

TRANSFORMING ASIA



Angela Poh

# Sanctions with Chinese Characteristics

## Rhetoric and Restraint in China's Diplomacy

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# Sanctions with Chinese Characteristics



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Asia is often viewed through a fog of superlatives: the most populous countries, lowest fertility rates, fastest growing economies, greatest number of billionaires, most avid consumers, and greatest threat to the world's environment. This recounting of superlatives obscures Asia's sheer diversity, uneven experience, and mixed inheritance.

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*Rhetoric and Restraint in China's Diplomacy*

*Angela Poh*

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# List of Abbreviations

AIIB	Asian Infrastructure Investment Bank
ASEAN	Association of Southeast Asian Nations
AU	African Union
BRI	Belt and Road Initiative
BRICS	Brazil, Russia, India, China, and South Africa
CHINCOM	China Committee
COCOM	Coordinating Committee for Multilateral Export Controls
CPC	Communist Party of China
CPLP	Comunidade dos Países de Língua Portuguesa (Community of Portuguese Speaking Countries)
DPP	Democratic Progressive Party (Taiwan)
DPRK	Democratic People's Republic of Korea
ECOWAS	Economic Community of West African States
EEZ	Exclusive Economic Zone
EU	European Union
FDI	Foreign Direct Investment
GATT	General Agreement on Tariffs and Trade
IAEA	International Atomic Energy Agency
IMF	International Monetary Fund
KMT	Kuomintang (Taiwan)
MES	Market Economy Status
MFA	Ministry of Foreign Affairs
NATO	North Atlantic Treaty Organization
NPT	Treaty on the Non-Proliferation of Nuclear Weapons (Non-Proliferation Treaty)
NSSM	National Security Study Memorandum
PLA	People's Liberation Army
PRC	People's Republic of China
ROC	Republic of China
ROK	Republic of Korea
R2P	Responsibility to Protect
SOE	State-Owned Enterprises
SPT	Six Party Talks
THAAD	Terminal High Altitude Area Defence
TPP	Trans-Pacific Partnership
UN	United Nations
UNGA	United Nations General Assembly



UNHRC	United Nations Human Rights Council
UNSC	United Nations Security Council
WMD	Weapons of Mass Destruction
WTO	World Trade Organization



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*Angela Poh*

*Singapore, November 2020*



# 1. The Puzzle of Chinese Sanctions

## Abstract

Chapter 1 introduces the puzzle of this book: given the widespread perception of China as an assertive rising power as well as the conventional belief that economic sanctions are a middle ground between diplomatic and military/paramilitary action, why were Chinese decision-makers up until the end of Xi Jinping's first term as president in March 2018 restrained and reluctant in their use of sanctions? It provides a brief account of the main argument—that China's longstanding sanctions rhetoric has had a constraining effect on its behaviour—and explains the theoretical and policy significance of this book. It concludes by providing an overview of the chapters and research design.

**Keywords:** China's assertiveness, sanctions, rhetoric, Chinese characteristics

The implications of China's rise in world politics over the past few decades have become the central topic of discussion among scholars and practitioners of international relations. Following the 2008 global financial crisis, from which China emerged relatively unscathed, scholars and policymakers have debated whether China has shifted away from Deng Xiaoping's international strategy of 'lying low' (*taoguang yanghui*) in pursuit of a more assertive foreign policy that seeks to reshape the global and regional order in the nation's favour. Such debates have intensified since Xi Jinping assumed China's top leadership position in November 2012, and especially since Xi presented the strategy of 'striving for achievement' (*fenfa youwei*) at the foreign affairs conference of the Communist Party of China (CPC) in October 2013.

While a consensus has not been reached among scholars and analysts, most have acknowledged that China has since 2010 been more aggressive in defending what it perceives as its core interests, particularly over Taiwan

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and with respect to territorial disputes in the South China Sea.<sup>1</sup> Regardless of the extent to which Chinese foreign policy has actually shifted, this ‘new assertiveness meme has “gone viral”’ in scholarly work as well as the international media.<sup>2</sup>

Despite heightened tensions between China and many other states over a wide range of issues, however, as well as the increasingly aggressive presence of Chinese maritime forces in disputed waters of the East and South China Seas, the extent to which China has employed coercive economic measures against countries with which it has had political and territorial disputes has remained unclear. Regardless of political tensions, China’s bilateral trade accounts with most of these countries have continued to expand. Beijing also appears reluctant to resort to the use of sanctions at the United Nations Security Council (UNSC). The use of United Nations (UN) sanctions as a political tool to manage challenges to international peace and security began to proliferate in the 1990s. While China, as a permanent member of the UNSC, rarely wielded its veto to quash UN sanctions, it has remained cautious and sceptical about such sanctions. Chinese representatives to the UNSC have frequently abstained from voting on sanctions-related resolutions and have repeatedly attempted to dilute various UN sanctions resolutions in order to reduce the effects of sanctions on target states. Outside of the UN, there have thus far been no signs of China employing sanctions against other parties through other multilateral or regional organisations.

