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Research Articles

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Research Articles

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Drivers of China's Convergence to Innovation Leaders

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Abstract

The article focuses on the innovation divide in the world economy, in which some countries are technological leaders whereas the others are technological followers; however, a continuous innovation convergence has been taking place over the last decades. The aim of the paper is to measure the dynamics of the innovation gap between China and both the USA and the EU, and to identify key factors of China's success in bridging the gap with the world's innovation leaders. The analysis indicates the convergence in innovation performance between the analyzed economies, especially when it comes to innovation capability. Key factors contributing to this process are identified and analyzed, in particular: China's science, technology and innovation policy, increased R&D expenditures, human capital development, and the development of clusters and highly specialized industries.

Keywords: *Innovation divide, technology transfer, research and development, science, technology and innovation policy, innovation efficiency, China*

1. Introduction

The article focuses on the innovation gap between China and global innovation leaders, i.e., the USA and the European Union. Recent studies on China's comparative innovation and technological advance have revealed the remarkable technology development of China over the last decade (Kaufmann, 2021; OECD, 2008; Veugelers, 2016). In particular, China is making big progress towards Industry 4.0 as there is a large scope for catch-up automation, with the associated impact on productivity and thus the competitiveness of Chinese enterprises (Butollo, 2021). Lindtner examined the "displacement of technological promise" from the United States to China, demonstrating how China, which was long viewed as a country not capable of

innovating, has recently come to be perceived as a prototype nation, a "place to prototype alternatives to existing models of modern technological progress" (Lindtner, 2020: 6). The assessment of China's technological catching up based on patent counts as well as patent quality shows that the country has been converging to technological frontier countries such as Germany or South Korea, with the growing likelihood of surpassing them by 2025 (Jiang et al., 2020). Dynamic processes of increasing the innovative potential of China provide a solid base for further convergence and diminishing the innovation gap between this country and more developed economies, such as the European Union (Kowalski, 2020). Some studies however, proved that huge and growing resources for science and technology mobilized in China resulted in a growing R&D output (such as patents and scientific publications) but have not yet been translated into adequate improvements in innovation performance (Schmid and Wang, 2017).

There is no doubt that the process of China's convergence towards the innovation leaders has already been initiated with the start of reforms and openness at the end of the 1970s, as Chinese leaders understood that knowledge and technology are a basis for sustainable economic development. After 40 years of unprecedented speed in economic growth driven by cheap labour, inward foreign direct investment (FDI) and exports, China emerges as a challenger for established global innovation leaders. China has been consistently increasing expenditures on R&D from 0.57% of GDP in 1995, 1.32% in 2005 to 2.4% in 2020, which is a level similar to that in developed countries. Impressive progress in innovation has been reflected in the latest achievements such as the world's fastest supercomputer Sunway Taihu Light, the world's first aerial passenger drone, the Ehang 184, and jetliner Comac C919 (Prud'homme and Von Zedtwitz, 2018). China's strong push for building innovative capabilities results from the search for new engines of economic growth as wage increases, youth unemployment rises, and working age population shrinks. The ambition of Beijing is to leapfrog and take the lead in emerging industries such as artificial intelligence (AI), fintech, 5G, electric cars, etc., as well as to become the global leader in innovation by 2050. Restructuring of the Chinese economy with shifting focus to knowledge and innovation, together with globalization and China's participation in global value chains resulted in re-positioning of China on the world innovation map. However, the COVID-19 pandemic has caused the weakening of the links within global value chains or even breaking them, with a growing tendency to reshoring and nearshoring (UNCTAD, 2021). This may impact the pace of China's innovation convergence with the EU and the USA. Therefore, the aim of the paper is to measure the dynamics of the innovation gap between China and both the USA and the EU, and to identify key factors of China's success in bridging the innovation gap with the world's innovation leaders.

In particular, the role of China's science, technology, and innovation (STI) policies is investigated, and their impact on catching up with innovation leaders in the pre- and post-pandemic period.

The paper is structured as follows. The next section develops a conceptual framework for innovation divide analyses, which is based on relevant literature, and introduces methodology and data sources. It is followed by the assessment of the innovation divide between China and selected peers. Then main findings of this research are discussed with the focus on factors affecting China's innovation performance that have contributed to the reduction of the innovation divide.

2. Materials and Methods

The theoretical background for this paper is formed by different studies on the technological gap in the world economy (Krugman, 1979; Posner, 1961) and recently in the Central European countries (Jian et al., 2015). The United Nations defined the technology gap as "the divergence between those who have access to technology and use it effectively, and those who do not" (UNCTAD, 2006, p. 3). The innovation gap is a broad concept, although it is related to technological advance. Sachs (2003) explored the global divide between technological innovators and non-innovators and concluded that three key features of innovation processes could explain science and technology gaps: (1) the interplay of public and private sectors in innovation systems, (2) economies of scale, and (3) ecological specificity. As Sachs observed, innovation is partly market driven, but it also requires the government's involvement in providing some inputs and being the end user of innovative solutions. Therefore, the technological stagnation that leads to the innovation divide of poorer countries is a result of the limited scientific capability of the private sector and the lack of purchasing power of the government sector. Furthermore, the production function of new ideas due to the economies of agglomeration can bring better results in already scientifically developed areas which attract talents from all over the world, causing a flow of scientist to the most attractive locations. The brain drain problem coupled with the fact that many technologies are ecology specific and therefore those fit for one ecological setting may be of little or no relevance in other ecological settings, limits the technology transfer to countries technologically lagging behind and slows down the catching up process. Overcoming these difficulties and successfully advancing in innovation requires at the beginning an intensive knowledge transfer from the leaders supported by "a strategic industrial policy aimed at achieving high levels of technological excellence and innovation capacity" (Sachs, 2003: 138).

2.1. Reducing the Innovation Divide – a Conceptual Framework

A lot of empirical studies examined how countries upgrade their technological pattern as they develop (see for instance, Grossman and Helpman, 1994; Petralia et al., 2017). An interesting framework for the analysis of closing technological gaps has been proposed by Stehrer and Wörz (2003), who distinguished three scenarios of technological catching up. The first scenario called "continuous convergence approach" assumes that speed of closing the technology gap to the leading country is the same across all industries. Another scenario described as "climbing up the ladder" by the less advanced country is the case of closing the gap in low-tech industries first, and this process is followed by gap reduction in more technology-intensive industries. The third scenario is the "jumping-up approach". It assumes that technology can be upgraded first in high-tech industries that are usually fast-growing ones. These scenarios show from industry perspective how the innovation gap can be narrowed but do not explain which factors play a key role in this process.

Adopting a macroeconomic perspective and defining the innovation divide as the divergence between nations in their abilities to create, access, diffuse, and use scientific and technical knowledge implies that at least two sides of innovation processes should be taken into account in the analysis: (1) capabilities necessary to create innovation (ability to innovate), and (2) results of innovation activity (innovative position). Furthermore, an important research challenge is to connect the topic of dynamics and determinants of the innovation gap with the concept of innovation systems, which underlines the role of the organizational and institutional arrangements, such as the public policies (in particular science, technology and innovation policy), scientific units, and innovative enterprises, which are considered the most essential agents within national innovation systems (Lundvall, 1992; Meuer et al., 2015). Similarly, there has been a wide range of research on the convergence process in the world economy, but it usually focuses on income levels, especially GDP per capita. There is a strong need to explore determining factors, which impact convergence/divergence processes in innovativeness between different economies. Especially important is the analysis of the mechanism for closing the innovation gap between countries with developed innovation systems and countries with developing innovation systems, such as China. The innovative capacity concept defined as the ability of countries to create and commercialize new-to-the-world innovations (Furman et al., 2002) offers an interesting framework that combines financial and human resources necessary for innovations and links them to institutions. This framework is grounded in Romer's (1990) endogenous growth model, the national innovation system concept (Lundvall, 1992) and the cluster approach (Porter, 1998). Sources of the innovation divide and ways to catch up in

innovation performance are closely related to determinants of innovative capacity at national and regional levels. They can be grouped into three broad categories: (1) common innovation infrastructure, (2) cluster-specific innovation environment, and (3) the quality of mechanisms that links these two areas. Each of these three groups of factors can be measured by a set of indicators (Furman et al., 2002). They can be used as innovation gap proxies in measuring the innovation gap between different countries. Common innovation infrastructure covers research and technological aspects of innovation and consists of components characterizing human and financial resources available in the R&D sector, higher education investment and institutional setup of the research sector in a country, including intellectual property protection, openness to international trade and FDI, R&D tax policies, innovation policy instruments. The second group of innovative capacity determinants, i.e. "cluster-specific innovation environment" refers to Porter's (1998) concept of industrial clusters. Many studies emphasize the role of geographical proximity as a key factor in the innovation process (Balland et al., 2015). Clusters are now recognized as an important element of innovation systems, as they group together business and scientific units, facilitating knowledge flows, technology transfer, learning processes, and diffusion of innovation (Kowalski, 2016). Cluster structures are characterized by cooperation and geographical and sectoral concentration, which is crucial for knowledge spillovers and can strengthen common innovation infrastructure (Furman et al., 2002). The interactions that go beyond clusters constitute the third set of factors determining national innovation capacity, namely "the quality of linkages". The interactions among the actors of the national innovation systems involved in the development of new ideas allow innovation input to be translated into performance (output), i.e., commercialize new ideas. Without strong linkages between a common innovation infrastructure and cluster-specific environment for innovation, new scientific and technical ideas can diffuse to other countries instead of being exploited in the home country (Furman et al., 2002: 907; Porter and Stern, 2003: 6). Linkages can be supported and facilitated by different formal and informal institutions and by appropriate policy. They also depend to some extent on the structure of the university system and funding schemes for science and business (Furman and Hayes, 2004).

The concept of national innovative capacity fits well with the objectives of this study, as it covers key factors that determine innovation. Operationalization of these factors, which will be discussed in the next section allows a methodology to be built for innovation gap analysis.

Summing up, the literature on the innovation divide shows that countries differ in their access to knowledge and ability to use this knowledge for innovation. The innovation gap is a consequence of differences in the

innovation capacity of countries and its determinants. The innovation gap may be a result of technological gaps but is not limited to divides in technology. This gap may occur in combination with technological dysfunction or separately, encompassing also lagging behind in non-technological innovations, such as new business models or social innovations. The environment in which the new idea is developed is an important element influencing innovation. Institutions, including tailored innovation policies encouraging entrepreneurial discovery and governance rules are of great importance for bridging the innovation gap.

2.2. Methodology and Data

The assessment of the size and scope of the innovation gap is conducted through a comparative analysis of the various indicators describing national innovative capacity. In our study, we adopt this methodological approach. Based on theoretical and empirical literature (Furman et al., 2002; Furman and Hayes, 2004; Porter and Stern, 2003; Rodríguez-Pose, 2020; Veugelers, 2016), we operationalize national innovative capacity using a set of indicators that are presented in Table 1. We group these indicators into two broad categories characterizing the ability to innovate and the innovative position. To get an overview of innovation capacity and compare China with selected countries, we employ two composite indices, i.e. the Summary Innovation Index for the European Innovation Scoreboard (European Commission, 2020) and the Global Innovation Index (Dutta et al., 2020). The synthetic indices are among the most comprehensive and most frequently used methods of measuring innovation. They usually consist of sub-indices relating to different aspects and stages of the innovation process. In particular, such indices refer to two key aspects of innovativeness of the economy: innovation capability and innovative position. Innovation capability is the potential of an economy or other entity (region, cluster, enterprise) to create and commercialize new ideas. It is an input approach to the issue of innovativeness. Innovative position, in turn, is a resultant approach indicating the effect of innovative activity resulting from the combination, in a specific economic and institutional environment, of the creativity of society with its financial resources (Weresa, 2014).

Based on the European Innovation Scoreboard methodology and data, indicators presented in Table 1 are used to measure the innovation capability and innovation position of China, the USA, and the EU. The relationship between these elements allows evaluating the efficiency of the innovation system, which reflects the minimization of resource consumption for obtaining intended results. This is based on the methodology used, e.g., in the Global Innovation Index 2018 report (Dutta et al., 2018) which measures the

Table 1 Indicators Used to Measure Innovation Capability and Innovation Position of China, the USA and the EU

	Indicator	Shortened name
Ability to innovate	New doctorate graduates per 1000 population aged 25–34	Doctorate graduates
	R&D expenditure in the public sector (percentage of GDP)	R&D exp. public sector
	R&D expenditure in the business sector (percentage of GDP)	R&D exp. business sector
	Private cofounding of public R&D expenditure (percentage of GDP)	Private funded public R&D
	International scientific co-publications per million population	International co-publ.
	Scientific publications among the top 10% most cited publications worldwide as percentage of total scientific publications of the country	Most cited publications
Innovation position	Public-private co-publications per million population	Public-private co-publ.
	PCT patent applications per billion GDP (in PPS)	PCT patents
	Trademark applications per billion GDP (in PPS)	Trademarks
	Design applications per billion GDP (in PPS)	Designs
	Exports of medium and high technology products as a share of total product exports	MHT exports
	Knowledge-intensive services exports as percentage of total services exports	KIS exports

Source: Authors' concept based on the European Innovation Scoreboard methodology.

innovation efficiency ratio (IER), calculated as the ratio of the output sub-index to the input sub-index, thus showing the result of innovation activity in relation to the expenditures incurred.

In order to assess if China is catching up with innovation leaders, i.e., the USA and the EU, σ-convergence (the coefficient of variation, i.e., σ-coefficient = √VAR/MEAN) is calculated. σ-convergence occurs when the observed variable differential between countries, measured by, e.g., the standard deviation, decreases over time.

Data for the analysis are derived from the European Innovation Scoreboard, received from the European Commission on 22 January 2021. Our analysis covers the years 2012–2019.

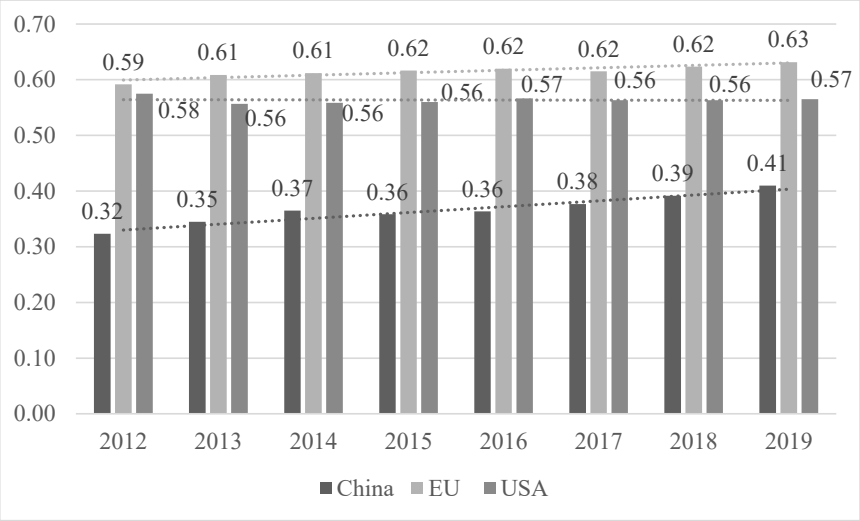
Following the statistical analysis aiming at the diagnosis of the innovation divide between China and the USA and the EU, the factors affecting innovative capabilities were examined and discussed, based on the available evidence presented in the empirical literature, and investigation of Chinese statistical data. The additional research method used was that of individual in-depth interviews (IDI) with four experts in innovation and the Chinese economy, involving two academics from China (Beijing and Chengdu), an academic from Europe, and a senior staff member of the Economic Section of the Polish Embassy in Beijing, China. The interviews were conducted via phone and in one case via email in July–August 2018 and in March 2021.

3. Results

Analyzing calculations for the ability to innovate (Figure 1), the input subindexes for the USA and the EU are significantly higher than for China, but in a dynamic perspective the Chinese economy catches up towards these two developed economies. The input subindex for China increased from 0.32 in 2012 to 0.41 in 2019, whereas in the EU it grew from 0.59 to 0.63 and in the USA it went down from 0.58 to 0.57.

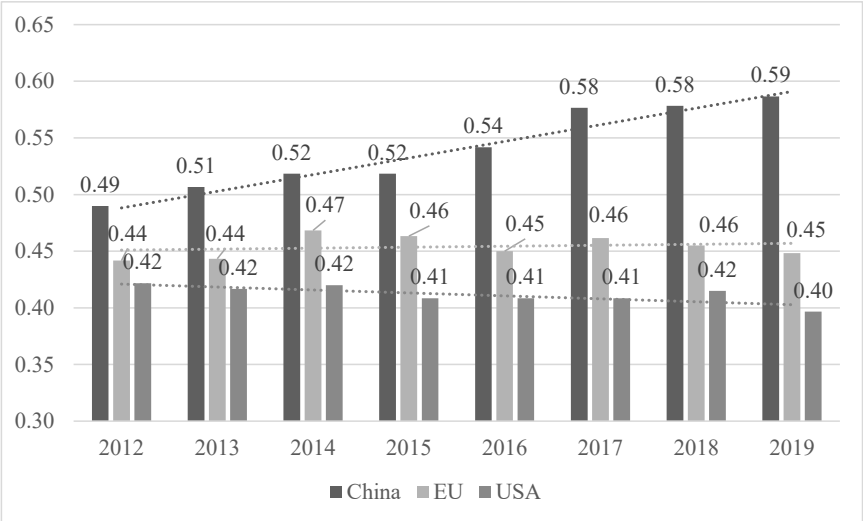
Different patterns are observed for the innovative position (Figure 2), in which China takes the lead among the analyzed countries. Additionally, China

Figure 1 Values of Input Subindexes for China, the USA and the EU



Source: Authors' calculations based on European Innovation Scoreboard data received from the European Commission.

Figure 2 Values of Output Subindexes for China, the USA and the EU

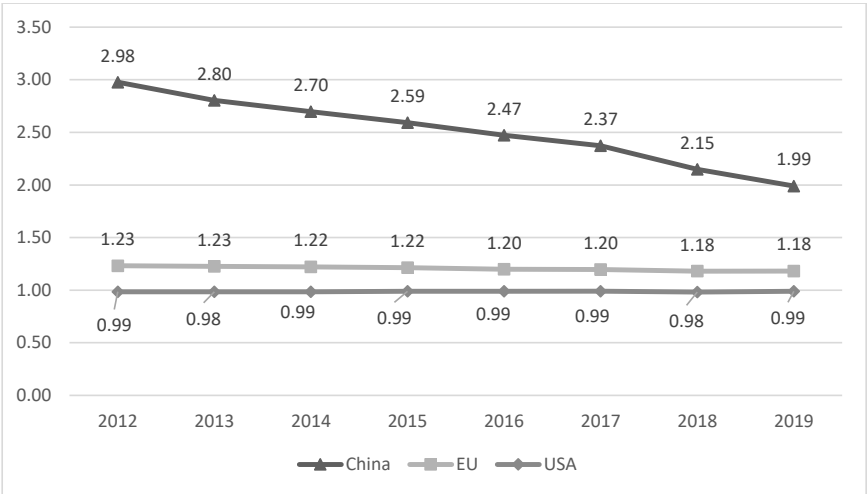


Source: Authors' calculations based on European Innovation Scoreboard data received from the European Commission.

experienced the fastest increase in the output subindex (from 0.49 in 2012 to 0.59 in 2019), whereas in the EU it rose from 0.44 to 0.45 and in the USA it dropped from 0.42 to 0.40.

The values of the innovation efficiency ratio (IER), calculated as the ratio of the output sub-index to the input sub-index, are presented in Figure 3.

Figure 3 Values of Innovation Efficiency Ratio for China, the USA and the EU



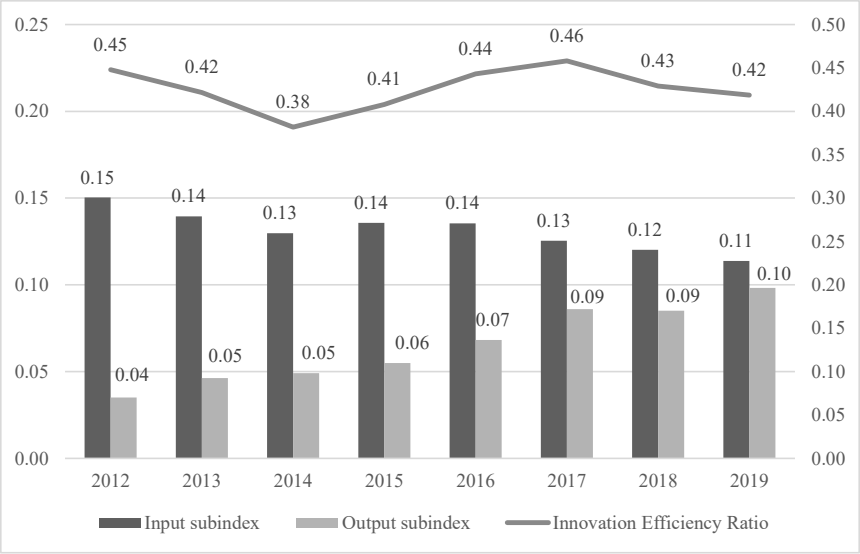
Source: Authors' calculations based on European Innovation Scoreboard data received from the European Commission.

Throughout the whole analyzed period, the highest values of the IER were achieved by China, which reflects its strong lead in the innovation position and shows high results of innovation activity in relation to the expenditures incurred. However, the IER for China diminished from 2.98 in 2012 to 1.99 in 2019, thus moving closer to that of the USA (in which it remained fairly stable around 0.99) and the EU (where it went down from 1.23 to 1.18 in the analyzed period).

Dynamics of the innovation divide in the world economy is analyzed by measuring σ-convergence (Figure 4). The calculations show σ-convergence in the ability to innovate between China, the USA, and the EU, as the standard deviation for input subindexes decreased from 0.15 in 2012 to 0.11 in 2019. At the same time, there was divergence in innovative position of the analyzed economies, as the standard deviation for output subindexes increased from 0.04 to 0.10. As for the innovation efficiency ratio (IER), the dispersion of the values for this indicator diminished during the period under analysis (standard deviation diminished from 0.45 to 0.42), indicating σ-convergence between China, the USA and the EU.

These results confirm that in the period 2012–2019 China managed to narrow its innovation gap with both the EU and the USA regarding the ability

Figure 4 σ-convergence of Input Subindexes, Output Subindexes and Innovation Efficiency Ratios (IER) for China, the USA and the EU in 2012–2019



Source: Authors' calculations based on European Innovation Scoreboard data received from the European Commission.

to innovate, but did not reduce the innovation gap regarding its innovative position measured by output. Nevertheless, when taking into account both inputs necessary for innovation and innovation outputs produced in the country, a catching up process with the EU and the USA in terms of overall innovation capacity was observed in China during the analysis period. These results also show that the pace of catching up with innovation leaders can be sped up when China is able to translate innovation inputs more efficiently into outputs. In this context, a focus for the discussion should move to factors facilitating successful reduction of the innovation gap in China, and they are studied in depth in the next section.

4. Discussion: Factors Affecting China's Innovation Capacity

The results of our analyses have shown a convergence between China and the world's innovation leaders regarding the ability to innovate. According to the concept of innovative capacity used as a framework for our analysis, the key factors contributing to this process may be found in the country's innovation infrastructure, including science, technology and innovation policy, R&D expenditures, human capital development, as well as the environment for entrepreneurial capacity-building in clusters and highly specialized industries. These factors and their development in China are discussed in this section in order to identify which of them have been of key importance to narrowing the innovation gap towards the USA and the EU.

4.1. Government and Policy Framework

China, as many East Asian economies, uses state capacity, proactively engaging in building its economy's development path (Dent, 2018). China's government has provided a stable environment for the development of innovation in selected technologies due to long-term science, technology and innovation (STI) policies and innovation-related guidelines included in the Five-Year Plans. The central government develops research and development (R&D) goals and provides financial support. In spite of some criticism as to the ability of government officials to select industries with a future economic potential, especially in hi-tech industries that change dynamically, as well as inefficiencies in the usage of public funding for R&D, the government has been a major actor driving the development of innovative capabilities in China. China's government has been setting up science and technology (S&T) programs and creating innovation infrastructure such as science parks, incubators and high-tech development zones in order to enhance linkages between key national innovation system actors, namely industry, universities and public research institutes. The central government's industrial policies

and Five-Year Plans set guidance for industry as well as future and current students as to the areas that are supported by the government and where funding and thus career opportunities will be available. It is an important tool of the state to mobilize human capital (domestically and from abroad) and material resources for the realization of its goals.

Recognizing the gap with the world's innovators, Chinese authorities have pursued an accelerated catch-up strategy, which after 1978 meant gaining access to foreign technology by requiring foreign direct investment to be contingent on investors entering into joint ventures with local partners (forced technology transfer agreements). This has been accomplished since the early 2000s through Chinese companies' foreign technology acquisitions and sourcing, as well as commercial cyber espionage to gain access to frontier technologies and know-how (Laskai, 2018). Another way is to develop indigenous technologies and push for leadership in emerging industries, such as 5G and AI, in which China has already demonstrated innovation.

At the operational level, the major funding agencies in the Chinese innovation system are the Ministry of Science and Technology (MoST), the National Natural Science Foundation of China (NSFC), and the China Scholarship Council (CSC) affiliated to the Ministry of Education (MoE). In addition, the Chinese Academy of Sciences (CAS) runs programs supporting the researchers in R&D activities, with strong focus on engaging them in international cooperation. In China, regional innovation policies, similar to those in the European Union, play an important role. Provinces and municipalities, in general, have a high level of autonomy in this area, and subnational governments contribute a significant portion of total public R&D investment. There is a significant concentration of research investment in China's east, and there are also significant regional agencies that provide science and technology funds, such as the Beijing Municipal Commission of Science and Technology (BMCST), the Science and Technology Commission of Shanghai Municipality (STCSM), or the Guangdong Provincial Department of Science & Technology (GPDST). One of the key priorities in the activities of these agencies is to promote international scientific collaboration.

The study conducted by Guo et al. (2016) on one of the Chinese innovation policy instruments, the Innovation Fund for Small and Medium Technology-based Firms (Innofund), demonstrated that supported companies produce significantly higher technological and commercialized innovation outputs than non-assisted companies and the same enterprises before receiving funding. Innofund is China's largest government R&D program, supporting small and medium-sized businesses in their R&D efforts. The findings of the study also revealed that the switch from centralized to decentralized governance of this instrument in 2005 had a positive impact on the program's effectiveness. The study by Howell (2016) revealed that access to financial

capital, which could be boosted by a lower corporate tax rate for private businesses, is a critical factor influencing Chinese firms' innovation efforts. In the long run, market failure caused by underinvestment in the private sector reduces the success of more R&D-intensive businesses, resulting in lower sales of new products and processes.

Strengthening China's science base through the development of large research infrastructures is another important driver of the country's increased innovation potential. They are an important part of China's national innovation system, with the government investing heavily in them (Chen, 2011). These types of infrastructures are characterized by a policy of open access based on scientific merit. Many of them have been organized to host foreign researchers and experiments of international teams (Marcelli, 2014), which was successful, as they have attracted researchers from around the world (Appelbaum et al., 2018: 114). Developing research infrastructures is a great contribution to increasing the R&D base in the economy and it boosts the innovative ability of the country. This process is fueled by the Knowledge Innovation Program (KIP) of the Chinese Academy of Sciences (CAS), which is a giant program aiming to narrow the science and innovation gap with leading countries (Liu and Zhi, 2010).

4.2. R&D Expenditures

China's spending on R&D has increased substantially since the beginning of the 1990s. In 2019, China's R&D spending as a share of GDP amounted to 2.23%, surpassing that of the EU (2.19%) and getting closer to the US level (2.8%). The spending on basic research out of the total R&D expenditures was relatively low at 5% in 2015, increasing slightly to 6% in 2019, while in the USA and Japan it accounted for 15% (National Bureau of Statistics of China, 2020). Increases in R&D spending are mostly generated by the business sector, which records higher annual increases of its spending on R&D (13% in 2017 y-o-y) than government research institutes (7%) and higher education entities (5.2%) (Xinhua, 2018).

4.3. Improving Quality of Higher Education

From the very beginning of reforms and opening-up, China focused on reforming the educational system to improve its quality, which nowadays has become a strategic priority. The latest reforms aim at diversity of education with the promotion of the humanities subjects, decreasing study burden, development of cognitive skills, enhancing the quality of higher education. In order to achieve that, China promotes the development and appeal of vocational and lifelong learning, tries to create a vast pool of quality teachers,

promotes the teaching profession with a remuneration system based on performance, develops talent through linking creative students with business, encourages university researchers to cooperate with industry, develops and attracts new human resources, including foreigners by facilitating the process of obtaining permanent residency (China, 2016).

The reforms have already started to bear fruit as China recorded rising literacy rates and higher education enrolment (Crescenzi et al., 2019). In 2020, China scored 67 points out of 100 in "Updating education curricula and expanding investment in the skills needed for jobs and 'markets of tomorrow'", overtaking Germany (61.4), Japan (51.3), but trailing the USA (68.2). In the period 2016–2020, the skill set of university graduates increased by 14%, which was the second best result among G20 countries (Schwab and Zahidi, 2020: 22). Overall, the above numbers imply a strong trend in improvements of quality education in China, their adjustment to market needs and increasing availability of skilled labour in the near future. Nevertheless, China shows signs of a lack of an adequate number of specialized workforce, for example in artificial intelligence (AI), in which it aims to take the global lead (Ives and Holzmann, 2018).

