



The  
**CIIS Blue Book**

on

**International Situation and China's Foreign Affairs**

(2012)

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China Institute of International Studies

World Affairs Press



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**图书在版编目 ( CIP ) 数据**

国际形势和中国外交蓝皮书 = The CIIS Blue Book on International Situation and China's Foreign Affairs. 2012: 英文 / 中国国际问题研究所著. —北京: 世界知识出版社, 2012.5

ISBN 978-7-5012-4264-1

I. ①国… II. ①中… III. ①国际形势—白皮书—2012—英文 ②外交关系—白皮书—中国—2012—英文 IV. ①D5 ②D822

中国版本图书馆CIP数据核字 (2012) 第078127号

- 书 名      **国际形势和中国外交蓝皮书 ( 2012 )**  
            The CIIS Blue Book on International Situation and  
            China's Foreign Affairs (2012)
- 作 者      中国国际问题研究所 / 著
- 责任编辑    贾如梅
- 责任出版    林 琦
- 责任校对    陈可望
- 出版发行    世界知识出版社
- 地址邮编    北京市东城区干面胡同51号 ( 100010 )
- 网 址       www.wap1934.com
- 经 销       新华书店
- 排 版       科鑫苑图文设计制作中心
- 印 刷       北京楠萍印刷有限公司
- 开本印张    787 × 1092毫米 1/16 38¼印张
- 字 数       463千字
- 版次印次    2012年5月第一版 2012年5月第一次印刷
- 标准书号    ISBN 978-7-5012-4264-1
- 定 价       90.00元

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## **International Situation in 2011: Chaotic, Difficult, Risky, and Changing**

A page of history has been turned over on the year 2011. In retrospect, it was a year full of turmoil, risks, difficulties and changes, and a year of profound and complex transformations in international situation. The outstanding features in the above international situation can be summarized in the following four areas: A “chaotic” West Asia and North Africa, a “difficult” Western society, a “risky” world economy, and a “changing” environment for China.

The most dramatic event in international politics through 2011 was the turmoil in Arab countries, with the whole of West Asia and North Africa plunging into “chaos”. The reasons were many-folds: First, the relevant countries have been plagued for long by various problems i.e. governance featuring autocracy, family rule, hereditary privilege and a wide gap between the rich and poor, which sowed the seeds of unrest, and would lead to the change sooner or later. Second, countries in West Asia and North Africa, with monolithic economic structures relying on the pivotal role of energy, tourism and overseas remittances, have been under the impacts of the international financial and economic crises and witnessed sharp decline in oil prices, significant reduction of tourists, drastically shrinking remittances and staggeringly rising unemployment, which quickly chipped off their economic bases and intensified social tensions. Third, the upheavals

have much to do with the policy results of the Western countries. The Bush administration launched the Greater Middle East Initiative to “transform” the Arab world. The Wiki-leaks disclosed information on the extravagant, lavish lifestyles of the upper class of Arab countries. Face book, Twitter and other social media networks facilitated the street protests. And, the United States and relevant European countries engaged in forceful intervention and military interference in the regional politics. Under these circumstances, street protesters in Arab countries would not “leave the street upon fulfillment of only part of their appeals” and promote social change in a gradual and orderly manner, and the governments of the countries concerned were unable to restore the law and order under such circumstances. Then, the turbulences turned into the conflicts, the conflicts resulted in bloodshed, and the bloodshed led to Western intervention, which encouraged street movements, thus causing vicious circles in the relevant countries until the outbreak of civil wars. Changes in West Asia and North Africa represented evolutions both in the concept of governance in the Arab countries and in the political ecology across the Islamic world. Gone was the “Arab model” of clear hierarchy and great disparity of wealth. However, the introduction of the Western-style democratic models has nurtured the soil and broader space for the development of various political forces in the Arab countries, including religious extremist and terrorist forces. It may not be appropriate to equate the disorder with opening Pandora’s Box, but it would certainly be appropriate to describe it as the fall of the dominoes. For that matter, the chaos in West Asia and North Africa will not be confined to the afflicted countries, nor will it end in the short run. For Arab countries, it will be a long and painful process to heal the wound of the turmoil and the trauma of civil wars. For Western countries, it is just the beginning of more severe challenges and complex situations

brought about by changes in the Arab world.