Sceptics could argue that, in line with its overall foreign policy, China has since 2008 become more assertive in its use of unilateral economic sanctions as a tool to further its foreign policy objectives.<sup>3</sup> Beijing, however, has consistently denied allegations that it has employed non-UNSC-authorized economic sanctions against countries with which it has had disputes. And indeed, up until the end of Xi Jinping’s first term as president in March 2018, there had been no signs of formal Chinese unilateral sanctions, and any ‘informal sanctions’ appeared to be fairly limited in scope. As Kai Quek and Alastair I. Johnston note, ‘China has typically not employed economic sanctions at nearly the same frequency as the United States or Europe, often labelling sanctions as interference in internal affairs’.<sup>4</sup> Even among

1 While arguing that scholars and pundits have exaggerated the speed and magnitude of changes in Chinese foreign policy, Alastair I. Johnston admits that China has been more assertive in its responses to the South China Sea disputes. See Johnston 2013, pp. 45-46. For works suggesting a more assertive Chinese foreign policy, see, e.g. Friedberg 2015, pp. 133-150.

2 Johnston 2013, p. 7.

3 See, e.g. Friedberg 2015, pp. 133-150; Reilly 2012, pp. 121-133; and Friedberg 2018, pp. 7-40.

4 Quek and Johnston 2017/2018, p. 22.



scholars who have been sounding warning bells about China's 'mounting use of unilateral economic sanctions', James Reilly conceded that China's present use of such measures 'should not be overestimated'.<sup>5</sup>

A puzzle therefore arises, which this book seeks to unravel: *Given the widespread perception of China as an assertive rising power as well as the conventional belief that economic sanctions are a middle ground between diplomatic and military/paramilitary action, why had Chinese decision-makers up until the end of Xi Jinping's first term as president in March 2018 been restrained and reluctant in their use of sanctions?*

## 1.1 Arguments and implications

This book puts forward the following arguments. In terms of the *extent* of economic sanctions, the prevalent view of increasingly widespread Chinese sanctions is exaggerated and oversimplified. Despite its continued rise and increasingly assertive behaviour on the political and diplomatic fronts, China's use of unilateral economic sanctions up until the end of Xi Jinping's first term had remained ad hoc and limited in scope and duration. Since 1997, China's participation in sanctions-related resolutions at the UNSC has become more active and assertive. Shifting away from its historical preference for abstaining when in doubt, Beijing has started to send clearer signals over the nature, scope, and types of UNSC sanctions that it would support. This includes consenting to harsher sanctions against the Democratic People's Republic of Korea (DPRK) due to its nuclear programme on the one hand, and repeatedly vetoing sanctions against the Syrian regime on the other.

In terms of the *factors* contributing to China's multilateral and unilateral sanctions behaviour, China's longstanding rhetoric with respect to the use of sanctions as a foreign policy tool is an important element that has been neglected by both scholars and policymakers and has remained underexamined in the international relations literature. Specifically, China's sanctions rhetoric has its origins in Beijing's efforts to counter the stigma of Western sanctions against the People's Republic of China (PRC) after the latter's founding in 1949. China's sanctions rhetoric—such as its rhetoric concerning the conditions under which the use of sanctions can be appropriate—has evolved over the decades and will continue to evolve. However, this process has not kept pace with China's rapidly expanding material capabilities, interests, and desire to employ sanctions in an effective manner and has

5 Reilly 2012, pp. 130-131.

resulted in seemingly ambiguous, confusing, and contradictory behaviour. This is especially the case when China's potential targets or other third-party actors use rhetorical action such as shaming or flattery to draw international attention to China's sanctions behaviour that has deviated from its rhetoric.<sup>6</sup> Under such circumstances, the Chinese leadership perceives international audience costs to be triggered, potentially threatening China's credibility and international status. The Chinese leadership then frequently aligns behaviour more closely with rhetoric, as it remains keen to credibly redefine understandings outside China's borders regarding the circumstances and conditions under which sanctions can legitimately be employed—an objective that Beijing views as crucial for China's competition for influence on the world stage vis-à-vis the US and its key allies.

