



CARNEGIE-TSINGHUA
CENTER FOR GLOBAL POLICY

Transcript

CHINA IN THE WORLD PODCAST

Host: **Paul Haenle**

Guest: **Matt Ferchen**

Episode 13: China's Peaceful Development Policy
February 11, 2014

Haenle: You're listening to the Carnegie–Tsinghua “China in the World” podcast, a series of conversations with Chinese and international experts on China’s foreign policy, international role, and China’s relations with the world, brought to you from the Carnegie–Tsinghua Center, located in Beijing. I am Paul Haenle, the director of the Carnegie–Tsinghua Center, and I’ll be your host.

Today, we are joined by Doctor Matt Ferchen, a resident scholar here at the Carnegie–Tsinghua Center. Matt runs the China in the Developing World Program and focuses on Chinese urban informal economy, debates about the China model of development, and economic and political relations between China and Latin America. Matt is also an associate professor in the Department of International Relations at Tsinghua University. Matt, thank you very much for joining us today.

Ferchen: Thanks for having me here, Paul.

Haenle: I’d like to begin by asking you of your assessment of the China foreign policy approach under Xi Jinping, the new president, and the fifth generation of Chinese leaders in their first year of power. Are you seeing fundamental changes in China’s approach to foreign affairs, either in actions or in official policy?

Ferchen: Thanks, Paul. I think that in general terms Xi Jinping and the party leadership has made a concerted effort to try to show its leadership in terms of foreign policy in general, especially as it relates to this idea of new great power relationship with the United States and also in the region, in terms of relations with Japan and in the South China Sea. But in terms of the area that I look at, China’s relations with developing countries, in particular with Latin America and Africa, I don’t really see any major changes that have been put in place either in terms of the policy or in terms of actions on the ground.

Haenle: Thank you. You mentioned the new type great power relations, and I would like to come back to that. But let me ask you now, in the lead up to November 3rd Plenum, you wrote an article which could be found in our Carnegie–Tsinghua website where you explain why you believe that China’s principle of peaceful development is unhelpful and even problematic. Can you explain why you think that is?

Ferchen: My main argument in that article was that peaceful development policy itself is not a very practical guide to increasingly complex world that China faces. Its basic assumption that China, as a developing country, needs to have a peaceful international environment, largely in order to conduct trade and investment, in order to maintain its security, especially as it relates to energy security food security, and that sort of thing. And much of this is aimed at showing countries that may have anxieties about China’s rising role, namely the United States but also Europe, that China does not pose a threat. The problem with this, especially in the context of developing countries, is that a number of these countries believe that the interest that China has in terms of win-win outcomes that China proposes are maybe a bigger win for China than they are for some of these developing countries.

Haenle: Interesting. You have referred to China’s relations with resource-rich developing countries in Africa, Latin America as an example of how increasingly China’s notion of win-win relations is being viewed as less than satisfactory to the other partners in many of these cases. Can

you go a little more into details and explain why you think that is more and more becoming the case?

Ferchen: We are at a very interesting point right now. We are about a decade in to China's rapidly increased trade and investment relations with regions like Africa and Latin America. And much of that relationship has been based on a boom in demand from China for raw materials like energy, oil, minerals (things like copper and iron ore), and agricultural goods like soy beans. And for the most part over that 10-year period a lot of countries that have these resources in abundance have been very happy to have China as a new trade partner and investment partner. But all along, those countries, like Brazil in particular, have been concerned about a pattern of trade whereby those countries become reliant on the export of commodities, of raw materials. And they've worked for a long time to also create manufacturing sectors in those countries. So one of the concerns in the upcoming 10 years that have begun to be expressed by a lot of countries in the developing world is that they would like to move beyond complementarity, they would like to have a wider ranging relationship that is not just based on exports of commodities but where there are a diverse set of relations that extend beyond commercial relations into political as well as multilateral, financial, and trade relations.

Haenle: You have also talked recently about the reflection of poor behavior by China's SOEs on the Chinese government's image as a whole in these regions. Can you offer any examples of this? Can you give some suggestions for how the Chinese government could address this issue going forward?

Ferchen: So, one of the things that China emphasized in its relations with resource-rich, developing countries has been energy security. This is the area where we can most clearly see a dilemma that China faces in terms of how manages its SOEs and banks. So, one of the key goals of China's policy in terms of going out has been to maintain energy security. The problem is that a number of these national oil companies as well as policy banks have been acting in their own interest, and one example of this is the case of Venezuela, where China Development Bank and some of China's national oil companies have gone and built up a huge loan relationship with Venezuela, and then, much of that oil, if not all of it, is being resold on the international markets. So, the connection to maintaining oil security or energy security for China becomes a big question mark. It is not clear, if the oil is being resold, how this is helping China to maintain energy security, but what it does do very clearly is bring China as a government into very close relationship with risky governments like those in Venezuela.

Haenle: So, if peaceful development is not a useful concept going forward for Chinese foreign policy making, as you've argued in your recent piece, how should Beijing then think through, how to more constructively engage with international community, especially in the developing world and the areas where you focus? And have we seen China, under this new leadership, taking any steps to address the kind of criticism that you've been talking about that is not adequately bringing benefit to the countries in which it engages?

