

Beyond Diplomacy? UK Relations With China Since 1997

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In developing a framework for relations with China since 1997, official UK policy towards China has had two main aims: to develop commercial opportunities for UK companies and to promote 'positive' social and political change in China. Although some have argued that this represents a contradictory set of objectives, the counter argument is found in liberal theory. Economic engagement will create a dense network of transnational interactions that will generate political change in China as it becomes deeply enmeshed in the global economy. If we follow the logic of this approach through, then the UK government has transferred much of the power to attain its stated objectives in relations with China from traditional diplomatic agencies to governmental economic agencies. More important, individual companies, whilst pursuing their own commercial activities, are effectively carrying out government policy in relation to China. Thus, the key actors in post-diplomatic relations with China are increasingly non-state economic actors.

In 1997, Hong Kong passed back to Chinese sovereignty after a century and a half of British control. This 'successful' transfer of sovereignty removed, almost overnight, the single biggest issue that had influenced UK–China relations for over a decade. As Peter Ferdinand (2000, 29) argued, despite growing economic links with China, official UK policy was, until then, dominated by this one subject: 'It would not be a major exaggeration to say that until 1 July 1997, British relations with China were always coloured by Hong Kong'. The removal of this issue cleared the way for a new China policy under the new Labour government elected two months before the transfer of sovereignty. According to the then minister of state at the Foreign and Commonwealth Office (FCO), Derek Fatchett, it created the environment for 'a new chapter of more constructive relations across the board, addressing both trade and more difficult issues such as human rights'.¹ This statement on China was itself made less than a month after the then secretary of state, Robin Cook, announced that:

Our foreign policy must have an ethical dimension and must support the demands of other peoples for the democratic rights on which we insist for ourselves. The Labour Government will put human rights at the heart of our foreign policy.²

For some, such a dual emphasis on promoting trade whilst maintaining an ethical dimension to relations with China with a focus on human rights generates a potential contradiction in objectives. Indeed, in its investigation into UK relations with China in 2000, the main concern of the House of Commons Foreign Affairs Committee (2000) was whether the commercial objective of winning contracts in China would override the political objectives of an ethical foreign policy. The counter argument proposed not only by the UK government but also by some academic



observers, is that political change in China can best be promoted by locking China into the international system through primarily economic means. In this respect, UK policy towards China provides a case study of liberal International Relations theory in practice.

If we unpack the logic of this liberal approach, then the concept of what constitutes 'International Relations', and who conducts these relations, takes on new dimensions. Formal government-to-government relations remain important, but two key changes can be observed. First, there is a shift in emphasis within government agencies with an increasingly important role for economic agencies. Second, and more important for this article, non-state economic actors become implicitly engaged in furthering government objectives (whether they realise it or not) whilst in the pursuit of their own private interests.

In order to explain this logic, before considering the specifics of UK relations with China, this article will first consider two sets of contexts and literatures. The first is an understanding of how globalisation impacts on national governmental institutions and agencies, with a specific emphasis on recent literature on 'new diplomacy' and the 'privatisation of authority'. The second is a consideration of the literature on engaging or containing China. Here, it will also consider the extent to which an idea of China is constructed as a special case in International Relations to strengthen the arguments for specific forms of engagement.

Beyond Diplomacy or Just 'New' Diplomacy?

There is now a relatively large literature that focuses on the changing nature of authority in International Relations under the broad heading of 'new diplomacy'. Like many 'new'³ concepts in political science, there is no shared understanding of what the 'new diplomacy' actually is. For some, the emphasis is on the changing issues of diplomacy away from traditional conceptions of sovereignty to 'human security' concerns such as the landmines campaigns and the International Criminal Court (McRae and Hubert, 2002). For others, the end of the cold war and the decline in military threats to the security of states in the west means that the 'new diplomacy' should focus on promoting western ideas and values as the best way of ensuring international security (Riordan 2002). In addition to these changing issues, David Davenport (2002–2003) argues that the methods of the new diplomacy have changed. The development of satellite technology and mass media communications facilitates the 'instant marketing for global agendas' directly into people's homes.

At the risk of oversimplification, we can divide new diplomacy into three overlapping concepts based on the primary issue of concern—human security, governance and globalisation. The common theme that runs through these conceptions is the assertion that diplomacy is no longer the preserve of foreign ministries, or even of governments. For those who emphasise human security, international non-governmental organisations are key actors in the new diplomacy—not only in setting agendas, but also in pushing through those agendas in international forums (Cooper, English and Thakur 2002). On one level Strobe Talbott (1997) argues that

governments actively seek coalitions with NGOs in order to attain their diplomatic objectives. On another, governance approaches which highlight competing sites of authority in the global system argue that world order can no longer just be maintained by the actions of governments, with 'the responsibility for governance' (Hocking 2001) shared between nation states and non-state actors both at the national and supranational levels.