China's leading universities have improved the quality of teaching and research. According to the World University Ranking issued by the Times Higher Education, between 2005 and 2021 the number of Chinese universities that made it to the world's top 100 increased from five to six. These universities also rapidly improve their position: Peking University (from 29th position in 2016 to 23rd in 2021), Tsinghua University (35th to 20th in 2021), Fudan University (155th to 70th), University of Science and Technology of China in Hefei (153rd to 87th), Shanghai Jiaotong University (201–250th to 100th), Zhejiang University (201–250th to 94th). As of today, these universities represent 6% of higher education institutions in China, receive 70% of R&D funding, produce about 30% of undergraduate students, 60% of graduate students and 80% of PhD students (Veugelers, 2017).

4.4. Human Resources for Innovation

China's progress in developing innovations depends to a great extent on the availability of skilled labour force in S&T fields. As a result of education reforms, Chinese high school students from Beijing, Shanghai, Jiangsu, and Guangdong have been improving their results in the Program for International Student Assessment (PISA) test of average mathematics literacy assessment, with a score of 531 in 2015, which was similar to Japan's (532) and higher than for South Korea and Switzerland (National Science Board, 2018). These high school students are the prospective pool of talent for STI industries.

China has made rapid progress in developing science, technology, engineering and mathematics (STEM) graduates. It was second in the world behind India in awarded bachelor's degrees in science and engineering (S&E), with 22%, compared with the latter's 25% (EU accounted for 12% and the USA for 10%). In the period 2000–2014, the number of awarded bachelor's degrees in S&E grew more than 350%. Bachelor degrees in non-S&E majors grew by 1200% during that time, indicating capacity building also outside of S&E (National Science Board, 2018). In terms of the number of doctoral awards in S&E, China became third in the world in 2001 behind the EU's top eight innovative countries and the USA (overtaking Japan), approaching the US level in the period 2009–2011 (impressive as China started from a low number of around 8,000 and in 2014 around 35,000) and losing the trend afterwards till 2015. As of 2015, China was second in the world behind the EU in the estimated number of researchers (National Science Board, 2018).

Another source of high-skilled labour are the Chinese educated or working overseas as well as foreign talent, but this pool of labour depends on China's ability to attract, produce and retain top-level researchers. The number of students studying abroad has been rising since the start of reforms in 1978, from 860 in 1978 to 38,989 in 2000 to 662,100 in 2018. The number of returnees from overseas studies increased from 23.4% in 2000 to 79% in 2017, 78.4% in 2018 (National Bureau of Statistics of China, 2020), which is a result of greatly improved living conditions and greater career opportunities available nowadays in China. But recently, it is also due to an increasingly unfriendly attitude towards Chinese scientists and students in the USA since the start of the trade war in 2018.

However, China's efforts (100 Talents, 1000 Talents programs) at encouraging overseas mainland Chinese scholars to return to China have been a limited success, with some of them returning only part-time but not permanently. Domestic institutions in academia such as local power holders resisting change and competition from abroad, "'complicated nature of human relations' in Chinese society" requiring managing relationships (*guanxi*), excessive administrative burden, nepotism, seniority and gender biases are not only reasons for foreign scholars to be unwilling to return permanently, but also hinder the effective utilization of local talent (Zweig et al., 2020).

4.5. Development of Clusters and Highly Specialized Industries

The regional perspective is critical to innovation because of the increasingly recognized importance of proximity in stimulating innovation processes, and an observed strong geographical polarization of innovation activity in specific regions (Autant-Bernard et al., 2012), a trend that is particularly

noticeable in China (Crescenzi et al., 2012). In China, industrial clusters have exploded in size and quantity in recent years, particularly in the more developed coastal regions (Kang and Ramirez, 2007). As the research by Herrerias and Ordóñez (2014) demonstrated, during the post-reform era (after 1978), the growth rate of the stock of physical capital in the eastern provinces was twice as high as in western provinces, and one and a half times greater than in the central regions. Clusters are also a key component of the Belt and Road Initiative (BRI), which aims to improve international and interregional collaboration throughout Eurasia, by, e.g., strengthening transport linkages. As the investments will become platforms for clustering of industries, the key elements of the new Silk Road will be not only emerging logistic and transport clusters but also international networks of local cluster structures integrated across the whole value chains in different areas (Kowalski, 2019).

Innovative clusters or even cluster cities developed on the basis of special economic zones and large inflows of foreign direct investment have been sources of technology and managerial expertise. Over decades, they produced domestic companies that undertook foreign expansion, often seeking access to foreign technology and know-how resulting in the reverse resource transfer effect forming a vibrant competitive environment. As of 2017, the leaders in inward FDI and outward FDI stock were the coastal provinces of Guangdong, Shanghai, Zhejiang, Shandong, Beijing and Jiangsu (National Bureau of Statistics of China, 2020). China's innovation landscape is however highly concentrated in three cities – Beijing, Shanghai and Shenzhen, which account for 66.3% of United States Patent and Trademark Office (USPTO) patents (Jiang et al., 2020), host emerging sectors (Zhao et al., 2010), and lead in international inventive and scientific collaboration (WIPO, 2019). Their followers are Guangzhou, Chengdu, Xi'an, Tianjin, Chongqing, Suzhou, Hangzhou, Nanjing, Wuhan, Ningbo and Dalian (Fudan Institute of Industrial Development, Di Yi Caijing Yanjiuyuan Research and Research Institute of Chinese Economy Fudan University, 2017; Wang et al., 2015; WIPO, 2019). Beijing, Shanghai, Shenzhen, Guangzhou as well as Suzhou and Nanjing offer high incomes compared to other regions, attracting talent and other resources. At the same time, their local authorities implement policies aimed at building ecosystems of innovation attractive for living for domestic and foreign professionals and their families as well as for innovative ventures (Appelbaum et al., 2018; Conlé and Taube, 2012). Local governments provide financial support to innovative companies, attract recognized domestic and foreign universities to locate their branches there, and improve living conditions by, for example, reducing air pollution.

Beijing's Zhongguancun cluster specializes in information and communication technology (Internet, hardware and software) and artificial intelligence

(AI). Shanghai is a cluster for life sciences (biotechnology) and electronics. Shenzhen-Guangzhou-Dongguan-Hong Kong is a cluster of technology (especially information and communication technology, next generation Internet, semiconductors and electronics hardware), AI, electric cars and rechargeable batteries and Internet start-up firms (Prud'homme and Von Zedtwitz, 2018).

4.6. Venture Capital

China has been attracting increasing volumes of venture capital and has become second in the world behind the USA in attracting early and later-stage venture capital funding. Yet the majority of venture capital in China comes from the government (Appelbaum et al., 2018). Government provides venture capital in the form of guidance funds used to establish new funds that are combined with private capital to support firms from selected emerging industries. By 2016, more than 1,000 vehicles utilizing government budget-seeds were established, which opted for a total social capital of RMB5.3 trillion (USD798 billion) that year, an increase of 30% and 144% y-o-y, respectively. The above-described developments resulted in a rapid increase of venture capital available in China, especially since 2014 when Li Keqiang's initiative of mass entrepreneurship and innovation was announced at the Davos Forum in Tianjin.

Besides government R&D funding, China's innovative firms, especially private ones, often utilize alternative financial sources such as friends, family members, crowdfunding, and private loans. Chinese successful entrepreneurs such as Jack Ma, founder of Alibaba, also seek opportunities for investment in innovative projects (start-ups) setting up their own venture capital funds giving rise to the growth of domestic venture capital.

4.7. China's Increasingly Sophisticated Domestic Market

The sheer size of China ensures scale not possible elsewhere in the world. Less stringent regulations than in developed markets allow for fast and relatively less costly launch of new products and their testing on the market, while the manufacturing ecosystem covering almost all industries makes process innovations easy to introduce. Such a market provides huge support to entrepreneurs looking for niches, qualified S&T talent, patients for drug tests, etc., and to the development of customer-based and efficiency-driven types of innovation (Williamson, 2016). The intensity of competition has resulted in a high speed of change and adaptation of local firms. The Chinese government has encouraged risk-taking, innovation and entrepreneurship (Dai et al., 2019). In 2020, in terms of "incentivizing and expanding patent

investments in research, innovation and invention that can create new 'markets of tomorrow'" China scored 50 out of 100 points, overtaking Germany (49.2), but falling behind Japan (54.7) and the USA (57.3) (Schwab and Zahidi, 2020). The majority of China's population dreams of becoming rich, encouraged by successes of such business people as Jack Ma, founder of Alibaba, or Ma Huateng, co-founder of Tencent. This is reflected in Chinese people's propensity towards entrepreneurial risk, which, after the global financial crisis till 2016, has been greater than in Germany, Japan and France, but lower than in the USA. It stagnated and was lower than in Germany till 2019, to change again in 2020, the pandemic year, when people's appetite for risk increased (Schwab and Zahidi, 2020).

China's middle class of 430 million people accounted for 6.9% of the global private consumption share in 2016 (doubled in the last decade). These consumers are open to new products, brands and willing to co-develop. The environment of entrepreneurial drive combined with intense competition and huge, open-to-innovation customer base, is supportive of testing and adapting products to changing consumer needs. Having experienced dramatic and rapid changes during the last five decades made Chinese people easily adopt and adapt to innovations. At the same time, the Chinese enjoying increasing living standards expect companies to engage in protecting and improving the environment, which pushes firms for ecological and health innovations (Chen et al., 2017).

5. Conclusion

Although China has historically been placed in the group of countries with developing innovation systems, which are technology takers and followers, the analysis undertaken in this study demonstrates that it is in the process of catching up with the European Union and the USA in terms of innovativeness level. In particular, σ-convergence can be observed in innovation capabilities between China, the USA and the EU, which confirms an increasing innovation potential of the Chinese economy. The research presented in this paper allows the key factors contributing to this process to be identified, which may be found in science, technology and innovation policies, increased R&D expenditures, human capital development, and the development of clusters and highly specialized industries.

China's government financial and policy support driven by determination to shift the economy towards reliance on innovations, which is necessary for stable economic growth that provides legitimacy for Chinese leaders, constitutes a stable ground for the country's development of innovative capacity. The government continuously increases R&D funding, spending on advanced research infrastructures, develops human capital through

improvements in the quality of higher education and mobilization of R&D human capital domestically and from abroad. It encourages entrepreneurial ventures following the old slogans of Deng Xiaoping "Getting rich is glorious". Risk takers and innovative endeavours are rewarded by the possibility to become rich, which is a dream for many Chinese. This combination of government support and people's desire provides a fertile ground for the development of a sustaining innovation type, that is, improvements of already existing solutions. The majority of Chinese firms continue to rely in their innovation activities on foreign technology, which is China's important source of advanced technologies and ideas (Losacker and Liefner, 2020). Basic research, which is the foundation of breakthrough innovations and innovation leadership necessitates strong intellectual property rights (IPR) protection, which still falls behind the standards of innovative countries (Appelbaum et al., 2018; Schmid and Wang, 2017). The institutional environment in China's universities, which perform basic research, which is to a great extent governed by relationships, may hinder the utilization of talent and efficient development of basic research necessary for the development of sustainable innovative capacity.

The study also has implications for nations with growing innovation systems, such as those in Central and Eastern Europe, which are attempting to construct a knowledge-based economy and catch up with world innovation leaders. Closing the technical gap through absorbing external technology and developing indigenous capabilities to use and improve those technologies is critical to these countries' development success. This necessitates significant public investment in R&D, as well as increased R&D spending in the private sector, as private R&D spending is more effective in terms of commercialization of research discoveries, which is crucial for innovation.

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Externalization of Domestic Economic Constraints: China's Spatial Fix in Kyrgyzstan and Tajikistan

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Abstract

Growing capital over-accumulation and excessive industrial production have forced policy makers in Beijing to search for profitable outlets overseas. The Belt and Road Initiative (BRI), which focuses on infrastructure connectivity projects across Eurasia, reflects these efforts. This paper theorizes BRI as a spatial fix, aimed to overcome the recurring problem of over accumulation of capital. This paper focuses on BRI-led projects in Kyrgyzstan and Tajikistan. By conducting unstructured interviews with experts and examining projects, this paper found that BRI-led projects in Kyrgyzstan and Tajikistan not only provided a new geographical space and under saturated market for Chinese surpluses but also created demand for Chinese state-owned enterprises (SOEs) which were facing decline in returns. This paper also found that through elements such as non-competitive bidding, embedded conditionality, and double preferential loans, China has successfully stimulated overseas demand for its surpluses. The study therefore concludes that BRI-led projects in Kyrgyzstan and Tajikistan serve as a spatial fix for China.

Keywords: *Spatial fix, Belt and Road Initiative, China, Kyrgyzstan, Tajikistan*

1. Introduction

In 2013, when president Xi Jinping announced the Belt and Road Initiative (BRI), Central Asian countries were among those who were first attracted towards this global connectivity mega initiative. Being landlocked, the Central Asian Republics needed connectivity with the outside world for economic development. Beijing's win-win rhetoric and its call for closer economic cooperation and connectivity were one of the key factors that invited great interest from the Central Asian states. Additionally, the Central Asian States

were particularly buoyed by the no political strings attached nature of Chinese money because, contrary to the West, these states thought China would never demand change in domestic politics in return for money. In terms of centrality of the region to BRI, it links Asia (especially China) with Europe by offering a direct path to Western Asia, South Asia, Russia and Eastern Europe. In other words, the region is China's gateway to Europe and West Asia. Out of a total of six economic corridors of the overland component of the BRI, two economic corridors namely the China-Central West Asia and the New Eurasian Land Bridge passes through this region. Several large scale projects such as construction of railway line, road building and rehabilitation, electricity transmission lines in Tajikistan and Kyrgyzstan has been carried out under the BRI. These projects are expected to enhance connectivity, economic growth and prosperity.

Although China's official narrative related to the initiative is that it is a win-win project for all, still it is viewed in a more skeptical way. According to Van der Merwe (2019), "The infrastructure plans expose the initiative [BRI] as unashamedly colonial, as it reinforces the legacy of transporting resources towards ports – and not between neighboring states. Even in the case where transport infrastructure is created between states, the assumption is still that this would facilitate the movement of Chinese remotely manufactured goods onto markets". Moreover, concerns are growing that China is practising debt trap diplomacy through this initiative. In this regard, despite connectivity and other projects are being carried out, they are not contributing to the production capacity of the host countries, whereas the investments are helping China to relocate its surpluses.

The main argument of this paper is its conceptualization of BRI as a spatial fix. In this regard, this paper commences with highlighting the structural problems of the Chinese economy which evolved and matured in the post reform era, and later on emerged as drivers of the BRI. Building on that, this paper analyzes the BRI-led projects in Kyrgyzstan and Tajikistan to highlight how these two countries offer new geographical space for China to externalize its domestic economic woes. Both Kyrgyzstan and Tajikistan are landlocked, underdeveloped states, and share borders with China, therefore, it can be argued that they offer under-saturated markets for China to spatially reorganize its surpluses. The following section elaborates the evolution of Chinese economy in post-reform era and outlines the structural problems in Chinese economy.

The dynamics of the domestic economy in China force both the policy makers and market actors to strive for an overseas market, as the surplus production and capital over-accumulation require the export of excessive production. Following the opening and reform policy of 1978, China quickly progressed towards market flattering the established

mechanism of resource allocation in country (Yao, 2010). As explained by Gramsci (1971), to strengthen their rule, the ruling elites through a passive revolution spectacularly alter the course of policy. Similarly, in China, in the post reforms era the form of capitalism that emerged was hierarchical and hardnosed (Hart-Landsberg & Burkett, 2004). Furthermore, China's membership in the World Trade Organization (WTO) in 2001 allowed Beijing to enjoy more cuts in tariffs and further liberalization of the agricultural and services sectors. Thus, the limitations of global neoliberalism aided China to embark on a new chapter of internationalization of its economy (Clifford & Panitchpakdi, 2002).

The problem of surplus capital in China has a direct link with the 1978 reforms policy that paved the way for China's integration into the world economy, which at that time was experiencing a transformation: the information technology sector was booming and the costs of production began to decline. As a result, it became easier to bring together various phases of production over time and space. Specifically, global value chains were divided and therefore provided opportunities for less developed countries to invest in the manufacturing sector and specialize accordingly. In this regard, Zhang (2017) explained how China developed export processing industries by relying on low labour costs and targeting advanced export markets such as Japan and the US. China's export industry benefited significantly when China joined the World Trade Organization in 2001 (Rafiullah, personal communication, 2020), thus sustaining its economic growth for several decades. As seen in Table 1, China's export "boom" during the early 2000s is evident from its rapidly increasing share of total exports in GDP: increasing from 20.3% in 2001 to 36.0% in 2006, thus resulting in an approximately 16% increase.

Table 1 Percentage Increase in Chinese Exports, 2001–2006

Year	2001	2006
Share of Exports (GDP, %)	20.3	36.0

Source: World Bank (2020).

While the GDP share of exports increased and China saw massive economic growth with rapid industrialization, simultaneously, problems such as trade surpluses and rising labour costs began to emerge. The social changes which came about through industrialization resulted in higher costs of labour. Since the export-oriented processing industries were established in the southeastern coastal cities, the need for cheaper labour became more pressing by early 2004. According to Demiryol (2019), the ostensible average wage in China increased by more than seven-fold from 2007 to 2017 alone.

While China's competitive advantage began to erode due to these rising costs, the export boom after China's entry into the World Trade Organization was sustained, i.e., the key factor that sustained this boom was the high global demand for its products, which in turn sustained China's trade surplus and became the key to its economic growth model and uplifting its economy.

This trade surplus resulted in China's excessive foreign exchange reserves, which in 2013 peaked at US$4 trillion. It is interesting to note that comparatively, the US's total reserves were valued at US$537 billion the same year (Demiryol, 2019). It is commonly believed that the composition of the reserves held by the Central Bank of China is classified, but according to Rafiullah (personal communication, 2020) and Wang (2016), China was able to invest approximately US$1.4 trillion of its financial assets by buying US Treasury bonds (which constitutes a form of debt security). According to Luft and Nye (2017), from 2001 to 2017, China's share of US foreign held financial assets increased from 6% to 25%, reinforcing the significance of China's trade surplus. Simultaneously, the most concerning element for China in this equation was the continuous depreciation of foreign reserves: between 2001 and 2017, interest rates of China's financial assets declined by two-thirds (Luft & Nye, 2017). Therefore, given these declining interest rates on debts, China was forced to seek alternate avenues to divert its massive foreign exchange reserves away from buying financial assets (i.e., debt) toward more productive investments.

In 2005, Beijing realized the flaw in its export driven growth model and looked for an alternate strategy to rebalance the economy. Initially, Beijing thought to restrict the rate of trade surplus accumulation to deal with surplus capital, thus decreasing the profitability of exports. Furthermore, China wanted to encourage manufacturers to enhance production for the domestic market instead, thus indicating a shift towards a more consumption and inward driven growth path. In line with these policies, a new exchange rate was introduced by Beijing in 2005 which pegged the renminbi (RMB) to a basket of foreign currencies. Capital was redirected to the domestic infrastructure and real estate sectors, which were mainly financed by local governments. Hence, the policies devised to rein in the export boom created imbalances at the domestic level in turn. In other words, debt was rising because of decreasing return on investment (ROI) on excessive investments in the domestic real estate sector (Amighini, 2015).

China's drive to address the unfolding capital accumulation "crunch" was not limited to domestic policies, but the authorities considered external initiatives as well. Therefore, the "Go Out Policy" policy (走出去战略, romanized in pinyin as "zouchuqu zhanlue") became the outcome, where Chinese firms were encouraged to invest abroad, especially in the infrastructure and energy sectors. This was not a novel idea: since 1994, state-

owned enterprises (SOEs) have been engaged in limited scale oil exploration in Africa, but because the former priority was to develop the domestic energy sector, those overseas investments did not receive much support from the government. SOEs were encouraged to invest in overseas projects only when the government announced its above mentioned "Go Out Policy" in 1999 (incidentally, this was the same year the Great Western Development (GWD) was announced) and launched a year later. To coordinate these overseas efforts and engagements, a separate State-owned Assets Supervision and Administration Commission was established by Beijing under the State Council, which resulted in a massive outward FDI flow, as seen in Table 2.

Table 2 China's Outward Flow of Foreign Direct Investment, 2000–2016

Year	2000	2005	2009	2015	2016
Outward Flow of FDI (US$ billion)	1	12	69	145	196

Source: Demiryol (2019).

It is evident that this outward flow was on the increase during the period surveyed. Compared to 2000–2008, the outward flow of FDI from 2009–2015 peaked at US$76 billion, clearly indicating that China wanted to diversify its surplus capital by investing in more profitable outlets, rather than just being content with less productive bonds – comparatively, FDI inflow stayed at US$133 billion in 2016 (UNCTAD, 2019). The primary motive of the "Go Out Policy" was to alleviate the pressure of over-accumulation, and the most viable option was the redirection of the trade surplus toward overseas investments in infrastructure building. One could say that this was an antecedent of the BRI.

The abovementioned trajectory shows that while China's export driven growth model contributed significantly to its economic expansion, the same model resulted in the problem of surplus capital. Therefore, under the BRI-led projects, China attempted to diversify, switching from a focus on US Treasury bonds to infrastructure and energy investments. In other words, China was now mobilizing its surplus capital away from debt buying and toward debt financing, i.e., diverting capital to more productive investments while also reducing dependency on the US dollar.

In addition to the challenge of surplus capital, Beijing was also confronted with the problem of industrial overproduction. As already predicted by classical Marxists, who argue that oversaturation is inevitable in a capitalist economy, the 2008–2009 global financial crisis is generally considered the main factor for China's industrial overcapacity and surplus foreign exchange reserves. However, evidence suggests that overproduction in Beijing's domestic policy was a matter of concern for policymakers even before 2008,

as reported to the National People's Congress by the State Council in 1997, which stressed "the excess production capacity of certain industries" as a grave problem, and that a structural adjustment was needed (State Council of the PRC, 1997). According to Zhang (2017), since 2003, the National Development and Reform Commission (NDRC), as the key office in charge of long term economic planning, has continuously highlighted overproduction as the main concern in the national economy – a problem shared by both labour-intensive traditional industries and high-value added emerging ones. Among the traditional industries, nine were identified as "problem creators": steel, cement, plate glass, aluminum, coal, shipbuilding, solar, wind energy and petrochemicals. All nine sectors are related to energy, infrastructure construction and real estate development, thus reflecting the nature of China's heavily investment driven economy. While the common practice in a market economy would have been closing this inflated industrial segment, in China this was not feasible given the Communist Party of China (CPC) leadership's staunch commitment to high economic growth: any solution causing short-term economic contraction would not be considered. Initially, the preferred strategy was to instead divert investment domestically toward underdeveloped regions. The practical manifestation of this strategy was the GWD program, which was launched by the Chinese government in 1999, which aimed to mitigate the development gap between the eastern coastal provinces and the interior western regions. Furthermore, the GWD initiative sought to develop China's western provinces by encouraging them to invest in infrastructure and establish trade ties with other regions, which would subsequently boost demand for domestic goods and commodities. Although fiscal subsidies were provided to the region, the entire program was a failure.

In addition, the occurrence of the global financial crisis of 2008–2009 added more to the economic woes of China. Due to the financial crisis, the western economies were confronted with recession, therefore, the crash of demand in consumer markets (US and EU) badly hit the export industries in China leading to a 30% contraction in exports (Harvey, 2017). In order to overcome the impact of the crisis, the immediate response of the Chinese leadership was an announcement of a stimulus package worth RMB4 trillion which at that time was equal to approximately US$580 billion (Demiryol, 2019). A major chunk of the package was spent by the sub-national governments on building infrastructure. It is not surprising that China used more cement in two years (2011 to 2013) than the US used in the entire 20th century (Carmody, Taylor, & Zajontz, 2021). In addition, China's annual steel production in year 2008 was 512 million tons which then increased to 803 million tons in 2015 (Cai, 2017). As a result, massive use of steel and cement in the construction sector increased the gross fixed capital formation of China from US$1 trillion in 2006 to US$6.1 trillion in 2019 (World Bank,

2021). In addition, Jones and Zeng (2019) noted a 30% overproduction in other industries such as iron, glass, cement, aluminum and power generation, while Harvey (2017) noted that from 2007 to 2015, 12,000 miles of high-speed railways were laid from scratch. For Beijing, excess capacity became a proverbial sword of Damocles hanging over the Chinese economy, where firms with excess capacity also exerted pressure on the Chinese government and wanted a market for economic engagement. In the same vein, Assel Bitabarova (personal communication, 2020), a doctoral candidate at the Graduate School of Letters of Hokkaido University, observed that:

> China wants to utilize the BRI to move whole production facilities out of China. Moving excess capacity to the recipient or partner countries helps China reduce the supply surplus at home while helping less developed countries to develop their industrial bases … Beijing wants to use the BRI to upgrade the country's industry by exporting Chinese technological standards. The building-up of a China-centered value chain will help Chinese producers to move higher up in the value chain.

Another factor leading to economic pressure and excess capacity was the dynamics of China's political regime. To increase local growth rates, local governments compete to attract subsidized funds from the central government, which are then channelled into already oversaturated sectors. As reported by Reuters (2018), the "hidden" (off-balance-sheet) borrowings of local governments could be as high as 40 trillion yuan (US$5.78 trillion), which has been labelled a 'debt iceberg with titanic credit risks'". While the stimulus package proved helpful in protecting the economy from sliding into a recession, by 2010, local governments were in debt – ironically this was because of the cash injected and spent under this package. In addition, Davis (2011) posited that investments under the stimulus package in urban and infrastructural projects further inflated the existing property bubble. As stated earlier, local governments floated state-owned bank credit into real estate development, which saturated the housing market. In this regard, Dr Li Mingjiang (personal communication, 2020) highlights how several new towns (colloquially known as "Ghost Cities" in Western discourse) still remain empty even after their construction. In 2014, the China Investment Network published the "Ghost Town Index", noting that there were nearly 50 new, virtually unoccupied towns (Sum, 2019). Jane Cai's (2017) description of this peculiar urban condition is useful to quote at length below, in order to give us a clearer idea of the magnitude of this problem.

> Six skyscrapers overlooking a huge, man-made lake once seemed like a dazzling illustration of a city's ambition, the transformation of desert on the edge of Ordos in Inner Mongolia into a gleaming residential and commercial complex to help secure its future prosperity … at noon on a cold winter's

> day the reality seemed rather different. Only a handful of people could be seen entering or exiting the buildings, with hardly a trace of activity in the 42-storey skyscrapers. The complex opened five years ago, but just three of its buildings have been sold to the city government and another is occupied by its developer, a bank and an energy company. The remaining two are empty – gates blocked and dust piled on the ground. Ordos, however, was just one project in China's rush to urbanize. The nation used more cement in the three years from 2011 to 2013 than the United States used in the entire 20th century … other mostly empty ghost towns can be found across China, including the Yujiapu financial district in Tianjin, the Chenggong district in Kunming in Yunnan and Yingkou in Liaoning province.

This building boom was financed by a rapid increase in debt, which then created repayment concerns. In this regard, Jones and Hameiri (2020) noted that "[f]rom 2008 to 2016, local government debt rose from RMB5.6 trillion (US$864 billion) to RMB16.2 trillion (US$2.5 trillion), while corporate debt – 60% of which is held by state-owned enterprises (SOEs) – grew from US$3.4 trillion to US$12.5 trillion between 2007 and 2014". In addition, due to heavy investments in infrastructure construction and real estate development, the Chinese economy witnessed a significant decline in rate of returns. In this regard, X. Zhang (2017) posited that:

> Despite strong overall growth performance, the capital return rate of the Chinese economy has started to be on a sharp decline recently. Although the results vary by different estimation methods, research in and outside China points out a recent downward trend. For example, two economists show that all through the 1980s and the first half of the 1990s, the capital return rate of the Chinese economy had been relatively stable at about 0.22, much higher than the US counterpart. However, since the mid-1990s, the capital return rate experienced more ups and downs, until the dramatic drop to about 0.14 in 2013. Since then, the return to capital within [the] Chinese economy has decreased even further, creating the phenomenon of a "capital glut".

This evidence above suggests that it became difficult for China to sustain its economic growth by pursuing the existing model. Given the above-mentioned scenario, overproduction and the decline of profits in the Chinese economy is indeed a reality that the central government has to grapple with. Furthermore, according to Peter Cai (2017), overproduction caused declining prices and many SOEs faced negative ROIs, which increased the number of non-performing assets held by the banks. In other words, many SOEs borrowed heavily during the global financial crisis, resulting in over-lending and over-borrowing in every sector. However, the economic slowdown, low international demand and excess supply saw the reduction of SOE profits, subsequently making it difficult for them to repay their loans. Consequently, the Chinese banking system came under a tremendous stress due to the

accumulation of these bad loans, leading China to adopt a policy that was expressly designed to deleverage the financial system. Banks tightened their credit lending policies, and this policy intervention temporarily delayed the need to confront this underlying issue. However, the structural limitations of the capital accumulation model remained due to China's overreliance on global value chains (a system which it cannot influence). After decades of remarkable export oriented economic growth, the structural limitations of this model resulted in progressive economic slowdown since 2010, partly because of the global financial crisis: a 10.6% GDP growth in 2010 decreased to 6.1% in 2019.

