

The
CIIS Blue Book
on
International Situation and China's Foreign Affairs
(2015)



China Institute of International Studies



World Affairs Press

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Introduction

How can we depict or describe the year 2014? Was it a year full of crises, or one that just saw riotous clouds sweep past? 2014 marked the 100th anniversary of the outbreak of World War I and the 120th anniversary of the beginning of the First Sino-Japanese War. It is safe to say that 2014 was a year of geo-political surprises. Throughout the year, “Black Swan” events occurred, important geopolitical incidents happened in Europe, Asia, the Americas, and the Middle East, and energy was used as a weapon once again, leading to the evolution of the international situation and helping shape what the year 2015 will be like.

The eruption of the Ukraine crisis, like a tossed stone that produces a thousand ripples, has led to increased geopolitical rivalry in Europe.

Flames continued to spread in eastern Ukraine. Europe was experiencing its most significant conflict since the Kosovo War and witnessed the fragmentation of the security model of which Europe was once proud.

The conflict has evolved into a proxy war between the West and Russia, chilling their relations. While the US and other Western countries tried every means to cut off the bear’s paws and pull out its teeth, Russia did not choose to be a “quiet little bear”. Instead, Russia chose to counterattack because Putin believed that “whatever Russia does, the West will try to add to the misfortunes of Russia”.

A virtually bankrupt Ukraine became a hot potato for Europe. The political game among the US, Europe, and Russia has brought Europe back to geopolitical rivalry, leaving none of them emerging a total winner.

Russia might have gained Crimea, but lost Ukraine. The Commonwealth of Independent States (CIS) was falling apart, while Russia's relations with the West suffered a cliff-fall. Several rounds of Western sanctions targeted Russia's financial, energy, and military fields, and as a result the Russian economy went from bad to worse and its ruble plunged and fluctuated like a roller coaster. Lower oil prices made the winter particularly cold for energy export-oriented Russia. President Putin said at his press conference that the next two years would see economic difficulties in Russia, a warning in fact that the Russian public should prepare for tough times in their lives.

Europe just emerged from a major sovereign debt crisis only to find, helplessly, a conflict occurring at their doorsteps. Not sure what to do with the conflict, Europe suffered from the burden of Ukraine, witnessing disappearing security dividends. Europe imposed sanctions against Russia, but it wanted to ensure that the sanctions would not be excessive, otherwise there would be a boomerang effect on Europe because Europe remains heavily dependent on energy from Russia. One-third of the natural gas consumed by Germany is imported from Russia. Therefore, Europe has been in an awkward position between the United States and Russia.

Taking advantage of the "Russian threat", the US tried to drive a wedge between Russia and Europe, and between Russia and Germany in particular, while enticing and pressuring Europe to strengthen their "common security and defense". The NATO Summit in Wales decided that NATO members should spend 2% of their GDP on defense in the next ten years. However, Europe has found itself unable to make ends meet in the face of financial crisis and even harder to increase military spending. What the US did with regard to Ukraine has let Europe down. First, President Obama ruled out military intervention, making the US appear to be a dubious ally at a critical time. Second, Obama has

engaged vigorously in promoting a “rebalancing” to the Asia-Pacific in the past few years, creating an “All Quiet on the Western Front” illusion to Europe and the world, and then Russia took the opportunity to wage a counterattack, taking Europe by surprise.

The Asia-Pacific has become an arena where remodeling the mechanisms, reshaping the rules, and battling for regional order remains key.

The Asia-Pacific continued to be a “battlefield”: a substantial game was on between China and the US as well as between China and Japan. The United States had to “look around”, but even in face of the impact of the crisis in Ukraine, the US was strengthening its rebalancing strategy towards the Asia-Pacific.

Politically, the US strengthened its relations with its allies and partners. The US stood with Japan, wooed India, and increased intervention in the islands disputes in East Asia. President Obama paid a visit to Japan, the Republic of Korea, Malaysia, the Philippines, and Myanmar, and engaged in multi-pronged diplomacy in security, economic aid, and democracy and human rights fields. The US attempted to create Asia-Pacific security and economic and trade regimes, leading regional rules-making. Economically, the US pushed negotiations over a “Trans-Pacific Strategic Economic Partnership (TPP)” Agreement, narrow differences with Japan and other countries, and constrained other institutional initiatives in the Asia-Pacific.

