

**POLITICAL ECONOMY OF SECURITY:
UTILIZATION OF ECONOMIC INSTRUMENTS FOR SECURITY
PURPOSES:
CASE OF CHINESE FOREIGN ECONOMIC POLICIES IN AFRICA**

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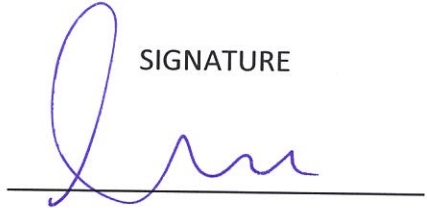
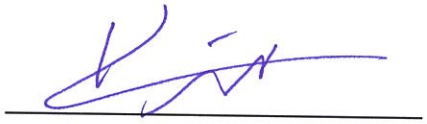

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This is to certify that we have read this thesis and that in our opinion it is fully adequate, in scope and quality, as a thesis for the degree of Master of Arts in Political Science and International Relations

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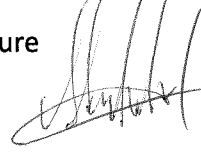
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A handwritten signature in black ink, appearing to read 'Alperen AÇIKOL', written over a horizontal line.

ABSTRACT

POLITICAL ECONOMY OF SECURITY:
UTILIZATION OF ECONOMIC INSTRUMENTS FOR SECURITY PURPOSES:
CASE OF CHINESE FOREIGN ECONOMIC POLICIES IN AFRICA

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The aim of this thesis is to show why and how China is using its foreign economic policies not just to further develop Chinese economic interests but as instruments against traditional and non-traditional security threats. Contrary to assumptions of mainstream security studies, states not only face security threats from other states but they also face both traditional and non-traditional security threats from non-traditional sources. States can utilize both security and nonsecurity instruments to tackle these threats. This study aims to demonstrate that states can utilize economic instruments for security purposes. I employed strategic securitization and tactical securitization terms to identify policies based on their nature as long-term proactive policies versus short term reactive policies, respectively, China's Foreign Economic Policies in Africa are analyzed in this context.

Keywords: Securitization, Foreign Economic Policies, China, Africa

ÖZ

GÜVENLİĞİN POLİTİK EKONOMİSİ:
EKONOMİK ARAÇLARIN GÜVENLİK AMACIYLA KULLANILMASI:
ÇİN'İN AFRİKA'DAKİ EKONOMİ POLİTİKALARI ÖRNEĞİ

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Bu çalışmanın amacı Çin'nin ekonomi politikalarını, ekonomik çıkarları haricinde geleneksel ve geleneksel olmayan güvenlik tehditlerine karşı nasıl araçsallaştırdığını göstermektir. Ana akım güvenlik literatürünün argümanlarının aksine devletler geleneksel güvenlik tehditlerinin yanında geleneksel olmayan güvenlik tehditleriyle de karşılaşabilir. Bu tehditlere karşı hem geleneksel güvenlik araçlarını hem de güvenlik aracı kabul edilmeyen araçları kullanabilir. Bu bağlamda, bu çalışma devletlerin ekonomi araçlarını güvenlik amacıyla nasıl araçsallaştırdığını analiz edecektir. Uzun vadeli politikaları ve kısa vadeli reaksiyoner politikaları ayırt edebilmek için stratejik güvenlikleştirme ve taktiksel güvenlikleştirme terimleri kullanılacaktır ve bu terminolojiye göre Çin'nin Afrika'daki ekonomi politikaları analiz edilecektir.

Anahtar Kelimeler: Güvenlikleştirme, Ekonomi Politikaları, Çin, Afrika

To Gulucious; my wife, my best friend, my partner in crime.



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The Writing process of my thesis was a long quest and pursuing that quest gave me my eternal companion, my wife. Therefore, I believe my partner in crime Gülay deserves a lead role in this section, I do not think a couple of sentences would be enough to describe the extent of emotional, intellectual, and psychological support she provided to me. Most importantly, she turned a blind eye when I skipped my turn on house chores while writing my thesis. In the last two years with all the turbulence we experienced in our lives she was always there to support me so that I can finish my thesis, without her I would never finish it. A special thank you is for my mother and my aunt, without their financial support I would have never actualize my dream. The library that my parents build over the years, played a critical role in my intellectual development in my teenage years, without that library things would be different. I am also thankful to my dear friends who supported me along the way, every one of them is precious and I do not have space to name everyone, so I decided not to name any of them.

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CHAPTER 1

INTRODUCTION

International Political Economy (IPE) and International Security has been considered as separate realms and field of studies, the main reason of this separation was that during the Cold War International Security meant a state's security against security threats of other states, this approach was mainly the result of realist paradigms dominance in the field.¹ This approach inevitably led to distinction of high politics, meaning security related issues; and low politics, non-security issues. This distinction also led to the assumption that state security can only be realized through military force. Within this context realist school of thought considers "Foreign Economic Policies"² as low politics in the field of international relations, in a broader sense economic instruments are considered as supplementary to military instruments because a strong economy is needed in order to operationalize a strong military, in best case scenario economic power is latent power if it's not part of low politics.³

After the end of the Cold War, trade, finance and production, components of economic policies, became transnational and this process inevitably created a complex interdependency among actors inevitably economic policies became more important. In return, scholars attempted to bridge the gap between IPE and Security, unfortunately these studies fail to go beyond their respective theoretical paradigm, especially within the realist tradition bridging the IPE and Security cannot pass beyond the inherently

¹ Jonathan Kirshner, "Political Economy in Security Studies after the Cold War," *Review of International Political Economy* Vol.5, no. 1 (1998): p.65.

² Scholar who specialize in this field do not employ a unified terminology, some of the terms that are employed by the scholars are: foreign economic policies, economic statecraft, geo-economics, foreign trade policies, however all of these fall under the international political economy field and in essence there is no difference between them. For the purposes of this study foreign economic policies will be employed.

³ John J. Mearsheimer, *The Tragedy of Great Power Politics* (W. W. Norton & Company, 2001).

confrontational nature of the anarchic system and looks at the possible ways that states can use their economic power to support their grand strategy.⁴ Nevertheless, the intersection of IPE and Security remains as uncharted water because studies tend to overlook the fact that nature of security threats have evolved, non-security issues can also become security issues and non-security instruments can be utilized as security instruments. In this regard Securitization framework postulated by Buzan et al.⁵ opened the debate on how non-security issues can also become security issues and non-security instruments can be utilized for security purposes, opens the field for further studies to understand utilization for economic instruments for security purposes.

The aim of this thesis is to show why and how China is using its foreign economic policies not just to further develop Chinese economic interests but as instruments against traditional and non-traditional security threats. Since 1978 China's economy grew at a yearly rate of 10%, this means in every seven-year China's economy doubled in size. In 2016 China's GDP was \$11.2 trillion⁶, it exported \$2.06 trillion dollars' worth of products and services and its total import was \$1.32 trillion⁷ With a trade surplus of almost 700 billion US dollar it is possible to argue that the current volume of trade makes China the gravity center of international trade, consequently as a rising power it is imperative to understand China's behavior in the international system.

⁴ Kirshner; Lars S. Skalnes, *Politics, Markets, and Grand Strategy Foreign Economic Policies as Strategic Instruments* (United States of America The University of Michigan Press, 2000); Mark R. Brawley, *Political Economy and Grand Strategy a Neoclassical Realist View* (USA,Canada: Routledge, 2010).

⁵ Barry Buzan, Ole Wæver, and Jaap de Wilde, *Security: A New Framework for Analysis* (United States of America: Lynne Rienner Publishers, Inc., 1998).

⁶ All the figures are in US dollars unless otherwise is stated.

⁷"The Observatory of Economic Complexity," MIT, accessed 19.03, 2018.
<https://atlas.media.mit.edu/en/profile/country/chn/>.

Even before China was considered as a rising power Organski identified China as the next challenger to the status quo in his seminal work “World Politics”.⁸ Rising power literature assumes that once a rising power achieves economic development it starts building its military capabilities and pursues a more confrontational foreign policy which eventually tips the balance of power and evolves into a war between great powers.⁹ However, China as a rising power does not fit into this prescription, its behavior in international relations is puzzling, even though China is one of the fastest growing economies, especially after the mid-1990s China has been in favor of status quo because it needed a stable international system for its economic development.¹⁰ This, however, does not mean that China doesn’t prioritize its security or that it doesn’t develop security policies. The limited use of more traditional security measures by China forces us to look at non-traditional measures that China utilizes in protecting its security.

Since 2000 China’s military expenditure has a share of approximately 2% in its total GDP.¹¹ Compared to other regional/major powers when the GDP level is inserted into the equation China’s military expenditure is low but some scholars argue that official numbers do not represent the reality on the ground and China is spending more on its military through other channels.¹² China’s rise to great power status has a long list of implication, such as the possible destabilizing effect that a more resurgent China would have both in regional and international politics. A more resurgent China might challenge not just the power balance but the power structure by shaking the Western-led liberal

⁸ A.F.K. Organski, *World Politics* (New York: Alfred A. Knopf, 1958).

⁹ For a detailed discussion of this approach see Kenneth N. Waltz, *Theory of International Relations, Addison-Wesley Series in Political Science* (Addison-Wesley Publishing Company, 1979); Mearsheimer.

¹⁰ Guoli Liu, *China Rising: Chinese Foreign Policy in a Changing World* (Palgrave 2017), p.100-01; Avery Goldstein, *Rising to the Challenge: China's Grand Strategy and International Security* (Stanford University Press, 2005), p.35.

¹¹ *Sipri Military Expenditure Database*, vol. 2018 (Stockholm International Peace Research Institute).

¹² Sebastian Heilmann and Dirk H. Schmidt, *China's Foreign Political and Economic Relations: An Unconventional Global Power* (Rowman & Littlefield, 2014), p.57-58.

order.¹³ In the regional context, a more resurgent China might pursue a Neo-Bismarckian grand strategy which would dramatically increase the possibility of conflict between China and its neighbors over territorial disputes.¹⁴ The peculiarity of the Chinese case is that China does not behave like a traditional rising power; actual policies contradict the predictions about China's policies at every turn, and this creates puzzles to be explored. Although it is imperative to understand China's behavior both in international and regional system, African policies will be the main focus of this study.

I argue that states can utilize their economic instruments as security instruments against traditional and non-traditional security threats. The main framework of this study is securitization however studies that aim to understand how securitization work in different sectors will be used to modify the securitization framework itself because by its default version, it overlooks the possibility of securitization when audience does not exist. I argue that in the economic sector there are two kinds of securitization, strategic securitization, and tactical securitization, I employ these terms from Itay Fischhendler.¹⁵ First one refers to long term policy making where economic and political interdependencies exist and states need to pursue their policies accordingly, the latter is short-term reactionary policy making when a state needs to respond to an immediate threat.

¹³ Leading scholars to disagree that China's rise will damage liberal world order, further argumentation see G. John Ikenberry, "The Rise of China and the Future of the West: Can the Liberal System Survive?," *Foreign Affairs* Vol.87, no. 1 (Jan. - Feb., 2008); John S. Nye, "Will the Liberal Order Survive? The History of and Idea," *Foreign Affairs* Vol. 96, no. 1 (Jan/Feb 2017).

¹⁴ On China's grand strategy see Avery Goldstein, "An Emergin China's Emerging Grand Strategy: A Neo-Bismarckian Turn?" in G. John Ikenberry and Michael Mastanduno, eds., *International Relations Theory and the Asia-Pacific* (Columbia University Press, 2003), pp. 57-106; Avery Goldstein, *Rising to the Challenge: China's Grand Strategy and International Security* (Stanford University Press, 2005).

¹⁵ Itay Fischhendler, "The Securitization of Water Discourse: Theoretical Foundations, Research Gaps and Objectives of the Special Issue," *International Environmental Agreements: Politics, Law and Economics* Vol.15, no. 3 (2015).

During the 1990s China relied primarily on tactical securitization as after the Tiananmen China was isolated, it needed partners, resources and new markets to continue its economic development. China's Africa policies were reactionary to an immediate problem; therefore, tactical securitization was the main approach. In 2000s Chinese leadership realized the necessity to pursue an institutionalized Africa policy and Forum on China Africa Cooperation was organized and in 2006 Chinese Ministry of Foreign Affairs published a white paper titled China's African Policy to draw a road map for the future of Sino-African relations. Tactical securitization and strategic securitization were used together during this time, however strategic securitization of economic relations by China was more Hirschmanian in nature. In other words, it focused on creating asymmetrical dependencies between the smaller states and a rising great power. In Xi Jinping's period China shifted to strategic securitization and focused on created economic and political dependencies among actors, Belt and Road Initiative -BRI- can be seen as part of this attempt. Moreover, with BRI China's African policy also changed, China started to favor countries that can be part of BRI and also introduced conditionality to loans it provided.

This thesis is a systemic analysis, it is built around the assumption that, as a rising great power, one of China's main objectives is increasing its power in the system, therefore, it tries to understand China's behavior according to its standing in the system. It is a single case study however different time periods will be investigated to analyze variation between Chinese leaders. Due to the language barrier, empirical evidence will be collected from secondary sources, some key documents are translated to English by Chinese government these documents will be also used when applicable.

Later on, I will focus on China's foreign economic policies to emphasize that in contemporary international relations it is possible to utilize economic instruments as security instruments. There are studies that focus on China's economic relations however these studies usually approach the issue from a realist point of view and try to

identify possible conflict areas in the economic realm between the United States and China, or other major powers and China;¹⁶ or these studies approach from a liberal perspective and argue that China will be incorporated into liberal international order because it is benefitted from it greatly.¹⁷ I will argue that China prioritize non-security instruments over security instruments to tackle security threats.

In the second chapter I will try to establish the theoretical framework to argue that security threats are not fixed and they can vary in nature, and the instruments that can be utilized against these threats by states does not necessarily be military instruments, non- security instruments can also be utilized. The literature review will also be part of this chapter because the utilization of non-security instruments for security purposes and how to evaluate if there is an attempt to use non-security instruments mostly remains in the theoretical sphere.

In the third chapter, I will try to establish the link between IPE and Security and, argue that states can utilize their economic instruments for security purposes, and finally based on historical cases I will try to point out how economic instruments can be utilized as security instruments. In the fourth chapter, I will discuss China's foreign economic policies. The focus will be on post-Cold War era policies, but in order to establish the historical flow, I will briefly talk about Mao and Deng eras, as well. In the post-Cold War policies, I will demonstrate that in Jiang Zemin, Hu Jintao and Xi Jinping eras, economic policies were utilized for security purposes in different ways. This was partly due to the dynamics of international relations and partly evolving nature of the perceived threats.

¹⁶ see Jonathan Kirshner "The Consequences of China's Economic Rise for Sino-U.S. Relations" in Robert S. Ross and Zhu Feng., eds., *China's Ascent: Power, Security and the Future of International Politics* Cornell Studies in Security Affairs (Cornell University Press, 2008).

¹⁷ See G. John Ikenberry, "The Rise of China and the Future of the West: Can the Liberal System Survive?," *Foreign Affairs* Vol.87, no. 1 (Jan. - Feb., 2008); Joseph S. Nye, "Will the Liberal Order Survive? The History of and Idea," *Foreign Affairs* Vol. 96, no. 1 (Jan/Feb 2017); For all the arguments about China's economic rise see Aaron L. Friedberg, "The Future of U.S. - China Relations Is Conflict Inevitable," *International Security* Vol. 30 no. 2 (Fall 2005).

In the fifth chapter, I will analyze Chinese foreign economic policies towards Africa and based on the framework that I have constructed, I will point out how China is utilizing its foreign economic policies for security policies and evaluation of the policies according to China's needs. I will focus on the time period between 2000 and 2019, I picked 2000 as my starting point because Forum on China Africa Cooperation's first meeting was held in 2000 and it marked an important milestone in Sino-African relations. The conclusion chapter will summarize the main arguments and the findings of the thesis, I will also discuss the limitations and implications for future research.



CHAPTER 2

THEORETICAL FRAMEWORK

This chapter will lay out the groundwork for the theoretical framework for the use of economic instruments for security purposes, the main objective of this chapter is to emphasize that unlike the mainstream approach to security states can feel threatened by non-military issues and employ a variety of tools to pursue policies regarding these issues. For the purpose of this thesis, the main focus will be on the nexus of security and political economy. This chapter consists of three sections. In the first section, I will point out the general arguments about security and discuss that definition of security is not fixed, and contrary to mainstream security theories, in addition to the military, it is possible to use a variety of tools to pursue security policies.

In the second section, I will talk about the nexus of political economy and security and I will discuss why economic instruments are important in conducting security policies and discuss how economic instruments can be securitized. A modified version of the securitization framework postulated by Buzan et al in *Security: A New Framework for Analysis*¹⁸ will be used as the main body for analysis. The literature review is also part of this section because studies that focus on the securitization of non-security instruments in different sectors will provide the in-depth understanding of the securitization process, hence it will lay the groundwork for the modification of securitization framework.

2.1. Security in an Evolving International System

2.1.1 Historical Evolution of Security Studies

Social scientists try to understand today and make assumptions about the future, one tool at the disposal of social scientist is historicism; Social scientists look at history to understand the future, they closely investigate past events identifies recurrent patterns,

¹⁸ Buzan, Wæver, and Wilde.

and in international relations one look at history will show that one of the most recurring events is hegemonic wars. When the social scientist looks at history, he/she does not try to find universal mechanisms, in fact, historicism aims to unveil historical structures of a particular era.¹⁹ When analyzing the data, the paradigm plays a very fundamental role in determining the methodology in other words, the paradigm determines the tools to collect and interpret the data.²⁰

More than half a century Realism, specifically Neo/Structural Realism was the dominant theory of the international relations, and according to the neorealist paradigm, as Kenneth Waltz argues that contrary to common assumption international politics is not unpredictable, similar events occur in an endless cycle.²¹ The primary recurring pattern in international relations is warfare and this inevitably shapes how neorealism understands state and its behavior within the international system. Hans Morgenthau summarizes neorealism's approach to international relations into a single phrase: "international politics is a struggle for power."²² Without a doubt, this is an oversimplification and it is undeniable that realism provides a rich insight for international relations this does not change the fact that for realist school every state pursues its own interest and power is a mere objective category to define interest.²³

The main interest of every state is to ensure that it survives in an anarchic international system, the most viable strategy for a state is to accumulate enough power to deter

¹⁹ Robert W. Cox and Timothy J. Sinclair, *Approaches to World Order, Cambridge Studies in International Relations* (Cambridge University Press, 1996), p.53.

²⁰ Thomas S. Kuhn, *Structure of Scientific Revolutions*, 4th ed. (The University of Chicago Press, 2012), p.122.

²¹ For a detailed account see Waltz; Mearsheimer.

²² Hans J. Morgenthau, *Politics among Nations: The Struggle for Power and Peace*, 5th ed. (New York: Alfred A. Knopf, 1973), p.27.

²³ *Ibid.*, p.10.

other states from attacking itself. Precisely because of this approach power was inseparable from military power in international relations, other categories of power such as economics and population size were considered as supplementary to military power;²⁴ It is possible to argue that security issues were considered about the survival of the state and military was the only tool that can be used in security policies, and this approach to international relations and to international security dominated the field for the entirety of the Cold War.

2.1.2 Securitization Framework

End of the Cold War and the failure of both schools to predict the dissolution of the Soviet Union enabled IR scholars to push the boundaries in search of new paradigms. Securitization framework was one of the results of this search for a new paradigm, it enabled scholars to push the boundaries of security studies. Traditionally, security issues were limited within the military-political context,²⁵ but areas that used to fall outside the scope of security studies became part of it, human security, environmental security, economic security, etc.

Securitization “is the move that takes politics beyond the established rules of the game and frames the issue either as a special kind of politics or as above politics.”²⁶ A securitizing actor can move an issue which is normally considered as part of the political realm into the security realm by showing a referent object or audience that issue belongs to the security realm through the securitizing act.²⁷ Therefore, Securitization framework differentiates the political and security realms also reveals the thin line between these two. In other words, securitization act moves an issue from the political realm to security

²⁴ Mearsheimer, p.55.

²⁵ Buzan, Wæver, and Wilde, p.21.

²⁶ Ibid., p.23.

²⁷ Ibid., p.5.

realm, the key point that needs to be highlighted here is that security is a different realm with its own set of rules. Even in democratic states security related issues are treated differently, and they are pursued in a different realm. For example, in a democratic state, many political issues such as healthcare and education are discussed openly, and related parties express their opinions; Foreign policy is also included to this open discussion as long as the related issue is identified as part of the political realm. However, once an issue is labeled as a security issue, policies related to that issues can be pursued with a different set of rules, in short, “the special nature of security threats justifies the use of extraordinary measures to handle them.”²⁸

In short securitization process distinguishes the political, non-political and security realms, a securitizing actor labels an issue as a security threat so that referent object or audience acknowledges that indeed extreme measure must be employed to deal with the issue; Functional actors also play an important role in securitization process, they are neither securitizing actors nor referent objects but functional actors contributes to securitization decisions. They help the securitizing actor to convince the referent object or audience that the issue is indeed a security problem.²⁹ This help might be in the form of supporting the securitizing actor, or simply the functional actor might be the reason for securitizing that issue. Reciprocally securitized issues can also be desecuritized, or in other words, the subject that is considered a fundamental part of the security realm can shift to the political realm.³⁰

²⁸ Ibid., p.21.

²⁹ Ibid., p.36.

³⁰ Even though in my view the empirical evidence is weak Richard Price provides a detailed account of how the campaign on banning land mines started and evolved and how desecuritization of the issue played an important role in the campaign’s success for more see Richard Price, "Reversing the Gun Sights: Transnational Civil Societ Targets Land Mines," *International Organization* Vol. 52, no. 3 (Summer, 1998).

2.1.3 Object and Subject of the Security

Even though the securitization framework uncovers the transition of a political issue to a security issue, this is only one side of the medallion. Very often that when security is mentioned it creates a concrete image on people's mind, this image varies from personal security to economic security and even security for fundamental rights; When we talk about state security the situation is not different, we immediately think about the armed forces and threats from enemy states or non-state actors -terror organization or terror networks. Although the concept of security in International Relations usually reduced to state and its survivability in an anarchic international order, the concept also leads to an important theoretical debate about the security of what and security by which tools. If we take our starting point based on realist school's assumptions about the international system, then the central actor of the international system becomes the state and consequently military is the only practical tool that can provide security for the state; Conversely a state only exists as long as it has citizens or in the most primitive sense it has subjects. Regardless a state has citizens or subjects a thriving economic life is needed so that citizens or subjects can earn money and in return, the state can collect taxes for the services it provides. From this perspective security of a state also means the security of its income source or in other words economic security of its citizens.