Table 3 China's Annual Gross Domestic Product Growth, 2007–2019

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Percentage	14.2	9.6	9.4	10.6	9.5	7.8	7.7	7.4	7.0	6.8	6.9	6.7	6.1

Source: World Bank (2022).

However, the most important factors at play here remained the problems associated with structural issues in the export driven growth model. Therefore, it can be argued that the BRI-led projects are an attempt by China to fix the problem of surplus capital, labour and commodities. When China first witnessed capital over-accumulation, it began to invest in domestic urban and infrastructural projects, which then oversaturated the market. Consequently, this paper argues that both Kyrgyzstan and Tajikistan offer China under-saturated markets to absorb its surpluses, thus creating a demand for SOEs which saw less ROI at home. Since the SOEs play a critical role in the state's decision-making process, engaging them in continued economic activities became the main priority of the central government.

2. Belt and Road Initiative as a Spatial Fix

Given the expansive nature of capital, it has been the nucleus of classical Marxist theories of imperialism. For example, Lenin (1948) contended that the over-accumulation of capital demanded new geographical spaces for investment. Likewise, Luxemburg (2004) maintained that for continued profits, the capitalists struggled to export surplus production overseas and accessed new labour pools as well. Harvey (1982) labelled this quest of capitalists as spatial fix which he refers to a likely response towards the problem of over-accumulation. Harvey (2014) argued that in a capitalist mode of production, the emergence of crises is normal, primarily indicated by the over-accumulation of capital, defined as "some combination of surplus capital

looking for productive investment, surplus commodities looking for buyers, and surplus labor power looking for productive employment" (Ekers and Prudham, 2017: 1374).

Harvey (2014) argued that when capital remains idle and does not find profitable outlets for a long period of time, such crises emerge. Here, capital is to be considered as a process: one through which money is invested in productive labour for greater profitability. If this process stops, then economic growth would stop, hence leading to surpluses of capital (money, commodities and machines) as well as labour (unemployed workers), resulting in social unrest and ultimately threatening the legitimacy of a government. Harvey (2014: 151) explained that such crises are often managed by a "spatial fix", i.e., "[t]he absorption of these surpluses through geographical expansion and spatial reorganization helps resolve the problem of surpluses lacking profitable outlets". Simply put, spatial fix is a strategy to find new avenues or opportunities to accommodate capital and labour, and earning profit by utilizing them. Similarly, spatial reorganization refers to territorial relocation of surpluses in a new geographical space. The spatial fix can take several forms; for instance, making an environment conducive to business by relaxing trade and investment hindrances or identifying new spaces for investment and the building of extensive infrastructure that can both absorb surpluses and provide new means for the infiltration of capital into a new geographical space. Examples of such fixes are evident in history. Britain, for example, exported its surplus capital and labour to the United States, Argentina and South Africa in the 19th century. Likewise, Japan, South Korea and Taiwan exported surplus capital, mostly to China, in the last two quarters of the 20th century (Harvey, 2014).

As mentioned, the trade surplus which was the outcome of the export boom and high global demand resulted in China's excessive foreign exchange reserves. These reserves necessitated re-investing in a profitable outlet; therefore, it was one of the factors that compelled Beijing to embark on a new mega plan. In so doing, Xi first announced the overland Silk Road Economic Belt in 2013 as a mega infrastructure construction initiative to integrate Asia with Europe. Later, the maritime component was announced, which is aimed to connect China across the Indian Ocean to Eastern Africa.

After one year of launching the BRI, Beijing established the Asian Infrastructure Investment Bank (AIIB), with an initial capital of US$100 billion (Carmody, Taylor, & Zajontz, 2021). Furthermore, a separate fund named the Silk Road Fund worth US$40 billion was also inaugurated. Thus far, Beijing has hosted two Belt and Road forums. The necessity of going out under the BRI is evident from its incorporation in the constitution of the CPC. This implies the importance of economic concerns in China's policy considerations. It is estimated that BRI-led investments ranges from US$1.4

trillion to US$6 trillion (Zhai, 2018). All this implies the necessity of spatial fix to the economic concerns of China. In this regard, China's need for spatial fix is evident from He Yafei's, Vice-Minister of the Ministry of Foreign Affairs of China, opinion published in the *South China Morning Post*, in 2014. Yafei stated that:

> The excess capacity has been caused by China's fundamental economic readjustments against the global economy. With the ensuing knock-on effects of the global financial crisis manifesting in the economic stagnation of advanced nations, coupled with the slowdown in China's domestic demand, industrial overcapacity, accumulated over several decades, has been brought into sharp relief … [and] has resulted in a steep drop in profits [and] the accumulation of debt and near bankruptcy for many companies. If left unchecked, it could lead to bad loans piling up for banks, harming the ecosystem, and bankruptcy for whole sectors of industries that would, in turn, affect the transformation of the [Chinese] growth model and the improvement of people's livelihoods. It could even destabilise society. The Chinese government, guided by the principles laid out at the third plenum, has put forward guidelines for its resolution. The most important thing is to turn the challenge into an opportunity by "moving out" this overcapacity on the basis of its development strategy abroad and foreign policy.

In addition to these, the making of the Industrial Capacity Cooperation (ICC) policy, which is aimed to move excessive industrial capacity of China to offshore, together with BRI, clearly implies the severity of domestic economic concerns of China. It makes it evident that industrial overcapacity and capital accumulation are the key drivers behind Beijing's geographical expansion under the BRI. Resultantly, it can be argued that BRI is a multi-vector fix achieving multiple objectives simultaneously.

3. Belt and Road Initiative in Central Asia

Central Asia, being a geographically proximate region, provides a well under saturated market for China to absorb its excessive industrial capacity and capital. Geographical limitations and under developed infrastructure connectivity have kept this region less integrated with the outside world. As a result, the region has not performed well in terms of economic development. The logical outcome of these facts is that Central Asia has always needed major investments in infrastructure and other sectors so as to uplift its economy. As China was striving for new markets to stimulate demand for its capital and surplus production, in a strategic stroke of action and rhetoric, Beijing decided to announce the Silk Road project in Kazakhstan as well as combining it with Beijing's win-win rhetoric. The following section highlights BRI-led projects in two case study countries: Kyrgyzstan and Tajikistan.

3.1. Projects in Kyrgyzstan

Kyrgyzstan and China share a long history of over 2000 years. Friendly ties between China and Kyrgyzstan gained momentum after the emergence of Kyrgyzstan as a new republic in 1991. Since Kyrgyzstan is not known as a country with vast energy reservoirs, China is more interested in investing in connectivity projects due to the country's inefficient and insufficient connectivity infrastructure network. According to one of the indicators on infrastructure index from the World Economic Forum *Global Competitiveness Report* (2013: 243), Kyrgyzstan's score in quality infrastructure was 3.4 (out of 7 indicators) and when compared to other countries in terms of infrastructure development, it ranked at 108th among 148 countries. The same report highlighted Kyrgyzstan's quality of roads which was 2.5 (out of 7 indicators) and it ranked 133rd among 148 countries surveyed. Thus, keeping in view these scores, it can be argued that China made a strategic move to relocate its surpluses and SOEs to Kyrgyzstan by investing in infrastructure projects. In so doing, when completed, China will have better connectivity in transporting, exporting and importing resources throughout the Central Asian Region. Therefore, the launching of the BRI in 2013 was a strategic move for China to gain access to resources as well as use its surpluses in Kyrgyzstan.

Road projects highlighted in Table 4, which cost US$1.13 billion in total, were originally part of the Central Asia Regional Economic Cooperation (CAREC) corridors, which was created in 1997 to boost the Central Asian transportation networks and connect the region to China, South Asia, West Asia and Europe. However, given the poor condition of the roads, it needed rehabilitation. Since China was facing the problem of capital over accumulation and was seeking to stimulate external demand for its capital, goods and services, it therefore took advantage of Kyrgyzstan's need for rehabilitation of the existing roads. For example, key roads that connect Kyrgyzstan with China are Bishkek-Naryn-Torugart and Osh-Sarytash-Irkeshtam. It is not surprising that these roads along with others were constructed by China Road and Bridge Corporation (CRBC). Workforce employed in these projects was 30% locals and 70% Chinese, and 60% of the raw material used in the project was imported from China (Sim and Aminjonov, 2020). Moreover, China is also engaged in expanding its infrastructure building in the urban areas in Kyrgyzstan. In this regard, the Chinese government for the rehabilitation and development of street network in Bishkek has provided US$121 million worth as grants (Mogilevskii, 2019). Therefore, Kyrgyzstan is a prime example where China has invested its capital, labour and construction companies in an area in need of infrastructure connectivity. There are six infrastructure projects and four energy connectivity projects as indicated in Table 4.

China's engagement in Kyrgyzstan under the BRI can be seen in Table 4 which outlines infrastructure and energy projects. China is mainly involved in intra country energy connectivity projects and not in extracting energy resources in Kyrgyzstan. Since China was seeking to externalize its domestic problems, therefore, the poor energy transmission infrastructure in Kyrgyzstan became a productive venue for China to invest its capital, goods and services. Kyrgyzstan, for the supply of electricity from southwest of the country to the northeast was using the Soviet times transmission lines which was passing through Uzbekistan. As a result, Kyrgyzstan needed to pay transit fee to Uzbekistan for the transmission of electricity. In other words, electricity transmission was one of the big problems of Kyrgyzstan since its independence. In this regard, key energy connectivity project that is financed by the Chinese government is the construction of Datka-Kemin electricity transmission line and Datka substation. This transmission line allowed Kyrgyzstan to transmit electricity from southwest to the northeast bypassing Uzbekistan.

Another project is the Heat and Power Plant (HPP) in Bishkek. The project was designed to upgrade the heat and electricity transmission in Kyrgyzstan's capital city. As highlighted in Table 4, total cost of the project was US$386 million, and was completed in 2017. It is not surprising that the project was financed by China's Export-Import Bank as a concessional loan, and the project was executed by TBEA (Djanibekova, 2018). Therefore, it can be said that China has not only successfully invested its energy company but also relocated approximately US$0.98 billion in the energy sector of Kyrgyzstan (Mogilevskii, 2019). Moreover, in terms of companies' registration, according to Yan (2020), 574 Chinese companies have been registered in Kyrgyzstan.

Moreover, China also upgraded the existing transmission lines. As highlighted in Table 4, total cost of these energy connectivity projects was approximately US$600 million. It is not surprising that the projects were financed by China's Export-Import Bank as a concessional loan, and executed by one of China's leading electric company, Tebian Electric Apparatus Stock Company (TBEA) (Putz, 2015). It is pertinent to mention that to qualify for a loan from Exim Bank, the borrowing state should agree to use Chinese contractor, material and labour, in other words, embedded conditionality. The element of Chinese funding as loan and engagement of Chinese company to execute the project reinforces the point of embedded conditionality, which is helping China to invest its capital, goods and services in weak countries with much ease. Moreover, Ahmatbek Keldibekov, a Kyrgyz parliamentarian, while expressing his concerns over the mode of Chinese engagement in the Datka-Kemin project stated that, "There is no doubt about the need for this project. However, due to the fact that we are taking a loan, a tender must be held. China gives us a loan at 2% per annum and imposes on its contractor. It turns

Table 4 List of Belt and Road Initiative Projects in Kyrgyzstan

Project	Year Agreed	Financing (US$ million)	Terms				Description
			Repayment Period (years)	Grace Period (years)	Interest Rate (%)	Commission and Management (%)	
Rehabilitation of the Osh-Sarytash-Irkeshtam Road (KM 190–240)	2008	25.3	This project was based on the "resources in exchange for investments" scheme – fully financed by the Chinese side (i.e., the CDB and a consortium of SOEs); in exchange, the Kyrgyz government allowed a Chinese SOE, Full Gold Mining, to develop the gold deposit in Ishtamberdy.				Other parts of this road are financed by multilateral financial institutions.
Rehabilitation of the Osh-Sarytash-Irkeshtam Road (KM 123–190)	2009	75.3	20	5	2	0.5	
Rehabilitation of the Bishkek-Naryn-Torugart Road (KM 9–272)	2009	200.0	20	5	2	0.5	Other parts of this road financed by the ADB and the Islamic Development Bank.
Modernization of the electricity transmission lines in southern Kyrgyzstan	2011	208.0	20	7	2	0.5	Not applicable.
Construction of the 500 kV Datka-Kemin electricity transmission line and 500 kV Datka substation	2012	389.8	20	9	2	0.5	Part of the regional Central Asia-South Asia power project.
Modernization of the heat and power plant in Bishkek	2013	386.0	20	11	2	0.43	Not applicable.

Table 4 (continued)

Project	Year Agreed	Financing (US$ million)	Terms				Description
			Repayment Period (years)	Grace Period (years)	Interest Rate (%)	Commission and Management (%)	
Alternative North-South Road (Kazarman-Jalal-Abad and Balykchi-Aral Sections)	2013	400	20	11	2	0.43	Not applicable.
Gas pipeline (Pipeline D) from Kyrgyzstan to China	2013	1,000–1,200	FDI, no equity participation by the Kyrgyz Government				Completion date has not been given yet.
Rehabilitation of the Osh-Batken-lsfana Road (KM 220–232 and KM 248–360) and the Bishkek-Balykchi Road (KM 147–172)	2015	129.8	20	11	2	0.5	Other parts are financed by the European Commission, World Bank, European Bank for Reconstruction and Development as well as other European associations.
Alternative North-South Road (part Aral-Kazarman)	2015	185.3	20	11	2	0.36	Not applicable.
Development of street network in Bishkek (Phase 1)	2015	78.6 (RMB489.5)	Grant				Not applicable.
Development of street network in Bishkek (Phase 2)	2017	42.3 (RMB286.0)					Not applicable.

Source: "Kyrgyzstan and the Belt and Road Initiative" by Roman Mogilevskii (2019), University of Central Asia, Available at: <https://www.ucentralasia.org/Resources/Item/2153/EN; http://piumotc.kg/en/main/>.

out that with their loan they invest in their own company. It was necessary to involve other foreign companies to the tender and choose the one who will offer the most favorable price" (Vecherny Bishkek, 2012). Once again, this statement clearly indicates the presence of the element of embedded conditionality. Therefore, it can be argued that China's strategy of embedded conditionality is aimed to diversify its surplus capital through debt financing and export its surplus goods to a new geographical space.

Furthermore, China has adopted a strategy of non-competitive bidding in BRI-led projects. The bidding process for projects should only be among Chinese SOEs: in other words, the contract should be awarded only to them. As a result, they will have a monopoly over the project. Similarly, it has been found that the projects executed in Kyrgyzstan were mainly by Chinese contractors. Having monopoly over the projects allow Chinese companies to import the inputs for the projects from China. This once again reflects that Beijing has designed the overall BRI in a way to create demand for its surpluses, which in turn will mitigate the pressure on China's domestic economic concerns.

In terms of loans, it is worth mentioning that China has adopted a strategy of "double preferential loans" to finance the BRI-led projects. In other words, the CPC government is working hard to centralize all government loans which will eventually return to Chinese entities. In this cycle, policy banks (e.g., Exim Bank or the CDB) will process the loan and Chinese SOEs will become their exclusive recipients. As per such arrangements, the money will effectively circulate within the Chinese economy within an arrangement that has been designed as a combination of government-to-government concessional loans and export credits. The interest rates on such loans are relatively low and the repayment duration is also lengthy, and these loans are provided only upon the requests made by local governments of the recipient states to the policy banks. Their expression of will must be accompanied by a letter of support by their local Chinese ambassador. The BRI-led projects in Krygzystan are all financed through such double preferential loans (Yan, 2020). This arrangement once again strengthens the argument that China's BRI-led investments are for its own economic development.

Regarding the effects of these projects on bilateral trade, it can be argued that China is benefitting more than Kyrgyzstan. China mostly imports gold extracts (starting in 2010) and in exchange, exports heavy machinery and other equipment for Kyrgyzstan's infrastructure development. However, from 2015 to 2017, these imports of gold extracts witnessed a surge, valued at US$30–40 million annually and constituting around 2% of Kyrgyzstan's exported goods (Mogilevskii, 2019), although this was vastly outstripped by the amount spent on its Chinese imports. Between 2011 and 2017, Kyrgyzstan's imports of machinery and other equipment were valued at

US$300–500 per annum, which makes 20–25% of its total machinery imports, or 6–10% of its total imported goods (Mogilevskii, 2019).

Since China is benefitting from the projects which were actively implemented between 2011 and 2017, their impact on the Kyrgyz economy appears not to be significant. As highlighted in Table 4, around US$4 billion was invested during this period, of which US$2.2 billion alone was allocated for infrastructure projects and US$1.9 billion in the form of FDI. While this appears to be a very considerable contribution to the Kyrgyz economy, its actual contribution to aggregate demand was substantially smaller because a majority of these funds were then spent importing goods from China. Through these investments, Kyrgyzstan obtained only improved roads, energy transmission lines and substations: while infrastructure is significant in itself, in other words, it received nothing more substantial than an accumulated stock of fixed capital.

3.2. Projects in Tajikistan

Tajikistan is one of the first participants of BRI and also one of the first members of AIIB. The primary factor that attracted Tajikistan towards the BRI was that Chinese money comes without political strings attached, unlike the West which demands changes in the domestic policies of a country such as human rights. Among the post-Soviet states, Tajikistan is one of the poorest countries. On one hand, it is a landlocked country and on the other hand it is a country with high mountainous terrain in its North and East. Due to the complex geographical landscape and lack of infrastructure connectivity, Tajikistan is less integrated with the outside world especially a big economy like China. Tajikistan, like Kyrgyzstan, is a country with few energy resources. Therefore, China is more interested in infrastructure building rather than energy projects in Tajikistan. Tajikistan's inefficient infrastructure connectivity is evident from the World Economic Forum *Global Competitiveness Report* for the year 2014–15. According to the report, Tajikistan's score in quality of overall infrastructure was 3.4 (out of 7 indicators) and it ranked at 107th among 144 countries. In terms of road infrastructure, according to the same report, its score in quality of roads was 3.0 (out of 7 indicators) and it ranked at 109th among 144 countries. Figures clearly indicate that how low is Tajikistan's score in quality of overall infrastructure. Against this backdrop, it can be argued that Tajikistan's poor connectivity infrastructure provided an opportunity for China to invest its surplus capital, to employ its labour and engage its construction companies abroad under the BRI.

In addition, another factor that provided opportunity for China to expand and strengthen its economic activities in Tajikistan was the alignment of

Tajikistan's National Development Strategy (NDS-2030) with the BRI-led projects. Key sectors that contribute to Tajikistan's economy are export of minerals, cotton industry and remittances. However, the contribution of these sectors is insignificant for sustainable economic growth. Therefore, for future sustainable growth, the country needed more investments and increase in its export capacity, which the country was lacking in. To overcome this situation, Tajikistan announced its NDS-2030 in 2016 to ensure long term economic development which would ultimately raise the living standards of the people. According to the Ministry of Internal Affairs of the Republic of Tajikistan (2018), key objectives of the development strategy are to ensure energy security, and development of infrastructure for connectivity. As a result, the plan is expected to contribute socio-economic development and bring diversification to the national economy which would ultimately result in economic sustainability. According to a World Bank Report of 2018, full implementation of Tajikistan's development strategy needs US$118 billion, which Tajikistan lacks (World Bank, 2018). This equation implies that for the economic development of Tajikistan, access to the outside market was much needed, and it was possible only through investments in infrastructure connectivity. Therefore, China capitalized on Tajikistan's weak economic stature by investing in building its infrastructure. In addition, a politically and economically stable Tajikistan would help China in the development of its Xinjiang autonomous region. In this equation, China is naturally compelled to diversify its resources into Tajikistan. Table 5 highlights the extent to which China is engaged in rail and road connectivity and energy projects under the BRI in Tajikistan.

Table 5 indicates that in the road building sector, two projects have been completed. Originally, both the road projects are part of CAREC (Mardell, 2020), which were aimed to connect Tajikistan with neighbouring countries, but due to the poor condition it needed rehabilitation. Therefore, China, which was already struggling to stimulate external demand for its capital, goods and services, capitalized on Tajikistan's inefficient road infrastructure by investing in the rehabilitation of these roads. For example, as highlighted in Table 5, China's AIIB invested US$27.5 million as loan in the rehabilitation of Dushanbe-Uzbekistan Border Road. Similarly, in railway sector, the Export Import Bank of China invested US$69 million as loan in constructing the Vahdat–Yovon section of Dushanbe–Kurgantube railway, and the project contractor was China Railway No. 19 Bureau Group Company Limited. Thus, this evidence implies how successfully China has invested its capital and construction companies in the road and rail sector of Tajikistan. It is pertinent to mention that Tajikistan does not have any local content requirement under which foreign companies may be bound to hire local workers. Therefore, it provides enough opportunity for Chinese companies to employ Chinese labour

force. Moreover, according to Yan (2020), by 2019, 400 Chinese companies have been registered in Tajikistan.

In Tajikistan, China is not investing in the energy extraction projects under the BRI. However, it has invested in building the power plants and oil refinery projects. In terms of building power plants, Dushanbe-Combined Heat and Power Plant (CHPP) project has been completed. As highlighted in Table 5, total cost of the project was US$349 million, wherein the share of Export Import Bank of China was US$332 million and US$17 million by the Tajik government, and the project was executed by TBEA. It is quite evident that China had monopoly over the project. Having monopoly over the project allows the contracting company to import resources from China. In terms of the CHPP project, there is an important link between Harvey's argument of development through debt financing and this project. As explained by Harvey, debt financing helps the creditor to relocate its surplus capital, but it makes the resources of the recipient state vulnerable to be plundered if it fails to repay. In this context, given Tajikistan's weak economic performance and lack of repayment capacity, the TBEA was granted exclusive rights to operate two gold mines in Tajikistan until it recovers its US$332 million, which it invested in the CHPP project (Eurasianet, 2018). Therefore, China is not only benefiting by relocating its surpluses in Tajikistan but also exploiting its gold mine as a result of the debt-equity swap.

Another project wherein China relocated its capital and industrial capacity was the building of an oil refinery in Dangara free economic zone. There are two phases of this project with a total cost of US$400 million. Thus far, as highlighted in Table 5, phase one has been completed with total cost of US$80 million. It is not surprising that 90% of investment for this project is by China's Dong Ying Heli Investment and Development Company. Given the share of Chinese company in the project, it is quite understandable that China has not only invested its funds but also transferred its industrial capacity to a new geographical space, which is the most feasible option then closure. The above discussion shows that China has successfully spatially reorganized its surpluses in Tajikistan which has resulted in considerable benefits for Beijing.

4. Conclusion

Decline in profit rates, industrial overproduction and capital over accumulation constituted a matter of serious concern for policy makers in China. In other words, these structural problems embedded in Chinese economy points at an existential crisis. In order to overcome the problem, Beijing needed a fix. As explained by Harvey, emergence of such crisis is inherent to capital, and it can be mitigated through geographical expansion and spatial reorganization. It is against this backdrop, the BRI was announced as a rescue plan. After

Table 5 List of Belt and Road Initiative Projects in Tajikistan

Years	Project	Financing	Description
Future Project	Vakhdat-Karomik Railway	Estimated cost: US$2.5 billion.	This rail project aims to connect Xinjiang to the Persian Gulf. By doing so, it would connect the Vakhdat station east of Dushanbe with Karomik on the Tajik–Kyrgyz border.
2016–June 2021	Dushanbe-Uzbekistan Border Road Improvement Project (62 km)	Total cost: US$105.9 million. Source of financing: (1) US$27.5 million loan from the AIIB; and (2) US$62.5 million loan from the European Bank for Reconstruction and Development.	The project aims to rehabilitate and upgrade the road connecting Dushanbe to Uzbekistan's border. The project targets the last missing section of the Asian Highway Network; the CAREC Corridor 3, which was built 30 years ago and was in poor condition at the time of the project's commencement. In June 2016, the European Bank for Reconstruction and Development and the AIIB agreed to divide the costs to renovate the road.
2016–2020	Second Phase of the Central Asia Road Links Program.	Total cost: US$54.0 million. Source of financing: (1) US$9 million from Tajikistan; (2) US$38.25 million from the International Development Association; and (3) US$6.75 million from the World Bank.	This project aims to increase transportation connectivity between Tajikistan and neighbouring countries as well as support improvements in road operations. The sections of road to be financed prioritize connectivity between Sugd Oblast in Tajikistan, Batken and Osh Oblasts in Kyrgyzstan and Ferghana Oblast in Uzbekistan. Announced as a BRI project, the contractor is the China Railway Group.
2014–2016	Dushanbe-Kurgantube railway (Vahdat-Yovon section)	Total cost: US$72.0 million. Source of financing: (1) US$69 million GCLs from Exim Bank; and (2) US$3 million from Tajikistan.	This link is a vital connection between the northern and southern railway networks in Tajikistan, which involves the construction of a railway line along with five bridges and three tunnels. The route aims at improving bulk cargo transport capacity from the south of Dushanbe to the capital.

Table 5 (continued)

Years	Project	Financing	Description
			The Vahdat–Yovon section, which links Tajikistan's central region to the southern province of Khatlon and enhances the overall transportation capacity of the country, has China Railway No. 19 Bureau Group Co., Ltd. as its contractor.
2014 and 2016	The Dushanbe Combined Heat and Power Plant	Estimated cost: US$349 million. Source of financing: (1) US$331 million from Exim Bank to TBEA; and (2) US$17 million from the Tajik government.	The project added 400 MW to the system and combines heat and power generation capacity. The project's executing company was TBEA.
2015	Pipeline D of the China–Central Asia gas pipeline Network (410 km, Tajikistan section)	Estimated cost of the Tajik section: US$3.188 billion. Source of financing: CDB is a known financer.	Upon completion, it will carry 30 billion cubic meters of gas annually from Turkmenistan's gas fields to the Chinese border through Uzbekistan, Tajikistan and Kyrgyzstan. The project developer is the Sino-pipeline International Company Limited (which is a subsidiary of CNPC)
2014–2016 (First phase)	Oil refinery in the Dangara Free Economic Zone	Total cost: US$400 million. Source of financing: (1) First phase: US$80 million; (2) Second phase: US$300 million; and (3) Third phase (if added): US$500 million.	Oil refinery capacity will be 300,000 tons in the first phase and 1.2 million tonnes in the second phase. The investors are Chinese Dong Ying Heli Investment and Development (90%) and Tajik Khasan and Co (10%). There may yet be a third phase.

Source: Adapted from OSCE Academy in Bishkek, available at <http://osce-academy.net/en/research/cadgat/>.

analyzing the BRI-led projects in both Kyrgyzstan and Tajikistan, it has been found that the element of embedded conditionality is one of the key instruments helping China to reorganize its surpluses in the said geographical spaces. Moreover, China's strategy of aligning its projects with host states national development programs, for example Tajikistan, also provided ample ground for China to stimulate demand for its finance and surplus production. Building on this, it can be argued that the weak economic apparatus of Tajikistan provided an opportunity for China to capitalize on it.

In addition, it has also been found that Chinese economic agencies dominate the overall financing system. In other words, there seems a very little role for diplomatic, political and military channels, further implying that the BRI projects under the economic corridors aim to support the expansion of SOEs into new geographical spaces to maximize profits, solidifying the argument that the BRI-led projects in Kyrgyzstan and Tajikistan are not geo-strategically motivated, but rather driven by economic considerations.

Furthermore, it is noteworthy that China's model of development financing is recipient-led. In other words, the recipient countries request that China provides funding, although in reality, these supposed requests are in fact the outcome of the lobbying on the part of Chinese SOEs searching for business opportunities abroad. Their *modus operandi* is motivating foreign governments to request for project funding in the hope of getting contracts, clearly implying that development financing under the BRI ultimately aim for China's own economic development – even if they are not always driven by top-down decisions. This phenomenon is witnessed mostly in Chinese investments in Kyrgyzstan and Tajikistan. Building on all this, it can be contended that the BRI-led investments are meant for Beijing's own economic development and serve as spatial fix for China.

In addition, the limited impact of BRI-led investments on the domestic economy of Kyrgyzstan and Tajikistan further solidify the above argument. Comparing Kyrgyzstan's average annual GDP growth rates between two periods – i.e., from 2000 to 2010 (4.2% per year) versus 2011 to 2017 (4.8% per year) – reveals only a small increase, but this is not because of the China-led projects. Several other factors contributed to the slight increase of its GDP growth rates: increases in the inflow of remittances to Kyrgyzstan; political stability after the 2010 revolution which increased the confidence of both domestic and foreign investors; and Kyrgyzstan's accession to the Eurasian Economic Union, which allowed for the inflow of funds (including US$500 million from the Russian-Kyrgyz Development Fund). Similarly, in 2013, trade volume between China and Tajikistan was valued at US$682 million (Salimov, 2014), and in 2019, it reached US$1.68 billion (*Xinhua*, 2019). While an increase in trade is certainly a positive trend, however, this trade remains one-sided and in favour of China. As with Kyrgyzstan, Tajikistan imports

more from but exports less to China, thus creating a trade imbalance, evident from the fact that in 2019, Tajikistan's exports to China were valued at US$85 million while its imports were valued at US$1.9 billion (*China Briefing*, 2021). Thus, it has been found that trade imbalance is a common trend between the investor (China) and the recipient states (Kyrgzystan and Tajikistan).