Militarily, the US increased its deployment in East Asia, such as the deployment of F-35 fighters, Osprey transport aircraft, Global Hawk UAVs, and long distance early warning systems such as x-band systems, and maintained the same level of close-range surveillance along China’s coast. The US intensified its efforts with Japan to amend their defense cooperation guidelines, blatantly reaffirmed in a high profile manner that the 5th article of the US-Japan Treaty of Mutual Cooperation and

Security applies to the Diaoyu Islands. The US signed an agreement with the Philippines to strengthen defense cooperation over the next 10 years, lifted some restrictions on arms exports to Vietnam, and planned to deploy more troops to Australia.

The US continued to interfere in the South China Sea disputes, creating regional tensions. The US has become a de facto “third party” in the South China Sea by ignoring basic facts and international law, contravening its own commitment of taking no position or sides on the South China Sea issue, pointing fingers at China, playing favoritism to some claimants, and promoting judicialization of the South China Sea issue in order to gain geo-strategic interests. Nevertheless, the United States intended to adjust its “rebalancing” strategy, but found it difficult to sustain its resilience.

Japanese Prime Minister Shinzo Abe continued to move to the right. Abe won the parliamentary elections and intended to take advantage of a possible longer term in office to turn Japan into a “normal state”, lift the ban on collective self-defense, amend the pacifist Constitution, and get rid of “postwar regimes”. The Abe administration also wanted to strengthen cooperation with the US military and join hands to constrain China. However, the effectiveness of “Abenomics” has decreased, delivering little practical results, and Abe’s performance has made Americans realize that he is actually right-wing in ideology rather than in tactics, and deserves vigilance from the US.

Through tough negotiations, China and Japan reached a four-point principled consensus before the informal meeting of leaders of the Asia-Pacific Economic Cooperation (APEC) hosted in November 2014. But Japan remains capricious and inconsistent, and the road towards improvement of Sino-Japanese relations will remain long and tortuous.

ASEAN intensified its community building and engaged in diplomacy with major powers. But the intervention by major

powers poses a risk for ASEAN to become a battlefield, thus putting unprecedented pressure on ASEAN seeking to retain its centrality in East Asia cooperation.

The sudden emergence of the Islamic State (IS) shocked the world and the Middle East entered into the post-Arab Spring era.

With its roots in Syria and Iraq, IS became the most powerful and influential terrorist organization in the world almost overnight, with obvious spillover effects. IS regards Israel as its irreconcilable enemy, and challenges the “spheres of influence” of Iran, the United States, and other Western countries in the Middle East. With cruelty including beheading, IS conquered land and broke the political landscape of West Asia and North Africa. However, its extremist ideology has attracted extremist and terrorist forces from around the globe to join the “holy war” and the terror threat spread to other parts of the world: from the Middle East to Asia and to Europe and Oceania. Various terrorist organizations tried to learn from IS experiences. The Taliban in Afghanistan, the Taliban in Pakistan, the “Boko Haram”, and Libyan fundamentalist armed forces launched new offensives. The “Islamic Group” in Indonesia announced the establishment of an “Islamic State” in Southeast Asia. All these led to widespread turmoil in Asia. The United States joined hands with 22 countries in an offensive against IS, launching thousands of airstrikes, but only with limited effect on the symptoms, rather than on the root causes. This requires new approaches to counter-terrorism, namely containing and eradicating the proliferation of religious extremism, cutting off their sources of funding and information, and calling for closer international cooperation. In particular, the West should abandon its practice of “double standards” in the fight against terrorism in order to mobilize the whole world to combat the surge of terrorism.

In addition, the unrest in Egypt, Syria, and Libya continued to

make headlines as major events in West Asia and North Africa, with serious impact on peace and stability in the region. Due to various issues superimposed, the Middle East will continue to be in international headlines in the future.

US-Cuba relations thawed and ushered in a post-Monroe Doctrine era in US-Latin America relations.

