

# China and the Developing World

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China's interest in the developing world dates back to the Cold War, when Beijing assumed ideological leadership over the revolutionary agenda of insurgents in Africa, Latin America, Southeast Asia, and elsewhere. Today, China's ideological emphasis is gone, but its desire to lead in promoting the collective interests of the "South" has endured. Beijing's official documents refer specifically to the developing world as a critical component of Chinese foreign policy goals to promote a multipolar world and democratized international relations—and despite its substantial economic achievements over the past 25 years, China still refers to itself as the "world's largest developing country."

## **What Is the History of China's Relations with the Developing World?**

During the Cold War, China's relations with the developing world were based on a combination of ideology and practical foreign policy interests. China used solidarity with the "third world" to distinguish itself from the bipolar Cold War rivalry between the United States and the Soviet Union, both of which China considered hegemonic powers. In late 1953, Premier Zhou Enlai outlined the "Five Principles of Peaceful Coexistence" as the framework under which its foreign policy would be conducted. The Five Principles—mutual respect for territorial integrity and sovereignty, nonaggression, noninterference in internal affairs, equality and mutual benefit, and peaceful coexistence—all appealed to a developing world that, like China, had felt the brunt of Western colonialism.

During the 1960s, China broke from its solidarity with postcolonial governments in the developing world and began to support revolutionary communist movements within many of these countries. In geopolitical as well as

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ideological competition with the Soviet Union for global leadership of international communism, China provided substantial amounts of moral and material assistance to violent insurrections throughout Africa, Asia, and Latin America. In the process, China also sought to distract the Soviet Union's energy and attention away from their common border.

In the late 1970s, China's approach to the developing world became even more pragmatic as Deng Xiaoping pursued a path of economic liberalization, and de-emphasized ideology as a driver of Chinese national policy. In the 1980s, China withdrew support from communist insurgencies and began to establish political and economic relations with countries throughout the developed and developing world, though the rhetoric of South-South cooperation continued. China also began to provide military aid—including, but not limited to, nuclear technology and missile systems—to nations such as Algeria, Iran, Iraq, Pakistan, Saudi Arabia, and Syria to gain capital, buy influence, and demonstrate its continued commitment to relations with the developing world. China turned to the developing world in a more concentrated and strategic way following the violent suppression of the 1989 Tiananmen Square demonstrations, when the regime felt the slap of Western-led condemnation, sanction, and political isolation.

During the 1990s, China's continued policy of pragmatism and economic openness paid off, as it developed closer economic ties and normalized political relations with a number of countries, often at Taiwan's expense. Reconciliation came slowly, as memories of Chinese support for revolutionary insurgents remained fresh and raw. Nonetheless, Chinese diplomatic manners began to evolve, shunning the hard-edged, uncompromising, and unsubtle standards of the past to show a more open and ingratiating face.

At the same time, Chinese suspicions of U.S. intent toward China persisted. When the end of the Cold War did not lead to a division of power in the world but to heightened American predominance, Beijing began promoting the notion of a multipolar world to protect its interests and dilute U.S. global power and influence—a posture that resonated well in most of the developing world and fostered a spirit of common cause in international organizations such as the United Nations and the World Trade Organization. With the addition of profound new economic interests in Africa, Latin America, the Middle East, Central Asia, South Asia, and Southeast Asia, China's strategic attention to the developing world began a period of renaissance.

## **What Are China's Current Interests and Goals in the Developing World?**

As outlined in its December 2006 defense white paper, China seeks to foster “a security environment conducive to China's peaceful development,” and to build “a harmonious world of enduring peace and common prosperity.”<sup>1</sup> China's

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<sup>1</sup> State Council of the People's Republic of China, *China's National Defense in 2006* (Beijing: State Council Information Office, December 2006), <http://www.china.org.cn/english/features/book/194421.htm>.

overall goal is to focus on developing its comprehensive national power with minimal distraction or outside interference. At the same time, China has continued to proclaim its principled commitment to democratization of international affairs, equality among nations, and its readiness to serve as a leader of the developing world to promote the South's interests in the UN Security Council and to close the wealth gap between developed and developing countries.<sup>2</sup> In the explicit hierarchy of importance that China places on its international relationships, "major power" relations, particularly with the United States, remain at the top, followed by relations with neighboring states, and then developing nations elsewhere.<sup>3</sup> Interaction with the developing world, however, has risen in relative importance in recent years, which has distinguished Hu Jintao's foreign policy from that of his predecessor Jiang Zemin, who focused primarily on improving relations with the United States.

