

Is China's Social Unrest the Source of Its Foreign Policy? A Preliminary Study on the Impact of Domestic Instability on External Relations*

Shinji Yamaguchi**

Abstract

The basic question this paper asks is how the domestic instability in China will affect external action. China's society is undergoing a major change along with its economic growth, with various social contradictions deepening, including gaps between the rich and the poor. These social contradictions occasionally erupted in riots and demonstrations. Scholars have argued what sorts of external action these developments would lead to, on which there are two camps of thought: (i) expansion, and (ii) compromises. The problem is that for what reasons and through what mechanisms the domestic instability would lead to external actions have not yet been fully clarified. Domestic instability does not necessarily always influence external actions in all countries. There should be some conditions in order for domestic instability to influence external actions. This paper argues that the intervening variable that links domestic issues to external policy is the stability of the political system. From this perspective, the current instability of China's political system is only limited and the likelihood that domestic problems should be diverted to its external policy is not so high at the present stage. For the moment at least, China is not in a situation where domestic instability would lead to hard-line external policy, as suggested by diversionary theory. That is because the extent to which domestic problems in China can make the political system itself unstable is limited. Meanwhile, regarding the claim that China cannot compromise on external policy under the watchful eyes of the domestic elite or society as a whole, as suggested by audience cost theory, there is both supporting and negating evidence at present.

Introduction

China's society is undergoing a major change along with its economic growth, with various social contradictions deepening, including gaps between the rich and the poor, and these social contradictions occasionally erupted in riots and demonstrations. Though there are no reliable statistics, some 60,000 cases of riots and protest activities are reported to have occurred in China in 2003, 74,000 cases in 2004, 87,000 cases in 2005, 127,000 cases in 2008 and 180,000 cases in 2010, showing a consistently increasing trend.¹

While domestic contradictions in China are relatively widely known, there are a number of

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** Fellow, Regional Studies Department.

¹ National Institute for Defense Studies, ed., *Higashi Asia Senryaku Gaikan 2012* [East Asian Strategic Review 2012], National Institute for Defense Studies, 2012, p. 83.

research studies in recent years that argue that these contradictions can influence China's external actions. These studies published so far can be broadly categorized into two theories – one that argues that domestic contradictions would lead to external expansion and another that argues that they would bring about compromises in foreign policy.

First, the theory that China's domestic contradictions would lead to external expansion includes the following two perspectives. a) "Diversionary theory, letting off steam": According to Robert Ross, while it is irrational for China, which is essentially a continental country that cannot have global influence, to seek the buildup of its naval power, it is taking a hard-line external policy because of social instability at home and the existence of naval nationalism. This argument maintains that when China's external action poses a threat, the source of that threat lies in the domestic society.² Susan Shirk argues that the Communist Party of China (CPC) and the government may resort to hard-line external action in order to divert the brunt of the public discontent, and that what is most dangerous for the United States is China's domestic instability.³ There is also a widespread argument that the pressure of anti-foreign nationalism is the source of hard-line policy the ruling party and the government are following.⁴ b) "Audience cost": There is the theory that the importance of public opinion is growing in China's policy-making and the observation by public opinion does not allow China to compromise in external policy, particularly in times of crisis. Shirk as well as Linda Jakobson and Dean Knox pointed out that public opinion is gaining importance in China's politics and Chinese leaders must pay heed constantly to public opinion.⁵ It has been argued that compromises particularly in diplomatic disputes would go against public opinion and may trigger strong criticisms of the government, making it impossible for the government to compromise.

Second, there is the theory that China's domestic contradictions would lead to compromises in foreign policy. The leading advocate of this theory is Taylor Fravel. Fravel argues that as domestic contradictions expand, the government tries to allocate more of its attention and resources to domestic problems and thus cannot take expansionary action and opt for compromises and concessions.⁶ Yasuhiro Matsuda, while basically associating himself with Fravel, points to the possibility that domestic problems that constrain external actions could be transformed into external expansion

² Robert Ross, "China's Naval Nationalism: Sources, Prospects, and the U.S. Response," *International Security*, Vol. 34, No. 2, 2009, pp. 46-81.

³ Susan Shirk, *Fragile Super Power: How China's Internal Politics Could Derail Its Peaceful Rise*, Oxford University Press, 2007. Minxin Pei also presents the similar argument. Minxin Pei, *China's Trapped Transition: The Limits of Developmental Autocracy*, Harvard University Press, 2006.

⁴ Christopher R. Hughes, "Reclassifying Chinese Nationalism: the Geopolitik Turn," *Journal of Contemporary China*, Vol. 20, No. 71, 2011, pp. 601-620; Peter Hays Gries, Qingmin Zhang, H. Michael Crowson and Huajian Cai, "Patriotism, Nationalism and China's US Policy: Structures and Consequences of Chinese National Identity," *The China Quarterly*, Vol. 205, 2011, pp. 1-17.

⁵ Shirk, *Fragile Super Power*; Linda Jakobson and Dean Knox, *Chugoku no Atarashii Taigai Seisaku* [China's New Foreign Policy], trans. Shogo Tsuji (overseen by Tatsumi Okabe), Iwanami Shoten, 2011 (Original book: Linda Jakobson and Dean Knox, *New Foreign Policy Actors in China*, SIPRI Policy Paper, No. 26, 2010).

⁶ M. Taylor Fravel, *Strong Borders, Secure Nation: Cooperation and Conflict in China's Territorial Disputes*, Princeton University Press, 2008; M. Taylor Fravel, "International Relations Theory and China's Rise: Assessing China's Potential for Territorial Expansion," *International Studies Review*, Vol. 12, No. 4, 2010, pp. 505-532; M. Taylor Fravel, "Economic Growth, Regime Insecurity, and Military Strategy: Explaining the Rise of Noncombat Operations in China," *Asian Security*, Vol. 7, No. 3, 2011, pp. 177-200.

like a double-edged sword, depending on circumstances.⁷ Andrew Scobell and Andrew Nathan pointed out that as the People's Liberation Army has continued to use its strength for its roles of defending the status of the CPC's government and maintaining domestic security, there are limits to its external actions.⁸ More specifically, they believe that because China has to direct its attention and capabilities to deal with domestic problems, it takes a restrained stance rather than pursuing external expansion.

