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**Research Report**

## Emerging powers in their regions: China's impact on its neighbours' political systems

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## Emerging Powers in their Regions: China's Impact on its Neighbours' Political Systems

Driven mainly by domestic imperatives, China has emerged as a new economic and political player in its region. This rise coincides with a tendency towards autocratisation in Asia that has been facilitated to some extent by a convergence of the interests of China's and its neighbours' governments. Faced with this reality, the West

should reflect on its strategies for the further enhancement of human development: it should integrate China into the donor architecture, help it to improve its domestic governance and pursue a more principled engagement in Asian developing countries.

### China's domestic politics

China has undergone impressive social, cultural and socioeconomic development during the last three decades. It has liberalized its economy and reorganized its state bureaucracy, and new social classes have emerged. While major transformations of its economic system have significantly affected Chinese society, the country's political order of single-party dictatorship has remained intact. Despite its shift from totalitarianism to a merely authoritarian regime, the Chinese governance system continues to consist of a double structure in which the Communist Party's monopoly of power is based on control over state personnel. The stability of this political order, which is built on a highly exclusive party, relies heavily on the repression of political and civil freedoms that might bring about organized opposition. Consequently, the Communist Party has replaced control over individuals, formerly exercised through the commune system, with a new security apparatus, including tight media control, trained armed police forces and a controlled judicial system. While restricting the political rights of the people, the Communist party leadership justifies its monopoly by referring to its benevolence. As the transformation of the socialist economy advanced, the Chinese government became heavily dependent on the economic prosperity needed to create the jobs that would eradicate poverty and improve living conditions. Its economic success and the enormous progress in poverty reduction notwithstanding, the Chinese leadership has come under pressure from increasingly visible social disruptions, income inequalities and widespread corruption. Confronted with a rising number of public protests, the government has tried to redirect domestic discontent in nationalist campaigns aimed at the outside world and

responded to social discontent by promising more social justice and more balanced economic development. In sum, 30 years after economic liberalization began, China's considerable international economic weight is not matched by political stability, and its domestic political order rests on a relatively fragile base.

### China's regional policy

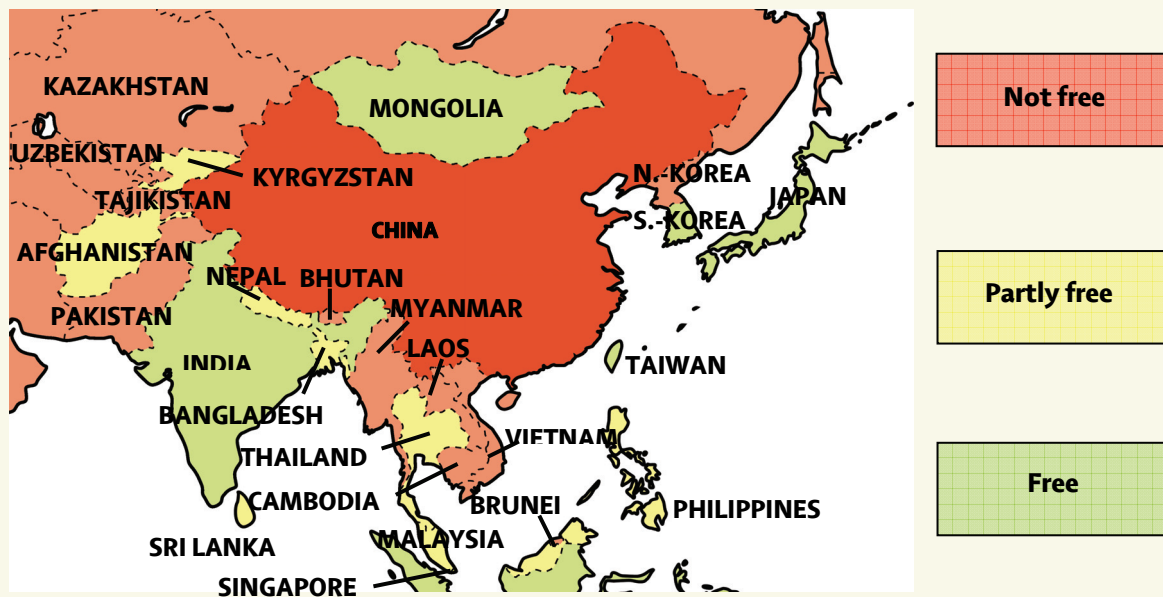
China's external relations, especially with its neighbours, are strongly influenced by its internal development, and its regional policy is guided by its internal needs. Key factors driving the government's regional policy are the quest for territorial integrity and internal security, domestic pressure to develop Chinese society further by providing jobs and the need for natural resources to feed the economy.