In practical terms, China's engagement of the developing world serves several Chinese interests: to ensure access to critical natural resources, including energy, and overseas markets for its products; to secure its periphery to prevent cross-border challenges to its stability; to isolate Taiwan internationally; and to promote a multipolar world that enhances developing world (particularly Chinese) interests and constrains U.S. global power.

## Natural Resources/Energy

President Hu Jintao has explicitly underscored relations with the developing world as a means to meet China's development needs. Today, China consumes a third of the world's steel, half of its cement, and a quarter of its fertilizer, copper, and aluminum. Many of these resources are concentrated in the developing world.<sup>4</sup> Likewise, as the world's second-largest oil consumer and third-largest oil importer, with more than 40 percent of its oil consumption met by imports,

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<sup>2</sup> Since at least Deng Xiaoping's leadership, China has explicitly abjured ambition to assert itself as *the* leader of the developing world—or the "third world" in Cold War parlance. In a 1982 speech, Deng explained it this way: "We say, China is simply a member of the third world ... Many friends say that China is the leader of the third world. We say, we should not be the leader. Once we become the leader, things will go wrong. Hegemony has a bad reputation, so does the leader of the third world. Saying this is not being modest. It is out of real political consideration." There is no evidence that recent Chinese leaders have revisited Deng's admonition, despite increasing outreach, influence, and rhetoric concerning the importance of China's relations with the developing world. See Deng Xiaoping, "Zhongguo de Duiwai Zhengce" (China's Foreign Policy), in *Deng Xiaoping Wenxuan, 1975–1982 (Selected Works of Deng Xiaoping, 1975–1982)*, volume 2 (Beijing: Renmin Chubanshe, 1993), <http://web.peopledaily.com.cn/deng/>.

<sup>3</sup> China consistently applies unique terms to qualify its relations with the three sets of nations: relations with developed nations are termed "key" (*guanjian*); neighboring countries are a "priority" (*shouyao*); and developing nations are called the "basis" (*jichu*) of China's foreign policy.

<sup>4</sup> In Latin America alone, China has equity oil stakes in Bolivia, Colombia, Ecuador, Peru, and Venezuela. China buys vast quantities of iron ore, bauxite, soybeans, timber, zinc, and manganese from Brazil, while looking to Bolivia for tin and Chile for copper (China consumes more than 40 percent of Chile's copper exports). As a result, China became Brazil's second-largest trading partner in 2003, while in 2004, China displaced the United States as the leading market for Chilean exports.

China has placed growing emphasis on the developing world to meet its energy security needs—enticing energy-producing countries with economic and military aid, diplomatic support, and other goodwill gestures.

Nonetheless, while China has attempted to diversify its sources of oil, 61 percent of China's oil imports in 2005 were derived from just five countries: Saudi Arabia, Angola, Iran, Russia, and Oman. China depends on the Middle East for 50 percent of its oil imports, with almost 30 percent coming from Iran and Saudi Arabia alone. China's oil imports are also skewed toward countries with low-sulfur, light crude, such as West Africa, although it is in the process of expanding its refinery capacity to process high-sulfur, heavy crude as well. China's dependence on energy resources from Africa and the Middle East has fueled Beijing's growing political and security engagement with these regions.

China's Top 10 Sources of Oil Imports<sup>5</sup> (in percent)

Country	2003	2004	2005
Saudi Arabia	16.65	14.04	17.45
Angola	11.09	13.2	13.74
Iran	13.6	10.78	11.23
Russia	5.77	8.77	10.05
Oman	10.18	13.31	8.53
Yemen	7.68	4.0	5.49
Sudan	6.87	4.7	5.21
Congo	3.72	3.89	4.36
Indonesia	3.66	2.79	3.21
Equatorial Guinea	1.6	2.84	3.02
<b>Total</b>	<b>80.82</b>	<b>78.00</b>	<b>82.00</b>

China has also attempted to improve relations with developing countries adjacent to chokepoints and strategic waterways in Southeast Asia, South Asia, Africa, and the Middle East, as 90 percent of China's oil imports come by sea. Eighty percent of China's oil transits through the Straits of Malacca adjacent to Indonesia, Malaysia, and Singapore, with much of this oil coming first through the Strait of Hormuz, which is in close proximity to the conflict-prone states of the Middle East. China's desire to avoid vulnerable sea lines of communication and diversify its source of oil imports has intensified its interest in importing energy resources

<sup>5</sup> Data from Statistical Yearbooks published by Customs General Administration of People's Republic of China. It should be noted that in the first six months of 2006, Angola overtook Saudi Arabia as China's leading supplier of oil imports.

from countries where it can be shipped overland, such as Central Asia and Russia, as well as South and Southeast Asia.