Thus, it is quite evident how China is capitalizing on the economic and infrastructure compulsions of Kyrgyzstan and Tajikistan. The overall trends highlighted in this paper reflect the very features of Harvey's spatial fix concept.

Notes

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China's Internalization of the Liberal International Order

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Abstract

Most literature on China and the liberal international order has described how China behaves towards the multiple elements of the order, but virtually no systematic efforts were undertaken to understand the rationale or motivation of that behaviour. Hence, such studies do not clarify whether compliance comes from an actual commitment to the order's ideas or if it is instrumental in order to acquire legitimacy and avoid social sanctions. To address this gap in literature, this article elaborates on the concept of internalization. I separate partial from full internalization: both require substantial compliance with norms, but in the former states halt compliance when interests are at stake. I identify Chinese interests to, then, assess if China internalized the three main institutions of the liberal international order: sovereignty, human rights and the market. I conclude that none of them was fully internalized yet, although there is partial internalization of sovereignty and the market. This means that China's compliance with the order's norms is higher than many assume, but that it is selective and subordinated to Chinese core interests.

Keywords: *China, human rights, internalization, liberal international order, sovereignty*

1. Introduction

The debate on China and the international order has been a hot topic in International Relations literature and in public debate. In Western media, China is frequently portrayed as 'assertive'. Both politicians and pundits are increasingly keen on the so-called 'China threat thesis', asserting China wants to overthrow the international order. The United States (US) Secretary of State Antony Blinken has repeatedly stated that China is a threat to the 'rules-based order' (Esplin-Odell, 2021). Much of the literature on the topic has followed a similar direction. Broadly speaking, it is possible to identify three positions, based on which I will situate this article.

The realist argument is a pessimistic one that believes China, being a rising power, will make war with the leading hegemon – the US – whose power is declining in relative terms, to replace the current order by its own order that grants China advantages and privileges (Allison, 2017; Mearsheimer, 2006, 2010). On the contrary, liberals argue for a more optimistic view that China will preserve the liberal international order. That order is allegedly integrative, providing shared authority and large economic gains (Ikenberry, 2018). Rising powers "may not want Western dominance of global institutions, but they want the West's rules and organizational principles" (Ikenberry, 2018: 25) like an open world economy and a multilateral system of rules and institutions. Hence, China has strong incentives not to replace the order, but to maintain it and deepen its foundations, albeit with reforms regarding its hierarchy. Nonetheless, some liberals have grown increasingly dissatisfied with an alleged rising assertiveness and failure to adapt to liberal norms, which had led them to support a tougher stance on China.

Both arguments fail to capture the complexity of the relation between China and the liberal international order: this country supports some elements of the order, while challenging (or rejecting) others at the same time (Acharya, 2018b; Buzan, 2010; Esplin-Odell, 2021; Johnston, 2019).

Constructivists take a more nuanced approach to the issue. Analyzing international order, they tend to privilege its ideational elements and not merely the distribution of power or absolute gains, to assess if the "prevailing norms, culture, and ideas can socialize China's behaviour to make it fit with the existing international order" (Feng and He, 2017: 27). From my point of view this approach has two advantages *vis-à-vis* the previous ones. First, it treats international order in a more holistic way, analyzing the ideas, norms and institutions that underlie it. This is not to say that power or material gains are not important, but that, ultimately, what renders an international order support is the attractiveness of its ideas (Acharya, 2018b). Second, it captures the complexity of this issue that I mentioned before. Constructivists tend to analyze Chinese perceptions and behaviour towards the multiple norms or 'sub-orders' of the overarching international order (Johnston, 2019).

However, I believe there has been a major shortcoming in this literature. There are very detailed and nuanced analysis about how China behaves towards the multiple elements of the order, but few systematic efforts to understand the rationale or motivation of this behaviour. This is somewhat curious, given the basic constructivist premise that an actor may conform to rules due to social pressure and fear of sanctions, hence not from a real belief in the righteousness of such rules (Johnston, 2001; Wendt, 1999). From such studies about China's compliance with international norms, a question arises: does this compliance come from an actual commitment with international

rules, or is it merely instrumental to acquire legitimacy and avoid social sanctions? This question will occupy me in this article

I will undertake this task by resorting to the concept of 'internalization'. This concept is widely used in other disciplines like social psychology, but not so much in IR, although there are some notable works on it. My theory-building efforts to define and measure internalization are to be seen as tentative and should be criticized and refined by others. Through this concept I will analyze China's internalization of the liberal international order's main institutions. My empirical data will come mostly from Xi Jinping's term until early 2021, but sometimes I will have to observe past events and patterns, since internalization is a process that happens over time.

The article is structured as follows. In the first section, I will lay out my understanding of the liberal international order. In the second section, I will define internalization and explain how it can be operationalized. In the third section, I will discuss Chinese core interests, something key to assess internalization. In the three following sections, I will assess empirically if China internalized the order's main institutions by the following order: sovereignty, human rights and market. In the last section, my argument will be restated and some concluding remarks will follow.

2. The Liberal International Order

Departing from a constructivist ontology, I concede a "frontal place to ideas, norms, and legitimacy in conceptualizing order" (Acharya, 2018a: 7). Like Acharya and many others, I believe the foundations of order are shared ideas and norms (Acharya, 2018a). I believe that Tang's account of order considers this:

> order is the degree of predictability (or regularity) of what is going on within a social system, presumably because agents' behavior, social interactions, and social outcomes within the social system have come under some kind of regulation (Tang, 2016: 34).

However, the richness of Tang's conceptualization comes from its four dimensions of operationalization: (i) the scope or coverage of an order; (ii) the relative distribution of power among the system's units; (iii) the degree of institutionalization measured along coverage of issue areas and degree of intrusiveness; (iv) the degree of internalization by social actors (Tang, 2016). To characterize the liberal international order, I will operationalize these four dimensions.

Regarding scope, the international liberal order was of Western creation and scope between its inception in 1945 and the end of the Cold War (Ikenberry, 2011). After that, it expanded throughout the globe, reaching an

almost global scope. Although Reus-Smitt (2013) claims it's global, Acharya (2018b) is right when he points out that there are some regions like the Islamic World is excluded from the liberal international order.

Regarding the relative distribution of material power, it was always marked by Western preponderance, especially by the US's unparalleled concentration of material power (Tang, 2018b). This is still true, but it is changing. The distribution of material power is increasingly diffused as US and the West decline and non-western countries rise, especially (but not exclusively) in the economic realm (Acharya, 2018b; Acharya and Buzan, 2019; Zakaria, 2011). Western countries still hold disproportional advantages in the main international organizations of the international order, but this is increasingly contested by non-western countries (Acharya, 2018b; Stuenkel, 2016).

I now turn to the degree of institutionalization. My first task is to define an institution. An institution can be seen as "a relatively stable collection of practices and rules defining appropriate behavior for specific groups of actors in specific situations" (March and Olsen, 1998: 948). Out of this definition, I should highlight some characteristics. Institutions are durable elements of the international culture, but they are not permanent nor fixed – they "undergo a historical pattern of rise, evolution and decline" (Buzan, 2004: 181). They comprise several practices, rules and norms that can be transformed over time by agency.

Moreover, these elements postulate appropriate behaviour that coerces actors into conformity. In fact, institutions have an inherently controlling character. They constrain an actor's behaviour "by setting up predefined patterns of conduct, which channel it in one direction as against the many other directions that would theoretically be possible" (Berger and Luckmann, 1991: 72). This is called primary social control, posited by the sole existence of the institution. Because sometimes socialization and internalization are poor, actors may not fully comply with institutionally codified conduct. When this is the case, institutions activate sanctions – secondary social control mechanisms – in order to enforce compliance (Berger and Luckmann, 1991). These can be material like direct coercion or, more often, social like ridicule and opprobrium (Johnston, 2001). Moreover, institutions hold not only causal or behavioural effects, but also constitutive effects: they are able to constitute actors' identities and interests (Buzan, 2004). For instance, a state that internalized human rights norms may identify as part of a democratic community of states and one of its interests will be to protect its citizens' human rights (Risse and Sikkink, 1999).

At this point, a clear line should be drawn between international organizations and international institutions. While the former refers to formal organizations or physical entities with explicit rules and purposes, material resources and capacity for action, the latter refers to durable patterns of rules,

norms and practices prescribing roles and appropriate behaviour to social actors, hence purely ideational in substance (Keohane, 1988; Young, 1986). In spite of this difference, in practice international institutions and international organizations are quite connected, since durable ideas about norms, rules and practices can give birth to organizations aiming to follow them. Buzan (2004) calls international organizations 'secondary institutions' for this reason – the World Trade Organization (WTO) is an example of a secondary institution that embodies intersubjective understandings comprised in a primary institution (the market).

The liberal international order has multiple institutions, so the coverage of areas is large. Though not always with the term institutions, there are many propositions in literature about the ideas that underpin the liberal international order, which sometimes conflate or overlap, albeit with different names. The following table sums up the stance of some of the most important contributions about this. However, it is important to note that Buzan is talking about international society and not the liberal international order – the institutions I display apply to both.

Table 1 Candidates for Institutions of the Liberal International Order by Author

	Buzan (2004, 2014)	Ikenberry (2011)	Reus-Smit (2013)
Sovereignty	Yes, related with territoriality, international law and nationalism	Yes, but demising	Yes
Market	Yes	Yes	Yes
Democracy	Emergent, but contested	Yes	Yes
Human rights	Emergent, but contested	Yes	Yes
Multilateralism	Yes, deriving from diplomacy	Yes	Yes
Environmental Stewardship	Yes	No	No

That the market (or free trade) is an institution of liberal international order is beyond dispute. In the post-Cold War world, a worldwide consensus has emerged around global market capitalism (Acharya and Buzan, 2019). Despite the human rights challenge, sovereignty is still the main organizing principle in International Relations. I disagree with Ikenberry's (2011) idea of a 'post-Westphalian world' – it is true that sovereignty has become more conditional, but that should not be interpreted as its demise, but as a change in its normative core (Barkin, 1998). Sovereignty remains a major institution of liberal international order and international society. Democracy, however, could be a good candidate in the past, but today it does not enjoy universal legitimacy nor coerciveness due to a myriad of factors such as the

proliferation of authoritarian regimes, the populist upheaval in democratic countries and the widespread rejection of democracy promotion. On the other hand, though Buzan (2014) says the same about human rights, the case is different, because while there are disputes about their meaning, they hold universal legitimacy and became heavily institutionalized after World War II (Donnelly and Whelan, 2017). Human rights are my third and last institution of liberal international order. Multilateralism is also one, but I will not assess it due to lack of space. Environmental stewardship is an emergent institution, but has not fully institutionalized yet.

Henceforth, I will take the liberal international order as constituted by these three institutions, therefore assessing whether China has internalized them. In the empirical sections, I will elaborate further on each one of them before analyzing China's internalization. I will now explain what I mean by internalization.

3. Internalization: a Research Path

The fourth operational dimension of Tang's (2016) definition of order is internalization. Besides stating it is "inherently tied to subjects' support for an order, or 'subjective legitimacy'" (Tang, 2016: 37), the author does not tell us much more, failing to elaborate the concept. Internalization is a key concept in my study. Most studies about China and the international order focus on compliance, which is only a measurement of behaviour. This is a limited and unsystematic approach because it simply accounts for the sequence of an actor's actions towards the order without understanding their motivation or rationale.

Pro-social behaviour can stem from a variety of reasons. On the one hand, the actor can pursue a conduct because it really believes it is the appropriate one, so he/she/they links its identity and interests with it. On the other hand, the actor can opt for the same conduct for instrumental reasons like maximizing material and social gains (e.g., status and sense of belonging) or dodging social sanctions (e.g., opprobrium and exclusion), without actually believing subjectively in the righteousness of that behaviour (Johnston, 2008). Studying behaviour without taking this into consideration tells us little about the motivation of the compliance (if that's the case) and whether it will persist in the future – one can imagine that with a different motivation comes a different commitment. Thus, my proposal is that we go beyond compliance to analyze China's internalization of liberal international order's institutions. This way, we get a deeper glance on Chinese perceptions of the order and a more accurate assessment of Chinese intentions and commitment towards it.

Norm internalization is still very undertheorized in International Relations, despite its centrality in other related disciplines like Sociology and Social

Psychology. Internalization can be defined as "taking over the values and attitudes of society as one's own so that socially acceptable behaviour is motivated not by anticipation of external consequences but by intrinsic or internal factors" (Grusec and Goodnow, 1994: 4), more concretely the belief in the righteousness of that behaviour. In other words, "the objectivated social world is retrojected into consciousness" (Berger and Luckmann, 1991: 78): the norms become self-evident, real and inevitable in the actor's subjectivity.

"A norm is said to be internalized when it is a part of the person, not regarded objectively or understood or felt as a rule, but simply as a part of himself, automatically expressed in behaviour" (David, 1949 cited in Campbell, 1964: 393). When the norms are internalized, they become 'taken-for-granted' and unquestioned; conformity is seen not only as the only option, but as the right option. The actor no longer thinks in consequential terms – they comply with the norm because they believe 'it is the right thing to do' or because it is consistent with its identity or social category (Johnston, 2001). When internalized, norms not only have behavioural or causal consequences, but they can also constitute actors' identities and interests (Buzan, 2004; Risse and Sikkink, 1999; Wendt, 1999). For instance, the internalization of human rights norms by a state can make it feel part of a liberal-democratic community of states (Risse and Sikkink, 1999).

Although the definition is intuitive, it is very difficult to operationalize without further qualification. Norm internalization has been observed in different ways in the literature. Some claim internalization occurs when the actor experiences psychological pain when deviating the norm even if the material benefits of doing so are positive (Axelrod, 1986) while others believe it is signalled by compliance in the absence of observation or external pressure (Campbell, 1964). It is not possible to assess if state leaders feel psychological pain when they deviate norms and very difficult for states to act without being seen.

There is another possibility in the literature that relates internalization with compliance. Campbell (1964) and Checkel (2005) argued that we should expect low deviancy and substantive compliance when a norm is internalized. Finnemore and Sikkink (1998) even claim that conformity with the norm is almost automatic. I will follow through with this line of thought, albeit with some qualifications.

The reader must be noting an apparent lack of coherence, since I criticized the measurement of compliance. To explain how my approach is different, I shall resort to Wendt's (1999) typology of internalization degrees. In the first degree the actor "complies only because he is forced to, directly or by the threat of certain, immediate punishment that would force him" (Wendt, 1999: 268–269). This degree does not apply to my case because Chinese material power is too great for this actor to be forced to comply. In the second

degree, the actor complies because it is in its self-interest to do so. This means that compliance is purely instrumental, so "as soon as the costs of following the rules outweigh the benefits, actors should change their behaviour" (Wendt, 1999: 271). The third degree refers to when the actor believes the norm is legitimate, "which means appropriating as a subjectively held identity the role in which they have been positioned by the generalized Other" (Wendt, 1999: 272–273). Here, the norm really constructs the actor and the quality of the compliance is very high, as is his/her/their resistance to normative change.

Wendt highlights something of great importance for the operationalization of the concept: regardless of the compliance level of the actor, there is only complete internalization when they do not stop complying due to contradictory interests. To demonstrate that China completely internalized the order's institutions, one must not only observe that China complies in a consistent way, but also that it does not stop doing so when the norms require actions or omissions that are contrary to subjective self-interests. This would meet the earlier expectation that complete norm internalization entails a constitutive effect on self-interest – the actor redefines its identities and interests in line with the norms (Risse and Sikkink, 1999).

This division is important because social pressure also prompts pro-social behaviour, but internalization makes it more durable and self-reinforcing (Johnston, 2008). This is hardly a novelty, and neither are my two types of internalization, which conflate to a great extent with Checkel's (2005): the first driven by a logic of consequences, and the second driven by a logic of appropriateness (March and Olsen, 1998). My contribution lies, instead, in suggesting a way to operationalize this variable and to empirically assess what type of internalization occurred:

- *No internalization*: the actor does not exhibit significant compliance with the analyzed institution or norm(s);
- *Partial* (*or Type I*) *internalization*: the actor exhibits significant compliance with the analyzed institution or norm(s), but it stops doing so when compliance would undermine its interests;
- *Complete* (*or Type II*) *internalization*: the actor exhibits high-quality compliance with the analyzed institution or norm(s) and does not stop complying even in the presence of contradictory interests.

This requires an assessment of interests before analyzing compliance. After identifying Chinese interests, I will operationalize this variable in the three institutions of the liberal international order (LIO) to assess what type of internalization occurred. Methodologically, this takes the form of congruence testing (George and Bennett, 2005). The norms prescribed by each of the institutions are outlined in the beginning of the respective section; then, empirical instances where these norms ought to be applied is presented, followed by an

assessment of China's compliance with each. This is done following King, Keohane and Verba's (1994) advice of maximizing the observable implications of the theory, i.e., trying to present a comprehensive set of empirical evidence. In the end of the section, such compliance record is evaluated and contrasted with Chinese interests to infer the type of internalization.

This will highlight China's commitment to the LIO's institutions, i.e., if pro-social behaviour is contingent on its interests or if it is prompted by a genuine subjective identification with the LIO's norms. The former possibility (type I internalization) should not be seen as a rationalist hypothesis – it is entirely consistent with my constructivist ontology. First, it assumes substantial compliance, which is only possible by a desire to pursue pro-social behaviour most of the times. Second, it does not exogenously assigns China's interests – these are endogenous, undetermined *a priori* and subject to inquiry. This means that they are not subsumed to exogenously attributed and abstract cost-benefit calculations; moreover, that would preclude any possibility of substantial compliance or socially oriented behaviour.

In the next section, I try to unravel China's interests.

4. China's Interests

Chinese foreign policy has been based on its so-called three 'core-interests': security, sovereignty and development (Muller, 2016). This is visible in many Chinese officials' statements and official documents, stressing how important they are and how China will not concede in achieving them, not dismissing the use of force if necessary. To reconstitute the meaning of such subjective interests, I will rely mostly on Chinese discourse, but also on secondary experts analyses to a lesser extent.

The meaning of security for China has an international and a domestic element. On the one hand, China wants to be able to resist and deter aggression, as well as counter existential threats, so it deems necessary that China "strengthens its defence and military to provide security" (China, 2019). Beijing stresses, nonetheless, that its defence strategy is defensive in nature: "Though a country may become strong, bellicosity will lead to its ruin. The Chinese nation has always loved peace" (China, 2019). China has always stressed that, no matter how strong it gets, it will never seek aggression, hegemony or expansion (Xi, 2017a). On the other hand, security is also identified with regime security, i.e., the maintenance of its political system of Chinese Communist Party (CCP) rule (Mazarr et al., 2018). After the end of the Cold War and western triumphalism *à la* Fukuyama, China has been under pressure for democratization due to its authoritarian regime, so preserving 'Socialism with Chinese characteristics' – and, ultimately, CCP's strength and authority – is a priority for its leaders. Xi Jinping is very clear about this:

> We have made sweeping efforts to strengthen Party leadership […] the defining feature of socialism with Chinese characteristics is the leadership of the Communist Party of China; the greatest strength of the system of socialism with Chinese characteristics is the leadership of the Communist Party of China; the Party is the highest force for political leadership (Xi, 2017a).

The interests of security and sovereignty are quite intertwined. However, China holds a definition of sovereignty considered traditional and rigid by most. Once again, Xi Jinping puts it very straightforward:

> The principle of sovereignty not only means that the sovereignty and territorial integrity of all countries are inviolable and their internal affairs are not subjected to interference. It also means that all countries' right to independently choose social systems and development paths should be upheld (Xi, 2015).

Sovereignty as a Chinese interest has two major implications. First, it is meant to "to fend off foreign interference in China's domestic politics" (Tang, 2018a: 37). The pressure of democratic and human rights norms after the Cold War motivates this concern, as well as the traumatic historical experience of the 'Century of Humiliation'. It makes reference to a century that followed the Opium Wars where China was exploited and dominated by foreign powers such as Britain, US, France and Japan – this narrative resonates a lot in Xi's discourse and Chinese society (Gries, 2020). This is linked with the regime security interest, because the warranty of autonomy and absence of foreign intervention in domestic affairs serves to preserve China's political system (Stokes, 2019).

Second, sovereignty "refers to the country's ability to exercise authority over all geographic claims, including Taiwan. It also includes territory, which refers to the integrity of all land and maritime borders" (Mazarr et al., 2018: 14). In other words, it means territorial integrity and 'national reunification' along these four axes: (i) stick to the 'one country, two systems' solution to ensure that China exercises jurisdiction over Hong Kong and Macao; (ii) oppose Taiwanese independence; (iii) defeat separatist movements (e.g., Tibet); (iv) ensure that Diaoyu/Senkaku and South China Sea's islands are part of the Chinese territory.

> China must be and will be reunited. China has the firm resolve and the ability to safeguard national sovereignty and territorial integrity, and will never allow the secession of any part of its territory (China, 2019).

The last core interest is development. At first glance, it has the obvious meaning of pursuing economic development, keeping high growth rates and improving people's welfare. All these socio-economic goals are impersonated in the mantras of 'building a moderately prosperous society' and 'national

rejuvenation'. This is perceived as essential to increase the country's composite strength. However, this interest has other less straightforward meanings. First, it represents the intention to preserve the unique Chinese economic model of state capitalism, which is "a combination of liberal market economy mechanisms and a central-planned guideline" (Xing and Shaw, 2013: 99) with a large role for government interference in economic matters. If any doubts exist, Xi is very direct:

> We must uphold and improve China's basic socialist economic system and socialist distribution system. There must be no irresolution about working to consolidate and develop the public sector; and there must be no irresolution about working to encourage, support, and guide the development of the non-public sector. We must see that the market plays the decisive role in resource allocation, the government plays its role better (Xi, 2017a).

Second, development for China is closely related with international trade. In fact, after Deng Xiaoping's 'reform and opening up', China became the second largest economy in the world and Chinese leaders acknowledge that the integration into the global market was decisive for Chinese economic success:

> China took a brave step to embrace the global market. […] It has proved to be a right strategic choice. […] China has become the world's second largest economy thanks to 38 years of reform and opening-up. A right path leads to a bright future (Xi, 2017b).

In his famous 2017 speech at the World Economic Forum, Xi Jinping posited China as an unconditional supporter of economic globalization, stressing the need to foster international trade even further and to halt protectionism (Xi, 2017b).

Third, this core interest also aims to maintain an external peaceful environment, which is seen as a critical condition for economic development. For many years, China has presented a narrative of 'peaceful development' to assure countries that are anxious about China's rise, stating repeatedly that it will not threaten other countries nor seek hegemony or expansion. Xi explains:

> We cannot realize the Chinese dream without a peaceful international environment, a stable international order and the understanding, support and help from the rest of the world (Xi, 2015).

The analysis I conducted so far also reveals an interesting fact. While having interests that collide with the international order, China is constantly showing strong support for it:

> China will continue to uphold the international order. […] China was the first country to put its signature on the UN Charter. We will continue to uphold the international order and system underpinned by the purposes and principles of the UN Charter (Xi, 2015).

In spite of having interests contrary to culture, every social actor has strong incentives to engage in pro-social behaviour to acquire self-esteem, legitimacy and avoid social sanctions (Johnston, 2001, 2008). China, of course, is no exception. In fact, it often emphasizes its commitment with the order's institutions, despite having interests – and behaviours (explored in the next section) – that collide with them. In reality, evidence reveals a dual-track approach where China supports some elements of the order, but wants to change others (Breslin, 2018; Johnston, 2019; Morton, 2020).

These strong incentives to pursue pro-social behaviour and to overstate the country's commitment to the order's institutions justify the measurement of internalization because it has the potential to highlight the country's motivation (external or intrinsic), hence its real commitment to these norms and institutions.

I will now turn to my empirical section where I will test my two hypotheses in each one of the order's institutions.

5. China and the Institution of Sovereignty

Sovereignty has been a major institution of international society for centuries and one of the liberal international order since its creation in the aftermath of World War II. As I said before, the norms that constitute an institution change over time and sovereignty is no exception. The recognition of a sovereign state by international society was always dependent on some features or institutions the state should have that were believed to be the legitimate source of sovereignty (Barkin, 1998).

Before 1945, divided sovereignty reined: "core states had full sovereignty and periphery states did not" (Buzan, 2017: 233), because the institution of colonialism was also in place, allowing the exploitation and colonization of non-western societies (Acharya and Buzan, 2019). The decades following World War II saw the demise of colonialism and (formal) racism, so sovereignty became truly universal (Acharya and Buzan, 2019; Buzan, 2017). A norm of self-determination entered the institution of sovereignty, which permitted the decolonization of multiple territories and people previously under colonial rule. A major normative development occurred: territoriality became the main legitimate source of sovereignty (Barkin, 1998). This means that legitimate sovereignty was contingent to functional control over a defined territory and transfers of acquired territory could not happen without consent. Such normative change had the effect to reify borders and to impede foreign interference. Thus, the institution of sovereignty between 1945 and the early 1990s comprised the norms of self-determination, sovereign equality, territorial integrity, non-aggression and non-interference. The understanding of sovereignty in this period is often called

'absolute', 'rigid' or 'traditional' sovereignty, since it shielded states greatly from having their sovereignty eroded.

After the end of the Cold War, this institution was re-interpreted again, this time in a liberal fashion. In fact, "throughout the 1990s the norms of sovereignty have shifted from absolute state sovereignty, towards conditional state sovereignty" (Jones, 2018: 103). The institutionalization of human rights changed the meaning of sovereignty because "state's exercise of sovereignty is increasingly seen as conditional upon whether it treats its citizens humanely and justly" (Zhang and Buzan, 2019: 6). A new legitimate source of sovereignty emerged: a state in post-Cold War world is legitimated less by its control of a territory and more by its ability to protect human rights of its citizens (Barkin, 1998), especially civil and political rights. Sovereign equality is undermined as a new hierarchy of states is created based on their human rights record. In addition, a norm of humanitarian intervention arose, allowing military interventions in countries to halt severe human rights violations – the Responsibility to Protect (R2P) (Donnelly, 2014).

However, one must not exaggerate this transformation of sovereignty. Conditional sovereignty is derived from Western-liberal values and is mostly advocated by Western states, while many Global South countries contest it (Barkin, 1998). They still hold on to the rigid conception of sovereignty eager to preserve their autonomy and shield themselves from foreign interference. The scope and application of R2P is also narrow and quite sovereigntist, requiring the approval of the UN Security Council (Donnelly, 2014). It is clear that the transformation of sovereignty is still limited and that absolute sovereignty is still meaningful.

This puts a challenge to my analysis because there seems to be two rival interpretations of this institution: the liberal and the traditional one. I will try to assess if China internalized any of them. I have explained how China stands for a traditional or rigid conception of sovereignty (Xi, 2015). This defence comes from China's traumatic experience of nation-state building, specially the encounters with Western international society in the 19th and 20th centuries – the so-called 'Century of Humiliation' – and aims to avoid foreign interference in domestic affairs and to preserve CCP's rule (Tang, 2018a; Zhang, 2016). For China, human rights are not unimportant, but their protection should not breach a country's sovereign rights – human rights are subordinate to sovereignty (Carrai, 2019). I will explore the human rights institutions in this next section, but for now I want to leave clear that China does not support the liberal interpretation of sovereignty. Notwithstanding, China constructively engages with it through a norm-shaping posture, seeking to mould the liberal stance into a more sovereigntist one, therefore conciliating liberal and traditional interpretations (Jones, 2018).

It might be puzzling, however, how China supported and supports R2P, since it leaves the door open for foreign military intervention in order to halt human rights violations. In fact, China was a full participant in the debate that generated R2P and supported it afterwards (Zhang and Buzan, 2019). This support has its singularities and it can be said that the Chinese position regarding R2P, though in general supportive, lies at the conservative end of the spectrum (Nathan, 2016).

On the one hand, "Beijing has always emphasized the first two pillars of the R2P mandate, i.e. the state's responsibility to protect its own citizens and the responsibility of the international community to encourage and assist the state to fulfil that responsibility" (Zhang and Buzan, 2019: 15). On the other hand, China is very uneasy about the third pillar because it allows foreign military intervention. Beijing has often blocked or expressed reserves about sanctions and military intervention because it wants to guarantee that the application of R2P respects state sovereignty (Carrai, 2019). The major exception was the intervention in Libya (2011) that Beijing acquiesced to, but it hardened its position afterwards, since it perceived that NATO exceeded the UN mandate to seek regime change, which for China is unacceptable (Jones, 2018). Never after Libya did China authorize a military intervention. This was the opportunity to reject any future non-consensual military intervention under R2P and to delegitimize regime change (Zhang and Buzan, 2019). It is obvious that the Chinese stance towards R2P is highly permeated by rigid interpretations of sovereignty. Did China internalize such understandings?

