

# China Becoming a Responsible Stakeholder

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### Introduction: What does “responsible stakeholder” mean for China and U.S.-China Relations?

The long-term trend looks positive that China is *becoming* a more responsible stakeholder in world affairs, increasingly willing and able to cooperate in the delivery of international public goods such as economic stability, nonproliferation, peacekeeping, and regional security. At the same time many concerns remain about China’s current and longer-term policies, and how they contrast with U.S. interests.

Before delving into the evidence for this point, we should first review the purpose and meaning behind the responsible stakeholder concept. First, the concept communicates to Beijing a broad set of expectations of where and how the United States would like to China become a more responsible power. The concept points out that the United States expects China to meet certain international standards, and that China should abide by its stated and implied commitments to international rules, norms and institutions. In this sense the responsible stakeholder concept outlines a set of “behavioral benchmarks” against which the United States can gauge Chinese policies and practices in the international system as it wields growing power and influence.

Second, the concept argues that China and the United States will have a better relationship when Beijing defines its own national interests not in narrow, self-interested ways, but more broadly so as to nurture and sustain the global system from which it has gained so many benefits. In doing so, China would take actions which are increasingly convergent with international norms, international institutions, regional expectations, and U.S. interests.

### Becoming a responsible stakeholder

How is China doing in meeting U.S. expectations and contributing more positively to the international system? Looking back over the past 15 years and looking ahead to the next 10 or 15, the trend is clear that China is becoming a more responsible stakeholder. Beijing is taking actions at a global and regional level which by and large are more convergent with U.S. interests, regional expectations and international institutions while making contributions to regional and global security, stability and prosperity and more openly seeking cooperation in the delivery of international public goods.

Indeed the most striking feature of Chinese global security and economic policy is its *acceptance* of international norms within a system largely built by the United States, *not* its resistance to them.

This dominant trend looks set to continue for the near- to medium term, principally because it is so clearly in Chinese interests to maintain and even strengthen this posture. As the Chinese government has stated, “Never before has China been so closely bound up with the rest of the world as it is today.” China’s more responsible approach to world affairs in the past decade-plus can be attributed to three powerful motivations for the Chinese leadership: (1) alleviate external

tensions in order to better address domestic challenges; (2) reassure neighbors about a growing China's peaceful intentions and defuse the emergence of soft containment or other counterbalancing against China; and (3) work to balance, but not confront, the United States. These drivers are likely to shape Chinese foreign and security policy for the near- to medium-term as well.

Where do we see this more responsible approach in action, and where do we need to see much more? Here are some briefly described developments, both positive and negative:

**Non-proliferation/Counter-proliferation:** China has dramatically reduced its weapons of mass destruction (WMD)-related exports since the mid-1990s as the scope, frequency and technical content of China's WMD-related exports have narrowed and declined. China has cut off most of its sensitive exports to Iran (nuclear cooperation/cruise missile exports) and introduced and implemented domestic export control systems and regulations which cover nuclear-, chem/bio-, missile-, and conventional- related weapons. It has signed on to and adhered to nearly every major international arms control treaty (Nuclear Nonproliferation Treaty, Comprehensive Test Ban Treaty, Chemical Weapons Convention) and became member (along with the United States) of major supply-side denial cartels such as Zangger Committee, Nuclear Suppliers Group, and Australia Group. Beijing has worked with the United States and others to resolve the nuclear weapons-related challenges posed by countries such as North Korea and Iran. China has backed off its vocal opposition to American missile defense plans. China has been a cooperative partner in the Container Security Initiative (CSI), an international effort led by the United States to prevent the shipment of dangerous materials, especially nuclear-related devices, onto American shores. And, while it is not a formal member of the Proliferation Security Initiative, China has also taken action consistent with U.S.-led plan to prevent sensitive weapons and materials from reaching the hands of terrorists.

However, some concerns persist, particularly regarding continued sensitive exports to Iran (missile-related) and Pakistan (nuclear- and missile-related). China's own military build up, particularly its strategic arsenal, while still comparatively modest, nonetheless raises important concerns for U.S. interests as well.

