPRI and was a fellow at the 1995 Salzburg Seminar "U.S. Foreign Policy toward Asia: Adapting to Change," faculty at the 2012 Salzburg Global Seminar "China in the 21st Century: What Kind of World Power?" and a participant in several other Salzburg Seminars.

When the National People's Congress met this month and named Xi Jinping China's President (and thereby completed conferral of the triple crown worn by top Chinese leaders: state President, Communist Party General Secretary and Central Military Commission Chairman), Xi and his near-colleagues formally fully took the helm of a nation with capacities, options and challenges strikingly different from those that had characterized China under Jiang Zemin—Xi's predecessor's predecessor and the man whose acolytes and kindred spirits hold most of the seats on the Politburo Standing Committee installed last November. There are many ways to try to capture the evolution of China and its place in the world over the intervening period: statistics about economic growth, trade or military spending, journalistic accounts of progress and problems at home and abroad, big-picture policy and scholarly debates about whether a rising China will sustain, accept or challenge the current international system and the postwar and post-Cold War order.

One evocative glimpse of these patterns and trends (and assessments of their significance) comes from comparing the snapshots offered by two sessions of the Salzburg Seminar, one held in mid-1995 and another at the end of 2012. The ageless Baroque castle and the implausibly picturesque alpine setting that are home to the Seminar throw into sharp relief the dramatic transformation of China and its international roles. The timeless venue also underscores the persistence—or the intractability—of many of the broad issues affecting China and its relations with the U.S. and with the wider world.

More than fifty faculty and fellows—from across East Asia, North America, Europe and elsewhere, and from academia, government, international organizations, think tanks, civil society, journalism and beyond—gathered for each of the two iterations of nearly-week-long intensive discussions. They grappled with questions that remained—in broad outlines—remarkably similar despite the passage of nearly twenty years and the almost completely non-overlapping sets of participants: Do deep and growing economic interdependence within Asia and between Asia (including China) and the West (including the U.S) and shared interests in a stable and peaceful regional environment mean that it will be possible to contain pressures for protectionism and other illiberal trade policies in economically troubled rich countries and rapidly rising developing states? Do these and other factors mean that the major powers will be able to avoid conflict despite rising nationalism (especially in China, but also in Japan), crisis-prone territorial disputes (primarily along China's maritime periphery, including the South China Sea) and other long-running regional security challenges (particularly North Korea)?

How will the U.S., in relative decline from its postwar and post-Cold War dominance, cope with an economically

dynamic Asia, including a steeply ascendant China? How are the foreign policy calculi of China and U.S. allies and near-allies in the region affected by the U.S.'s waning dominance and regional states' growing doubts about Washington's commitment to remaining fully engaged in underwriting stability and security in Asia? Can a more powerful China be integrated effectively into the existing order, or does China's ascent mean pressure or demands for relatively radical change? Do China's recently stalled economic reforms, long-highly-constrained political reforms and seemingly seriously flawed institutions pose serious threats to the sustainability of China's economic growth, social stability, and willingness and capacity to take on greater and status quo-supporting roles in regional and international regimes?

How can the U.S. (and like-minded states) best promote human rights, democracy and the rule of law in China (and elsewhere in the region)? Which are the more promising policies for pursuing those ends: those that sharply criticize China's practices and strongly press human rights ideals on a recalcitrant China, or those that take lower-key and more collaborative approaches, offering support for civil society, the rule of law and institutional capacity-building and stressing smart deployment of the U.S.'s (and other liberal-democratic states') "moral capital" (or, as it would come to be called during the period between the two sessions, "soft power")? More broadly, what are the implications for relations with China, and East Asia more broadly, of the perennial tension in U.S. foreign policy between traditional concerns of strategic and economic interests and more ameliorative, values-based agendas? What are the implications of the prevalent view in China that the U.S. is leading a "containment" strategy against China, and what can or should be done about that perception?