The first signal of Chinese support for absolute sovereignty is its strong support for the UN system. This happens because the "fundamental purpose of the UN Charter, in Beijing's view, is to preserve the sovereignty and territorial integrity of its member states" (Zhang, 2016: 801). China sees the UN as the only legitimate body to address threats through the use of force, conditional upon the Security Council's authorization where China holds a permanent seat and veto power (Zhang, 2016). The UN system, where China holds considerable influence and veto power, is seen as the best tool to prevent breaches on states' sovereignty and to tame the arbitrary exercise of power by western states, especially the US, which usually perpetrate these violations. For China, UN enforces the pluralist international order it desires (Buzan, 2010; Zhang, 2016).

China has also been a major contributor to the UN's peacekeeping operations. "In 2018 it ranked second place among the top ten contributors to the UN's peacekeeping budget […] By the end of 2018, China had contributed a total of 2,515 troops and military experts, and 151 police to UN peacekeeping missions (ranking tenth in the world)" (Morton, 2020: 167). This is an unequivocal signal of Chinese support for the UN and for traditional understandings of sovereignty, since it often voices two conditions

for the peacekeeping missions: UNSC endorsement and consent by the host country's government (Zhao, 2018).

The main evidence of Chinese compliance with the institution of sovereignty is, of course, its clean record regarding intervention and aggression, the two most striking ways of breaching one's sovereignty:

> It has not gone to war since 1979. It has not used lethal military force abroad since 1988. Nor has it funded or supported proxies or armed insurgents anywhere in the world since the early 1980s. That record of non-intervention is unique among the world's great powers. All the other permanent members of the UN Security Council have used force many times in many places over the last few decades – a list led, of course, by the United States (Zakaria, 2020: 56).

The only exception would be the recent lethal skirmishes with India over disputed border territories (Lee and Clay, 2022). Rhetorically, China is often stressing how important it is to respect sovereign in the traditional sense, emphasizing the Five Principles of Peaceful Coexistence that are frequently evoked and still guide Chinese foreign policy (Muller, 2016). "China has emerged as one of the strongest defenders of a traditional and absolutist concept of sovereignty, entering into contestation on a broad range of issues wherein state sovereignty is implicated, most notably humanitarian intervention" (Zhang, 2016: 803). Moreover, China often condemns Western powers for politicizing human rights as an excuse to interfere in other states' domestic affairs (Machado, 2021).

Thus far, it seems that Beijing has internalized the traditional institution of sovereignty because it has not only shown high quality compliance, but also has not disrespected institutionally prescribed behaviour when its interests were at stake. In fact, it looks like this institution constituted Chinese interests, namely the core interest of sovereignty, which is a proof the institution was internalized (Buzan, 2004; Risse and Sikkink, 1999). However, some cases show China's compliance with its so proclaimed traditional interpretation of sovereignty is flawed when it harms Chinese core interests.

The derivative institution of sovereignty is international law (Buzan, 2004), since it seeks to preserve state sovereignty through common agreed-upon rules and mechanisms to settle disputes. The Chinese approach to international law is sometimes disruptive and self-serving. The first evidence for this is Beijing's reluctance for third-party mediation of territorial disputes, preferring bilateral negotiations instead (Johnston, 2019). A striking example is the Philippines' request for arbitration in 2013 under the UN Convention on the Law of the Sea (UNCLOS) due to competing disputes with China regarding some islands in the South China Sea. Beijing launched a campaign to discredit the arbitration panel and refused to participate in the proceedings,

in spite of having signed and ratified UNCLOS (Williams, 2020). Also, China has not accepted the compulsory jurisdiction of the ICJ yet (Muller, 2016). In 2016, The Hague's Permanent Court of Arbitration examined claims brought by Philippines against China and resolved nearly every claim in favour of the former (Williams, 2020). The Chinese government opposed this ruling and did not acknowledge its validity.

However, one should stress that, despite these and some other cases, China values international law. Even though it rejects third-party settlement of disputes in the South China Sea, China tries to frame its claims under UNCLOS and general international law (Morton, 2016). Despite the militarization of atolls and reefs, it has never crossed the threshold of aggression defined by international law (Mazarr et al., 2018). In fact, China is attempting to 'create facts on the ground' to legitimize its territorial claims under international law, i.e., it is building artificial islands to exercise effective authority and occupation so it can claim sovereignty over those territories, which UNCLOS does not explicitly preclude (Rato, 2020; Williams, 2020). Besides:

> China is a signatory to hundreds of multilateral treaties and thousands of bilateral treaties […] Chinese officials regularly invoke the importance of international law and seek to portray China as a 'staunch defender and builder' of international rule of law (Williams, 2020: 3)

Evidence suggests that China complies with international law to a large extent because, on the one hand, it is usually helpful for achieving Chinese goals and, on the other hand, it is a source of legitimacy. However, the aforementioned cases reveal that "China may refuse to comply with it when doing so suits its perceived interests" (Williams, 2020: 1), which is a signal that the institution of sovereignty is not yet internalized because that would imply acknowledging international law's authority to settle sovereignty disputes.

Second, some Chinese actions also reveal that support for absolute sovereignty, while rhetorically strong, is in practice more flexible and nuanced (Muller, 2016).

The first case usually mentioned is an alleged strategy of 'debt-trap diplomacy', under which China deliberately provides unsustainable amounts of loans to poor countries, so that it can seize important national assets when the countries struggle to pay them back (Chellaney, 2021). The textbook case for this argument is Sri Lanka's Hambantota Port, which was leased to a Chinese state-owned enterprise (SOE) in 2017 for 99 years when the government was facing debt distress. The conventional story is that China trapped the government with debt, which then had to transfer the Port to China in exchange for debt relief – a so-called 'debt-equity swap'. In reality, it was the Sri Lankan government who asked for the loans in the first place, there was no transfer or seizure of assets (merely a lease), and the lease was

not exchange for debt relief, but for US dollars that were desperately needed, and then used, to pay non-Chinese debt (Jones and Hameiri, 2020).

One of the scholars responsible for the John Hopkins' database on over 1000 Chinese loans to Africa claimed that they had "not seen any examples where we would say the Chinese deliberately entangled another country in debt, and then used that debt to extract unfair or strategic advantages of some kind in Africa, including 'asset seizures'" (Brautigam, 2020: 6). It is true that Chinese SOEs acquire participations (or leases) in other country's ports, infrastructure and energy providers, and that in some countries with low debt-servicing capacity loans are repaid with natural resources, but that does not diverge from previous commercial practice and can hardly be seen as an infringement on sovereignty (Brautigam, 2020). So far, it seems like there is no sufficient evidence for 'debt-trap diplomacy' or to assert that Chinese developmental loans are 'sovereignty-eroding', but these events are still unfolding rapidly and further studies are needed to get a clearer picture on this before decisive statements are made.

On the other hand, the Chinese claims on the South China Sea (SCS) indicate it has not internalized the traditional stance on sovereignty that it advocates in rhetoric. The 'nine-dash line' displays China's sovereignty claims on the SCS. Chinese claims are quite expansive, encompassing almost the entire SCS; were they satisfied, it would mean the Chinese appropriation of the majority of other claimants' Exclusive Economic Zones (EEZ), granted to them by UNCLOS (Rato, 2020). This does not go well with the absolute interpretation of sovereignty, since it would undermine other states' territorial integrity. Moreover, there is no evidence that China exercised permanent authority and presence in those territories, which is UNCLOS's requirement for the establishment of sovereignty (Rato, 2020). China has evoked historic and historical rights over these waters, but "UNCLOS does not recognize historic rights as a basis for claiming sovereignty over waters" (Dupuy and Dupuy, 2013) and:

> Although historical factors should, of course, be taken into account to a certain extent, their relevance must be limited to establishing whether a given state has exercised and still exercises authority *à titre souverain* over a defined area in an effective and continuing manner, and whether such exercise of authority has been accompanied by acquiescence by the third states concerned. None of these elements have been established by China (Dupuy and Dupuy, 2013: 141).

In addition, the events in Hong Kong between 2019 and 2020 constituted an encroachment on the sovereignty of this territory. The Sino-British Joint Declaration and the Basic Law state that Hong Kong is part of China, but also that it retains a high degree of autonomy. The scope of this autonomy comprises the maintenance of its own political and economic system,

executive, legislative and independent judicial power, and the safeguarding of fundamental freedoms and rights, with the exceptions being matters of foreign affairs and defence. Beijing has made some moves to abridge Hong Kong autonomy, which have intensified under Xi leading to the 2020 Hong Kong National Security Law (Shirk, 2022).

In February 2019, Carrie Lam proposed an extradition bill that would "allow the government to detain people wanted by Beijing and extradite them to mainland China" (Economy, 2021: 62). Strong and sometimes violent protests erupted, lasting for several months. Along with a crackdown on the protesters causing over 10,000 arrests, China unilaterally enacted a new Security Law for Hong Kong in June 2020, which made subversion, terrorism, separatism and collusion with foreign powers crimes under the law, and provided a mainland controlled authority in Hong Kong with powers to investigate these cases and trial them in the mainland (Shirk, 2022). The Joint Declaration and the Basic Law explicitly confer legislative and judicial power to Hong Kong, so this law effectively curtails these prerogatives and the political autonomy to which this territory is entitled. China could not have enacted this law, especially without consulting with Hong Kong officials, the law erodes rights like the freedoms of speech and to protest, and it allows China to pursue and trial Hong Kong citizens, giving it judicial powers on Hong Kong's territories and allowing it to pursue political dissidents. This constitutes a clear violation of sovereignty.

If we take into consideration that the Chinese claims on the SCS and that 'comprehensive jurisdiction' over Hong Kong are part of its core interests, it becomes clear that Beijing, while putting up an advocative front of traditional sovereignty, stops complying with this institution when it harms these core interests.

I should also dismiss my earlier hypothesis that the institution may had constituted China's core interest of sovereignty: if that were the case, China would present it in a way that did not undermine other states' sovereignty. This constitutes sufficient evidence to assert that China has not yet fully internalized the institution of sovereignty, exhibiting partial internalization because it complies to a large extent, but stops doing so when its interests are in stake. This converges with Mazarr et al.'s (2018) argument that support for sovereignty is merely instrumental to advance Chinese interests rather than a socialized adherence.

6. China and the Institution of Human Rights

The institution of human rights postulates states must respect the basic rights of individuals and is constituted by several norms. First, we can divide human rights into two categories of human rights, although they are formally

indivisible (Donnelly, 2014; Donnelly and Whelan, 2017). On the one hand, we have the civil and political rights closely linked to Western culture and history. Some examples include not only the right to life, physical security, equal protection of the law, protection against slavery and torture, protection from arbitrary detention, but also other rights related with liberal democratic norms such as freedom of religion, expression, assembly and political participation. On the other hand, we have the economic, social and cultural rights. Some examples include the right to work under favourable conditions, right to food, clothing and housing, right to education, right to participate in the cultural life, right to property, right to healthcare and social security.

Second, though human rights are universal, interdependent, interrelated and indivisible in international law, they do not have the same strength in reality – there is an "implicit hierarchy evident in much ordinary thinking about human rights" (Donnelly and Whelan, 2017). Broadly speaking, there is a North-South dispute over the meaning of human rights: Western states favour civil and political rights, while states in the Global South privilege economic and social rights. Since ideas are backed by power, in practice there is a clear hierarchy within the institution that prioritizes the first set of rights (Barkin, 1998). The conditionality upon sovereignty on civil and political rights grounds is a product of the West and can be seen as a new 'standard of civilization' through which the Global South states are evaluated and awarded sovereign rights (Zhang and Buzan, 2019). This prevailing understanding of human rights is contested outside the West and many countries think of it as a form of cultural imperialism or a way to impose western values in the rest of the world (Barkin, 1998). When analyzing China's internalization of this institution, I will focus mostly on the civil and political rights, given their highest salience in the institution's normative core. China's strategy has been to join the international human rights regime and act with it, but at the same time trying to reform it and proceeding with human rights violations at home.

The period from the end of World War II to the end of the Cold War saw the institutionalization of an extensive body of international human rights law (Zhang and Buzan, 2019), whose main constituents are six international human rights treaties with almost universal membership. The list follows by the order in which they came into force: International Covenant on Economic, Social, and Cultural Rights (ICESCR); International Covenant on Civil and Political Rights (ICCPR); International Convention on the Elimination of All Forms of Racial Discrimination (CERD); Convention on the Elimination of All Forms of Discrimination against Women (CEDAW); Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (CAT); and the Convention on the Rights of the Child (CRC) (Donnelly, 2014). China signed and ratified all of them, except the ICCPR, which was not ratified yet. China also signed and ratified the Convention on the Rights of Persons

with Disabilities (CRPD). This means that "China has ratified six of the nine core international human rights treaties" (Kinzelbach, 2013: 166), leaving the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families and the International Convention for the Protection of All Persons from Enforced Disappearance unsigned.

Since 1982, China has actively engaged with the United Nations Commission on Human Rights (UNCHR). China has contributed to and supported the UN's Human Rights Council's (UNHRC) universal periodic reviews (UPR) on countries (Nathan, 2016). China has successfully moulded the UNHRC to its interests, whether regarding its composition, agenda or rules. First, it is composed by an Asian-African majority with great convergence of positions with Beijing (Zhang and Buzan, 2019). Second, it has contributed to the design of UPR as a state-led and non-condemnatory process (Zhang and Buzan, 2019). "China has found widespread support among other states for the position that it is up to each state to interpret how its international human rights obligations are interpreted and implemented within its domestic political system" (Nathan, 2016). Third, it managed the approval of many measures and regulations that limit greatly the role of NGOs (Nathan, 2016). Nevertheless, it is undisputed that China has shown great engagement with the UNHCR and a willingness to act constructively within the rules of this forum.

On the other hand, Beijing rejects international dispute settlement mechanisms, does not accept the compulsory jurisdiction of the International Court of Justice (ICJ) and did not join the International Criminal Court (ICC). I've also shown how it accepted the R2P, while substantially limiting its application so it wouldn't breach state sovereignty. This shows a pattern of integration in the international human rights regime with the exception of those treaties and organizations that could excessively breach its sovereignty.

However, Chinese relative integration in the international human rights regime stands in sharp contrast with its poor human rights record. This is a clear case where China engages with the institution in order to acquire legitimacy, avoid stigmatization and fend-off international criticism about repressive behaviours, something facilitated by the weak institutional mechanisms to monitor and enforce implementation of human rights provisions.

In fact, China does not subscribe to the Western-liberal view of human rights that is prevalent in the liberal international order. While joining its human rights regime, it has sought to transform it in light of Beijing's understandings of human rights. Unlike prevalent understandings (see above), China subordinates human rights to sovereignty (Kinzelbach, 2012). Besides, China has argued that social and economic rights should be prioritized over civil and political rights (Breslin, 2018). China asserts commitment to both

sets of rights, but in a sequencing logic, taking the 'right to development' as the utmost priority and the most fundamental right. Again, this counters the normative core of the human rights institution that privileges civil and political rights, using them alone to assess state practices.

Despite accepting the universality of human rights, it has claimed at the same time that they should be adapted to national circumstances, taking into account economic, cultural and historic particularities (Breslin, 2018; Kinzelbach, 2012). In addition, China has contested the legitimacy of human rights monitoring, especially under the form of country-specific resolutions, arguing instead for dialogue based on non-confrontation and mutual respect (Foot, 2020). All these changes would increase state sovereignty, empower states to choose what human rights they want to implement (or not), and weaken international scrutiny. Nevertheless, China recognizes the value of the human rights institution as a tool for legitimation, so it has not sought to overthrow it, but rather to engage with it and transform it in line with its views and interests.

China's view of human rights explains why China has made progress in securing economic and social rights, but has systematically violated civil and political rights at the same time (Nathan, 2016). The core interest of regime security precludes a robust protection of civil and political rights, since that could prompt the development of political opposition (Johnston, 2019).

The first example that comes to mind is the severe and wide-ranging repression of ethnic minorities in Xinjiang and Tibet. Multiple sources report that Muslims in Xinjiang are arbitrarily detained without trial on the basis of their identity, while being also subjected to forced labour, mass surveillance, forced cultural assimilation and political indoctrination (Amnesty International, 2021; Freedom House, 2020; Human Rights Watch, 2021). Available data estimates that more than one million Uighurs, Kazakhs and other predominantly Muslim peoples were detained so far (Amnesty International, 2021; Freedom House, 2020). Besides, Chinese authorities "in Tibetan areas continue to severely restrict religious freedom, speech, movement, and assembly" (Human Rights Watch, 2021). This persecution and repression of ethnic minorities with the goal of ethnic assimilation is a major violation of freedom of conscience and religion.

Freedom of expression is also very limited. The party-state controls and censors media content via direct ownership of the main platforms, accreditation of journalists, penalties for public criticism and daily directives to media outlets and websites (Freedom House, 2020). Over the past years, the government has mounted a sophisticated system of online censorship. Some websites and apps, especially foreign ones, are blocked and the Chinese alternatives are tightly controlled (Ringen, 2016). Online activity is closely monitored and scanned before or as content is posted, so those posts and

websites considered 'politically sensitive' can be immediately deleted or shut down (Amnesty International, 2021; Freedom House, 2020; Ringen, 2016).

The ability for citizens to protest against the government is highly curbed, whether online or on the streets. Freedom of assembly is limited because "protesters rarely obtain approval and risk punishment for assembling without permission" (Freedom House, 2020). Spontaneous protests are often met with police violence and mass detentions. Security agents act with impunity: arbitrary detentions without respecting presumption of innocence are common; so is torture and other forms of coercion (Freedom House, 2020).

Thus, the rights to physical security, protection from arbitrary detention and from torture are not safeguarded; neither is the rule of law nor the rights to presumption of innocence and to a fair trial. Opposing the Chinese government is not tolerated – it is a difficult and dangerous enterprise. Fundamental civil and political rights such as freedom of religion, freedom of expression and freedom of assembly are not respected. China is a major violator of the prevailing human rights norms (civil and political rights), even though it made progress ensuring economic and social rights.

In sum, China has not internalized the institution of human rights. Its compliance is not significant enough to infer internalization. However, I believe it is more appropriate to classify Beijing as a norm-shaper than as an actor who seeks to overthrow the human rights institution.

7. China and the Institution of the Market

The market is one of the main institutions of the liberal international order. Almost every country in the world participates in the World Trade Organization (WTO) and Free-Trade Agreements (FTA) proliferate around the globe. The main task of this institution is to promote free international trade among countries, but it does so in a very Western-liberal way, stressing market mechanisms and reducing state intervention.

According to Staiger (1994), the obligations, hereby norms, of international trade can be divided into three categories: tariff commitments, most-favoured nation (MFN) and a 'code of conduct' regarding non-tariff barriers. The main norm is, of course, the imperative of reducing severally trade tariffs. "MFN treatment requires further that goods of any member country be given no less favorable treatment than goods of any other country, so that tariff concessions granted to one country must be extended to all member countries" (Staiger, 1994: 7). Also, the institution of the market implies a 'code of conduct' that discourages some domestic non-tariff policies that hinder the liberal way of trading. They include "a basic prohibition against quotas, restrictions on the behavior of state trading and monopolies, limits on the use of certain subsidies, standards for customs administration, and limits on

the use of exchange controls" (Staiger, 1994: 7). Thus, the market prescribes domestic policies to foster the liberalization of international trade, reducing the scope of the state's intervention in the economy (e.g., restricting subsidies or ownership of companies) and increasing the freedom of the market (e.g., lowering tariffs, free movement of capital and companies, and fair competition between the latter).

Since Deng Xiaoping's 'reform and opening up', China became a market economy, though preserving a large room for state intervention. During his term we saw economic reform policies that liberalized prices, fostered competitive markets, attracted foreign investment and stimulated private entrepreneurship (Economy, 2018). Consecutive Chinese reforms encompassed privatizations, attraction of FDI and transnational corporations, tariff reduction and the formation of a large (and predominant) private business sector (Naughton, 2018). Along the way, China has integrated into the global economy. In 2001, it joined the WTO signalling a willingness to lower trade barriers, discourage unfair practices and deepen the market (Economy, 2018). China has greatly benefited from international trade, experiencing high GDP growth rates and a stark increase in its global share of GDP – today China is the second-largest world economy (Zhao, 2018). Moreover, China spoke in defence of international trade several times. In this regard, Xi's 2017 Davos speech is a landmark:

> Whether you like it or not, the global economy is the big ocean that you cannot escape from. […] We must remain committed to developing global free trade and investment, promote trade and investment liberalization and facilitation through opening-up and say no to protectionism. Pursuing protectionism is like locking oneself in a dark room. While wind and rain may be kept outside, that dark room will also block light and air (Xi, 2017b).

Besides, I've explained how China frames its 'development' core interest as one that requires further trade liberalization and integration in the global economy. This raises the possibility that China may have internalized the market institution, since it seems to have constituted its interests. However, reality is not that simple.

Evidence points out to an acceptable level of compliance regarding WTO obligations and a willingness to abide by the WTO rules and system (Nathan, 2016). China "has undertaken significant policy steps and domestic reforms to meet the conditions required by WTO membership" (Mazarr et al., 2018: 51). For instance, Johnston (2019) noted that the weight mean applied tariff was more than 30% during the Mao era, while in 2017 it was below 4%. Also, China has remained committed to the formal WTO dispute resolution process and generally complies with adverse rulings, though sometimes doing so in

a superficial way that circumvents the ruling's spirit (Mazarr et al., 2018; Williams, 2020). Although China sometimes pushes for favourable changes or resists unfavourable ones, this always happens within the WTO system (Morton, 2020). It seems that China complies largely with WTO's tariff rules and procedures.

A cornerstone of Chinese foreign policy has been the promotion of bilateral and multilateral FTAs. Some authors underline these FTAs are of low quality because they disrespect some legal safeguards and regulatory standards, namely at the environmental, economic and financial levels (Morton, 2020). However, the quality of these FTA has grown over time and they are nonetheless barrier-reducing agreements, showing a commitment to market values (Johnston, 2019).

Despite these efforts to comply with WTO's obligations, the promotion of FTAs and its reforms to become a market economy, some trade-restricting and anti-competitive behaviours that go against market norms persist (Mazarr et al., 2018). Although China generally complies with tariff commitments, the same cannot be said about non-tariff barriers. The key to understand this lies in the Chinese model of state capitalism, which arises from China's unique culture and historical experience (Xing and Shaw, 2013). This model entails elements of free market capitalism such as competition, liberalization and entrepreneurship, but it also leaves a large role for state intervention in the economy. "The state has long played a significant, even dominant, role in managing the country's economic affairs" (Economy, 2018: 100). The state tries to lead and direct economic development, particularly in core sectors, by regulating business enterprises, assisting national companies with subsidies and other preferential policies and, especially, by fostering state-owned enterprises (SOEs) (Xing and Shaw, 2013).

The strength of SOEs is the hallmark of the Chinese model. Available evidence estimates that in 2017, the share of SOEs in China's GDP was between 23% and 28% (Zhang, 2019), and that they employed around 15% of the population (IMF, 2020). "Chinese SOEs also make up the vast majority of the largest firms in China and are heavily represented in all capital-intensive sectors" (Economy, 2018: 106). In 2020, 20 Chinese SOEs were amongst the top 100 largest global firms by revenues (IMF, 2020). Domestically, most of the largest companies are majority state-owned (Nolke et al., 2019).

SOEs are a tool for the CCP to direct economic development, develop core sectors and to expand Chinese participation in them globally. Beijing wants to establish 'national champions', whether public or private, in important sectors capable to lead and to compete with renowned multinationals (Economy, 2018). 'Made in China 2025', for example, is a strategy to increase domestic production and capture global market share in ten priority sectors

(e.g., robotics and aviation), which will be done by replacing foreign products by national ones and by injecting public money in national companies (Economy, 2018; Rato, 2020).

Despite its relative size, the share of the SOEs in the economy should not be overstated, as they are mostly concentrated in 'top-tier' sectors like petrochemicals, telecommunications and elecricity – these sectors are dominated by large companies, and most of those are SOEs (Nolke et al., 2019). In 'mid-tier' sectors like machinery, high-tech, automobiles and electronics, SOEs presence is smaller and they compete with large hybrid and private firms (Naughton, 2018; Nolke et al., 2019). For most sectors, there is an intensely competitive product market and "private business is the predominant ownership form in Chinese industry" (Naughton, 2018: 339).

The problem with this large sector of public enterprise is that it counters market norms. Despite the reduction of direct subsidies, SOEs still benefit from easier and preferential access to credit and land at lower costs, and lower tax rates (Economy, 2018; IMF, 2020). SOEs share in the economy undermines fair competition between firms and private entrepreneurship overall, because SOEs are equipped with unfair advantages provided by the state (Xing and Shaw, 2013). These benefits also extend to some private national companies in core sectors like Huawei.

China also thwarts market norms in several other ways by engaging in intellectual property theft, corporate and cyber espionage, forced technology transfers as a condition to access the Chinese market, state subsidies, *inter alia* (Mazarr et al., 2018; Rato, 2020; Williams, 2020). Also against the spirit of market norms, the financial system and capital market remain mostly state-controlled and closed to foreign capital; the goal is to retain domestic enterprise control and independence from foreign capital – it flows mostly to the productive sector in the form of fixed investment (Nolke et al., 2019).

With 'development' the core interest, China has laid out its path and model for national development. As I have shown, such model encompasses both elements that are congruent and incompatible with market norms. I believe this reveals a substantive compliance with the market, but one driven by self-interest. China believes it is in its interest to be a market economy and to seek integration in the global economy – that is part of its 'core interests'. At the same time, China wants to preserve its distinct economic model, which encompasses elements incompatible with market norms, despite being a market economy. Thus, China complies with the institution by joining the global economy and participating in international trade, but does not do it fully, because that would imply the dismissal of economic practices that are part of Chinese interests.

This resonates with Weinhardt and ten Brink's (2020) finding that China's contestation to the liberal trade order varies between sectors and to the extent

that the 'liberal compromise' of those sectors clashes with the domestic economic preferences of those sectors, and with their domestic regulation and organization. In other words, China's economic setup contemplates sectors organized in a way at odds with market norms and keeping it that way is part of their core interests, despite its willingness to comply with such norms in other sectors. This means that China, though complying substantially with the institution of the market, stops doing so when that harms its interests; that is to say that it has not yet fully internalized this institution, exhibiting partial internalization.

8. Conclusion

This article sought to assess if China internalized the main institutions of liberal international order: sovereignty, human rights and market. Internalization means "taking over the values and attitudes of society as one's own so that socially acceptable behaviour is motivated not by anticipation of external consequences but by intrinsic or internal factors" (Grusec and Goodnow, 1994: 4), more concretely the belief in the righteousness of that behaviour. In this light, I proposed two internalization degrees. In partial internalization, the actor exhibits significant compliance with the analyzed institution or norm(s), but it stops doing so when compliance would undermine its interests. In complete internalization, the compliance is high quality and does not halt due to contradictory interests. Such separation is important because the actor's commitment to the norms is instrumental in the first case, but deep in the second case, which should lead to a more durable compliance.

This is only a tentative operationalization of an undertheorized variable and should be criticized, revised and built on by others. Analyzing internalization is a task with huge potential because it reveals an actor's commitment with rules and norms, unlike simply observing compliance for its own sake without accounting for its rationale or motivation.

My analysis points out that China has not fully internalized any of the liberal international order's three main institutions. China exhibits partial internalization *vis-à-vis* sovereignty and the market. Regarding human rights, there is not enough compliance to even place China at this stage.

However, the conclusion that complete internalization has not occurred yet does not mean that it will not happen in the future and does not override the fact that China's compliance with the liberal international order is overall high or, at least, certainly higher than many assume.

I tried to demonstrate that China does not wish to overtake the order, but rather to join it and act within it, abiding by many of its elements while contesting and trying to change some others. China wants to be seen as a responsible stakeholder of the order, so it can pursue legitimacy, status,

and avoid social sanctions. Beijing may not be satisfied with all the order's settings, but the changes it wants will probably come from the inside by transforming the order in a constructive manner in line with Chinese interests.

This article showed that China's engagement with international order is influenced by two (sometimes) contradictory drives: Beijing's core interests and the desire to pursue pro-social behaviour, i.e., to conform to the order's institutions. It also concluded that China acts within the liberal international order and complies with its norms largely, but stops doing so when that would undermine its interests. This reflects a selective approach to the order where Beijing supports and adheres to the elements that align with its interests, rejecting and challenging those who do not. The Chinese has left clear that its core interests are not negotiable and China will not concede in achieving them. Hence, the order can only accommodate China and earn its support if it is able to adapt to Chinese interests.

This conclusion differs from rationalist readings of the matter to the extent that it evinces a desire to pursue pro-social behaviour as a motivation for behaviour and cause for internalization – in this case, explaining why China mostly complies with the order's norms and institutions. It also avoids to assume China's interests *a priori* or to reduce them to abstract cost-benefit calculations. Internalization does not stem from such calculations, but from an overall desire to pursue pro-social behaviour, that is only forsaken when perceived core interests are at stake. Contra rationalism, these interests are actor-specific and endogenously generated.