In the most primitive approach to the relation between a citizen and a state, the state must not only provide protection from foreign enemies but also needs to protect its citizens from domestic problems, including natural disasters. If the citizens are the income source and the state is the central actor of the international system, then from environmental security to food security, even energy security transition into the realm of security and becomes an important issue for the state. This brings a very fundamental question, which tools the actors will use the pursue related policies, for example in case of human security question of which tools are available for the actors remains ambiguous. It is important to note that even though concepts such as food security, economic security, etc. developed in the last three decades, it is possible to argue that

these problems have existed since the first settlements, and states extensively relied on their military force to deal with these problems. Consequently, expansion of state territory and its population through military conquests remained as the only solution until the end of World War II. Therefore, tools that can be employed in pursuing security issues is a fundamental part of securitization, if the military remains as the most practical tool to pursue security policies regardless of the framework or definition, inevitably discrepancy between theory and practice will hinder any argument on securitization. Moreover, the discussions on securitization will not transcend from the theoretical sphere to actual practice.

This brings us back to the relationship between power and military, as Morgenthau argues power is only an objective category to define interest,³¹ and since power itself is also a very ambiguous concept, military power is considered as an objective category to measure a state's power because every possible source of power such as economic, technological, industrial even population is refined in the military. For this reason, the securitization framework opens the door for other possibilities and enables scholars to take a different approach to security and security instrument. This does not mean the role of the military is over, the military still plays an important role in international relations and particularly in the field of security, its importance will probably not change in the foreseeable future, but this does not mean the military is the only tool that is available to pursue security-related policies.

2.1.4 Instruments of Securitization: How an Actor Pursues Securitized Policies?

The fundamental question that needs to be answered here is that how an actor pursues policies that are related to the securitized issue, measuring securitization of non-security sector and instruments in that sector poses a serious methodological challenge. Buzan et al. does not provide a detailed account in their theoretical framework about how an agent can pursue the securitized issue or which instruments are available for the actor

³¹ Morgenthau, p.10.

but they leave an open door by arguing that there is no objective measurement for security, and the process of securitization is intersubjective.³² Intersubjective nature of securitization framework allowed other scholars to build on it and push the frontier forward and provided key insights on how securitization functions and varies in different sectors.

Securitization Theory: How Security Problems Emerge and Dissolve edited by Thierry Balzacq is one of those works that challenge Copenhagen School's³³ initial arguments about securitization theoretically and chapters about the practice of securitization provide rich empirical evidence on how securitization can be a complex process and varies for different sectors.³⁴ Maria Julia Trombetta's chapter on the environmental sector emphasizes the complex nature of the concept of security and securitization process drawing empirical evidence from the case of the ozone layer and environmental conflict debates.³⁵ Trombetta criticizes Copenhagen School's conception of security because it only focuses on negative security³⁶, in other words, they approach to the security realm as an inherently confrontational realm.

Roxanna Sjöstedt's chapter on health sector illustrates how actors from different sectors become responsible for policymaking once an issue is securitized, she focuses on the

³² Buzan, Wæver, and Wilde, p.29-31.

³³ The literature that established the basis of securitization framework was emerged at the Conflict and Peace Research Institute (COPRI) in Copenhagen in the 1990s, therefore this school of thought is also known as the Copenhagen School

³⁴ Thierry Balzacq, ed. *Securitization Theory: How Security Problems Emerge and Dissolve* (USA, Canada: Routledge 2011).

³⁵ Maria Julia Trombetta " Rethinking the Securitization of the Environment: Old Beliefs, New Insights" in *ibid.*

³⁶ Maria Julia Trombetta " Rethinking the Securitization of the Environment: Old Beliefs, New Insights" in *ibid.*, p.140.

transition of HIV/AIDS from domestic health problem to international security problem; she focuses on Clinton administration's securitization of HIV/AIDS and designation of National Security Council as primary body to draft policies to combat this threat.³⁷ Both authors contribute greatly on securitization framework nevertheless they do not focus on trying to establish an empirical link between securitization and utilization of non-security instruments, therefore the question of how an actor utilizes non-security instruments for security purposes remains unanswered.

There is a body of work that focuses on the securitization of the economic sector, In "American Unilateralism, Foreign Economic Policy and the 'Securitisation' of Globalization" Richard Higgott emphasizes that after the 9/11 terror attacks Bush administration started to see globalization from the lenses national security rather than lenses of neo-liberal economics.³⁸ Higgott's work focuses on the U. S's foreign economic policy towards Asia but he provides a general overview of the U.S. foreign policy in the unipolar structure and he argues that the U.S. foreign policy started to securitize prior to 9/11 terror attacks and it simply functioned as a catalyzer to speed up the transformation.³⁹ In the security economy nexus, Higgott identifies two versions of relationship: the First one is the subordination of economic policies to security policies in which economics is used to achieve a security objective; the second is the subordination of security policies to economic policies in which international economic order's continuity is directly linked with security.⁴⁰

³⁷ Roxanna Sjöstedt "Health Issues and Securitization: The Construction of HIV/AIDS as a US National Security Threat" in *ibid*.

³⁸ Richard Higgott, *American Unilateralism, Foreign Economic Policy and the 'Securitisation' of Globalisation* (Centre for the Study of Globalisation and Regionalisation September 2003).

³⁹ *Ibid.*, p.8.

⁴⁰ *Ibid.*, p.9.

With this framework Higgot analyzes economic relations between the U.S. and Asia-Pacific, he emphasizes the failure of the U.S. led attempts on drafting a multilateral free trade agreement and the Bush administration's decision to prioritize bilateral trade deals over multilateral one, in that sense Higgot's empirical evidence fails to support his claims about securitization of economic policies. Also, Higgot starts with a broad research question of how globalization was securitized by the U.S., but he only focuses on one economic tool. While his analysis of post 9/11 rhetoric of Bush Administration shows the securitization process, and how security-economic nexus changed in the post 9/11 world, he fails to provide sufficient empirical evidence that securitization of 'globalization' turned into actual policy in the U.S. foreign policy.

Another work on the securitization of the economic sector, more specifically securitization of trade belongs to Min Gyo Koo. In his article, "U.S. Approaches to Trade Security Nexus in East Asia: From Securitization to Resecuritization" he takes a historical approach to analyze the effect of critical junctures in international relations shapes the United States perception of trade security nexus.⁴¹ Min Gyo Koo points out the historical transformation of the United States attitude is linked with its perceived interest; According to him there are critical junctures that fundamentally changed the perception of the United States of trade security nexus: Securitization - Cold War, Desecuritization - End of Cold War and Asian Financial Crisis and Resecuritization - 9/11 Terror Attacks.⁴²

Min Gyo Koo argues that contrary to the realist-liberal binary between a zero-sum game and interdependency approaches to trade, there is another approach to trade-security nexus which allows a trade to be embedded in security.⁴³ However, he does not discuss in detail that under which conditions trade can be securitized. In the resecuritization

⁴¹ Min Gyo Koo, "Us Approaches to the Trade-Security Nexus in East Asia: From Securitization to Resecuritization," *Asian Perspective* Vol. 35, no. 1 (Jan.-Mar. 2011).

⁴² *Ibid.*, p.39.

⁴³ *Ibid.*, p.42-43.

phase of trade policy, Min Gyo Koo emphasizes the role of the domestic political process and arguments of the U.S. officials on free trade agreements. Nevertheless, in the overall, he does not provide convincing evidence to show that the United States approach to trade policy went through those three phases.

Securitization of Foreign Aid, edited by Stephen Brown and Jörn Grävingholt provides a comprehensive look at how foreign aid, especially Official Development Funds, transformed since the 1990s, the chapters do not only focus on how states conception of foreign aid has changed but it also provides insight from reconstruction effort in Afghanistan and how securitization of foreign aid may affect gender equality and climate change in the context of security agenda.⁴⁴ In general, authors that try to explain the securitization of foreign aid in selected countries focus on agencies that are in charge of aid programs and try to explain the behavior pattern of these agencies both in terms of their relations with other government agencies and the countries that they are implementing their programs. The U.S. case shows that foreign aid can be instrumentalized by different government agencies to pursue strategic goals, and the UK case is a good example of the difference between rhetoric and policy implementation.

Joanna Spear's chapter takes a different approach from the other authors and argues that the U.S. foreign aid has already been securitized and in after the 9/11 the United States Agency for International Development's (USAID) inability to overcome its bureaucratic inefficiency enabled the Department of Defense to take control over the implementation of aid programs.⁴⁵ Although these chapters provide detailed information about the transformation of foreign aid in the last three decades it fails to provide a comprehensive framework for the securitization of foreign aid as a state instrument.

⁴⁴ Stephen Brown and Jörn Grävingholt, eds., *The Securitization of Foreign Aid*, ed. Andy Summer and Ray Kiely, Rethinking International Development (Palgrave Macmillan, 2016).

⁴⁵ Joanna Spear "The Militarization of United States Foreign Aid" in *ibid*.

Leni Wild and Samir Elhawary in their chapter note that the United Kingdom's Department for International Development (DFID) shifted its attention towards perceived security trends after the 9/11,⁴⁶ however, authors also emphasize that the UK still provides a significant amount of aid for development and state building to weak and fragile states that do not constitute a security threat to the UK.⁴⁷ Wild and Elhawary's case shows that securitization does not necessarily converge with actual policymaking.

Generally, the book fails to provide an answer to the fundamental question; what are the indicators for a securitized foreign aid? Especially in the chapters mentioned above authors point out the change in rhetoric and policy implementation process for foreign aid but they do not provide a coherent framework for securitization. It is important to emphasize that foreign aid is a state instrument, every period has its own economic and security challenges thus, perception for foreign aid and in relation to that its role in conducting foreign policy is adapted to overcome these challenges. In short, it is only normal for states to devise new ways to pursue foreign policy objectives and change the nature of instruments in their arsenal. Regardless, the book provides an insightful analysis of foreign aid and the transformation that it went through in the last three decades.

On the discussion of how an agent pursues securitized policies Thierry Balzacq's offers a new approach, he argues that securitization can occur even when there is no identifiable audience and in order to identify this process, how policy instruments functions and its

⁴⁶ Leni Wild and Samir Elhawary "The UK's Approach to Linking Development and Security: Assessing Policy and Practice" in *ibid.*, p.48.

⁴⁷ Leni Wild and Samir Elhawary "The UK's Approach to Linking Development and Security: Assessing Policy and Practice" in *ibid.*, p.53.

implications should be taken into account.⁴⁸ According to Balzacq when there is no apparent audience, empirical outcomes of the policy should be the main focus rather than the discourse, focusing on instruments reveals the dynamics of securitization practices because it emphasizes how the intentions of policy-makers turn into action.⁴⁹ Balzacq's empirical case is the European Union's counter-terrorism policies' internal and external dimension and how instruments and agreements with other states are used in the fight against terrorism. In this regard, Balzacq's approach advances the debate on securitization and provides a different framework for securitization process. In the original framework, audience is an important part of the process, in fact it is the audience that determines whether the securitization is successful.⁵⁰ However, especially in the case of economic security, most of the time there is no apparent audience for securitization move, instead of speech act, Balzacq argues to looking at policies and their outcomes. Balzacq's framework to examine securitization when there is no apparent audience will be utilized to examine China's foreign economic policies in this thesis.

Unlike traditional security threats, it can be argued that non-traditional security threats could be more elusive, and perception plays a far more important role, where some state sees a threat, others may dismiss that threat as paranoia, and vice-versa.⁵¹ In fact, even traditional security threats are related to perception, security dilemma is a classic example, one states defensive measure could be perceived as an offensive measure hence it could spark a security dilemma between two actors. In case of nontraditional security threats, a state could see its lack of influence in international organizations/ financial institutions as a security threat, in this scenario that state has three options: 1)

⁴⁸ Thierry Balzacq, "The Policy Tools for Securitization: Information Exchange, Eu Foreign and Interior Policies " *Journal of Common Market Studies* Vol.46, no. 1 (2008).

⁴⁹ Ibid., p.76.

⁵⁰ Buzan, Wæver, and Wilde, p.31.

⁵¹ Ibid., p.30.

Wage a war against the existing hegemon or great powers, win the war and reorganize the institutions,⁵² 2) Pursue policies that would increase its influence in these institutions. 3) Establish a rival organization/institution.

Non-security instruments are not necessarily utilized against non-traditional security threats they can also be utilized for traditional security threats in this context looking at policy instruments and outcomes are useful because security threats change or evolve, and new threats can also emerge. Consequently, different non-security tools can be utilized for the same threat, or both security and non-security instruments can be deployed or the way they are utilized for security purposes can also change based on the nature of threat.⁵³

For example, in South China Sea China, there are two security threats for the parties first one is disputed islets and territorial waters, the second one is fishing zones. In this setting, China uses both traditional security instruments and non-security instruments, for the first one it builds military bases for its navy and air force,⁵⁴ for the latter, China utilizes its fishing fleet.⁵⁵ In the final option, China established the Asia Infrastructure Investment Bank (AIIB),⁵⁶ however the final option is not necessarily confrontational in

⁵² Ikenberry argues that resettlements in international system occur after major wars, for more details see G. John Ikenberry, *After Victory Institutions, Strategic Restraint and the Building of Order after Major Wars, Princeton Studies in International History and Politics* (Princeton, New Jersey: Princeton University Press, 2001).

⁵³ Balzacq, *Securitization Theory: How Security Problems Emerge and Dissolve*, p.76.

⁵⁴ Derek Watkins, "What China Has Been Building in the South China Sea," *New York Times* 29.02.2016, accessed 5.05.2019, <https://www.nytimes.com/interactive/2015/07/30/world/asia/what-china-has-been-building-in-the-south-china-sea-2016.html?module=inline>.

⁵⁵ For a more detailed analysis on securitization of fishing vessels see Hongzhou Zhang and Sam Bateman, "Fishing Militia, the Securitization of Fishery and the South China Sea Dispute," *Contemporary Southeast Asia* Vol. 39, no. 2 (2017).

⁵⁶ Bree Feng, "Deal Set on China-Led Infrastructure Bank," *New York Times* 24 Oct. 2014, accessed 26.05.2019, <https://www.nytimes.com/2014/10/25/world/asia/china-signs-agreement-with-20-other-nations-to-establish-international-development-bank.html?searchResultPosition=3>.

nature, AIIB usually referred to as China's rejection of Washington consensus and American hegemony over the international financial institutions but World Bank and AIIB agreed on co-financing infrastructure projects.⁵⁷

The Original framework does not capture the contextual nature of security threats,⁵⁸ hence I argue that by looking at instruments and the way they are utilized we can understand if a state reacts to a newly emerging threat or pursues a proactive policy against a long-term established threat. In other words, looking at instruments and outcomes are not enough; some policies are long term, and some are short-term, and it can be argued that short term is mostly reactive in nature rather than proactive. In order to distinguish long-term and short-term policies, I will use strategic security and tactical securitization terms that are postulated by Itay Fischhendler⁵⁹ Strategic security is applied in the context where a complex network of economic and political interdependencies exists, and tactical securitization refers to when low politics become a subject of high politics.⁶⁰ Fischhendler uses these terms in the context of water politics and water security. Also, Fischhendler does not consider the possibility of securitization act when multiple interdependencies exist, however structures that these terms identify also applies to other sectors and securitization can happen at the strategic level, therefore, I will employ the term strategic securitization rather than strategic security. To make it more concrete within the context of China economic development would fall under strategic security/strategic securitization China's economic development

⁵⁷ Wendy Wu, "Aiib and World Bank Reach Deal on Joint Projects, as China-Led Lender Prepares to Approve Us\$1.2 Billion of Funds This Year," *South China Morning Post* 14 Apr. 2016, accessed 26.05.2019, <https://www.scmp.com/news/china/diplomacy-defence/article/1935932/aiib-and-world-bank-reach-deal-joint-projects-china-led>.

⁵⁸ Matt McDonald, "Securitization and the Construction of Security," *European Journal of International Relations* Vol. 14, no. 4 (2008): p.564.

⁵⁹ Fischhendler.

⁶⁰ Ibid.

inevitably creates economic and political interdependencies, China's policies in the South China Sea could be identified as tactical securitization.

2.2 Conclusion

In respect to these works, it is important to re-emphasize the intersubjectivity of the securitization framework, it is open to development and with modifications, it can be applied to instruments as well as sectors. Conversely, the subjective nature of the securitization framework is both its strength and its weakness. It is a strength because it can be modified and developed. The issue of ambiguity will be thoroughly discussed in the limitations section, however modification is the key to establish the link between economy and security, as mentioned traditional security studies focuses on military power because of the assumptions of realist tradition there is an inherent connection between power and security therefore it is essential to show that economic instruments are a mean of power and they can be utilized as security instruments.

So far, I have argued that traditional security focuses on power because it provides an objective measurement for interest and military power is the main bulk of this approach because in an anarchic international system every state is concerned with its own survival and military provides the means for survival. Securitization framework contests this traditional view and posits that non-security sectors and issues can be turned into security issues by the speech act. In the next section, I will discuss the connection between economics and security and the possibility of utilizing economic instruments as security instruments. Later based on historical cases I will illustrate how these instruments can be used to pursue security policies.

CHAPTER 3

NEXUS of ECONOMY and SECURITY

In the theoretical chapter, I argued that contrary to the traditional understanding of security, different instruments can be utilized as security instruments and economics is one of those instruments. Traditionally, within the realist paradigm economics was considered as “low politics”, however in a system where states are tied to each other in a complex net of international production, supply chains and financial systems, foreign economic policies play a pivotal role, and inevitably these policies and related instruments can be used for security purposes. William Callahan identifies this relation as “development-security” strategy, the purpose of this strategy is to raise the cost of confrontation for other parties via economic interdependence.⁶¹ This argument is a classic case of Hirschmanian approach to trade, in his seminal work *National Power and Structure of Foreign Trade* Albert O. Hirschman argued that strong states use trade policies to build asymmetrical relations with weaker states, and he explained his theory based on Nazi Germany’s trade agreements.⁶² Callahan’s term only explains China under Xi Jinping’s leadership. The main purpose of this chapter is to show that utilization of economic instruments for security purposes is related with political and economic conjuncture of the era, both domestic and external therefore economic instruments are utilized differently based on security perception of the state.

In 1973 during the negotiation process of Yom Kippur War, the United States decided to provide military aid to Israel so that it can have the upper hand if hostilities continue, in responding to this, Arab members of the Organization for Petroleum Exporting Countries (OPEC) replied to United States decision by issuing an oil embargo. In the aftermath oil

⁶¹ William A. Callahan, "China's "Asia Dream": The Belt Road Initiative and the New Regional Order," *Asian Journal of Comparative Politics* Vol.1, no. 3 (2016): p.235-36.

⁶² Albert O. Hirschman, *National Power and the Structure of Foreign Trade The Politics of the International Economy* (Berkeley, Los Angeles, London University of California Press, Ltd., 1980).

price almost quadrupled, oil shortage affected the global economy. In the case of OPEC crisis, it is possible to argue that United States' military aid to Israel was considered as a security threat to Arab members of OPEC, however economically and militarily weaker OPEC countries managed to utilize their limited power within the oil industry. OPEC crisis did not only hit the United States, but the global price upsurge affected all the industrial states.

OPEC crisis is important for two reasons: first of all, it demonstrates the possibility for weaker states to deploy economic instruments. Both militarily and economically weaker OPEC countries managed to exploit Western countries dependency on oil even though they did not have significant power over the oil industry. Western states' sensitivity to price changes enabled OPEC to utilize their control over production and price.⁶³ Secondly, the 1973 oil crisis was a significant challenge to traditional understanding because, especially the realist school of thought, did not consider the possibility that economic instruments could have a crucial role in international relations.⁶⁴ However, utilization of economic instruments for security purposes was not a new phenomenon, the peculiarity of OPEC crisis was that its effect on international economics was immediate, before OPEC crisis states had been utilizing it for security purposes both for short term and long-term strategies.

In this section, I will first outline the relationship between economic policies and security policies, later, I will discuss how economic instruments can be utilized in tackling traditional and non-traditional security threats, and finally I will argue that economic instruments can be utilized both for security purposes and can also become a security threat to other states.

⁶³ Robert O. Keohane and Joseph S. Nye, *Power and Interdependence* 4ed. (Longman, 2012), p.10.

⁶⁴ Klaus Knorr, 1973 as cited in John Ravenhill "International Political Economy" in Christian Reus-Smit and Duncan Snidal, eds., *The Oxford Handbook of International Relations* (New York: Oxford University Press Inc., 2008), p.540.

3.1. Utilizing Economic Instruments Against Traditional Security Threats

In an anarchic international order, a state's purpose is to ensure its survival, this is the primary objective of any state, therefore, any strategy and policy must be devised to ensure this survival since other states also pursue their own survival, every state is pitted against each other hence every state pursues its own interest.⁶⁵ Traditionally fundamental security threat for the state emanated from other states and the military has been the spearhead for countering security threat. However, as states and the international system evolved so did security threats and security instruments. States can utilize non-security instruments against security threats.⁶⁶ In this section I will try to argue that economic instruments can be utilized for security purposes both against traditional and non-traditional security threats, in this regard securitization framework opens the field by showing that existential threats to a state can come from both traditional and non-traditional sources, and states can utilize both security and non-security instruments against these threats.⁶⁷

⁶⁵ See Morgenthau; Mearsheimer; Waltz.

⁶⁶ States are vulnerable to economic shocks and crises; therefore, the economy can become as dangerous as a rival state's military; as it manifested itself in the recent crisis between Turkey and the United States over the imprisoned American pastor, harsh reaction of the United States dramatically effected already fragile Turkish economy and Turkish lira lost 25% of its value in a week. Non-state actors' actions can also impact the global economy gravely. See Jack Ewing and Alexandra Stevenson, "Plunge in Lira, Turkey's Currency, Fuels Fears of Financial Contagion," *New York Times* 2018, accessed 11.11.2018, <https://www.nytimes.com/2018/08/13/business/turkey-stock-markets.html?module=inline>; Matt Phillips, "Why Turkey's Lira Crisis Matters Outside Turkey," *New York Times* (2018), <https://www.nytimes.com/2018/08/13/business/turkey-lira-emerging-markets.html>. In September 9,2001 members of terror organization Al-Qaida hijacked 4 planes and carried out one of the worst terror attacks in recent history, two of the planes hit World Trade Center in New York, another one hit Pentagon and the last one was crashed with the efforts of passengers. 9/11 terror attacks and its aftermath show that even security threat from a non-state actor can have an impact on the economy. The U.S. economy and international markets were affected by the attacks and the U.S. Federal Reserve implemented a series of precautions to boost up the domestic economy. Moreover, in order to reduce the financial burden on international markets, many foreign central banks supported the dollar in international financial markets, also cut interest rates to mitigate the effects. In other words, while states can utilize their economic power against traditional security threats, economy itself may become a security threat for states. For more detail see Gail Makinen, *The Economic Effects of 9/11: A Retrospective Assesment* (The Library of Congress, Congressional Research Service, 2002).

⁶⁷ Buzan, Wæver, and Wilde, p.23-26.

To support this line of argument I will review historical cases, the United States' Cold War Containment strategy and how it was implemented via economic instruments to deter and contain the Soviet threat; for non-traditional security threats the United States' attempts to take control of Saudi Arabia's oil reserves to secure its oil supply and China's involvement with Rio Tinto and BHP Billiton merger and preventing the merge in order to secure iron ore supply. Moreover, I will also argue that the economy and economic instruments can also be a security threat by themselves.