While many of the previous studies are of excellent quality, the problem is that for what reasons and through what mechanisms the domestic instability would lead to external actions have not yet been fully explored.⁹ Domestic instability does not necessarily always influence external actions in all countries. There should be some conditions in order for domestic instability to influence external actions. Previous studies explained about social instability and external actions by the direct cause-effect relationship, discarding the variable that mediates between them. Unless that variable is not clarified, the understanding of this problem has to be excessively linear. The aim of this paper is to provide an analytical framework concerning this mechanism that connects domestic issues to external actions.

This paper argues that the intervening variable that links domestic issues to external action is the stability of the political system. From this perspective, the current instability of China's political system is only limited and the likelihood that domestic problems should be diverted to its external policy is not that high at the present stage.

This paper attempts to analyze the abovementioned issue by referencing and relying on international relations and comparative politics theories. The methodological problem involved in studies on China's policy-making lies in the extreme difficulty of verifying reliable data and materials. It is of course important to examine the facts in detail, but the preoccupation with details entails the risk of losing sight of the whole picture. In order to avoid such a fallacy, we need the analytical framework. This paper attempts to specify important factors by sorting out discussions by referencing theories, and to present the framework for subsequent verification work. As the whole picture of the issues this paper is dealing with is extremely huge, exhaustive discussions cannot be expected in this paper alone. In particular, since the focus of this paper is the presentation of the problem and the provision of the analytical framework for this, the verification work must remain as a task for the future.

Then, why is it necessary to consider the relationship between the domestic situation in China and its external actions? This issue is important for the following reasons. First, despite the widely shared recognition not only among the academic circles but also among the policymaking community that domestic factors are becoming important when considering China's actual foreign

⁷ Yasuhiro Matsuda, "Chugoku no Taigai Kodo wo Seiyakusuru Kokunai Seiji Yoin [Domestic Political Factors That Constrain China's External Actions], Report on the FY2006 International Symposium on Security, National Institute for Defense Studies, 2007.

⁸ Andrew Scobell and Andrew Nathan, "China's Overstretched Military," *The Washington Quarterly*, Fall 2012, pp. 135-148.

⁹ After the publication of the Japanese version of this article, a couple of important previous studies were released. Both of them present the views close to this author's stance. James Reilly, *Strong Society, Smart State: The Rise of Public Opinion in China's Japan Policy*, Columbia University Press, 2012; Jessica Chen Weiss, "Authoritarian Signaling, Mass Audiences and Nationalist Protest in China," *International Organization*, Vol. 67, Winter 2013, pp. 1-35.

and security policies, the issue has hardly been studied up to now.

Second, such studies can contribute to discussions about what determines China's external actions. If extreme nationalism at home is of decisive importance for explaining China's external actions and China is following expansionist policy because of this, as Ross argues, it means that as long as extreme nationalism exists, China would stick with expansionist policy. If that is really the case, other countries' policies toward China could have little impact on China's behaviors. However, explaining China's domestic problems and external actions by the direct cause-effect relationship involves the risk of over simplification. The addition of the stability of the political system to these discussions as the intervening variable enables a broader understanding of the issue. Even when social unrest and extreme nationalism do exist, if the stable political institutions can limit their impacts, other countries' policies toward China would become meaningful. In that sense, the exploration of this issue is important.

Lastly, this paper is organized as follows. Theoretical settings necessary for this paper are made in 1. The focus of this part is placed on international relations and comparative government theories. Based on these theoretical settings, the stability of China's political system is examined in 2.

Theoretical Settings

Discussions about the Relationship between Domestic Politics and External Actions

Diversiory theory "Diversiory theory" is the argument that asserts that the fragile ruler, from being tormented by domestic unrest, would try to bolster public support by causing external conflicts to divert public attention from domestic problems.¹⁰ This line of argument can be frequently observed in the media. For example, in the incident where a Chinese fishing boat collided with two patrol vessels of the Japan Coast Guard off the Senkaku Islands in 2010, one of the comments on China's responses was: "If China projects the impression that 'the government is backing down' on the Senkaku issue, public discontent and complaints about the economic disparity, etc. could 'catch fire' and the Chinese people may attack the leadership of the CPC. Partly out of such concerns, the Chinese government, we assume, is taking an assertive attitude toward Japan."¹¹

However, it should be noted that for such arguments to hold, the following point is of importance. Even when public discontent and the pressure from extreme nationalism do exist, problems in the domestic society alone do not automatically determine the influence on policy-making. Unless such problems are critically important to policymakers, public complaints or discontent cannot influence policies. In other words, unless decision-makers do not recognize the risk of problems in the domestic society leading to an overthrow of the government, they would not try to use foreign policy to divert public attention.

We can assume that in the completely monolithic totalitarian regime, the domestic society has little impact on decision-making. Rather, decision-makers there would mobilize and exploit the domestic society in the form of mass movements. Furthermore, in a mature democratic system, social discontent and pressures do not directly have a major impact on external actions because

¹⁰ Based on the definition by Taylor Fravel, "The Limits of Diversion: Rethinking Internal and External Conflict," *Security Studies*, Vol. 19, 2010, pp. 307-341.