I believe I left clear how the main institutions of liberal international order reflect Western-liberal values. Sovereignty was deemed conditional upon respect for human rights. The prevailing conception of human rights privileges civil and political over economic and social ones, allow for foreign intervention in case of severe violations of the former. The market promotes international trade in a liberal fashion and imposes neoliberal domestic policies. In this scenario, it is natural that China and other non-Western powers feel dissatisfied with the liberal international order and seek change. The order must change to fit China's interests and values if it wishes to retain its support.

Ikenberry (2011) said that the liberal international order is a liberal-hegemonic order. Earning support and consent from China and other non-western powers "means accommodating their challenges and proposed changes to the status quo of the distribution of power, institutional arrangement, and normative structure of world politics, and developing more inclusive ideas and interactions" (Acharya, 2018a: 8). In other words, this so-called liberal-hegemonic order needs to become less liberal and less hegemonic.

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Note

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China's 'Dual Circulation' Strategy: Urgent Needs for Greater Economic Self-reliance

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Abstract

China's rapid development, huge economic output, national strength, and improvement of people's living standards are the remarkable results of the transformation from being an isolated economy to a highly globalized one since 1978. In recent years, China's economy has undergone profound challenges from the international environment such as rising protectionism, economic stagnation, and the COVID-19 pandemic. In such a context, the dual circulation strategy (DCS) has been introduced by the Chinese Communist Party (CCP) as a new economic model for the next five years and beyond, aimed at boosting China's domestic demand and simultaneously creating favourable conditions for domestic and overseas markets to complement each other. This study emphasizes the necessities of transforming to DCS because of both prominent contradictions in the internal economy as well as complex changes in the international economic environment. It also affirms that China's new economic model is towards a more sustainable economy to hedge against external risks.

Keywords: dual circulation strategy, prominent contradiction, sustainable economy

1. Introduction

Since the reform and opening up of more than 40 years, the super-high-speed development of China's economy depends not only on China's choice of the correct development path, but also on the favourable external environment provided by the last round of economic globalization. On the one hand, China has undertaken industrial transfer from developed countries and achieved a substantial increase in product supply capacity; on the other hand, in a prosperous and stable market environment, China is facing strong worldwide demand. China has transformed from a "small country" at the beginning of reform and opening up to a giant open economy with super-large market advantages and strong domestic demand potential.

However, since the financial crisis in 2008, the international market has continued to slump. Moreover, under the influence of counter-globalization from the West and the COVID-19 crisis, the world economy has experienced a deep recession with considerable reduction in international trade and investment. Conversely, after more than 40 years of reform and opening-up, China's domestic market continues to expand. So far, China has the world's most complete and largest manufacturing capacity and huge domestic demand market. The country is in the rapid development stage of new industrialization, informatization, urbanization, and agricultural modernization with huge investment demand potential.

In such context, the Xi Jinping's administration introduced a novel economic model called the "dual circulation" strategy (DCS) which was mentioned for the first time at a meeting of the Politburo in May 2020 (祝嫣然, 2020). In general, the two-pronged strategy is aimed at boosting China's domestic demand and simultaneously creating favourable conditions for domestic and overseas markets to complement each other. The paradigm became a key priority in the Outline of the 14th Five-Year Plan for National Economic and Social Development and Long-Range Objectives through the Year 2035 in China which is adopted in March 2021 (Tsang and Poon, 2021). According to Chinese leaders, a new economic paradigm allows the country to take advantages of super-large market scale, and to deal with global economic volatility and increased geopolitical encirclement.

This study argues that there are external and internal factors which promote the transformation of China's economic model, including the solid foundation provided by the domestic development of China, prominent contradictions in domestic economic operation, complex changes in the international economic environment and China's reliance on other countries for critical goods. The article is organized as follows: firstly, it explains the 'the dual circulation strategy' concept based on Chinese leaders' statements and other economic theories and the four reasons why China introduced the DCS will be analyzed. Then, it demonstrates how the DCS is implemented and the impact of this new strategy on the world in general and on ASEAN in particular.

2. Scientific Connotation of DCS

The economy of a country consists of domestic and foreign production and consumption activities. In the context of economics, 'domestic circulation' or 'internal circulation' is considered to be national economic activities.

According to Dr. Alex Payette (2020), the policy of 'domestic circulation' (内环, *neihuan*) or 'great domestic circulation' (国内循大, *guonei daxunhuan*) points out that the state serves as the primary engine of

economic activities and the economy is to be stimulated domestically, particularly through domestic consumption, as opposed to the export-oriented industrial model. Domestic demand from domestic consumption, new-infra and traditional infrastructure investment are the elements that promote internal circulation (Pang, 2020). According to the diagram by Yu Yongding (2021) from the Chinese Academy of Social Sciences, domestic circulation involves the procurement, processing, and sale of raw materials and intermediary goods.

In contrast to domestic circulation, 'external circulation' refers to the economic activities of exports, imports and investment. It refers to the country's economic ties to the global market with free trade zones serving as platforms for this strategy to take shape. International circulation also means 'keeping China open to the world' to make foreign businesses dependent on the Chinese.

The term 'dual circulation' (双循环) has been around for several years but now features prominently in policy statements; however, there is no official and clear interpretation of the policy. Liu He (刘鹤), who is the Chinese Vice Premier and Head of the Financial Stability and Development Committee, is believed to have masterminded the strategy (Oya, 2020).

The concept of 'dual circulation' was first mentioned by General Secretary and President of China Xi Jinping at the Standing Meeting of the Politburo of the Communist Party of China on May 14, 2020. According to Xi's statement, it is necessary to deepen supply-side structural reform, fully exploit the country's super-large market and domestic demand potential and building a new development pattern named 'dual circulation' in which domestic and international circulations complement each other with the former as the primary element (新华网, 2020).

In August 2020, President Xi's speech to a group of social scientists provided more explanation of the DCS (新华网, 2020). The first element affecting China's economic pattern is the structural decline in the current account surplus and the increasing share of domestic demand. In addition, the DCS could contribute more to domestic demand because of increased value-added manufacturing. At the 5th plenum of the CCP, DCS was affirmed as a long-term economic development strategy. In March 2021, the Chinese National People's Congress passed China's 14th Five-Year Plan (2021–2025) for National Economic and Social Development and Long-Range Objectives for 2035. In the documentary, article XIII named "Article XIII. Promoting domestic–international dual circulation" affirms that China will coordinate and promote the development of a strong domestic market based on domestic large circulation in order to attract global resources and production factors as well as the coordinated development of domestic and foreign demands (中国政府, 2021).

Several pessimistic views consider the emphasis on local demand as a process of "turning inward" and put an end to China's opening-up policies. However, on many occasions, the leaders of China underlined that the DCS do not mean a closed domestic loop and reaffirmed that liberalization was a fundamental national policy. At a meeting of public and private business leaders in July 2020, President Xi Jinping stressed that "China's open door will not be closed, but will only get wider and wider" (新华网, 2020). Vice Premier Liu He also reiterated when he wrote in an article published in the *People's Daily* that "by no means trying to close itself up or to achieve total self-sufficiency" and "it's impossible to do everything by yourself and to give up the international division of labour" (刘鹤, 2020).

Some political and economic experts in the world also explained the DCS in many different ways. According to the report "Turning Inwards: What Asia's Self-Sufficient Drive Means for Business and Investors" conducted by The Economist Intelligence Unit (2020), the DCS "aims to foster resilience by emphasizing the "internal" circulation of the domestic economy over the "external" circulation of the global economy". On the other hand, Saad Ahmed Javed and others (2021) see the strategy as a process of realigning the weightings or priorities of the economic resources toward sustainable economic development through domestic consumption. Zoey Zhang (2020b) underlined that the DCS enables China to transition from an "export and investment-led" economy to a "demand and innovation-driven" economy, strengthening the economy's resilience to external shocks and pushing for China's dominance in the global supply chain.

3. The Necessities of Transformation to the DCS

3.1. Solid Foundation Provided by Domestic Development

China's reform and opening-up have provided a solid material foundation for the domestic and international cycles. In the early stage of reform and opening up, China implemented an export-oriented economic strategy, actively participating in the international division of labour and international trade by taking advantage of labour resources. The country also developed international markets for domestic economic development and improve the utilization rate of domestic labour, land and other production factors. Therefore, it gained comparative benefits and opening up. The spillover effect in the economy has promoted the leap-forward development of China's economy, and China has gradually changed from "stand up" to "get rich" and achieved the leap to "get strong".

In 1978, China's total GDP was 218.50 billion USD and the per capita GDP was 229 USD while the figures for 2021 were 17,728.01 billion USD and 12,552 USD respectively. More than 40 years of reform and opening-up have made China's GDP increase about 80 times, and the per capita GDP

has increased by more than 54 times. In 2010, it surpassed Japan and ranked second in the world. From 2010 to 2020, China is the second largest in the world after the United States. China's share of the world's total economy has increased from 1.28% in 1990 to over 17% in 2020. The cumulative use of foreign direct investment and foreign investment has exceeded 2 trillion USD, becoming the world's largest country in goods trade and the largest country in foreign exchange reserves. According to a 2020 estimate by China's Development Research Center, the nation's per capita gross domestic product would reach 14,000 USD by 2024 and China's GDP will surpass that of the United States by 2032.

From the perspective of the supply system, China has "strong production capacity and perfect supporting capacity". The agricultural production capacity has continued to improve and the output of major agricultural products has jumped to the forefront of the world. Agricultural output has expanded at an average yearly pace of 5.4% in real terms during the last four decades.

In term of industry, China is the only country in the world to have all the industrial categories listed in the United Nations' International Standard Industrial Classification, covering all 39 major industrial categories, 191 medium categories and 525 subcategories under the industrial system, becoming "the most complete and largest industrial system in the world". The added value of the manufacturing industry ranks first in the world, accounting for more than 26% of the global proportion for a long time, which is two times that of the United States, four times that of Japan, and five times that of Germany. China has 135 companies in the *Global Fortune 500* list of the world's largest corporations in 2021.

Besides, the digital economy has increasingly become an important driving force for the upgrading of China's supply and industrial chains. From 2012 to 2019, the scale of China's digital economy increased from 11.2 to 35.8 trillion RMB, accounting for 20.8% of GDP. The deep integration of the digital economy and various fields of the real economy has driven the improvement of domestic production efficiency and the change of production mode.

From the perspective of the demand system, China has a super-large domestic demand market. China has a hyper-sized consumer market with 1.4 billion people. The middle class, which numbers 400 million people, is continuously rising and represents an enormous business opportunity. In 2021, retail sales of social consumer products in China were 44,082.3 billion RMB, with huge domestic consumption potential (National Bureau of Statistics of China, 2022).

In general, China's economy has the basic characteristics of sufficient potential, strong resilience, large room for manoeuvre, and many policy tools and the capacity of the industrial chain, thus providing the emergence of the DCS with a solid foundation for social existence.

3.2. Prominent Contradictions in Domestic Economic Operation

China is at a critical stage of transforming its development mode, optimizing its economic structure, and transforming its growth drivers. The problem of unbalanced and insufficient development is still prominent. China's white paper on development in 2016 underlined: "Imbalanced, uncoordinated and unequal development reflects unsustainable development, as does an extensive development model. China is pursuing a sustainable approach to production, utilization and consumption of natural resources".

The first manifestation is the uncoordinated regional development. Due to the incomplete play of the decisive role of the market, the unreasonable flow of resource elements has led to a gap in development potential and development momentum between the eastern and central and western regions of the country. There are shortcomings in balancing the development methods and development momentum of the southern region and the northern region. In 1960, the gross regional product of provinces and municipalities south of the 'Qinling-Huaihe line' was identical to that of the north, however, in 2017 and 2019, the figures for the south grew by 57% and 83% respectively. Particularly, the Chinese northern regions' total economic production was only 34.9 RMB in 2019 while the figure for the southern region was 63.8 RMB (Harada, 2020).

Secondly, the implementation of eco-friendly development has remained limited. Economic expansion at a rapid pace over the last few decades has exacerbated domestic resource scarcity, air pollution, and environmental degradation. China attained oil self-sufficiency in the mid-1960s, but by 2000, it had become a significant oil importer, with net imports exceeding 69.6 million tons. Air pollution also carries economic costs. Air pollution also led to economic costs as high as 6.6% of China's GDP (Carthy, 2020). Water scarcity is becoming worse, particularly in the northern area. Although having nearly 21% of the world's population, China has just 7% of the world's freshwater supply (Shemie and Vigerstol, 2016). Additionally, 60% of China' subsurface water is contaminated. One factor contributing to the water scarcity is China's rapid economic expansion, which is fueled by heavy industry's reliance on water for manufacturing processes (Patton, 2015).

Therefore, it is crucial to transform the export-oriented economic strategy, change the strategy of relying on investment and external demand to drive economic development and accelerate the transformation of the industrial structure to achieve high-quality development.

3.3. Complex Changes in International Economic Environment

China has been through three economic crises, including the Southeast Asian financial crisis in 1997, the global financial crisis of 2008, and the early 2020 effect of the new crown plague. Due to China's extensive integration

into the global value chain system, the three shocks have had a significant impact on the security of China's supply chain in the form of international circulation, resulting in definitely serious harm to Chinese consumers and producers. Additionally, China's fears stem from a growing realization that deeper integration into the global economy is not a sure-fire way to thrive. When China initially began opening up to the global economy in the 1980s, the world outside of China was growing at a rate of around 4% per year. However, the world's economy, excluding China, grew at a rate of approximately 1.6% each year during the prior decade (China Power Team, 2021).

In recent years, the prevalence of anti-globalization, the rise of unilateralism, and the unreasonable international division of labour have brought challenges to the prosperity and development of the Chinese economy and the world economy. The three major crises mentioned below have proven that the world environment can cause unsustainability for the Chinese economy.

Firstly, since early 2018, the US rising trade imbalance with China caused a trade wedge between the two sides. US-China economic ties have been on a downward spiral and the two sides are facing economic decoupling as a result. Additionally, President Donald Trump's administration added hundreds of Chinese enterprises on the US Commerce Department's blacklist of entities, thereby prohibiting American companies from exporting to these firms. The Biden administration retained a number of the Trump administration's anti-China policies and increased engagement with key allies and partners, confirming China's perception that the US and its allies are hostile to China's economic interests. Owing to this widening gulf between the two great powers, globalization as well as China-centred global value chains which created items that reach the US market are encountering hurdles. China's relations with the US have become more and more deteriorating, causing the external environment less predictable for China. Moreover, because of US-China strategic competition, China's economic and technical progress in the future will be constrained by a more hostile foreign environment. For example, China's ties with Canada have worsened since China was accused of kidnapping two Canadians in retribution for Huawei's financial officer's detention. Additionally, relations with the United Kingdom are at an all-time low following the Western country's overturned decision on Huawei's participation in its 5G network. Therefore, it is urgent for China to reduce its reliance on Western trade.

Secondly, COVID-19's impact and the subsequent shutdown measures have sent the world economy into the greatest recession since World War II, resulting in a declining export market for China. Global demand is slow as a result of the pandemic, posing significant hurdles for China, given the historically low consumer demand created by its local market, which is unable

to counteract the global trend. Additionally, the COVID-19 epidemic has heightened global worries about supply chain dependency, as several nations have been forced to reconsider their reliance on other countries, possibly accelerating supply chain movements away from China. Particularly, in terms of bilateral trade, supply chains can be interrupted by present and post-pandemic economic conditions in China's key trade partners. Lack of demand in these nations as a result of the lockdown can put pressure on China's supply chains, as foreign firms reduce their purchases of Chinese goods. In the context of the COVID-19 pandemic, China has faced pressures on both the supply and demand sides, thus underlining the importance of economic resilience and self-reliance.

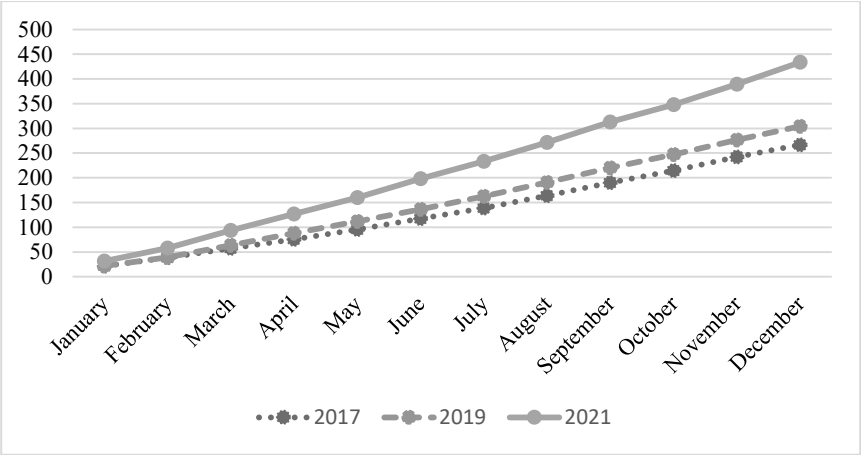
Thirdly, the ongoing Russia-Ukraine crisis has had a significant influence on the global economy; similarly, it also has caused risks for China's economy. The first consequence is the disruption in the trade of goods. China's trade with Russia and Ukraine is worth 147 billion USD and 19 billion USD respectively (Kennedy, 2022). Moreover, the conflict might result in a larger global economic slump, particularly in Europe. Meanwhile, economic growth in the EU is statistically highly correlated with China's overall export growth. China's overall export growth will decline by 0.3 percentage points for every percentage point decline in the EU's GDP growth (Tan, 2022). International technology sanctions will create compliance challenges for Chinese enterprises, which have a substantial presence in the Russian consumer market. High-tech companies such as Xiaomi and Lenovo will incur a loss if they opt to comply with the United States' export bans on Russia. In addition, some Chinese companies such as Beinken Energy, Weldatlantic Group and Xinjiang Communications Construction Group have business operations in Ukraine. Also, Ukraine is an important hub within the Belt and Road Initiative (BRI) while the Russian territory is the place where there are three separate routes of the BRI pass through. Therefore, the continuous development of the BRI could be delayed due to the Russia-Ukraine crisis. Moreover, despite Western sanctions imposed on Russia for its aggression, China has stated that normal trade contacts with Russia will continue. As the US and Europe punish Russia, there are fears that China could be next, making the dual circulation strategy even more important.

3.4. China's Reliance on Other Countries for Critical Goods

China has been more and more reliant on other nations for crucial products, especially high-tech items such as microchips (including semiconductors and integrated circuits) and more fundamental resources such as food and energy.

Although China has made many efforts to establish an internationally competitive semiconductor manufacturing industry, the country continues to

Figure 1 China's Monthly Imports of Integrated Circuits in 2017, 2019 and 2021 (billion USD)



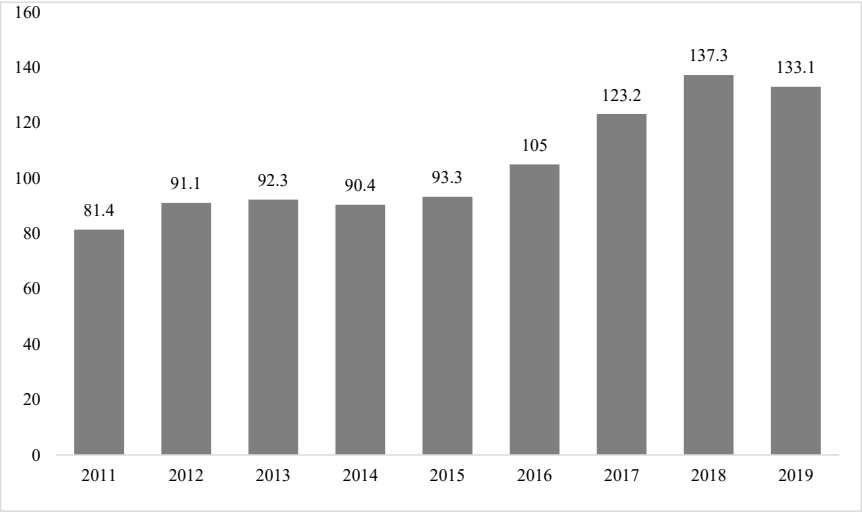
Source: CSIS China Power Project and General Administration of Customs of China.

rely significantly on chips created and manufactured by industry heavyweights from the US, Taiwan, South Korea, Japan, Germany and the Netherlands. China relies on 300 billion USD worth of imported semiconductors to meet over 85% of its domestic market demand (Horwitz and Goh, 2022).

According to the figures above, China imported nearly 434 billion USD of integrated circuits in 2021. This was a 24% increase over 2020 and a 43% rise over 2019. Global demand for semiconductors has accelerated in many months since the middle of 2021 and chipmakers have struggled to keep up, resulting in price inflation. It causes more concerns because semiconductors are increasingly viewed as critical to national security and a show of technical competence by many governments.

In terms of food, historically, China has aimed at self-sufficiency in food production. In 1996, the government published a white paper setting an aim of 95% self-sufficiency for crops like rice, wheat and corn (State Council of the People's Republic of China, 1996). However, China's reliance on imports has increased as a result of shifting consumer trends. Between 2003 and 2017, China's food imports increased from 14 to 104.6 billion dollars (Jardine, 2022). As a result, imported food is critical to China's food security. Figure 2 illustrates that from 2011 to 2019, China's total food imports experienced a significant increase from 81.4 billion USD to over 130 billion USD. Additionally, the Chinese Academy of Social Science forecasts a 25-million-ton shortage in wheat, corn and rice output in China by 2025 (Chaudhury, 2022).

Figure 2 China's Total Food Imports from 2012 to 2021 (billion USD)



Source: Observatory of Economic Complexity.

China's increased demand for meat has resulted in an increase in maize and soybean imports, which are increasingly utilized as animal feed in the country. Between 2000 and 2020, Chinese soybean imports more than doubled, from 10.4 million to 100.3 million metric tons, establishing China as the world's top importer by a considerable margin (Yao et al., 2020). Due to trade concerns, China's imports of US soybeans have halved, from 32.9 billion metric tons in 2017 to just 16.6 million metric tons in 2018. China went to Brazil to help cover the gap, but China's need for soybeans surpasses Brazil's and the rest of the world's combined production capacity, leaving China reliant on the US.

While decades of economic expansion allowed China to make significant progress toward universal food availability, the country's economic boom has resulted in a new set of population demands and environmental stresses. The Chinese reliance on food imported from other countries threatens its food security.

On the energy security front, China's oil self-sufficiency ended in 1993, when it became a net importer. It remains the world's top importer of oil and natural gas today importing more than 10 million barrels per day (Clemente, 2019).

From Table 1, the gap between China's domestic oil demand and production continues to increase. China's increasing crude oil imports have increased its reliance on other countries, leaving it vulnerable to supply chain bottlenecks and price changes. In terms of natural gas, China has

Table 1 China's Reliance on Foreign Oil
(Unit: millions of barrels per day)

Year	Consumption	Domestic Production	Imports
2001	4.81	3.31	1.79
2002	5.20	3.35	1.99
2003	5.78	3.41	2.64
2004	6.74	3.49	3.45
2005	6.88	3.64	3.43
2006	7.40	3.71	3.88
2007	7.78	3.74	4.17
2008	7.90	3.81	4.49
2009	8.24	3.81	5.10
2010	9.39	4.08	5.89
2011	9.74	4.07	6.29
2012	10.17	4.16	6.67
2013	10.67	4.22	6.98
2014	11.12	4.25	7.40
2015	12.07	4.31	8.33
2016	12.50	4.00	9.21
2017	13.14	3.85	10.24
2018	13.58	3.80	11.03
2019	14.01	3.84	11.83
2020	14.22	3.90	12.86

Source: CSIS China Power Project and BP Statistical Review of World Energy.

also evolved into one of the world's top importers of natural gas, relying on imports to cover more than 40% of its domestic demand. China has attempted to diversify its foreign oil and gas supplies, but it remains highly reliant on nations in the Middle East and Africa (Aluf, 2021). Instability in the region jeopardizes China's energy security. Specifically, over 84% of China's oil imports and 61% of its natural gas imports pass through the South China Sea and Strait of Malacca (Macaraig and Fenton, 2021). These are the regions that potentially develop into key chokepoints in case of a military war.

Due to China's reliance on imported energy, its economic viability is becoming increasingly precarious, especially under the conditions of the Russia-Ukraine conflict and COVID-19 pandemic.

4. Implementation of China's 'Dual Circulation' Strategy

4.1. Internal Circulation

4.1.1. Boosting Domestic Demand and Focusing on High-end Manufacturing and Services

In terms of domestic demand expansion, in reaction to the global financial crisis in 2008, China undertook a 4 trillion RMB economic stimulus plan focused on infrastructure development, including trains, roads, airports, ports, and water management facilities. However, given the present Chinese government policy of promoting domestic circulation, consumption will be the primary driver of domestic demand expansion. The COVID-19 outbreak has exposed the domestic retail sector's fragility in China. Even before the global pandemic, China's efforts to transform domestic consumption into the primary engine of GDP had stalled. Official data showed that final consumption contributed nearly 70% of GDP growth during January-March, 2022 (State Council of the People's Republic of China, 2022a). The Communist Party of China Central Committee's Political Bureau reaffirmed the significance of raising domestic demand at a meeting in late April, calling for effective investment to be given full play, infrastructure construction to be bolstered, and consumption to facilitate economic circulation (Xinhua, 2022).

On one hand, in the long run, China focuses on the crucial importance of investment in expanding demand by especially government-led infrastructure investments because they will create business orders, increase hiring and raise wages. Particularly, in the 14th Five-Year Plan, the construction of 102 great projects has been expedited (Tang, 2022). A large portion of the funds allocated for local governments were used to build infrastructure, including industrial parks, transportation, water conservation facilities and cold-chain logistics. At the same time, the Chinese Ministry of Industry and Information Technology said that 600,000 5G base stations across China was built in 2022, bringing the total number to over two million (China Global Television Network, 2022a).

Moreover, the 14th Five-Year Plan proposes to abolish limits on urban registration for rural migrants living in third-tier cities and to ease the process of acquiring registration in big cities for this category of residents. According to China's National Bureau of Statistics, around 244.5 million persons out of 848 million urban residents were unregistered in 2017. They lack access to social insurance, good health care, and basic education, which explains their higher proclivity for savings, hence decreasing their consumer potential. Therefore, the aim of the Chinese government is to improve migrant workers' earnings which will result in an increase in spending.

However, tight COVID limits in the Omicron model have resulted in regular local lockdowns, weighing on China's economic activities in

2022. In such a context, a series of activities have been introduced to boost domestic consumption. For example, the NDRC has issued a notice aimed at increasing holiday spending during the Spring Festival by securing the supply of daily essentials, boosting contactless services and sales, and promoting leisure and recreational consumption (Yang, 2022). At the same time, the NDRC will provide guidance to e-commerce businesses on how to conduct online sales promotions over the Christmas season while still preserving market orders. Moreover, in the middle of 2021, the food fair in Yangzhou city, the consumer goods expo in the Hainan province, the well-known fair in Guangzhou city and the month-long campaign in Shanghai with a car show were some remarkable efforts by China's authorities to boost domestic demand. Additionally, e-commerce sites will sell culinary, travel, cultural and sports goods from 'high-quality businesses'. According to instructions on maximizing the nation's consumption potential and fostering consumption recovery issued in April 2022, China intends to construct a number of warehouses in the suburbs of large and medium-sized cities to ensure the supply of daily essentials in case of calamities (China Global Television Network, 2022b). The guideline also affirms that efforts will also be made to produce products and services that meet the needs of the elderly and newborns, to boost the sale of autos and household appliances in rural regions, and to construct multiple duty-free shops within cities. China's state planner stated in September 2022 that China would accelerate capital injections to expedite project construction and stimulate domestic demand (Jun, 2022). Following the break of a two-month Covid lockout in June, the Shanghai government would provide 'consumption vouchers' worth roughly 100 million yuan (14.3 million USD) to citizens for use in a major retail centre. The southern island province of Hainan also announced the distribution of 100 million yuan in vouchers in order to make consumption the primary driver of the recovery (Reuters, 2022a). However, creating a comprehensive domestic demand system requires more than just improving the shopping experience and establishing more consumption channels. Improving the market surveillance system is also critical. The 14th Five-Year Plan of China specifies a number of relevant measures, with food and drug supervision receiving top priority.

4.1.2. Enhancing Innovation

It is critical to limit reliance on foreign technologies to enhance internal circulation. Some important key areas are artificial intelligence, 5G connections and use, novel materials, new energy sources, electric automobiles, e-commerce and e-currency. In addition, the 14th Five-Year Plan of China devotes the majority of its chapters to promoting innovation and industrial

modernization (14%), as well as strengthening domestic socioeconomic foundations (14%). These concerns have trumped traditional concerns such as infrastructure and urbanization. In addition, the 'Medium- and Long-Term Plan for Science and Technology 2021-2035', in contrast to the previous plan for 2005-2020, focuses on foundational technologies. The NDRC reiterates its support for priority sectors such as next-generation IT, biotech, high-end manufacturing, new materials, new energy, electric vehicles, environmental protection, and digital creativity in a related document.