The findings presented in this book are important in three ways. First, they prompt a rethinking of the dynamics of sanctions imposition and implications on both the sender and target states. The existing sanctions literature, with its emphasis on whether sanctions are effective or how they could be made more effective in achieving policy outcomes, is too narrowly conceived.<sup>7</sup> Regardless of the extent to which sanctions may prompt a behavioural change from the target(s) in favour of the sender(s), the mere act of sanctions imposition carries important signalling and stigmatising effects, which could have a long-lasting impact on both the sender and target states. In this case, China's experience as a target of Western sanctions has resulted in Beijing's deliberate attempts to distinguish its sanctions approach from that of the US and its allies. This has led to policy choices that may not necessarily result in the greatest material benefit for China. Through an in-depth study of Chinese sanctions, I also join a small group of scholars in their attempts to correct the US- and Eurocentric bias in the existing scholarship on sanctions.<sup>8</sup>

Second, my findings unpack the factors, circumstances, and conditions under which China's sanctions rhetoric affects its behaviour and adds to existing efforts in the international relations literature examining whether talk is cheap in international politics. By questioning scholars like Hans Morgenthau who essentially argue that the rhetoric of states merely serves to disguise or justify decisions reached on the basis of material factors, I use China's sanctions behaviour as an example of how talk is not cheap because

6 The concept of 'rhetorical action' is derived from Schimmelfennig 2003, pp. 194-228.

7 See Chapter 2 for details.

8 For some examples on existing works examining sanctions that are not US/Eurocentric, see Charron and Portela 2016, pp. 101-118; and Hellquist 2015, pp. 319-333.

political actors believe that it is costly to be perceived by international audiences as blatantly acting in contradiction to their professed commitments. This in turn alters the cost-benefit calculus of decision-makers, prompting them to more closely align their actions with words. Countries can be pressured to align their behaviour with their professed commitments when they perceive a real possibility of incurring international audience costs (e.g. when they are being publicly called out for 'bluffing'). This is primarily because countries are concerned about maintaining credibility, an attribute that allows them to conduct diplomacy more effectively in the future. Status-conscious countries are particularly concerned about incurring international audience costs, as repeated losses of credibility could bring into question a country's moral behaviour, result in a loss of 'face', and in turn reduce a country's international status.

Scholars such as Anne Sartori have discussed international audience costs in previous works.<sup>9</sup> However, this has remained an underdeveloped concept in the international relations literature. I suggest that two conditions must be present for the international audience cost mechanism to effectively link rhetoric with behaviour: the offending state (or 'offender') whose behaviour has contradicted its rhetoric must be concerned about international opinion; and at least one rhetorical actor must be present to publicly point out the difference between the offender's rhetoric and his behaviour. This is irrespective of the offender's regime type. The rhetorical actor can draw international attention to deviations between the offender's rhetoric and behaviour by employing rhetorical strategies such as shaming or flattery. While existing literature on shaming is extensive, this book further introduces flattery as a rhetorical strategy. It posits that the efficacy of the international audience cost mechanism is linked to the offender's sensitivity to international opinion and its desire to gain higher international status. The extent to which an offender is concerned about its status can be determined from its prior rhetoric and policies. For example, one can examine whether it has had a history of investing significant economic resources by undertaking projects that are widely viewed as 'prestigious' (e.g. hosting the Olympic Games).

Finally, this line of inquiry is extremely relevant for policy. Over the past decade, China has become the largest trading partner for most of the states in the Asia-Pacific region, even as it has continued to engage in frequent political disputes with many of them. China's economic influence is also rapidly expanding beyond Asia to the US, Europe, Africa, Latin America,

9 Sartori 2005, p. 50.



and the Middle East. China's continued rise could be a significant cause for concern among countries that are increasingly economically reliant on China, especially if it is expected to begin wielding its economic power more aggressively to further its political and strategic interests. It would therefore be of great value for policymakers to better understand China's approach to sanctions as they attempt to anticipate how China might employ such coercive economic tools as it continues to grow in economic and military strength. Importantly, this book also provides insights on how smaller states that are economically reliant on China can play active roles in prompting China to change its sanctions behaviour in directions more favourable to them.