¹¹ "Senkaku Oki Gyosen Shototsu Chugoku wa 'Hannichi' Chinseika ni Tsutomeyo [China Should Try to Calm 'Anti-Japan Sentiment' over the Fishing Boat Collision Incident off the Senkaku Islands]," *Yomiuri Shimbun*, Editorial, September 16, 2010.

social interests can be expressed through democratic institutions.¹²

Conversely, in a state with a destabilized political system, for example, in a state where people's political participation became widespread for some reason and the government failed to institutionalize such participation, the government may resort to aggressive external actions as it cannot contain the eruption of social discontent or extreme nationalism because of the unstable system. According to Edward Mansfield and Jack Snyder, a state in the process of democratic transition is unstable for similar reasons and such a state tends to take the most aggressive external action.¹³

According to Brian Lai and Dan Slater, of undemocratic systems, the military dictatorship is more inclined to take offensive policy than the one-party system.¹⁴ They argue that this is not because military leaders want war by disposition, but because the military dictatorship does not have efficient institutions that can successfully control the factionalism of elites and limit public objections. As a result, they argue, while the one-party system that has an institution of the political party can stabilize the government and have unstable external policy, leaders of the military dictatorship try to use external policy to drum up popular support due to the lack of efficient institution.

Thus, if the domestic social instability or extreme nationalism is to influence China's external actions, it suggests that the political system is destabilized.

Then, what about compromises? The compromise theory assumes that as domestic contradictions expand, the government tries to allocate more of its focus and resources to domestic problems and thus cannot take expansionary action and opt for compromises and concessions.

Here again, the stability of the political system is the important factor. The government may face various political risks if it compromises in foreign policy. If the government can opt for compromises despite such risks, the political system has to be stable. The political system can be assumed to be stable if the state is capable of resolving various domestic problems by allocating its resources to them and institutionalizing various demands and thus making compromises in external policy.

Audience cost Another theory we must consider is discussions about "audience cost." If a state takes action and that action is being watched by audiences at home and overseas (domestic and international community), audience cost means the political cost that arises when the state changes the course of action (backing down from a hard-line stance). If this cost is very high, the state cannot back down.¹⁵ James Fearon argues that such cost arises in a democratic system. As the occurrence of cost makes policy shift difficult, it enhances the reliability of external policy. Therefore, it can be argued that the reliability of foreign policy is high under a democratic system.

There also is the argument that audience cost can arise in an undemocratic system as well. Jessica Weeks argues that when the multipolarization of the elite proceeds and the likelihood of

¹² Public opinion and public support are important in a democratic system. From the perspective of this paper, it can be argued that an unstable government with a low approval rating is vulnerable to the influence of public opinion, while a stable government with a high approval rating can choose policies with relative freedom.

¹³ Edward Mansfield and Jack Snyder, "Democratization and the Danger of War," *International Security*, Vol. 20, No. 1, 1995, pp. 5-38; Edward Mansfield and Jack Snyder, "Democratic Transitions, Institutional Strength, and War," *International Organization*, Vol. 56, No. 2, 2002, pp. 297-337.

¹⁴ Brian Lai and Dan Slater, "Institutions of the Offensive: Domestic Sources of Dispute Initiation in Authoritarian Regimes, 1950-1992," *American Journal of Political Science*, Vol. 50, No. 1, January 2006, pp. 113-126.

¹⁵ James Fearon, "Domestic Political Audiences and the Escalation of International Disputes," *American Political Science Review*, Vol. 88, No. 3, September 1994, pp. 577-592.

leaders being punished for policy blunders is high, audience cost can also be high¹⁶. According to this line of argument, audience cost is higher under the institutionalized one-party system than under the individual dictatorship. This indicates that when the leadership is multipolarized, audience cost can arise.¹⁷ We can also assume that when the split within the leadership deepens and the leader is being challenged, audience cost rises higher.

Based on the above discussion, it has become clear that the stability of the political system matters for the occurrence of audience cost as well and that the multipolarization of the political elite class gives rise to audience cost even in an authoritarian regime.

Discussion about the Political System: The Stability of the Undemocratic System

Then, what is important in the analysis of the stability of the political system? It is the existence of institutions like political parties that absorb demands of the society. Aside from institutions, the charisma of leaders and traditional authority are also important elements to help stabilize the political system. However, the charisma of leaders has limits in sustainability, while it is difficult for traditional authority to maintain its flexibility in a changing society.

Samuel Huntington, in his classical work, argued that if a state fails to mitigate and absorb rapid social changes and a rapid expansion of political participation by establishing a political institution, that state becomes politically unstable.¹⁸ The one-party system is relatively stable among undemocratic systems above all because it, assisted by the existence of the political party, can institutionalize social demands in comparison with the individual or military dictatorship. Political parties are of importance in that they organize political participation. In other words, political parties function for the achievement of organized participation and mobilization. In that sense, restrictions on political parties mean restrictions on participation. Huntington argues that rule without a powerful political party is basically fragile and can easily collapse, stating that the strength of a political party is “the prerequisite for political stability in modernizing countries.”¹⁹ Jennifer Gandhi also argues in her studies on dictatorship that rules in undemocratic systems require the obedience and cooperation of people for the continuation of rule.²⁰ According to this argument, physical violence and surveillance are necessary to ensure obedience, but the constant reliance on such means generally entails high costs and is not necessarily always effective. Therefore, an undemocratic system, in order to secure the cooperation of its people, establishes a system that can reflect the interests of the people.

In discussions of audience cost under an authoritarian regime, it was argued that the occurrence of audience cost is conditioned on the multipolarization of the leadership. The multipolarization of the leadership certainly heightens the political risk for leaders in the case of policy blunders. However, this is not an uncontrollable risk. If the mechanism exists for adjustment by calling up

¹⁶ Jessica Weeks, “Autocratic Audience Costs: Regime Type and Signaling Resolve,” *International Organization*, Vol. 62, Winter 2008, pp. 35-64.