Ferchen: I think especially as it relates to China's relations with developing countries, the idea of peaceful development is relied on. This relatively classical liberal argument that what is good for China in terms of development is also good for its trade and investment partners in the developing

world [implies] win-win, mutual complimentary kinds of relations. I think what China now increasingly faces in its relations with developing countries is the idea of complexity whereby China's reliance on this idea of sort of naturally complimentary, win-win relations is no longer going to be adequate for how it engages with those countries. I think the biggest thing China can do, and it has talked about it but it hasn't acted on it at all that much, is to think along with its developing country partners about some of the development challenges that both sides face. This includes issues like urbanization, climate changes, how to deal with an aging population at a stage of development whereby the countries are not rich yet. I think this is something that countries especially in Latin America would like to engage China more about our, [namely] issues confronting both sides in terms of development challenges. And if China can respond to this agenda of moving beyond complementary thinking, about shared development challenges, I think this would go a long way in making some of their partners in the developing world happier with the relationship.

Haenle: Let me turn the focus specifically to Latin America. I know you focus on the developing world, but you pay great attention to Latin America, so, let's dive a bit deeper into China's relations with Latin American countries. Can you give us a sense of what you think, going forward, the most important challenges and opportunities will be in 2014 for China's engagement in Latin America? I am also interested to know how you think China's broad economic reforms, if implemented, might impact economic relations with that region.

Ferchen: I think there is a big challenge facing China and big opportunity. The biggest challenge in the region continues to be Venezuela, and this is because the social, political, and economic issues facing the current government in Venezuela are immense. And China, as the major source of outside foreign investment in Venezuela, still plays extremely large role. China's loans through the China Development Bank continue to be in the 40 to 50 billion dollars range, larger than anywhere else in world. Many in Venezuela are looking to China in the hopes that China can help to bring about some resolutions to some challenges that Venezuela faces. But given the polarization of the political scene in Venezuela, this is a huge challenge. So I think China's going to need to deal with this in the year ahead. The big opportunity in the region is in Mexico, especially because of the energy reforms in Mexico but also because of changing wage rates in Mexico and China. There is a big opportunity for the kinds of trade and investment cooperation that really haven't existed between China and Mexico. This has been one of the most difficult relations that China's had in entire region. There is a big opportunity, and I think that both sides are really looking to capitalize on that.

Haenle: Thank you. I also want to commend you. You were way out in front on the issue of China-Venezuela relations in advance of the death of Hugo Chavez, the president, last year, and as a result, you are a big voice in the debate on how China should be going forward. We look forward to more from you on that account. To wrap up, I mentioned that I wanted to come back to this issue of the "new type of great power relationship," which President Xi Jinping proposed during his trip to the United States when he was vice-president. And as you know there are two sides, the United States and China, are trying to get their head wrapped up around this concept of how they would flesh this type of new great power relations, whether or not there is a way to put meat on the bones between the United States and China.

You may have seen recently that the new National Security Advisor Susan Rice said in her speech this past Fall that the United States is willing to explore how to operationalize the new type of great power relations, major country relations between the United States and China. I think there is a willingness to look at that, but it will need to result in greater cooperation between the United States and China. So, as we look at the China-Latin America relationship, do you think that this issue of Latin American development could potentially serve as an initiative that China and the United States could cooperate on, to find ways to cooperate within this framework of a new type major country relationship?

Ferchen: Yeah, it's a great question. I think that there is actually one very practical realm in which the United States and China could cooperate within this context as it relates regionally to Latin America, and that is the area of energy. In general I think what we are going to see is that the western sphere, the Americas, is going to be the place where much of the development of fracking technology for shale gas and oil takes place. Much of that is now happening in the United States and Canada, but that is going to continue to expand in Mexico and all the way down through South America. I think that the United States and China face very different challenges in this realm. The United States has got a revolution going on with rapidly increasing production whereas China is increasingly dependent on imports of oil, and the revolution is not happening in China in the same way as it is happening in the United States. I think that Latin America is going to be the area where much of the development takes place in the next few years.

The United States and China have a real opportunity to think about how this can happen in a way where there is stability created in terms of new development, cooperation about what kind of environmental rules should be in place, how investment patterns and rules should be put in place. So I think when it comes to actually putting into practice, a very practical way of cooperating on this issue in an emerging and important area of both economic and political cooperation, Latin America will be a field where, especially when it comes to fracking technologies, China and the United States could cooperate and promote this kind of new great power relationship.

Haenle: I'd like to add on that positive note of potential greater cooperation, and I hope that you are right. I hope that the two sides, the United States and China, are able to seize on the opportunities presented for greater cooperation. My sense is that the United States is willing to explore this concept of the new type of great power relations, but I think that a requirement on the U.S. side would be that it actually does result in greater cooperation and able to bring the relationship to the next level. Without greater cooperation, without any meat on the bones, I am not sure that the U.S. side would be very interested in just another definition for the relationship. Matt, thank you very much for spending time with us today. That's it for this edition of the Carnegie-Tsinghua "China in the World" podcast. If you'd like to read Matt's articles on rethinking China's peaceful development policy and see his other publications, you can find those on our website at www.carnegietsinghua.org. I encourage you to explore our site and see the work of all our scholars at the Carnegie-Tsinghua Center. Thanks for listening, and be sure to tune in next time.