**Asian security:** Recent years have witnessed an active increase in Chinese participation in and even creation of a wide range of multilateral and bilateral security dialogues, confidence- and security-building measures, and military-to-military diplomacy. Many of these measures have made a direct contribution to stabilizing relations between China and its Asian neighbors while contributing to greater stability and improved economic prospects in the region. China today is much more active in the Association of Southeast Asian Nations (ASEAN) Regional Forum (ARF), including hosting of numerous confidence-building conferences for the membership. China took an active role in the creation of Shanghai Cooperation Organization, including the implementation of Organization for Security and Confidence in Europe (OSCE)-like measures to demarcate and disarm disputed border regions, undertake joint military exercises, and engage in full range of political, economic, security, educational, and cultural exchanges with Central Asian neighbors. China has likewise invested heavily in the success of the Six Party Talks on Korean peninsula security and taken a leading role in nudging that process in positive directions.

Embrace of these security dialogues and confidence building measures should be welcomed. However, the degree to which China seeks to block the United States out of regional security mechanisms is an area of concern. Most importantly, China's military approach to resolving its differences with Taiwan is not conducive to regional stability and certainly not to China's insistence that it intends to "peacefully rise" in the region.

**Energy security:** On energy security, Beijing has increasingly come to recognize the foolhardiness of a mercantilist approach, and today depends almost entirely on the international marketplace for the comparatively small percentage of its total energy needs which it imports. As late as 2000, even though China accounted for 10 percent of global energy demand, China was able to meet around 95 percent of its energy needs through domestic sources. Today, China accounts for 15 percent of global energy demand, and must increasingly rely on a diversity of foreign sources of energy supply, especially oil. In a modern-day version of bringing coals to Newcastle, China actually imported coal in 2006-2007, in spite of the fact that it holds what are believed to be the world's largest coal reserves. China today is the world's second largest consumer of energy (the United States, with about a quarter of China's population, is by far the largest energy-consuming country on the planet) and is or soon will be the world's largest emitter of greenhouse gases, surpassing the United States.

At the same time it is important to recognize the China remains far less energy dependent on foreign sources than other major economies such as the United States, Japan, and the major European economies. Only about 12 to 15 percent of China's energy needs are met by foreign sources. Beijing looks to keep its energy dependence at around this level by introducing efficiencies, restraining the growth of energy-intensive industry, and diversifying sources of domestic supply such as nuclear, hydropower, and other renewables, as well as expanding exploration for new domestic sources of oil and gas.

China's increasing demand for energy to fuel its economic growth leaves the country with little choice but to integrate as fully as possible in the global energy market. Moreover, as it does not command the political or military resources to protect or when necessary enforce access to energy supplies, it is all the more compelled to use economic means and rely on the international marketplace for its needs.

There remain continuing concerns that China may pursue a more mercantilist policy which would leverage its economic clout to "lock up" energy supplies. Where China's energy policies raise the greatest concerns about its role as a responsible stakeholder have more to do with energy use and its contribution to global climate change. Because of its heavy reliance on domestic supplies of coal, and because of energy-intensive industry accounts for the overwhelming share of China's energy consumption (about 70 percent of China's final energy consumption is accounted for by industry), China will soon become the world's largest contributor to greenhouse gases.

While there is much more work to be done on this front, China has taken steps both domestically and internationally to contribute in a more responsible way to reducing its impact on climate change. China is a member of the Asia-Pacific Partnership for Clean Development and Climate (initiated in January 2006) along with Australia, India, Japan, South Korea, and the United

States. China is also a member of the Methane to Markets Partnership, a multilateral effort initiated by the U.S. Environmental Protection Agency in 2004 consisting of 18 countries. China participates alongside the United States in numerous other multilateral partnerships aimed at cooperatively addressing the challenges of energy security and climate change.

**Economic development and assistance within and beyond Asia:** China has long provided aid to the developing world, beginning from the earliest years of the People's Republic. More recently, China has begun to shift from a net recipient of foreign aid to a net donor and has been expanding the quantity and quality of both its development aid as well as its humanitarian assistance. China announced in 2006 its intention to establish a \$5 billion Africa Development Fund to encourage Chinese investment on the continent. China has in recent years pledged to offer duty-free treatment to African exports, and written off some \$2 billion in debt to over 30 African countries. According to a World Bank study in 2006, *Africa's Silk Road*, China's Export-Import Bank has provided an accumulated total of some \$12.5 billion for infrastructural development alone.

