

Dysfunction & Transformation

**Fudan Annual Report on  
International Strategies  
2013**

Institute of International Studies  
Fudan University

## Preface

In 2013, the world watched with rapt attention as major international developments unfolded. The sheer number and complexity of these stories often makes it difficult for discern their deeper significance. Nevertheless, an accurate and nuanced understanding of these events and their implications for international studies is needed. Over the past year, we witnessed the shocking revelations of the Snowden drama, an unforeseeable coup in Egypt, and continuing violence in Syria. We watched the Obama administration's political stagnation and strategic adjustment, the new layout of China's domestic and foreign policy under Xi Jinping's leadership, and the turmoil and protests in a number of developing countries. These stories all reflect, from different angles, important trends of our times: **the landscape is changing, paradigms are shifting, and rules are being remade.**

The dysfunction, or loss of normal operation, apparent in the world today is indicative of the need for a new agenda on global governance. Meanwhile, challenges arising from political and economic transitions remind us to be cautious about the prospect of change. In order to keep pace with contemporary trends, and improve our understanding of the complexities inherent in them, we have selected 8 articles through which we can see through to the world of 2013 from different perspectives, including: the changing international political and economic situation; the momentum of great powers such as China, the U.S., and Japan; the debates on cyberspace; and new social protest movements all over the world.

Given China's increasing influence abroad, it is imperative that Chinese scholars make accurate assessments of the international situation. Moreover, it is absolutely necessary for Chinese scholars to provide valuable insights about China's strategic choices as it becomes increasingly intertwined with the rest of the world. This report by the Institute for International Studies at Fudan University represents our efforts to address these needs.

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# **International Political Situation in 2013: Overall Stability, Continuing Transformation**

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Concurrent with the continuing transitional process of the international system, the pattern of “rising East, declining West” and “rising South, declining North” remains a basic trend of the global power structure in 2013. Yet the outcomes of transitional policies in relevant countries are mixed. As change in the global balance of power decelerates, the implications of the coming global power transition are increasingly uncertain.

## **2013 Revisited: “One Superpower” and a Rising Collective of Emerging Powers**

First, the United States is clearly heading towards strategic contraction. Although the United States still hold the position of the world's only superpower, its comprehensive national strength as well as its international influence continues to decline in face of domestic constraints. In the political sphere, partisan struggles last year between Democrats and Republicans took place one after another, leading to government shutdown. In economic and social spheres, the unemployment in the United States is around 7 percent while the gap between the rich and poor was grows wider. Meanwhile, unresolved issues such as healthcare insurance reform, the failed gun control bill, and the revelation of the Prism scandal all resulted in record public dissatisfaction towards the government. In military affairs, the U.S. army has had to greatly reduce defense expenditure, postpone armament upgrades, and reduce purchase of advanced weapon systems. All the above factors have led to a more prudent American foreign policy, in both words and actions. America’s refusal to impose military action against Syria, its promotion of peace talks with the new

government in Iran, and its greater reliance on China and South Korea for mediating the DPRK nuclear issue are indicative of its aversion to military involvement in regional conflicts, and more broadly represent strategic contraction .

Second, the collective rise of emerging powers continues unabated. Compared with developed countries, the emerging powers generally maintain a comparatively high speed of economic growth. At the same time, coordination and cooperation among emerging powers has deepened and widened. This has given them greater influence on regional issues, as well as in global governance. Cooperation among the BRICS countries is especially outstanding. On the one hand, cooperation mechanisms among the BRICS countries have been normalized, solidified, and substantiated step by step. On the other hand, BRICS countries also take actions separately as well as cooperatively on major international issues. For instance, China and Russia strongly opposed taking military actions against Syria without authorization by the United Nations, and finally urged the United States, Britain and their allies to accept the arrangement of “chemical weapons for peace” proposed by the Russians. As for the Snowden incident, the Russian government, despite the opposition of the U.S. government, accepted Snowden’s application for asylum, while the Brazilian government strongly criticized the monitoring actions conducted by the U.S. government, even canceling their scheduled presidential visit to the United States. All actions of this kind effectively restricted the hegemonic policies and practices of the United States and its allies.

Moreover, among the emerging powers, and in global perspective, China's peaceful development is especially outstanding. China's economic development continues, with GDP growth of 7.7% YTD in the first 9 months, much higher than that of most other economies. China also made great achievements in military modernization, including: its first aircraft carrier, the *Liaoning*; the cargo transportation aircraft, Y-20, and China's first stealth UAV, *Sharp Sword*; and the lunar probe *Chang’e-3*. All of the

above represent China's strong growth in military and technological development. Meanwhile, along with significant improvements in comprehensive national strength, China is playing a more active and positive role in foreign affairs. China has gained status on the international political stage as well as greater influence on global affairs by: promoting a diplomatic solution to the Syria crisis and the peace talk between Palestine and Israel; the reaffirmation of principles of "amity, sincerity, mutual benefit and inclusiveness" with neighboring countries; the establishment of an ADIZ in the East China Sea; normalizing patrols of the Diaoyu Islands; and substantial management of Huangyan Island.

### **2014 Outlook: Ongoing Power Transition**

First, the transition in global power from developed countries to emerging powers will continue. Stuck in political polarization, slow economic recovery, sequestration and defense budget cuts, and other issues domestically, no one would deny that the U.S. is on a track of relative decline. Meanwhile, continuing economic downturn in European countries has weakened their capacity to deal with military and security challenges on their own. The right-turn in the Abe regime's security and diplomatic policies has alarmed neighboring countries, limiting Japan's international influence. In contrast, emerging powers (with China as an example among them) actively involved themselves in reshaping international order and designing rules of global governance, therefore keep on promoting transition of the world power center from the West to the East.

Yet we have to notice that, in 2014, global power transition will slow down. This is partly because of the economic situations in some developed countries have more or less rallied. The United States, in particular, is back on the track of economic recovery. Meanwhile, for various reasons, comprehensive performance of most of the emerging powers keep declining, and some countries are in the danger of economic decline and

social instability. Hence in 2014, both the rising of emerging powers and decline of developed entities will slow down the trend of “rising East, declining West,” and thus zigzagged the process of power transition in international politics.

In addition, the global geopolitical and geo-economic centers will continue to shift towards the Asia-Pacific. America’s “rebalancing” strategy towards the Asia-Pacific, China’s peaceful rise, Russia and India’s rising influence, Japan’s pursuit of "normal country" status, and ASEAN’s deepening integration, are important trends contributing to this regional shift. The Asia-Pacific, not the Atlantic, is increasingly visible as the center of world political and economic affairs.

Third, Western developed countries, led by the United States, will become more domestically oriented. Due to various domestic problems, the United States, Europe, Japan and other developed countries have to reduce their involvement in international affairs. Investigations show that 52% of American citizens prefer less government involvement in international affairs, while 51% of the citizens want the government concentrate on domestic economic affairs. Dragged down by Portugal, Italy, Greece, Spain, economic performances in Europe are still in the downturn in general. The European countries can spare no effort but concentrate on solutions to heavy internal disputes. As for the Abe regime, huge financial debt, rising trade deficit, and other problems domestically challenged the Japanese government. In 2014, developed countries like the United States, European countries, and Japan might therefore focus more on domestic affairs, especially economic development, and conduct defensive foreign policies. This would reduce their participation, and thus their influence, in international affairs.

Fourthly, China shows a more apparent trend of comprehensive development. The 3rd Plenary Session of 18th CPC Central Committee sounded the trumpet of further political, economic, and social reform in China. In 2014, it is highly possible that

China will maintain outstanding economic growth in the world. The gap in GDP between China and the United States will continue to shrink, while the gap between their military capabilities will also narrow. These will highlight and consolidate the current strategic situation of two powers, China and the United States, coexisting in the Asia-Pacific. Diplomatically, China will behave more assertively and actively, so as to exert powerful influence on the structure of international politics.

### **Suggestions for China: A Plan for Assertive, Active World Diplomacy Plan**

First, China should foster and promote its relationship with the United States. As the only superpower in the world, the United States remains singularly influential in international affairs. China should foster win-win cooperation with America in political, security, trade, and financial spheres. Meanwhile, cooperation in pragmatic aspects of global governance and solutions to regional hotspot issues should also be carried out through promotion of “a new model of major-country relations between China and the United States” as priority in its diplomatic agenda. Last year's presidential summit may become a regular annual event, while upgrading and institutionalizing the Sino-U.S. joint military exercises; deepening bilateral cooperation in fields of non-traditional security in a global scale; and urging the U.S. to discipline its allies, Japan and the Philippines, will maintain and enhance regional stability.

Second, China should actively promote coordination and cooperation with other emerging powers. BRICS as the representatives, the emerging powers are playing increasingly important role in institutional transition of international politics in a “post-hegemony era.” China should consolidate cooperative mechanisms of BRICS, implement the initiatives to establish a BRICS Development Bank and a contingency reserves agreement, and cooperatively promote reformations of IMF, World Bank and



other international financial organizations. Besides, China should vigorously promote bilateral cooperation with other countries, including the deepening Sino-Russian comprehensive strategic partnership, and therefore cooperate to eliminate strategic pressure from the United States. Meanwhile, China should strengthen Sino-Indian strategic cooperation to promote an “economic corridor linking Bangladesh, China, India and Myanmar”; maintain stability in Afghanistan; and deepen its involvement in South America as well as in Africa through cooperation with regional emerging powers, Brazil and South Africa.