Irrespective of long historical ties, China's engagement with its neighbours is relatively new, but has developed rapidly. In the first decade of adopting a more open approach, Beijing focused on relations with the USA, paying less attention to the developing world, but during the 1990s the Chinese government developed a pronounced interest in its regional neighbourhood. Starting in the early 1990s with cautious attempts to normalise its relations with its neighbours, China was brought closer to its region by the Asian financial crisis. Since then, China has actively sought to engage with its neighbours and has increasingly initiated regional co-operation, which has been reflected in soaring bilateral trade and investments in the new millennium.

In China's regional environment, territorial integrity is not only a reference to the Taiwan issue, a generally dominant consideration in its external relations: it also extends to China's internal security, especially in the con-

The rise of regional powers has attracted growing international attention. Such emerging countries as China, India and Russia not only have an economic impact in their regions, but have also established themselves as political heavyweights. In a series of Briefing Papers, the DIE considers how far these power shifts have increased the influence of regional powers on governance structures in neighbouring countries.

Graph: Democratic freedoms in China and its region



Source: Freedom House: Freedom in the World 2009, aggregated country scores

text of its huge and sparsely populated Autonomous Regions Tibet and Xinjiang. Rich in natural resources, these vast territories in the West of the country are strategically important. Home to ethnic and religious minorities also to be found in neighbouring Nepal, Tajikistan, Uzbekistan and Kazakhstan, these economically disadvantaged territories are particularly unstable and prone to social or separatist unrest, as the protests in Xinjiang have recently shown. In its effort to remain in political control of these territories, the Chinese government is trying to reinforce its domestic settlement policy of assimilating and demographically crowding out minorities by bilaterally and multilaterally involving its South and Central Asian neighbours in measures to combat the "three evils" of terrorism, extremism and separatism.

From an economic perspective, too, China's internal development strategy since the mid-1990s has incorporated its regional neighbours more explicitly than before. Its political order remains heavily dependent on its economic growth. An important aspect in this context is the ever growing disparity within the country between its industrialised East and its very backward West. Having directed foreign capital, technologies and know-how towards the country's eastern coastal area in the first decades of reform, the government has tried to redress the development balance in recent years by enabling provincial governments to cooperate more closely with China's geographical neighbours. Consequently, in no more than a decade, Chinese provinces have become, for neighbouring Asian countries, a major trading partner, one of the most important foreign investors and a valuable alternative donor. In line with its "going out" policy, designed to enhance the competitiveness of strategic state-owned corporations, especially in the energy sector, the Chinese government is concentrating its economic assistance and regional

outward investment on developing new export markets and exploiting natural resources, which usually entails the provision of infrastructure, such as highways, railways, canals, ports and pipelines.

However, China's cultivation of its regional environment, reflected in ever closer economic ties, goes well beyond economic interests in that it also pays political and geostrategic dividends. Since the Chinese government realised in the mid-1990s that a hostile regional environment could seriously threaten China's development if it were to endorse the USA's containment policy, China has launched a charm offensive aimed at its neighbours. The Chinese leadership reacted to their fears of China's growing economic and military power by peacefully settling its border disputes with all its neighbours except India, by revising its aggressive approach to the disputed oil-rich islands in the South China Sea with a multilateral agreement, by intensifying bilateral diplomatic and economic relations with all its neighbours and by acting as a promoter in such multilateral regional organisations as ASEAN and the Shanghai Cooperation Organisation. In this context, the Asian financial crisis turned out to be a key event in China's efforts to appease the region, since it presented an opportunity for the Chinese government to prove its peaceful intentions.