3.1.2 The United States and Early Cold War Strategy: Designing and Implementing Containment

In the early years of the Cold War George Kennan postulated why the Soviets were a security threat for the United States and drafted a strategy for the United States in order to counter the Soviet threat, the strategy later named as the containment strategy.⁶⁸ The Soviet Union's expansion to Eastern Europe and Baltic republics after World War II only reinforced Kennan's arguments,⁶⁹ and in March 1947 President Truman delivered a speech to the Congress and outlined a strategy that would be known as the "Truman Doctrine"; In June 1947 a framework for postwar recovery of Europe was postulated by Secretary of State George C. Marshall, he later advanced the famous "Marshall Plan" for the economic recovery of Europe. The main objective of the Marshall plan was to bring economic stability into Western European countries and prevent any possible communist revolutions.⁷⁰

⁶⁸George Kennan sent his famous long telegram on February 22, 1946 warning the United States administration that confrontation between the U.S. and the Soviets were inevitable because the Soviets would pursue expansionist policies for more see George F. Kennan, "The Long Telegram," (1946), <https://nsarchive2.gwu.edu//coldwar/documents/episode-1/kennan.htm>.

⁶⁹ Joyce P. Kaufman, *A Concise History of U.S. Foreign Policy* 2nd ed. (Rowman & Littlefield Publishers, Inc., 2010), p.84.

⁷⁰ Harold Karan Jacobson, ed. *America's Foreign Policy*, Revised Edition ed. (New York: Random House, 1965), p. 562.

George Kennan's containment strategy⁷¹ was influential on Truman Doctrine and Marshall Plan, Kennan defended that economic recovery of the European State would balance the Soviet threat in Europe, and favored economic instruments over non-economic ones.⁷² Consequently, in the early years of the Cold War, the United States relied heavily on aids and loans to stabilize and modernize the economies, in order to balance the Soviet Union in Europe.⁷³ The economic stability of Western European states was the principal concern because the economic collapse in these states would only allow the Soviet Union to take advantage of the turmoil.⁷⁴ The same logic also led the United States to the decision of including Greece and Turkey into Marshall Plan after the Soviet Union's unification of its proxy states under one roof in Central Europe and in the Balkans.⁷⁵ In the early years of the Cold War economic instability in Western Europe became a major security concern for the United States it even provided a loan of 3.75 billion dollars with 2% interest rate to Britain with an addition of 650 million dollars for the lend-lease payments.⁷⁶ Many opponents of the loan criticized it because it was not a financially beneficial deal for the United States, however, anti-Soviet sentiments played a fundamental role in the approval of the loan.⁷⁷

The main purpose of the containment strategy was to deter and prevent any Soviet aggression, in Europe, the U.S. utilized its economic power and economic instruments

⁷¹ Originally published by X Kennan's famous article outlined the structure of the containment strategy and urged the United States to prevent the Soviet Union from exercising its power for more see George F. Kennan, "The Sources of Soviet Conduct," *Foreign Affairs* 25, no. 4 (Jul.1947).

⁷² John Lewis Gaddis, *Strategies of Containment: A Critical Appraisal of American National Security Policy During the Cold War*, Revised and Expanded ed. (New York: Oxford University Press, Inc., 2005), p.39.

⁷³ Ibid.

⁷⁴ Ibid., p.43.

⁷⁵ Jacobson, p.562.

⁷⁶ John C. Campbell, *The United States in World Affairs 1945-1947, Council on Foreign Relations* (New York, London Harper & Brothers 1947), p.359.

⁷⁷ Ibid., p.365-68.

became the principal instrument for the containment. The United States provided economic and military aid and loans with no visible economic benefit to itself, in order to boost the postwar construction of Europe and to prevent the Soviet Union from increasing its political influence over Western Europe; Mitigating the structural reasons for communist revolutions by stabilizing and modernizing the European economies was the central piece of the United States' strategy.

3.2. Utilizing Economic Instruments Against Non-Traditional Security Threats

As historical evidence points out economic instruments can be utilized for security purposes, economic instruments were the United States first choice in implementing containment strategy. Due to the structure of the modern economic system, states are vulnerable to economic shocks, even non-state actors' actions can affect the global economy. As the crisis between Turkey and the U.S. shows that under right circumstances even the minimal targeted sanctions can cause serious damage to a country's economy and turn a political crisis into a security threat for that country. Therefore, it is important to note that economic instruments can be utilized as a weapon against other states, however, the economy itself can also become a security threat. As OPEC crisis shows when states are dependent on key resources, even minor disruptions in the supply line can cause significant damage. In fact, disruptions in the global supply chain affect every country even though they are not dependent to any particular resource the United States' oil demand was not heavily depended on imports regardless its economy felt the OPEC crisis.⁷⁸

In such cases, economic instruments can also be deployed against these non-traditional security threats such as a disruption in the supply of raw materials or key resources such as petroleum or rare earth minerals. Petroleum is a special case when it is compared to other resources because it is a very critical resource for any modern army, tanks planes and ships are dependent on it; however, it is also a key resource for Petro-Chemical

⁷⁸ Keohane and Nye, p.10.

industry, outputs of Petro-Chemical industry is used in a variety of industries, from pharmaceutical to IT industry steady supply of oil is critical to almost every industry that is dependent on petroleum. Therefore, for any state that is a net importer of petroleum, disruption in the supply or an embargo in accessing petroleum would become a security threat.

3.2.1. The United States and Saudi Aramco: Securing Oil Supply

During the World War 2, it became evident that the United States would become a net importer of petroleum and in 1941 the United States government became cognizant that domestic resources will not be sufficient to meet the domestic consumption.⁷⁹ In fact, Roosevelt administration's secretary of the Interior Harold L. Ickes presented a study that emphasized "the United States must have extra-territorial reserves to guard against the day when our steadily increasing demand can no longer be met by our domestic supply."⁸⁰ At that time reserves in the Middle-East, especially in Saudi Arabia were discovered recently, and Standard Oil of California and The Texas Company had concessions from the ruling Saudi family, so when the United States started to feel the pressure from its increased domestic demand for oil the Saudi Arabia's untapped resources considered as a lifeline.⁸¹ The initial plan of the Roosevelt administration was to establish a government corporation named Petroleum Reserves Corporation and directly access to Saudi oil, the second plan was to negotiate an agreement with Britain for developing the oil reserves in the Middle-East and the final plan was to support private enterprises to get access and develop the fields in Saudi Arabia.⁸²

⁷⁹ Irvine H. Anderson, *Aramco, the United States, and Saudi Arabia: A Study of the Dynamics of Foreign Oil Policy, 1933 - 1950* (Princeton, New Jersey: Princeton University Press 1981), p.36-37.

⁸⁰ Memorandum by Raply K. Davies, deputy petroleum administrator, October 5, 1941, attached to letter, Ickes to Roosevelt, October 18 1941, folder: "Correspondence with the President," box 666, item 11, RG253 as cited in *ibid.*, p.37.

⁸¹ *Ibid.*, p.33-34.

⁸² *Ibid.*, p.42.

The first and second plan did not receive enough support and both of them failed, especially domestic opposition played a key role in dismantling Anglo-American cooperation in developing oil fields in the Middle-East.⁸³ The final plan of utilizing private enterprise kicked off when the Department of State and the Navy gave their support to Socal and Texas and these two companies proposed a merger of interest to Jersey and Socony, American oil companies, in 1948 these four companies became the owners of Aramco, the oil company of Saudi Arabia.⁸⁴ The United States' quest of accessing Saudi oil indicates that it the United States acknowledged that in near future inability to cover the domestic demand with national reserves poses a security threat for the United States in the long run. In this case, oil became a non-traditional security threat for the United States. Rather than utilizing its military power, the United States' designed its strategies around economic instruments and utilized its economic power to tackle this threat.

3.2.2. People's Republic of China and Rio Tinto Merger: Securing Iron Ore Supply

Economic instruments that a state can utilize for security purposes, or political purposes, is related to its market structure and the amount of control that the state has over the market. In liberal markets economies it is hard to measure how much influence the state can exert over the commercial actors and utilize them for its policy purposes, this is even harder when it comes to security policies, in a liberal market economy business entities are independent and they are responsible to their stockholders, therefore a commercial entity would not get involved in a transaction that has no apparent commercial benefit to the company, or that may even cause some loss to the company; In other words in a liberal economy a state would not be able to utilize commercial actors for security purposes if there is no profit for the company itself.

In addition to that, as mentioned in the previous section, government's attempts to create state-owned commercial actors may face opposition from independent

⁸³ Ibid., p.200.

⁸⁴ Ibid., p.201.

commercial actors, therefore, state-business relations, in the case of utilizing commercial actors as policy instruments, is hard to measure. When it comes to the utilization of commercial actors for security purposes. Rio Tinto Merger and China's involvement in it falls under China's foreign economic policies, however, the reason I discuss this case in here is that Rio Tinto case is a good example of how a state with more control over its market and commercial actors can utilize different commercial actors for security purposes.

On October 2007 Rio Tinto, a global mining and processing group, acquired Alcan, Canadian aluminum producer, and Rio-Alcan became one of the leading multinationals in mining and processing operations. Soon after 2008 crisis hit the global markets and commodity prices started to decline, this became a financial problem for Rio-Alcan because Rio Tinto's acquisition of Alcan was partially financed by debts and with low commodity prices Rio was having difficulties in paying its debts.⁸⁵ Australian mining company BHP Billiton offered a merger to Rio Tinto and cover its debt. In the following months Zou Jian, the executive director of Chinese Iron and Steel Association (CISA) informed the Chinese government officials that the possible merger of BHP Billiton and Rio Tinto would give these companies the power to control the iron ore price.⁸⁶

In 2013 China imported 820 million tons of iron ore,⁸⁷ only based on the volume of import it can be argued that iron ore is a strategic resource for China and a possible merger between BHP Billiton and Rio Tinto naturally becomes a security problem for China. The Chinese government tasked China Development Bank (CDB) as the financier and Chinalco, Chinese aluminum producer, as the executor of the operation that aimed to

⁸⁵ William J. Norris, *Chinese Economic Statecraft: Commercial Actors, Grand Strategy and State Control* (Ithaca; London: Cornell University Press, 2016), p.91.

⁸⁶ Ibid., p.92.

⁸⁷ Ibid., p.90.

acquire significant minority shares of Rio Tinto.⁸⁸ On January 31st, 2008 Chinalco spent \$14 billion to buy 9% of Rio Tinto's shares⁸⁹, BHP Billiton could not match this and officially forfeited its offer to buy Rio Tinto.

3.3. Conclusion

In this section, I tried to support my argument in the theoretical chapter that states can utilize their economic instruments for security purposes. I focused on historical cases in which states utilized their economic instruments against traditional security threats as a part of their grand strategy. I used the USA's early Cold War strategy of containment and emphasized that in the early years of the containment main instrument that the United States utilized was its economic instruments. The United States implemented Marshall Aids and loans with favorable conditions to debtor European countries so that their economy would not collapse, and political instability would not create a gap for the Soviet Union to fill in and install a communist regime.

For non-traditional security threats I focused on the United States and its attempts on securing access to Saudi Arabia's oil fields during World War 2, the U.S. policymakers realize that the USA would face an oil shortage in the foreseeable future and it would become a security threat, therefore, the USA needed access to Saudi oil, instead of using its military the U.S. policymakers used commercial entities to secure the access to oil fields. The second case I used here is China and Rio Tinto's merger with BHP Billiton, both firms are important players in ore mining and their potential merger posed a risk for China because it considered iron ore as a strategic material for its economic development, Chinese policymakers utilized Chinese State-Owned Banks and Enterprises to intervene and prevent the merger by buying Rio Tinto's shares, the operation proved to be successful and the Chinese government prevented a potential merger that could pose a security threat in future.

⁸⁸ Ibid., p.92.

⁸⁹ Ibid., p.93.

If we evaluate these cases according to the original framework of securitization, it is hard to pinpoint these cases as utilization of economic instruments for security purposes because there is no apparent audience in these cases, but as Bazlacq argues rather than speech act it is essential to look at how policy makers utilize instruments to tackle a security threat, this approach provides a more in-depth understanding of policies of states. In the next chapter, I will discuss China's foreign economic policies, the main focus of the chapter will be post-Cold War policies and I will try to show the variation in utilization of economic instruments for security purposes in Jiang Zemin, Hu Jintao and Xi Jinping eras.

CHAPTER 4

CHINA'S FOREIGN ECONOMIC POLICIES

In this chapter I will analyze Chinese foreign economic policies and how China utilizes its foreign economic policies for security purposes, as I discussed in the theoretical chapter, I will look at policy outcomes and identify strategic and tactical securitizations within China's foreign economic policies. The main focus will be on Xi Jinping's administration. The reason I picked Xi Jinping's period as the main focus is that unlike his predecessors, under his leadership China is more visible in international relations, willing to take leadership as Xi emphasized in World Economic Forum in 2017⁹⁰ and pursue ambitious projects such as Belt and Road Initiative. The rest of this section will focus on why China prefers to use other instruments instead of its military against security threats.

The rest of this chapter is structured as follows: It is important to emphasize that China did not become an economic powerhouse overnight, therefore, I will first elaborate the history of China's foreign economic policies and how it transformed under different leaders. I will track the transformation in four different eras, Mao Zedong, Deng Xiaoping, Jiang Zemin-Hu Jintao, and Xi Jinping; I consider Jiang Zemin and Hu Jintao's administrations as one because policy wise Hu Jintao's administration mostly continued to build on policies that implemented at Jiang's period. Main empirical case of this thesis will be China's foreign economic policies in Africa; therefore, I will also discuss Africa policies within the broader context of foreign economic policies. Africa policies were selected as the main empirical case as because due African countries lack the capacity to pose a conventional threat to China, hence security threats that China faces in Africa

⁹⁰ Xi Jinping, "President Xi's Speech to Davos in Full " *World Economic Forum* 17.01.2017, accessed 1.05.2019, <https://www.weforum.org/agenda/2017/01/full-text-of-xi-jinping-keynote-at-the-world-economic-forum>.

indirect and nontraditional consequently Africa is a suitable example for in-depth analysis of securitization.

As a developing country China's economy heavily dependent on inbound foreign direct investment and technology transfers.⁹¹ On par with this, China filled the gap with a more indirect approach, China instrumentalizes its foreign economic policies both to pursue economic and security goals. For example, When Chinese government became an important contributor in IMF, in return it demanded a larger share of the vote in IMF in 2010 under quota revisions China's voting rate increased to 6.07% from 3.81% and became the third country in terms of voting shares,⁹² the United States has the most significant share with 16.5% and Japan follows it with 6.5%.

China's negotiation of a larger share of vote is important and can be considered as an attempt of utilizing economic instruments for security purposes because Chinese leadership are suspicious of international organizations that were established by western powers, on pursuing the agenda of western states and see this as a threat to its interests, therefore, China has been trying to increase its influence over international organizations.⁹³ China's negotiation for a larger share of the vote in IMF can also be considered as a form of strategic securitization, it is possible to argue that the structure of international finance creates a form of complex interdependency among states, international financial institutions are part of this delicate system hence states try to maneuver within this context.

⁹¹ Liu, p.86-88.

⁹² Eric Helleiner and Jonathan Kirshner "The Politics of China's International Monetary Relations" in Eric Helleiner and Jonathan Kirshner., *The Great Wall of Money: Power and Politics in China's International Monetary Relations* (Ithaca, NY.: Cornell University Press, 2014), p.4.

⁹³ Tony Saich, *Governance and Politics of China 4ed.*, *Comparative Government and Politics* (Palgrave 2015), p.317.

However, this does not mean China does not face traditional security threats or does not consider deploying its military against these threats. In fact, China's military expenditure has steadily risen over the years because of steady GDP growth which was approximately 10% for the last decade; Inevitably echoes of economic growth can be seen in People's Liberation Army's (PLA) modernization program that intends to increase its capabilities. Especially on maritime trade route security People's Liberation Army Navy (PLAN) undertook a swift modernization program, in the mid-1990s the PLAN had 80 attack submarines, majority of these submarines entered to service in the 1950s; its nuclear attack submarines were noisy and its only nuclear ballistic submarine had limited operational range in terms of missile delivery, moreover the PLAN, in total, had 57 destroyers and frigates.⁹⁴ By 2015 the PLAN's surface fleet's almost 70% were considered as a modern fighting force, this figure was around 14% for its destroyers and 24% for its frigates in 2003.⁹⁵ In 2018 the PLAN with over 300 surface combatant vessels, submarines, amphibious ships, patrol craft, and other vessels became the largest navy in the region.⁹⁶ Beside its modernization program, the PLAN took part in the international task force deployed in the Gulf of Aden to protect the international maritime routes against piracy.⁹⁷

China's willingness to participate in peacekeeping missions is rather important because in 1990s China, although it did not directly veto UN sanctioned interventions, it also did not endorse it. Chinese leadership usually preferred to abstain from the related UN Security Council meetings. Still, for some peacekeeping operations, China provided non-

⁹⁴ Eric Heginbotham, *The U.S.-China Military Scorecard : Forces, Geography, and the Evolving Balance of Power, 1996-2017* (Santa Monica, California: Rand Corporation, 2015), p.26-27.

⁹⁵ Ibid., p.30.

⁹⁶ Office of the Secretary of Defense, *Military and Security Developments Involving the People's Republic of China 2018, Annual Report to Congress* (Department of Defense, 2018), p.28.

⁹⁷ Lyod Thrall, *China's Expanding African Relations: Implications for U.S. National Security* (Santa Monica, California: Rand Corporation, 2015), p.57.

combatant personal or observers.⁹⁸ China's position towards peacekeeping missions and its role in it gradually evolved, in January 2012 for the first time the PLA provided combat troops for peacekeeping mission in South Sudan (UNMISS); and in July 2013 China provided 395 combat troops for the peacekeeping mission in Mali(MINUSMA).⁹⁹ The PLAN's deployment in the Gulf of Aden as part of the anti-piracy international task force showed the Chinese leadership weakness of the PLAN in overseas operations and the challenges of long-term deployment,¹⁰⁰ in return in 2017, China started construction of its first overseas naval base in Djibouti ¹⁰¹ Chinese authorities defined the base as a logistics base or support base rather than a military base and explicitly stated that the base is not part of a Chinese military expansion.¹⁰²

As I discussed in the theoretical chapter, security threats are perceptual, where one state sees security threat others may see paranoia, and when a state is not satisfied with the distribution of power in international organization. There are three options in front of it, wage a war, win and change the distribution of power in favor of itself; try to change the power distribution with policy instruments; or establish rival institutions. In the case of IMF from China's perspective having less voting rights in an international institution can be considered as a non-traditional security threat therefore China utilized its economic instruments to pursue security policies and changed the voting ratio, and in 2013 China announced that it will establish Asia Infrastructure Investment Bank, this

⁹⁸ Allen Carlson "More Than Just Saying No: China's Evolving Approach to Sovereignty and Intervention Since Tiananmen" in Alastair Iain Johnston and Robert S. Ross, eds., *New Directions in the Study of China's Foreign Policy* (Stanford University Press, 2006), p.223-24.

⁹⁹ Thrall, p.62-63.

¹⁰⁰ Ibid., p.57.

¹⁰¹ Andrew Jacobs and Jane Perlez, "U.S. Wary of Its New Neighbor in Djibouti: A Chinese Naval Base," *New York Times* 25 Feb. 2017, accessed 26.05.2019, <https://www.nytimes.com/2017/02/25/world/africa/us-djibouti-chinese-naval-base.html>.

¹⁰² Tyler Headley, "China's Djibouti Base: A One Year Update," *The Diplomat* 04 Dec. 2018, accessed 26.05.2019, <https://thediplomat.com/2018/12/chinas-djibouti-base-a-one-year-update/>.

move was seen as China's attempt to build rival institution against World Bank and Washington Consensus.¹⁰³

In this section I postulated that even though Chinese military implemented swift modernization programs, China does not fully channel its economic power to increase its military capabilities.¹⁰⁴ Chinese investment to its military remains limited not because China does not feel the necessity to invest in its military but rather it tries to avoid any unnecessary escalation in the region and in the international system. However, this does not mean China does not use its military power, in fact in the last decade China's participation in both peacekeeping missions increased also China participated in an international anti-piracy mission in the Gulf of Aden. Economic development is still Chinese leadership's key objective and China needs a stable international and regional systems in order to continue its economic development. Hence, China prioritizes the deployment of non-security instruments against security threats. In the next section, I will evaluate Mao Zedong's era foreign economic policies and I will answer the questions if and how economic instruments were utilized in the Mao era.

4.1. Mao Zedong Era

China's main objective under Mao's leadership was to export the revolution, hence China's policies were devised in that way however foreign economic policies were used in the form of material and financial aid to revolutionary groups and financing very limited infrastructure projects in Africa. Beside this China's presence in international relations were mostly very limited, especially in the second decade of Mao's rule the Great Leap Forward and Cultural Revolution pushed China into brink of economic and

¹⁰³ Jane Perlez, "China Creates a World Bank of Its Own, and the U.S. Balks," *New York Times* 4.12.2015, accessed 1.05.2019, <https://www.nytimes.com/2015/12/05/business/international/china-creates-an-asian-bank-as-the-us-stands-alooft.html?searchResultPosition=6>; Jane Perlez, "U.S. Opposing China's Answer to World Bank," *New York Times* 9 Oct. 2014 accessed 30.05.2019, <https://www.nytimes.com/2014/10/10/world/asia/chinas-plan-for-regional-development-bank-runs-into-us-opposition.html?module=inline>.

¹⁰⁴ Heilmann and Schmidt, p.67-69.

political collapse, in the third decade of Mao's rule with the Sino-U.S. rapprochement China's isolation was partly ended. In short, during Mao's leadership China did not utilize its economic instruments for security purposes, because China had an ideological approach to international relations rather than pragmatic one during this time.

As I argued above, in the case of China economic development and security is often linked with each other,¹⁰⁵ and this approach is mostly related to China's century of humiliation. China at the beginning of the 19th Century suffered heavy military defeats at the hand of Western States and China was subjugated unequal treaties that allowed the Western States to colonize ports in Chinese mainland this period is often referred as the century of humiliation. Century of Humiliation was visible in Mao Zedong's rhetoric, as being the first leader of the People's Republic of China (PRC), Mao's thoughts have an immense influence on Chinese leadership, in his famous Chinese people have stood up speech he declared that in Chinese civil war people fought against imperialism and nationalist government: "The Chinese have always been a great, courageous and industrious people. It was only in modern times that they have fallen behind, and this was due solely to the oppression and exploitation of foreign imperialism and the domestic reactionary government."¹⁰⁶

It is possible to argue that this narrative also feeds the self-entitlement belief that its China's right to be among great powers.¹⁰⁷ However this belief and Mao's style of diplomacy put China between a rock and a harder place starting from 1960s, ideological

¹⁰⁵ Wang Jisi, 2011, quoted in Linda Jakobson " Domestic Actors and The Fragmentation of China's Foreign Policy Robert S. Ross and Jo Inge Bekkevold, eds., *China in the Era of Xi Jinping* (Washington, DC: Georgetown University Press, 2016), p.140.