Third, China should effectively strengthen cooperation with regional “pivot countries.” Some regional powers have become increasingly important participants or even builders of regional international order. China, therefore, should establish a strategic awareness of “global layout” to select regional “pivot countries,” and solidify relationship with these countries under the principle of “give more, take less.” In South Asia, for example, China should implement a Sino-Pakistani economic corridor, and accelerate the construction of the Gwadar Port to exert influence on the Indian Ocean. In Southeast Asia, China may strengthen its strategic cooperation with Indonesia and other countries, promoting upgrade of ASEAN-China Free Trade Area, and maintaining the stability of South China Sea. China should strengthen its cooperation with Turkey and Saudi Arabia in the Middle East, with Venezuela and Argentina in South America, to construct solid regional pivots for our global strategy.

Fourth, China should actively participate in leading the formulation of new international rules. With the decline of their powers, the United States, Japan, and European countries are paying increasing attention to make use of present institutions as well as making new rules, in order to keep their predominance on international system and global agenda, such as rules-making for “new frontiers” of international politics (the Arctic and Antarctic regions, outer space, and cyber space), active promotion of TTIP and TPP in international trade. Meanwhile, as for issues like

climate change, developed countries usually intend to set up a rule system for their own benefits to avoid responsibilities, while force developing countries share inappropriate share. China should pay close attention to this tension, take active part in the design and making of new rules in related fields, and safeguard our legitimate interests by occupying the strategic highground.

# **Loss and Transformation in the World Economy of 2013**

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Five years after the outbreak of the latest international financial crisis, the world economy remained characterized by generally weak growth and failure to achieve steady recovery. Nevertheless, there were also positive changes, which may lead to more stable, robust development in the future. To summarize the features of the global economy in 2013 are two words: “loss” and “transition.”

## **Loss of normal operation**

**Slowdown in economic growth.** In 2013, regional economies lost their high rates of growth. The United States’ economic recovery remains incomplete, and it did not reach its expected GDP growth rate of 2.5%. The European Commission estimated that, hampered by sovereign debt crises, Europe’s growth would remain a nominal 0.1%. Although the Abe administration in Japan implemented a series of policies to stimulate the economy, its outcome is equivocal with a 2% growth rate, lower than expected. Although BRICS countries are representative of emerging economic powers, Russia’s growth was far lower at about 1.5% in 2013 than 3.4% in 2012. GDP growth in Brazil was 2.4% and in India only 5%. Only China, with an expected growth rate of around 7.8% in 2013 (roughly equivalent to that of 2012), retained a relatively high rate of growth.

**Loss of effective economic governance.** The general downturn in economic growth coupled with domestic political troubles has undermined former models of economic governance. This loss manifests first as the accumulation of debt in developed countries. For example, government debt in Japan is twice as large as its GDP. Debt in the United States is much higher than its annual GDP as well, where gridlock in the debate over financial deficit caused a 16-day federal government shutdown (of

nonessential departments) last year. Second, continued high unemployment rates are prevalent. In the United States, the average yearly unemployment rate was over 7.5% in 2013 despite a declining trend from month to month. In the Eurozone and EU, corresponding statistics are 12% and 11% respectively. Third, poverty remains high. In the United States, 46 million people still live in poverty, 15% of the total national population. Poverty is on the increase in EU countries as well. Notably, poverty is becoming a domestic threat to the EU's biggest economic entity, Germany, which hit a historical high for percentage of impoverished population.

**Loss of order in trade negotiations.** In a discouraging global economic situation, various trade negotiations lack the impetus to reach substantive breakthroughs. At the regional level, the U.S. government failed to achieve significant progress in its ambitious agenda of TPP; the Euro-American TTIP also stalled because of different restrictions. Last year in East Asia, the RCEP talks began but the final agreement is a long way off. Globally, the WTO recorded no significant achievements in promoting global multilateral trade negotiations over its 18-year history, and thus failed to substantially enhance the liberalization of global trade. It now risks becoming an inefficient and bureaucratic international organization. Although its member states reached an agreement in Bali on December 7<sup>th</sup>, 2013, the agreement itself is too simple to fully realize the Doha Round goals, not to mention it still awaits the full approval of WTO members.

**Loss of balance in monetary policy.** In 2013, the major developed economies continued to implement quantitative easing policies, which may increase the risk of excessive liquidity in the international financial system. Although the United States implemented such a policy and decreased monthly purchases of long-term bonds from 85 billion to 75 billion, its monetary policies are still quite relaxed and rates on federal funds remain under 0.25%. The European Central Bank made 25 baseline cuts between May 2<sup>nd</sup> and November 7<sup>th</sup>, marking a historical low of 0.25% for baseline

interest rate. In addition, since Haruhiko Kuroda became president of the Bank of Japan, he implemented an ultra-loose monetary policy, expanded the scale of asset purchases, and drove down interest rates. Collectively, the implementation of quantitative easing policies in developed economies leads to short-term volatility of international financial markets. This raises difficulties for other countries, especially emerging economies, for managing domestic financial systems or even economic development on the whole. Emerging economies generally respond to quantitative easing in the developed world by tightening monetary policies. Since April 2013, the Central Bank of Brazil successively raised the benchmark interest rate six times, which presently stands at 10%. Since taking office as president of the Reserve Bank of India two months ago, Rajan successively raised the interest rate to 7.75%; the Bank of Indonesia also raised its benchmark interest rate to 7.5% over five successive increases

**Lost efficacy in development agendas.** The year 2013 was vital for achievement of UN Millennium Development Goals: 2015. However, the least developed countries, as well as a considerable number of developing countries, failed to reach their expected goals for reducing poverty, improving education, reduction child death rates, strengthening environmental protection, fighting against AIDS, and improving maternal health. Although some progress has been made, fully realizing all of the goals appears next to impossible. As for poverty reduction, 1.2 billion people still live in extreme poverty with daily expenditure lower than 1.25 dollars. Though this number has decreased from 1.9 billion over the past 30 years (in no small part due to Chinese contributions) poverty clearly remains a major issue. In sub-Saharan Africa, India, and Latin America, poverty is endemic. In sub-Saharan Africa alone, more than 400 million people are extremely impoverished, twice as many as 30 years ago (200 million). As for maternal health, the mortality rate of 47% remains far higher than the goal of a 75% reduction in maternal mortality before 2015.

## **Structural transformation**

Besides loss, the other notable feature of the international economy in 2013 is transition. While loss connotes a sense of imperfection and regret, transition implies evolution, and calls for anticipating a new phase of economic development.

**Transformation of economic power.** In 2013, the structural trend of “rising East, declining West” in the world economy continues. Here, “East” refers to emerging powers, such as China and India, while “West” refers to developed countries in Europe and America. Despite the slowdown in economic growth, Eastern countries still have the advantage of higher growth compared to Western countries. China, representative of emerging economies, continued to thrive in 2013 with relatively a relatively high growth rate, closing the gap between itself and the world’s largest economy—the United States. Indeed, the gap in comprehensive economic power between emerging and developed economies is narrowing with the support of China and its counterparts. Particularly in Asia, economies are dynamic and fast-developing, and are playing increasingly important roles in the global economy.

**Changing flows in global investment.** The flow of global investment is also in transition as investments are increasingly concentrated in several countries. For example, from July 2013 to September 2013, the top 3 destinations for FDI—China, Great Britain, and the United States—absorbed 47% of total global FDI, among which China ranked as the highest destination with 27%. Generally speaking, the share of continental Europe shrank in terms of both inbound FDI and outbound FDI (OFDI). With regards to inbound FDI, the share of EU countries shrank from 25% in recent years to 17%; OFDI shrank from 30% to 13%. Dragged down by the EU, the influence of OECD on global investment decreased significantly while emerging markets increased.

**Shifting trade patterns.** In 2013, developing countries (including the emerging economies) held an almost equal proportion of global trade with developed countries, marking a historical record. In the 1980s, developing countries accounted for 34% of global exports. By 2013, that number reached almost 50%. Similarly, import trade in developed countries fell from 56% in the 1990s to 35% in 2013. In addition, regional trade increased its pace over the years while global trade experienced a slowdown in growth. For example, exports among Asian countries accounted for 52% of their total exports, and the ratio among EU countries is as high as 75%. Intra-regional trade is becoming a new force in world trade.

**A turn in thinking about governance.** The capacity of developed countries to shape the system of global governance continues to decrease due to difficulties in economic development. At the same time, the developed countries' models of economic governance are losing their attractiveness as a result of their inability to perform. Other ideas about governance, promoted by major emerging economies, have, in contrast, won increasing approval and demonstrated themselves worthy of emulation. Instead of paranoia directed at liberalist dogma, pragmatic approaches toward both global and domestic economic governance are increasingly prominent. As for global economic governance, reform of the IMF is now being promoted by emerging economies with plans for more justice and representation. On the domestic level, a consensus is emerging to counter the overwhelming influence of the Washington Consensus.