¹⁷ Whether audience cost that results from the multipolarization of the elite class is of the same nature as that of audience cost in a democratic system cannot be judged at the moment. This remains as a future agenda.

¹⁸ Samuel Huntington, *Political Order in Changing Societies*, Yale University Press, 1968.

¹⁹ Samuel Huntington, “Social and Institutional Dynamics of One-Party Systems,” Huntington and Moore, eds., *Authoritarian Politics in Modern Society: The Dynamics of Established One-Party Systems*, Basic Books, 1970, pp. 3-48.

²⁰ Jennifer Gandhi, *Political Institutions under Dictatorship*, Cambridge University Press, 2008.

actors, the multipolarization does not necessarily pose a major problem to leaders.

Through the theoretical considerations above, we can understand the following points. First, in considering how the domestic instability influences external actions of a state, it is necessary to look into the stability of the political system as a prerequisite. Second, the multipolarization of the political elite class could lead to the occurrence of audience cost even under an authoritarian political system.

Stability of the Political System of China

The Multipolarization of Society and the Communist Party of China's Responses

Economic Development and Changes in the Chinese Society Market-oriented economic reform and economic development have brought the multipolarization of society to China since the 1990s. The private economic sector has grown in the course of market-oriented economic reform, accompanied by the rise of private business elites. The middle class has also formed gradually in the course of economic development. In rural areas, some variations of democratic mechanisms have been introduced, including the start of the election of village committee members. The media have also become more diverse than before, and are now able to report more freely, though there are still large limits.

On the other hand, it is also true that various social contradictions have deepened amid the supremacy of economic development. These social contradictions have occasionally erupted in riots and protest activities. Riots and protest demonstrations are said to have been staged mainly by three segments of society, that is, peasants, urban residents and ethnic minorities.²¹

Peasants are deeply disgruntled about overtaxation, forcible expropriation of land for development, and environmental contamination, while urban residents about forcible expropriation of land for development, dismissals of and nonpayment of wages to workers, and environmental contamination. Ethnic minorities rebel against economic disparities and infringement on ethnic independence.

The income disparity has grown large, with the Gini coefficient hovering around 0.47-0.48. The disparities include the disparity between urban and rural areas, the regional disparity (between coastal and inland regions), and the disparity among urban areas. The disparity between urban and rural areas is particularly large, with the income disparity growing from 2.4:1 in 1992 to 3:1 in 2006.²²

Environmental destruction has also become a serious problem. According to a report released by the Chinese Academy for Environmental Planning of the Ministry of Environmental Protection, environmental pollution cost rose from 511.8 billion yuan in 2004 to 970.1 billion yuan in 2009. The sum of environmental pollution cost and cost of the disruption of ecosystem came to 1,391.6 billion yuan in 2009, an increase of 9.2% over the previous year, exceeding the growth rate of 8.7% of gross domestic product (GDP) for the year.²³

²¹ Yuji Miura, "Chugoku no 'Wakai' wa Dokomade Susundaka: Seicho, Kakusa, Shakai Fuanteika no Yukue [How Far Has 'Harmony' in China Advanced?: The Outcome of Growth, Disparity and Social Instability]," *RIM*, Vol. 9, No. 35, 2009, pp. 4-34.

²² Thomas Lum, *Social Unrest in China*, CRS Report for Congress RL33416, May 8, 2006, p. 10.

²³ "Zhongguo Huanjing Wuran Sunshi Zengsu Yijing Chaoguo GDP Zengsu [Pace of Increasing Economic Loss by China' Environmental Pollution Has Already Surpassed the Pace of Increasing Its GDP]," *China Business News*, February 1, 2012.

In the 2000s, there was a spate of incidents where local governments forcibly bought land from farmers at low prices for the purpose of attracting investment. In China, land is supposed to be publicly owned under the socialist system and peasants only have the right of user. Thus, peasants do not have effective means to resist the expropriation of land by local governments.²⁴

These changes in the environment surrounding the CPC have spawned two predictions about the future of China's political system: a) gradual democratization, and b) collapse of the system.²⁵ The prerequisite view common in either scenario is that the CPC is getting flustered in the face of the changing society and is being forced to change.

Policies of the Communist Party of China I: Winning the Elite and the Middle Class to Its Side It should be noted, on the other hand, however, that the CPC has not just passively watched the Chinese society change. Adapting itself to the changing society, the CPC has maintained and even strengthened the governing system, demonstrating what may be called the "authoritarian resilience."²⁶ According to David Shambaugh, the CPC has done careful research on the collapse of the communist systems in the Soviet Union and Eastern Europe as well as on Color revolutions, and has continued to make efforts to transform itself and adapt to the market economy in order to keep itself in power.²⁷

As pointed out in the theoretical discussion earlier, an undemocratic system seeks the obedience and cooperation of people to maintain its rule. And, as the obedience under the physical coercive power alone entails too big a cost, it tries to establish some mechanism to ensure the cooperation of the people. From such a perspective, what sort of policies is China adopting?

As for cooperation, it has already been stated that institutionalization is important. The CPC has continued to make efforts to institutionally absorb diversifying interests and demands of society. According to Bruce Dickson, the CPC has adopted the policy of embracing private business owners who came to the forefront in the course of market-oriented economic reform into the system and made great achievements by taking such measures as: (1) having them co-opt to the CPC ("the representatives of three sectors" advocated by former General Secretary Jiang Zemin), and (2) building links with the new social group to establish a state corporatism-like mechanism and having them maintain cooperative ties with the party. As a consequence, he argues, the integration of the political elite and the economic elite is taking place.²⁸ Dickson further argues that the so-called "Lipset hypothesis," which sets out that the rise of private business owners and the middle class will ultimately lead to the democratization of politics, is not applicable to the situation in China, at least at the moment. He notes that this group has instead maintained a cooperative relationship with the

²⁴ Albert Keidel, *China's Social Unrest: The Story behind the Stories*, Policy Brief No. 48, Carnegie Endowment for International Peace, September 2006.