Will Japan be able to overcome economic stagnation or decline, political sclerosis and dysfunction, and persisting impediments—including "history questions" in relations with nations it once conquered and the pacifist provision in its constitution—to Japan's becoming a "normal country" with a larger regional security role? Is European foreign policy sufficiently focused and coherent in engaging Asia, and China in particular? Do domestic interest groups and ideological politics produce policies toward China that are unstable and ill-serve national interests in the U.S. and elsewhere in the West? Do deepening economic ties among Asian states and efforts to promote a sense of Asian identity or values threaten U.S. economic interests, political influence and, in turn, security objectives in Asia? Is a stronger regional institutional order achievable and, if so, what benefits could it bring to states in East Asia and interested states outside the region?

While many such questions from 1995 would remain strikingly pertinent nearly two decades later, the context in which they were asked would shift fundamentally, changing their meaning and also bringing new issues to the fore. In the first half of the 1990s, it was still possible to think of questions of fostering mutual understanding and managing difficult relations between East and West partly—even primarily—in the shadow of the Cold War concerns that had motivated the creation of the Salzburg Seminar during the early postwar years. The fall of the Berlin Wall and the dissolution of the Soviet Union were still relatively fresh memories. The new order for Europe—a continent devastated by violence in the decades preceding the tense and troubling stability that came with its division into Western and Soviet-dominated blocs—was still taking shape. To be sure, China already had marched relatively far down a path of reform, opening and development in the first nearly twenty years of the Post-Mao Era. But China was still in the early phases of its reemergence from the setbacks to domestic reform and international engagement that followed the violent suppression of the Tiananmen protests in 1989. A few years after Deng Xiaoping's last great intervention in Chinese politics to restart reform with his 1992 "southern tour," China could still seem to be something less than *the* central question in international or "East-West" relations, at least to those viewing such issues from a global or non-East Asian regional perspective.

This perspective—and appreciation of the growing need to move beyond it—were reflected in the 1995 Salzburg Seminar session. The first of the Seminar's sessions devoted entirely to East Asia policy issues, it was tellingly dubbed "U.S. Foreign Policy toward Asia: Adapting to Change." As the title reflected, much of the analysis and discussion concerned the U.S as the key player and the actor with the most room for choice. Much of the focus was on what Washington should do and the potential impact on China's rise and trajectory of U.S. policies that might engage—or seek to contain—China. Whether the U.S. should delink China's most-favored-nation trading status from Washington's reviews of Beijing's human rights record, and support China's accession to the newly established WTO, was seen as a decision largely within the U.S.'s discretion and one with weighty implications for China's prospects for economic development and full-fledged (re)-entry into the international system after Mao-Era isolation and post-Tiananmen Incident opprobrium. The notion that U.S. policy would be facing much less passive partners in its relations with China and other Asian states was new enough to warrant discussion as a significant development. To be sure, the issue—chronic since the early 1970s—of the U.S.'s relative decline in power in East Asia was a major and predictable theme, but it was relatively muted amid the lingering afterglow of the collapse of the Soviet Bloc, the emergence of a one-superpower world and a positive turn in the U.S. economy.

As the second half of the 1995 session's title also suggested with its general language, there was no single "change" in Asia that defined the challenges—and opportunities—that U.S. policy faced. Accounts offered at the Seminar depicted a messy landscape of seemingly unconnected or uncertainly interconnected trends. Some of the broadest developments would persist, or return, nearly twenty years on: China's remarkable ascension, economically and militarily; Japan's deepening economic difficulties and what they foretold for Japan's role as a regional power and U.S. ally; the threat to China's economic success and political stability posed by increasingly troubling weaknesses in its political system, rising social unrest, and growing doubts about the sustainability of its model for growth; the problems for regional and international economic integration posed by signs of newly illiberal economic policies; and the perils for regional security fed by escalating nationalist friction between China and Japan and provocative antics from North Korea.

Other aspects of "change" in Asia that seemed noteworthy nearly two decades ago—but are much less so now—point to how much "change" has changed, and how much more central an issue a much more formidable China had become, almost two decades later. In the mid-1990s, the demise of the Cold War logic behind bilateral security ties and recrudescent trade frictions raised concerns about the health of the U.S.-Japan relationship. More than two years before the Asian Financial Crisis, the East Asian Model for economic development seemed robust and perhaps to promise continued dynamism even for relatively developed East Asian states and for China as well (although only perhaps to the extent China continued reforms that followed the model's prescriptions). With the third wave of democratization recently having crested in the region, the view that East Asian states would converge politically with U.S. or Western or universal norms—at least in a general way—gained substantial traction and invigorated a debate about whether modernization meant Westernization or left open the possibility of a meaningfully different path based in part on "Asian values." To some, it seemed plausible to imagine ASEAN as the focal point of a more institutionalized regional international order. To others, it seemed necessary to debunk the idea of a U.S.-centered post-Cold War "New World Order." To a few, Japan seemed possibly poised to reclaim some of its former prominence in the realms of regional economics and security.