**Transformation of growth models.** In 2013, many countries' growth models underwent profound transformations. The overall goal of such transformation is to pioneer new models in which economic growth is more balanced. First, a balance must be struck between the virtual and the real economy. Countries with decreasing proportion of real economy are now trying, through various strategies, to promote backflows in manufacturing to raise the competitiveness of their real economy.

Second, a balance between government and the market should be implemented. The United States and other countries, which used to depend on the role of the open market, are now paying more attention to the design and implementation of state capabilities; whereas China and other countries in which the state has played a vital role are now emphasizing the decisive role of the market in resource distribution. Third, a balance between imports and exports should be maintained. In 2013, the global trade imbalance continued to ease as, for instance, the proportion of trade surplus in China's GDP decreased to a reasonable level. At the same time, the United States trade deficit also decreased. If this pattern of change in growth models continues, it may bring about more balanced and sustainable long-term growth for the international economy.

China should further promote the transformation of economic development models while upgrading the industrial structure of its domestic economy. It should, through accelerating the reform process, expand domestic demand and push for innovation in order to increase the returns from economic growth. Meanwhile, China should actively create a sound external fiscal environment, uphold the global free trade system, ensure the overall stability of export markets, and promote reasonable reforms of the international economic order. By prioritizing domestic economic development while focusing on both domestic and international economic affairs, China is now capable of welcoming the uncertain of the world economy in 2014.



## **China's New Diplomacy: Focused and Far-sighted**

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The world in 2013 was filled with tensions of change and transformation. The first year in office brings serious challenges for any leader. Newly elected and incumbent leaders alike faced such challenges, both in their internal and foreign affairs. 2013 was the year when China's new leadership came into power. This new generation of leaders has concentrated on key matters in both internal and external affairs: they have invoked the trust in openness and stability of on-going internal reforms; the start in foreign affairs gained a strong momentum; the new agenda was meticulously crafted, and the plans and strategies have been developed to a whole new level. China has been actively making progress in internal and foreign affairs, and this new atmosphere of China in 2013 stood in contrast to the uncertainty felt worldwide.

### **The rise of China's Dream evokes great repercussions in the world's society**

The creation of China's Dream has caused great interest and response within the country and abroad. Internally, because it encompasses the element of revival of Chinese nation, which is in line with the 60-year-old slogan "Chinese people have stood up" as well as the slogan popular before the revolution "Rejuvenating China," it resounds among the Chinese people. All nationalities in China can unite under the common dream of the great revival and fearless progress of the Chinese nation. Abroad, it has had such a positive response because the minds of each country and their citizens are set, the minds are determined, peaceful and benevolent, and therefore united. China's dream provided the world with a new reference point: when faced with Chinese dream, each country must strive strenuously towards a better

homeland, developing peacefully and equally with the outside world. And this is the content that the American dream does not provide.

### **The enrichment and the development of the mindset of independence**

Independence is the most obvious thread that links all the discourse of the new Chinese foreign affairs policy. Independence is the basis for establishing the party as well as the country, reviving the party as well as the country. It also serves as the foundation for China's new peaceful foreign policy. President Xi Jinping has proclaimed: "Adhering to independence requires upholding the notion that China's matters should be in the hands of Chinese people, and resolved by themselves"; "Adhering to independence, means steady progress on the path of socialism with Chinese characteristics, without returning to the old paths of rigidity and closed-mindedness, without going forward with the evil path of reshaping flags and theories". "Adhering to independence is upholding the independent policy of peaceful foreign affairs, strong commitment towards the chosen path of peaceful development". The three "adherences" are further enriching and developing the concept of independence, on the basis of inheritance.

Adhering to independence in foreign affairs does not mean that China has gone for a tough foreign affairs policy, but means that it actively and rationally preserves the interest of a country's development, and assumes all the responsibility of actively seeking international peace. Actually, in the modern era, each country should pursue an independent internal affairs policy and a peaceful foreign affairs policy. Each country should independently seek out their particular path of development; each country should respect the paths of development of others that were chosen independently as well as the established political institutions; each country should gradually abandon the thought of military alliance and independently walk the path of peaceful development.

## **The thought of righteousness and benefit and the thought of fairness in the value system of China's foreign affairs**

The rise of the new form of “righteousness and benefit” has been often found in the value system of socialism with Chinese characteristics. China has always attached importance to the consideration of righteousness and benefits in foreign affairs. Since the establishment of a New China, China has selflessly assisted and supported the independence movement of the nations of the third world, which at that time of the world history was considered to be the “great virtue”, and China has embodied this “great virtue”, which gained a lot of soft power as well as power of speech in China's foreign affairs. Since the beginning of the revolution, the “great virtue” has existed in each country's sincere support towards the other, especially among the large developing countries where it manifested as joint development, and this is where the “great virtue” lies in today's world. It is one of the characteristics of the new form of thinking of “righteousness and benefits”. “Shared joy is a double joy”: it is only when more countries of the world, more people of the world will reach progress, and not only the small number of countries and people will enjoy the results of development, it is only then that the world can enter into the stage of harmonious coexistence.

In 2013, through its foreign affairs, China has also introduced the world to the concept of fairness. China thinks that if the world lacks fairness, then how can there be humanity? It is only because China was upholding the concept of “fairness” that a serious humanitarian crisis was prevented in Syria. Currently, international politics is not based on justice; fallacious reasoning still prevails. The one who can start a new wave in international politics will be the one embraced as the greater soft power.

Honesty in the language of foreign affairs has exhibited the impact of Chinese style soft power.

The conference of propaganda work, that commenced in August, 2013 has emphasized that a harmonious system of vocabulary for Chinese-foreign communication should be established. When creating the vocabulary for China's foreign affairs, we cannot blindly take the course led by western language system, but we should finally express China's value system of foreign affairs by using Chinese language, express the characteristics of China's worldview and its pragmatism. In 2013, China has witnessed a great change in the style of language of its foreign affairs. In Tanzania, President Xi Jinping's short speech of half an hour has drawn loud rounds of applause. It because the values of "sincerity, real results, affinity and good faith" embodied in developing China's and Africa's relations, resonated with the hearts of the audience, and revealed the existing charm of the soft power with Chinese characteristics.

To juxtapose, what is America's soft power? To a great extend, it relies on promoting capitalist institutions abroad; while China's soft power relies on making friends, creating mutual respect and admiration, place the ideal of righteousness amidst the history and the facts. At the Diplomatic Work Conference on Periphery Diplomacy, China has expressed the principles of amity, sincerity, mutual benefit and inclusiveness to be employed in diplomacy with neighboring countries. In Kazakhstan, President Xi Jinping proclaimed the interconnecting principle of "five connections": communicating on policies, constructing roads to connect the countries to China, encourage currency circulation and implement cultural exchanges, therefore forming a regional alliance through the unity of the hearts of citizens. This diplomatic vocabulary has expressed China's leaders confidence in Chinese language, and exhibited the charm of Chinese language as a language of common life.

**A completed diplomatic approach includes great powers, neighbouring countries, developing countries and international**

## **organisations**

In 2013, China has formed its approach towards foreign affairs for the next 10 years. The starting point was the bilateral relations between China and Russia, then it extended to the great powers, developing nations, multilateral organizations and finally held a conference for peripheral diplomacy, and thus a new type of diplomatic structure for a great power was formed. The new type of relations between great powers, the relations between countries of unequal size, the relations with developing nations based on sincerity, real results, affinity and good faith, the peripheral diplomacy based on the principles of amity, sincerity, mutual benefit and inclusiveness have all guided China through the process of developing relations with different countries. It is worth mentioning that while maintaining and promoting the multilateral system of international relations, China has started to see the importance of having impact in the new multilateral international system. China plays an active role in Shanghai Cooperation Organization, Bo'ao Forum for Asia, BRICS Summit, G20 and other multilateral organizations, and has become a major influence in helping to renew and steer the new international system towards greater justice, order, inclusiveness and coexistence.

Thoroughly merging and coordinating China's diplomacy and economy has served well the great revival of Chinese nation

The keyword of China's approach in economy and foreign affairs in the year 2013 is interconnection. China is the largest trading partner of 128 countries. The economic advantages of China being the world's second biggest economy now are transformed to forming a stronger diplomatic power. China's economy and diplomacy are being developed both on land and in the sea simultaneously, namely through "Marine Silk Road" and "Land-based Silk Road", numerous other economic corridors are also considered. In order to create the economical unity in the region, based on China's

principle of interconnection, the Finance and Infrastructure Investment Bank is providing economic means for country's diplomacy. The traditional approach of diplomacy serving to achieve economic means, is currently being transformed to their coordinating and merging, employing them to achieve the general goal of reviving great Chinese nation.

### **Building the diplomatic system and institution will assist in achieving China's dream**

To ensure that China grows from a major power to a great power, in this new phase, China must enhance the leadership of CPC in foreign affairs. The centralized management of diplomacy requires strengthening the diplomatic system on the top-level. The contemporary international environment is undergoing profound and complex changes. New characteristics emerge in the interaction between the domestic and international spheres. In 2013, the Third Plenum of the 18th Communist Party of China Central Committee decided to establish the Central State Security Commission to coordinate and integrate the national security system with the legal system, and to handle the complex domestic and international spheres of security more effectively and more efficiently. What's more, there are well-established and to-be-adjusted systems and institutions of foreign communication that are relevant to the great program of China's foreign affairs. These include: the authorities protecting maritime interests, foreign interests, the system of foreign aid and development, as well as the legal system of diplomacy and national security, etc. All of the above are important constituents of forming the diplomatic system and institutions of Modern China.