#### Routes of China's Oil Imports by Sea

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Middle East	Persian Gulf–Strait of Hormuz–Malacca Strait–Taiwan Strait–China
West Africa	North Africa–Mediterranean–Strait of Gibraltar–Cape of Good Hope–Malacca Strait–Taiwan Strait–China
Southeast Asia	Malacca Strait–Taiwan Strait–China
Latin America	Panama Canal (Venezuela)–Pacific Ocean–China

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### Periphery Relations

Given China's overriding interest in ensuring a peaceful international environment, particularly along its extensive border, relations with nations along its periphery assume the highest foreign policy priority. Chinese leaders have made a specific point to refer often to China's commitment to "good-neighborliness," to "becoming friends and partners with neighbors," and to building a "friendly, peaceful, and prosperous neighborhood" (mulin, anlin, fulin).

In the process, China not only wants to reassure the region about its peaceful rise, but also to prevent the emergence of (U.S.-led) anti-China blocs that might contain China's development or otherwise constrain China's freedom of action. Chinese leaders in fact explicitly connect the development of relations with neighbors to a strategy for handling relations with the United States. At the conclusion of the National People's Congress in March 2007, for instance, Premier Wen Jiabao commented, "To win a friend from afar, one needs to have good relations with his close neighbors; to avoid adversity, one needs to try to ease enmity."<sup>6</sup>

Indeed, to "ease enmity" with its neighbors, China has generally emphasized nonmilitary aspects of its comprehensive national power, adopting a three-pronged approach of setting aside areas of disagreement with neighboring states, focusing on confidence-building measures to promote ties, and engaging in economic integration and multilateral cooperation to address shared concerns. China has established good relations with virtually all its neighbors and settled virtually all border disputes.<sup>7</sup> China has also been seeking to build tight political, economic, and infrastructure (roads, pipelines, etc.) ties with neighbors in East,

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<sup>6</sup> "Quotable Quotes," *China Daily*, vol. 27, no. 8392 (March 17–18, 2007).

<sup>7</sup> The notable exceptions are Aksai Chin and Arunachal Pradesh with India; demarcation of the East China Sea and sovereignty over the Diaoyutai/Senkaku islands with Japan; and the Paracel and Spratly islands in the South China Sea with Southeast Asian nations, including Vietnam, the Philippines, Indonesia, and Malaysia.

Central, Southeast, and South Asia to bind itself closely to them, while promoting a sense of regional identity and solidarity.

At the same time, China has respected the preferences of Southeast Asian nations, for example, for the traditional regional security structure of U.S. alliances. China has focused instead on enhancing its comprehensive national power and constructing regional confidence-building mechanisms that promise to increase its regional influence and may yet enable its long-term goal loosening U.S. dominance on regional security.

More immediately and practically, China's attention to its periphery also seeks to prevent nontraditional external threats from exacerbating internal frictions or threatening China's overall stability. China's relations with Central, South, and Southeast Asia, and even the Middle East, reflect Beijing's concern over cross-border influence on its restive ethnic minority regions in the West, particularly Xinjiang and Tibet. In building cooperative ties with border nations, China also seeks to preempt such challenges to its domestic security as infectious disease, drug trafficking, and Islamic extremism.

## Taiwan

After the 1980s, the only remaining ideological component to China's interactions with the developing world has been strict enforcement of its "One China" policy. The developing world is particularly important to China in this regard as it is largely in these regions, particularly Africa and Latin America, that the 24 remaining nations that maintain diplomatic recognition of the Republic of China on Taiwan are found.<sup>8</sup>

A 1994 edict called for China to "use all economic and diplomatic resources to reward countries that are willing to isolate Taiwan." An unspoken corollary is that China will punish nations that fail to meet this test. China vetoed sending UN peacekeepers to Guatemala and Macedonia, and threatened in early 2007 not to extend peacekeepers in Haiti, due to those countries' official relations with Taiwan. China's only condition under which it will sign trade and investment agreements, including with developing countries, is that they agree to support the PRC's "one-China" policy. The Taiwan issue remains enormously emotional to China—a subject on which Chinese policymakers and diplomats often discard subtlety to display a more dogmatic, hard-edged, even arrogant posture. China has used the promise of trade, aid, investment, and other benefits to woo nations away from Taiwan, mimicking Taiwan's traditional "money diplomacy." China is also employing more subtle methods of persuasion, including luring local ethnic Chinese associations and businessmen in Latin America and Southeast Asia to side openly with the mainland against the island in return for infusions of cash and promises of economic benefits. As China becomes stronger, particularly in

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<sup>8</sup> In Africa, Taiwan has diplomatic relations with Burkina Faso, Gambia, São Tomé and Príncipe, and Swaziland; in Latin America with Belize, Costa Rica, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Panama, Paraguay, Saint Kitts and Nevis, Saint Vincent and the Grenadines; in Europe with Vatican City; and in Australasia with Kiribati, Malawi, Marshall Islands, Nauru, Palau, Solomon Islands, and Tuvalu.

economic terms, few nations or individuals want to risk antagonizing the emerging giant.