While the Arab world suffered from the turmoil, Western countries were having an extremely difficult time, with lingering economic plight and extensive public query of the political system. The whole year of 2011 witnessed the surging demonstrations in the United States and some European countries. Although it is common to see frequent protests of various kinds in Western countries, what is different between the on-going social protests and the previous ones is that the former was not directed against any specific reform measures of the governments concerned but against the Western political system itself. While what was dubbed by the media as an “Arab Spring” was taking place in North African countries, millions of people in dozens of cities in Spain displayed such slogans as “Against Multi-party System”, “For Genuine Democracy”, and the scale of the protests and the sharpness of their political slogans were unprecedented, just like a “Spanish Spring”. In summer 2011, London saw neighborhood youths rioting in despair on a large scale, with shocking scenes of shops being smashed, cars burned, and pedestrians robbed. Police managed to control the situation only after they had arrested thousands of protesters and put hundreds of them on trial. In autumn 2011, more and more people took to the streets in the United States to “occupy the Wall Street”, with a political slogan: “The top 1% of Americans possesses 99% of the wealth, and the politicians in Washington serve that 1%”. The New York police could control the situation only after making arrests of more than 700 demonstrators, but the political appeals of “Occupying Wall Street” had aroused strong repercussions and caused a chain reaction in the world. In winter 2011, massive protests took place again in London, Brussels and some other places. The “Madrid Spring”, “London Summer”, “the Wall Street Autumn”, and the “Brussels Winter” all

reflected the deep-seated and structural contradictions of the Western society. As major Western countries are scheduled to hold elections in 2012, sluggish economies coupled with high rate of unemployment have put the incumbent national leaders of the relevant countries into very difficult situations, and the zero-sum game between the opposition and the ruling party has prevented the employment bills from being passed and made it difficult for the relevant governments to implement measures to prop up economic recoveries. Under the extremely difficult domestic political circumstances and in order to transfer domestic pressure, relevant Western countries launched the Libyan war, the fourth large-scale war waged by the West in the past 20 years since the end of the Cold War. Yet, none of the wars has achieved satisfactory outcome or has been in line with the original strategic goals, and three of the four wars were controversial in terms of legitimacy. The wounds of the four wars remain to heal while war clouds are now hovering over Syria and Iran. Public dissatisfaction has been on the rise in the West over the governments which have the money to wage wars but lack the money to improve people's livelihood. Papandreou, Silvio Berlusconi and Zapatero have been forced to step down amidst national crises. And, Obama and Sarkozy have a rough road ahead in terms of re-election.

A risky world economy was another feature of the international situation of 2011. Serious consequences of the structural problems were further revealed in Europe, the United States and Japan, the three major Western economic engines. Firstly, the US was at the brink of a sovereign debt default. In August 2011, although the Congress agreed, after a lengthy and heated debate, to lift the ceiling on the government borrowing, the measures led to a dangerous situation where the US sovereign debt ratio broke the benchmark of 100% of the national GDP, much higher than the international standard. The



behavior of the two American political parties in their game over economic policy out of considerations for the election allowed the international rating agencies to downgrade the confidence in the US government in managing the economic problems. It's the first time in history that the US credit rating has been downgraded by international rating agencies. To overcome the crisis, the United States was once prepared for the third round of "quantitative easing" on the basis of two previous lots, arousing an international uproar in public opinion. To alleviate international pressure, the Obama administration resorted to "cheap tricks", selling short-term debts to buy long-term debts so as to turn the short-term debt pressure to the medium and long term burden, but the problem remained outstanding and the third round of "quantitative easing" seemed to be unavoidable, adding potential new risks to the international economy of 2012. Secondly, a new wave of European sovereign debt crisis broke out, the euro system almost collapsed, the contradiction between sovereign finance and the single currency in euro-zone countries has further become acute, the average debt ratio of the EU countries reached about 85% of their annual GDP, the sovereign debt credit ratings of France, Italy, Spain and some other euro-zone member countries were repeatedly downgraded by the global rating agencies, and France lost its AAA sovereign debt rating status for the first time in history. The debt level of Greece was difficult to sustain, and all other countries of the "European PIIGS" were teetering on the edge of sovereign debt crises. The euro zone established the European Financial Stability Facility (EFSF) with a fund of over one trillion euro, but it remained unclear how that fund was to be raised. The European Union passed a resolution amidst controversies on the amendments to the Treaty of Lisbon, and the United Kingdom chose to fall back to the "splendid isolation" once again. In order to overcome the crisis, relevant countries would have