¹⁰⁶ "The Chinese People Have Stood Up: September 1949", in Timothy Creek, ed, Mao Zedong and China's Revolution: A Brief History with Documents (New York: Palgrave, 2002) p.126 as quoted in Henry Kissinger, *On China* (New York: Penguin Books, 2012), p.98.

¹⁰⁷ Heilmann and Schmidt, p.3,4.

chauvinism eventually isolated China from the rest of the world by opposing two super powers. Although Industrialization of China was top priority and between 1952-57, the period of first five-year development plan of CCP, China grew 7% and its industry grew at a ratio of 17%;¹⁰⁸ Mao's main approach to reaching China's entitled place in international relations did not involve increasing China's international trade or transforming China's economy to compete with the rest of the world.¹⁰⁹ On the contrary, Mao was convinced that ideological purity and will power carry China to its place in the world.¹¹⁰ When Mao died, Sino-American trade volume was around \$336 million.¹¹¹ It can be inferred that Mao did not want to be coopted into existing structures that is why he focused on developing an independent system.

After the death of Soviet leader Joseph Stalin Sino-Soviet relations started to deteriorate, and in the late 1960s, Sino-Soviet split escalated into border clashes between China and the Soviet Union, and Soviets started to mass its troops near the Chinese border. Growing Soviet threat forced Mao to rethink China's isolation and started to signal normalization process, and after a major border conflict in Xinjiang region Chinese leadership realized that it was a necessity for China to become part of the international order and normalize its relation with the United States.¹¹² In the early 1970s Sino- U.S. rapprochement initialized, later on, PRC took its seat at the United Nations. These developments were important focal points because Mao's diplomatic maneuvers not only gave China to balance between two superpowers but also it signaled a change in

¹⁰⁸ Fatih Oktay, *China: The New Great Power and the Changing Balances of the World [Çin:Yeni Büyük Güç Ve Değişen Dünya Dengeleri]* (İstanbul: İş Bankası Kültür Yayınları, 2017), p.47.

¹⁰⁹ Kissinger, p.333.

¹¹⁰ Ibid., p.334.

¹¹¹ Stanley Karnow, "Our Next Move on China," *New York Times*, Aug. 14, 1977, accessed 30.03.2019, <https://www.nytimes.com/1977/08/14/archives/our-next-move-on-china-china.html>.

¹¹² Kissinger, p.213.

the mentality of Chinese leadership, a shift from rejection to accept the international order or at least temporary acceptance.¹¹³ Additionally, it can be argued that normalization of China's foreign relations laid the groundwork for further integration to the international system, especially into the international economic system. Also provided the much-needed foreign capital and aid during the Deng Xiaoping's reforms.

The first decade of Mao's leadership, China focused on exporting the revolution and provided both material and financial aid to revolutionary groups all around the world, in this period China have very limited or no diplomatic relations with the Western block. Death of Joseph Stalin and Mao's ambition to making China the leader of the communist world eventually damaged Sino-Soviet relations. In the second decade of the Mao's leadership China was isolated from the rest of the world, China was at the odds with both superpowers, the Great Leap Forward and Cultural Revolution crippled China and plagued it with economic problems and internal turmoil.¹¹⁴ After 1970s Mao initiated a rapprochement with the United States, this was mainly a strategic move Sino-Soviet split soon became a security risk for China and China needed to balance against the Soviet Union.¹¹⁵ Overall, China under Mao had very little international presence, and economic instruments had only little role in Mao's policymaking, assisting to revolutionary groups and limited infrastructure projects in Africa. However, with Deng's accession China would enter a new era.

4.2. Deng Xiaoping's Reform and Opening Up Era

Prior to Cultural Revolution Deng Xiaoping was considered as Mao's successor, during the Cultural Revolution he was stripped of his position and exiled to rural China. In 1973 Mao intervened and Deng was restored to his position in Central Committee,¹¹⁶ later on,

¹¹³ Saich, p.316-17.

¹¹⁴ See Chapter 6 "China Confronts Both Superpowers" in Kissinger, p.148-80.

¹¹⁵ See Chapter 8 "The Road to Reconciliation" in *ibid.*, p.202-35.

¹¹⁶ *Ibid.*, p.322.

Deng was appointed as the Vice Premier responsible from foreign policy, and shortly after he was appointed Executive Vice Premier with a role of overseeing domestic policy. When Mao Zedong's died in 1976 Deng was on exile again.

Mao's death marked the beginning of a new era for PRC, Hua Guofeng was the premier when Mao died, he presumed Mao's position. However, Death of Mao sparked a power struggle within the party leadership, China was still suffering from the fallout of the Cultural Revolution, hardliners and moderates were trying to acquire the leadership. The arrest of Mao's wife Jiang Qing, Zhang Chunqiao, Yao Wenyuan, and Wang Hongwen, members of the infamous "Gang of Four", the group played a critical role in Cultural Revolution, on charges of plotting against the party. The arrest of Gang of Four consolidated the power of the moderates within the party and allowed leadership to pursue reforms.

In 1977 Deng Xiaoping returned from exiled and appointed as vice-premier, inevitably a shadow war between Hua Guofeng and Deng Xiaoping started and Deng won the struggle.¹¹⁷ On December 1978 at the Third Plenum of the 11th Central Committee of the Chinese Communist Party, Deng's consolidated his power, the main theme of the meeting was "Reform and Opening Up", later this also became the motto of Deng's ruling period; After 1978 economic development became the core of China's strategy.¹¹⁸

Deng utilized diplomacy to serve China's domestic economic development,¹¹⁹ Between 1952 and 1978 the Chinese economy grew at an annual rate of 6.8%, and by 1978

¹¹⁷ Ibid., p.329-31.

¹¹⁸ William H. Overholt, *The Rise of China: How Economic Reform Is Creating a New Superpower* (New York and London: W. W. Norton & Company Inc., 1993), p.321.

¹¹⁹ Wang Yizhou and Tan Xiuying, *Sixty Years of China Foreign Affairs*. (Paths International Ltd, 2016), p.15.

industrial products' share was 48% in China's total production.¹²⁰ Therefore, Deng intended to build a model that would bring socialism and market forces under one roof; In this model, the state would design macroeconomic policies and enable private enterprises to operate according to market rules.¹²¹ China gradually transformed into a market economy, Special Economic Zones were established on coastal cities and incentives were provided to investors. Consequently, foreign investment started to enter China, China also joined to IMF and the World Bank which enabled China to access foreign loans.

Under the principle of non-aligned and independent foreign policy, China focused on normalizing its diplomatic relations with the rest of the world. In 1982 Soviet leader Brezhnev signaled the possibility of rapprochement with China, Deng took this opportunity to normalize Sino-Soviet relationship. Reform period also redefined China's role in the international economic system. Chinese leadership was not interested in using China's limited resources on other countries, therefore, aid levels sharply dropped to a total of \$100 million per year, moreover China became a development aid recipient and tried to secure aids from various international organizations and donor countries including the World Bank and International Monetary Fund (IMF).¹²² Japan became one of the largest donor countries that provide development aid to China, Japan's Overseas Economic Cooperation Fund provided 1.55 billion Yen worth of long-term low-interest credits to China between 1976 and 1996.¹²³ As part of its "Reform and Opening Up"

¹²⁰ Oktay, p.56.

¹²¹ Kissinger, p.400.

¹²² Robert G. Sutter, *Chinese Foreign Relations: Power and Policy since the Cold War 2ed.*, *Asia in World Politics* (Plymouth, UK: Rowman & Littlefield Publishers, Inc., 2010), p.311.

¹²³ Foreign Broadcast Information Service, Daily Report:East Asia No:112 (June 10,1996) cited in Peggy Falkenheim Meyer "Sino-Japanese Relations: The Economic Security Nexus" in Tsuneo Akaha, ed. *Politics and Economics in Northeast Asia: Nationalism and Regionalism in Contention* (London: MacMillian Press Ltd., 1999), p.137.

strategy Chinese leadership also prioritized normalizing China's diplomatic relations with its neighbors, border disputes were negotiated and settled on the basis of status-quo except with India and Soviet Union, also they cut their support to revolutionary groups in Asia, Africa and South America.¹²⁴

Unlike Mao, Deng knew China needed technology and capital, therefore Deng initiated the reform and opening up, in the following decade China became more visible in international relations, it focused on normalizing its relationship with its neighbors. The main purpose of this normalization process was to attract much needed foreign capital and technology, Special Economic Zones (SEZ) along the Chinese coast was established as part of economic reform, China also joined IMF and World Bank as part of its opening up, China also became a recipient of development aid. Being an underdeveloped country was seen as a security risk for Chinese leadership therefore during Deng's period China mainly focused on drawing investment and development aid.

It is possible to argue that in Deng's era China's main security challenge was its underdeveloped economy and technological inferiority therefore economic instruments were utilized to encourage FDI flow, development aids and loans from international financial institutions; and technology transfer from Western companies. Against these non-traditional security threats, Chinese leadership decided to utilize its economic power, recognizing the fact that this is a long-term problem it can be argued that China used strategic securitization to deal with the threat, and China started its economic reform program. Economic reform program was a tool of strategic securitization because China started to navigate within a network of political and economic interdependencies where both states and commercial actors actively pursue their own interest. Hence this strategic securitization can also be seen as a primary limit on China's deployment of its military against security threats, for the continuation of its economic development China

¹²⁴ Overholt, p.322.

needed to ensure international community and commercial actors that China was a responsible actor in the international system

While in Mao's era economic instruments only utilized to provide assistance to revolutionary groups and in limited capacity infrastructure projects in Africa, Deng's sole focus was on China's economic development and instruments utilized to kick-off China's economic growth.

4.3. Tiananmen Incident and the End of the Cold War

Late 1980s China started to experience the social effects of the Deng's reforms, student protests, and worker strikes became a regular occurrence and party leaders were divided on how to deal with these social effects. On the one hand, the conservative hardliners wanted to rejuvenate the socialist spirit, on the other hand, reformist party members wanted to continue with the economic reform program. In this tumultuous political atmosphere due to his soft approach to student protests conservatives harshly criticized party secretary-general Hu Yaobang and managed to depose him, Zhao Ziyang replaced him as the secretary general. After his dismissal, Hu became a symbol for the students and his death on April 17, 1989, sparked a fire.

On April 22, Students who were not allowed to attend Hu's funeral organized a protest that eventually evolved into a massive revolt against the CCP's authority, various student groups in Beijing demanded freedom of speech, press, and assembly and increased funding for education.¹²⁵ On June 4, after several weeks of evaluation on how to handle the protests Chinese leadership took decisive action against the protesters. Martial law was declared and People's Liberation Army (PLA) was ordered to clear out the protestors in Tiananmen square, PLA used excessive force including firing live ammunition on protestors. The official death toll was never announced however many foreign media

¹²⁵ W. Scott Morton and Charlton M. Lewis, *China: Its History and Culture* 4ed. (McGraw-Hill Inc., 2005), p.238.

outlets were in China to cover the meeting between Gorbachev and Chinese leadership, and these media outlets broadcasted the Tiananmen massacre. 1989 marked a turning point for China and its relationship with Western countries, especially with the United States. The Chinese leadership had not expected such a harsh reaction from the United States and European countries and had initially thought the relations would be normalized in a matter of months,¹²⁶ however Tiananmen massacre seriously harmed China's international image, China found itself isolated in international relations. The collapse of the Soviet Union in 1991 and the democratization wave in the former Soviet Republics of Eastern Europe also contributed to this isolation.

Nevertheless, economic relations between China and the United States recovered quickly but arms sale embargo imposed by the US Congress is still in effect. Regardless, the end of the Cold War changed the strategic landscape, with the dissolution of the Soviet Union, the United State became the sole superpower and the world witnessed the transition from bipolarity to unipolarity. This brought new challenges for China, Cold-War foreign policy of China was built around the principle of strategic partnerships and realpolitik, this approach became obsolete; Also, Chinese leaders realized that threats to China's interest were no longer direct military threats, but rather indirect and subtle threats.¹²⁷

4.4. Jiang Zemin and Post-Cold War World

In June 1989 CCP Secretary General Zhao Ziyang was ousted from power because how he handled the Tiananmen crisis, and Jiang Zemin appointed as the new Secretary General of CCP. It would not be wrong to argue that Jiang Zemin took over the position of Secretary General when China was branded as the pariah of the new international

¹²⁶ Sutter, p.18.

¹²⁷ Avery Goldstein, p.22-23.

order. Tiananmen incident did serious damage to China's international reputation and image. However, it is reported that Chinese leadership did not expect such a harsh reaction from the international community, and they did not understand why Tiananmen damaged Sino-US relationship.¹²⁸ Regardless, after the Tiananmen China found itself isolated in international relations and mutual distrust between the US and China have sprouted once again, in fact, Chinese leadership started to see the United States as the principal threat to CCP and communism.¹²⁹ In short, Chinese leadership failed to realize that the end of the Cold War also changed the landscape of international relations and Tiananmen was only the beginning of a series of crises; Jiang Zemin took the helm just before the storm, under his leadership China had to survive a spiral of international crises in the first half of the 1990s.

On the economic front, Jiang Zemin continued to execute Deng's reform and opening up strategy, the main principle of China's behavior in international politics remained loyal to Deng's advice of concentrating on economic development and leaning on the United States.¹³⁰ However, China constantly found itself under the spotlight. When the IMF changed its method for calculating a national economy's size in the early 1990s and it was revealed that China's economy was four times bigger than the previous calculations.¹³¹ Although China's economic rise was not a new issue, exposure to China's actual size of its economy came at a time when China's international reputation was highly damaged. This was also a time where China was trying to modernize its army by buying new technology especially from the Russian Federation to increase its naval and

¹²⁸ Kissinger, p.451.

¹²⁹ Avery Goldstein, p.3.

¹³⁰ Saich, p.318.

¹³¹ Steven Greenhouse, "New Tally of World's Economies Catapults China into Third Place," *New York Times*, May 20, 1993 accessed 20.03.2018, <https://www.nytimes.com/1993/05/20/world/new-tally-of-world-s-economies-catapults-china-into-third-place.html>.

air capabilities,¹³² which only contributed to worries of Asian states as well as the Western States. Moreover, in 1995 when China conducted missile tests near Taiwan strait it quickly turned into an international crisis the incident later be known as the third Taiwan Strait crisis.

Starting with the Tiananmen incident China's behavior in early and mid-1990s contributed to a negative view on China and China threat theories started to articulate. Supporters of China Threat theory argue that China is not compatible with Western norms and would be a threat to liberal international order, moreover as the Chinese economy continues to develop it will acquire more sophisticated military technologies and inevitably will destabilize regional security.¹³³ The reality is that China was far from reaching to super-power status in the early 1990s when Jiang Zemin took over the office more than 50% of the economy was dominated by the state-owned enterprises, Chinese companies did not have a noticeable overseas investment and foreign companies were reserved on investing in China.¹³⁴

Even in the midst of international and regional volatility Jiang Zemin with the help of Premier Zhu Rongji implemented critical fiscal, financial and market reforms, these reforms also included downsizing the State-Owned Enterprises.¹³⁵ On international affairs, unlike the isolation period in the 1960s, China decided to focus on maintaining a good relationship with its neighbors, this foreign policy initiative later identified as peripheral diplomacy – zhoubian. The main purpose of the peripheral diplomacy was to show China's neighbors that China has no hostile intentions and would not challenge the

¹³² For a more detailed account of Chinese military spending in the 1990s see Chapter 3 "Growing Capabilities, Growing Problems" in Avery Goldstein.

¹³³ Denny Roy, "The "China Threat" Issue: Major Arguments," *Asian Survey* Vol. 36, no. 8 (Aug. 1996).

¹³⁴ Kissinger, p.478.

¹³⁵ Ross and Bekkevold, p.67.

international order.¹³⁶ Japan, South and North Korea, and South East Asian countries were focused on during the peripheral diplomacy.

Although economic relations between China and Japan has been steadily increasing since the reform period, it did not affect mistrust and historical animosity between two parties. After the Tiananmen incident, the Japanese government followed the western states and imposed sanctions to China, but in 1990 Japan decided to continue lending money to China and in 1991 the Japanese Prime Minister visited China. Bilateral trade increased to \$83 billion from \$12 billion between 1990 and 2000, also Japanese investment in China reached to \$3.2 billion in 1998, at the beginning of the 1990s the figure was around \$579 million.¹³⁷ Disputed Senkaku/Diaoyutai Islands in the southern section of the East China Sea continued to be a major problem between China and Japan during the Jiang Zemin era. These problems became visible when Jiang Zemin visited Japan in 1998, Japanese prime minister did not issue an apology for the war crimes that Japan committed in China during WW2 and did not support the United States' policy on Taiwan.

Peripheral diplomacy also changed China's stance towards the Korean peninsula, prior to the end of the Cold War, China's main policy was to support North Korea and recognize North as the only government in the Korean peninsula. However, after the end of the Cold War China changed its policy to support a two Korea policy, as a result of this policy China supported both South and North Korea in obtaining their seats at the United Nations General Assembly. In 1992 diplomatic relations established between China and South Korea, it is important to note that the South Korean government thought that better relations with China would be beneficial for South Korea, better relations with

¹³⁶ Marc Lanteigne, *Chinese Foreign Policy : An Introduction* (New York, London: Routledge 2009), p.109.

¹³⁷ Micheal Yahuda "The Limits of Economic Interdependence Sino-Japanese Relations" in Johnston and Ross, p.164.

China also meant expanding South Korea's maneuver field in foreign policy, therefore, the South Korean government's willingness to normalize relations also contributed to the success of Chinese diplomacy.¹³⁸ When the Soviet Union cut off its aid to North Korea and initiated the rapprochement with South Korea, North Korea's dependency on China increased incrementally. North Korea started to experience severe food shortages in the early 1990s which eventually turned into a famine in 1996 that lasted until 1999. Since the 1990s Chinese officials have been advocating an economic reform program that would end the isolation of North Korea, however Chinese encouragement had only limited impact. North Korean leadership started to allow foreign trade in restricted zones, tourism ban was lifted, and North Korea started to participate in Asian Regional Forum and Track II diplomacy.

As China's economic and military power continued to increase Southeast Asian states (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam) advocated the active presence of the United States and other major powers in the region to balance China.¹³⁹ Unlike its past foreign policy behavior, China's more cautious and more compromising stance that was built on the message of mutually beneficial peace and economic development was appreciated by the Southeast Asian states.¹⁴⁰ In return, China managed to establish diplomatic relations with two states in Southeast Asia China did not have any relation previously, Brunei and Singapore. Peripheral diplomacy also allowed China to pursue a more active role in Asian multilateral platforms, China became active in Asian-Pacific Economic Cooperation (APEC) and in 1994 China became a dialogue partner with Association of Southeast Asian Nations -ASEAN. Sino-ASEAN trade also incrementally increased during the 1990s, in

¹³⁸ Sutter, p.195.

¹³⁹ Ibid.

¹⁴⁰ Ibid., p.212.

1993 China's trade volume was 5.4% of its total trade, and by 1995 annual trade reached \$20 billion.¹⁴¹ Furthermore, In 1997 when Asian Financial Crisis started most affected currencies belonged to ASEAN countries, Chinese leadership played a critical role in the recovery process by not devaluating Renminbi, also authorized a \$1 billion transfer via IMF to Thailand. China's policies during the Asian Financial Crisis

Peripheral diplomacy was successful on various fronts, China managed to build new diplomatic relations, or reinforced the existing ones but when it came to solve the problems regarding disputed islands and territorial waters it did not provide any result. In fact, in 1995 People's Liberation Navy took control of an island, change its name and removed Philippine fishermen from the island, attempts on expanding its territorial control over the disputed islands in South China Sea and China's aggressive response to Taiwanese president's visit to the US received a backlash from its neighbors, ASEAN unified against China to confront its expansionist policies in South China Sea.¹⁴²

Jiang Zemin period also marked the reestablishing diplomatic and economic ties with Africa, in 1996 Jiang Zemin started its Africa tour where he suggested that relations between China and African countries should be maintained based on five principals 1) reliable friendship, 2) sovereign equality, 3)nonintervention, 4)mutually beneficial development and 5)international cooperation.¹⁴³ In addition to that in 2000 Forum on China-Africa Cooperation, a ministerial meeting forum launched. The main purpose of China's focus on Africa was purely political and economic, as China's economy grew it needed new markets and natural resources African countries was the ideal place for both

¹⁴¹ Ibid., p.215.

¹⁴² Ibid., p.213.

¹⁴³ Lowell Dittmer and George T. Yu, eds., *China, the Developing World and the New Global Dynamic* (Boulder, Colorado and London Lynne Reinner Publishers Inc., 2010).

moreover, in international organizations China saw African countries as natural allies, therefore, it needed to establish close ties with African countries.¹⁴⁴

One of the most critical successes in Jiang Zemin era is China's accession to World Trade Organization (WTO), in 1999 during his visit to the United States Premier Zhu Rongji agreed the terms of entry and in 2001 China entered the WTO. China's entry to WTO marks a historical moment in China's behavior in international relations, China has already increased its presence on international relations since the reform and opening period, between 1976 and 1996 China's membership to international organization rose from 21 to 52.¹⁴⁵ Significance of WTO membership is that it reaffirmed Chinese leadership commitment its further integration to the international political and economic system.¹⁴⁶

The Post-Cold War international order became a decade of turbulence for China, although Chinese leadership implemented a series of critical reforms in the 1980s China was not ready for the fallout from Tiananmen incident, China quickly became the pariah of the post-Cold War order. Third Taiwan Strait crisis on regional politics and "China Threat" arguments on international politics put Chinese leadership between a rock and a harder place; However General Secretary Jiang Zemin and Premier Zhu Rongji continued implementing reforms on domestic economics and secured China's entry to World Trade Organization; Moreover, China's constructive diplomacy to improve its relations with its neighbors, and China's policies during the Asian Financial Crisis in order to show that China was a responsible member of the international system allowed China to curb negative perceptions. These developments contributed to FDI inflow to China and paved the way to China's emergence as a pivotal actor in the global production chain. On top of this, China realized that it would need to secure the flow of critical

¹⁴⁴ Liu, p.156-57-58; Saich, p.342.

¹⁴⁵ Kim, 1999 quoted in Saich, p.317.

¹⁴⁶ Ibid., p.313.

supplies and new markets to continue its economic development, therefore Chinese firms encouraged to go out and invest. Resource-rich African states and the continent's potential as a market was recognized by Chinese leadership and China invested in improving its relations with African states.