Of more significance for this study is where the new diplomacy literature overlaps with conceptions of the impact of globalisation on national economic strategies, and the 'privatisation of authority' (Cutler, Haufler and Porter 1999; Hall and Biersteker 2002b). These analyses start with two basic assumptions. First, in the post-cold war era economic issues have become ever more important in defining what constitutes 'the national interest'. Second, globalisation is more or less taken as a given. It is an objective reality that all states have to respond to—even core states in the global political economy where globalisation was initiated (Sassen 1999). Part of this transformation emerges in a shifting balance of power between different ministries and agencies within government—trade ministries may gain power and influence while foreign ministries may lose.

On another level, there has been the quasi-privatisation of some of the functions of international economic relations—a privatisation that is welcomed and indeed promoted by national governments. Furthermore, although these private actors are not states or state actors, 'they often convey and/or appear to have been accorded some form of legitimate authority' (Hall and Biersteker 2002a, 4).

These insights provide a good starting point for an analysis of the changes in UK policy towards China since 1997, as many of the tasks of promoting economic relations have now been devolved to private sector actors. Nevertheless, while UK policy towards China does exhibit many features of new diplomacy, there is an additional dimension which goes 'beyond' diplomacy. When Rodney Bruce Hall and Thomas Biersteker (2002a) talk about contemporary non-state economic actors having a form of legitimate authority for action, they are referring to legitimacy to carry out their own self-defined objectives. But if we accept the argument that the best way of promoting political change in China is through a strategy of economic enmeshment, then private economic actors are doing much more than pursuing their own economic interests. They may deny that they have any political motives, but these private economic actors are effectively charged with attaining the government's stated objectives whether they like it or not. Of course, Brian Hocking (2001) is correct to remind us that diplomacy has always evolved, and will continue to do so. But I suggest that by placing the delivery of political as well as economic objectives in the hands of private sector economic actors, UK policy towards China goes beyond diplomacy.

We need to take care not to ascribe all phenomena as being new, or ascribe everything to the impact of globalisation. In the 19th century, it was a private actor in the shape of the East India Company that achieved the government objective of opening China to trade through the opium trade (though it would be difficult to argue that a company that all but ruled India had no overt political ambitions). In 1954, the '48' group of British companies was formed to facilitate commercial relations with China despite the US-led embargo on China at the time, and remained

active in promoting commercial relations into the 1990s.⁴ The Great Britain China Centre was established in 1974 to promote mutual understanding between the UK and China, and has a stated objective to promote reform within China through aiding legal development in particular. Though partly funded by a grant from the FCO, it is not a government agency, and does not act on behalf of the UK government.

Private Authority and Legitimacy: The China Britain Business Council

Notwithstanding these historical precedents, the role of the China Britain Business Council (CBBC) is worthy of consideration here as it provides a good example of not only how authority has been placed in private hands, but also of the disjuncture between economic and political objectives. Describing itself as 'a business led partnership between government and industry' and 'the UK government's chosen partner to deliver China business development services', the CBBC exists to help UK businesses access the Chinese market. In this respect, the work of the CBBC overlaps (at the very least) with the trade promotion activities of Trade Partners UK.⁵ Notably, the CBBC has around seven times more staff than the five who operate the China Market Unit at Trade Partners UK. Within China itself, there is also considerable overlap between the work of the commercial sections of the British Embassy in Beijing and consulates in Shanghai, Guangzhou and Chongqing, and that of the six CBBC offices in Beijing, Shanghai, Shenzhen, Qingdao, Wuhan and Chengdu.

There is not, however, a 'turf war' between the two organisations. Rather, the CBBC acts as an official 'Area Advisory Group' to Trade Partners UK. Furthermore, the activities of the CBBC within China are deliberately linked to formal UK government agencies. For example, in 1998, the government launched an initiative to put all UK activities in China under the 'Britain in China' umbrella. This included not only the work of the DTI, the FCO and the British Council ('official' Britain) but also of the CBBC and the British Chamber of Commerce in China (Foreign Affairs Committee, 2000, Appendix 29). In 2003, a new 'British Centre' was established in Beijing as a showcase for the work of the CBBC, the British Chamber of Commerce and the commercial section of the embassy in Beijing to 'come together and present a smart and unified face for British business in China' (China Britain Trade Review 2003, 8).

The distinction between public and private, then, is somewhat blurred, and in the case of business operations in China, it is deliberately blurred to endow the CBBC with the sort of legitimacy that Hall and Biersteker (2002a, 4) argue is a key feature of the privatisation of authority. In addition, the CBBC receives around a third of its funding from British Trade International, while the FCO, Trade Partners UK and the Export Credit Guarantee Department also all have representatives on the council of the CBBC.