to implement the stricter fiscal austerity, which would cost the votes for the politicians seeking election or re-election. In such a dilemma, what is at stake would often be the austerity policy, thus the road out of the debt crisis in Europe is still very long and rugged. Thirdly, Japanese economy went worse. Japan's economy was at its lowest ebb, and the government debt ratio exceeded 200% of its annual GDP, while the joint impacts of earthquakes, tsunami and nuclear radiation disaster drove the prospect for economy recovery more remote and unpredictable. In short, the risk factors in Western economies indicated that the prospect for the global economy would be unstable in 2012.

The dramatic changes in the international order have also brought tremendous changes in the external environment for China in terms of economic and social development. First, it is the changes in China's strategic environment. The United States believes that over the past decade it has concentrated too much on counter-terrorism, ignored the Asia-Pacific region and overlooked the "challenges" brought about by the rapid growth of emerging countries, and now it is necessary to exit the two anti-terror wars in order to increase its "inputs" in East Asia. For that matter, the United States, on the one hand, has strengthened its military alliance system in East Asia, planned to deploy troops in northern Australia, and is engaging in implementation of the "Air-Sea Battle" strategy. On the other hand, it has poked its nose into the South China Sea dispute in high-profile, making the traditional contradictions in region less likely to be resolved soon and the new conflicts more likely to crop up. Therefore, China is faced with a more complex situation where it faces a more arduous task to promote and maintain regional peace, stability and development in the surrounding areas. Second, it is the changes in China's macroeconomic ranking. The economic data officially released by Japan in 2011 showed that China

has surpassed Japan to become the world's second largest economy, and its attribute as a developing country is more than often questioned consequently, the world's expectations, concerns and alertness toward China are on the rise accordingly, and China's words and deeds are observed by the world with a microscope, interpreted by the world with a complex state of mind, described by the world in exaggerated language, and measured by the world with stringent standards. As one Chinese saying goes, a tall tree catches the wind, and China appears to be increasingly like that "tall tree". Third, it is the changes in the domestic public opinion environment. The general public across China, boosted by the rapid growth of national power, calls for the government to project tougher responses to the international disputes, which has been nurturing a paradigm between the rising national sentiment and the sober foreign policies in addressing international affairs. Thus, it would take a superb art of diplomacy to strike a balance between maintenance of rights and stability and to have a good grasp of the nuance of "doing what is doable and stopping where it has to stop".

In face of the chaos in West Asia and North Africa, China not only adheres to the principles of noninterference in the internal affairs of the sovereign nations and peaceful settlement of disputes in the international arena, but also considers the concerns of the Arab League, the African Union and other regional organizations, combining principle with flexibility and controlling the pace of diplomacy to maximize its national interests and maintain the basic principles of international relations. For example, the Chinese government evacuated 35,860 citizens from Libya in a span of ten days, which gave a full display of its governance concept of "people first" and "people-oriented diplomacy", the financial strength accumulated through reform and opening up over the past 30 some

years, the high efficiency of the government in building overseas civil protection mechanism in recent years, and the excellent performance of Chinese diplomats and overseas citizens. All these have left a deep impression on the world. Meanwhile, the Chinese government has taken proper measures to maintain domestic political and social stability and foiled the attempts of hostile forces which have bent backward to take the advantage of the chaos in West Asia and North Africa in order to stir up troubles in China.