In recent years, China has flexed its muscles over Taiwan in increasingly brash ways, even crossing its own principled line against interference in others' internal affairs. During the run-up to Zambia's presidential election in September 2006, for instance, China's ambassador publicly threatened that China would sever relations with the country should the opposition candidate, who had characterized Taiwan as a "sovereign state" and criticized the labor practices of local Chinese businesses, win. (He didn't, though China's intervention was probably not the decisive factor.)

### Promotion of a Multipolar World

China values unity with the developing world to protect its interests in the United Nations and other forums where human rights or other sensitive issues may lead to external interference in its internal affairs. China appeals to developing world sensitivities about major power intervention, while promoting its "new security concept" for international relations as an alternative to the current international security system of U.S.-dominated military alliances and unipolarity.

According to the December 2006 defense white paper, China's concept calls for "cooperative military relations that are non-aligned, non-confrontational and not directed against any third party," and envisions political relationships that operate according to the Five Principles of Peaceful Coexistence. Informal "strategic partnerships" would replace formal alliances, and the current security structure would be replaced by a multipolar world of "just and effective collective security mechanisms and military confidence-building mechanisms" to prevent conflict. Much of China's outreach to the developing world seeks to advance this multipolar agenda through engagement in regional initiatives and gestures of South-South solidarity. The defense white paper suggests as much, pointing for instance to the Central Asian Shanghai Cooperation Organization as contributing to "the establishment of a new mode of state-to-state relations."<sup>9</sup>

In the end, China's goals and interests in the developing world are mutually reinforcing: China's need for secure and reliable supply of natural resources, including energy, has led to relationships with Islamic states in the Middle East, Africa, and Central Asia that have helped prevent external support for Uighur insurgents in Xinjiang. China's aid and trade with the developing world has assisted its crusade to isolate the "renegade province" of Taiwan. And its actions to reassure the international community of its peaceful rise have enhanced China's standing as a leader within the developing world as well.

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<sup>9</sup> State Council of the People's Republic of China, *China's National Defense in 2006*.

## How Does China Engage with the Developing World?

China's engagement with the developing world has taken varied forms. First, China has emphasized "strategic partnerships" with key developing countries to highlight the relative importance of these bilateral and multilateral relationships to China's global interests and to promote its new security concept. (See table 1 in appendix.) China typically divides its relationships into two categories: strategic partner and cooperative partner, in descending order of importance.

In the process, China has shifted away from its aversion to multilateral forums, institutions, and agreements, which have traditionally been favored by developing nations, toward playing a leading role in promoting multilateralism around the world. China trumpets the United Nations as the most important vehicle for safeguarding national sovereignty, equality among states, and democratization in international affairs.

China has also joined multilateral forums throughout the developing world, including the Shanghai Cooperation Organization in Central Asia, the ASEAN Regional Forum and ASEAN Plus Three (China, Japan, South Korea) process in Southeast Asia, the China-Africa Cooperation Forum, the China-Arab Cooperation Forum, the Organization of American States (where China serves as an observer) in Latin America, and the South Asia Association for Regional Cooperation (at which China also serves as an observer), among others.<sup>10</sup> (See table 2 in appendix.) In this way, China has sought to demonstrate its good faith commitment to addressing developing world interests in close consultation with developing world nations.

At the same time, China has attempted to shelve disagreements in favor of building political and economic ties with the developing world through trade, aid, and investment. Bilateral trade with Africa reached \$55.5 billion in 2006, almost five times its 2000 level.<sup>11</sup> China's trade with Latin America increased five-fold between 1994 and 2004 to \$40 billion.<sup>12</sup> In 2005, trade between China and Gulf Cooperation Council (GCC) countries amounted to \$33.8 billion, a 36 percent increase over the previous year.<sup>13</sup> China's trade with member states of the Central Asia Regional Economic Cooperation (CAREC) process<sup>14</sup> has increased almost 10-fold since its establishment in 1997 to \$9.8 billion in 2005.<sup>15</sup> To trump all, China's trade with Southeast Asia in 2006 totaled \$161 billion, an increase of 23 percent

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<sup>10</sup> According to the 2005 white paper entitled "China's Path of Peaceful Development," China has joined more than 130 (intergovernmental) international organizations and signed 267 multilateral treaties.

<sup>11</sup> "China to Fulfill Its Sino-African Forum Pledges," Xinhua, January 29, 2007.