The bottom line of peaceful development has been set: China will uncompromisingly protect its core interests

China will unswervingly follow and firmly pursue the path of peaceful development.

Since 2013, there have been new developments in China's peaceful development theory and regulations, notably along the following aspects:

1. Citizens of all countries should equally enjoy the benefits of peaceful development. People of the world should gain merits. Only if this spreads among the people of various countries, it is then that the idea of peaceful development will become the foundation of society's public opinion. 2. Setting the bottom line of peaceful development. When the new leadership was examining the peaceful development strategy, Xi Jinping explained the dialectical relationship between China's peaceful development strategy and the protection of its sovereignty, security and developmental interests. He stressed that while implementing peaceful development, China cannot lose the legitimate rights and benefits, and certainly it cannot sacrifice its core interests. China is neither a trouble-maker, nor a coward. No country can expect China to bargain about its own national interests, nor to risk its sovereignty, security or developmental goals. 3. Regarding the question of peaceful development between the two sides of the strait and country's unity, it has been suggested that peaceful development may help achieve the goal of country's reunification. Xi Jinping stated that the key to ensuring the peaceful development along the two sides of the strait is strengthening mutual political trust on both sides and building a strong foundation of joint politics. Thinking long term, the cross-straits political divergences should be gradually lessened, rather than passing it on to the further generations. 4. Promoting that each country should follow peaceful development, considering it is the world's great virtue, and embark on the path of peaceful development. It is not enough if China is the only country pursuing peaceful development in the world. Only when more countries will together embark on the path of peaceful development, the path will be steady, smooth and far-reaching.

### **China is pursuing the international order of peaceful coexistence**

The international order of peaceful coexistence, built on the basis of the five principles of peaceful coexistence, and pursuing peaceful development together with other countries is the goal uniting all China's new diplomatic efforts, it is also one of the considerations of the world order that China has in this new era. When meeting the representatives of the 21<sup>st</sup> Century Council, Xi Jinping proclaimed that, "China is willing to pursue the path of peaceful development together with other countries". It should not be the short path of resistance, nor the old path of conflict, the new path of peaceful coexistence should be pursued, in order to create a world of peaceful coexistence, based on inclusiveness and order – this is China's pursuit in the international order.

In today's world, a way for peaceful coexistence should be developed in different spheres: amidst cultures, amidst the countries, the citizens of all countries, between one great power and another great power, and between a great power and a small country, between people and nature, between a man and the society. Peaceful coexistence is formed on the basis of respect for differences and diversity. As a civilized power of the East, as a responsible power and a socialist power, China has contributed its wisdom to the international society on the issue of world order, thus charting the course for harmony and coexistence based on the respect for differences and diversities.



# **The Obama Doctrine and U.S. Strategic Adjustment**

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In the United States, “dysfunction” and “transformation” were two key trends in 2013.

## **Dysfunctional, at Home and Abroad**

Though its economy is finally showing signs of moderate growth, the United States’ domestic political challenges are increasingly prominent.

The first challenge involves ongoing, polarizing, fierce partisanship. The struggle between Republicans and Democrats in Congress last year over the Obama administration’s federal budget plan, as well as the Republican Party’s attempts to block the implementation of the Obama-care package, ultimately led to a half-month long federal government shutdown. This was the most aggressive position taken by Republicans in the past 17 years, publicly showcasing the current intensity of partisanship in Washington. Some suggest that political discord is at its most severe since the American Civil War.

The second challenge was Obama’s political vulnerability. Due to the mishandling of healthcare reform and efforts by the Republicans to hamper the administration in Congress, Obama’s approval ratings hit a new low. As the American public grew increasingly disillusioned by the administration’s impotence, the president’s political influence rapidly declined. Generally speaking, all American presidents experience gradually declining influence over the last two years of their second term. However, we rarely see such weakness during the first year of a president’s second term. It is worth observing the impact of this trend on American politics in the coming years. On

a deeper level, both the U.S. government shutdown and Obama's weakness reflect the drawbacks of a "vetocracy." The United States has long viewed itself as the model of democracy; now, its political system appears increasingly dysfunctional, leaving Americans unsatisfied but without decent alternatives.

Dysfunction also marked American society in 2013. Towards the end of the year, Obama delivered a speech in which he listed increasing inequality and decreasing mobility as two issues that "pose a fundamental threat to the American dream, our way of life, and what we stand for around the globe." The American dream has long stood for, in addition to individual opportunity, a thriving middle class and upward social mobility. Following the economic crisis, however, the American middle class shrank as incomes fell and the distribution of wealth became increasingly unequal. Unemployment remains high; meanwhile, 15% of Americans live in poverty and the income gap between the richest 5% and poorest 20% reached its highest point since the U.S. Census Bureau began tracking in 1967. The United States has become the most unequal country in the developed world. As the middle class shrinks, the social structure will undergo significant change, and people will further lose confidence in American values and their economic future. Rising inequality and poverty will threaten U.S. economic growth as well as social and political stability. The significant correlation between social and political dysfunction, meanwhile, will complicate the problem-solving process.

On the international level, the PRISM surveillance program exposed American moral normlessness. The Snowden revelations shocked the world and deepened negative perceptions of the United States in at least three ways. First, the United States' abuse of power is juxtaposed with its responsibility--as the world's strongest country militarily, and most advanced in science and technology--to use it responsibly; i.e., appropriately and prudently in advancing its legitimate national interests. Just as the United States repeatedly uses its military advantage to wage wars, Washington's

worldwide spying activity—made possible by its technological advantage—reflects a deep-seated American proclivity to abuse power. Second, the extent of its cyber-surveillance heightened perceptions that the United States desires to control the world. Undoubtedly, Washington’s desire for control underlies American surveillance activities, to the extent that it even conducts espionage on the leaders of its allies. This desire proved unsuccessful in Iraq and Afghanistan, yet it still manifests in other ways, such as in cyberspace. Third, the Snowden incident underscored American hypocrisy. In recent years, the United States repeatedly accused China of network attacks, describing itself as an innocent victim of Chinese hackers. The Snowden incident revealed that the United States, in fact, is the bigger hacker of the two. The United States’ sense of moral superiority and its conspicuous displays of soft power are, when juxtaposed against the severity of its moral relativism and hypocrisy, likely to have a negative impact its international image for a long time.

## **The Obama Doctrine**

In light of the unpopular wars in Iraq and Afghanistan, Obama began promoting strategic adjustment upon entering office. This was mainly reflected in the U.S. withdrawal from wars in the Middle East and the strategic rebalance to the Asia-Pacific. These and other policies, such as the response to the use of chemical weapons in Syria and the improvement of relations with Iran, reveal some characteristics of Obama administration’s foreign policy doctrine.

First was reduction of military intervention. The Obama administration realizes that the United States faces multifaceted security challenges consisting of diplomatic, economic, cultural, and other factors. The use of force must be tempered with other means when addressing these challenges. The Obama administration stressed that the use of force must be “wise, precise, and judicious.” Military measures were thus the last resort, playing a supporting rather than leading role in U.S. foreign policy. Indeed,

the cautious attitude regarding the use of military force was a product of both fatigue from the wars in the Middle East and pressures on the federal budget. Second was the full employment of diplomacy, including cooperation with allies and other great powers, in handling international issues. While based on fiscal considerations, this also conformed to the notions of diplomacy generally espoused by the Democrats. In addition, selective engagement was an important feature of the Obama doctrine. In contrast with recent U.S. foreign policy, overseas involvement under the Obama administration, whether military or diplomatic, was more closely correlated with the extent of American interests involved, anticipated cost, and feasibility of resolving the issue at hand. This implies that the United States will, in the future, only invest substantial military and diplomatic resources in limited areas.

It is worth noting that the United States is moving towards a more inward-looking strategy. A survey conducted by the Pew Research Center showed that, for the first time since 1964, nearly half of Americans said that the United States should “mind its own business internationally and let other countries get along as best they can on their own.” According to Richard N. Haass, President of the Council on Foreign Relations, the United States is currently enjoying an unprecedented respite in the foreign policy arena. What the country needs, he argues, is to restrain itself internationally while strengthening itself domestically. As a Democrat, President Obama’s policy preferences suggest that he is not a neo-interventionist. He advocates limited goals and selective engagement for the United States, relying more on diplomacy and multilateral cooperation. Moreover, in terms of capabilities, cuts in the defense budget constrain American military operations overseas. In this sense, the United States’ strategic introversion is more likely a long-term trend than a short-lived phenomenon. According to the cycling theory of U.S. foreign policy, the country is entering its next policy cycle, which calls for about 20 years of strategic introversion—more focus on domestic affairs and less active intervention abroad (especially military interventions). The withdrawal of American troops from Afghanistan will likely be a landmark event,

introducing a new model of U.S. involvement in world affairs in the context of growing multipolarity and a relative decline in U.S. power.