²⁵ Tang Liang, *Henbo Suru Chugoku Seiji: Zenshin Rosen to Minshuka* [Evolving Chinese Politics: The Gradual Approach and Democratization], University of Tokyo Press, 2001; Pei, *China's Trapped Transition*.

²⁶ Andrew Nathan, "Authoritarian Resilience," *Journal of Democracy*, Vol. 14, No. 1, 2003, pp. 6-17.

²⁷ David Shambaugh, *China's Communist Party: Atrophy and Adaptation*, University of California Press, 2008.

²⁸ Bruce Dickson, *Wealth into Power: The Communist Party's Embrace of China's Private Sector*, Cambridge University Press, 2008.

one-party system.²⁹

As discussed above, the CPC has placed priority on winning the elite and the middle class to its side and succeeded in its attempt. Ryosei Kokubun describes the situation as: “Under the Chinese-style ‘party-state corporatism’ system, private business owners, the newly emerging elite born out of marketization, appear to have come to give top priority to the maintenance of the current system as the increasingly powerful group with vested interests as a result of cozy ties stemming from the ‘embrace’ by the CPC.”³⁰ Jean-Pierre Cabestan, summarizing these characteristics, pointed out that China is moving toward the “enlightened but plutocratic authoritarianism.”³¹

Policies of the Communist Party of China II: Policies toward Peasants and Workers However, it is those not benefiting from the regime’s privileges that have staged riots and protest demonstrations. In particular, peasants and workers, the segments of society to which the CPC should be giving the greatest importance as the Marxist-Leninist class party in the first place, are being disregarded under the policy oriented toward the elite. This is evident from the fact that most of the riots and protest demonstrations are staged by this group. Then, what policies are the CPC taking toward these segments?

The first of the policies is suppression by physical coercive force. The aforementioned study by Gandhi pointed out that an undemocratic system seeks the obedience of people as well as their cooperation. The means of ensuring obedience is ultimately the physical coercive force. This force is safeguarded by the security control machinery primarily comprising the Ministry of Public Security, the Ministry of State Security and the Chinese People’s Armed Police Force. Particularly large-scale riots are dealt with by the Chinese People’s Armed Police Force under the jurisdiction of the CPC’s Central Military Commission and the Central Commission of Politics and Law. The Chinese People’s Armed Police Force, which is 660,000-strong, was mobilized on a massive scale in such cases as the riot in Tibet in 2008. There is no doubt that the use of such physical coercive force requires cost. In the 2011 budget, “public safety expenses” (expenses for the maintenance of security³²) amounted to 624.4 billion yuan, higher than national defense expenses totaling 601.1 billion yuan.

The second is qualified concessions. The CPC occasionally makes conciliatory moves by accepting demands on individual issues. They may be called stopgap responses to public discontent. The CPC allows a certain degree of political participation by holding hearings or consultations with local residents on a limited scale or elections of representatives of village residents. These consultations and political participation are conducted strictly within the agenda set by the party-state and their outcome is also under the party-state’s control. Thus, some studies argue

²⁹ Seymour Martin Lipset, “Some Social Requisites of Democracy: Economic Development and Political Legitimacy,” *The American Political Science Review*, Vol. 53, No. 1, March 1959, pp. 69-105; Barrington Moore, Jr., *Dokusai to Minshu Seiji no Shakaiteki Kigen* [The Social Origin of Dictatorship and Democratic Politics], trans. Ryuji Miyazaki, Shigenori Moriyama and Naoki Takahashi, Iwanami Shoten, 1986.

³⁰ Ryosei Kokubun, “*Chugoku ni Okeru Katoki no Seiji Taisei* [The Political System in the Transition Period in China],” Keio University, ed., *Keio no Seijigaku: Chiiki Kenkyu* [Keio University Political Science: Area Studies], Keio University Press, 2008, p. 92.

³¹ Jean-Pierre Cabestan, “Is China Moving towards ‘Enlightened’ but Plutocratic Authoritarianism?” *China Perspective*, Vol. 55, September-October 2004, pp. 2-10.

³² However, “public safety expenses” cover a variety of items in addition to the maintenance of security and are not limited to police-related expenses as believed in some quarters.

that they do not necessarily lead to gradual democratization but should rather be referred to as “consultative authoritarianism.”³³

The third is an attempt to portray local governments as the villain. By denouncing the abuse of power by local governments about individual issues, the central government has succeeded in creating the image that “the central government is on the peasants’ side.” From the perspective of the central government, the threat of riots and demonstrations is limited at least for now.³⁴ Most of the riots and demonstrations are targeted at local governments and business enterprises, and direct action is rarely taken against the central authority. Due to the dispersive, unsystematic and localized characteristics of riots and protest demonstrations, only because of these actions occurring in massive numbers, they do not immediately represent a threat to the central authority. There is no systematic communication among the peasants and workers who cause riots and protests, and these actions staged by the same segment do not cut across regions and many of them are concerned with single issues.³⁵ Furthermore, as moves for their collaboration are blocked by information control and surveillance, riots and demonstrations are unlikely to cut across segments or regions.³⁶ According to Shinya Kadozaki, since public grievances are directed at local governments, such as villages and townships, and their top officials and problems are trivialized as problems of local governments, any action is unlikely to become cross-regional.³⁷

This point is important for the purpose of this paper and requires an examination in greater detail. Since the commencement of reform and opening-up of China, the country has placed great importance on the roles local governments play in economic development. Local governments’ commitment to regional economies and industrial enterprises has been the driving force behind China’s miraculous economic development. Top local government officials have been evaluated by how much they have contributed to local economic development. More specifically, the evaluation criterion is how much they have helped increase gross regional product (GRP) in their provinces or prefectures.³⁸ Therefore, local governments, guided by the categorical imperative of economic development, have been engaged in cutthroat competition.