The Beijing Action Plan coming out of the 2006 Forum on China-Africa Cooperation pledges a significant increase in Chinese aid to Africa: providing hundreds of Chinese experts in agriculture, health and other fields; doubling of aid to Africa by 2009; doubling the number of fellowships to 4,000 for African students attending Chinese universities; canceling interest-free government loans which became due in 2005 for the most heavily indebted and least developed African countries; training 15,000 African professionals by 2009; building 30 hospitals and 30 anti-malarial demonstration clinics, while providing RMB 300 million (about \$37.5 million) worth of anti-malarial medicines.

However, while this shift toward becoming a greater donor is largely welcomed many in the international community are concerned over the relative opacity of China's foreign aid, and its "no strings" nature which does not tie the aid to improvements in accountability or good governance in the recipient country. The World Bank and the Africa Development Bank are worried that Chinese commercial loans to the developing world, particularly to countries that are not in a position to take on more debt, is not helpful.

**Peace-keeping and enforcement:** Again, China's record is interesting and increasingly constructive, though with some limits and concerns. China has significantly ramped up its contributions to United Nations peacekeeping activities by nearly 20-fold in the past 8 years, moving from about 50 to 60 observers per year in 1999, to around over 1,800 troops, military observers, and civilian police deployed in 12 blue helmet missions around the world (as of May 2007). In doing so, China has risen from about 45<sup>th</sup> to the 12<sup>th</sup> leading contributor to United Nations peacekeeping missions. Until the large French contingent was sent to Lebanon last September under the U.N. flag, China was for several years the leading contributor of peacekeeping among the Permanent-5 members of the U.N. Security Council, and was a greater contributor to U.N. missions than any member of the North Atlantic Treaty Organization (NATO). China has indicated its willingness to provide a large contingent of some 1,000 troops to Lebanon, to expand its existing contribution to United Nations forces in southern Sudan, and to contribute significant numbers to any United Nations mission which can be deployed to the troubled Darfur region under the auspices of the Annan Plan.

In recent years, China has also offered support to United Nations “Chapter 7” missions which authorize the use of “all necessary measures” (including the use of force) to fulfill the intervention mandate, even in cases when the intervention would not be carried out under the United Nations flag. This was the case in support of the Australia-Thailand led force to intervene in East Timor (known as the Interim Force in East Timor, or INTERFET), and the case when a United Nations peacekeeping mission was sent to East Timor (U.N. Transitional Administration in East Timor, UNTAET). It was also the case when China supported U.N. Security Council Resolution 1368 which blessed the U.S.-led intervention into Afghanistan in 2001. In other key steps, China also took part in the unanimous vote on Security Council Resolution 1441 in November 2002, which found Iraq in “material breach” of its disarmament obligations, recalled past resolutions that authorized certain member states to use “all necessary means” to enforce previous resolutions concerning Iraqi compliance aimed at “restoring international peace and security in that area,” and reminded Iraq it would face “serious consequences as a result of its continued violations of its obligations.”

However, there are limits to China’s contributions to or other support for peacekeeping and other forms of military intervention in unstable areas. Most of China’s peacekeeping activities focus on reconstruction and medical care. Its civilian police have been engaged in some anti-riot activity in Haiti. But thus far Chinese soldiers and police involved in United Nations peacekeeping have not engaged in “peace enforcement.” Given the typical reluctance of United Nations members generally to support active military intervention and peace enforcement missions under the United Nations flag, China’s peacekeepers are unlikely to be engaged in combat. Moreover, Beijing will not likely offer active political support, let alone offer up soldiers, under circumstances where sovereign governments openly oppose the intervention of United Nations forces.

**The maintenance of an open, rules-based trading system:** China’s overall embrace of globalization, openness to trade, and its remarkable economic success impacts the world economy in numerous positive ways. Joining and largely adhering to the World Trade Organization is an enormous step forward in placing China within the open and rules-based trading system. As a result, China has become one of the world’s top engines for global economic growth.