## **What Should China Do?**

How should China respond to the U.S. strategic adjustment? First, given the relative decline in U.S. power and gradually narrowing gap, the United States will be increasingly anxious about the consequences of being overtaken by China. Washington will likely intensify diplomatic, security, and economic responses to a rising China and at times react sharply to some of its international behaviors. Importantly, China should reassure the United States by: strengthening dialogue and communication to reduce mistrust; cooperate with U.S. concerns in ways consistent with Chinese principles and interests; and when developing peripheral interests and extending strategic engagement, wait for the right moment and undertake more measured implementation, among other things.

Second, as its hegemony declines the United States will need more international cooperation to achieve its foreign policy goals. This cooperation will come from allies and partners, as well as from regional power centers. In the Asia-Pacific, the United States will increasingly focus on developing its network of “allies and partners,” in order to balance China and maintain its dominant position in the region. Globally, the U.S. will rely on cooperation with main power centers to manage regional issue and promote global governance. Given China’s rising power and influence, the U.S. will also increasingly rely on China for support on global issues. In the Asia-Pacific, China should actively promote an inclusive foreign policy, and advocate regional economic and security cooperation, in order to prevent the United States from isolating China and dividing the Asia-Pacific with its network of partners and allies. Globally, China should emphasize its willingness to be a responsible great power and cooperate with international society. In this way, China can actively contribute to the management of

global issues, expand its international influence, and better protect its own national interests.

# **Abe Risk: The Key Variable of the Recent Sino-Japan Relations**

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For the first 50 years after the Second World War, the world was characterized by U.S.-Soviet bipolarity, its construction and subsequent deconstruction. In the next 50 years, we predict that the world will gradually enter an era of “multipolar, but inclined towards G2,” in which Sino-U.S. relations will have a significant impact on human history. This is no doubt an irreversible trend. Indeed, we are at the beginning of this era, moving towards a critical point where accumulated quantitative changes are reflected in qualitative change. Though this trend is largely irreversible, important variables will nevertheless emerge. Thus, we have entered a high-risk period of heightened competition, especially among actors who have significant strategic interests at stake.

During this structural transformation, it is no surprise that the United States, and its ally Japan, are extremely sensitive and react sharply to uncertainty and change. The process has placed China, the U.S., and Japan on center stage. As the U.S. and Japan attempt to balance China, the tendency for one actor to play the other two off each other is on the rise along with concomitant risk.

An indication of this recent trend is “Abe Risk,” Japanese Prime Minister Shinzo Abe’s brinkmanship in the China-Japan territorial dispute over the Diaoyu Islands. He is stoking nationalist sentiment at home in order to achieve political and military goals—amending the constitution and expanding the role of the military, respectively. At the same time, Abe is willing to use the United States’ momentum from its strategic “pivot” to drag into the conflict and risk direct confrontation with China. Japan, though the smallest country in the strategic triangle, can thus easily profit at the others’ expense.

## **Internal and external factors of “Abe Risk”: Shattered myths and geopolitics**

Internal factors are the basis for change, while external factors condition it. “Abe Risk” follows this pattern.

The end of the Cold War shattered three myths. First, the myth of unending economic development that postwar Japan was proud of was undone, and after 20 years its economy has not recovered its former vitality. Second, the myth of stable politics under the 1955 regime was broken with the end of the LDP’s long tenure, replaced by a political mess—“ten premiers in ten years.” Third, the Sarin Gas incident and Fukushima nuclear disaster shattered the myth of social safety. Throughout this process, successive Japanese governments underwent political and economic reforms without substantial results. Japanese society, meanwhile, is asphyxiating under the anxiety of a “Japan without a promising future.” Abe won the election to Prime Minister by basing his campaign first on “bringing back the powerful Japan” and later “Abenomics.” By using the dysfunction and transformation in Japan to his advantage, Abe maintained a high approval rating.

Closely related to the “Abe Risk” described above is its domestic social foundation: weakening restraint from opposition parties, governing coalition, and factions within the LDP. Other examples of “Abe Risk” include Nobusuke Kishi’s extreme conservative and reactionary political ideas, and Abe’s flagrant visit to the Yasukuni Shrine.

In 2013, the role of maritime rights and interests in geopolitics was a highlight. Japan is a developed country with an extreme scarcity of strategic resources. When Japan’s land resources were nearly developed, the strategist Masataka Kōsaka pointed out that



Japan has no choice except looking to the seas for resources. After United Nations Convention on the Law of the Sea came into effect in 1994, Japan formally established the national policy of “building a maritime state.” This maritime strategy aspires to expand Japan’s maritime territory through actions such as transforming the Okinotori atoll into “an island.”

In recent years, China gradually established its own strategy of becoming a maritime power, which is a legitimate interest of China’s own development and not intended to threaten Japan. However, Abe has taken advantaged of the anxiety resulting from geopolitical uncertainty, Japan’s resource scarcity, the inherent vulnerability of sea lanes of communication, and the Diaoyu Islands dispute to claim that China constitutes a “physical threat” to Japan and promulgate inflammatory policies.

On the other hand, the U.S. strategic rebalance has, for both itself and its allies, prioritized balancing China in maritime affairs. Indeed, this is a crucial external variable in the formation of “Abe Risk.”

### **“Abe Risk” brings four challenges**

“Abe Risk” constitutes a serious challenge to China’s peaceful rise strategy in the security sphere. Bilaterally, Abe is sure to provoke incidents surrounding the Diaoyu Islands issue in order to pursue his goal of amending the constitution. This will damage China-Japan relations. Over the long enough period of time, risk stemming from Japan’s provocative behavior in both maritime and airspace territory surrounding the East China Sea is likely to escalate into small-scale military incidents. Regionally, Abe’s “three arrows of security” policy will substantially lift a ban on the right to collective self-defense. Japan’s efforts to increase military cooperation with the Philippines, Australia, and even Vietnam—against China—will seriously complicate China’s regional security environment. Globally, Abe will work with European

countries and the United States to limit arms sales and the transfer of high-tech, dual-use products to China.

On all three levels noted above, these measures are clearly propped up by the U.S.-Japan alliance. If Japan lifts the ban on its right to collective self-defense, the nature of the alliance—including the range of military cooperation and the degree of integrity—will be significantly expanded. Moreover, Abe is keen on carrying out the so-called “2+2” diplomacy under his “global diplomacy” strategy in his second term, with ambitions to balance China from all sides. We can conclude that “Abe Risk” will significantly challenge China’s peaceful rise in terms of national security.

Secondly, “Abe Risk” challenges China in terms of moral values. Japan’s foreign policy since the Second World War has been based on rapid economic development for both historic reasons and its own national character. But Abe has carried out “value diplomacy” in both his first and second terms, aiming to build up a “value coalition” in order to outflank China from the angle of soft power. Abe undermines China’s reputation by using the tool of traditional western values—ideas such as democracy, freedom, rule of law, human rights and market economy. Recently he slandered China as a threat to international laws such as freedom of navigation on the sea and in the air. Prime Minister Abe even directly attacks China’s social system. By attempting to occupy the moral high ground and undermine China’s international reputation, “Abe Risk” constitutes a multifaceted challenge.

Thirdly, “Abe Risk” also encompasses besieging and intercepting China diplomatically. On one hand, instead of keeping a low profile, as is Japanese tradition, Abe visited all Southeast Asian nations as well as other nations around the world. On the other, during his visits abroad he purposefully made outrageous claims about China. This complements his public claims that Japan should become the leader of a coalition to balance China.

The fourth challenge of “Abe Risk” lies in the field of “comprehensive security.” Besides “2+2” diplomacy, Abe is also keen on balancing China by strengthening the connection between economic assistance and security guarantees, especially in his diplomacy in Southeast Asia and Africa. Considering all three aspects mentioned above, “Abe Risk” poses the greatest challenge to China in Southeast Asia. As it faces an increasingly complex situation, China should redouble its efforts during the process of drafting the forthcoming *Code of Conduct of Parties in the South China Sea*.

### **How can China manage and control “Abe Risk”**

Undoubtedly, China needs to judge correctly and wisely in order to minimize “Abe risk.” There are three measures that can be used to effectively manage this risk.

The first measure involves building a new type of great power relations between China and the United States. As long as China-U.S. relations remain relatively stable, Japan will hesitate to venture too far from China. On one hand, the U.S. considers China to be its biggest strategic competitor. Thus, it will use Japan to balance China as its long-term geopolitical strategy. On the other hand, China and the U.S. share a wide range of common interests. Accordingly, the key to managing “Abe Risk” is to strike the right balance between the countervailing forces in China-U.S. relations. Moreover, there is an obvious structural contradiction between Japan and the U.S. on the real benefits of and attitudes toward the Second World War. China can use this opportunity to minimize the damage done by “Abe Risk.”

The second is to clearly perceive the moral shortcomings inherent in Abe’s strategy. Due to his extreme conservatism and revisionist views on history, issues such as Abe’s visit to the Yasukuni Shrine and insensitivity on the issue of “comfort women” are

open to criticism in mainstream U.S. media and the European Parliament among others. To counter Abe's "values diplomacy" and so-called "active pacifism," China should highlight the moral deficiency of his other words and actions.

Third, China should take advantage of its economic strength to thwart the "Abe Risk" strategy of isolating China. Southeast Asia should be at the center of China's periphery diplomacy. China should also promote the "Maritime Economic Silk Road" strategy to break delink economic assistance and security relations.