In the related document, the significant sectors above are among the key industries that the NDRC supports. In fact, China provided corporate income tax breaks to manufacturers of integrated circuits and software (Zhang, 2020a). Additionally, MOFCOM, in partnership with the Ministry of Industry and Information Technology and the Chinese Cyberspace Administration, has produced a guideline to support China's digital economy in globalizing through the construction of abroad research and development centers (Ministry of Industry and Information Technology and the Cyberspace Administration of China, 2021). Six ministries and government organizations together issued guiding opinions targeted at boosting the growth of small and medium-sized enterprises (SMEs) that utilize technology recognized in the Industrial Four Bases Development Catalogue. The strategy aims to transform SMEs into "little giants" capable of competing in highly specialized markets. Besides, in the context of COVID-19, according to the Ministry of Industry and Information Technology, China has created a "white list" of key industries and supply chains to this end, as well as streamlining logistics for companies working in key sectors such as automobiles and integrated circuits (State Council of the People's Republic of China, 2022b).

In terms of digital infrastructure, numerous long-term strategies for resource mobilization have been established, notably the five-year technology investment which is worth 1.4 trillion USD. China also introduced the 'China Standards 2035' plan to upgrade its domestic technological standards, and at the same time, to establish the impact of these standards on other countries around the world. This plan would aid in the development of Chinese innovations and enable Chinese high-tech enterprises to vie for leadership positions in global markets. The National Standardization Development Outline, which was promulgated in 2021, is the first official document in this sector and provides a clear vision for Chinese firms to strengthen their technical capabilities and promote standardization in the future decade (State Council of the People's Republic of China, 2022c). On July 8, 2022, the National Standardization Development Action Plan was issued to provide a glimpse into the Chinese state's strategic approach toward technical standards (Reuters, 2022b).

In terms of R&D, China's 14th Five-Year Plan established a target of enhancing R&D investment by 7% a year between 2021 and 2025. It particularly calls for increased funding on fundamental research and prioritizes fields such as artificial intelligence, biotechnology, blockchain, neurology, quantum computing and robotics. In fact, between 1991 and 2020, China's R&D expenditure increased 42 times, from 13 billion USD to approximately 563 billion USD. China will spend much more on research and development in 2020 than South Korea, France, the United Kingdom, Japan and Germany.

Additionally, China strives to improve the implementation of its Military-Civil Fusion strategy, which encourages the pooling of technology and expertise between the military and civilian sectors, therefore driving both economic growth and military modernization (Kania and Laskai, 2021). President Xi Jinping founded and chairs the national Military-Civil Fusion Commission. Since 2015, there have been about thirty-five investment funds totalling 68.5 billion USD have been formed to invest in firms involved in Military-Civil Fusion.

4.2. External Circulation

In terms of deeper trade integration, China has achieved significant progress in this area, with a geographically diverse foreign commerce. According to Chinese official figures, China inked 200 agreements covering a wide variety of fields with 138 nations and 30 international organizations. Although in the context of trade war, China has also lowered duties on non-US trading partners as well as increased imports of soybeans from Brazil and Argentina. Additionally, China reiterated its support for the Belt and Road Initiative (BRI). Consequently, China's trade with the US has decreased, but the figure for other nations has climbed, raising China's overall international trade and expanding its trade surplus. With a two-way trade volume of 4.06 trillion RMB in 2020, the US was behind the Association of South East Asian Nations (ASEAN) and the EU as China's third largest trading partner. Moreover, China signed the key agreement named the Regional Comprehensive Economic Partnership (RCEP). Particularly, RCEP is a perfect illustration of how China would be able to strengthen its influence in regional and global issues. It was signed by its 15 members, including China, Japan, South Korea, Australia, New Zealand as well as the ten nations of ASEAN, accounting for 30% of world GDP. It has also revised its FTAs with New Zealand to extend coverage to new industries and remove tariffs on most imports; and trying to resume the trilateral FTA discussions with Japan and South Korea. Additionally, MOFCOM has developed a guideline for diversifying imports in such a way that it decreases reliance on Western economies by giving

emerging economies a higher weight. As a result, China's trade with the US has decreased, but trade with other nations has climbed, raising China's overall international trade and expanding its trade surplus.

Regarding capital account opening, China's capital account reforms will continue as it seeks to attract international investment and grow its capital markets. One of China's primary objectives in the 14th Five-Year Plan's launch, is to boost capital account convertibility. This is also a priority for the next phase of China's financial liberalization.

In terms of RMB internationalization, for the time being, it is still in its infancy and is geared on addressing China's home market's import payment demands. By the end of 2020, the RMB internationalization index would have increased to 5.02, a significant 54.2% year-on-year gain (International Monetary Institute, 2021). The Chinese yuan's share of the Special Drawing Rights basket has increased from 10.92% in 2016 to 12.28% in May 2022, reflecting a growing global recognition of the RMB's improved freedom of use (State Council of the People's Republic of China, 2022d). Meanwhile, green finance, such as green bond issuance and the mid-2021 opening of China's carbon trading market, creates fresh chances for RMB internationalization. In the process of renminbi internationalization, China adheres to the market-driven principle of mutual benefits and win-win cooperation. According to the People's Bank of China, using RMB in neighbouring countries and Belt and Road countries has boosted local economic development.

In conclusion, under the dual circulation pattern, because the financial industry is sensitive and potentially risky, the capital account liberalization and RMB internationalization must be guided by the government's objectives of optimizing market-based factor allocation and enhancing the socialist market economy system in the new age.

4.3. Mutual Promotion of Internal and External Circulations

To accelerate mutual promotion between the domestic and international circulation, China has also enhanced the quality of its overseas commerce by increasing the percentage of domestic value added in its exports, or rising up the export value chain.

To begin, according to the 14th Five-Year Plan, in order to promote coordinated development of imports and exports, the Chinese government reduced import taxes and government-imposed transaction fees, allowing for more imports of high-quality consumer products, innovative technology, critical equipment, and energy and resources. China has also tried to take many measures to diversify the sources of imports. Moreover, the country has also prepared carefully for hosting the China International Import Expo,

the China Import and Export Fair, the China International Fair for Trade in Services, and other exhibitions.

In terms of improving international two-way investment, the 14th Five-Year Plan points out that China would promote more foreign investment in medium and high-end manufacturing, new and advanced technology, conventional manufacturing transformation and upgrading, and contemporary services, as well as in the central and western areas. The government also assists businesses in integrating into global industrial and supply networks in order to boost their transnational management capabilities. Chinese businesses will also receive advice on improving compliance management and avoiding and mitigating foreign risks in areas such as politics, economy and security.

The 'Made in China 2025' strategy, introduced in 2015, targeted ten essential industries with the goal of increasing the percentage of locally made crucial components from 40% in 2020 to 75% by 2025. In general, China appears to have made significant headway in increasing domestic content, having lowered the share of foreign value added in its exports by 3.5 percentage points between 2014 and 2018, to roughly 15%, comparable to the US and below the world average. 'Made in China' does not only seek to construct protectionist barriers to protect inferior manufacturers in the home environment. Its objective is to boost the value chain by capturing high-end value added for the domestic economy. In this perspective, China's future model appears to be as a producer and exporter of high-quality capital and consumer products, rather than simply as a factory for mass consumer items.

5. Conclusion

From optimistic views, the DCS would bring benefits for the rest of world. Particularly, the strategy enables the rest of the world to profit from China's tremendous market prospects while also allowing China to contribute unique innovation to the advantage of global consumers. China's consumer market, with its enormous potential, resilience, and vibrancy, offers enough opportunity for all firms to prosper. China's domestic demand will exert a significant influence on the global economy and may result in the establishment of a new export destination for the world, thereby supporting and boosting the global economy, particularly in light of the US and other developed countries exerting a weaker influence on demand in the future.

From pessimistic views, China's adoption of this new strategy has increased the US and Western nations' suspicion of China, prompting them to adopt a harder stance toward China. While the countries recognize that sanctioning or embargoing China has a significant impact on its companies and economies, an even stronger economic position for China would cost these countries more. Moreover, China's emphasis on domestic consumer

expansion and technical self-sufficiency is expected to alter global trade and investment patterns. In this approach, China will focus its investments on the production of higher-value goods and the country may seek to build on the US or German manufacturing model in the long term. If China succeeds, it will be a huge challenge for advanced economies. As China focuses on domestic production and consumption, the US, Japan and Germany in the medium-term bear only low risk because China's contribution to value added in aggregate demand for final goods usually have a small scale. However, losses to the economies of Taiwan, Malaysia, Singapore, Thailand and Chile could amount to 10.3%, 6.5%, 5.6%, 5.1% and 5.0% of GDP respectively. For the Eurozone, the medium-term loss could be 0.9% of GDP and the sectors related to construction machinery, electronics and agricultural products will experience the worst effects.

ASEAN would continue to play an important role as China's strategic business partner. Although China promotes the DCS, China will still focus on promoting regional cooperation to ensure supply chains. At the same time, experts also believe that ASEAN member countries will still benefit from China's strategy in the immediate time. ASEAN is a great part of the RCEP and clearly an important market for China. ASEAN countries will likely benefit from China's continued investment in the region and efforts to build a China-centric supply chain in Southeast Asia. In addition, ASEAN can cooperate in areas such as digital, artificial intelligence, health and green economy. In addition to government initiatives, private companies are also actively brokering partnerships between China and ASEAN. Cainiao, which is the logistics arm of Alibaba Group, is working with BEST Inc. of China to launch an integrated cross-border e-commerce logistics service from China to Thailand, Vietnam and Cambodia .

However, in the context of US-China competition, smaller countries run the risk of being stuck in China's orbit, so countries need to assess the risks of cooperating with China. ASEAN countries need to pay special attention to their trade policies towards the US. In addition, some countries in ASEAN are likely to be among the biggest losers in the medium term as China promotes industrial autonomy. Goods from ASEAN tend to be less high-tech than Chinese goods imported from the US, Japan, and Germany, and are therefore more difficult to substitute. In the semiconductor sector, for example, Malaysia, the Philippines, Singapore and Thailand have lost their market share over the past few years.

In conclusion, the DCS is an important policy that expresses China's perspective of the world and its role within it. China is working to create a fully integrated market that does not need outside assistance, while still profiting from export markets. There are three stages in the evolution of China's economic model from 1950 to the present. This process shows a

change in the linkage between the two circulations in China's economy, thereby confirming that China is now entering a stage of having a solid foundation of domestic production and consumption, on the other hand, it has some significant contradictions in the economy. Besides, the worldwide environment's unpredictability, such as the negative impacts of COVID-19 epidemic, US-China tensions, and the Russia-Ukraine conflict, as well as China's rising reliance on oil, food, and semiconductors, make the implementation of DCS become important and urgent.

Notes

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Getting Nods from the Muslims: China's Muslim Diplomacy in Indonesia

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Abstract

China has detained an estimated two million Uighur Muslims in concentration camps in the northwestern province of Xinjiang for forced re-education and political indoctrinations. While many human rights organizations have published various accounts of China's actions, many Muslim countries have been silent over the issue. Over the years, alongside economic clout, China has exerted efforts to subdue any criticism from the Muslim countries of its actions in Xinjiang. Indonesia, as the world's largest Muslim-majority nation, is no exception. By developing the concept of 'Muslim diplomacy' from the existing literature on China's faith diplomacy, this paper aims to analyze the different efforts implemented by China to co-opt Indonesian Muslims. The paper finds that there are four forms of Muslim diplomacy employed by China in Indonesia, which includes: 1) promoting positive narratives to Indonesian officials, 2) establishing close relations with Muslim organizations, 3) offering scholarships to Muslim students and collaborating with Islamic educational institutions, and 4) expanding media efforts to send positive messages about China.

Keywords: China, Muslim diplomacy, Indonesia, Xinjiang, Uighur

1. Introduction

In October 2022, following a report by the United Nations High Commissioner for Human Rights, which found that China's mass detention, political indoctrination, and forced assimilation of its Uighur minority in the northwest province of Xinjiang, may amount to crimes against humanity (The Office of the High Commissioner for Human Rights, 2022), Indonesia, the world's largest Muslim country, joined 18 other nations in voting against a motion to discuss the situation in Xinjiang (Dianti, 2022). The campaign to hold China responsible began in May at the hands of the US, the UK, and other Western

countries. Director of Human Rights and Humanitarian Affairs at Indonesia's Ministry of Foreign Affairs, Achsanul Habib, asserted that the UN Human Rights Council should not be used as a tool to promote 'political rivalries', implying the rivalry between China and the West (ibid.).

While this may come as a surprise to many people, the systemic repression of Uighur has sparked only silence from Indonesia (Anwar and Jones, 2019). Over the years, the government in Jakarta, despite defending the rights of Rohingya Muslims in Myanmar and condemning Israel's apartheid against Palestinians, has viewed the Xinjiang issue as a legitimate response to separatism, and has repeatedly stated that it will not interfere with China's domestic affairs (ibid.). Indonesia is not the only Muslim country to react with little angst on the Xinjiang issue. Several studies have shown how Muslim governments have been ignoring China's treatment of the Uighur and some have even gone as far as supporting the Chinese government's policies in Xinjiang. Kelemen and Turcsanyi (2019), for example, argued that domestic politics play an important role in Saudi Arabia and Pakistan's responses to the Xinjiang issue. Meanwhile, Bianchi (2019) and Wani (2021) explained that economic considerations such as loans, investments and trade deals are the major reasons behind the Muslim countries' silence. In the Indonesian context, only news reports have tried to explain the country's response to the Uighur issue and the majority argue that 'China has bought' Indonesia with various economic profits (Yuniar, 2022).

The role of the economy is undisputed. Economic ties between China and the Muslim states have existed since the 1990s and have been accelerating with the implementation of the Belt and Road Initiatives (BRI). For the majority of Muslim countries, China is their major trading partner and one of their largest investors (Kelemen and Turcsanyi, 2019). Infrastructure projects under the BRI have been actively implemented across the Muslim world with loans coming from Chinese banks and are often carried out by Chinese workers. Meanwhile, energy-exporting countries such as Saudi Arabia, the UAE and Qatar are the top sources of energy for China and their petrodollars have been invested in various sectors in China (Fulton, 2021). This is also relevant when talking about Indonesia. China is currently Indonesia's largest trading partner and investor. In 2021, Indonesia's exports to China reached US$63.3 billion and the import value from China was US$60.71 billion (Siqi, 2022). At the same time, China is leading major investment projects including the megaproject – Jakarta-Bandung High Speed Railway – which is one of the largest BRI projects in Southeast Asia (Lim et al., 2021). It was reported that Indonesia has increased its debt to China, reaching US$411.5 million (Anwar, 2022). In addition, China also became Indonesia's largest supplier of vaccines during the COVID-19 pandemic (Yuliantoro, 2022).

While economic and medical cooperation with China can explain Indonesia's reluctance to speak out against human rights abuses in Xinjiang, this has been supported by China's public diplomacy efforts to ensure that narratives on China parrot that of the Chinese government. In the wider Muslim world, Wani (2021) analyzes the roles of the Chinese Islamic Association (CIA), the government body in China to regulate Islamic discourse and religious activity, in controlling the narratives on Xinjiang by cooperating with the Organization of Islamic Countries (OIC), hosting conferences on Xinjiang attended by religious scholars from several Muslim countries, and organizing tours to mosques and Islamic centres across China. Wani, however, did not specifically discuss China's efforts towards Indonesia. In the context of Indonesia, Anwar and Jones (2019) analysed China's endeavours to deflect Indonesia's Muslim organizations' critics on the Xinjiang issue. Rohman (2019) and Rohman and Amaliyah (2019) have also studied the roles of cultural and religious diplomacy in China–Indonesia relations. Nonetheless, these studies only focused on a few aspects of China's efforts and were only published in 2019, hence unable to capture the developments afterwards. Adopting the concept of public diplomacy, Aswar et al. (2022) examined various public diplomacy efforts carried out by China to maintain its image among the Muslim community in Indonesia. Albeit an important contribution to previous studies, it lacks detailed examples and data of Chinese endeavours.

By developing the concept of 'Muslim diplomacy', this paper aims to contribute to the literature through examining various public diplomacy efforts carried out by China to attain wider acceptance among Muslims in Indonesia. As will be explained in the following section, Muslim diplomacy referred here is public diplomacy activities related to Islam or specifically targeted at followers of Islam. In achieving its objective, the rest of the paper is divided into the following three sections. The next section discusses the notions of faith and Muslim diplomacies, as an analytical framework of the analysis. Afterwards, the paper examines the different forms of China's Muslim diplomacy in Indonesia, and to what degree it has been able to influence the views of the targeted audiences. The final section summarizes the main points of the paper.

2. Theoretical Framework: From Faith Diplomacy to Muslim Diplomacy

2.1. Faith Diplomacy

Before I discuss the different forms of Muslim diplomacy employed by China in Indonesia, I first lay out the theoretical framework of the paper by first explaining the concept of 'faith diplomacy' which has been around for some time in the literature on China's foreign policy. This section serves

as a preliminary foundation to develop the notion of 'Muslim diplomacy'. Theoretically, faith diplomacy, or sometimes called religious diplomacy, is a notion that refers to the conception that religion has an instrumental value in helping leaders in achieving a political goal. Religion can serve as a means of legitimizing ruling authority (Ellis and Haar, 1998: 175–201), to form and manipulate alliances based on shared identities (Geertz, 1973; Gil-White, 1999; Chandra, 2006), or to mobilize community support through linking political missions with shared religious ideals (Gayer, 2006).

However, in practice, not many academics have paid attention to the mushrooming phenomenon of religious diplomacy in the field of foreign policy and international relations. In line with the idea that faith diplomacy can be used to strengthen the legitimacy of political rulers at the domestic level, a similar approach can also be implemented in a wider context, such as increasing international legitimacy or the soft power of a particular country, including China. Nye (2004) wrote for the first time a concept of soft power which refers to the power, whether a country or any entity, which is used to persuade other people/parties without requiring coercive action to support certain goals, views and behaviours as desired. A more recent study by Mandaville and Hamid (2018) developed Nye's theory by specifically defining 'religious soft power' as a method whereby 'various entities as extensions of the state are ordered to propagate religious messages, religious education, and/or discourse on religious solidarity'.

Furthermore, Fox and Sandler (2004: 36–39) not only agree that religion can give greater legitimacy to the regime's authority itself, but also argue that only by basing itself on a common religious identity will the majority society be voluntarily mobilized to support, and even on many occasions seem to justify a policy that is controversial or difficult to accept in general. However, given the crucial influence that religious elites have, which can effectively steer the common people to support or oppose a regime and policy, Fox and Sandler (2004: 43–44) also acknowledge that if not supervised, this religious diplomacy can be a double-edged sword in the context of international relations.

Therefore, a regime wanting to use religion in its foreign policy not only needs to control the public narrative about its policies, but also ensures support from religious elites to promote its legitimacy and soft power, both in the eyes of the domestic audience and the international community. In its development, the term 'faith-based diplomacy' emerged in academic studies to refer to the application of religion in foreign policy. For example, Johnston (2003) used this expression to refer to the inclusion of religious authority and dogma in the resolution of disputes such as the longstanding conflict between Israel and Palestine, the dispute between India and Pakistan in Jammu and Kashmir, and the war in Bosnia and Kosovo.

When it comes to China, it has adopted faith diplomacy for many years. Some may think that this concept is in fact very contrary to the communist ideological belief held by the CCP. However, the facts on the ground show that these conditions do not prevent China from being able to apply its religious diplomacy strategy in relation to other countries. In fact, since the 1979 reform and opening up, China's faith diplomacy has increased in speed and scope both at the domestic and international levels. In the domestic context, China adopted faith diplomacy to ensure the CCP's legitimacy and thus it consists of not only regulating worship and charitable services, but also determining which aspects of religion can be included in education and politics (Brasnett, 2021: 44). The main objective is to make the people have high respect for other religions and the CCP's policies towards religions (Xu, 2015: 22–23). On a broader global scope, Zhang (2013: 83) argued that China's faith diplomacy has the objectives of 'promoting international understanding and acceptance of China's religious policies, advocating for China's actions regarding religion, enhancing China's good image, and realizing the mission of building a harmonious world".

This is based on a statement made by the Director of the Department of Religious Policy of China's State Bureau of Religious Affairs which stated that:

> [The party and the government] support China's religions to further build international friendship and promote mutual understanding with foreign peoples and religions, so as to make a contribution to building a harmonious world. [China's religions] should actively propagate the reality of religious freedom in China, and present to the world a positive image of China's religions, so as to decrease misunderstanding in international community and gain their understanding and support of China religious policy and religious work as well as to improve China's national image (Zhang, 2013: 83).

The above passage is relevant to understand how China has implemented various faith diplomacy activities for its own interests. This diplomacy, which is an inter-agency effort coordinated between the State Bureau of Religious Affairs, the Information Office of the State Council, the Ministry of Culture, the Communist Party's Department of United Front Work, as well as the national councils of the religions (ibid.), has been developed according to the context of the country or the community that China wishes to infiltrate. Zhang (2013: 85–91), for instance, has proposed that China has adopted some forms of 'Buddhist diplomacy', 'Jewish diplomacy', and 'Christian diplomacy' depending on the targeted audiences. In the case of Indonesia and the wider Muslim world, I argue, China has used Muslim diplomacy to deepen its influence.

2.2. Muslim Diplomacy

In different religious contexts, China has adopted different faith diplomacy strategies. In the context of the Muslim community, adopting from the notion of faith diplomacy explained above, I would propose the concept of 'Muslim diplomacy' as various Islam-related diplomacy endeavours specifically directed towards Muslim communities. Although research on China's Muslim diplomacy is relatively limited, a number of works have slightly mentioned how China has attempted to co-opt Muslim communities in local and global contexts.

China's early deployment of Muslim diplomacy concentrated mainly on provinces where there are large Muslim populations, such as the Ningxia Hui Autonomous Region, Yunnan, Gansu, and the Xinjiang Uighur Autonomous Region (Zhang, 2013: 88). As part of its efforts to appease its Muslim communities, Muslim scholars, religious groups, and businesspeople from the aforementioned provinces have travelled to Iran, Tunis, Egypt and Saudi Arabia with the approval and assistance of the Chinese government (ibid.). Gresh (2011) used the concept of 'Hajj diplomacy' to explain China's policy to permit Muslims in China to go for the pilgrimage in an effort to improve its positive image among Muslim countries. Chinese provinces have also allowed receiving charitable aid from Islamic countries (Zhang, 2013: 88). As part of an initiative to improve diplomatic relations with Indonesia, in 2010 Muslim artists from Ningxia and Xinjiang were allowed to conduct promotions and to visit the country (ibid.).

Muslim diplomacy has also been carried out in various situations, including in China's communication during crisis. Following the US' invasions on Iraq in 2003, the Chinese Islamic Association, a state-controlled organization, condemned the decision on behalf of China's 21 million Muslim populations (ibid.). The Chinese government have also employed Muslim diplomacy in relation to the Xinjiang issue. In 2009, following the Urumqi Riots which left over 200 dead, the Chinese government invited four OIC representatives on a visit to Xinjiang (ibid.). China also invited the four representatives to a meeting, where they explain how and why the unrest in Xinjiang took place (ibid.). In China's view, this effort is intended to subdue any criticism of its policy towards the Uighurs. With the initiation of the BRI, such efforts have increased and expanded to boost China's relations with the Muslim countries. Wani (2021) examined how, with the wave of political Islam and mass mobilization that swept through the Muslim world since the Arab Spring forcing many countries in the Middle East to fortify their state-controlled religious discourse, China has employed the same rhetoric to justify its policies in Xinjiang. Greer and Jardine (2020) also noted that in recent years, China has used the Chinese Islamic Association to win the hearts and minds

of the Middle Eastern states. By holding conferences, meetings and visits, the Association is one of China's leading institutions to spread its official narratives and deflect criticism from these countries. Confucius Institutes have also been established across the Muslim world such as the UAE and Lebanon. Not only used to promote Chinese culture and politics, but they have also been employed to dictate a positive narrative and to discredit critical stories about Xinjiang (Wani, 2021).

From these examples, it can be seen that China has used Muslim diplomacy in its ties with the Muslim countries to foster a positive image of itself as a nation that upholds religious freedom and human rights. This has allowed China to discern criticism and even gain global support despite widely reported violations of religious freedom in China. Scholars on religious diplomacy have argued that it can take many forms (Brasnett, 2021). In the context of Indonesia, or perhaps the wider Muslim world, I would like to use the concept of Muslim diplomacy. While Zhang (2013) as well as Rohman and Amaliyah (2019) have used the term 'Islamic diplomacy' in analyzing China's diplomacy towards the Muslim countries, I argue that it is somehow problematic as it in some way implies that this is a kind of diplomacy that is guided by Islamic teachings. The concept of Muslim diplomacy is more relevant to describe China's usage of Islam-related diplomacy targeted towards the Muslim community.

3. China's Muslim Diplomacy in Indonesia

The previous section discussed the concept of faith diplomacy in China's foreign policy and the history of China's use of Muslim diplomacy. This part concentrates on the Muslim diplomacy that China has undertaken in Indonesia. Adopting Zhang (2013: 83), China's Muslim Diplomacy in Indonesia aims to gain people's understanding and support of China's religious policy, which in the context of Indonesia mainly concentrates on Beijing's actions in Xinjiang, and to maintain China's image, which primarily concentrates on promoting the idea that China is a good place to practise Islam.

3.1. Promoting Positive Narratives to Officials

The first form of China's Muslim diplomacy in Indonesia is promoting positive narratives to Indonesian officials. With a predominantly Muslim population, China's policy towards Xinjiang has sparked a series of demonstrations in Indonesia. According to the author's research, such protests have been held at least once every year since 2018 (Kapoor, 2018; Karmini, 2019; Rufinaldo, 2021; Serhan, 2022). Among other places, these protests are usually organized in front of the Chinese Embassy to call the government

in Beijing to put an end to their actions or in streets near the Indonesian government offices calling Indonesia to end their ties with China. Responding to these protests, the Chinese Embassy immediately held press conferences and meetings with Indonesian officials, where they affirmed that China had provided basic rights for Muslims in Xinjiang, including their right to religion (Brasnett, 2021: 51). Following reports from the Australian Strategic Policy Institute that China had destroyed thousands of mosques in Xinjiang, the then Chinese Ambassador to Indonesia, Xiao Qian, made visits to several mosques and met with Muslim communities in an effort to rebuke the report (ibid.). He mentioned that news about mosques being destroyed in Xinjiang and Uighurs being detained in concentration camps are only rumours and slanders and asserted that Western countries such as Australia and the US have deliberately raised the Uighur issue to increase anti-China sentiment for their political interests (ibid.).

The issue of Xinjiang has also been discussed during meetings with Indonesian political elites. One of those took place during the visit of Indonesian parliamentary members to Beijing to meet with the Chinese government (Aswar et al., 2022: 66). During the meeting, it was claimed that freedom of religion in Xinjiang is fully protected and everyone can practise their religion freely. In another meeting with Indonesian officials and religious scholars, Xiao also mentioned that news on China's repressive measures against Uighur Muslims are not valid. Although he admitted that there are problems in Xinjiang, they are currently being handled by the government. He also invited the Indonesian people to see the 'real condition' of Uighurs in China. On another occasion, Xiao recited the classic story of Chinese Muslim sailor, Zheng He, who travelled to Indonesia and formed ties between the two countries and narrating his own links to Islam by citing a 1300-year-old mosque in his hometown of Taiyuan (Brasnett, 2021). He also ensured to inform that while many Muslims in China support the government, a few portions of Uighurs have entered the fold of extremism and attempted to form separatist movements, which has left China with no option but to initiate policies to protect its unity (ibid.). A similar effort was also made after the visit of Seyit Tumturk, president of East Turkestan National Council based in Istanbul, and Gulbakkhar Cililova, an Uighur from Kazakhstan, to speak about the evidence that Uighurs were being detained in concentration camps. Soon after the event, Xiao Qian made a sudden visit to the then deputy spokesman in the People's Representative Council, Fahri Hamzah. Nonetheless, Hamzah was adamant that China's Xinjiang policy was a human rights issue and therefore the Indonesian government should not be afraid to speak out (Anwar and Jones, 2019).

While Indonesia's economic dependency on China holds a crucial sway, these efforts appear to have made some Indonesian officials turn a

blind eye. Following his meeting with the Chinese Ambassador, Indonesia's Coordinating Minister for Political, Legal, and Security Affairs, Mahfud MD posted a tweet regarding his stance towards Uighurs: 'I often go to China and see many mosques, halal restaurants and Muslim people, [they are] safe' (*CNN Indonesia*, 2019, December 24). Similarly, in a press statement after a meeting with the Chinese Ambassador in December 2019, Chief of Staff of Presidency, Moeldoko, commented on the Xinjiang issue that: "Every country has the sovereignty to regulate its citizens. So the Indonesian government does not interfere in China's domestic affairs" (Prasetia, 2019).

3.2. Cooperating with Muslim Organizations

Beijing's reported campaigns of mass detention, political indoctrination and forced assimilation of the Uighurs have also attracted the attention of Islamic organizations in Indonesia, especially the country's two largest Muslim organizations – namely Muhammadiyah and Nahdhatul Ulama (NU). In December 2018, for instance, Muhammadiyah issued an open letter condemning Beijing's attitudes towards the Uighurs and asked the Chinese government for an explanation (*KLIKMU*, 2018). On several occasions, NU has also stated that Beijing's treatment of the Uighur is a form of human rights violation (Prihantoro, 2019).