Compared to other developing world economies, China’s average import tariff rate is low. Total trade as a percentage of GDP – another critical indicator of the openness of a country’s economy – is a remarkable 65 percent. The ratio of China’s imports to gross domestic product (GDP) is very high at around 30 percent (in 2005), another indicator of China’s economic openness: that ratio is twice as high as that of the United States and three times as high as that of Japan. In 2005, China accounted for 12 percent of global economic growth. China’s open economy has benefited the United States as well: U.S. exports to China grew by 160 percent for the period 2000-2005, accounting for no less than 25 percent of U.S. export expansion during that period; meanwhile, American exports to the rest of the world grew on average by 10 percent during that period.

China is also open to investors and has been first or second (with the United States) as the most popular recipient of foreign direct investment since the early 2000s. China continues to lower barriers to all sorts of inward and outward investment. The recent U.S.-China Strategic Economic Dialogue saw continued willingness on China's part to gradually liberalize various service sectors, especially its financial services sector, by allowing U.S. and foreign companies to invest in them.

China's deepening integration into the world economy has driven prices down for labor-intensive goods, an overall boon for consumers around the world, including in the United States. For the United States, because of China's low-cost, high-quality exports and its rapidly expanding domestic market for American exports, the United States is on balance about \$70 billion richer every year as a result of trade with China. At the same time, China's spectacular growth has driven global demand in extractive industries, raw materials exports from crude oil to concrete, agricultural products, high-tech goods, and services, sending prices for these goods and services higher.

However, questions arise about China as unfair competitor. Manufacturing sectors in the United States – such as apparel, footwear, and furniture – are adversely affected but China's success in these sectors. China's government – from subsidized loans to currency controls – still maintains a powerful interventionist influence which runs counter to market forces. Principal among these concerns for the United States and others is the undervaluation of the Chinese currency, continued barriers to entry in China's services industry, and rampant intellectual property rights violations, all of which undermine China's role as a responsible stakeholder in global economic affairs.

**Human rights:** On questions of human rights, and particularly Beijing support for abusive governments around the world, China's hoped-for acceptance as a “responsible great power” falters most. While Beijing has taken some positive steps consistent with global norms, regional expectations, international institutions, and U.S. interests, it still lags behind on these fronts. Positive steps have included recent support for the Annan Plan for a more robust African Union force to quell the violence in Darfur. In the past year, Beijing has placed greater pressures on the government in Khartoum to comply with the will of the international community. During his high-profile visit to Africa, including Sudan, in early 2007, Hu Jintao publicly called for the Sudanese government to take measures to protect its citizens. Beijing also appointed a special envoy to monitor the Darfur crisis, and has agreed to deploy Chinese troops as part of a joint United Nations-African Union force in the troubled region.

However, China's jealous protections for noninterference in the internal affairs of sovereign states often puts it at odds with the United States and other major players in the international community, particularly those in the West. Close and supportive relations with countries such as Burma and Zimbabwe, while coming under some reconsideration in Beijing, are not consistent with the responsible stakeholder concept.

China's domestic record on human rights – especially regarding political, religious, and press freedoms – remains problematic and in some cases deeply troubling and appalling to Americans and much of the world. Domestic behavior and international credibility cannot be readily

separated or neatly quarantined one from the other. It will be difficult for Beijing to be accepted as a responsible stakeholder – or for outside observers to believe that egregious policies at home are not reflected abroad – as long as political and civil freedoms are severely restricted in China.

### **The U.S. response and future U.S.-China relations**

It is clearly in the interests of the United States to deepen and sustain these positive trends while moderating and hopefully changing the negative in a more positive direction. American strategy can – and must – respond to China’s emergence in a way that assures regional and global stability, realizes the greatest possible economic benefit, averts worst-case outcomes from China’s socioeconomic transformation, and increasingly integrates the country as a partner – or at least not an active opponent – in achieving a prosperous and stable world order. To achieve these important aims, the United States already takes, should continue to take, and should further strengthen measures which encourage China to become a more responsible stakeholder in international affairs. In doing so, however, Washington should be cognizant of the constraints on American influence, but not allow that to become an excuse for inaction. This is a tall order, but America’s strategic interests depend on such outcomes. How to realize them?