But the other side of the coin is that the majority of CBBC funding comes from membership subscriptions and fees for services from private economic actors. The remaining 18 members of the board come from private companies, and its per-

manent staff are not civil servants. It is in many ways the archetypal example of what Saskia Sassen (1999, 159) calls the:

intermediary strategic agents that contribute to the management and co-ordination of the global economy. They are largely, though not exclusively, private. And they have absorbed some of the international functions carried out by states in the recent past.

It sits across the public-private divide with a term of reference to:

promote the increase of the UK's trade with China, to offer a range of services, some for UK industry at large and others for the benefit of members on a nation-wide basis, and to provide information and advice about the China market to British Trade International and the private sector (Foreign Affairs Committee 2000, Appendix 19, Section 12).

Quite correctly, it is these commercial activities that the CBBC is judged on. Indeed, the CBBC's president, Lord Powell, denies that it has any political role, and is not in the job of promoting human rights reform in China: 'We are not a political organisation; we are not a missionary organisation'. Nevertheless, he also endorses the liberal International Relations agenda of the UK government in relation to China: 'We do believe ... promoting business in China is actually one of the most powerful agents for change'. 'So although its own remit is purely commercial, the political implications of such commercial relations emerge from an understanding of the changing nature of UK relations with China, and arguments over how best to influence political and social change in China through a process of constructive engagement.

Towards Post-Diplomacy

It would be an exaggeration to say that the question of Hong Kong's future disappeared from UK policy at midnight on 1 July 1997—but not too much of an exaggeration. That Hong Kong is now a relative non-issue can be explained by perhaps four key factors. First, the formal transfer of power was in many ways the final act in a long process rather than the start of something new. Whilst the world's media descended on Hong Kong at the end of June waiting for something to happen, the people directly involved had 13 years to prepare. In effect, the transfer of political sovereignty followed the informal *de facto* reorientation of Hong Kong towards the mainland. For the business elites of Hong Kong, at least, signing up to reunification in 1984 was a more important date for the process of reintegration than 1997.⁷

Second, the fact that Beijing has *more or less* kept to its word and not interfered in Hong Kong affairs has increased mutual confidence and trust. Of course, there have been exceptions. When Hong Kong chief executive, Tung Chee-hwa, ultimately unsuccessfully attempted to introduce a subversion law in 2003, many saw this as Beijing trying to impose its wishes against the will of the people. But in general, Chinese control over Hong Kong has been characterised by much less interference than many outsiders feared prior to the handover. This may be partly a result of the third feature—self-censorship within Hong Kong itself. Either through the fear of provoking a response from Beijing, or from undermining confidence in the Hong

Kong economy (or both), the Hong Kong-based media in particular has taken care not to provoke a response from Beijing.

But fourth and perhaps most important, the potential political challenge from Beijing was soon eclipsed by a more potent economic challenge emanating from the rest of Asia. The Asian financial crisis rapidly moved the focus of attention when considering Hong Kong's future from diplomacy and democratisation to economic agendas. It also allowed the UK to move the focus of its official relations with China from a diplomatic to post-diplomatic phase built primarily on economic criteria.

In its submission to the Foreign Affairs Committee's investigation into UK relations with China in 2000, the FCO reconfirmed its 'moral and political' commitment to the people of Hong Kong.⁸ But the main emphasis in this submission was that the UK's objectives in dealing with China were, to

influence China's political, economic and social development in a positive way, and to encourage China to play a responsible role both within the region and in the wider international community.⁹

More specifically, the principal objectives were summarised as follows:

- to encourage and support China's closer integration into the international system, in all fields, as a friendly and responsible partner;
- to help China deliver economic reform and prosperity and to eradicate poverty¹⁰
- to promote positive change in human rights, 'giving a particular emphasis to the rule of law';
- to advance our commercial interests.

In effect, increasing economic ties with China is portrayed as being the best way of integrating China into 'international society' and also of benefiting the interests of UK business. This is not to say that political dialogue over issue such as human rights has been abandoned. The UK is alone among EU states in retaining a bilateral process of negotiation with China over human rights whilst also participating in multilateral dialogue through the EU. Nevertheless, I argue that the UK's interests in China have been redefined in largely economic terms, and policy towards China has been largely built on the best way of enhancing these economic interests—both for their own sake (i.e. in aiding UK commercial interests) and as a means to an end (of engaging China).

To Engage Or Contain?

The official UK approach, then, is thus built around the question of how best to engage China. It thus presupposes the answer to the prior question of whether China should be engaged at all. Although the containment option has not been pursued by successive US administrations, it nevertheless remains a live debate in the US. This was particularly the case prior to China's entry into the World Trade Organisation (WTO), when the political theatre of the annual vote over whether to renew Most Favoured Nation Status for China provided a high profile arena for the 'containers' to press their views. But it also reflects the different visions of China

that have been constructed in the US on the one hand, and in the UK and the rest of Europe on the other.