In face of the risky world economy, China not only actively participates in global economic governance and promotes the global economic environment through multilateral arena, but also engages in a win-win and mutually beneficial cooperation with countries concerned, and strengthens financial and economic policy coordination with them through bilateral channels, so as to help them out of the crisis and maintain the value of China's foreign exchange reserve assets. China has effectively absorbed the impacts of the sovereign debt crises of Western countries on its economy and greatly enhanced the construction of joint major projects of energy resources and cross-border infrastructure in Eurasia, Latin America, Middle East and other countries. At the same time, China has stood against the trade protectionism, properly dealt with trade disputes with relevant countries, and maintained a generally favorable external economic and trade environment for its development.

In face of a difficult Western society, China is sober-minded and stands by the belief that the West will not decline any time soon, and refrains from gloating over the difficulties facing the West. For that matter, China stresses the multi-polarity of international affairs, multi-cultural diversity and multi-paths of development, and is of the hope that human societies should be inclusive and mutually tolerant, learn from each other, and each should, through different practices, explore

paths of governance that will make the world a more harmonious one. China attaches great importance to its relations with Western countries. In early 2011, President Hu Jintao paid a successful visit to the United States, during which the two sides declared their commitment to build a cooperative partnership based on mutual respect and mutual benefit. In May 2011, China and the US sent more than 30 ministerial-level officials respectively to participate in the third round of China-US Strategic and Economic Dialogue (S&ED) and reached dozens of agreements on cooperation in strategic and economic fields respectively, which was a record in the world history of diplomacy. The above S&ED helped the complex Sino-US relations remain basically stable. And, the similar mechanism helped to elevate the pragmatic cooperation and cultural exchanges between China and the EU to a new level. China offered rapid and effective assistance to Japan suffering unprecedented disasters, and Premier Wen Jiabao visited Japanese disaster-stricken areas and express condolences to the victims, a gesture which won the hearts of the Japanese people, and promoted new progress in the Sino-Japanese relations.

In face of the changes in China's external environment, Chinese diplomacy continued to hold high the banner of independence, peace and cooperation, Chinese military enhanced its ability to defend the sovereignty, and Chinese public diplomacy strengthened the guidance of public opinion, while increasing China's contribution to the international community. The urgent state of mind of the US to "return" to the Asia-Pacific precisely served as a foil to the success of China's diplomacy in its periphery. China insisted on keeping a low profile while making a positive difference in the world as a strategy of development. China continued to follow the path of development and ideology of its own choice, focused on economic construction

and engaged in promoting transformation of the international order. China properly dealt with the changes in its external environment and was able to maintain and sustain an international and surrounding environment favorable to China's peaceful development.

The China Institute of International Studies (CIIS) publishes an annual "Blue Book" on international situation and China's diplomacy to sort out the developments of the international situation and summarize the characteristics of China's diplomacy each year. The "Blue Book" is an embodiment of the long-term research and analysis of the CIIS researchers, and reflects their understanding of and insights into the international situation and Chinese foreign policy. However, the "Blue Book" is not an official publication of the Chinese government and does not necessarily represent the Chinese government's point of view. The authors in this book would be very pleased if the analysis and summary in the "Blue Book" could present a Chinese perspective to the overseas scholars of international politics and provide more elements of thinking to people concerned about China's diplomacy.

The "Blue Book" is the collective wisdom of the Chinese Institute of International Studies. The authors devoted their efforts to the writing and experts reviewed the writings seriously. CIIS Vice President Dong Manyuan and Ruan Zongze assisted in reviewing the whole book, and CIIS Vice President Liu Youfa assisted in reviewing the English version of the book; Associate Research Fellow Wang Youming was responsible for soliciting contributions to and editing of the book, Assistant Research Fellow Su Xiaohui was responsible for organizing English translation of the book, Associate Research Fellow Chen Xulong contributed a lot to the coordination and publication of the book; the responsible and rigorous editorial work of Current Affairs Press was essential to the successful publication of the book.

In recent years, readers and relative personages have provided their positive comments on and support to the publication of the “Blue Book”, and hereby I would like to take the opportunity to express my appreciation.

I wrote these words in lieu of a preface.

**Qu Xing**

**President, China Institute of International Studies**

**Taijichang, Beijing**

**January, 2012**

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