4.5. Hu Jintao and China Goes Out

When Hu Jintao succeeded Jiang Zemin as the Party Secretary in 2002, China had a more positive image on international politics; China had just become a member of WTO, won its bid on 2008 Olympic Games, and more importantly, China was emerging as a focal point in the global production chain and supply chain.¹⁴⁷ Inevitably, China under Hu's leadership employed a more proactive foreign policy, China started its famous charm offensive – *meili gongshi*- under Hu's leadership and played a pivotal role in reinforcing China's ties with the rest of the world.¹⁴⁸ Economic instruments were the primary tool Hu Jintao utilized in order to achieve China's strategic objective, including access to foreign markets.¹⁴⁹ As China's presence was increased in international politics, foreign policy discourse was shifted accordingly; The term peaceful rise – *heping jueqi*- was coined to convince the rest of the world that China as a rising power will not behave like previous rising powers, Hu's administration adopted peaceful development term – *heping fazhan*- and later on Hu's himself personally developed harmonious world and adopted it as its main foreign policy orientation.¹⁵⁰

Under Hu Jintao, China extensively focused on Free Trade Agreements (FTA) as a mean to secure access to new markets, acquire new technology, and secure the supply of

¹⁴⁷ Ibid.

¹⁴⁸ Lanteigne, p.30.

¹⁴⁹ Evan S. Medeiros, *China's International Behavior: Activism, Opportunism, and Diversification* (RAND Corporation, 2009), p.61.

¹⁵⁰ Lanteigne, p.31.

strategic resources.¹⁵¹ In the early 2000s, China negotiated four bilateral FTAs with Hong Kong, Macao, Thailand, and Chile,¹⁵² by the end of Hu Jintao's term Peru, Singapore, New Zealand, and Pakistan was also included in the list, and FTAs with South Korea, Australia, and Costa Rica was under negotiation. Moreover, in 2005 China signed an Agreement on Trade in Goods of China ASEAN, both parties' intention was to sign an FTA by 2010.¹⁵³ China also used FTAs to acquire market economy status (MES), MES was a precondition to start FTA negotiation with Australia,¹⁵⁴ being identified as a market economy important for China because it is harder to employ anti-dumping measures and defend these measures at the WTO compared to non-market economies.

Beginning from early 2000s China started to stretch its economic muscle repeatedly when Sino-Japanese relations started to deteriorate, Japanese Prime Minister Junichiro Koizumi's repeated visits to Yasukuni Shrine- WW2 war memorial for the Japanese soldiers, convicted war criminals are also buried in this shrine- received a serious backlash from Chinese officials. In fact, Chinese leadership announced that they were considering a reduction in the yearly quota of Japanese car imports by 40 to 60 percent.¹⁵⁵ By mid-2000s disputed Senkaku/Diaoyutai islands in the South China Sea started to dominate the Sino-Japanese relations, in 2004 Chinese fishermen near the disputed islands were forced to leave by the Japanese coast guard later on Chinese activist landed on the island were arrested by the Japanese coast guard.

¹⁵¹ Medeiros, p.62.

¹⁵² Yanying Zhang, Gaiyan Zhang, and Hung-Gay Fund, "The Prospects for China's Free Trade Agreements " *The Chinese Economy* 40, no. 2 (March-April 2007): p.6.

¹⁵³ Lanteigne, p.49.

¹⁵⁴ Medeiros.

¹⁵⁵ "China Reported to Cut Car Import Quota from Japan," *China Daily*, 4.06.2001 as cited in Robert D. Blackwill and Jennifer M. Harris, *War by Other Means: Geoeconomics and Statecraft* "A Council on Foreign Relations Book" (Cambridge, Massachusetts The Belknap Press of Harvard University Press 2017), p.107.

Territorial waters in the South China Sea also became a flashpoint between China and Japan, within the disputed zone, Xihu Trough section reportedly has a considerable natural gas reserve,¹⁵⁶ It can be argued that dispute between China and Japan in the South China Sea is more than a dispute for islands, both Japan and China are net importers of energy and therefore both states need access to rich resources in the South China Sea. Encroachment in the South China Sea pushed Japan to reinforce its alliance with the United States, furthermore Japan launched a high-profile campaign to become the new permanent member of the U.N. Security Council, China fiercely opposed Japan's bid and used its available influence on lobby against Japan's bid. Although political relations were worse off during the early and mid-2000s, economic relations continued to develop between 2000 and 2004 Sino-Japanese trade volume reached to \$168 billion from \$83 billion, in 1990 this amount was \$12 billion.¹⁵⁷ After Koizumi left the office his successor's refusal to visit the Yasukuni Shrine was appreciated by the Chinese leadership and starting from 2006 high-level meetings convened in a relatively positive atmosphere.

Under Hu Jintao leadership relations between China and South Korea continued to flourish, by 2005 South Korea – China trade reached to \$100 billion and South Korean foreign direct investment in China was around \$3.14 billion in 2008¹⁵⁸ Unlike in Sino-Japanese relations improved economic relations between China and South Korea also improved political relations, in 2003 at a summit between South Korean President Roh Moo-Hyun and CCP Secretary-General Hu Jintao bilateral relations were defined as a comprehensive cooperative partnership. However, this does not mean Sino-South Korean relations evolved, South Korean officials also sought to improve relations with

¹⁵⁶ Lanteigne, p.112.

¹⁵⁷ Micheal Yahuda "The Limits of Economic Interdependence Sino-Japanese Relations" in Johnston and Ross, p.164.

¹⁵⁸ Sutter, p.194.

the United States during this time and this was mostly due to that fact that South Korean officials were still suspicious about long term Chinese policies in the region.¹⁵⁹

Chinese strategy in Southeast Asia also shifted, instead of forcing Southeast Asian states to choose between China and the U.S, it adopted a softer approach. China focused on building its own sphere of influence in the region by building or supporting regional economic, political and security platforms to curb the United States' influence over the region.¹⁶⁰ On the economic front, Jiang Zemin's "going out" policy backed by the low-interest loans provided to state-owned enterprises so that they can invest overseas, started to take off in Hu Jintao's administration. Between 2005 and 2010 China's FDI outflow increased to \$68.8 billion from \$12.3 billion.¹⁶¹ As Chinese economy continue to grow a dire need for securing the supply of strategic resources became the main focus of overseas investment in Hu Jintao's era, this need, inevitably, shifted China's focus back to Africa.¹⁶² In 2000, Forum on China-Africa Cooperation (FOCAC), a ministerial meeting was launched in Beijing, building on this, China forgave approximately \$10 billion debt of African states,¹⁶³ and in 2006 FOCAC meeting Chinese government declared its plan for providing development aid package for the continent. As the Chinese economy continues to grow, its dependency on new markets and raw materials puts Africa in a very important position, China also needs African states' support at international organizations.

As part of its more proactive foreign policy Chinese leadership started to emphasize multilateral approach to regional and international security issues and started to take

¹⁵⁹ *Ibid.*, p.202.

¹⁶⁰ *Ibid.*, p.214-15.

¹⁶¹ Morrison, 2015, p.13-19 quoted in Liu, p.83.

¹⁶² *Ibid.*, p.155; Saich, p.342.

¹⁶³ Medeiros, p.68.

more active role in regional organizations such as ASEAN Regional Forum, Shanghai Cooperation Organization; Moreover, China changed its attitude against the United Nations Peacekeeping missions and eventually contributed troops to Peacekeeping missions, furthermore China with its foreign aid for the 2004 Asian tsunami was among the top contributors.¹⁶⁴ In other words, as Chinese foreign policy discourse changed, its actual policies also changed accordingly, this change came at a price, in 2010 the U.S. announced its comprehensive policy titled pivot to Asia.

Obama's pivot to Asia unofficially started in 2010 Secretary of State Hilary Clinton's Hanoi Declaration on the South China Sea signaled a change of policy in the U.S. administration, later on in 2011 Obama administration launched its comprehensive strategy. Pivot to Asia came after China pursued a series of tough diplomatic action between 2009 and 2011 which battered China's decade long peaceful rise rhetoric.¹⁶⁵ Beijing's non-compromising stance at the UN Climate Change conference at December 2009 was the first blow; China's reaction to U.S. arms sale to Taiwan in 2010 was very strong, China cancelled a USA-China security dialogue and announced sanctions against the US companies that sell arms to Taiwan. In September 2010 a trawler accident near disputed Senkaku/Diaoyudao islands in the South China Sea also increased tensions Chinese fishing vessel collided with Japanese Coast Guard Japanese authorities arrested the captain and incident turned into a diplomatic crisis, later on it is reported that Chinese government banned rare earth minerals' export to Japan¹⁶⁶. In short Obama's pivot to Asia came at a time that China was perceived as a threat to United States' allies and defense commitments in the Asia-Pacific region.

¹⁶⁴ Lanteigne, p.30.

¹⁶⁵ Robert S. Ross, "The Problem with the Pivot: Obama's New Asia Policy Is Unnecessary and Counterproductive," *Foreign Affairs* Vol.91, no. 6 (2012): p.72.

¹⁶⁶ Keith Bradsher, "Amid Tension, China Blocks Vital Exports to Japan," *New York Times* September 12, 2010, accessed 27.04.2019, <https://www.nytimes.com/2010/09/23/business/global/23rare.html?dbk>. Paul Krugman, "Rare and Foolish," *New York Times* October 18, 2010, accessed 27.04.2019, <https://www.nytimes.com/2010/10/18/opinion/18krugman.html?searchResultPosition=1>.

Trans-Pacific Partnership (TPP), a U.S. led FTA that envisaged a more integrated Asia-Pacific region, was the core of pivot to Asia.¹⁶⁷ Originally Trans-Pacific Partnership was a trade agreement between Chile, Brunei, Singapore, and New Zealand, in 2008 Bush administration started trade talks with the signatories of the agreement and Australia, Peru and Vietnam also joined. Obama administration continued the talks and made TPP an important aspect of its Asia policy, by the end of 2013 Canada, Malaysia, Mexico and Japan joined the talks.¹⁶⁸ TPP mainly covered aspects of global trade but more specifically it consisted of tariffs on goods and services, e-commerce rules, intellectual property (IP) rights, labor and environmental standards and dispute resolution mechanisms between signatories.¹⁶⁹ According to Chinese scholars, the TPP would not have any major impact for the US economy in the short run, therefore they argued that the United States' played the long game and focused on indirect economic benefits of being the rule maker in regional trade in Asia-Pacific with the TPP.¹⁷⁰ Therefore when the USA first joined the talks, China tried to counter the TPP by focusing on negotiation of its own bilateral and multilateral FTAs, many of these FTAs were signed under Hu Jintao's leadership.¹⁷¹ However, after 2013 Chinese officials employed a more compromising tone on the TPP,¹⁷² Within the academic circles in China TPP was mostly considered as an attempt by

¹⁶⁷ James McBride and Andrew Chatzky, "What Is the Trans-Pacific Partnership?," Council on Foreign Relations, last modified 4.01.2019, accessed 27.04, 2019. <https://www.cfr.org/background/what-trans-pacific-partnership-tpp>.

¹⁶⁸ Peter Baker, "Obama Pushes New Pacific Trade Pact Ahead of Asia Trip," *New York Times* November 13, 2015, accessed 27.04.2019, <https://www.nytimes.com/2015/11/13/us/politics/obama-pushes-new-pacific-trade-pact-ahead-of-asia-trip.html?searchResultPosition=39>.

¹⁶⁹ McBride and Chatzky,

¹⁷⁰ Wei Lei, Zhang Hanlin, "Meiguo Zhudao Kua Taipingyang Huoban Guanxi Tanpan de Yitu ji Zhongguo de Duice," [The Intensions of America's TPP Strategy and China's Responses], *Guoji Maoyi* [International Trade], no. 9 (2010), pp. 54—58 as cited in Guoyou Song and Wen Jin Yuan, "China's Free Trade Agreement Strategies," *The Washington Quarterly* Vol.35, no. 4 (Fall 2012).

¹⁷¹ *Ibid.*, p.111-12.

¹⁷² Chen-Dong Tso, "China's About-Face to the Tpp: Economic and Security Accounts Compared," *Journal of Contemporary China* Vol.25, no. 100 (2016): p.614.

the Obama administration to encircle China with economic tools and hinder its economic development and contain its rise.¹⁷³

Some scholars argue that Obama's pivot to Asia came after perceived assertive behavior of China in 2009 and 2010,¹⁷⁴ other scholars argue that China's overall success during the global financial crisis in 2008 Chinese leadership thinks it's their time and therefore China became more assertive in the consequent years of the financial crisis and under Xi's leadership China continues to be more assertive and more engaged.¹⁷⁵ To some degree the latter argument is true, China is more visible in international relations, and more engaged and without a doubt, Xi's impact on foreign policy and foreign economic policy is more visible. However, it is hard to argue that this is mainly caused by the 2008 financial crisis.

In 2009 China had the largest volume of export and second largest volume of import, in 2010 its merchandise trade represented 10% of global trade at a total of US\$ 3.642 trillion.¹⁷⁶ On top of this over the years China has become the epicenter of transnational production network in Asia, many crucial parts of electronic are imported to China from South Korea, Japan, and Taiwan and assembled in China.¹⁷⁷ It was inevitable for China to become visible in international relations and start pursuing policies that aim to protect its national interests, in fact, the reportedly assertive policies between 2009 and 2010 were not new back in the 1990s and early 2000s China mostly reacted the same way for

¹⁷³ Li Zhongwei and Shen Jiawen, "Kua Taipingyang Huoban Guanxi: Yanjiu Qianyan yu Jiagou" [The Review of Research Frontier and Frameworks of TPP], *Dangdai Yatai [Contemporary Asia—Pacific]*, no. 1 (2012), pp. 44—45. as cited in Song and Yuan, p.107.

¹⁷⁴ For this line of argument see Ross; Alastair Iain Johnston, "How New and Assertive Is China's New Assertiveness?," *International Security* Vol.37, no. 4 (Spring 2013).

¹⁷⁵ See Zhang Xiaotong and James Keith, "From Wealth to Power: China's New Economic Statecraft," *The Washington Quarterly* Vol.40, no. 1 (2017); Stig Stenslie and Chen Gang "Xi Jinping's Grand Strategy From Vision to Implementation" in Ross and Bekkevold; Saich.

¹⁷⁶ Heilmann and Schmidt, p.83.

¹⁷⁷ *Ibid.*, p.87.

the issues that threatened its sovereignty or national interest; Third Taiwan Strait crisis in 1995-1996 China implemented a massive military exercise, in 1999 after the U.S. planes bombed Chinese embassy in Belgrade Chinese students threw rocks at the U.S. embassy during a protest and Chinese officials did not intervene, and in 2001 when a U.S. surveillance plane and PLA Air Force jet collided in midair, the U.S. personnel were put in custody and China did not release the U.S. aircrew until it received a formal apology from the United States.¹⁷⁸

In short, China assertiveness in issues related to national security and/or interest was not new, however when both foreign policy and foreign economic policies are considered over the years China became more visible in international relations as its economy continue to grow therefore its visibility and willingness to pursue more proactive policies is inevitable in this regard China's proactiveness is more visible in pushing for reform in the current international order.¹⁷⁹

In the 1990s main security threat that China was facing, isolation from the international community, therefore, China focused on engaging with its neighbors and utilized its economic instruments to assist them during the Asian financial crisis. In Chinese context economic development is tied to security, therefore, anything that would threaten China's continuation of its economic development could be considered as a security threat to China. The main non-traditional security threat that China faced was lack of critical supplies and access to new markets, both of these were imperative for Chinese economic development. Although, raw materials and new markets remained as non-traditional security threats, in the latter half of the 2000s China had to deal with the United States' policy shift towards Asia, in this regard TPP was utilized against China and

¹⁷⁸ Johnston, p.11-12.

¹⁷⁹ Jinghan Zeng and Shaun Breslin, "China's 'New Type of Great Power Relations' : A G2 with Chinese Characteristics?," *International Affairs* Vol.92, no. 4 (2016): p.776.

China tried to counter it with its own FTAs, as its economic power increased China utilized different economic instruments for security purposes.

Hu Jintao's period in terms of foreign policy rhetoric and actual policy was more proactive however it would not be wrong to argue that this was mostly possible due to Jiang Zemin's more cautious and subtle foreign policy and foreign economic policies that provided their benefit in the long run for China, moreover continuation of reforms under Jiang Zemin's administration allowed Hu Jintao's administration to further increase China's overseas investment and secure much needed African market and resources. In 1999 Sino African trade volume was \$6.5 billion, in 2007 trade volume had increased to \$74 billion.¹⁸⁰ In short, China under Hu Jintao reap the fruits of Jiang Zemin's administration and continued its growth while it started to pursue a more proactive foreign policy and became more visible on the international arena.

4.6. Xi Jinping and Community of Common Destiny

Xi Jinping succeeded Hu Jintao in March 2013, it has been 6 years since Xi took the power and he is regarded as one of the most influential leaders in Chinese history after Mao and Deng,¹⁸¹ Xi's foreign policy and foreign economic policy initiatives are seen as a part of a coherent grand strategy, crown jewel of Xi's grand strategy is considered as his ambitious cross-continental economic project Belt and Road Initiative.¹⁸² Shortly after becoming the president on March 2013 Xi visited Russia to reinforce economic and military ties, and South Africa to attend the BRICS meeting.¹⁸³ On January 2013, the new

¹⁸⁰ Dittmer and Yu.

¹⁸¹ For a detailed review of Xi Jinping's legacy see Ross and Bekkevold.

¹⁸² Stig Stenslie and Chen Gang "Xi Jinping's Grand Strategy From Vision to Implementation" in *ibid.*, p.117-18.

¹⁸³ David M. Herszenhorn and Chris Buckley, "China's New Leader, Visiting Russia, Promotes Nations' Economic and Military Ties," *New York Times* March 22, 2013, accessed 22.04.2019, <https://www.nytimes.com/2013/03/23/world/asia/xi-jinping-visits-russia-on-first-trip-abroad.html?searchResultPosition=3>.

Politburo that was formed at the 18th National Party Congress, and held its third meeting on China's strategy on international affairs.¹⁸⁴ Moreover in November 2014, in a speech during CCP's work conference on foreign policy Xi emphasized that in a changing world China needs to develop a strong international presence.¹⁸⁵ Early in his term Xi started to take a more dominant role in policy making,¹⁸⁶ and focused on a more proactive approach both on foreign and foreign economic policies.

In short, Under Xi's leadership China became more proactive in international relations, Xi established its policies around the term China Dream and launched two critical initiatives, 1) New Type of Great Power Relation and 2) Belt and Road Initiative; The new type of great power relation was postulated by president Xi to reorganize Sino-U.S. relations, and Belt and Road Initiative is President Xi's ambitious cross-continental maritime and land-borne trade route/infrastructure project. It can be argued that with these initiatives China is trying to create institutions and platforms that China can influence. It can also be argued that China is trying to re-establish its relationship with the US as two "great powers" therefore these initiatives are an important part of China's broader security policies,¹⁸⁷ and the rest of this chapter will look at China's policies in the Xi era under these two critical initiatives.

¹⁸⁴ Jian Zhang, "China's New Foreign Policy under Xi Jinping: Towards 'Peaceful Rise 2.0'?", *Global Change, Peace & Security* Vol.27, no. 1 (2015): p.8.

¹⁸⁵ Stig Stenslie and Chen Gang "Xi Jinping's Grand Strategy From Vision to Implementation" in Ross and Bekkevold, p.123.

¹⁸⁶ Stig Stenslie and Chen Gang "Xi Jinping's Grand Strategy From Vision to Implementation" in *ibid.*, p.129.

¹⁸⁷ Zheng Wang, "China's Alternative Diplomacy," *The Diplomat* 30 Jan. 2015, accessed 30.05.2019, <https://thediplomat.com/2015/01/chinas-alternative-diplomacy/>.

4.6. 1. The China Dream and New Type of Great Power Relation

The main framework for Xi's policies was established around the term "China Dream", the term itself predates Xi's rule, it was first introduced Li Junru, CCP Central Party School's deputy director, during Hu Jintao's second term.¹⁸⁸ When Xi took office, the term already was accepted by the public however Xi adopted the term and turned it into official party discourse, he identified China Dream as: "The China Dream is the inner meaning of upholding and developing socialism with Chinese characteristics. Its essence is a rich and powerful country, revitalizing the nation and enhancing the well-being of the people."¹⁸⁹ On implementation of the policies Xi postulated "top-level planning" and "bottom-line thinking" approach to foreign policy, according to Yang Jiechi, former state councilor and Director of the Office of the foreign affairs Leading Group of the CPC Central Committee, top-level planning is long term strategic planning at the top level and bottom line thinking is drawing a red line at China's core interest and not making a compromise when China's core interests are threatened.¹⁹⁰ The actualization of this approach happened on November 2013 at the Third Plenum of the 18th Central Committee Xi Jinping pushed for establishing a National Security Commission, a highly influential group of security experts that can work through the network of security apparatus of China.¹⁹¹ At the Third Plenum, Xi also introduced a committee to oversee economic reform policies, both of these coordination institutions provided the base for Xi to launch his policy agenda.¹⁹²

¹⁸⁸ Peter Ferdinand, "Westward Ho-the China Dream and 'One Belt, One Road': Chinese Foreign Policy under Xi Jinping," *International Affairs* Vol. 92, no. 4 (2016): p.942.

¹⁸⁹ Zhonggong Zhongyang Xuanchuanbu, Xi Jinping zongshuji xilie zhongyao jianghua duben [General Secretary Xi Jinping: a reader series of important speeches] (Beijing: Xuexi,2014), pp.27-28 as cited in *ibid.*

¹⁹⁰Yang Jiechi, "Implementing the Chinese Dream," *The National Interest*, accessed 22.04.2019. <https://nationalinterest.org/commentary/implementing-the-chinese-dream-9026>.

¹⁹¹Stig Stenslie and Chen Gang "Xi Jinping's Grand Strategy From Vision to Implementation" in Ross and Bekkevold, p.129.

¹⁹² *Ibid.*, p.xvi.

Although Xi framed his core strategy as “China Dream”, the main focus remains the same, the continuation of the economic development and the rise to the status of great power, in other words, peaceful development and rise to great power status,¹⁹³ within this context Xi’s period is not substantially different than his predecessors. Both Jiang Zemin and Hu Jintao pursued their own policy agendas. The critical shift in Xi’s strategy compared to Jiang Zemin and Hu Jintao, both Jiang and Hu had to convince the international community that China will not act like other rising powers in history that pursued irredentist and aggressive policies. Therefore, both labeled China’s rise as peaceful and the main foreign policy was to engage with the rest of the world, and especially with China’s periphery to convince them. In this regard Xi pursued a different venue, Xi framed China’s rise as a non-zero-sum game that would contribute to the world’s economic growth and it would be beneficial for the whole international system.

Relations with great and major powers play a fundamental role in the continuation of China’s economic development and eventual rise, China needs stability and peace in the international and regional system.¹⁹⁴ Within this context Sino-American relations has a critical role in continuation of China economic development, to change the paradigm of Sino-American relations in 2012 during his visit to the USA Xi brought forward the concept of “New Type of Great Power Relationship”, in May 2013 before the Obama-Xi meeting, Xi reiterated his point on establishing a new type of great power relationship to Obama’s national security advisor.¹⁹⁵ Xi’s new type of great power relationship has three core components 1)non-conflict and non-confrontation, 2)mutual respect, 3) win-win cooperation.¹⁹⁶ Xi’s first emphasis on a new type of great power relationship came

¹⁹³ Jiechi,

¹⁹⁴ Zhang, p.8.