For many, China's prospects appeared to be the biggest uncertainty in 1995. A mere six years after the setbacks that followed the violent suppression of the student-led movement at Tiananmen and the ouster of top leaders who had supported energetic reforms, rising economic and political nationalism appeared to have the potential to derail China's nearly twenty year-long and impressively successful pursuit of openness and engagement. There was much concern about the possibly dire consequences of China's seemingly weakly institutionalized politics: Would an orderly process or potentially severely disruptive elite infighting characterize the eventual succession from Jiang Zemin (whose elevation to the top posts had come in the wake of the purge of two prior heirs-apparent to the great architect of the Post-Mao Reform Era, Deng Xiaoping)? Would the leaching of political power from the center to localities continue and imperil the state's capacity to pursue further reforms and check local authorities' abuses (which seemed to undermine growth and erode public tolerance for the regime)? With the passing of Deng and the revolutionary generation of leaders and their unique credibility with the military, and with the use of the army at Tiananmen still a relatively fresh memory, were civil-military relations stable in China and was Mao's dictum that the Party must command the gun fully in force? With political institutionalization suspect and communist ideology a spent force, could the regime sustain its legitimacy based on economic performance alone? Was such performance-based legitimacy itself imperiled—even at China's still relatively low level of wealth and development—by barriers to continued growth inherent in China's semi-reformed economy?

Eighteen years later, a session of the renamed Salzburg *Global* Seminar addressed some broadly familiar—and other more novel—questions in a very different context. In the intervening period, aspects of China in particular and China in broader context—industrialization, environmental challenges, legal development, differences and commonalities in "values" between Asia and the West and so on—had become topics for the week-long symposia at the postcard-perfect castle by the lake. At Salzburg, as elsewhere, relations between East and West had come to mean relations between a broadened "West" that incorporated the much-expanded group of European Union states, Western hemisphere countries and—in interest and orientation if not geography—countries in other regions including many of China's neighbors. The triangular China-U.S.-Japan focus of the 1995 Seminar had given way to something far more multifaceted. China's relations with the non-West, including South, Central and West Asia, the

Middle East and Latin America had grown thick and complicated enough to be addressed as distinct topics at the Seminar. Much of the discussion focused on how states in the West, East Asia and beyond were cooperating, or might coordinate, in their responses to a much more powerful and in some respects much more disconcerting China.

As with geography, so too with subject matter: the traditional, fundamental concerns of regional and global security, international trade and investment, and human rights and other values-related issues were hardy perennials. But the salient issues in assessments of China and its external relations had come to include much more. Deepened linkages among national economies had brought attention to Chinese outbound investment and its impact on sectors ranging from raw materials extraction to high technology, the likely effects of contrasting projections of Chinese domestic demand on exporting countries' economic health and global energy markets, and the implications for China's growth path of the lasting decline in markets for Chinese exports. China's environmental challenges had emerged as a threat to China's and, in turn, the world's growth (and, especially, sustainable growth) and as a major contributor to climate change and associated dangers of economic crisis, political instability, and worse. China's voracious demand for energy, prospects for greatly increased fossil fuel production in North America and the likely substantial hydrocarbon reserves beneath the sharply contested waters of the South and East China Seas were reshaping great power interests and international relations in a world where secure access to foreign oil resources had long been a major focus of national security and economic security.

Such issues are among the consequences of China's rise to become the world's second largest economy, largest trading state and soon-to-be largest economy and its growth as a key economic partner for countries far from its borders. Such concerns are also the fall-out of China's emergence as a formidable regional military power with proven ability to sow insecurity among neighbors (especially those embroiled in territorial disputes) and with growing capacity to impede the U.S.'s ability to conduct military operations near China.