<sup>12</sup> "Trade with Latin America," *China Daily*, March 3, 2005.

<sup>13</sup> Julian Madsen, "China's Policy in the Gulf Region: From Neglect to Necessity," *Power and Interest News Report*, October 27, 2006.

<sup>14</sup> CAREC members include Afghanistan, Azerbaijan, China, Kazakhstan, Kyrgyzstan, Mongolia, Tajikistan and Uzbekistan.

<sup>15</sup> "China Seeks Closer Ties with Central Asia," *Asia Pulse*, October 19, 2006.

over the previous year and almost 20 times the figure in 1991.<sup>16</sup> (See tables 3 and 4 in appendix.)

Meanwhile, Chinese pursuit of free trade agreements is gaining momentum. In 2004, China and the Gulf Cooperation Council began negotiations for a Middle East free trade zone. In Africa, China is negotiating to create a free trade area with the Southern African Customs Union. Several bilateral free trade negotiations are underway in Latin America; Chile became the first of China's free trade agreement partners in the Western Hemisphere in 2005. In Southeast Asia, China continues to work to construct a free trade area with ASEAN by 2010.

China's public rhetoric vows to "help developing countries to overcome difficulties and build capacity for self-development."<sup>17</sup> China has indeed provided increasing levels of foreign aid to developing nations, a curious situation for a nation that continues to receive external development assistance itself. The exact level of China's foreign aid is uncertain—perhaps even to Chinese officials—although it is estimated that Asian neighbors receive the most assistance (50 percent),<sup>18</sup> followed by Africa (33 percent), then Latin America (10 percent).<sup>19</sup> Whatever the total figure, China contends that its developing nation status provides unique insight into the needs and conditions under which other developing nations may best utilize assistance. Indeed, China pursues an explicit policy of not imposing conditions on its aid in fealty to the principle of noninterference.<sup>20</sup> As a result, China has offered assistance to nations that either did not receive high levels of support from the West or received no support at all, often due to violations of governance standards or other norms under which the West normally provides aid.

China canceled \$1.2 billion in debt from 31 African countries in 2000 and added another \$750 million in debt forgiveness in 2003. Beijing has also provided tariff breaks to several of the least-developed nations of Asia and Africa.<sup>21</sup> China has invested largely in the energy, agriculture, and infrastructure sectors of the developing world, although the level of investment overall has been relatively small and disappointing to many developing states.

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<sup>16</sup> "ASEAN, China Agree to Cut Trade Barriers," CNN.com, January 14, 2007, <http://money.cnn.com/2007/01/14/news/international/bc.asean.summit.china.reut/index.htm?postversion=2007011412>.

<sup>17</sup> Ministry of Foreign Affairs of China, "Heping, Fazhan, Hezuo: Li Zhaoxing Waizhang tan Xinshiqi Zhongguo Waijiao de Qizhi" (Peace, Development and Cooperation: Foreign Minister Li Zhaoxing on China's Foreign Policy in the New Era), 2005. <http://www.fmprc.gov.cn/chn/wjdt/wjzc/t208030.htm>.

<sup>18</sup> It is also estimated that Chinese aid to Southeast Asia outpaces U.S. aid to the region.

<sup>19</sup> Michael A. Glosny, *Meeting the Development Challenge in the 21<sup>st</sup> Century: American and Chinese Perspectives on Foreign Aid*, China Policy Series, No. 21 (New York: National Committee on United States–China Relations, August 2006), pp. 14, 16, 19.

<sup>20</sup> "China stands ready to offer assistance within its capacity to developing countries having difficulties. Although China's aid is limited, it is provided sincerely and without any conditions attached." Ministry of Foreign Affairs of China. 2006. *Nannan Hezuo (South-South Cooperation)*. <http://www.fmprc.gov.cn/chn/wjdt/wjzc/t24777.htm>.

<sup>21</sup> Ibid.

At the same time, Chinese leaders continue to make elaborate promises about China's future trade, aid, and investment relationship with developing nations. At the third China-Africa Cooperation Forum hosted in Beijing in November 2006, President Hu Jintao pledged to double China's aid to Africa by 2009 and to establish a \$5-billion fund to encourage Chinese investment in Africa. President Hu also pledged that China will train 15,000 African professionals, build schools, hospitals and antimalaria clinics, send Chinese agriculture experts and youth volunteers to Africa—as part of a new global Chinese Peace Corps—and build a new conference center for the African Union. Hu further pledged to double the number of scholarships given to African students to 4,000 by 2009.