For the 'China threat' school in the US, China is portrayed as already posing a threat in the East Asia region where its attitude towards Taiwan and claims over various islands in the South China Sea marks it as a potentially destabilising force. This regional challenge is also thought to be fuelled by China's growing energy requirements, which Kent Calder (1997) argues will be the key to (in)stability in the region in the future. In the short term, China threatens the military and economic balance of power in East Asia, and will come to dominate the region (Murray 1999). Some even suggest that China is challenging the US in both military and economic terms (Bernstein and Munro 1998). As Gerry Segal (1998, 442) rather caustically put it, 'listen to the proclamations from American think tanks, and you would believe that China is a "near peer competitor" of the United States getting ready for "the coming war"'.

For proponents of this view, the west (which usually means the US) has no interest in speeding along the rise of the Chinese superpower by drawing it into international society. Rather, the US should be building a strategic alliance with Japan in an attempt to contain China. At the very least, China's engagement must be accompanied by significant concessions by the Chinese.

It is perhaps not surprising that debates over whether to contain or engage China have been shaped by the politics of the US. What is perhaps a little more surprising is that not only the UK, but Europe as a whole, is often totally ignored in major academic discourses on how best to manage China as a rising power. For example, Alastair Iain Johnston and Robert S. Ross's (1999) edited collection *Engaging China* does not have a single chapter on Europe or any European state (including Russia). In a neat parallel, Wang and Yong's *In the Eyes of the Dragon* (1999) which assesses Chinese views of the world also fails to have a single chapter on Europe—and not only are Europe and European states absent from the contents list, but also absent from the index. The single reference to any European state is three lines on the UK handover of Hong Kong.

Objectively, Europe is not as important to China as the US or other Asian regional states. Nevertheless, to sideline Europe to this extent is unfortunate to say the least. On a policy level, for example, the European Union was a key player in the negotiations over China's WTO accession protocol. And on an academic level, the different approach from Europe, and particularly in the UK, where China is not generally seen as a threat, and policy is largely defined in economic terms, provides a potential case study of the efficacy of different modes of engagement with China.

Engaging China

The concept that China might present a threat to national interests is not totally absent in the UK. However, such threat perceptions exist almost entirely in economic terms,¹¹ and are more than balanced by an understanding of the economic opportunities that Chinese growth can offer. In addition, there is a realistic recog-

dition that the UK alone cannot do much to contain China even if it wanted to. So in contrast to the contain or engage debate that still has purchase in the US, the emphasis in the UK is on how a process of engagement with China can best serve UK interests. The key question for sceptics, as noted above, is whether such engagement comes at the expense of promoting 'positive' political change in China, or whether in promoting UK interests, desired political change in China can also be brought about.

At the risk of oversimplification, there are five justifications that are promoted for the UK. First, there are those who are sometimes referred to as apologists for China—those who argue that China is in the early stages of transition and should be given time; those who argue that China and indeed Asia really are different and should be judged against different standards of government and governance; those who argue that maintaining stability in a country the size of China is impressive in itself, and if this can only be done through authoritarianism, then so be it; and those who argue, like Ted Heath, along the lines that any government would have to respond as China did if its capital city was paralysed by protesting students.¹²

Second, there is an argument that rather than weakening China's authoritarian leadership, 'megaphone diplomacy and grand gestures' (Foreign Affairs Committee 2000, section 76) will instead strengthen it. Nationalism has replaced socialism as the *de facto* legitimating ideology of the CCP, and containment strategies give it the opportunity to play up to its nationalist constituency—to portray an aggressive west attempting to stop China from developing and attaining its rightful place in the world. Nor is this just an issue of elite manipulation of popular opinion. Indeed, if anything, the Chinese leadership struggles to keep a lid on popular anti-western nationalism, as epitomised by the popularity of a number of nationalist books in recent years railing against the west in general (and American hegemony in particular).¹³

Third, there is the argument that, like it or not, we have to deal with the China that we have. China is effectively too big and too important to be contained (or to risk a containment policy). It has the world's largest population, a large and growing economy, it is a nuclear power and a major contributor to global environmental issues. China also has one of the permanent seats on the International Labour Organisation (ILO) board, and of course is a permanent member of the UN Security Council. As such, we have an interest for our own security in managing China's global role through engagement (Kristof, *New York Times*, 20 December 2003).

Fourth, there is the argument that the growth of the Chinese economy means that it is simply too important an opportunity to miss. The commercial opportunities that China's rise offer means that it is in the best interests of the UK to take full advantage of Chinese growth through a policy of engagement (Prescott 2003).

Finally, there is the liberal approach that engaging China is the best way of gradually promoting positive political and social changes in China towards the ultimate goal of liberal democracy. Rather than external actors pushing for direct change, this approach instead sees the international context as creating a domestic Chinese

environment that will generate pressures for change. This is achieved by a slow process of locking China into a system of international norms via a dense network of international interactions. As Wang and Deng (1999, 7) put it:

International enmeshment facilitates China's social learning in terms of the values, norms and principles, and rules of the international system and adds China's stakes in the existing institutions and order. China's worldview and definition of national interests can be transformed toward greater compatibility with the rest of the world through transnational activities and networks, including tourism, academic and cultural exchanges, and commercial ties.