The 2012 Seminar Session's title reflected the recognition of how the world and China's place in it had changed: "China in the 21st Century: What Kind of World Power?" Attempts to answer this question necessarily come with caveats about China's stature. China still lags far behind the U.S. in military capacity and possesses very limited ability to project force beyond its immediate region. The clout seemingly implied by China's impressively large and growing GDP and its massive foreign exchange reserves have to be discounted by China's still relatively low per capita income and the paucity of options for converting piles of largely U.S.-dollar-based holdings into useable power in international affairs. The prospect of a global power that is a developing country—and formally socialist (and at least residually Leninist) as well—has no precedent. Nonetheless, the indicia of China's major power status and global reach are manifest and pervaded discussion at the Seminar: the China-centered structure of the East Asian economic order; speculation that China aimed to revive the Sinocentric regional order that predated the nineteenth-century impact of the West; China's prominent place in formal and informal regional and global entities that had not existed in the middle 1990s, including the BRICs, the Shanghai Cooperation Organization, ASEAN-plus groupings, the G20, the East Asia Summit and so on.

To be sure, much of the discourse and debate at the Seminar addressed the threats to continued ascension that an incompletely risen China still faced. Some—but not all—of the apparent risks were descendants of those that had been principal concerns at the 1995 session. In 2012, what had seemed to have become an orderly and stable process for succession at the top had suddenly become badly unstuck when the Bo Xilai affair prompted old-style factional infighting, revealed a surprisingly robust challenge to a seemingly closed and largely top-down process, and triggered an awkward, several-week postponement of the Party Congress that would anoint the post-Hu Jintao leadership. It also spotlighted intra-elite divisions over agendas for economic reform and governance (ranging from Bo's neo-Maoist, quasi-populist hard-edged authoritarian "Chongqing Model" to Wang Yang's more popular-preference-accommodating and rights-regarding approach that had emerged through the provincial Party chief's response to widely publicized discontent over land-takings and scuttled local elections in Wukan, Guangdong). Even though the expected succession to Xi Jinping, Li Keqiang and other members of the top echelon of the Fifth Generation leadership ultimately held, critical accounts depicted problems of declining capacity and pointed to an ongoing oligarchy of the mediocre (compared to the exceptional, if sometimes deeply flawed, leaders of the revolutionary generation), the long term erosion of the central authorities' ability to control local powerholders and the retreat of the state from its former capacity—and will—to control Chinese society.

Skeptical questions about China's ability to extend its remarkable record of rapid growth and economic

transformation were serious, numerous and strikingly varied. Was China finally reaching the limits to growth inherent in the authoritarian developmental state model or, less fundamentally, the limits of what could be achieved without undertaking major and perhaps politically infeasible further reforms? Would China become ensnared in the "middle income trap"—the tenacious plateauing of economic growth that has bedeviled many countries when they have reached, roughly, China's current level of per capita income? With China's Gini coefficient—the ubiquitous measure of inequality—among the world's highest, would stark and severe maldistribution of wealth and opportunity, or the social unrest it was fueling, or the possibly growth-compromising costs of ameliorating inequality flatten or reverse China's already-falling growth rate? Would long-deferred environmental costs, tightening energy constraints, the resurgence of state-linked enterprises and concomitant retreat of a vibrant private sector, or a rapidly aging population (partly the product of thirty years of restrictive population policies) mean the end of China's remarkable run of rapid growth? Could potential crises in local government finance or the bursting of a real estate bubble or non-recovery (or re-collapse) of rich country demand for Chinese products bring more sudden and severe hits to the economic performance that has brought China internal stability and international power and influence? Amid revived territorial disputes and soured relations with China's neighbors, were China's leaders becoming more inclined—or more constrained—to sacrifice national economic interests in international cooperation on the altar of assertive and prickly nationalism?

Would the long-resilient authoritarian regime deploy adequate methods of "social management" (the slightly Orwellian phrase favored by official Chinese sources) or—more promisingly and more hopefully—find means to accommodate a much-changed and rapidly changing society? From the diverse perspectives of the Seminar's participants, threats to stability, risks of repressive reaction and hope for liberalization lay in the emergence of social media and other spaces for the expression of independent and critical views, vastly expanded access to ideas and information from abroad, rising rights-consciousness and demands for government accountability among ordinary citizens (spurred by official rhetoric that has endorsed the rule of law), the growth of a vast and economically insecure population of internal migrants, and the increasingly clear failures of repressive policies toward restive ethnic-religious minorities in Tibet and Xinjiang.