Elsewhere, President Hu Jintao promised during his November 2004 visit to Latin America that China would invest \$100 billion in the region over the following decade. Follow-up has proved rather spotty, however, leading to suspicions that some of China's high-profile pledges may prove more politically sensational than economically feasible. The credibility of China's announced aims was given a boost, however, when Beijing announced in March 2007 the formation of a new government agency that will be responsible for investing overseas an undetermined portion of China's \$1 trillion in foreign currency reserves. The investment fund promises over time to be one of the largest of its kind in the world, and it will likely focus on the energy and natural resource sectors in the developing world that China has made its developmental priority.

To demonstrate its commitment to responsible leadership under the UN system, China has increased its involvement in international relief efforts. China provided hundreds of millions of dollars in relief aid to nations victimized by the December 2004 tsunami and hosted a “disaster reduction” course in Beijing in 2005. China has dispatched nearly 6,000 military personnel to 16 UN peacekeeping missions since 1990.<sup>22</sup> With about 1,500 personnel currently serving in nine UN peacekeeping missions around the world, China is the world's 13th largest provider of UN peacekeeping troops and the leading provider of peacekeeping troops among the five permanent members of the UN Security Council.<sup>23</sup>

Finally, despite critical problems at home, China's senior leaders have traveled extensively throughout the developing world in recent years. China's foreign minister has established a policy of visiting Africa as his first official overseas visit every year. Senior leaders regularly attend meetings in Southeast and Central Asia to address transnational issues of concern to the region, demonstrating good faith commitment that has impressed regional officials and observers.

China's president and premier have made annual trips to Latin America and traveled to Africa eight times since 1999—as compared to two African trips by

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<sup>22</sup> China's National Defense in 2006.

<sup>23</sup> Ibid. A Washington Post article in late 2006 provided a different figure for Chinese participation in UN peacekeeping missions: 1,648 personnel serving in 10 missions. Colum Lynch, “China Filling Void Left by West in U.N. Peacekeeping,” *Washington Post*, November 24, 2006. In November 2006, China offered to send an additional 1,000 peacekeeping troops to Lebanon.

U.S. presidents since 1998.<sup>24</sup> In November 2006, China hosted a major conference featuring African leaders from 48 countries to discuss issues of interest to the continent, including economic assistance plans. The respect reflected in such consistent high-level attention has impressed developing world nations and stands in contrast to the perception of episodic and heavy-handed U.S. attention to their affairs.

## How Effective is China's Soft Power in the Developing World?

“Soft power,” as defined by Joseph Nye, is the “ability to get what one wants through attraction rather than coercion or payments. It arises from the attractiveness of a country’s culture, political ideals, and policies.”<sup>25</sup> Nye adds that soft power is more than “image, public relations and ephemeral popularity” but involves a very real power to achieve objectives.<sup>26</sup>

China has been an expert at public relations to promote its international image, particularly in the developing world. Its outreach has expanded rapidly and become more coordinated in recent years, reflecting an ambition to be a global player with global presence and influence over time. Indeed, in 2000 China initiated a “go abroad” policy that encouraged Chinese corporations to look outside China’s borders for opportunities to promote China’s economic development and international reach. At the same time, the Chinese government’s provision of infrastructural and development assistance without conditions or lectures; commitment to noninterference in affairs of other nations; attendance at, and sometimes hosting of, annual meetings with regional organizations from every continent; priority attention to “win-win” solutions and equality among states; and repeated public proclamation of its fealty to the interests of South-South cooperation as the “world’s largest developing nation,” have all appealed to developing world sensibilities.

The pull of Chinese soft power is perhaps stronger the closer one gets to the Chinese border, where nations are finding it difficult to resist the attraction of the region’s rising superpower. A 2003 survey conducted by the United States, for instance, revealed that 70 percent of those polled in Thailand considered China their nation’s “greatest external influence.”<sup>27</sup> China’s culture, particularly its movies, music, art, and fashion, is attracting increasing interest. Many Southeast Asian leaders and businessmen now proudly avow their Chinese heritage and are considered national assets due to their language skills and connections to China, when just a few years ago ethnic Chinese of the region were marginalized and

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<sup>24</sup> Greg Mills and Alberto Trejos, “China in Africa—Can it Be Win-Win?” *BusinessDay*, February 22, 2007.

<sup>25</sup> Joseph S. Nye Jr., *Soft Power: The Means to Success in World Politics* (New York: PublicAffairs, 2004).

<sup>26</sup> *Ibid.*

<sup>27</sup> Joshua Kurlantzick, *Charm Offensive: How China's Soft Power is Transforming the World* (New Haven, Conn.: Yale University Press, 2007).

often oppressed. Increasing numbers of East Asians are studying Mandarin Chinese and traveling to China for their advanced education. In the less-developed nations along the northern edge of Southeast Asia, China's currency, the renminbi, is even becoming acceptable as a universal method of exchange.