If "Abenomics" does not go politically bankrupt in the near future, "Abe Risk" will continue the cooling trend in China-Japan relations. Under Abe's leadership, Japan will become the most direct complicating factor in China's peaceful rise process, posing a significant strategic challenge. Besides efforts to decrease "Abe Risk," China should also accelerate the establishment of crisis management mechanisms in case of accidental maritime and/or airspace incidents in East China Sea. China should also prepare—spiritually, diplomatically and militarily—for potential conflict with Japan, if the ban on collective self-defense rights is amended out of its constitution.

In summary, the broader trend in Sino-U.S. relations will be developing into a new great-power relationship, barring dramatic changes. This is the key point to both China's diplomacy and the peaceful rise of China, in addition to the realization of Chinese dream. In this context, "Abe Risk" has very limited effect. China and the U.S. should make joint efforts to avoid the worst result that Japan steps to isolationism and owns nuclear weapons at last.

# **The Middle East in 2013: Transformation and Turmoil**

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The Middle East in 2013 was characterized by transformation, coupled with turmoil. These dual factors gave rise to a regional environment full of conflicting patterns and challenges for reconstruction of the regional order.

Political and social transformation in the Middle East has past the point of no return. Existing contradictions between religion and secularism, democracy and “people’s livelihood,” and reform and stability are sharper than ever. In Egypt, Tunisia, Libya, and Yemen, former regimes have given way to social transformation, yet difficulties remain. The “second revolution” in Egypt has been a weathervane for turbulence in countries undergoing these transformations. Other countries, in which regime change has not taken place, are also pursuing varying degrees of reforms. However, challenges both internally and externally lie ahead. Meanwhile, the unstable situation in the Middle East is exacerbated by: the protracted civil war in Syria and its spillover effects; frequent aftershocks from the war in Libya; rising international terrorism; and populist political movements.

In terms of the regional landscape, the strategic contraction of the United States in the Middle East is one of the most significant changes in recent years. The Syrian crisis, the Iranian nuclear issue, Russia’s diplomacy in the Middle East, and shifting strategies of countries such as Saudi Arabia, Turkey, Iran, and Israel, are all inseparable from U.S. strategic adjustment.

## **The arduous transformations of Arab countries**

In the wake of regime change in Egypt, Tunisia, Yemen and Libya, pluralist and multiparty systems as well as democratic parliamentary elections have been implemented. However, they face significant challenges, including: conflict between religion and secularism; deteriorating economic conditions; the growth of regional and tribal forces; and the threats of religious extremism and international terrorism.

In Egypt, the second round of revolution left its political transition without resolution. The Muslim Brotherhood clashed with opposition forces. The ongoing conflict between Islamists and secularists continues to polarize society, threatening to get out of hand. Meanwhile, "street politics" and populism are spreading, widening the gap between religion and secularism. In this context, Egypt potentially faces a "third revolution," which could be even more destabilizing. Tunisia, ruled by the Islamic Revival Movement Party, is also in turmoil. With the assassinations of two opposition leaders and frequent protests, the country's political stability is in crisis. In Libya and Yemen, regimes are relatively fragile. In light of their low capacity for governance, regional and tribal forces are expanding their influence. This not only hampers national reconciliation and political reconstruction, but also transforms the countries into safe havens for extremist forces. Monarchy such as Jordan and Morocco, as well as Gulf Cooperation Council (GCC) countries led by Saudi Arabia, seek to carry out top-down reforms internally and while outwardly expanding militarily, in order to form a "holy alliance" for joint protection. However, they invariably face tough internal and external challenges, especially in Bahrain and Jordan where violence and instability has emerged before. Varying degrees of turmoil also exist in other Arab countries, including Sudan, Somalia, Algeria, Iraq and Lebanon.

### **The rebound of international terrorism**

Last year witnessed continuing unrest in Yemen, an impasse in the Syrian civil war, and the United States withdrawal from Iraq. In the absence of stability, Al-Qaeda's activity is increasingly rampant throughout the region. Joining together with

extremists from other regions and taking advantage of the civil war to conduct a “jihad” in Syria, their activities are proliferating throughout the Arab world.

Northern Africa and its surrounding areas are also exhibiting an upsurge in terrorist activity. Organizations such as Al-Qaeda in the Islamic Maghreb (AQIM) in Algeria, the Al-Shabaab (Youth Party) in Somalia, and Boko Haram in Nigeria are stepping up operations in the face of regional turbulence. These organizations have formed a triangle of terrorism between North Africa, East Africa, and West Africa.

Three factors contribute to the rebound of terrorism in the Middle East: First, serious conflict exists between religious and secular forces. Regional and tribal forces are also on the rise, coupled with deteriorating regional economy, protracted civil war in Syria, and continued unrest in Libya.

Second, unstable political transitions throughout the region have provided Al-Qaeda and other terrorist organizations with conditions ripe for the spread of their own ideology. The “Arab Spring” has thus fostered conditions that improve the survivability and adaptability of Al-Qaeda.

Third, the contraction of US Middle East strategy has reduced pressure on terrorists. Meanwhile, US double standards in the Middle East, including its cross-border strike in violation of international law led to a large number of civilian casualties. These actions further enhanced a wave of anti-American sentiment in the region, creating opportunities for the development of terrorism.

### **The Complicated and prompt changes of regional pattern**

Fluctuation and reorganization are still the main forces of change in the Middle East. Four traditional forces in this drama are the Arab world, Turkey, Iran, and Israel. After three years of transformation, it is still difficult to identify a beneficiary of regional

turmoil. In 2013, turbulence in the Middle East is continually changing, leading to fluctuation in the regional balance of power and an increasingly fragmented Middle East. The Arab world in general has been on the decline, while internal differences have grown more salient. Even Gulf Cooperation Council (GCC) countries, which have been previously viewed as beneficiaries, have fallen into an embarrassing position as a result of US strategic adjustments--especially strategic adjustments on its Syria and Iran policies. This led Saudi Arabia to protest against the US by refusing to serve as a non-permanent member on the United Nations security council.

Turkey has attempted to actively engage in Middle Eastern affairs, and also to play a leading role in the region. However, it is obviously not up to the task. Turkish support for the deposition of Morsi's regime in Egypt, the changes in the situation in Syria and impacts of the refugees, the blocked promotion of "Turkish model," the rebound of Kurdish issue, and protests inside Turkey itself limit its ambitions to become a regional leader.

The ups and downs of Iran's status are even more obvious. The decline of Arab countries has once again created a favorable situation for Iran. But shortly after that, Iran's regional allies were undermined by the Syrian crisis. Iran came under enormous pressure from economic sanctions and military threats. However, after the election of Hassan Rohani, the relationship between the US and Iran has improved. Meanwhile, the Syrian crisis has cooled, and negotiations on the Iranian nuclear issue have made some progress. Under these circumstances, Iran's strategic environment has improved significantly.

As for Israel, it has no choice but to take a wait-and-see approach towards the Middle East turmoil. However, a number of factors have contributed to Israel's international isolation and regional security issues. These include: a worsening security environment, changes in US policy toward the region, gridlock in the Israel-Turkey



relationship for the foreseeable future, an impasse in Israel-Palestine peace talks, constant pressure from the US and the West, and, most importantly, a widening gap between the US and Israel in their Middle East policies.

These changes are rooted in the aftermath of the “Arab Spring” and the strategic contraction of US policy towards the Middle East. In addition, the Syria crisis and Iranian nuclear issue are two regional hotspots that contribute directly to these shifting regional patterns. These, in turn, are closely tied to larger shifts in the region caused by the adjustments of the US’ Middle East strategy.

### **The dilemma of the adjustments of US Middle East strategy**

US President Barack Obama’s election campaign was, to a great extent, based on promises to withdraw from Iraq and Afghanistan. This goal has almost been realized. In 2013, US policy toward the Middle East underwent a strategic contraction in large part to prevent regional issues from negatively impacting other internal and external policy goals, e.g. economic recovery and the “pivot” to Asia. More broadly, the decline of US strategic capabilities and its lack of political will were deeper causes of this adjustment.

The US’ strategic adjustment of its Middle East strategy includes the following aspects. First, militarily, the Obama administration was relatively self-restrained, seeking to reduce the risks of military intervention to the maximum extent and prevent the US from falling into yet another quagmire in the Middle East. Second, the US attached more importance to multilateral diplomacy and public diplomacy. Third, most of the times, US aids to the Middle East were just paying lip service only. Fourth, US counter-terrorism strategy in the Middle East became increasingly utilitarian, and emphasized using UAVs (Unmanned Aerial Vehicle) and targeted attacks by special forces as important means to enhance counter-terrorism effects.

There are four reasons why Obama carried out pragmatic diplomacy in the Middle East. First, faced with declining national strength and domestic financial difficulties, the US tried to reconstruct the international order with the TPP and TTIP in the Asia-Pacific and Europe, respectively, keening to prevent the Middle East from falling into wars again. Second, serious differences exist between the United States, its European allies, and NATO members. Third, Islamic extremism and international terrorism rebounded strongly. The US does not want to exacerbate these forces through, for example, continued military intervention. Finally, Obama's Middle East policy is strategically ambiguous, so as to leave room to maneuver.