With its very successful charm offensive, the Chinese government has laid sound foundations for pursuing its more extensive geostrategic interests in neighbouring countries. Many of China's foreign infrastructure projects, especially the construction of ports in Pakistan, Cambodia and Sri Lanka, are of a dual-use nature and could be of strategic value for the Chinese navy not only as a means of securing oil-shipping routes through the Indian and Pacific Oceans, but also in the event of military conflict over Taiwan.

## China's footprint in the region

By the end of this decade, the Chinese government will have successfully transformed the hostility inherent in its neighbours' perception of the "China threat" into an overtly good-natured attitude. Beijing considers political stability in neighbouring countries to be of the utmost importance if it is not only to continue on its domestic development path and to safeguard its own internal security, but also to achieve its external economic and geostrategic goals. Where the political order in its environment is concerned, China's foreign policy approach is therefore status quo-oriented and is explicitly characterised by a long-term perspective that relies heavily on generational leadership turnover (as in Laos) and long-term demographic trends in Asia, which are expected to be in China's favour (as in Mongolia). Given the low level of democratisation in the region, this attitude implies *de facto* a preference for autocratic governments.

Above all, China has acted as a protector of the Burmese and North Korean leaderships, two of today's most repressive dictatorships. North Korea's dysfunctional regime would probably already have collapsed if it had not continuously received Chinese food aid and other vital assistance. Similarly, the Chinese government has supplied economic and technical aid and military hardware to the Burmese junta. The main reason for China's diplomatic protection of both pariahs

against UN activities, as in the aftermath of the Saffron Revolution in Burma in 2007, has been its desire to safeguard its own investments in these countries. The Chinese government is consequently opposed to regime change in Burma and North Korea, but would nevertheless welcome economic reforms modelled on its own.

However, whenever there is political turmoil or violent conflict over power in neighbouring countries, China's attitude is overtly opportunistic. Though rhetorically refraining from meddling in other countries' internal affairs, it hurries to woo the victors. While Western countries expressed serious concern about human rights issues, China turned a blind eye to the legitimacy question after armed conflict in Cambodia (1997), a coup in Thailand (2006), the replacement of democratic government by an absolute monarchy in Nepal (2005) and the violent repression of the Andijan uprising in Uzbekistan (2005), for example. Occasionally, in defiance of its rhetoric, the Chinese government does come down heavily on the side of one party: in Sri Lanka, for instance, Chinese military support for the government from 2007 onwards and its blockade of UN actions were pivotal in the defeat of the Tamil insurgents and in bringing the civil war to an end.

Many of China's neighbours have, in turn, embraced diplomatic and material support from China as a means of extending their room for manoeuvre domestically

### China strengthens authoritarian structures in Cambodia

Historically, China's regional interests in the context of the containment of Vietnam has had devastating effects on Cambodia and prolonged the Cambodian civil war. The Chinese government was a major military and technical supporter of the Khmer Rouge, but it also courted King Sihanouk. In 1993, the royalists won the elections held under UN supervision, but were forced by the threat of continued civil war into a coalition with former Prime Minister Hun Sen. In 1997, the conflict escalated when Hun Sen's troops pre-empted an alleged royalist coup. In reaction to the open violence, Western donors withheld assistance flows to Cambodia. The Chinese government, on the other hand, was among the first to endorse Hun Sen as Cambodia's sole Prime Minister.