¹⁹⁵ Jane Perlez, "Chinese President to Seek New Relationship with U.S. In Talks," *New York Times* (May 28, 2013), accessed 22.04.2019, <https://www.nytimes.com/2013/05/29/world/asia/china-to-seek-more-equal-footing-with-us-in-talks.html?searchResultPosition=5>.

¹⁹⁶ Jiechi,

at a time when the USA was refocusing on Asia. Obama administration launched Pivot to Asia and made Trans-Pacific Partnership the central piece of its strategy.¹⁹⁷ In this regard, Xi's proposal of pursuing a new type of great power relationship is important because Chinese officials considered Obama administration's Asia policy as an attempt to contain China and evaluated the move as a threat to China's security.¹⁹⁸

4.6. 2. Belt and Road Initiative

In 2013, Xi revealed his grand vision about an economic belt that titled Silk Road economic belt that starts from China and ends in Europe during his speech in Kazakhstan. The following month in Indonesia at the summit of the Asia-Pacific Economic Cooperation (APEC) Xi proposed building a twenty-first century maritime Silk Road that would stretch from China to Africa and to Europe. This ambitious project that involves more than sixty country.¹⁹⁹ The project was first labeled as One Belt-One Road later on, its name was changed to Belt and Road Initiative (BRI), Belt is the Silk Road Economic belt that aims to link China, central Asia, Russia and Europe and provide an access for China to Persian Gulf and Mediterranean sea from central Asia through a network of roads and railways, oil and natural gas pipelines and power grids.²⁰⁰ Road is the Twenty-first Century Maritime Silk Road that stretches from China's coasts to the South China Sea, Indian Ocean and arrives in Europe, another maritime route again starts from China's coasts and stretches to South Pacific via the South China Sea, maritime silk road

¹⁹⁷ McBride and Chatzky,

¹⁹⁸ Zheng Wang, "Us-China Relations: The Danger of Strategic Misjudgment " *The Diplomat* 08 Nov. 2014, accessed 30.05.2019, <https://thediplomat.com/2014/11/us-china-relations-the-danger-of-strategic-misjudgment/>.

¹⁹⁹ Andrew Chatzky and James McBride, "China's Massive Belt and Road Initiative," Council on Foreign Relations, last modified 21.02.2019, accessed 28.04, 2019. <https://www.cfr.org/backgrounder/chinas-massive-belt-and-road-initiative>.

²⁰⁰ Astrid H. M. Nordin and Mikael Weissmann, "Will Trump Make China Great Again? The Belt and Road Initiative and International Order," *International Affairs* Vol.94, no. 2 (2018): p.231.

aims to create a network of ports and supports these ports with related coastal infrastructure.²⁰¹ So far the largest investment related with Belt and Road Initiative is China-Pakistan Economic Corridor that connects Pakistan's Gwadar Port to China via roads and railways and provides access to Arabia Sea for China, the total cost of investment is around \$68 billion.²⁰²

Currently, BRI is part of China's 13th five-year plan that outlines China's top priorities between 2016-2020 and there is a chapter in the plan for BRI that emphasizes China's willingness to move forward with the BRI,²⁰³ moreover in 2015 China founded a multilateral development bank named Asia Infrastructure Investment Bank (AIIB), 57 states, including key U.S. allies Germany, Britain, Australia, and South Korea joined China as founding members, AIIB became operational on January 2016 with a total capital commitment of \$100 billion.²⁰⁴ AIIB's main mission was designated as financing regional economic connectivity projects such as the China-Pakistan Economic Corridor and to provide funds for projects that support BRI,²⁰⁵ China also aimed to create an alternative for the Asian Development Bank that is dominated by the USA and Japan.²⁰⁶ Furthermore, in 2017 at the World Economic Forum in Davos Xi's keynote speech included BRI and in May 2017 Belt and Road Forum was officially launched in Beijing.²⁰⁷ At the World Economic Forum Xi emphasized that China's development process serves

²⁰¹ Ibid., p.231

²⁰² Chatzky and McBride,

²⁰³ Central Committee of the Communist Party of China Compilation and Translation Bureau, *The 13th Five-Year Plan for Economic and Social Development of the People's Republic of China (2016–2020) Trans.* (Beijing Central Compilation and Translation Press, 2015), ch.51

²⁰⁴ Perlez, "China Creates a World Bank of Its Own, and the U.S. Balks."

²⁰⁵ Xi J (2016) Full text of address by president Xi Jinping of China at the inauguration ceremony of the Asian Infrastructure Investment Bank. Xinhua January 16 as cited in Callahan, p.231.

²⁰⁶ Ferdinand, p.950.

²⁰⁷ Nordin and Weissmann, p.234.

both to China and other states, he claimed “China shares more of its development outcomes with other countries and peoples.”²⁰⁸ Xi also argued that “China will foster an enabling and orderly environment for investment [...] China will strive to enhance the performance of economic growth [...] China will boost market vitality to add new impetus to growth.”²⁰⁹

On par with these remarks in the opening ceremony of Belt and Road Forum China pledged 100 billion renminbi (\$14.5 billion) to Silk Road Fund, a fund that was established in 2014 to would provide the necessary funding for the BRI projects; it was also announced that China Development Bank would provide a total of 250 billion renminbi worth of new credit line (\$36.2 billion) and Chinese Export-Import Bank would provide 130 billion renminbi (\$18.8 billion) for BRI projects, additionally for humanitarian aid and development China announced that it would provide 60 billion renminbi (\$8.7 billion).²¹⁰ However this ambitious project also fuels anxiety in China’s periphery, the anxiety comes from the fact that China uses its economic power as leverage, it comes with strings attached and China’s expectation is in the form of loyalty.²¹¹ Chinese scholars emphasize that China will prefer its economic power over military power and “decisively favor those who side with it with economic benefits and even security protection. On the contrary, those who are hostile to China will face much more sustained policies of sanctions and

²⁰⁸ Jinping.

²⁰⁹ Ibid.

²¹⁰ Shannon Tiezzi, "What Did China Accomplish at the Belt and Road Forum?," *The Diplomat* 16.04.2017, accessed 1.05.2019, <https://thediplomat.com/2017/05/what-did-china-accomplish-at-the-belt-and-road-forum/>.

²¹¹ Callahan, p.232.

isolation.”²¹² In short, both the BRI and the AIIB can be seen as China’s long-term strategy to establish an influence zone for China, especially in its periphery.²¹³

In order to prevent a Sino-centric redesign of Asia, India openly criticized BRI and declared it would not be part of BRI because it does not respect India’s sovereignty and territorial integrity.²¹⁴ India’s main problem is that the China-Pakistan Economic Corridor passes through the disputed Kashmir area. However, India is not the only state in the region that is skeptical about China’s intentions, Chinese leadership’s rhetoric around China Dream reminds the region Imperial Japan’s Greater East Asia Co-Prosperity Sphere rhetoric.²¹⁵ It is hard to guess how will China’s gambit will unfold however Donald Trump’s election as the president on December 2016, and his “America First” policy turned into a disengagement from Asia, Trump withdrew from TPP on the grounds that it would not be beneficial to the United States. In return Xi proposed Regional Comprehensive Economic Partnership (RCEP) agreement to replace TPP,²¹⁶ regardless other 11 TPP countries agreed on moving without the USA and signed Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) on March 2018.²¹⁷ In short, it is possible to argue that with BRI China not only wants to create cross-continental trade routes but it also wants to establish a sphere of influence that is favorable to China’s

²¹² Yan Xuetong, "China’s New Foreign Policy: Not Conflict but Convergence of Interests," *Huffington Post* 1.28.2014, accessed 1.05.2019, https://www.huffpost.com/entry/chinas-new-foreign-policy_b_4679425.

²¹³ Callahan, p.228.

²¹⁴ Indrani Bagchil, ‘India slams China’s one belt one road initiative, says it violates sovereignty’, *Times of India*, 14 May 2017 as cited in Nordin and Weissmann, p.248.

²¹⁵ Shashi Tharoor, "China’s Silk Road Revival — and the Fears It Stirs — Are Deeply Rooted in the Country’s History," *New Perspectives Quarterly* Vol.32, no. 1 (20 January 2015): p.21.

²¹⁶ Nordin and Weissmann, p.249.

²¹⁷ McBride and Chatzky,

security interests, and with BRI China is utilizing its economic instruments to shape the security environment.²¹⁸

On October 2016, Chinese Communist Party declared Xi Jinping as “Core Leader” and elevated to the status of Mao Zedong and Deng Xiaoping, this declaration came 4 years after Xi became the general-secretary in 2012.²¹⁹ Being one of the core leaders does not grant additional powers however it shows how Xi became one of the most influential leaders in PRC history only in four years. Shortly after being declared as “Core Leader” in March 2018 National People’s Congress approved a set of constitutional amendments that also include lifting 2 term limit for the president and vice-president.²²⁰ The two-term limit was introduced in 1982 as a measure to prevent leadership crisis that happened after the death of Mao. Both these changes are more symbolic than practical in the end China is not a liberal democracy but Xi Jinping’s accumulation of power in a very short period of time reflects his impact on the both domestic and foreign policy of PRC.

Xi’s main policy initiatives are established around the China Dream, new type of great power relationship and Belt and Road Initiatives are the hallmarks of Xi period, unlike his predecessors Xi inherited a different world order therefore rather than convincing the rest of the world that China’s rise will be peaceful he had to playground to frame China’s rise as a non-zero sum game that would benefit everyone. It is undeniable that under Xi’s leadership China is proactive rather than reactive however it is also important to emphasize that this is not a deviation from the long-term goal of economic development of China, it is rather a fine tuning in policymaking.

²¹⁸ Callahan, p.228.

²¹⁹ Chris Buckley, "China’s Communist Party Declares Xi Jinping ‘Core’ Leader " *New York Times* 27 Oct. 2016, accessed 20.04.2019, <https://www.nytimes.com/2016/10/28/world/asia/xi-jinping-china.html?searchResultPosition=3>.

²²⁰ Chris Buckley and Steven Lee Myers, "China’s Legislature Blesses Xi’s Indefinite Rule. It Was 2,958 to 2.," *New York Times* 11 March 2018, accessed 20.04.2019, <https://www.nytimes.com/2018/03/11/world/asia/china-xi-constitution-term-limits.html?module=inline>.

CHAPTER 5

CHINA'S FOREIGN ECONOMIC POLICIES in AFRICA

In the previous chapters I argued that a state can utilize economic instruments against traditional and non-traditional security threats. This utilization also falls under two categories, strategic and tactical, strategic involves long-term policy making and tactical is reactive policy making. I also pointed out that states' perception on security threats change and utilization of economic instruments or any instrument for security purposes also changes. I demonstrated this shift in China's foreign economic policies since the Mao Zedong era.

This chapter evaluates China's contemporary Foreign Economic Policies towards Africa, based on the framework that I built throughout this thesis. I evaluate whether China utilizes its economic instruments for security purposes in Africa. I chose Africa as my main empirical case because African states do not pose a direct traditional security threat, therefore Chinese relations with the continent provides a fertile ground to analyze how China utilizes non-traditional security instruments against non-traditional security threats it faces. I will first briefly discuss foreign economic policies in Sino-African relationship in a historical context, later I will focus on China's foreign economic policies towards Africa after 2000. The reason I picked the year 2000 as my starting point is that the first meeting of Forum on China Africa Cooperation (FOCAC) was held in 2000 and it would be reasonable to argue that FOCAC brought more institutional and long-term planning in Sino-Africa relations. Moreover, this time period also covers the transition from Jiang Zemin to Hu Jintao and Hu Jintao to Xi Jinping era. Between the 2000s and 2012, Sino African relationship was mostly built around trade and investment especially on the oil sector, in Xi Jinping era, the discourses such as the community of common destiny and initiatives such as Belt and Road gained traction. It can be argued that as China's investment increase in Africa, it becomes more concerned about stability in

Africa.²²¹ Hence China became more invested in peace and stability in Africa therefore economic instruments utilized in that manner.

5.1. Sino-African Relationship between 1949-1990

The first contact between China and African states dates back to the 15th century. After CCP won the Civil War diplomatic relations remained limited until 1955 Bandung Conference in Bandung Indonesia, 29 representatives from Asian and African states came together to promote economic and cultural cooperation. After the conference, driven by Mao's ideological approach to international relations, China provided material and financial aid to revolutionary groups across Africa.²²² Moreover, in order to further develop its relations with newly established African states, China financed infrastructure projects in Africa.²²³

By 1970s China had already established diplomatic relations with 25 African countries. In 1971 PRC took the permanent seat at the U.N Security Council, African states played an important role in this transition. The reform and the opening up changed China's approach to international relations, Mao's ideological approach replaced with Deng's more pragmatic approach, China's economic development became its primary objective. For almost two decades China's main principle in foreign policy remained as Deng's famous "hide your capabilities and bide your time" motto, in this regard Sino-Africa

²²¹ Lei Yu, "China's Expanding Security Involvement in Africa: A Pillar for 'China–Africa Community of Common Destiny'," *Global Policy* Vol.9, no. 4 (November 2018): p.493.

²²² For a more detail account of Mao's approach to international relations see "Mao and International Relations: The Empty City Strategem, Chinese Deterrence, and the Quest for Psychological Advantage" in Kissinger.

²²³ For more detail on China's Africa policy during Mao period see Chapter 2 "Historical Introduction to China in Africa" in Ian Taylor, *China and Africa Engagement and Compromise, Contemporary China Series* (Routledge, 2006).

relations, in economic terms, did not progress any further, especially by mid 1980s China completely turned its focus on its economic development and lost its interest in Africa.²²⁴

5.2. China Returns to Africa 1990-2000

In the post-Tiananmen incident facing harsh criticism from the Western states, China turned to Africa in search of allies.²²⁵ Between 1989 and 1992 Chinese Foreign Minister Qian Qichen visited fourteen African states. However, China's re-engagement with Africa was not only about finding partners. In order to continue its economic development, China realized its need to find new markets and secure strategic supplies.²²⁶ Sino-African relations after Jiang Zemin's African tour started to develop quickly. Angola and Sudan became the entry point for China, these countries were particularly important because of their oil fields. Later on, Jiang Zemin's Africa tour laid out the foundation for future cooperation between China and Africa in 1996, China started to invest in its relations with African countries.²²⁷

In 1993 China became a net oil importer, this also played an important role in China's decision to engage with oil producing third world countries,²²⁸ The late 1990s and early 2000s Chinese oil companies focused on overseas operations. Chinese oil companies were granted rights and supported by the Chinese government to carry out oil exploration and extraction operations in overseas.²²⁹ Often arms trade is also a part of

²²⁴ *Ibid.*, p.59.

²²⁵ *Ibid.*, p.62.

²²⁶ Saich, p.342.

²²⁷ Lowell Dittmer "China and the Developing World" in Dittmer and Yu.

²²⁸ Chris Alden, *China in Africa, African Arguments* (ZED Books, 2007), p.23.

²²⁹ Chia-yi Lee, "China's Energy Diplomacy: Does Chinese Foreign Policy Favor Oil-Producing Countries?," *Foreign Policy Analysis* (2019): p.3, accessed 5/19/2019, <http://dx.doi.org/10.1093/fpa/orz011>.

this trade. China, especially in Sudan used arms trade to finance the oil operation,²³⁰ oil became the primary focus of China's policies in Africa. Moreover in 1998 Chinese government established the State Energy Administration to oversight its oil industry, the China National Petroleum Corporation (CNPC), the China Petrochemical Corporation (Sinopec) and the China National Offshore Oil Corporation (CNOOC) were brought under the umbrella of the State Energy Administration.²³¹ In 1996 China started to develop Sudan's oil industry China National Petroleum Company led the operation.²³²

In this context Sudan is an important point of entry for China into Africa, in 1989 when The National Islamic Front – NIF- overthrew the government and took the power, in 1990 NIF's leadership visited Beijing, however, start point of the relations was an Iranian backed arms deal that delivered Chinese arms worth of \$300 million to Sudan.²³³ Sino-Sudanese relations started to improve after this, and in 1994 Sudanese government emphasized its willingness to cooperate with China in developing its oil sector. Chinese leadership showed its interest in developing the Sudanese oil sector by providing a loan with a low-interest rate and an agreement was signed between the China Exim Bank and the Bank of Sudan to finance the oil development.²³⁴

Primary focus of Sino-Sudanese relations can be identified as a non-zero sum game for both parties; for China, access to new oil fields was critical during the 1990s and Sudan's oil sector was not dominated by the western companies like the rest of the African

²³⁰ Taylor.

²³¹ Ian Taylor, "China's Oil Diplomacy in Africa," *International Affairs* 82, no. 5 (2006): p.941.

²³² Alden, p.23.

²³³ Daniel Large, "China & the Contradictions of 'Non-Interference' in Sudan," *Review of African Political Economy* Vol. 35, no. 115 (Mar.,2008): p.95.

²³⁴ Ibid.

states.²³⁵ Sudan allowed terror groups to set-up camps on its territory, these groups were responsible for the World Trade Center attack in New York in 1993, attempted bombing of the United Nations headquarters, and the assassination attempt on Egyptian president Hosni Mubarak in 1995, inevitably Sudan was listed as a terror sponsor state by the USA.²³⁶ On top of this, the United States used economic sanctions on Sudan and Sudanese oil fields were closed to western oil companies,²³⁷ which in return made China a lifeline for Sudan both for accessing military equipment and loans. By 1997 CNPC operated a 40% share in the Greater Nile Petroleum Operating Company, the main oil company in Sudan; Moreover, in South Sudan, the China Petroleum Engineering and Construction Corporation, a subsidiary of CNPC, undertook a 1,600 km buried pipeline project for GNPOC to move oil from Southern Sudan.²³⁸ In 1999 Sudan exported its oil for the first time and by 2002 Sudanese oil exports covered approximately 9% of China's oil imports.²³⁹

Although oil dominated China's Africa policy in the 1990s, China was also in search of partners and Chinese leadership evaluated opportunities, China-Egypt relations were part of this search. In the early 1990s, Egypt decided to implement major economic reforms and as part of these reforms Special Economic Zone- SEZ- project emerged, in 1994 Egypt approached China to develop such a zone in Suez.²⁴⁰ China's involvement in

²³⁵ Ibid., p.96.

²³⁶ Tim Weiner, "The Sudan's Islamic Leader: Enigmatic Foe for the West," *New York Times* Dec. 24, 1996, accessed 27.07.2019, <https://www.nytimes.com/1996/12/24/world/the-sudan-s-islamic-leader-enigmatic-foe-for-the-west.html?searchResultPosition=9>.

²³⁷ Linda Jakobson and Zya Daojiong, "China and the Worldwide Search for Oil Security," *Asia-Pacific Review* Vol.13, no. 2 (2006): p.66.

²³⁸ Large, p.96.

²³⁹ Ibid., p.97.

²⁴⁰ Deborah Bräutigam and Tang Xiaoyang, "Economic Statecraft in China's New Overseas Special Economic Zones: Soft Power, Business or Resource Security?," *International Affairs (Royal Institute of International Affairs 1944-)* Vol.88, no. 4 (July 2012): p.804.

SEZ development can be considered as a deviation from its pattern in Africa, however it was in line with the security challenges that Chinese leadership were facing, accessing to new markets was a key element in the continuation of China's economic development therefore Egypt was an ideal location for Chinese manufacturers to produce their products and gain a competitive advantage in the European and Middle Eastern markets.²⁴¹ In other words, the importance of the SEZ in Suez was that Chinese companies would be able to move their production to SEZ in Suez and they would be closer to the African market and international shipping lines.²⁴²

Another deviation from China focus on oil is Kenya, Sino-Kenya relations dates back to Mao era but during Mao-era China Kenya relations were very volatile and Kenyan government at one point designated Chinese diplomats as persona non-grata.²⁴³ It was in the post Mao period two states reestablished their relations, during the 1980s Kenya was one of the few countries China provided loans and development aids, between 1980 and 1990s two countries exchanged top-level visits, from the Chinese perspective it can be argued that Kenya was a gateway to Eastern Africa and from Kenya's perspective China was a potential donor and a way to diversify the loans and aids Kenya was receiving.²⁴⁴ Trade between parties also started to increase but did not reach a substantial amount in the 1990s.²⁴⁵

²⁴¹ Clifton W. Pannell, "China's Economic and Political Penetration in Africa," *Eurasian Geography and Economics* Vol. 49, no. 6 (2008): p.718.

²⁴² Emma Scott, *China Goes Global in Egypt: A Special Economic Zone in Suez* (Stellenbosch University Center for Chinese Studies August 2013).

²⁴³ Michael Chege, *Economic Relations between Kenya and China, 1963-2007* (Center for Strategic and International Studies, June 4, 2008), p.22, accessed 1.08.2019, <https://www.csis.org/analysis/economic-relations-between-kenya-and-china-1963-2007>.

²⁴⁴ *Ibid.*, p.22-23.

²⁴⁵ *Ibid.*, p.24.

China's engagement with Egypt and Kenya in the 1990s was different than oil-rich African countries, although China's main concern was to secure its access to key resources in the 1990s, in that regard in Sudan China successfully filled the void in Sudan by providing loans. After the Tiananmen incident Chinese leadership acknowledged that if China was isolated in international relations, it would hamper its economic development, therefore, establishing new partnerships and accessing new markets also became a security concern.