On the other hand, however, the supremacy of economic development has also been a pressure for local governments. Local governments and top local officials have immense pressure from the central government to achieve regional economic development. But as the transfer from the central government of funds necessary for economic development is very limited, local governments have no other choice but to achieve economic development goals through their own efforts. Rong Jingben called this particular aspect of China where local governments are coming under pressure from the

³³ Baogang He and Mark E. Warren, “Authoritarian Deliberation: The Deliberative Turn in Chinese Political Development,” *Perspectives on Politics*, Vol. 9, No. 2, 2011, pp. 269-289.

³⁴ Shinya Kadozaki, “‘Guntaisei Jiken’ no Hassei Mechanizumu: ‘Atsuryoku-gata Taisei’ no Shiten kara [The Generating Mechanism of ‘Mass Incidents’: From the Perspective of the ‘Pressure-Type System’],” Japan Institute of International Affairs column, February 22, 2012 <http://www.jiia.or.jp/column/201202/22-Kadozaki_Shinya.html>; Shinya Kadozaki, “‘Guntaisei Jiken’ to Chugoku Seiji Taisei no ‘Danryokusei’ [‘Mass Incidents’ and the ‘Resilience’ of China’s Political System],” Japan Institute of International Affairs column, February 23, 2012 <http://www.jiia.or.jp/column/201202/23-Kadozaki_Shinya.html>.

³⁵ Keidel, “China’s Social Unrest”; Lum, “Social Unrest in China.”

³⁶ Miura, “Chugoku no ‘Wakai’ wa Dokomade Susundaka: Seicho, Kakusa, Shakai Fuanteika no Yukue.”

³⁷ Kadozaki, “‘Guntaisei Jiken’ to Chugoku Seiji Taisei no ‘Danryokusei.’”

³⁸ Liu Yaping and Yan Changwu, “Zhuanxing qi Zhongguo Difang Zhengfu jian Jingzheng [Competition Among China’s Local Governments in Transition],” *Zhejiang Social Science*, No. 6, 2006, pp. 25-30.

supremacy of economic development as the “pressure-type system.”³⁹

The consequence of the “pressure-type system” was that the burden was ultimately placed on peasants. Local governments that have potent industries or enterprises in their jurisdiction can rely on them to achieve economic development, but many local governments in inland regions have to depend on their own resources, coupled with investment invited from outside. For this reason, many local governments aggressively resorted to the imposition of taxes to raise extrabudgetary funds and forcible expropriation of land, passing their burdens on to peasants.⁴⁰

Under such a system, the brunt of discontent is first directed at local governments on the scene. For central authority, petitions of objection and protest demonstrations against local governments are not a direct threat to them. Thus, it cannot be argued that a string of riots are directly undermining the stability of the central authority or political system as a whole.

Evaluation As discussed above, the extent to which domestic problems in China can make the political system itself unstable is limited at the moment. That is shown in that: a) the CPC has succeeded in skillfully winning the elite and the middle class to its side, and b) the CPC has suppressed grievances of peasants and workers by physical coercive force, combining it with qualified conciliatory moves, and even when demonstrations and riots occur, they are limited in terms of regions or organizations.

However, this paper does not rule out the possibility of changes in the future. In particular, cross-regional and cross-segment issues could pose a major threat to the CPC.⁴¹ In the rapid-transit railway train collision accident in Wenzhou in 2011, for example, the media and the people's criticisms and mistrust in the government were widely shared because the press had relative freedom initially after the accident and the information spread through Weibo and other channels, on top of the government's poor first response. Environmental problems can also become a major issue that cut across social segments. In 2009, as concerns arose over a possible outflow of toxic substances from a chemical factory in Dalian, over 10,000 citizens and other people staged a demonstration demanding the relocation of the chemical factory. Demonstrations and riots by migrant workers in cities could also become a major issue. In Guangdong Province in 2011, riots were staged by workers who were originally from Sichuan Province. Riots in Xinjiang in 2009 were touched off by local frictions Uygur people experienced when they went to work in Guangdong Province.

The Internet and population mobility could serve as the medium to generate such cross-regional and cross-segment interest. Regarding the Internet, the number of Internet users has topped 500 million and social media such as Weibo have come to wield a significant influence.⁴² In the case

³⁹ Rong Jingben, *CongYali xing Tizhi xiang Minzhu Hezuo Tizhi de Zhuanbian: Xian Xiang Liangji Zhengzhi Tizhi Gaige* [Transformation from the Pressurized System to the Democratic System of Cooperation: Reform of the Political System at the County and Township Levels], Central Compilation & Translation Press, 1998; Fan Hongmin, *Xianyu Zhengzhi: Quanli Shijian yu Richang Zhuxu* [Politics of Prefecture Area: Practice of Power and Everyday-Order], China Social Sciences Press, 2008.

⁴⁰ Kai Kajitani, *Gendai Chugoku no Zaisei Kinyu System* [The Fiscal and Financial System in Modern China], University of Nagoya Press, 2011; Thomas P. Bernstein and Lu Xiaobo, *Taxation without Representation in China*, Cambridge University Press, 2003. As the background to the situation, Bernstein cited bloated local governments, in addition to pressures for economic development (pp. 96-104).

⁴¹ National Institute for Defense Studies, *Higashi Asia Senryaku Gaikan 2012*, pp. 83-85.