On December 17, 2014, US President Barack Obama and President of the Cuban Council of State and Council of Ministers Raul Castro issued a statement, announcing that the two countries would engage in consultation on the resumption of their diplomatic relations. More than half a century of hostility now suddenly made way for the improvement of relations. US White House spokesman Ernest said that he did not rule out the possibility of a visit by Raul Castro to the United States.

The thawing of US-Cuba relations was a dramatic event in 2014. Obama's move, despite domestic opposition from Republicans on the issue, reflected his post-election boldness to take proactive action. Obama would turn his move on Cuba into his political legacy and lay a foundation to win support for Democrats from Hispanic voters in the 2016 elections.

It was inevitable that Obama agreed that decades of isolating Cuba would go nowhere and then instead he sought reconciliation with Cuba. Long term American sanctions against Cuba not only inflicted a great deal of economic loss upon Cuba but also hurt American economy, and the US policy in this regard has been strongly criticized by the international community and damaged US reputation. Latin American countries have all along stood against the US embargo against Cuba, calling on the US to improve relations with Cuba. Since 1992, the General Assembly of the United Nations has annually adopted relevant resolutions requiring the United States to end its economic blockade against Cuba.

In his address to the Organization of American States in Washington, D.C. on November 18, 2013, US Secretary of State John Kerry said that “the era of the Monroe Doctrine is over” and that the US today has made a “different choice”. The relationship is “about all of our countries viewing one another as equals, sharing responsibilities”. Kerry said that the relationship “is not about a United States declaration about how and when it will intervene in the affairs of other American states. It’s about all of our countries viewing one another as equals, sharing responsibilities, cooperating on security issues, and adhering not to doctrine, but to the decisions that we make as partners to advance the values and the interests that we share.” He called on Central American countries to expand cooperation on new energy and the response to climate change challenges and said that if the power of the wind in Mexico, the sunshine in Chile and Peru, and the natural gas in the United States and Argentina are harnessed, then the enormous benefits for local economies and climate change mitigation could reach every corner of the Americas and beyond. Of course, rhetoric is one thing, and action is another. It is much easier said than done that the United States resists the temptation to interfere in Latin America affairs. Nevertheless, the US seems to have recognized that intervention in Latin America has tarred America’s image and that the improvement of US-Latin American relations must go through Havana.

Indeed, the US remains wary of other powers entering Latin America and strengthening relations with Latin American countries. The US would like to ease tensions in its relations with Latin America through the improvement of relations with Cuba as a hedge against the influence of other powers in Latin America, so as to “return” to the Western Hemisphere and revisit its previous dominance.

Cross-border issues mingled with geopolitics, and global governance became multifaceted and complex.

Last year witnessed modest recovery of the world economy, a tumble in oil prices, the violent spread of Ebola, the mystery surrounding the disappearance of Malaysia Airlines flight MH370, and efforts towards a possible breakthrough in talks over emissions reduction. Oil and commodity prices kept falling, and oil once again became a weapon for international rivalry, touching the nerve of the international economy, politics, and strategy. Ebola left more than 18,000 people infected and about 7,000 people dead, a serious warning to global public health. Rivalry and wrestling in cyber security and virtual space continued unabated. One of the examples was the “cyber-warfare” between the United States and the Democratic People’s Republic of Korea, whereabouts remain a mystery. The Sino-U.S. statement on emissions reduction offered a glimmer of hope for a breakthrough during the United Nations Climate Change Conference to be held in Paris in 2015.

“China solutions” were presented one after another, the Silk Road Economic Belt and the 21st Century Maritime Silk Road (“One Belt and One Road”) initiatives were promoted with vigor, and the Central Conference on Work Relating Foreign Affairs pointed the direction for China’s new diplomacy.