The US nonetheless played a leading role in Middle East affairs. In fact, whether it was pressuring Syria to give up its chemical weapons or restart the Israel-Palestine peace talks, the United States played a pivotal role. Even though Russia gained notoriety for its diplomatic efforts on Syria in 2013, it still lacks the capacity to dominate Middle Eastern affairs. Generally speaking, European countries continued to play a supporting role in the United States' Middle East strategy. China's influence in the Middle East has been increasing; however, it lacks both the political will and the capability to exert significant influence over the Middle East.

The US has adjusted its Middle East strategy in order to, on the one hand, avoid further serious entanglements such as the war in Iraq, and on the other, to maintain its dominant role in Middle East affairs. Major challenges for this strategy remain ahead, including: the Syrian crisis and the Iranian nuclear issue; discontent among US regional allies such as Saudi Arabia and Israel; lack of progress in Israeli-Palestinian peace talks; maintaining stability in Iraq and Afghanistan after US troops' withdraw; and re-shaping the US's international image in the Middle East.

### **Suggestions on China's Foreign Policies toward the Middle East**

**Firstly, China should coordinate the relationship between bilateral and multilateral relations given the differentiation among Arab countries.** The increasing of imbalance and differences in Arab countries made it more difficult to develop the Sino-Arab relations in the framework of China-Arab States Cooperation Forum. Therefore, based on the further enhancing of the mechanism of China-Arab States Cooperation Forum, China should also raise awareness of the differences among Arab countries and develop pointed bilateral cooperation. In all Arab countries, GCC countries should be the emphasis for China to develop political and economic relations with Arab countries. Also the Free Trade Agreement negotiations between China and GCC should be promoted in 2014. Transforming Arab countries should be placed in the second place. It should be the focuses that to enhance exchanges of ruling experience with Arab countries and introduce China's experience of the reform and opening up, as well as to provide investment and aid to them. As to the Arab countries that face an uncertain future and short of stability, judgments of the political situation and different political forces should be strengthened while economic investments should be cautious for China. Diplomatic works can be carried out revolving encouraging talks and promoting peace.

**Secondly, China should promote consultations on Middle East affairs within the framework of the new-type major power relationship between China and the US.** Currently, opportunities and challenges of the establishment of new-type major power relationship between China and the US mainly come from Arab countries' political and society transformation, energy security, anti-terrorism issues and hotspots in the Middle East. The two sides have both consensus and differences on these affairs. During the establishment of the new-type major power relationship between China and the US, both sides should enhance consensus and mutual understandings, properly handling differences between the two on the Middle East affairs and preventing them from standing in the way of the general relationship between them.

First of all, China should have a clear understanding to the huge gap between China and the US on their influence in the Middle East affairs, reducing expectations from the US and regional powers through explaining its capability and letting them realize that China cannot play the role as important as the US as they wish. Furthermore, China should shape the environment toward the direction that advantageous to the Sino-US relations. China's diplomacy stresses common interests of mankind and global governance. Against such backdrop, it is a narrow and one-sided utilitarian thinking to measure the Middle East's role in the Sino-US relationship from the perspective of a zero-sum game, which benefits neither the shaping of China's image of a responsible power nor the establishment of mutual trust between China and the US on Middle East affairs.

**Thirdly, China should increase efforts in promoting public diplomacy and culture diplomacy to the Middle East countries.** Overall, there are some problems in China's public diplomacy toward the Middle East, including the small scale, low frequency, limited investment, significant impact from officials, small scale of economic aids and lack of influence, still existed; relative scarcity of diplomatic channels and oneness of diplomatic body still unchanged; and China's international image in the Arab world is still declining. These are the problems that call for China's attention. Under such circumstances, China should put more efforts in increasing more diplomatic bodies, such as NGOs, civic groups, enterprises, media, think tanks and the youth, and strengthening contacts with the Middle East countries through people-to-people, religious and culture exchanges, so as to reinforce the social foundation for China's Middle East diplomacy.

# **Forging Data Sovereignty: Cyberspace code of conduct and International Strategy**

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The year 2013 was one of significant changes in global cyberspace. Cybersecurity became a priority on the U.S. national security agenda after the release of the Mandiant report, as well as the Obama administration's strategy to prevent the theft of American commercial secrets, directly accusing China of stealing U.S. trade secrets. The European Union's Cyberspace Security Strategy, in accord with American actions, clearly shows Europe's attempts to use international law, international organizations, and Western values to shape the strategic landscape to the advantage of the West. Right when China and other developing nations were facing enormous pressure, however, the extent of U.S. cyberespionage operations exposed by former CIA contractor Edward Snowden last year changed the public debate on cybersecurity.

The lack of an explicit code of conduct for cyberspace poses a threat to global security, but forging a set of rules is proving a challenging test.

## **The United States' push for "*res communis*" in cyberspace is widely contested**

The field of cyberspace still exists in a state of anarchy. As such, the U.S. has adopted a principle of "*res communis*" with regards to cyberspace. In essence, this strategy is built on its advantage in both technology and national power. Those in positions of power inevitably abuse it in pursuit of their own interests, as seen by the NSA "Prism" program.

The unequal power distribution in the real world is also manifest in cyberspace. The great tide of controversy and protest unleashed by last year's controversy was in large part triggered by the apparent asymmetry between cyberspace and the real world. In both offline and online worlds, the U.S. is the sole superpower, but in the real world its superiority is no longer as absolute as it was in the past. Some countries, including its allies, are unwilling or reluctant to do its bidding. As a result of such a change in attitude, they no longer acquiesce in the US' freedom of action, which ignores the international rules that were made under Washington's own leadership.

However, the US still holds an unshakable superiority over other countries when it comes to the online world. The key facilities that bolster global cyberspace are mainly in the hands of the US. Washington is still incomparable in terms of its cyber technologies, the making of cyber strategies and policy coordination.

Such an overwhelming superiority has given the US exceptional freedom of action in cyberspace, well above and beyond that of any other country. This sense of superiority has contributed to the US' failure to rein in its notorious cyberespionage activities despite worldwide condemnation.

### **Active Balance on the U.S. Hegemony in Cyber Space**

As the world's major powers are now widely dependent on information technology, the imbalanced distribution of global power in cyberspace and the serious lack of trust existing between the US and other countries has aggravated other countries' concerns over their cyber security. Frankly speaking, PRISM is not so new, comparing with "Operation Shamrock" in the 1970s, the "Carnivore" System in late 1990s and the "Echelon" System in the early 2000s. Rather, it is nothing but one more in a long line of surveillance programs launched by US government to serve its intelligence and

security interests. PRISM is unique, however, in its scope and detail regarding the information it collects, and understandably triggers security concerns in most states around the world.

Even the European Union and other US allies have expressed deep concerns over the US' abuse of its superiority.

In October 2013, Germany and Brazil jointly filed a proposal to the UN General Assembly, demanding a clause be added to the International Covenant on Civil and Political Rights for the better protection of Internet privacy. Such a proposal was a moderate countermeasure to the US' excessive use of cyber monitoring. All countries, especially those global and regional powers, begin to face a huge and growing challenge from cyber threats from 2013 which are not just from other countries but also from non-state entities and individuals that are utilizing new technologies and cyberspace to challenge sovereign states.

Besides PRISM Project, the latest development of Stuxnet, cyber attacks launched by the Syria Hacker organization, and the protests sponsored/stimulated by the ICT based new media all proved that states must meet tough challenges in cyberspace. Such challenges, including technological and institutional level, material and perceptual level, have made more and more countries realizing the importance and necessity on establishing and improving the code of conduct in cyberspace. By November a total of 35 countries had announced they would promulgate a national cyber security strategy. It is expected that global competition in cyber security will further expand in 2014.

The booming information technology industry also empower some individuals and non-state entities to utilize new technologies and cyberspace to challenge sovereign countries. How to effectively perceive and prevent attacks by non-state parties,

especially how to prevent their attacks in the cyber world from triggering tensions or crises in the real world, will be a pressing task in the coming years.

Meanwhile, Edward Snowden's revelations about the US National Security Agency's surveillance programs show that the US has chosen to abuse its cyber advantages to spy on other countries instead of exercising self-restraint. Washington's ill-advised actions have not only aggravated anxiety about cyberattacks elsewhere, they have also raised concerns that non-state parties may be able and willing to follow the US' lead.

### **Priority in Cyberspace for Countries: to Forge Data-Sovereignty**

For the international community, one of the priorities in the years ahead must be to set up guidelines, goals, and the framework of international practice on effective cyberspace governance as soon as possible and push for the substitute of the data-sovereignty principle and other effective cyber operation rules for the US-advocated "freedom of the Internet".

Firstly, replacing the principle "*res communis*" with "*res condominata*" should become the first step. Responsible sovereign states, together with other actors in the world community, should ensure that the final goal of ICT revolution represented by the fast development of global cyberspace is providing benefits to as many actors as possible. ICT should not be manipulated by small number of actors and only serve narrow interests.