Regional diplomats have also asserted that ASEAN nations, individually and as a group, are beginning to consider China's perspectives when developing their policies.<sup>28</sup> While elements of Chinese hard power creep into these calculations too, China seems at the moment to recognize the benefits of Theodore Roosevelt's advice to speak softly and carry a big stick. Overall, China is viewed primarily as an opportunity rather than a threat in the region, although it is important to note that wariness endures.

China's influence is expanding well beyond the region. Xinhua, the government-controlled news service, has branches in 105 countries worldwide, publishes in multiple languages, and is now treated as just another news service in newspapers throughout the developing world. CCTV, the government-controlled television station, is now part of cable packages in East Asia, and its English-language 24-hour news variant is increasingly accessible internationally, including in the United States, to help promote China as the government wants itself portrayed to viewers overseas.

China's Ministry of Education has actively promoted the study of Chinese language overseas through a number of formal and informal arrangements. Most famously, it has launched Confucius Institutes to encourage Chinese language study worldwide; since establishing the first institute in Seoul in 2004, the number has increased to 123 in 49 countries and regions as of early 2007, with 42 institutes throughout the developing world.<sup>29</sup> While it is difficult to assess the accuracy of the Ministry of Education's prediction that 100 million people worldwide will be studying Mandarin by 2010, the study of Chinese is clearly rising rapidly, with the active assistance of the Chinese government.

China has also opened itself up more to outsiders by hosting a multitude of education and training programs, international conferences, and tourist packages to promote a fresh image of modernity and leadership as a responsible member of the international community. Indeed, China has a superior ability to awe the visitor, from the average tourist eager to see the Great Wall or Forbidden City, to the jaded government official feted at the Great Hall of the People. A 2005 BBC public opinion poll reflected the success of China's public relations efforts when it found that popular views of China are positive around the world.<sup>30</sup>

The decline in world opinion of the United States in recent years has contributed to China's attractiveness. Whether sparked by resentment over the slow U.S. response to the 1997–1998 Asian Financial Crisis in Southeast Asia; bitterness over perceived disregard for international institutions and disrespect for the principle of national sovereignty in favor of U.S. geopolitical or moral goals;

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<sup>28</sup> Ibid.

<sup>29</sup> "China to Set Up Three Confucius Institutes in Central, West Asia," Xinhua, January 25, 2007, [http://english1.people.com.cn/200701/25/eng20070125\\_344703.html](http://english1.people.com.cn/200701/25/eng20070125_344703.html).

<sup>30</sup> "China Is Seen More Favorably than US or Russia," BBC Press Office, March 7, 2005, [http://www.bbc.co.uk/pressoffice/pressreleases/stories/2005/03\\_march/07/china\\_poll.shtml](http://www.bbc.co.uk/pressoffice/pressreleases/stories/2005/03_march/07/china_poll.shtml).

anger over U.S. prosecution of the war on terrorism, war in Iraq, and handling of the Israel-Palestinian impasse; or any number of other grievances, developing world nations have felt increasingly alienated from the United States, leaving an opening for China.

Washington's commitment, through the IMF and otherwise, to promoting more transparent democratic governance and austere solutions to deal with economic problems in the developing world over the past decade fed suspicions of the United States when these prescriptions seemed only to cause turmoil and economic hardship even as the U.S. economy thrived. Hence some have suggested that the emergence of a "Beijing Consensus," in which nations follow the Chinese political and economic development model, may supplant the "Washington Consensus" of the 1990s, gradually enhancing Chinese influence at the expense of the United States.<sup>31</sup>

Nonetheless, while these factors hold the potential to increase China's global soft power in the future, they are inexact measures for assuming the rise of Chinese soft power at the moment. It is uncertain, for instance, whether the increase in Chinese language study is a function of China's attractiveness as a political, social, or cultural model or a practical assessment by individuals of the trajectory of economic opportunity. Language study can be a source of soft power over time, particularly the promotion of Chinese language study in China itself. However, even travel to China does not necessarily reflect, or even lead to, increasing attraction to China. Modern China today is fresh and new to the world, and its economic power has contributed to an international honeymoon that may not survive as the complex realities of China—and Chinese power—clash with the image and official rhetoric, for instance, of South-South solidarity, equality among states, and mutual benefit.

In fact, China is coming under increasing criticism from local populations, particularly in Africa, for economic policies and political principles that they view as buttressing brutal dictatorships and that benefit Chinese businesses and imported workers more than local citizens. Appreciation for China's contribution of hospitals, schools, roads, and other infrastructure projects coexists with complaints about poor treatment of local labor, disregard for environmental degradation that often results from Chinese investments, and shoddy construction by Chinese firms.