We should note here that this liberal approach also informs other countries' arguments over the long-term benefits of engaging China. In particular, it provided a powerful justification for agreeing to China's entry into the WTO in 2001. To be sure, China's entry was not agreed until existing WTO members were happy that the deal served their economic interests, but locking China into the global trading system was conceived as having important political and social spillovers:

China's accession agreement will deepen and help to lock in market reforms—and empower those in China's leadership who want their country to move further and faster toward economic freedom. In opening China's telecommunications market, including to Internet and satellite services, the agreement will expose the Chinese people to information, ideas, and debate from around the world. And China's accession to the WTO will help strengthen the rule of law in China and increase the likelihood that it will play by global rules (White House 2000).

As noted above, these five issues are very much inter-related. One of the problems that any government faces in arguing for a constructive engagement with China is separating the different interests that inform this policy. Is a policy of engagement *primarily* pursued because it promotes reform and change within China, or because it benefits key commercial interests within the UK? The government's response to critical questioning is that it is not one or the other, but both.

We consider that the integration of China into the world community in general, including China's accession to the World Trade Organisation (WTO), is the most powerful external factor likely to strengthen the rule of law and lead to an improvement in the human rights situation in China. Closer integration in commerce is part of this wider picture, and we consider that Government policy in all these areas is complementary (Cook 2000, 3).

One of the problems that the government faces in justifying the efficacy of such an approach is the difficulty in measuring the impact of the new post-1997 policy in terms of the promotion of change within China. It is relatively easy to measure the impact on UK commercial interests by comparing trade and investment figures. Even here it is difficult to know how many of the commercial gains would have been achieved even without government support—though the evidence promoted below suggests that a good political relationship remains an important element in

developing commercial gains. It is notable, for example, that when the then Chinese president Jiang Zemin¹⁴ visited the UK in October 1999, 'major commercial contracts worth a total of about £2 billion were signed'.¹⁵

So while it is not easy to identify the exact relationship between government policy and commercial gains, there is a set of data that we can consult in trying to measure the efficacy of policy. This is much more difficult to do when trying to measure the impact of policy on fostering domestic change within China. This partly depends on which units of comparison are taken. The British Chamber of Commerce in China argues that there is evidence of positive change:

the value of engagement has, in the view of the British business community, been borne out by the experiences of the past 20 years where enormous improvements have been made in the meeting of basic human needs and in the respect of individual rights (Foreign Affairs Committee 2000, Appendix 15).

But a shorter-term perspective leads to different conclusions. According to Amnesty International, the extent of human rights abuses in China has actually increased since the introduction of a new China policy in 1997.¹⁶ Furthermore, Jude Howell (Foreign Affairs Committee 2000, Appendix 10) argues that economic reform and growth has resulted, as it does in many states, in dislocations (notably strikes and demonstrations against the closure of enterprises) and potential political instability rather than stability, peace and (as yet) democratisation. Engaging China and promoting economic growth might then have actually contributed to a deterioration of human rights, in the short run at least.

Two problems emerge here. The first is that we do not know what the impact would have been on human rights under any other strategy. To be brutally honest, it is unlikely that any policy of the UK government would have any real impact on China's human rights practice at all. The second is that if the logic of the engagement and enmeshment argument is correct, then it is going to be a long and slow process. Almost by definition, the changes will not be spectacular and obvious, nor linked to the actions of any single country. Instead, change will occur through the very gradual adoption of new ideas and policies in China as a result of engagement with the international system as a whole.

Debating China

Unease at the efficacy of UK policy in promoting positive change within China is thus fired by a concern that economic considerations and commercial interests are overriding other political and ethical concerns. Furthermore, there is a suspicion that China has rewarded countries that take a soft stance on human rights abuses by awarding commercial contracts to companies from those countries. This is particularly the case because commercial interests and private actors argue that they need specific government help to access the Chinese market due to its special nature.

We need to consider here how visions of China are constructed to promote specific policy preferences. In the US, for example, I argue that both the engagers and

containers exaggerate the importance of China. The containers exaggerate the military threat posed by China to enhance their calls for caution, and the engagers exaggerate the economic opportunities China offers to enhance their calls for both partnership and government aid in areas such as export credit guarantees to make the most of Chinese growth. The result is that the debate over China policy takes place at an unrealistic level in the US as both polar views have constructed an exaggerated vision of China that fuels both the policy arena and public opinion.