China’s “host diplomacy” produced fruitful results in 2014. In the first half of the year, the fourth Summit of the Conference on Interaction and Confidence Building Measures in Asia (CICA) was held in Shanghai, and President Xi Jinping proposed building a common, comprehensive, cooperative, and sustainable Asian security so as to meet Asian security challenges. In the second half of the year, the 22nd APEC Leaders’ Informal Meeting was held in Beijing and China presented a new blueprint for Asia-Pacific cooperation, with emphasis on “dual approaches” of political security and economic cooperation. Meanwhile, China actively promoted closer partnerships with other countries, and major country diplomacy with Chinese characteristics

emerged. Many Chinese initiatives and solutions were introduced, an indication that China is shouldering its responsibility as a major country. The “Belt and Road” initiative involves China’s greater periphery. China has set up a global network of partnerships. China accelerated its diplomatic pace of building partnerships rather than allies. On December 11, 2014, Foreign Minister Wang Yi said at the Foreign Ministry’s New Year reception that China has established 72 partnerships of various forms with 67 countries and 5 regional institutions. China vigorously promoted mutually beneficial cooperation, including connectivity which links China with the world. Platforms such as the New Development Bank (previously called the BRICS Development Bank), the Asia Infrastructure Investment Bank (AIIB), and the Silk Road Fund were expected to meet the needs of the times.

Chinese and Russian leaders met several times and the two sides reinforced each other, with increased cooperation between the two countries in the energy, military, connectivity, and other fields. China and the US enjoyed an “early harvest” in building a new model of major country relations, including a milestone agreement on emissions reductions. China and the EU jointly promoted partnerships for peace, growth, reform, and civilization. China and India would like to build a closer partnership for development, growth, and strategic coordination. Sino-Mongolian relations were upgraded to a comprehensive strategic partnership. China will attach greater importance to developing relations with Pacific Island nations and will increase rather than decrease input into these relations. The China-Republic of Korea free trade agreement registered a breakthrough and is expected to come into force in the second half of 2015. Substantive negotiations over the Sino-Australian free trade agreement were completed. Given their higher quality, the above-mentioned FTAs marked an accelerated implementation of China’s FTA strategy.

China actively made its voice heard on multilateral occasions and participated in rules making and agenda setting. China took an active part in multilateral diplomatic activities, showing China's cooperative attitude. For example, Chinese leaders delivered major policy speeches and took a leading role on the future development of relevant organizations such as the Summit of the Shanghai Cooperation Organization (SCO), the Council of Heads of Government of SCO, APEC, East Asia Summit, G20 Summit, the China-Central and Eastern Europe Summit, and the meeting of Greater Mekong Sub-region economic cooperation.

China attaches high importance to the constructive management of differences. Examples include the "dual approaches" that China proposed to deal with the South China Sea issue, the four-point principled consensus reached with Japan, improved relations with Vietnam, the rules reached with the US on behavior for the safety of air and maritime encounters, and the establishment of a military notification mechanism of major military activities and the standards of behavior for air and sea military safety on high seas. China launched a new round of reform and opening up, freeing up the glamour and power of markets and capital. China promoted theories of bright prospects for China's development and opportunities, with enhanced international influence, status, and prestige.

In short, peace, development, cooperation, and win-win approaches embody the trend of the times, and the relative international power is moving in a direction conducive to safeguarding world peace. However, traditional and non-traditional threats to security are intertwined in international relations. The fight between the real space and virtual space was thrilling, while fierce competition existed in the formulation of rules and the right to speak. These factors will continue to have an important influence on the evolution of the international situation in 2015.

Since 2006, the China Institute of International Studies has

published the *CIIS Blue Book on International Situation and China's Foreign Affairs* annually to provide in-depth analysis and thorough interpretation of the international situation and China's diplomacy. It is hoped that our research and ideas can be helpful to scholars of international studies, be provocative for readers interested in China's diplomacy, and provide international readers with a Chinese perspective on China and the world.

This book represents the collective wisdom of CIIS staff. The authors worked hard and the experts reviewed the papers carefully. CIIS Vice President Dong Manyuan assisted in reviewing the entire book. Director Chen Xulong, Deputy Director Su Xiaohui and Dr. Zhu Zhongbo of the CIIS Department for International and Strategic Studies were in charge of soliciting and editing the papers and engaged in a lot of coordination to help publish the book. Hereby, I would like to extend our thanks to them. The efficient, responsible, and rigorous editing work conducted by the World Affairs Press contributed a lot to the success of the book. Special thanks go to readers far and wide who have rendered their encouragement and support in regard to the publication of the book over the years and are most welcome to provide comments and proposals on the Blue Book as always. We will continue to work hard.

Ruan Zongze

Vice President of China Institute of International Studies

Taijichang, Beijing

February 2015

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