## 1.2 Chapter overview

The seven remaining chapters in this book will cover the following ground. Chapter 2 discusses four existing explanations for the central puzzle: Why did Chinese decision-makers remain relatively restrained and reluctant in using sanctions up until the end of Xi Jinping's first term as president, despite China's rapidly expanding economic power and political ambitions? I briefly summarise these explanations here. First, one could argue that China was 'not yet powerful enough' to employ unilateral sanctions to any significant degree. Chinese decision-makers may have believed that the use of sanctions during the period under examination (i.e. up until the end of Xi Jinping's first term as president in March 2018) would not be very effective in achieving their foreign policy objectives and/or they may have felt that sanctions could hurt China as much as (or even more than) its potential targets. This view implies the expectation that China is more likely to employ sanctions as its relative power increases. Second, China did not rely on sanctions as much as it could have because the Chinese political leadership may not have been able to convince domestic actors to do its bidding. For example, China's commercial players may have either directly dissuaded or indirectly prevented its political elite from employing sanctions when such action was perceived as likely to compromise their commercial interests. This argument might be considered especially persuasive given that much of the CPC's legitimacy to rule relies on developing and sustaining China's economic growth, and China's growth rate has been steadily slowing down. Third, one could also argue that China's participation in international institutions such as the World Trade Organization (WTO) has shaped its sanctions behaviour and made it more costly for China to employ sanctions.



Finally, the Chinese political elite may have inherited certain cultural predispositions that have led China to favour inducement over sanctions.

Chapter 3 builds on existing literature surrounding the effects of rhetoric and audience costs on foreign policy behaviour and presents the argument that China's sanctions rhetoric has had a constraining effect on its behaviour, as its leaders are concerned about incurring international audience costs. I demonstrate why insights associated with these concepts can and should be integrated into the study of sanctions and discuss their application to the China case. Specifically, I clarify and develop the causal mechanism to explain the link—international audience costs—between China's sanctions rhetoric and behaviour. Reviewing debates in the international relations literature on audience costs, I show how the logic of costly signals—as developed in the literature with respect to domestic audiences—can be extended to encompass international audiences as well as to non-democratic regimes. I further unpack the conditions needed for this mechanism to function effectively and elaborate on the rhetorical strategies that actors can use to either coerce or induce a course change on the part of an offender. This concept is then applied empirically to show how the Chinese political elite's considerations of how other members of the international community might perceive contradictions between China's rhetoric and foreign policy behaviour could constrain its use of economic sanctions.

Chapter 4 explains the origins and evolution of China's sanctions rhetoric and examines the extent to which Chinese decision-makers care about their credibility and international status. I argue that Western sanctions against China since the latter's founding in 1949 had important stigmatisation effects. I unpack the substance of China's sanctions rhetoric and analyse the intentions of Chinese leaders in promulgating such rhetoric. I drew data from archives in Beijing as well as from online databases such as the *Foreign Relations of the United States* and the *Chinese Foreign Policy Database* from the Wilson Center Digital Archive, which comprise newspaper reports, memoirs, and records of public speeches by China's political leaders. This set of data is complemented by a detailed coding of 768 speeches delivered by Chinese representatives to the UNSC from 1997 to 2016. Based on archival research and content analysis, this chapter shows how Chinese decision-makers—in an attempt to gain international recognition and higher status—engaged in a counter-stigmatisation strategy throughout this period (i.e. 1949 to 2016), including through rhetorical confrontation with the US and its allies regarding the conditions under which sanctions could legitimately be employed. I then identify China's expressed sanctions legitimacy criteria.



Chapters 5, 6, and 7 test the various competing explanations as outlined in Chapters 2 and 3 against the empirical data. Chapter 5 examines the extent of China's support for proposed UNSC sanctions against three cases: the DPRK (2006-2016); Syria (2011-2016); and Guinea-Bissau (2012). The selection of these case studies was justified by a correlation analysis on a dataset of 153 sanctions-related resolutions tabled at the UNSC from 1971 to 2016. Thereafter, I draw on in-depth interviews, data from UN documents, as well as material and publications issued by independent think tanks such as the Security Council Report. While China's decisions regarding its support for UNSC sanctions-related resolutions were driven to some extent by material considerations, two other factors appeared to be of greater importance: whether the norms that these sanctions-related resolutions sought to reinforce were aligned with China's stated standards of sanctions legitimacy, and the extent of pressure brought to bear on China as a result of international attention on the issue.