In the UK, policy is heavily influenced by potential commercial opportunities. What some have termed the 'myth' of the Chinese market¹⁷ informs much of the argument for treating China as a special case, and is a persuasive argument for maintaining good relations with China. It lies at the heart of much of current attitude and policy towards China, not only in the UK, but in other European states, and within the 'engagers' in the US—much as it did when China first opened its doors in the early 1980s, and as far back as the first attempts to 'open' China in the 18th and 19th centuries.

It is worth raising a number of words of caution here. First, rapid growth figures in China in part reflect the low starting point for Chinese reform. Produce one tractor one year and two the year after, and you record 100 per cent growth, but you still only have three tractors. Second, even Chinese economists now concede that Chinese growth figures overestimate real growth by about 2 per cent annum. Third, calculations of the size of the Chinese economy vary enormously: In 1998, for example, Chinese market figures put GDP at US\$928.9 billion, while World Bank Purchasing Power Parity (PPP) calculations came out over four times higher at US\$13,983.6 billion. Fourth, and perhaps most important of all, a population of 1.3 billion people do not each have to be particularly rich to generate a very high aggregate figure. Thus, even using PPP figures to reach perhaps the highest possible figure, China was ranked by the World Bank as second only to the US in the list of the world's largest economies—but the per capita figure to US\$13,220 ranked China as 129th out of 210 economies.¹⁸ After over 20 years of double digit growth, China's per capita GNP remains lower than that of Russia.¹⁹

China may have a population in excess of 1.3 billion people, but this does not automatically equate to a market of 1.3 billion consumers waiting to buy UK-produced goods and services. Income and wealth is also unevenly spread. There is a considerable divergence of income between coastal provinces and those in the interior, and an even wider division between urban and rural residents. Furthermore, the sheer geographic size of China combined with an underdeveloped (though developing) infrastructure, makes it difficult (if not impossible) to produce in one part of China and expect to sell to the whole country. Commenting on this fragmented national market, the British Chamber of Commerce in China argue that 'it is important to appreciate that the country is far more like the European Community of the 1970s than the United States of America today' (Foreign Affairs Committee 2000, appendix 15).

In reality, the current potential market in China for UK producers is probably around 150 million consumers. This is clearly significant—indeed for the pharmaceuticals industry, China is the ninth biggest market in the world. But while the Chinese economy is big and important, it is perhaps not as big and important as

some suggest. Despite a dramatic increase in trade in the last 20 years, at the turn of this century China only accounted for around 3 per cent of world trade, and according to Robin Cook, in 1998, the UK exported more to Finland than to China, and in 1999, more to Denmark.²⁰

This brief statistical preamble is provided because it questions the extent to which relations with China should contain a heavy commercial element, and that political relations with China should be kept as smooth as possible because the China market is too important to miss. If an argument is to be made, it is not so much built on current realities, but on notions of a *potential* market in the future. As the SmithKline Beecham company argued, 'China's size today is not the truly significant fact; it is what it could become that is important' (Foreign Affairs Committee 2000, appendix 27)²¹—a potential that many in the business community hoped would be unlocked by China's entry into the WTO.

This 'talking up' of the potential significance of the China market is important as it leads to pressure from the business community to maintain 'a sensible approach to China on many key issues ... [which] has aided British companies in what has been a volatile period in China'.²² Such an approach emerges from the still *relatively* restricted access that many foreign companies have to the domestic Chinese market. While the Chinese economy is remarkable open for those companies who invest in China to produce exports, access to the Chinese market where domestic producers might lose from international competition remains problematic. While this should change as a consequence of China's WTO entry, the reality for many foreign producers in China remains one where the perceived nationality of a foreign investor can influence their market access depending on the Chinese authorities' perceptions of the 'home' country's political relationship with China.

As such, commercial activities of private companies and actors and official government policy towards China can become intertwined in three main ways. First, it is possible that official relations can be affected by the activities of non-state actors. If a firm, individual or organisation identified as being a UK actor does something to upset the Chinese authorities, this can easily escalate to become an issue that the Chinese want to deal with at a bilateral diplomatic level. While this form of equating individual actions of foreign actors with foreign government policy has declined since the 1980s, it still surfaces on occasions.

Second, while this should change in the wake of WTO entry, Chinese authorities have tended to reward and punish private commercial interests based on national economic consideration. This can and does occur in a 'tit for tat' manner in response to the imposition of, for example, the use of anti-dumping legislation and other trade sanctions by importing countries. For example, when the US imposed trade sanctions on China as a result of the transfer of military technology to Pakistan, the Chinese aviation authorities switched from purchasing Boeing jets to the European Airbus—much to the annoyance of US authorities who felt that Europe should have held a common position with the US, rather than exploiting the situation for commercial benefit.