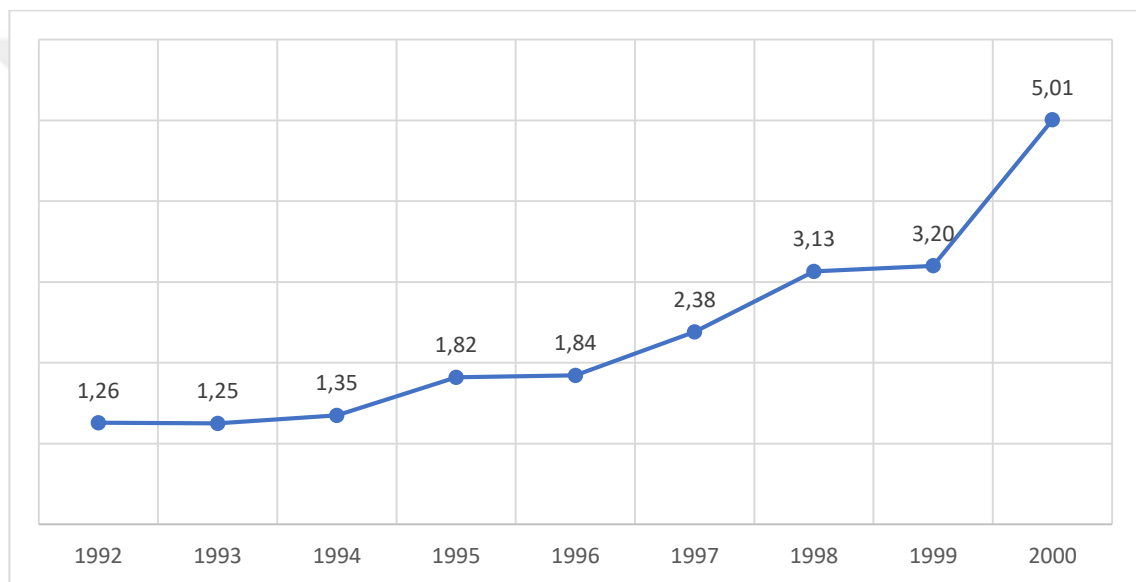


Figure 5. 1. China's Total Export to Africa – US\$, Billion

Source: China-Africa Research Initiative, China-Africa Annual Trade Data 1992-2018, John Hopkins University School of Advanced International Studies

As figure 5.2.1 shows between 1992 and 2000 Chinese exports to Africa significantly increased from \$1,26 billion to \$5,01 billion, moreover figure 4.2 points out that in the same time period China's imports from Africa increased from \$0,49 Billion to \$4,85 billion. It can be argued that China's re-engagement with Africa was successful in economic terms. Increased economic relations can be considered as a way of pursuing security policies for China for two reasons: 1) With the reform and opening up China initiated a strategic securitization for its economic development, and in the 1990s China realized in order to continue its economic development program it needed new markets

to export, and raw materials to continue its development, Africa provided both for China; 2) China used its economic relations with African countries to tackle a traditional security problem, Taiwan. China used its foreign economic policy in Africa to cut off Taiwan from the African countries, by 2018 the number of countries that recognized Taiwan reduced to one.²⁴⁶

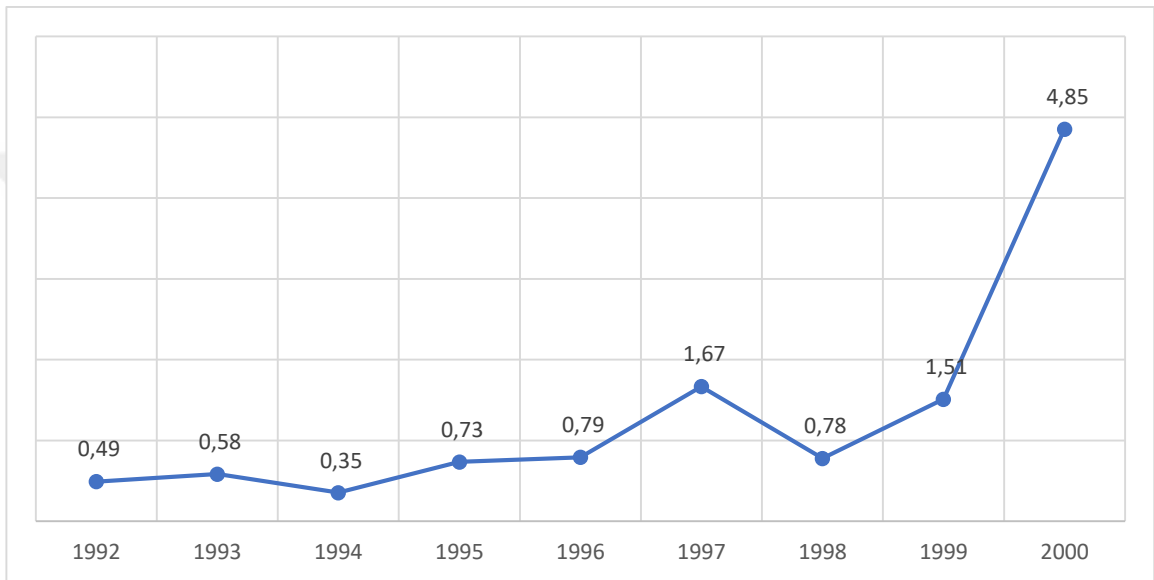


Figure 5. 2 China's Total Import from Africa – US\$, Billion

Source: China-Africa Research Initiative, China-Africa Annual Trade Data 1992-2018, John Hopkins University School of Advanced International Studies

Between 1990 and 2000 Africa became an important political and economic partner for China, increasing economic relations was mainly fueled by China's desire to find the critical raw material to continue its economic development.²⁴⁷ Sino-African relations flourished during this time, partly because China considered African states as natural partners and African states saw China's noninterference policy as a lifeline against Western institutions and states. With the launch of Forum on China-Africa Cooperation

²⁴⁶ Anja Lahtinen, *China's Diplomacy and Economic Activities in Africa: Relations on the Move* (Palgrave Macmillan, 2018), p.5.

²⁴⁷ Saich, p.341-42.

(FOCAC), Sino-African relations became more institutional FOCAC was followed by China's African Policy white paper, issued by the Ministry of Foreign Affairs, that draw to a road map for future of Sino-African relations.²⁴⁸ Therefore it can be argued that between 1990 and 2000 China utilized its economic instruments to secure the supply of critical resources for its economic development.

5.3. China's Foreign Economic Policies toward Africa Between 2000-2012

Since the early 2000s, China's focus was shifted to other oil-producing African countries. In 2003 Chinese Premier Wen Jiabao visited Egypt, Algeria, and Gabon with Chinese oil executives, in this period Angola became a foothold for China's presence in Africa, in 2004, after the end of a 27-year civil war in Angola, its infrastructure was devastated hence it was in dire need of reconstruction funds; due to corruption in the country, the IMF pressed for transparency and anti-corruption measures before reaching an agreement. Negotiations came to an end,²⁴⁹ when China approached to Angolan government and offered a \$2 billion oil-backed loan for rebuilding Angola's infrastructure.²⁵⁰ The interest rate for the Chinese loan was 1.5% over 17 years, later on, the Angolan government agreed to supply 10.000 barrels of crude oil per day for the loan repayment, this amount was increased to 40.000 barrels per day.²⁵¹ It can be argued that China's loan package aimed to secure oil concessions in oil-rich Angola while providing a much-needed loan for rebuilding the infrastructure. In other words, it was a non-zero-sum game for both parties. Bilateral relations continued to improve, and especially

²⁴⁸ Liu Haifang "Africa and China: Winding Into a Community of Common Destiny in Dawn Nagar and Charles Mutasa, eds., *Africa and the World Bilateral and Multilateral International Diplomacy* (Palgrave Macmillan, 2018), p.85.

²⁴⁹ Taylor, p.90; James Traub, "China's African Adventure," *New York Times* 19 November 2006, accessed 25.07.2019, <https://www.nytimes.com/2006/11/19/magazine/chinas-african-adventure.html?searchResultPosition=10>.

²⁵⁰ Wenran Jiang "China's Emerging Strategic Partnerships in Africa" Robert I. Rotberg, ed. *China into Africa: Trade, Aid, and Influence* (Washington, D.C.: Brooking Institution Press 2008), p.54.

²⁵¹ Harry Lee and Dan Shalman "Searching for Oil: China's Oil Strategies in Africa *ibid.*, p.119.

economic relations exponentially grew and in 2004 total trade between Angola and China reached \$4.9 billion dollar.²⁵² By 2017 Angola became the third-largest petroleum exporter to China after Russia and Saudi Arabia, China imports 12% of its total oil imports from Angola.²⁵³

In the late 1990s and early 2000s China's solution to its oil problem followed the same methodology, China provided a resource-rich country no-strings-attached loan, in short China pursued a policy in Angola that is similar to Sudan. China's solution to its oil problem can be seen as a tactical securitization, China needed to secure access to key resources to continue its economic development hence it focused on markets where Western companies did not operate. In this context, reconstruction loan can be considered as China's attempt to utilize an economic instrument to tackle a non-security issue. By 2004 China's 28.7% of its crude oil imports were supplied by Africa.²⁵⁴ China's overall interest with oil-producing African states could be explained by the fact that in 2003 China became the second largest petroleum products consumer after the United States. Some scholars argue that China will never be able to produce more than it needs therefore real intention of China in focusing on oil-producing African countries is to control the oil prices in the long-run,²⁵⁵ on par with this view in 2004 while China's oil demand increased by 15% its production only increased by 2%.²⁵⁶

²⁵² Taylor, p.947.

²⁵³ "Where Does China Import Crude Petroleum From? (2017)," The Observatory of Economic Complexity. MIT, accessed 25.07, 2019.
https://oec.world/en/visualize/tree_map/hs92/import/chn/show/2709/2017/.

²⁵⁴ David Zweig and Bi Jianhai, "China's Global Hunt for Energy," *Foreign Affairs* Vol.84, no. 5 (Sep. - Oct., 2005): p.29.

²⁵⁵ Taylor, p.942-43.

²⁵⁶ Mary Hennock, "China's Global Hunt for Oil," *BBC9* March 2005, accessed 21.05.2019,
<http://news.bbc.co.uk/2/hi/business/4191683.stm>.

In 2000 Forum on China-Africa Cooperation (FOCAC) took place and brought 80 ministers from 44 African states.²⁵⁷ One of the primary objectives of the forum beside providing an institutional framework for Sino-African cooperation was a part of China's long term strategy of containing Taiwan by severing its ties with African states.²⁵⁸ Through a strategic securitization move with FOCAC China tried to isolate Taiwan and overcome one of the primary traditional security threat China faces. China also continued to use tactical securitization to secure its access to raw materials that are detrimental to its economic development. In the first meeting of FOCAC China announced that it would erase African states' debt of nearly \$10 billion.²⁵⁹

In 2000 Sino-African trade reached \$10 billion and trade volume continued to increase, in 2005 it reached \$40 billion,²⁶⁰ in 2000 a total of 499 companies were established in Africa by Chinese companies, \$990 million worth of investment was made, of \$680 million of this was Chinese capital, in order to support the continuation of growth between China – Africa commercial links 11 Investment Development and Trade Promotion Centers in Africa was established by China beginning in 1995.²⁶¹ After FOCAC China's policies toward Africa changed according to the needs of both parties,²⁶² it is possible to consider FOCAC as China's attempt to institutionalize its relations with African states based on a clear strategy and guideline. On par with this in 2006 Chinese

²⁵⁷ Elling N. Tjønneland et al., *China in Africa Implications for Norwegian Foreign and Development Policies* (Chr. Michelsen Institute, 2006), p.6.

²⁵⁸ Taylor, p.69.

²⁵⁹ Medeiros, p.68.

²⁶⁰ Tjønneland et al., p.7.

²⁶¹ Taylor, p.70.

²⁶² Liu Haifang "Africa and China: Winding Into a Community of Common Destiny" in Nagar and Mutasa, p.85.

foreign ministry published a white paper titled China's African Policy Paper to guide future exchanges between the African states and China.²⁶³

Within the framework of the policy paper in trade relations section, Chinese leadership emphasized China's willingness to sign an FTA with African states when the conditions are favorable. In addition to this, the resource cooperation section emphasizes China's intention on continuing assistance of African countries to develop and exploit their resources, rationally.²⁶⁴ Peace and Security sub-section also bears important messages in terms of long term policies of China, Chinese leadership expressed its disposition towards contributing to conflict settlement between African states and participating in peacekeeping operations in Africa.²⁶⁵

China's African Policy provided an important framework and represented a paradigm shift, this became visible in Sino Sudanese relations. A critical moment in Sino-Sudanese relations was the Comprehensive Peace Agreement -CPA- between the National Congress Party-NCP- and Sudan People's Liberation Movement -SPLM- in 2005, with the agreement an autonomous government was established in South Sudan. China engaged with South Sudan after 2005, economic instruments played a significant role in China's engagement, in 2008 China established diplomatic relations with the South Sudanese government.²⁶⁶ However, China's situation in Sudan became more complicated when Chinese oil operations were attacked by South Sudanese rebels, and Chinese oil works were abducted near the contested border zone between Northern and Southern Sudan.

²⁶³ *China's African Policy* (Beijing: Ministry of Foreign Affairs 2006), accessed 23.05.2019, http://www.gov.cn/misc/2006-01/12/content_156490.htm.

²⁶⁴ *Ibid.*

²⁶⁵ *Ibid.*

²⁶⁶ Daniel Large, "China's Sudan Engagement: Changing Northern and Southern Political Trajectories in Peace and War," *The China Quarterly* China and Africa: Emerging Patterns in Globalization and Development no. 199 (Sep., 2009): p.623.

Chinese interests were directly threatened in Sudan, in return, the paradigm shift in Chinese policy became more visible when China carried out behind the scenes negotiations for a peacekeeping deployment in Darfur.²⁶⁷ By the late 2000s, Sino-Sudanese bilateral relations continued to grow and reached \$5.7 billion,²⁶⁸ regardless, during this time Sino-Sudanese relations were still focused on oil, Chinese oil companies undertook drilling, pipeline construction, and other oil-related investment projects, the total Chinese investment in Sudan reached \$4 billion.²⁶⁹ In 2007 Sudan was the sixth-largest oil supplier with a share of 6% in China's total oil imports.²⁷⁰

Chinese oil companies focus on securing drilling licenses in Sudan was not an isolated case, in 2000s China's approach to oil-rich countries was changed, Chinese oil companies focused on securing drilling licenses in Nigeria, Angola, Kenya and Ivory Coast.²⁷¹ CNOOC paid \$2.7 billion for 45% stake in a Nigerian oil and gas field, moreover CNOOC also paid \$60 million for the acquisition of 35% of oil and gas exploration rights in the Niger Delta.²⁷² In addition to these countries, China also negotiated to assist Egyptian government in oil exploration and drilling.²⁷³

This move came at a time when both Chinese FDI flow and exports to Africa started to increase drastically, figure 5.3 and figure 5.4 shows the FDI inflow and Chinese exports to Africa. With Kenya only between 2006 and 2007 bilateral trade doubled and reached

²⁶⁷ *Ibid.*, p.619.

²⁶⁸ *Ibid.*, p.616.

²⁶⁹ Wenran Jiang "China's Emerging Strategic Partnerships in Africa" in Rotberg, p.54.

²⁷⁰ Large, "China's Sudan Engagement: Changing Northern and Southern Political Trajectories in Peace and War," p.615.

²⁷¹ Taylor, p.945.

²⁷² Wenran Jiang "China's Emerging Strategic Partnerships in Africa" in Rotberg, p.54.

²⁷³ Pannell, p.718.

\$706 million,²⁷⁴ in the 1990s yearly average of trade was \$72.8 million²⁷⁵ Moreover, in 2006 the Chinese Ministry of Commerce announced that it will provide support to the establishment of SEZs in other countries;²⁷⁶ same year China announced that it will develop 3 to 5 SEZ in Africa which will become a focal point for Chinese investment.²⁷⁷, in FOCAC summit China previously declared that it would build 8 SEZs in Africa.²⁷⁸ In mid-2007 Chinese government approached African states to develop an SEZ, Zambia was one of these, the same year Chinese leadership announced that it would establish four SEZs in Africa, a mining zone in Zambia's Chambishi mining area, a manufacturing hub in Egypt, logistics hub in Tanzania and a trading hub in Mauritius.²⁷⁹

²⁷⁴ Robert I. Rotberg "China's Quest for Resources, Opportunities" in Rotberg, p.3.

²⁷⁵ "What Is the Trade Balance for China to Kenya? (1990-2017)," The Observatory of Economic Complexity. MIT, accessed 3.08, 2019. <https://oec.world/en/visualize/line/sitc/show/chn/ken/all/1990.2017/>.

²⁷⁶ State Council, 'Replies on approving the suggestions to promote the construction of overseas economic and trade zone', State Council Letter no. 17, 18 Feb. 2008. as cited in Bräutigam and Xiaoyang, p.804.

²⁷⁷ Martyn J. Davies "Special Economic Zones:China's Developmental Model Comes to Africa" in Rotberg, p.142.

²⁷⁸ Bräutigam and Xiaoyang, p.804.

²⁷⁹ Martyn J. Davia "Special Ecoomic Zones: China's Developmental Model Comes to Africa" in Rotberg, p.143-50.

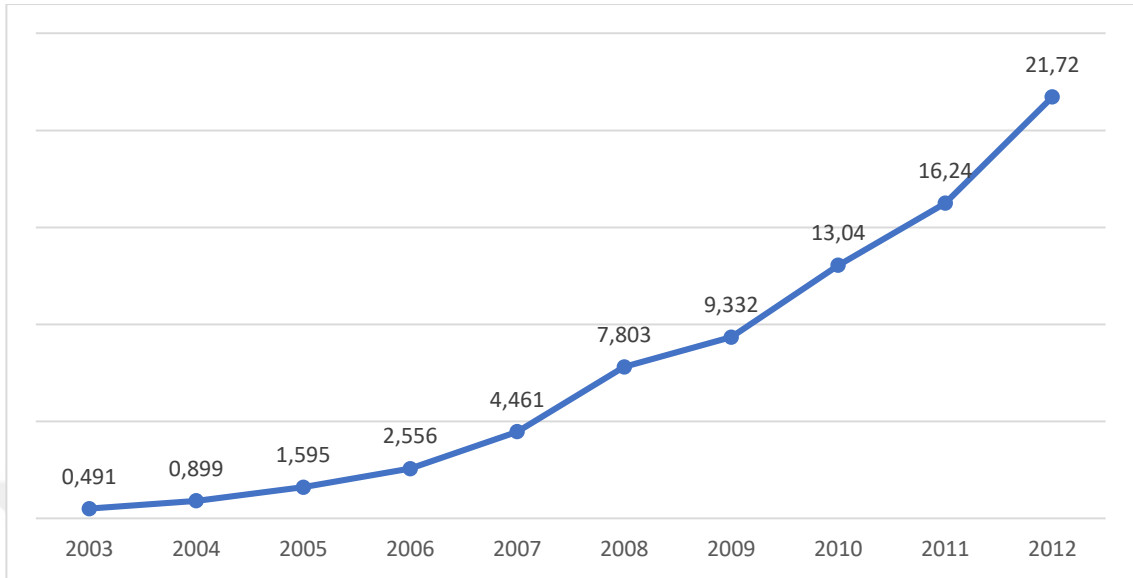


Figure 5. 3 FDI Inflow to Africa from China Between 2003-2012 – US\$, Billion
 Source: China-Africa Research Initiative, China-Africa FDI Data 2003-2017, John Hopkins University School of Advanced International Studies

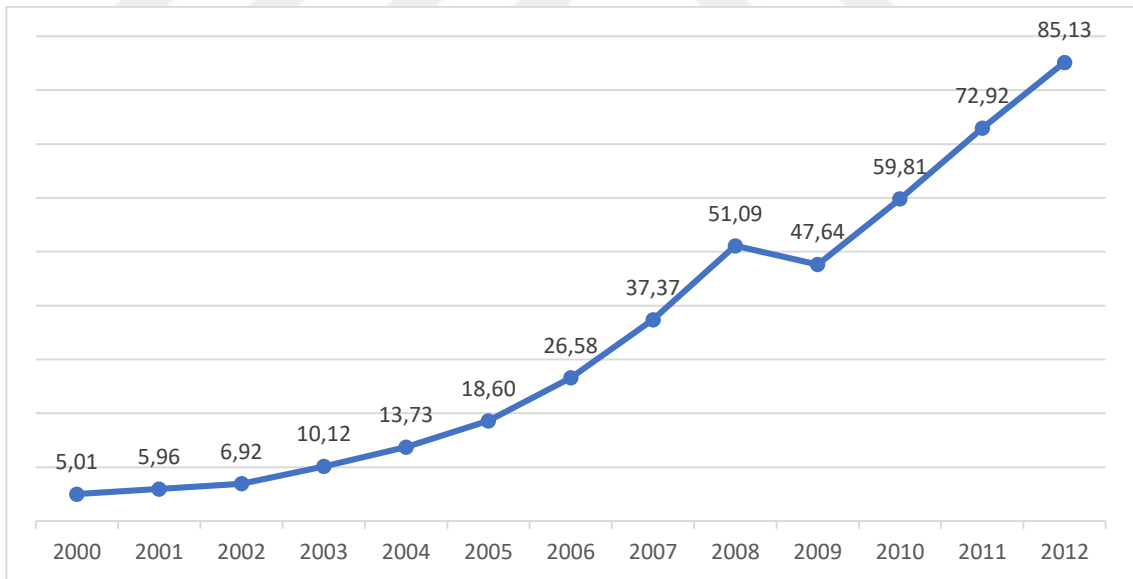


Figure 5. 4 China's Total Export to Africa Between 2000-2012 – US\$, Billion
 Source: China-Africa Research Initiative, China-Africa Annual Trade Data 1992-2018, John Hopkins University School of Advanced International Studies

Focusing on drilling and development licenses, establishing SEZs can be identified as an attempt to contribute to the institutionalization of China's African policy, rather than

simply entering a market as an importer or exporter, China tried to build a network of complex interdependencies on the continent. As figure 5.3 shows FDI inflow to Africa in 2000s drastically increased by 2012; Figure 5.4 also shows that with FDI Chinese exports also started to pick up after mid-2000s. In this context, it is possible to argue that China started to utilize its economic instruments for strategic securitization and aimed at gaining a permanent foothold in the continent, in the meanwhile tactical securitization was still important.

During the early 2000s, China both focused on tactical and strategic securitization in Africa, it tried to institutionalize its relations with African states with FOCAC and it ensured its access to new markets and raw materials for its economic development while severing Taiwan's ties with Africa. Moreover, during this period China actively involved in Africa's security environment by participating in peacekeeping missions, which can be seen as China's attempt to assume the role of peacekeeper in Africa. As China's economic activities in Africa increased, its investments in Africa also became a security concern for China therefore in the latter half of the 2000s China's contribution to U.N peacekeeping missions increased, moreover in South Sudan and Mali China even contributed to combat troops for the peacekeeping missions. Furthermore, China even took part in the international task force that was established against the pirates in the Gulf of Aden.

China's economic involvement in the continent in the early and late 2000s mostly aimed to establish energy and or resource security, Chinese companies were encouraged to invest in mineral extraction.²⁸⁰ Energy and resource security are critical for China in order to continue its economic development since its economic development is considered as part of its broader security policies it can be argued controlling the supply side is important for China because it can respond to any attempt of manipulating the prices. In this context it is possible to argue that China's utilization of economic instrument for

²⁸⁰ Liu Haifang "Africa and China: Winding Into a Community of Common Destiny" in Nagar and Mutasa, p.80.

security purposes was a mix of strategic securitization, controlling supply, and tactical securitization, getting access to key resources. FOCAC can be identified as a critical point in the transition from tactical to strategic securitization because it aimed to institutionalized Sino-African relations. Prior to FOCAC Chinese utilization of economic instruments was Hirschmanian in nature, In Hirschman's terminology supply effect is simply trading, country A exports his surplus of goods to country B and in return imports necessary material to enhance its military power and in this effect foreign trade becomes an indirect instrument of power.²⁸¹

In short, it can be argued that economic instruments were utilized in its relation with Africa between 1990 and 2012 to tackle a non-traditional security threat for China. However, as China became more invested in other regions maritime and land supply line also became an important concern for Chinese leadership for two reasons: First the United States can easily deploy its navy on multiple fronts and disrupt the maritime trade routes,²⁸² second China's land connection Central Asia, Middle-East and Europe has to go through conflict zones thus it makes China highly vulnerable on land and maritime trade routes. As I discussed in the theoretical framework, states can face non-traditional security threats and can utilize non-security instruments both against traditional and non-traditional threats. In the case of China, the maritime threat that China faces from the USA and conflict zones in Central Asia that could potentially disrupt China's supply routes are both conventional threats. Rather than tackling these threats militarily, China focuses on alternative non-security instruments. Within this context, Xi Jinping's Belt and Road Initiative can be considered as a securitization attempt at tackling a security threat that China faces.