⁴² Wang Chen, “Zhongguo Hulanwang Yonghu Yi Tupo Wuyi [The Number of China's Internet Users Exceed 5 Billion],” *Xinhuanet*, September 29, 2011.

of the train accident in Wenzhou, criticisms of the government's response spread instantaneously through Weibo. As for the demographic shift, according to a population census of April 2011, people with a rural household registry living in urban areas reached 220 million in 2010 as a result of many workers in rural areas moving to coastal urban areas. The number represents an increase of more than 100 million over 2000, and the uptrend has continued when compared with 200 million in 2008. It is an indication that the population that cannot be properly managed by the conventional household registry system has grown very large.⁴³ As these fluid populations, in many cases, are unlikely to be provided with social security and educational benefits, they easily harbor dissatisfaction. Furthermore, it has become difficult to keep them under meticulous official surveillance.⁴⁴ The CPC's focus on the management of the fluid population and the Internet in its policy of "strengthening and innovating social management" is understandable exactly against the background.

Change in the Policy-Making System

Next, the change and continuation of China's policy-making system is examined. Kenneth Lieberthal pointed out that of decisive importance in China's policy-making are the top 25 to 35 people in the CPC's hierarchy and this feature has not changed even in the 21st century.⁴⁵ On the other hand, however, it is no longer possible for a paramount leader to impose his/her intention as the state's intention, as in the Mao Zedong era. Regarding this change, Lieberthal pointed out: a) the powers of a paramount leader have become very limited compared with those exercised by Mao Zedong and Deng Xiaoping; b) institutionalization has moved ahead, and anyone without an official position rarely wields power informally as Deng Xiaoping had done; c) the top echelon group now is less united than the generation who had fought the revolutionary war together; d) the power the top echelon group has over the overall political system is weaker than the preceding generation; and e) retired top officials no longer try to throw their weight around. More specifically, the noticeable characteristics are that while the system for decision-making itself has not changed significantly, the powers of the supreme leadership have weakened compared with those held by Mao Zedong and Deng Xiaoping. Then, how significant are these changes for the overall policy-making process? Of particular importance for this paper are to what extent the multipolarization of the leadership has proceeded and whether it can lead to the occurrence of audience cost as defined by Weeks and others.

Specialization, Multipolarization, Decentralization, Globalization Along with China's economic development, the functions required of the party, the state and the military have become diverse, and in response to that, the party, the state and the military are expected to become differentiated in their organizations. Organizations have their respective interests and compete with each other for greater influence. This bottom-up policy-making has become more pronounced in China in recent years.

David Lampton characterized the changes in China's policy-making process since the 1990s

⁴³ Miura, "Chugoku no 'Wakai' wa Dokomade Susundaka: Seicho, Kakusa, Shakai Fuanteika no Yukue."

⁴⁴ "Woguo Jingji Shehui Chuxian Sida Bianhua [4 Major Changes in Our Country's Economy and Society]," *People's Daily*, April 29, 2011.

⁴⁵ Kenneth Lieberthal, *Governing China*, 2nd ed., W. W. Norton & Company, 2004, pp. 206-211.

by specialization, multipolarization, decentralization and globalization.⁴⁶ It means: a) Specialization: Expertise gains in importance in respective policy domains, and political elites have their respective specialized domains. In day-to-day routine work in particular, actors without expertise have come to find it difficult to get involved; b) Multipolarization and Decentralization: The policy-making process has become complicated because of the multipolarization and decentralization of actors; and c) Globalization: With China's participation in international order, the influence of international norms has increased.

And, as a consequence of the multipolarization of actors involved in policy-making, consensus building among political leaders has become important. In China today, the discordance of various voices in the country is pressing policymakers to pursue various objectives and this requires them to harmonize competing issues. Thus, "consensus building within the CPC Politburo, the decision-making body that is intended to be representative of the Party, is imperative to ensure CPC unity and political stability."⁴⁷ Furthermore, top officials of the party, the government and the military, intellectuals, researchers, media people and business managers are said to be trying to influence each other as well as public opinion, and engaged in lobbying activities. According to Jakobson and Knox, in addition to the Politburo Standing Committee and the Central Small Leading Group for Foreign Affairs of the CPC, the Central Military Commission and the Ministry of Foreign Affairs of the State Council, such party and government divisions as the International Liaison Department of the CPC, the Ministry of Commerce, the National Development and Reform Commission, the People's Bank of China and the Ministry of State Security as well as the business community, local governments, research institutions and media are involved in the policy-making process. Shirk also points out that policymakers depend heavily on other leaders, the military and public opinion and are greatly influenced by them.⁴⁸

Policy Coordination Function However, it is clearly erroneous to regard China's policy-making as something like a completely decentralized get-together of interest groups. In that sense, the arguments by Shirk as well as Jakobson and Knox can somewhat exaggerate the extent of decentralization.

In China's politics, the role played by the paramount leader is still large, and the top-down policy-making may take place on some important issues. According to Richard Bush, the power of final decision on foreign and security policies regarding strategic-level issues is bestowed on the paramount leader. Strategic-level issues, Bush points out, involve policy decisions on such sensitive issues as the fundamental direction of China's foreign policy, military actions concerning war, regional policies concerned with relations among major powers, policies toward Taiwan and North Korea.⁴⁹

The question is how top-down strategic decisions made by the paramount leader and the Politburo Standing Committee and bottom-up decisions made by divisions that formulate more specific policies are intertwined. In that sense, policy coordination that links the paramount leader

⁴⁶ David Lampton, "China's Foreign and National Security Policy-Making Process: Is It Changing, and Does It Matter?" David Lampton, ed., *The Making of Chinese Foreign and Security Policy*, Stanford University Press, 2001, pp. 1-36.

⁴⁷ Jakobson and Knox, *Chugoku no Atarashii Taigai Seisaku*, p. 92.

⁴⁸ Shirk, *Fragile Super Power*, pp. 35-78.