Third, private commercial actors can be penalised or rewarded for perceived national political slights. For example, the private visit of the former president of

Taiwan, Lee Tenghui (Li Denghui) to the UK in 2000 resulted in not only cancelled diplomatic visits, but also threats to UK commercial interests searching for contracts in China. The sale of French jets to Taiwan also resulted in (short-term) harm to French economic interests in China. There was also a strong belief in some quarters that UK companies failed to get contracts in China as a result of wrangles over the Hong Kong handover and the Chris Patten reforms. The converse side is that if political relationships are warm between China and another national government, then private commercial interests' association with that country might benefit. As Lord Powell argues.

A good bilateral relationship at the political level is very important for doing business in China—and probably more important in the case of China than most other countries, simply because the role of the state and the government is so big.²³

Conclusion

To summarise, then, arguments for maintaining warm political relations to aid commercial interests are based on two claims: first, that the Chinese economy will present great opportunities for UK companies in the middle-to-long term; second, that private economic actors require significant help from the UK government to unlock this potential market. If this help is not forthcoming, or not effective, then UK commercial interests could lose out to economic actors from other states competing for the same scarce access to the Chinese economy and contracts. Indeed, the business community takes care to emphasise that accessing the Chinese market is a highly competitive business, and if companies based in other countries gain government support in accessing that market, then UK companies 'should receive equivalent treatment, because without it our business in China would certainly be undermined'.²⁴

For UK-based private actors working within China, the importance of political relations for commercial activities is more significant than other European-based actors given the structure of UK economic relations with China. The UK is the biggest European investor in China and the sixth biggest foreign investor in total, but the UK's trade relationship with China is less strong. This can be explained by the fact that, when compared to other European companies, there is a tendency for UK companies to locate in the market and sell in that market rather than sell to that market from abroad. This has important implications for UK relations with China in that while trade issues and frictions remain important, resolving problems on behalf of UK companies operating *within* China is more important for the UK than other EU countries. Thus, UK diplomatic representation within China finds itself taking on an increasingly large economic function on behalf of UK-based private companies operating in China.

This analysis generates a number of important questions for students of International Relations—even if we note the specific problems of dealing with China given the residual importance of the Chinese state in economic affairs. First, we need to consider the role of the FCO as a facilitator of economic and commercial contacts, and the relationship between the FCO and other agencies. The ele-

vation of economic and commercial contacts as the primary means through which the UK achieves its objectives in China means a changing role for the FCO. It also means an enhanced role for other agencies—primarily economic agencies acting on behalf of private sector interests.

On one level, we should ask to what extent the FCO's primary role is now to maintain a stable diplomatic environment to create the conditions for commercial interests to flourish. As SmithKline Beecham argued:

bearing in mind the importance of trade with China—and the significant barriers to trade that currently exist there—the FCO's work in this area [trade promotion] should be maintained or even enhanced.

With pressure from commercial interests; the danger is that the promotion of a stable diplomatic environment could come to predominate over all other considerations and at whatever cost. While this charge is vigorously denied by the FCO, which points to the continued importance of critical pressure on China through dialogue on human rights, there is a clear recognition that the nature of activities has changed to take on an increasing economic role, and that 'International Relations' is now too 'big' to be simply the province of diplomatic organs.

On another level, we need to consider the extent to which such commercial activities *should* fall within the FCO's remit, and the FCO's relationship with other governmental and non-governmental agencies that already deal with commercial relations with China. The problem of co ordinating economic and other governmental activities in general was recognised by the establishment first of British Trade International, and the Trade Partners UK to co ordinate activities both across governmental organisations at the national level, and also devolved organisation and the English regions. But in particular, the position and role of the CBBC in UK relations with China is particularly important here. It has a unique organisational structure for promoting British business interests in China (including six representative offices) that does not have any similar equivalent in UK economic relations with any other country.

The CBBC is effectively a private sector organisation working on behalf of private sector interests—but it is one that receives a substantial measure of government funding, and increasingly takes over the roles performed by the FCO and British Trade International in other countries. Within China, its operations are badged as part of the official 'Britain in China' strategy aimed at raising the profile of UK activities in China—thus further enhancing its identification with UK government policy amongst Chinese actors. It is almost the definitive 'intermediary strategic agent' that Sassen (1999, 159) argued was absorbing the function of states identified earlier. Indeed, the president of the CBBC is on record as wanting to increase the CBBC's role *vis-à-vis* formal government agencies:

We do see scope for some rationalisation between what the government bodies do (the embassy and the consulate general) and what the China-Britain Business Council does. We think we should really have the overall lead in all aspects of trade promotion, leaving commercial policy, the lobbying of government institutions in China and so on to the Embassies and consulates general.²⁵

In the event (to date) the CBBC's desire to take on an even greater role has not materialised. Nevertheless, it continues to play a significant role in facilitating UK commercial relations with China, and performs the functions that are undertaken by government agencies in other countries. Furthermore, if the logic of the UK government approach to relations with China is followed through, then it also performs other non-commercial functions (whether it realises it or not). The government's response to charges of 'commercialism' in its relations with China is fourfold. First, dialogue on human rights continues both through bilateral instruments, and through the EU's multilateral discussions with the Chinese. Second, the government does put pressure on the Chinese in other forums, albeit not in a public manner. Third, the promotion of exchange and training programmes, particularly in the legal field, helps foster pressure for change from upcoming generations of Chinese officials. And fourth, there is the key 'engagement' argument that increased economic enmeshment into international norms will also generate a domestic environment for political and social change within China.