Chapters 6 and 7 turn to China's alleged employment of unilateral sanctions (i.e. sanctions that have not been authorised by the UNSC) between 2008 and March 2018. I examine eight 'classic cases', i.e. those that have received substantial scholarly treatment and media attention as purported examples of China's use of sanctions or economic retaliation. These cases include: (1) the China-France dispute over French President Nicolas Sarkozy's meeting with the Dalai Lama (December 2008); (2) the China-US dispute over arms sales to Taiwan (January 2010); (3) the China-Japan dispute over a trawler collision in mutually claimed waters (September 2010); (4) the China-Norway dispute over the Nobel Peace Prize award to Liu Xiaobo (October 2010); (5) the China-Philippines dispute over the Scarborough Shoal (April 2012); (6) the China-Vietnam dispute over an oil rig (May 2014); (7) the China-Taiwan dispute over the then newly elected Taiwanese President Tsai Ing-wen's refusal to explicitly endorse the '1992 Consensus' (January 2016); and (8) the China-South Korea dispute over the deployment of the US Terminal High Altitude Area Defense (THAAD) system (March 2017). Given the conventional wisdom that China had used sanctions in these classic cases, these case studies also serve as an important set of 'least-likely cases' for my hypothesis. Chapter 6 establishes the extent to which China had used unilateral economic sanctions in these cases, and Chapter 7 analyses the five competing hypotheses as explanations of China's sanctions behaviour. The evidence in these chapters reveals that China had imposed political and diplomatic punishment on these states. But purported Chinese economic sanctions in these cases were ambiguous, ad hoc, and limited in scope and/or degree. Moreover, the evidence demonstrates that in most of these cases,



such sanctions were either reduced substantially or lifted entirely when the target states, through rhetorical action, drew international attention to China's behaviour.

The relative opacity of the Chinese political system limits access to both policymakers and policy documents. As a result, data on China's decision-making processes is frequently lacking. I have attempted to compensate for these challenges by conducting, between October 2015 and June 2018, 76 in-depth interviews with former and current politicians, officials, diplomats, and commercial actors from 12 different countries—all of whom have been involved, to varying degrees, in their respective countries' interactions with China. During the interview process, I triangulated the information by asking various interviewees from different locations and sectors to describe the same events and to share their internal assessments of what had happened. This allowed me to reconstruct the intricacies of specific events more accurately, including those for which official sources and documentation are lacking. Where available, I also employed a wide variety of other primary and secondary sources, including official memoranda, publications, speeches, and leaked diplomatic cables in English and Chinese to complement the information garnered from the interviews. In addition, for issues and events with respect to which available information from these sources remained insufficient to trace the causal process, I interrogated the data to determine whether the empirical observations and policy outcomes from the case studies match expectations based on my argument, or whether they might be better accounted for by one or more of the alternative explanations.

Finally, Chapter 8 discusses the empirical and theoretical implications of my findings. Until China modifies its longstanding sanctions rhetoric, its use of sanctions—though it may become more prevalent in the sense of proliferating across more cases or issues, as has been the case since March 2018—is likely to remain ambiguous, targeted at narrowly specific sectors, and limited in scope and duration. However, these ad hoc efforts by China may not be entirely futile, as they could potentially impose a psychological effect on its potential targets and even third-party actors who fear that they could become future targets, prompting them to align their policy preferences with China's even in the absence of sanctions or the explicit threat of sanctions.<sup>10</sup> They could also allow Beijing to appease its increasingly nationalistic and demanding domestic population. In addition, in predicting the extent or range of China's behaviour in this regard, I suggest that potential target states are not passive agents but that their

10 Chong and Poh 2020, pp. 1-28.





rhetoric and policy responses play crucial roles in determining the extent of Chinese sanctions. This book concludes with a discussion of China's evolving approach towards its rhetoric on and use of economic sanctions, especially in light of developments during the coronavirus (COVID-19) pandemic. It also offers a consideration of related lines of inquiry, primarily the role of economic inducement—such as the Belt and Road Initiative (BRI)—in China's grand strategy, i.e. the other side of the sanctions coin. In doing so, this book lays the foundation for a better understanding of how China practices economic statecraft with, in the words of Chinese leaders, 'distinctive Chinese characteristics'.

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