



Xi Jinping's foreign policy: image versus reality – some adjustment required by Robert Sutter

*Robert Sutter (sutterr@gwu.edu) is a professor at George Washington University. His most recent book is *The United States and Asia* (Rowman & Littlefield 2015).*

After a decade reassuring the United States and China's neighbors that it was not a threat, a major shift emerged in Beijing's thinking with the much more active and assertive foreign policy of Communist Party leader and President Xi Jinping. Reassurance was played down; officials in China said it conveyed weakness. China boldly extended control of disputed territory at neighbors' expense with coercive and intimidating means that upset regional stability and US interests. The new Chinese government also continued manipulative economic practices, cyber theft, and reluctance to contribute regional and global common goods; and it used China's large foreign exchange reserves and trading capacity to develop international banks and to support grandiose investments, loans, and trade proposals that excluded or undermined the United States.

US President Barack Obama issued unusual public complaints about China's egregious deviations from international norms and self-serving practices. Xi ignored the complaints.

For the third consecutive year, Chinese media and propaganda uniformly applaud Xi Jinping's confident firmness in advancing at the expense of neighbors and the United States. Xi's approach fits well with a prevalent self-righteous Chinese nationalism and the president's avowed "China Dream." Unfortunately, the reality is a serious worsening in Chinese relations with key neighbors and concurrent instability in nearby Asia – by far the most important arena in Chinese foreign relations. Such major setbacks are not offset by Xi's ambitious economic investment and financing plans, which have notable weaknesses of their own.

China's Decline in Asia

The Xi government's policies for two years drove relations with Japan to their lowest point since World War II. Japan's firmness backed with stronger support from an increasingly concerned United States saw Xi change course – predictably without acknowledging any failure of past policy – in seeking better relations with Japan in 2015. Xi's policies dealing with North Korea drove relations with Pyongyang to their lowest point ever, underlining Beijing's inability to secure its interests in this critically important area for China.

Most Southeast Asian nations didn't challenge China publicly over the South China Sea, but Chinese expansion put the United States on alert; it prepared militarily with Japan, Australia, and key Southeast Asian governments. The Xi government's mix of economic and political overtures with

military force demonstrations drove New Delhi to advance ties with the United States, Japan, and Australia to protect against China.

Additionally, Taiwan and Hong Kong experienced unanticipated mass demonstrations and political developments sharply at odds with Chinese interests; in neither case did Xi's government show a smooth path for advancing Chinese influence and control.

The Xi government had an easier time improving relations with various Silk Road and other initiatives in Central Asia and in improving relations with Russia now isolated from the West. But overall it was clear that China's position in nearby Asia declined markedly in large measure because of Xi's overreaching assertiveness.

Shortcomings in China's Economic Influence in Asia and the World

Aware that flattening growth of Chinese foreign trade reduces Chinese international influence, the Xi government emphasizes to Asian and other developing countries massive plans for Chinese investment and financing abroad. The initiatives modify strong "going out" policies of Chinese investment and financing during the previous decade. The latter saw Chinese built infrastructure to access needed raw materials. The new investment and financing push enables construction abroad of Chinese supplied infrastructure by the enormous excess capacity of Chinese companies made idle inside China because of recent economic reforms.

Chinese officials and lauding commentary portray enormous Chinese largess, unprecedented in the annals of world affairs. The results are multi-billion dollar commitments to various Chinese Silk Road funds, new development banks led by China, and regional initiatives in Africa and Latin America. China pledged infrastructure in unstable Pakistan valued at \$46 billion; a responsible Chinese official said Beijing's overall plan for investment and financing in Africa over the next decade amounted to \$1 trillion; and Xi personally pledged investment in Latin America of \$250 billion over the next decade. Foreign commentary often echoed Chinese assessments that identified Beijing as the leader of international economic relations in Asia and much of the developing world.

A closer look shows the trade and economic influence of Xi's China full of gaps and with less impact than might be expected. China is responsible for over 20 percent of the trade with South Korea and Australia, but neither country is subject to Chinese dominance. China's important but lower percentage of trade in developing countries in Asia as well as in Africa and Latin America usually renders China just one among several important foreign actors in these countries. China's role as an investor in all these regions is surprisingly

small especially in view of all the attention Chinese leaders have given for over a decade to plans for multi-billion dollar investments. China accounts for about 10 percent of the foreign investment in Southeast Asia and about 5 percent in both Africa and Latin America.

A major weakness of the Xi government's pledges of large sums of investment and loans is that China often implements only a fraction of its pledges. Promises of large Chinese investments and loans to Pakistan and Indonesia this year followed reports that China had actually implemented less than 10 percent of the multi-billion dollar pledges made to each country over the previous decade. The reasons for poor follow through are not hard to find, especially in unstable or economically poorly endowed developing countries. Past practice showed multi-billion dollar Chinese projects stopped, put on hold or destroyed in numerous countries notably Afghanistan, Brazil, Greece, Mexico, Nigeria, Philippines, Sri Lanka, and throughout the turbulent Middle East and North African region. A responsible Chinese official averred that 80 percent of proposed Chinese mining deals (an important feature of Chinese economic interaction in developing countries) fail to be implemented; another Chinese specialist advised that Chinese overseas investment ventures more often than not were losing money.

Chinese influence gained with economic initiatives is often diluted by negative reactions to corrupt practices and non-transparent agreements with unaccountable foreign governments. Foreign labor unions and other politically active constituencies resent imported Chinese workers, common Chinese violations of international labor standards when employing local workers, and egregious environmental impacts of Chinese development projects. Chinese influence also declines with those many developing countries facing demands for repayment of large Chinese loans from Chinese government creditors determined to be paid back.

Aroused America

Xi Jinping's dismissive and seemingly cavalier treatment of US complaints adds to his image in China as a decisive and forceful leader. But it reinforces US suspicion and strengthens resolve to counter Chinese advances. It is no coincidence that China's influence in Japan, Taiwan, the South China Sea, Australia, and India has declined as the United States has enhanced ties with countries along China's rim concerned with Xi's assertiveness. Overall, the Obama administration's rebalance policy and recent US practice mesh well with the interests of the majority of Asia-Pacific governments that seek development in an interdependent world economic order and an uncertain security environment caused notably by China assertiveness. By contrast, China's mix of demands and self-serving and repeatedly unrealistic economic initiatives often has more negatives than positives for Asia-Pacific governments.

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