First, where an international consensus on a particular issue is clear, Beijing has tended to become more supportive of it – or at least acquiesce to it. By and large, Beijing does not wish to be seen as an outlier on critical global and regional issues. Hence, a critical part of gaining China’s cooperation as a responsible stakeholder will continue to depend in the future on the United States taking the lead to forge broad international support to shape Chinese policies in a positive direction. This approach has worked well on such questions as nonproliferation, multilateral security mechanisms and other confidence- and security-building measures, addressing problems of unstable or failing regimes, counterterrorism, and encouraging more positive Chinese policies in Africa.

Second, Beijing’s choices to take more positive measures will first and foremost derive from its own realization that it is in Chinese interests to do so. Hence, an effective U.S. policy must make a convincing case that China’s commitment to becoming a more responsible stakeholder is not only in U.S. interests, but is equally or even more so in China’s interests. This appears to be China’s understanding as it recognizes the value of multilateral security and confidence-building measures, puts greater pressures on governments where it has influence to comply with the will of the international community – such as with North Korea – and to more openly seek cooperation in the delivery of international public goods such as peacekeeping and economic benefits.

Third, Washington must devote the time and resources within the policymaking process to research, understand, and recognize what has worked in the past, what has not, and what is likely to work in the future in drawing China closer to assuming even more the role of a responsible stakeholder. This demands a nuanced and balanced approach which deepens cooperation where U.S. and Chinese interests clearly overlap while standing firm (preferably with the support of like-minded partners) in areas of persistent difference and concern. It will also require a greater openness on the U.S. part to recognize, appreciate, and, where necessary and possible, adjust to fundamental Chinese interests.

More specifically for U.S. policy, such an approach would include:

- intensifying bilateral and multilateral discussions with China on mutual regional security concerns such as the Korean peninsula and Iran;
- maintaining and expanding military-to-military relations with China;
- strengthening American interaction and leadership within regional security mechanisms, especially in Asia;
- strengthening coordination with friends and allies on issues related to China, especially in the Asia-Pacific and Europe;
- continuing to press for Chinese restraint in its relations with Taiwan in order to realize a long-term, non-military resolution to cross-Strait differences;
- intensifying the U.S. focus on certain persistent Chinese proliferation cases;
- bolstering China's domestic monitoring and export control capacities;
- cooperating on international arms control issues;
- intensifying U.S.-China dialogue regarding objectionable and threatening regime;
- reaching common ground in defining and addressing new transnational challenges such as climate change, international crime, and the spread of infectious disease;
- encouraging Chinese participation in peacekeeping and nation-building operations;
- urging greater cooperation, transparency and accountability for China's foreign aid programs and continued movement of China from a net recipient to a net donor of assistance abroad;
- pressing China to meet its obligations to the WTO and to broader norms of fair trade practices, including the steady revaluation of its currency and enforcement of intellectual property rights;
- fostering the active support and engagement of regional leaders, such as in Africa, to impress upon China the desire of these governments and societies to develop good governance, rule of law, and basic human rights

According to *Liaowang* [*Outlook*], the Chinese Communist Party weekly general affairs journal in 2005: "Compared with past practices, China's diplomacy has indeed displayed a new face. If China's diplomacy before the 1980s stressed safeguarding of national security and its emphasis from the 1980s to early this century is on the creation of an excellent environment for economic development, then the focus at present is to take a more active part in international affairs and play a role that a responsible power should on the basis of satisfying the security and development interests."<sup>1</sup>

A positive opening exists with China which should not be ignored. In the words of Robert Zoellick, U.S.-China relations in the past were "defined by what we were both against. Now we have the opportunity to define our relationship by what are both for."<sup>2</sup>

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<sup>1</sup> "PRC: Liaowang Article Sees PRC's 'New Diplomacy' Stress on 'More Active' International Role," *Liaowang*, July 11, 2005 translated in Foreign Broadcast Information Service, CPP20050719000118, July 19, 2005.

<sup>2</sup> "Whither China: From Membership to Responsibility?," remarks of Robert B. Zoellick, Deputy Secretary of State, before the National Committee on U.S: China Relations, September 21, 2005, New York, New York, accessed at: <http://usinfo.state.gov/eap/Archive/2005/Sep/22-290478.html>.