Following this turning-point in their relations, Hun Sen, formerly disliked as a Vietnamese puppet, quickly turned out to be one of China's closest friends in the region. Hun Sen severed relations with Taiwan and was generously rewarded: in 1999, the Chinese government began to provide military assistance to the Royal Cambodian Armed Forces loyal to Hun Sen. Chinese state and private companies also became major investors, notably in the textile industry and agro-business, and acquired numerous land concessions. China is interested in the Cambodian offshore oil and gas reserves that were discovered in 2004. China pledged US\$ 600m to Cambodia in 2006 and US\$ 250m in 2008, and most recently, in October 2009, a pledge of US\$ 850m was announced. This has effectively enabled the Cambodian government to play off old and new donors against each other. While external pressure has forced Hun Sen's aid-dependent government on several occasions in the past to seek reconciliation with political challengers, to agree to elections and to respect human rights, he recently reiterated his pleasure at the absence of strings attached to China's development assistance. Some of the infrastructure projects financed and constructed by China at the request of the corrupt Cambodian government are highly questionable, examples being a hydroelectric power station in a national park and protected area, which had been rejected by traditional donors because of its ecological and economic unsustainability.

In sum, China's investment in Cambodia has paid dividends: Hun Sen's government acts as China's voice in ASEAN, China has access to the Cambodian port of Sihanoukville, which could be of strategic relevance, and the Cambodian government has become particularly silent over China's upstream dam-building projects along the Mekong, although they will certainly have an adverse effect on Cambodians who depend on agriculture and fishing.

Concerned about the effects of China's engagement in Cambodia, traditional donors have tried to integrate the Chinese government into the existing coordination body. So far these attempts have had mixed results.

and internationally. In economically weak countries in particular, China's assistance and its maximum-effects-with-minimum-resources strategy effectively enables fragile governments to bolster their domestic power position. This approach is aimed at financing and constructing such high-profile, low-cost prestige objects as civic beautification projects in central Vientiane, the presidential palace in East Timor and the Council of Ministers building in Phnom Penh.

In addition, most Asian countries have welcomed China's charm offensive as a counterbalance to the influence of other regionally relevant powers, including Russia (as in Mongolia and Central Asia), India (with respect to Bangladesh, Nepal, Burma and Sri Lanka), Thailand and Vietnam (particularly in Laos and Cambodia), Australia (in East Timor) and, of course, the USA. In this perspective, China has improved the bargaining position of many contested governments vis-à-vis other regional players and the West by acting as an alternative source of military equipment and as a donor willing to finance formally unconditional assistance projects which, though wanted, are highly questionable.

A "win-win" relationship between the Chinese ruling elite and its counterparts in the regional environment has evolved: China's accommodation of the needs of its counterpart very often converges with Chinese commercial interests, in the Chinese construction sector, for example. Consequently, the Chinese government faces little, if any, resistance when Chinese activities have an adverse effect on the people of neighbouring countries. Very few governments, for example, publicly raised objections to Chinese upstream activities on the Mekong River even though they will seriously affect the livelihoods of millions downstream.

## Conclusions

China's emergence as an increasingly active economic and political player and the role model it provides for development on the one hand and autocratisation trends in the region on the other raises the question of how to react to these parallel tendencies. Given the Western agenda for achieving the Millennium Development Goals and promoting democracy, three considerations seem particularly important:

1. China's political engagement with its neighbours, and particularly its growing role as a new donor of development assistance and an investor, is a fact. As many developing countries welcome China as an alternative donor and therefore a means of bringing pressure to bear on traditional donors, the most constructive approach would be to integrate China as far as possible into the aid architecture in the medium to long term.

2. In the short term, however, Western donors should not become unprincipled over the competition with China. To create coherent incentives for good governance in developing countries, donors should allocate aid or engage in trade agreements in line with the recipient's willingness to reform. Bearing in mind that it is not desirable for any of the Asian leaders to be dependent solely on Chinese development assistance, Western decision-makers should not underestimate their own potential leverage.
3. Given China's recent function as a role model for other developing countries and the spill-over of its governance patterns with its foreign direct investment in the region, the improvement of its domestic politics with a view to good governance would most probably have a positive impact on the region as such. Western policy-makers should therefore encourage the Chinese government to improve its governance, especially in areas in which Chinese influence is prone to be exported with external business relations. Chinese standards in the areas of the rule of law, labour and environmental policies are most often applied in societies with weak labour and environmental protection and law enforcement. Western governments should also continue to call on China to improve its human rights situation and confront the Chinese government with their concerns in an appropriate forum.



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