As China realized that the situation could exacerbate long-held anti-China sentiments in Indonesia and impact its economic interests in the country, it has employed Muslim diplomacy towards Indonesia's largest Muslim organizations to co-opt their narratives on Xinjiang and Islam. China's Muslim diplomacy towards these organizations began in 2016 during the active implementation of the BRI (Rohman and Amaliyah, 2019: 73). This has three main components.

The first is framing its Xinjiang policy in the context of terrorism and separatism and forming a narrative that China is an ally to the Muslim world. In 2018, responding to several protests against China's Xinjiang policy, Xiao Qian, visited offices of NU and Muhammadiyah (*Indhie*, 2018). At the NU headquarters, he claimed that China was being scapegoated by unnamed countries about its policy towards the Uygurs and that re-education camps were intended to increase their work and Chinese language skills (ibid.). Meanwhile, in front of Muhammadiyah leaders, he asserted that China is a better ally to the Muslim world than the West. For many years, China has supported the Palestinian issue in the UN Security Council and has never invaded Muslim countries (Murphy, 2020).

Secondly, China has also invited members of these organizations to visit China, including Xinjiang. After Muhammadiyah issued an open letter in February 2019 criticizing China's Xinjiang policy, China invited top

clerics of NU, Muhammadiyah, and the Council of Ulama Indonesia (MUI) on tours of the Xinjiang camps to witness the conditions of the Uighurs (Tisnadibrata, 2019). It was reported that during the visit Chinese authorities gave presentations on terrorist attacks by Uighurs and invited these clerics to pray at local mosques (Anwar and Jones, 2019). The visitors were also invited to visit camps, where they were told that students receive training in Chinese language, animal husbandry, and hotel management. 2019 was not the first time China invited Muslim figures to China (ibid.). After the Kunming attacks in 2014, the state-backed Chinese Islamic Associations invited Islamic scholars from Indonesia and other countries to an Islamic conference in Xinjiang (Wani, 2021). A similar effort also occurred in 2016 after news circulated in Indonesia that China prohibits Uighurs to observe fasting during Ramadan and two Indonesian Islamic political parties, the Prosperous Justice Party and the United Development Party, issued statements condemning China's restrictions on the Uighurs' religious freedom. In the visit, the five visitors were invited to meetings with senior Uighur religious scholars and to visit mosques in Xinjiang (Emont, 2016). It was reported that while the visitors, who were NU members, were skeptical of China's narrative when they arrived and unsure if they have received the complete story, they appeared to have been convinced (ibid.). Bina Suhendra, NU's chief treasurer, said after the visit that: "The [Chinese] state guarantees freedom of religion to all religions" (ibid.).

The third component is offering donations and collaborating on specific projects. The former has been prevalent towards NU, while the latter has been used towards Muhammadiyah. China had inked a number of agreements with NU on assistance for poverty eradication, health and education (Anwar and Jones, 2019). Officials from the Chinese Embassy also regularly visit NU, especially during the month of Ramadhan (ibid.). In 2015, for example, the Chinese Embassy donated US$7,000 for NU orphanages (ibid.). In 2018, it also funded the building of sanitation facilities in NU-dominated villages in West Java (ibid.). In the meantime, Muhammadiyah had agreements with China for partnership between Muhammadiyah-owned hospitals and universities with Chinese counterparts (Ilmie, 2017).

China's efforts to approach these organizations have been fruitful. Several NU's figures, such as Yahya Cholil Staquf, NU's chairman, have asked Indonesians not to criticize China on the Uighur issue. Other figures of NU have also echoed Chinese narratives on Xinjiang. For instance, the former NU's chairman and its leading figure, Said Aqil Siradj, claimed that China guarantees the freedom of its people including their religion. Siradj argues:

> I've been there (China). Many have been there, religious leaders witnessed how mosques were built, Imams were paid a fair salary. Prayers, recitations

> are allowed as long as they are not outside the mosque (*CNN Indonesia*, 2019, July 17).

Siradj further said that during his visit to China he had stopped by the house of Haji Muhammad, a Chinese Muslim who told the story that the condition of Muslims in China today is better compared to before (Maksum, 2018). Even Chinese Muslims are said to have received support in spreading the religion of Islam, as long as they do not disturb public order. In line with Beijing's narratives, he claimed that the Xinjiang issue is a separatism issue, whereby he called the Indonesian government not to interfere with China's domestic affairs (ibid.).

This kind of view has also been expressed in various forums. Siradj, at an event held by NU in July 2019 said:

> I've been to Xinjiang. The mosque is beautiful. I also met my friend in Chengdu. There, when praying in the mosque, the congregation bursts out of the courtyard (Basuki, 2019, July 20).

Then, when answering reporters' questions about the oppression in Uighurs, Siradj said:

> The issue of torture is in the past. Xinjiang is very good, really. The current situation is that several Uighur combatants were arrested by our police for joining an Indonesian terrorist group (ibid.).

An appreciative attitude towards China's policies in Xinjiang was also conveyed by an NU leading figure, Imron Rosyadi Hamid who explains that the Xinjiang issue cannot be linked to anti-Islam policy (Ilmie, 2018). He emphasized that what the Chinese government is doing is to prevent the separatist movement (ibid.). Echoing Chinese official narrative, Hamid claimed that China's constitution guarantees freedom of religion, including Islam. Muslim life in China, outside of Xinjiang, live happily and peacefully (ibid.).

Compared to NU, Muhammadiyah appeared to be more openly critical of China when it alleged that the 2019 visit was choreographed (Rakhmat, 2022, January 31). This position is based on reports by some Western media – that is, the organizations' representatives were not taken to the 'real camps' where the Uighurs were being held and were made to believe that the so-called re-education camps were intended to provide job training and to combat extremism (Emont, 2019). Although Beijing has denied such claims, organizations such as Human Rights have also reported that the visit was orchestrated (Wang and Harsono, 2020). Despite this, a recent peer-reviewed study reveals that there has been a shifting of views among Muhammadiyah members in their social media activities from being critical of China to show a more positive image of China, including its Xinjiang policy (Fadillah and Jandevi, 2020: 57–61). Moreover, one of the invited visitors to China from

Muhammadiyah, Agung Danarto, who is the organization's secretary also said after returning to Indonesia that:

> The camps are great, there [the students] are given life-skills training, and so forth. They get lessons in agriculture, restaurant operation, cooking and automotive repair (Eckert, 2019).

The view of these Muslim organizations is crucial in Indonesia. These organizations, which collectively have 100 million followers, have considerable sway to influence public opinion (Fansuri, 2022). Moreover, they have strong ties with the government, given the fact that many of their members are also prominent government officials (Jung, 2014). For example, NU's Deputy Secretary-General, Masduki Baidlowi, is the spokesperson for the current Vice President Ma'ruf Amin. In 2019, he issued a statement arguing that Indonesia's soft approach on the Xinjiang issue is the right way (Amindoni, 2019). It is thus plausible that these organizations' uncritical view can be one major reason behind Jakarta's silence on the Xinjiang issue.

There are, however, other factors that may contribute to the results of China's Muslim diplomacy towards Muslim organizations. Indonesia's growing economic dependency on China may be one factor. As mentioned earlier, China has through the BRI become Indonesia's second-largest foreign investor and top trading partner. For Muslim organizations in Indonesia, staying silent on the Xinjiang issue serves two purposes: maintaining their ties with the government, which has strong relations with Beijing, and sustaining their own cooperation with China. Their relative silence on the Xinjiang issue could also be related to Indonesia's counter-terrorism efforts, which these organizations have pledged to support. While small in number, there have been Uighurs involved in radical movements in Indonesia (Anwar and Jones, 2019). For all its efforts, China's Muslim diplomacy towards Indonesia's Muslim organizations appears to have achieved the rare feat of walking on water and silenced these organizations' critics of its Xinjiang policy. As long as the Indonesian government sees benefits in its ties with China and maintains relations with these organizations, it is not likely that the latter would turn critical towards China.

3.3. Providing Scholarships to Santris and Cooperating with Islamic Academic Institutions

Another important part of China's Muslim diplomacy in Indonesia is courting Muslim students, known as "Santri", with scholarships to ensure that its policies and image are seen from the perspective of China alone. China has been offering scholarships to Indonesians for years (Rakhmat, 2019). However, the more active targeting of the Santri community is very recent.

It follows the implementation of BRI and news about China's discrimination against the Uighurs. Although precise data are difficult to find, it is reported that China is the second top destination for Indonesian students (Rakhmat, 2022, March 17). The latest data in 2019 from the Indonesian Embassy in Beijing recorded 15,780 Indonesians studying in China (ibid.). These scholarships have taken many forms, although most students receive the Chinese Government Scholarship (CGS) (*MAJT*, 2017). The most important is the one provided to NU, to allow NU-affiliated students to pursue education in China. These students are spread across several Chinese universities. As their number increased, they even founded the NU China chapter (*PCINU Tiongkok*) (Rohman, 2019).

These Santris also organize various events in China such as webinars and book launches. One example was on Santri Day in 2020, when *PCINU Tiongkok* held a webinar on the roles of Santri in strengthening China-Indonesia relations (Rusdiyah, 2020). Students also frequently attend Beijing-orchestrated events such as the Xinjiang Brief Forum (Zuhri, 2021). The forum was specifically designed to invite Muslims outside China and advise them on how to communicate the Xinjiang issue to their respective communities. During the events, students agreed that the Xinjiang issue needs to be seen "comprehensively", choosing not to believe Western media reports (ibid.). *PCINU Tiongkok* was also invited to the China-Indonesia Symposium on Islamic Culture in Quanzhou in Wuhan in 2019 and 2020 (ibid.). The event was hosted by the Fujian government together with Huaqiao University and the China-Indonesia People-to-People Exchange Development Forum. It is a forum for sharing the views of academics, practitioners and officials on how to improve China-Indonesia relations.

This effort of providing scholarship to Santris seems to have brought some results. Some of these students are now writing in local media to promote the idea that religious freedom is ensured in China. They are associating the Xinjiang region with insurgency as China does. In March 2021, for instance, the vice president of *PCINU Tiongkok* and student at Central China Normal University (CCNU) published an opinion article asserting that "Islam in China is relatively developed" and suggesting that the Xinjiang issue should not be viewed from Western perspective (Zuhri, 2021). The same point of view was also written by another CCNU student in Indonesian newspaper *Jawa Pos* (Musyafak, 2021). A former Santri at one of the Islamic boarding school in East Java, he wrote about his positive experiences as a Muslim living in China.

Another interesting example is a commentary entitled '*Uighur dan Pemboikotan Olimpiade Beijing*' ('The Uighurs and the Boycott of the Beijing Olympics'), by Novi Basuki, a Santri who was awarded an arts scholarship by the Chinese government to study at Huaqiao University in Fujian province,

where he focused on Chinese language and culture for three years and a scholarship from Xiamen University, where he obtained his master's degree, and received his doctorate in international relations at Sun Yat-sen University (Suryadinata, 2022). In the article that was reprinted in some other media, he noted that the US, the UK, Canada and Australia have declared diplomatic boycotts of this year's Beijing Winter Olympics because of China's "genocide" of the Uighurs in Xinjiang (Basuki, 2021, December 20). He claimed this is incorrect, citing figures from China to demonstrate that the Uighur population in Xinjiang was 8.34 million in 2018, and 11.62 million in 2020 (ibid.). In other words, Uighurs' fertility rate was 1.71%, as contrasted with the lower figure of only 0.83% for the Han ethnic group. He asserted that considering these figures, the allegations of genocide against Uighurs was 'baseless' (ibid.). He also claimed that the diplomatic boycott by the US and its allies goes against the spirit of the Olympics, because 'Olympism' represents friendship and justice; as for human rights, he contended that participating in the sports event was also a form of 'human rights' (ibid.). Basuki is not alone. Fadillah and Jandevi (2020: 51) also found that, from their social media activities, views of China among Muhammadiyah students attending Chinese universities tend to be positive and affirmative of Chinese narratives.

Another interesting exemplification is a YouTube channel *Asumsi*, which has a program called 'Cha Guan', which in English means 'tea shop'. The show aims to broadcast 'anything about China and its relevance to Indonesia' and hosted by a number of Indonesian graduates of Chinese universities, including Basuki, informing the public about China in a positive light. One video talks about how China treats its Uighur community well and how China acts according to the teachings of Islam. It is difficult to deny that the activities of these graduates in spreading positive messages about China contribute to Beijing's Muslim diplomacy in Indonesia. The NU-led news website, *NU Online*, run mainly by Santris also repeatedly publishes articles that seem to paint a picture of a peaceful and comfortable life for Muslims living in China. One article states that 'Uighurs are free to worship' (Muchlishon, 2019).

In addition, there are also short-term scholarships. In 2019, for instance, Beijing offered scholarships to Santris for a visit to Xinjiang to see the lives of Muslims in the regions (Ulum, 2019). China has also collaborated with Indonesia's Ministry of Religious Affairs and the Ministry of Foreign Affairs to send several Indonesian students to visit China in the 'Santri for World Peace, Goes to China' program (*Kementerian Luar Negeri Republik Indonesia*, 2019). During the program, these students are invited to meet representatives of various state-led institutions, including the Chinese Islamic Association (CIA), to hear the Chinese Communist Party (CCP) version of the 'Islam in China' story (ibid.). On a visit in 2019, for example, CIA's leading

figure claimed the relationship between Chinese Muslims and the Chinese government was very good (Rakhmat, 2022, March 17). Earlier in 2013, around 60 Santris from Ar-Risalah Islamic boarding school in East Java were invited to attend a summer school in Hangzhou (ibid.). Nurul Jadid Islamic boarding school in Central Java also reported that a number of its students had received scholarships to study in China (Mulyasari and Lamijo, 2021).

Over the years, China has said it will continue to provide scholarships to Indonesian Muslim students. Last year, for instance, the Ningxia Autonomous Region promoted its scholarship program to the Indonesian Santri community under the banner 'Graduates from Islamic boarding schools in Indonesia can study technology and business at Ningxia University' (Ilmie, 2021, July 7). These scholarships are not only being promoted by Chinese representatives, but also by alumni through seminars and conferences. Some of these are held in mosques and Islamic universities (Rakhmat, 2022, March 17). In 2017, for instance, a seminar entitled 'Seek Knowledge until China' was held at the Central Java Grand Mosque. The speakers were an alumnus of Huazhong Agriculture University and Nanchang University, who spoke about living and studying in China as a Muslim (*MAJT*, 2017).

As part of this educational segment of China's Muslim diplomacy in Indonesia, China has also established cooperation with Islamic educational institutions in the country. Making education a means of public diplomacy to introduce Chinese culture and to gain acceptance among the Indonesian society has been part of China's diplomacy since the beginning of its ties with Indonesia (Rakhmat, 2019). In recent years, however, China has attempted to get closer cooperation with Islamic institutions. Confucius Institutes, which are CCP-owned institutions aimed at spreading Chinese culture and teaching Chinese language around the world, have been established in partnership with Islamic universities such as Universitas Al Azhar Indonesia in 2010 and Muhammadiyah University of Malang (Amelia and Isyana, 2016: 11), alongside with other Indonesian universities. Activities of these institutions include not only teaching Chinese language but also teaching Chinese politics and values, organizing China-related cultural events and conducting student and lecturer exchanges to China (ibid.). Through these institutions, China has been able to penetrate Indonesian secondary and primary schools. One example comes from Confucius Institute at Universitas Hasanuddin which has partnered with Athira Islamic School in Makassar (Theo and Leung, 2018: 8).

A number of Islamic higher institutions in Indonesia have also been approached by China to establish partnership with their Chinese counterparts. In April 2017, Guanxi University for Nationalities, along with the ASEAN Nanyang Foundation, signed an agreement with Universitas Nahdlatul Ulama Indonesia (Unusia) on student and faculty exchanges, as well as in the teaching of 'moderate Islam' (Niam, 2017). A year later, the embassy announced new

scholarships for UNUSIA students to study in China (Muchlishon, 2018). In addition, Universitas Islam Negeri (UIN) Sunan Kalijaga Yogyakarta has signed a cooperation agreement with Beijing Education Institute for International Exchange (BEIIE), a non-profit organization under the Chinese government (Setiawan, 2019). The agreement involves 10 universities in China and includes joint research between universities, sending lecturers for doctoral studies, and exchange of students and professors (ibid.). In addition to UIN Sunan Kalijaga, UIN Walisongo Semarang has also engaged in educational collaborations with 23 Chinese universities in 2019 (Fathuddin, 2019). Other universities include UIN Surabaya with the Chinese Consulate General, UIN Ar-Raniry Aceh with Huazhong University of Science and Technology, and Universitas Islam Indonesia with Nanjing Xiaozhuang University. In their study on the implementation of agreements between Confucius Institutes and Universitas Al-Azhar Indonesia as well as Universitas Muhammadiyah Malang, Amelia and Isyana, (2016: 11) affirm that activities such as student-faculty exchanges and cultural events have become platforms for China to spread its own narratives that it respects Islam and protects its Muslim citizens.

3.4. Expanding Media Strategies

Beyond education, China's Muslim diplomacy in Indonesia also involves media propaganda. In many parts of the world, China has expanded its media influence globally to support its growing clout. Beijing is dispersing its version of information through content-sharing deals under media partnership, censorship and training of foreign journalists (Cook, 2021). China employs these strategies to amplify narratives in line with the CCP's interests, especially in countries where China has high stakes. There are several media strategies that China adopts as part of its Muslim diplomacy in Indonesia.

The first strategy is expanding the physical presence of its media and the use of social media. In recent years, a number of Chinese media have established their branch offices in Indonesia, such as Hi Indo! Channel owned by China Central Television (CCTV) and PT. Elnet Media Bersama directed at young audiences, and Xinhua, China's largest state news agency (Amirio, 2015). This physical expansion is intended to ease their operations, especially in recruiting Indonesian journalists and staff members to ensure 'China's stories' are spread in the local language. Some of these media also have social media accounts in Bahasa Indonesia. The most crucial example is Xinhua, which has a Twitter account in Bahasa Indonesia with 64,400 followers (Han and Rakhmat, 2022). China Radio International (CRI)'s Indonesian Service also has a Facebook page in Bahasa with 185,000 followers. While this number of followers is lower compared to other foreign media such as the US' Voice of America with 324,000 followers, these Bahasa Indonesia versions of

Chinese media's social media account would allow Chinese Communist Party (CCP) narratives to be conveyed properly in Indonesia. Xinhua's Indonesian Twitter feeds, for example, often contain news on the visit of an Indonesian politician to Xinjiang and the positive comments he made about the place and the peaceful state of Islam in China.

China's use of social media in its diplomacy in Indonesia has indeed increased in recent years. The recent decision of Lu Kang, China's newly appointed ambassador to Indonesia, to begin his appointment by opening a Twitter account and tweeting a greeting to Indonesian citizens, exemplifies this phenomenon (Mulyanto, 2022). Globally, China has used Twitter as a platform for its diplomacy, a practice recently conceptualized as 'Twiplomacy'. A report by the London School of Economics revealed that official Chinese Twitter activity has increased markedly in recent years (Alden and Chan, 2021). Even though almost all countries have some form of presence, China's use of Twitter, which is blocked inside the country, is relatively new. As a matter of fact, the Chinese Foreign Ministry only opened its Twitter account in 2018. While the previous Chinese Ambassador to Indonesia, Xiao Qian, who served from December 2017 to November 2021, did not have a notable social media presence, Ambassador Lu decided to open a Twitter account in April soon after presenting his credentials to President Joko Widodo. Having already amassed 33,000 followers, Lu has used his Twitter to highlight the positive progress in China-Indonesia relations, in Chinese, English and Bahasa Indonesia. From some of his tweets, it appears that the Twitter account has also been employed by the Ambassador to contribute to China's Muslim diplomacy in Indonesia. Lu, for example, tweeted about his visit to an Islamic boarding school (*Pesantren*) to speak about the close ties between Chinese and Indonesian Muslims. He also wrote about how peaceful Islam in China is. Of course, prior to Lu Kang joining Twitter, China's use of social media in its Muslim diplomacy in Indonesia has already seen some progress. Even though Chinese embassies and consulates in Indonesia do not have official Twitter accounts, official figures present in Indonesia are very active on Twitter. One of them is Chinese ambassador to ASEAN, Deng Xijun, who is based in Jakarta. On his official account, besides tweeting about his activities, Deng frequently spreads Beijing's narratives such as how "Xinjiang is a target of US smear campaign" and the positive developments that Beijing claims have taken place in Xinjiang.

The government in Beijing seems to realize that the use of social media has never been more important than today with its increasing presence in Indonesia. Social media offers China the opportunity to reach Indonesian audiences in a fast and effective manner. For instance, currently, Indonesia belongs to the top five countries in the world with the highest number of

Twitter users (Dixon, 2022). This strategy would allow China to monitor Indonesian public opinion and engage in public debates. On Twitter, for example, through the use of hashtags, Chinese accounts are able to make sure that for certain topics, such as #Xinjiang, their tweets will feature prominently. At the same time, using just 280 characters, China is able to spread its messages in a direct and straightforward manner.

The second strategy is inviting Indonesian journalists to China and cooperating with Indonesian media. In the past few years, China has actively invited foreign journalists to the country to supply them with its own version of information and to encourage them to circulate the information to Indonesian audience. In 2019, the Indonesian Journalists Association was invited to attend the Belt Road Initiative Journalists Forum conference organized by CCP-affiliated All China Journalist Association (ACJA) (Han and Rakhmat, 2022). Sponsored by the China Communications University and China International Radio, the cooperation covers journalist exchange, journalist training, joint reporting and academic activities (ibid.). Upon returning, one journalist from the Muslim-majority province Lombok wrote a piece in a local newspaper, praising China and its press freedom (*Radar Lombok*, 2019). In 2018, ACJA also cooperated with the Indonesian Journalists Association (PWI) to create a prize for Indonesian journalists writing on the BRI, incentivizing local journalists to write pro-China stories (Han and Rakhmat, 2022).

Related to this, it was reported that Indonesian journalists have received complaints from the Chinese government when they write articles that are not in line with the Chinese narratives. For example, Bayu Hermawan, a journalist for the Indonesian newspaper *Republika*, received a WhatsApp message from one of the Chinese Embassy officials in Jakarta asserting that an article he wrote concerning a 2019 China-invited tour to Xinjiang has errors and that he did not properly narrate the positive aspects of his trip (Emont, 2019). Hermawan's articles cited residents in one of the re-education camps in Xinjiang who asserted that they were not given trials or were jailed for offences such as eating *halal* foods (ibid.). Besides inviting journalists to China, China has additionally funded tours for social media influencers from Indonesia. Based on a report by Tenggara Statistics, an Indonesian investment consultancy institute that organized the tours, these influencers were paid US$500 per day. One of the participants was the former Miss Indonesia, Alya Nurshabrina (ibid.), who, upon returning from the tour, posted a now-deleted photo of a mosque outside Beijing with a caption 'China welcomes every religion' (Han and Rakhmat, 2022). In October 2020, Nurshabrina also uploaded several photos exhibiting her positive experiences in China and created a competition in which she asked her followers to share their memories in China (ibid.).

Chinese media entities have also established ties with their Indonesian counterparts to support its content-sharing strategies. This strategy enables Chinese state media contents to circulate widely, reaching Indonesian audiences through local media. This has been established with *The Jakarta Post*, where content from Chinese media such as Xinhua and *China Daily*, which is owned by the CCP's Publicity Department, are being reposted (ibid.). *The Post* also publishes writings by Chinese ambassadors (ibid.). In addition, Xinhua has also signed a partnership agreement with Indonesia's state news agency Antara and local broadcaster, MetroTV, which has led these two large media organizations in Indonesia to broadcast more positive and less critical coverage of China (Wahyudi, 2019). Freedom House reported that Antara journalists in Beijing frequently write articles that parrot Chinese media points of view, including on Xinjiang (Han and Rakhmat, 2022). In April 2021, Antara also published a two-series story on how Muslim holidays are spent in China (Ilmie, 2021, April 25), and had published a special report of Xinjiang's re-educational camps that essentially repeating China's propaganda that the camps aimed to eradicate terrorism (Ilmie, 2021, June 3). CRI also broadcasts on the Jakarta-based FM news radio station Elshinta in Bahasa, one of the top radio stations in the country (Han and Rakhmat, 2022). Research from the *British Journal of Chinese Studies* also confirms several Indonesian media outlets, which frequently repost Chinese media reports in recent years, often publish news with positive narratives (Febrica and Sudarman, 2018: 106–107).

Another strategy is censorship. China has also gradually carried out efforts to censor anti-China information in Indonesia. In August 2020, Reuters reported that Chinese tech firm ByteDance had censored articles critical of the Chinese government on Indonesian Baca Berita (BaBe) news aggregator app, which is used by millions in Indonesia (Potkin, 2020). The censorship was based on instructions from the company's Beijing headquarters. The restricted content reportedly included references to 'Xinjiang', 'Tiananmen' and 'Mao Zedong', as well as to China-Indonesia tensions over the South China Sea (ibid.). Conflicting reports from the company and sources cited in the article claimed that the moderation rules became less restrictive in either 2019 or mid-2020 (Kelly, 2020). Censorship also takes place in ByteDance-own app, TikTok, which is one of the most downloaded apps in Indonesia. Freedom House reported that there have been some cases of TikTok removing contents that are considered sensitive in the Chinese censorship guidelines (Han and Rakhmat, 2022). In early 2021, the Chinese government censorship agency also blocked Indonesian newspaper site *JawaPos* in several regions in China such as Beijing, Shenzhen, Inner Mongolia and Yunnan province (Guest, 2021). *JawaPos* said that this was allegedly due to China's sensitivity to criticism of the CCP (ibid.). It also relates to human rights violations of the Uighurs (Puspaningrum, 2021).

4. Conclusion

This article has demonstrated that China, in its relationship with Indonesia, has adopted Muslim diplomacy with two objectives, namely to craft a positive image of itself as a country that has the respect of Islam and to prevent criticism from the Indonesian Muslim community towards the human rights situation in China. China's Muslim diplomacy in Indonesia consists of four elements. First, promoting positive narratives about its Xinjiang policy to Indonesian officials through official meetings and visits. Second, it also involves cooperating with Muslim organizations to influence these organizations' perceptions of China's policy towards Islam, by inviting prominent figures of these organizations to visit China, specifically Xinjiang, and by providing funds and to the organizations' activities and programs. Third, offering scholarships to Santris and cooperating with Islamic academic institutions. Lastly, China's Muslim diplomacy in Indonesia also consists of media efforts to control the circulation of information on China, its stance towards Islam, and the Xinjiang issue. This media endeavour comprises several aspects, namely expanding the physical presence of its media and the use of social media, inviting journalists and social media influencers to visit China and to write positive stories about the visits, content-sharing agreements, and censorship of information that are not in line with the Chinese official propaganda.

Although relatively recent, China's Muslim diplomacy appears to have brought some results. This can be seen from the views and narratives of the audiences targeted by China. As shown throughout the article, some Indonesian government officials, top figures and members of Muslim organizations, and Santris are now agreeing and even voicing Chinese narratives on issues such as China's policy towards Xinjiang and the conditions of Muslims living in China. It is, however, crucial to note that this article does not dispute that Indonesia's economic dependence on China is the core factor behind its hesitation to condemn the Chinese government's treatment of Uighurs. But it aims to highlight China's Muslim diplomacy efforts, which should be acknowledged in order to have the complete picture.

In the coming years, as the ties between China and Indonesia are expected to grow, the former is likely to continue and expand its Muslim diplomacy. Public perceptions of China in Indonesia have not been very positive. Based on a survey conducted by ISEAS-Yusof Ishak Institute in July 2022 which interviewed 1,600 respondents of various genders, ages, regions, ethnicities and religions, there is a decline in the public's positive feelings towards China compared to five years ago (Negara and Suryadinata, 2022). The survey also found that positive feelings towards China among Indonesian people only reached 66%, compared to 76.7% five years ago (ibid.). One of

the major reasons for the declining view is China's policy towards Xinjiang (Walden, 2019). In this context, as long as China persists in its treatment of Xinjiang, the potential for this issue to roll in Indonesia and to negatively affect China's footholds in Indonesia, will continue. While cooperation on various fronts is expected to grow, positive public perceptions are also important to ensure the continuity of the ties between the two countries. Therefore, there is a high likelihood that China will continue to employ Muslim diplomacy in its engagement with Indonesia. Such efforts could be expanded from its current forms.

Against this background, further research needs to be conducted to continuously analyze the development of China's Muslim diplomacy in Indonesia in the coming years. This article also provides relevant insights into the discussion about China's diplomacy and soft power, particularly in the Muslim world. It would be interesting to compare these findings concerning Indonesia with other Muslim countries. While it has been reported that the Muslim world has remained silent or even has refused to condemn China's policy towards the Xinjiang issue, most of the analyses rely on the readily available explanation that it is these countries' economic dependence on China. There are limited studies available on the efforts employed by China in winning the hearts and minds of these Muslim countries. Hence, adopting the notion of Muslim diplomacy in other contexts could help fill the gap in the lacuna.

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