²⁸¹ Hirschman, p.14.

²⁸² Kutay R. Karaca, "China's Changing Energy Strategy and Its Effects on Foreign Policy 1990-2010 (Çin'nin Değişen Enerji Stratejisinin Dış Politikasına Etkileri 1990-2010)," *Uluslararası İlişkiler* Vol.9, no. 33 (Spring,2012): p.99.

5.4. China's Foreign Economic Policies in Africa in Xi Jinping Era

In terms of foreign and foreign economic policymaking Xi Jinping's era is different than his predecessors in two ways the first Xi postulated an ambitious cross-continental project titled Belt and Road Initiative and China devised its policies for the actualization of BRI. Xi's principal policy initiative BRI that aims to rejuvenate ancient Silk Road and establish a 21st century maritime silk road is embedded into China's 13th five-year plan,²⁸³ and in order to fund the infrastructure projects that will be the basis of Belt and Road Initiative China founded a multilateral body Asia Infrastructure Investment Bank (AIIB).

Secondly in 2014 Xi Jinping announced his holistic security approach and on par with this announcement economic security became a key component of security policies, moreover economic security included into responsibilities of the National Security Commission that was established by Xi Jinping.²⁸⁴ In other words, economic security recognized as a key component of security policies. It is important to note that economic security and securitization of economic instruments are not the same things however Chinese conception of economic security is linked with China's economic development.²⁸⁵

These differences are also visible in China's foreign economic policies in Africa, the previous administrations main objective in Africa was to gain allies, invest and develop oil fields, gain access to mining operations and export Chinese goods to the African states. In 1990s China's African policies were constructed around tactical securitization, China's main objective was to gain allies and continue its economic growth, with FOAC

²⁸³ Compilation and Translation Bureau, ch.51

²⁸⁴ "Xi Jinping: Jianchi zongti guojia anquanguan, zou Zhongguo tese guojia anquan daolu" [Xi Jinping: Uphold the Holistic Security Concept, Walk the Road of National Security with Chinese Characteristics] as cited in Timothy R. Heath, *China's Evolving Approach to Economic Diplomacy* (National Bureau of Asian Research July, 2016), p.186-87.

²⁸⁵ *Ibid.*, p.186.

strategic securitization was also introduced, China focused on the institutionalization of its Africa policies. In short, China's foreign economic policies in Africa gradually evolved and tailored according to China's needs as China's power and capabilities increased.

In 2015 National Development and Reform Commission, Ministry of Foreign Affairs and Ministry of Commerce of the People's Republic of China issued a document titled "Visions and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road", in this document Africa was identified as part of BRI however document in general was very vague and did not specify which countries will participated.²⁸⁶ Moreover, in 2018 FOCAC summit China and African countries agreed establishing a synergy between BRI, 2030 Agenda for Sustainable Development of the United Nations, Agenda 2063 of the African Union, and development policies of African states to ensure win-win cooperation between China and African states that will further support the development between China and Africa, in 2015 National Development and Reform Commission, Ministry of Foreign Affairs and Ministry of Commerce of the People's Republic of China issued a document titled "Visions and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road", in this document Africa was identified as part of BRI however document in general was very vague and did not specify which countries will participated.²⁸⁷

The term synergy used rather as an abstract concept in the document and BRI's role in establishing this synergy was vague. Furthermore, in 2018 PRC's ambassador to the United Nations, Mao Zhaoxu emphasized that Africa was a key partner in developing the BRI, he further claimed that the initiative aims to support Africa and establishes a

²⁸⁶ National Development and Refom Comission and Ministry of Foreign Affairs and Ministry of Commerce of the People's Republic of China, *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road* (National Development and Reform Commission, March 2015).

²⁸⁷ Beijing Declaration - Toward an Even Stronger China-Africa Community with a Shared Future, 2018 as cited in Wang Xuejun, "African Development and China-Africa Joint Efforts on the Belt and Road Initiative," *China International Studies* Vol. 76 (2019): p.27.

mutually beneficial environment both for China and African countries without political conditions.²⁸⁸ According to Ambassador Zhauxu, “BRI involves more than 20 African countries, including Egypt, Kenya, Uganda, Nigeria, Cameroon, and South Africa.”²⁸⁹ However, it is still unknown what will be the definitive routes for both silk road and maritime silk road and which states will be part of it.

By 2018 China worked out cooperation agreement for 39 major projects for railways, highways, ports and power plants in Africa.²⁹⁰ The cooperation agreement was reached on 39 major projects, covering 17 areas such as railway, highway, port and power generation. The Mombasa- Nairobi Railway, the Addis Abba -Djibouti Railway, the Port of Djibouti, Port of Lomé in Togo, and a hydropower plant in Ivory Coast are claimed to be part of BRI’s infrastructure projects.²⁹¹ Consequently, It can be argued that when BRI became the core of Chinese foreign economic policies and security policies, China’s African policies also changed to support BRI.

This happened in two ways: First, infrastructure projects prioritized, and Chinese government and companies started to fund ambitious infrastructure projects, in 2017 railroad project that linked Ethiopia’s capital with Djibouti’s Doraleh port was completed and Chinese state and companies played a critical role in both financing and construction.²⁹² Secondly, conditionality was introduced in the loans provided within the framework of BRI, the condition is that Chinese firms have to take part in the projects

²⁸⁸ Permanent Mission of the People's Republic of China to the UN, *Remarks by Ambassador Ma Zhaoxu at High-Level Symposium on Belt and Road Initiative and 2030 Agenda for Sustainable Development*, by Ma Zhaoxu (13.06.2018).

²⁸⁹ Ibid.

²⁹⁰ Ibid.

²⁹¹ Xuejun, p.37.

²⁹² Michael Mitchell Omoruyi Ehizuelen and Hodan Osman Abdi, "Sustaining China-Africa Relations: Slotting Africa into China's One Belt, One Road Initiative Makes Economic Sense," *Asian Journal of Comparative Politics* Vol.3, no. 4 (2018): p.289.

that are funded under BRI.²⁹³ It is important to note that Africa as a whole is not part of BRI however as figure 4.5 shows between 2013 and 2017 Chinese FDI flow to Africa steadily increased.

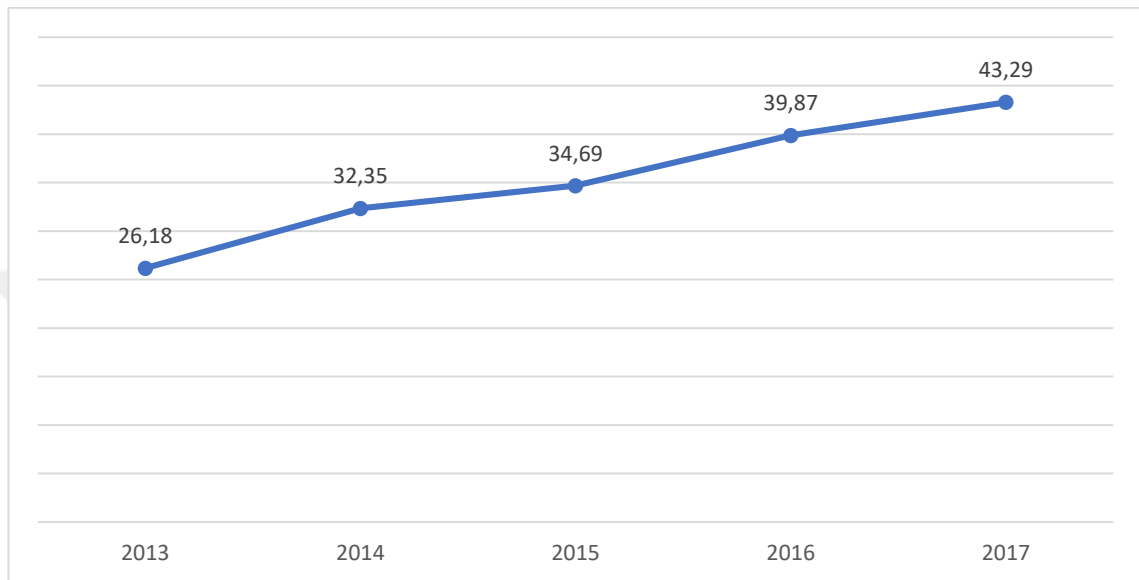


Figure 5. 5 FDI Inflow to Africa from China Between 2013 and 2017 – US\$, Billion
Source: China-Africa Research Initiative, China-Africa FDI Data 2003-2017, John Hopkins University School of Advanced International Studies

These changes in China’s foreign economic policies can be considered as part of BRI’s main objective of creating a security sphere that is favorable for China,²⁹⁴ moreover, this is consistent with the Chinese perception of economic policies. Chinese scholars argue that Chinese economic diplomacy is the utilization of economic instruments for the protection and advancement of national interest.²⁹⁵ This perception is not directly related to the utilization of economic instruments for security policies but it shows that Chinese understanding of economic policies goes beyond the economic realm and if

²⁹³ Ibid., p.291.

²⁹⁴ Callahan, p.237.

²⁹⁵ Zhen Bingxi, “Xin xingshixia ruhe baohu guojia haiwai liyi” [How to Protect National Interests Overseas in the New Situation], Guoji Wenti Yanjiu (2009) as cited in Heath, p.163.

necessary it can be utilized for security purposes. In addition to this, security cooperation in Sino-African relations and China's commitment to ensure peace and stability in the region also took part in official rhetoric in the Xi Jinping era.²⁹⁶

It can be argued that as China's investment in Africa increased in order to protect its investments, its fundamental policy of non-interference is also changed however this is only one side of the coin. In the greater context of BRI China is trying to create a favorable security environment by creating dependencies between other states by heavily investing in infrastructure projects that connects states to each other, in other words it can be argued that China's utilization of security policies in Africa became more focused on strategic securitization to ensure peace and stability prevails in the continent and prevents Western countries to get involved in a potential conflict. One important characteristic of Chinese FDI and infrastructure investment is that these projects were undertaken by Chinese State-Owned Enterprises backed by Chinese state banks,²⁹⁷ in this context, it is easier to establish economy security relationship in Chinese investment because the state is directly involved in the process with multiple actors.

5.5. Conclusion

In this Chapter, I argued that Since 1990 China has been utilizing its economic instruments for security purposes towards Africa. I emphasized that the main reason for the Chinese leadership to prioritize non-security instruments for security is because of China's dependency on foreign investments and technology transfers to continue its economic development hence its need for a stable regional and international system. This need puts a restraint on China in using its military as the first choice. However, this neither means China is neglecting its military (since 1990s PLA and its branches have

²⁹⁶ Backman, M. (2008) *Asia Future Shock: Business Crisis and Opportunity in the Coming Years*. New York: Palgrave Macmillan as cited in Yu, p.493.

²⁹⁷ Valéria Lopes Ribeiro "Chinese Expansion in Africa in the Twenty-First Century: Characteristics and Impacts" in Sam Moyo, Praveen Jha, and Paris Yeros, eds., *Reclaiming Africa Scramble and Resistance in the 21st Century*, Advances in African Economic, Social and Political Development (Springer, 2019), p.42.

been implementing a swift modernization program) nor that it is not prioritizing the protection of its security.

Between 1990 and 2000 main objective of China was to gain allies in international organizations, securing critical resources and accessing new markets for its economic development, in this context China faced two security threats; the first one is the isolation from the rest of the international system because China failed to realize post - Cold War international order's dynamics, and the second one is its increasing demand for critical resources such as oil and ores, China was depended on these resources in order to continue its economic development and achieve great power status. Access to critical resources is important and considered as part of security policies because in Chinese context economic development and security is intertwined with each other. In 1990s China's utilization of economic policies can be categorized as tactical securitization because China tried to answer an imminent threat, in other words, it was a reaction rather than a proactive policy.

With the first FOCAC meeting in 2000 Sino-African Relations started to institutionalize, from Chinese perspective FOCAC provided a much needed framework for future of Sino-African relations, again China continued to invest in Africa to acquire critical resources and allies however China also started to invest in infrastructure projects, therefore it can be argued that starting between 2000-2013 both tactical and strategic securitization took place in utilization of Chinese economic instruments for security purposes. During this period, Chinese utilization of economic instruments for security purposes can be identified Hirschmanian in nature. In other words, China was utilized its economic instruments to build asymmetrical relations with weaker African states to making it costlier for them to exit their relation with China.

In 2013 when Xi Jinping took the office, Chinese economic and security policies drastically changed, Xi established a National Security Committee and reinforced his

authority over the decision-making process. With his announcement of BRI Chinese, foreign economic policies were implemented in accordance with BRI's objectives. In Africa, this meant favoring BRI states over and conditionality in loans that Chinese firms would be part of infrastructure investment. Under Xi's rule, strategic securitization became more apparent in China's utilization of economic instruments for security purposes. With BRI China's main objective is to create a security environment that is favorable to China via establishing interdependencies between different actors and also between China and these actors.



CHAPTER 6

CONCLUSION

Historically, rising powers pursued the same path as their power increased, they built up their military capabilities and eventually challenged the existing great power or powers to create their own systems.²⁹⁸ Since the 1990s scholars argued that China will either challenge the existing order or it will be co-opted into the western-led liberal order.²⁹⁹ As a rising great power, China does not fit into this prescription. It is evident that China does not pursue its policies as a traditional rising great power, in 2016 China's economy worth \$11.2 trillion, and its military spending was 4% of its GDP. Over the years China's military spending as a ratio remained the same but as its GDP increased the share as a total amount increased. However, still, in comparison to the USA, Chinese military spending is relatively low. This does not mean China neglects its military, on the contrary since the 1990s Chinese military implemented a swift modernization program that increased China's military capabilities considerably.

Chinese leadership prefers to prioritize non-security instruments against both traditional and non-traditional security threats. It is mostly because China still needs inbound FDI, and technology transfers to continue its economic development. If it starts to deploy its military for any problem it faces, it will damage its image in the international community. Within this context the aim of this thesis was to show why and how China is using its foreign economic policies against traditional and non-traditional security threats.

Throughout my thesis, I argued that contrary to assumptions of mainstream security studies, states not only face security threats from other states but they also face both traditional and non-traditional security threats from non-traditional sources. These

²⁹⁸ Mearsheimer.

²⁹⁹ Denny Roy.

threats are identified as non-traditional security threats and states can utilize both security and non-security instruments in tackling these threats. Moreover, states can utilize non-security instruments against traditional security threats. Within the scope of this thesis, I only focused on the utilization of economic instruments for security purposes and argued that original securitization framework is limited when it comes to assessing securitization when there is no apparent audience, therefore, I employed Balzcaq's approach to looking at policy outcomes as a measure of securitization. Furthermore, I employed strategic securitization and tactical securitization terms to identify policies based on their nature as long-term proactive policies versus short term reactive policies, respectively, I analyzed Chinese foreign economic policies in Africa based on this framework. With historical cases such as the United States' containment strategy towards the Soviet Union, I pointed out that states utilize economic instruments for security purposes, and it can even be part of their grand strategy. In the case of the United States and Saudi Arabia oil concession, I emphasized that a limited supply of a critical resource can be considered as a security threat by a state and state can utilize its economic instruments to find a solution to this threat.

In the fourth Chapter, I looked at China's general foreign economic policies and analyzed how China's conception of its foreign economic policies changed over the years. These changes were the result of both domestic and international dynamics. In the fifth Chapter I narrowed down the scope to Africa and provided an in-depth analysis of China's foreign economic policies in Africa. In Mao era China mostly used its economic instruments to assist revolutionary groups, and since most of Mao's term was plagued with domestic turmoil China was isolated from the rest of the world therefore China did not have a meaningful foreign economic policy. When Deng Xiaoping took over the office, economic development became China's core interest hence China focused on attracting foreign direct investment, official development assistance and loans from international financial institutions. During this period China utilized its foreign economic policies to invest in its economic development, this was also the time security-

development link was established. In the post-Cold War world Jiang Zemin took the office when China was between a rock and a harder place, after the Tiananmen incident China was declared as the pariah of the international system. In an attempt to break its isolation China initiated a periphery diplomacy move and engaged with its neighbors, China also shifted its focus to Africa in order to gain allies, get access to new markets and key resources. During Asia Financial Crisis in order to show the Asia Pacific region and to the rest of the world that China is a responsible actor China used its economic instruments to ease the effect of the crisis in the region. During this period China utilized its economic instruments for security purposes for both breaking its isolation, gaining allies in Africa and convincing its periphery that China is a responsible actor by easing the effects of Asian Financial Crisis, and ensuring the continuity of its economic development by getting an access to African market and securing the supply of critical resources in Africa.

In 2000s China became a member WTO, and started to become more visible in international organizations, China also initiated its own multilateral platforms such as FOCAC, FOCAC is a critical step in Sino-African relations, it paved the way to institutionalization and clearly showed that China has long term objectives in Africa, 2006's China's African Policy white paper reinforced these long-term objectives. In Africa foreign economic policies evolved into strategic securitization, FOCAC provided the framework for this approach, but rather than creating a more complex interdependencies China, in this period, created Hirschmanian asymmetrical dependencies between itself and small states which in return would make costlier for small states quit their relation with China. In its periphery China started to deal with more traditional security threats, contested territorial waters in the South China Sea started to become a flashpoint in the region.

In 2013 Xi Jinping became the president, Xi's focus on consolidating his authority over decision making process made security -development link more visible since his National

Security Committee also mandated with economic security issues. Xi's hallmark policy initiative is BRI, BRI can be considered as manifestation of China's grand strategy, its long-term aim to establish a security environment that is favorable for China. It is possible to consider BRI as an attempt to utilize Chinese economic instruments for security purposes. In Africa BRI also changed the way China utilizes its economic instruments, Chinese loans started to favor BRI countries and debtor countries are expected to award some portion of the related tender to Chinese companies. In other words, China is utilizing its economic instruments to ensure the peace and stability in the region via creating dependencies among states.

As I discussed in the theoretical chapter, securitization literature remains limited on the economic sector, studies usually focus on post-9/11 United States foreign economic policies and empirical evidence remains limited in these studies.³⁰⁰ The limited number of studies and the absence of a coherent framework to approach the issue, securitization of the economic sector remains underdeveloped. With the framework that I postulated in the theoretical chapter I tried to contribute to the bridging of the gap between IPE and Security, and this framework can be further developed to fully understand a realm where both states and non-states actors, mostly commercial actors, operate and navigate. Moreover, it can also show the variation between different states that have different control over their market and commercial actors and the domestic dynamics of how securitization of economic instruments occurs in a different context.

This study had three primary constraints: 1) Financial, 2) time, and 3) language. The financial constraints prevented a possible trip to China and conducting in-depth interviews with key actors in policymaking, think tanks, and academia. These interviews would present the Chinese point of view on economy security nexus. The second constraint the language barrier limited the scope of domestic politics. Mapping the

³⁰⁰ See Nicola Phillips, "The Limits of 'Securitization': Power, Politics and Process in Us Foreign Economic Policy," *Government and Opposition* Vol. 42, no. 2 (2007); Higgott.

decision-making process and illustrating the securitization process in Chinese politics would be dependent on secondary sources, therefore, domestic politics is used only to provide background information. Removal of this barrier would allow us to map out how the decision and policy-making process for utilization of economic instruments for security purposes occur. Finally, due to time limit main empirical case is China's African policies, however, a comparative approach to China's policies in other regions would emphasize the variations in utilization of non-security instruments for security purposes. In that regard, a more in-depth comparative analysis that compares the process of securitization in cases that China attempts to use its economic instruments for tactical or strategic securitization would reveal the domestic process and also may identify under which conditions China succeeds or fails. On top of this, comparing other states with each other would also show the different political and market dynamics between states.

This line of study has potential to contribute not only to the securitization literature but also to other field of studies that focus on analyzing the role of foreign economic policies in achieving non-economic objectives. One of the most influential studies that tries to push the frontier and argues that economic instruments can be used for a variety of policy objectives belongs to David Allen Baldwin. In his seminal work *Economic Statecraft*, Baldwin argues that economic statecraft is a mean rather than an end, therefore, focusing on other effects of economic statecraft techniques such as diplomatic, psychological, political and military provide a better analysis instead of focusing on economic effects.³⁰¹ Thus, he postulates that economic statecraft should be analyzed just like other forms of statecraft, and he tries to build a framework to analyze the benefits of employing economic instruments in pursuing foreign policy objectives. However, Baldwin's dichotomy is state to state relations so the does not take into account the non-state actors, inevitably non-traditional security threats are also overlooked. Hence, securitization of economic instruments can contribute to economic

³⁰¹ David A. Baldwin, *Economic Statecraft* (Princeton, New Jersey: Princeton University Press, 1985), p.63.

statecraft literature by bringing non-state actors and non-traditional security threats into the equation.

In the same manner, Grand Strategy and Great Power literature usually overlook the foreign economic policies role in statecraft. “Grand strategy symbolizes what we mean by the highest level of strategy for the state in its operations and very existence, [...] grand strategy resides at the most overarching, comprehensive level of statecraft, diplomacy, and politics”.³⁰² In other words, a state’s grand strategy defines the principles and identifies long-term objectives for its foreign policy on various levels, and all means of power (hard and soft power) are operationalized to actualize these objectives. Since a grand strategy must deal with various variables on different levels only states that have a global influence can pursue a grand strategy.³⁰³ Within this framework, economic instruments are considered as latent power that supports a strong military.³⁰⁴ A few studies that take foreign economic policies in consideration cannot past beyond the paradigmatic lenses and focuses on how foreign economic policies are used in the state to state relations,³⁰⁵ and utilization of economic instrument for security purposes it overlooked. In this regard, my research can contribute to the grand strategy and great power literature's approach to non-security instruments, especially economic instruments, by pointing out it is possible for states to utilize non-security instruments to increase their power in the system or advance their long-term policies.

Within this context, furthering the research program of economic statecraft with concepts of strategic and tactical securitization and acknowledging economic instruments can be utilized against traditional and non-traditional security threats would

³⁰² William C. Martel, *Grand Strategy in Theory and Practice: The Need for an Effective American Foreign Policy* (Cambridge: Cambridge University Press, 2015), p.31.

³⁰³ *Ibid.*, p.34.

³⁰⁴ Mearsheimer, p.55.

³⁰⁵ Skalnes; Brawley; Martel.

also benefit the Grand Strategy and Great Power studies. These fields do not consider economic instruments as an instrument by itself that a state can utilize against security threats hence, even within the state to state relations security threats remains in the military domain and it provides a reductionist approach to great power politics, and grand strategy implementation. Utilization of economic instruments for security purposes would lead to different venues and potentially benefit great power, grand strategy, and economic statecraft literature, moreover it may also bridge the gap between IPE and security.



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