⁴⁹ Richard Bush, *The Perils of Proximity: China-Japan Security Relations*, Brookings Institution, 2010, pp. 144-155.

and the Politburo Standing Committee to lower-level departments is very important. Cabestan pointed out that diplomatic, economic and military interests have become differentiated, requiring the function of policy coordination.⁵⁰ In that sense, the importance of small leading groups is growing. Small leading groups are groups for coordination established for several important sectors for the purpose of policy coordination among divisions. Members of leading groups are called up from relevant divisions cross-sectorally, with one of the nine members of the Politburo Standing Committee serving as group head. Small leading groups concerned with foreign and security policies include the Central Small Leading Group for Foreign Affairs, the Small Leading Group for State Security and the Central Small Leading Group for Taiwan Affairs, all headed by General Secretary Hu Jintao.

Policy coordination by the party's leading groups is allegedly demonstrating a certain effectiveness. However, as seen in the apparent lack of coordination between the military and the foreign policy division concerning weapons testing, for example,⁵¹ the present policy coordination has its own limitations. If the complexity of the policy-making process is to keep growing, audience cost for the paramount leader is likely to increase gradually.

Evaluation China's policy-making process has become more multipolarized and decentralized than before. Because of this, it can be said, the elite's function of monitoring the paramount leader has been enhanced. As the interests and claims of each organization have become more divergent than before, policy coordination between them has more limitations. These trends are likely to become more conspicuous going forward, and the paramount leader may see any policy blunder destabilize his/her position. In that sense, audience cost may increase in the future, which, in turn, is likely to make it more difficult to compromise in external policy. At the same time, higher audience cost would mean higher credibility of foreign policy, making signals of compromise and threats by China more credible. However, we must not forget that at least at the current moment, the role of the paramount leader is still large and the paramount leader has a critical role to play particularly in important decisions.

Conclusion and Implications

For the moment at least, China is not in a situation where domestic instability would lead to hard-line external policy, as suggested by diversionary theory. That is because the extent to which domestic problems in China can make the political system itself unstable is limited. That China's political system is maintaining its stability is shown in that: a) the CPC has succeeded in skillfully winning the elite and the middle class to its side, and b) the CPC has suppressed grievances of peasants and workers by physical coercive force, combining it with qualified conciliatory moves, and even when demonstrations and riots occur, they are limited in terms of regions or organizations.

Meanwhile, regarding the claim that China cannot compromise on external policy under the watchful eyes of the domestic elite or society as a whole, as suggested by audience cost theory, there is

⁵⁰ Jean-Pierre Cabestan, "China's Foreign- and Security-Policy Decision-Making Processes under Hu Jintao," *Journal of Current Chinese Affairs*, Vol. 3, 2009, pp. 63-97. For leading groups, see Alice Miller, "The CCP Central Committee's Leading Small Groups," *China Leadership Monitor*, No. 26, 2008, pp. 1-21.

⁵¹ For example, the Ministry of Foreign Affairs was not notified of the ASAT experiment in 2007, and this lack of information reportedly made it difficult for the ministry to deal with international reactions to the testing.

both evidence that support and contradict this. In the future, however, it is possible that the advanced specialization of the elite will increase audience cost to make it more difficult to compromise in external policy in times of crisis. In other words, China, bound by officially-proclaimed principles-based positions, may find it more difficult to resort to realistic diplomatic maneuvering which it has been so good at in the past. These characteristics are likely to emerge most pronouncedly when the relationship among the elite becomes confrontational.

In summary, the important matters in the analytical perspective of this paper were: a) the extent of institutionalization at the initiative of the party and the state that would mitigate pressures and demands from the society; and b) the extent of the multipolarization and differentiation of the political elite. These points directly indicate what aspects of China we should be keeping our eyes on in the future. Changes in these two points will surely transform the relationship between domestic politics and external policy.

This paper presented the problems and provided the framework for discussions. However, partly for reasons of space, the paper was unable to offer sufficient verification, and this remains as a task for the future.

In conclusion, the key implications of the argument in this paper are twofold. The first is the issue concerning the origin of China's external actions. The discussions in this paper deny the view that the social instability and extreme nationalism directly lead to China's external actions. And, if the stability of the political system stands between them as the intervening variable, the current stability of the system under the CPC can be construed as contributing to the stability of China's external actions. At the same time, however, the CPC that continues the opaque one-party governing system is also a source of other countries' mistrust towards China. While some sort of multipolarization is under way, the continued one-party system is making China's policies very difficult to understand, resulting in the inability to wipe off mistrust in China's policy intentions. The stability of China's political system contributes to the stability of its external actions on one hand but is the source of mistrust of other countries on the other. This is where a major paradox exists.

Secondly we must, as a future task, consider what sorts of changes a possible change in China's domestic political system will bring to its external policy.⁵² As an evaluation at the moment, this paper is of the view that no change that would lead to democratization is taking place in China. However, this paper does not rule out the possibility of some change in the future. The emergence of a reformist leader and/or a further expansion of political participation may bring about a regime change.

Here, as the beginning of such thought experiment, the paper presents the following assumptions: a) Destabilization scenario: If a further expansion of social contradictions in urban and rural areas and frequent riots exceed the tolerable range and can no longer be suppressed effectively by the current system, then they might trigger accidental firing-like external policy, as suggested by "diversionary theory"; and b) Democratization theory: The birth of a democratic China, if the new system becomes stabilized, may make its policies more reliable. On the other hand, however, as Mansfield and others pointed out, a state in the process of democratic transition

⁵² The following assumptions owe much to Aaron L. Friedberg, *A Contest for Supremacy: China, America, and the Struggle for Mastery in Asia*, W. W. Norton & Company, 2011, pp. 245-252.

is unstable, and for this reason, its external actions also tend to be unstable.⁵³ If China is to achieve a regime change in the future, the achievement of that regime change through a stable process is of extreme importance to neighboring countries as well.

⁵³ Mansfield and Snyder, “Democratization and the Danger of War”; Mansfield and Snyder, “Democratic Transitions, Institutional Strength, and War.”