Although these are indeed daunting challenges and possibly serious perils with deep roots in China's Reform Era and the longer PRC Era, such difficulties face a country that has achieved a level of wealth, power and influence far greater than that which seemed certain—or perhaps even possible—a mere eighteen years earlier. Despite all the troubles actually or potentially besetting China in 2012, the relevant question is no longer whether China will become a global power but rather, as the 2012 Seminar asked, what kind of world power China will be.

As the 2012 Seminar title's also implied, China—not the United States—is now at the center. Where the 1995 session had focused significantly on *the U.S.'s* options and actions in responding to changes in Asia, many of the questions now are about *China's* choices. What path will Chinese foreign policy take now that China's power and prominence were consigning to the dustbin of history Deng Xiaoping's dictum of *taoguang yanghui* (often rendered—unfairly sinisterly—as "hiding brightness and nourishing obscurity)? What balance will China's policymakers strike between the Reform Era's traditional pragmatic developmentalism and the more recently ascendant and sometimes provocatively assertive nationalism? Are the ever-more-benign sounding doctrines of "peaceful development," "peaceful rise" and "harmonious world" sincere and sustainable? Are there still reliable foundations for a pro-status-quo foreign policy in the leadership's apparent preoccupation with domestic challenges and China's continued interest in a peaceful and stable external environment to support economic development at home?

Or, instead, will leaders in Beijing overestimate China's new clout, underestimate the U.S.'s resilience, and overreach in pressuring China's weaker neighbors? Are there indications of a broad inclination to use economic leverage to political ends in such moves as a threatened rare earth export embargo against Japan and moves to punish Norway over the Nobel Peace Prize for dissident Liu Xiaobo or the Philippines over the South China Sea island disputes? Are prospects for cooperation with the U.S., the West and East Asian states severely undercut by perceptions of a U.S.-led plot to encircle China or keep China down, by exaggerated fears in Beijing of foreign-fomented secessionism in China's far West, or lingering and recrudescent senses of "victimhood" rooted in China's bitter nineteenth to mid-twentieth century experiences of colonial and quasi-colonial encroachment?

Are there meaningful signs that China will become a "responsible stakeholder" in the international system in its assertion and assumption of a major role in the G20-centered process for addressing the Global Financial Crisis, its ever-expanding participation in international regimes (particularly economic ones) and the relaxation of its once-

uncompromising commitment to state sovereignty as a shield against human rights critiques and sanctions targeting problematic regimes? Or do the more significant harbingers lie in China's chafing at what it sees as politically motivated resistance—ostensibly on national security grounds—to Chinese outbound investment and high-technology imports, in chronic frictions with WTO partners over intellectual property, market access and unfair trade practices, and continuing preferences for bilateral over multilateral arrangements and recommendatory over binding processes for resolving disputes?

Is China's ability to craft and implement a stable, coherent and national interest-serving foreign policy increasingly at risk? The question has seemed increasingly relevant as the Chinese actors with stakes in China's external relations have grown in number, variety and clout: state-owned enterprises, sub-national governments, private firms, multinational corporations, new and traditional media, hordes of Netizens and public intellectuals from across China's broadened spectrum from radical reformist to New Left, from cosmopolitan globalist to ardent nationalist.

Questions of how the U.S. will deal with the most dramatic change in Asia had shifted in the opposite direction (if not quite to the same extent) during the eighteen years between the two Salzburg Seminar sessions. The long-term trends of relative U.S. decline and absolute Chinese rise meant much-reduced room for U.S. choice, much less U.S. diktats. A recurrent theme at the Seminar was the waning of the leverage that U.S.—and other, weaker states—held over China. Some argued that phrases such as "engaging China" or "integrating China" were outdated, misleading and insulting in their implications that the U.S. or others had the discretion and ability to grant or deny China stature in—much less access to—the international system. Many cautioned that simply hectoring or condemning China on human rights or greenhouse gases or intellectual property rights or other issues offered little hope for impact and risked being counterproductive. Human rights especially pointed to the complexity of the options facing the U.S. and other foreign states in dealing with a more powerful, confident and recalcitrant China. While few saw promise in the old approach of naming, shaming and threatening (but rarely imposing) sanctions, views were more varied or syncretic about what should replace it: cooperative approaches that stressed capacity-building, civil society development, progress toward the rule of law and other aims that were not obviously threatening to the regime's hold on power and that resonated with articulated regime interests and goals; and, perhaps at the same time, continuing to stress the universal human rights (especially civil and political liberties), partly as to remain true to our own values and partly to support those inside China who form a receptive audience and include brave advocates for positive change in China.