Secondly, balanced "Internet Freedom" with "Data Sovereignty" is the main task of the game. A general development trend in global cyberspace is that data has already become a kind of strategic resource, just like oil. According to limited statistic data, today the most important difference between the developed and developing countries in the cyberspace is that the developed one controls the data and developing countries



can only provide the data to the former. “Data Sovereignty” has thus become extremely important, since it provides a useful legal baseline to protect the relatively weak in cyberspace. This sovereignty mainly means that the original owner of the data has the legal right to ensure that the data provided would not be abused or even become kind of threat towards its own right. It is quite clear that this sovereignty should not provide an excuse to split the Internet, but mainly to protect the weak actors could effectively protect their legal rights.

In a more pragmatic way, the existing institution which control/manage the key infrastructure of global cyberspace represented by ICANN which control the DNS system, need a real and effective reform to make the multiple-stakeholder mode better. Encourage the development of ITU and tried to help more engineers to enter the institution like IETF, should become more and more important for the further development of the management institutions of global cyberspace.

In short, two main tasks in the evolution of global cyberspace are balancing the unilateral action launched by the US in the global cyberspace, and then contribute to the further understanding of Internet. Until now, in some aspects, it could be said that global cyberspace is in a state of de facto anarchy, but it still faces serious challenges which must be handled appropriately. By pushing the development of international institutions to ensure the security and stability of cyberspace, China can do its part to ensure that both the weak and strong benefit while avoiding potential conflict in this new arena. This is one of the most pressing tasks facing the international community in coming years, and China should seek to provide its own answers rather than follow the lead of others.

## **The New Protest Era**

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In 2013, significant protests took place in the developing world. In Brazil, Turkey, Egypt, and Thailand, these protests lasted five months or longer; some are still ongoing. In Brazil, the proximate cause of unrest was inflation in public transportation prices. About one million people in more than 100 cities took to the streets. In Turkey, demonstrators marched against the Istanbul municipal government's plan to convert the Gezi Park in Taksim Square into a giant shopping mall. In Egypt, crowds demonstrated their dissatisfaction with popularly elected president Morsi, a member of the Muslim Brotherhood, who announced the abolition of certain secular decrees. In Thailand, the release of an amnesty act by the For Thais Party which tried to officially pardon controversial, allegedly-corrupt politicians led to protest by the "Yellow Shirts" group against the Yingluck government. In addition, considerable anti-government demonstrations also took place in Bulgaria, Ukraine, India, and elsewhere. These protests and demonstrations constitute a new trend in international society, showing the increasing pressure of public demands during a time of rapid economic growth and calls for democratic reform.

The outbreaks of massive protests and demonstrations in these countries are more than just coincident, though they differ in form, causes, and content. It reveals that on the global level, some developing countries have entered into a similar development stage, and are facing similar social problems and challenges. The demonstrations mentioned above indicate the formation of a new social class, one with its own interests and values, within these countries. Members of this class are increasingly capable of independent thinking and are dissatisfied with the status quo and their own current standard of living. Their demonstrations aim to put pressure on government to

defend their interests and respond effectively to reasonable demands. In general, these protests are caused by two factors: subjectivity and objectivity.

### **Objectivity I: The Rapid Growth of a New Middle Class**

The main driving force behind these protests, without a doubt, is the middle class. They have a strong desire to improve their living environment, and are willing to take to the streets to express this desire. The middle class is growing fast in these countries. Data from the Brookings Institution shows that in the past 15 years, the proportion of middle class demographics among the top 20 emerging countries has risen from 18% to more than 50% (here middle class is defined as those whose average consumption is 10 to 100 USD per day).

Notably, many of the participants in these protests are youth who have comparatively higher level's education and are computer-literate. This group identifies as middle class in terms of education rather than raw wealth; that is, there are psychological factors contributing to the growth of the new middle class that are becoming more important. Although this group does not qualify as middle class in the classic sense of wealth and social influence, their education and the development of digital technology provided them with a broader vision. Their ways of thinking, spirituality, and expectations from life are already those of a middle-class fashion; thus their identification as middle class is a forward-looking one rooted in expectations of upward social mobility.

### **Objectivity II: Economic Stagnation and Democratization**

Some countries, such as Brazil and Turkey, have had strong economic performance for years. Yet, as the economic situation in those countries has deteriorated recently, due to factors such as the financial crisis and domestic difficulties, the resulting

negative impact on standards of life has threatened the new middle class in its pursuit of higher social status. Furthermore, corrupt and inefficient government bureaucracies are important causes of these protests.

Notably, most of these countries are in the stage of democratic transformation and consolidation, which encourage people to freely express themselves. When their interests suffer or demands are not met, they express their dissatisfaction to the government through legitimate demonstrations, which democracy encourages and permits.

### **Subjectivity: Rising Self-expectations**

Undoubtedly, the difficulties and causes of protests the middle classes in Brazil, Turkey, Egypt and Thailand diverse, yet there is a common fundamental factor the enlarged gap between reality and expectations. In recent years, the majority people in these countries benefitted from rapid economic growth (in the case of Egypt, the majority have been suffered from economic stagflation due to religious policies). Although they expected to improve individual quality of life, the status quo (which involves corrupt, autocratic governments; serious lack of public services; the slowing down of economic growth; and huge threat of a return to poverty) turned their expectations into disappointment.

### **Protest's Prospect**

Except for the protests in Thailand, protests in other countries have generally quieted down. Yet this respite does not indicate the disappearance of their underlying causes. Rather, the calming of civil societies in these countries can be attributed to tacit accommodation of demonstrators' requests by their respective leaders. Nevertheless, in the short term the underlying causes of public demands and expectations, including

the demand for political and social reforms, are unlikely to be resolved.

As a common form of social unrest, public protests frequently develop during a certain stage of development in civil society. Basically, protest has two prospects: the social conflicts are resolved as the government actively meets the public's demands; or the social conflicts are exacerbated as the government it is unable or unwilling to reform.

Accordingly, the prospects are determined by the words and deeds of the governments involved, as well as domestic economic development and social-political reforms. If governments are capable of reducing corruption, improving their performance, promoting sustainable and equitable economic development, and approach democratization by refusing intervention of extremism and interest groups, then social conflicts will gradually be mitigated. Otherwise, protests will remain a common occurrence. Considering, however, the difficulties associated with eliminating corruption, sustaining economic development, and stable democratization, it is unlikely that there will ever be societies completely without public protests.

## **Lessons from the New Protest Era**

First, the universalization of digital technology accelerated the emergence of a “new middle class.” Although people worry about the “digital divide,” the widespread penetration of technology suggests that this gap may be exaggerated. At least for youth in the countries described above, it is a myth; and this despite their different socioeconomic backgrounds. In fact, the universalization of digital technology supports a level playing field for public debate, allowing for participation from different social groups without the traditional constraints that politically active youth of other eras faced. It means that young people can share their spiritual experiences, life knowledge, aesthetic appeal, psychological actions, and personal dreams. These

young people are usually educated, and are therefore inclined to personally aspire to middle class status regardless of material wealth. In short, the application of digital technology narrows the social distance and leads to the emergence of a new middle class, one characterized by similar expectations toward social and political environment and individual aspirations as that of the traditional middle class.

Second, governments must be flexible and skillful in accommodating protestors, in order to ultimately ease social conflicts. Generally, regime change is not the goal of middle-class protests; rather, protesters seek political reforms. In light of this, governments should respect their demands and seek solutions that reduce social conflict.

Third, promoting sustainable development and social justice is sound strategy for consolidating social stability. Nowadays, economic development is widespread. Protests are emerging not because people are becoming poorer, but rather because a rise in their expectations is outpacing the ability of government to deliver social justice and good governance. The people are not just satisfied with basic food and clothes, but are anticipating higher dignity, independence, right of being respected, and better social welfare. They care more about social justice and inclusive development. Increasing wealth without concomitant social development—unfair income redistribution, unequal regional development, corrupt government, deteriorating ecological environment—is unacceptable to an increasing majority. Accordingly, the best policy for long term stability is to address these underlying contradictions.

Fourth, the improvement of democratic institutions will effectively decrease the probability and intensity of social conflicts and protests. The process of democratization usually brings a variety of social conflicts. The countries mentioned are either in the stage of democratic consolidation (Brazil and Thailand for instance)

or the democratic transformation (for example, Egypt). However, political “revolution” did not bring these countries better governance nor improvement in social justice and individual life. Rather, it generated serious protests. Protests are also more likely during the early stages of democratization. Theoretically, democratic reform is a “one-way street,” and continuous top-down reform is the only approach toward good governance, social justice and prosperity. Perhaps this is the only or ultimate way to effectively reduce or even eliminate social protests.

## Postscript

*Dysfunction and Transformation: Fudan Annual Report on International Strategy 2013* is the result of collaborative discussion and research efforts organized by the Institute of International Studies of Fudan University. Authors are listed below:

XIN, Qiang, “International Political Situation in 2013: Overall Stability, Continuing Transformation”

SONG, Guoyou, “Loss and Transformation in the 2013 International Economy”

SU, Changhe, “China’s New Diplomacy: Focused and Far-sighted”

WU, Xinbo, “The Obama Doctrine and U.S. Strategic Adjustment”

HU, Lingyuan, “Abe Risk: The Key Variable of the Recent China-Japan Relations”

LIU, Zhongmin, “The Middle East in 2013: Transformation and Turmoil”

SHEN, Yi, “Forging Data-Sovereignty: Cyberspace code of conduct and International Strategy”

JIAN, Junbo, “The New Protest Era”

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