If this final argument holds any water, then this means that those agencies charged with developing commercial links are in fact also implicitly pursuing the government's stated objective of promoting positive political and social change in China. As such, the task of attaining stated government objectives not only falls within the activities of economic agencies of government such as Department of Trade and Industry, but also within the activities of 'private' agencies like the CBBC. So if human rights really is at the centre of UK foreign policy, and if economic relations with China since 1997 have more than just a commercial dimension, what this means is that the attainment of government objectives in both economic and political/social spheres is now partially in the hands of private organisations and private interests.

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Notes

1. House of Commons Debate, 10 June 1997, col. 93.
2. A statement that Cook later tried to distance himself from.
3. Though how 'new' it is a moot point. Gilbert (1951, 1) found the first use of the term 'new diplomacy' in 1793.
4. While the 48 group club still exists, its major functions were merged into the China Britain Business Council when it was formed in 1991. For a history of the 48 group's activities, see Timberlake (1994).
5. Which is an interesting organisation in itself. Trade Partners UK delivers services for British Trade International, which was established in 1999 to co-ordinate trade-related activities across government agencies, reporting to both the secretaries of state for trade and industry and foreign and commonwealth affairs. It also co-ordinates activities between Whitehall and local agencies (the Scottish and Welsh devolved authorities, the English regional development agencies). Although clearly a government agency, British Trade International's board's members are predominantly private economic actors.
6. Oral evidence to Foreign Affairs Committee (2000).

7. Very much related to this, the transfer of power in 1997 only directly affected a relatively small group of Hong Kong's population. The business classes had already reoriented towards Beijing and/or internationalised beyond Hong Kong. For the normal working people, life continued pretty much as usual. The main affected groups were a relatively small middle class and intelligentsia who had most to lose from challenges to democracy and freedom of speech. This is not to deny that the threat to these groups was not real or unimportant—just that the extent of the threat and the fear in Hong Kong might have been exaggerated prior to the handover.
8. FCO submission, p. 4.
9. FCO submission, p. 4.
10. In the Foreign Affairs Select Committee report on UK relations with China, this objective was side-stepped as it was the province of DFID.
11. With an acceptance of the potential environmental threat.
12. On an interview on BBC's 'Newsnight' programme on 19 February 1997 commemorating Deng Xiaoping, Heath said, 'What happened was that for a month, there was a crisis in which the civil authority had been defied. They [the Chinese authorities] took action about it. We can criticise it in the same way people criticise Bloody Sunday in Northern Ireland, but that isn't by any means the whole story'.
13. See, for example, Chen Feng et al. (1996), Liu Kang (1997), Song Qiang et al. (1996), Yang Yunhua, *Xinhua Bulletin*, 28 June 1999 <http://zz-www.sd.cninfo.net/news/990628/25.htm>, Wang Jincun (1999), Liu Weisheng (2002) and Zhou Pailin (2002).
14. Jiang was also head of the CCP, but his visit to the UK was as head of state, reciprocating the Queen's earlier visit to China.
15. FCO submission to Foreign Affairs Committee (2000, 11).
16. Oral evidence from Alison Reynolds to the Foreign Affairs Committee (2000).
17. Hutchings (written) and Ball (oral) both refer to the 'myth' of the Chinese market (Foreign Affairs Committee 2000).
18. Using Chinese figures, per capita GNP is US\$1750–149th in the league table.
19. This is, for example, less than the figures for Belarus, Botswana, Ecuador, Iran, Latvia, Lebanon, Namibia, Peru, Romania, St Lucia, Swaziland and only half that of Libya. The average world per capita figure in 1999 was \$6,800.
20. Robin Cook, oral evidence to the Foreign Affairs Committee, House of Commons, 25 October 1999.
21. SmithKline Beecham noted that the average pharmaceutical spend per capita in China in 1999 was around \$4 compared to \$159 in the UK and \$379 in the US.
22. From Zeneca's submission to Foreign Affairs Committee (2000, appendix 32).
23. Lord Powell is chair of the China-Britain Business Council (oral evidence to Foreign Affairs Committee 2000). It is notable that the visit of Jiang Zemin to the UK was considered as highly successful by the Chinese, not least because the UK visit was not marred by demonstrations and protests by human rights activists as a previous visit to Switzerland had been.
24. James Richards, Rolls-Royce, oral evidence to Foreign Affairs Committee (2000).
25. Oral evidence to Foreign Affairs Committee (2000).

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