Dealing effectively with a large range of international issues, including volatile territorial disputes along China's maritime periphery, post-Global Financial Crisis international economic affairs, nuclear proliferation in North Korea, Iran and elsewhere, and climate change, requires finding ways to work with China. Policies toward China have come to be important to other states' national interests—so much so that there were multiple warnings at the Seminar that domestic politics in the U.S. and Europe (and other countries) too often produced ill-considered policies and political rhetoric toward China that ill-served national interests.

A broad and stark variation of the 2012 Seminar's titular question—"What Kind of World Power?"—loomed over the discussion of specific issues: Should the U.S., China's neighbors and pretty much everyone else proceed from the assumption that an increasingly powerful China will—or can be steered to—remain broadly accepting of the international status quo and, beyond that, become a bearer of a greater share of responsibilities to provide regional and global public goods? Or should other countries' policies be based on the premise that China will ne—or at least very well might be—a revisionist power, potentially as disruptive to the largely U.S.-led current order as the rise of Germany and Japan were to the international relations and international systems of an earlier era? For advocates of both views, China's contemporary rhetoric and action—and contending theories of international relations as well—provide ample support.

With such basic questions not amenable to consensus answers (and with any answers being of limited relevance to near-term and specific policymaking), more disaggregated assessments and more nuanced prescriptions become the pressing issues. As the balance of "hard power" has shifted toward China, balancing and hedging have become evident and seem to be wise and inevitable approaches, including: the U.S.'s "pivot" or "rebalancing," other U.S. efforts to reassure China's nervous neighbors of Washington's commitments to the region, and Asian states' pursuit of closer alignment with the U.S. in a more partnership-like approach to regional security and stability. Facing a much more China-focused East Asian and, increasingly, global economy, the U.S. has understandably and sensibly sought—openly and sensibly if not clearly successfully—to parry the trend through such initiatives as a Trans-

Pacific Partnership among the U.S. and market economies in Asia and other endeavors to foster trade liberalization in the wake of the belatedly approved U.S.-Korea Free Trade Agreement. While China's rise has brought shifts in its favor in military and economic power, soft power appears to be a persisting and relatively growing strength for the United States. Across the wide spectrum of perspectives and backgrounds represented among the Seminar's participants, there was striking agreement that China's soft power has remained weak and has recently declined. China's implicit social-political model holds little appeal abroad. Values from China are stubbornly cast in parochial rather than universal terms. And Beijing's once seemingly formidable charm offense became a casualty of China's increasingly aggressive stance on territorial disputes and other foreign policy issues and the worries in Asia and beyond inescapably generated by China's great and growing clout.

With China's relations with the U.S., China's neighbors and the rest of the world having grown so much more dense, complicated and ambivalent, a Salzburg Seminar-style approach may be more necessary than ever. Gathering participants from every relevant line of work, area of study, stage of career and region of the world can be a powerful solvent to the institutional and intellectual stove-piping and siloing that surely ill-serve the ends of crafting official policies and private sector approaches to the now-pervasive questions of China and its interactions with the world. Removing such people from their ordinary professional lives with their focus on immediate problems and specialized fields, and cloistering them in an intellectually open (and embarrassingly idyllic) space, creates an all-too-rare opportunity to slough off conventional wisdom, consider alternative perspectives and think outside the box. To be sure, the seeds sown on such occasions may not yield a harvestable crop until much later. But, given the magnitude and complexity of the challenges posed by a changing China and its changing place in the world, we cannot afford to eschew any promising method, not least the Seminar's eclectic version of crowd-sourcing among leaders and future leaders in a world where we all must be China hands now.