While many nations are benefiting greatly from China's thirst for natural resources, citizens in Southeast Asia, Africa, and elsewhere complain that competition from low-quality Chinese imports is dooming local industries, and murmur about the prospect of Chinese "neocolonialism" that may reduce them over time to economies based on resource extraction rather than the healthier and more sustainable development of manufacturing and light industry. China's yuan peg to the U.S. dollar has even been cited by some Southeast Asian observers as undermining the competitiveness of developing country exports.<sup>32</sup>

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<sup>31</sup> See Joshua Cooper Ramo, *The Beijing Consensus* (London: Foreign Policy Centre, 2004).

<sup>32</sup> For instance, Thailand's decision to impose restrictive controls on short-term capital flows in mid-December 2006 was prompted in part by the rapid appreciation of the Thai bhat against the

Likewise, while some nations may be watching China's development model closely to determine how they might duplicate Beijing's success, there is no evidence that China has explicitly promoted its model in public or private to developing world nations. China's mantra—normally offered in response to pressure from the West concerning its own political system—has been that states must choose their own path of development based on their unique history, traditions, and culture. And while China's model may be attractive to authoritarian leaders, governments in other developing nations must recognize the unique circumstances of China's development, particularly China's reliance on a massive influx of foreign investment that itself depended on the promise of access to the world's largest single market.

China's soft power according to Nye's definition is therefore nascent and limited. China's political ideals, while perhaps popular among some authoritarian leaderships inspired by China's combination of astounding economic development and strict political control, do not yet capture the global public's imagination. In fact, relations with China among developing nations outside of Asia remain elite driven, with the public at large having little understanding of or contact with China.

Likewise, little evidence exists that Chinese soft power has had a decisive effect on developing nations' policies. So far it seems that developing world nations, like others, are accommodating themselves to China's rise by taking advantage of the rising power's economic and political weight to promote their own interests, to protect themselves against the potential of Chinese wrath (particularly over Taiwan), and to gain leverage against unwelcome pressure from powerful developed nations such as the United States. In other words, developing world nations seem to be calculating their self-interest in ways that are consistent with normal balance-of-power politics.

The future prospects for Chinese soft power will ultimately depend on whether China becomes a stable, secure, prosperous, and just nation. Given China's substantial domestic problems, it is unlikely that many nations will choose to blindly follow its example, unless China demonstrates its staying power as an economic success story and constructive political actor around the globe.

## **Do U.S. and Chinese Interests Clash or Converge in the Developing World?**

U.S. observers, including the media, have focused primarily on the potential for strategic rivalry between the United States and China in the developing world. However, U.S. and Chinese interests overlap substantially. Both countries recognize the dangers of transnational threats emanating from the developing world and know their own security is intimately tied to the stability, security, and overall well-being of the weakest and most unstable of these regions. Both nations

have an interest in empowering developing nations to meet their domestic challenges and in forestalling the emergence of failed or failing states that could become breeding grounds for terrorism, infectious diseases, and international crime.

In practical terms, China's attention to infrastructure development, economic growth, and closing the wealth gap between the developed and developing worlds should not be contrary to U.S. interests, nor should U.S. attention to good governance be fundamentally contrary to China's interests. Indeed, in Southeast Asia, Africa, and elsewhere, both countries have extensive aid programs to assist with these regions' development and overall health. The two donor countries might usefully coordinate their efforts to ensure maximum efficiency and effectiveness for aid recipients.

Even in the seemingly competitive arena of energy, both China and the United States have a profound interest in maintaining a free flow of oil and natural gas to ensure the health of their increasingly intertwined economies—as well as a mutual interest in developing alternative fuels, cleaner fuels, and more efficient use of existing fuels for sustainable growth and national security. Greater dialogue and coordination of energy policy, including its environmental impact, would serve both sides and help mitigate the instinctive yet counterproductive rivalry that seems to be taking hold in this arena.

At the same time, it is clear that Chinese and U.S. interests in the developing world diverge in important areas. Most prominently, China's noninterference policy has clashed with the attempts of the United States and others to promote good governance and sustainable economic reform and growth in developing nations with poor records in this regard.<sup>33</sup> China's desire to acquire critical natural resources, gain access to new markets, and highlight its fealty to traditional principles near and dear to the hearts of developing world elites has led to aid policies that Western governments and institutions, including the World Bank and International Monetary Fund, worry will offer irresponsible regimes an alternative source of financial support and undercut Western efforts to induce these nations to undertake necessary domestic reforms.<sup>34</sup> Indeed, it is unclear whether China's unconditional aid policy is part of its overall vision of a "new international economic order."<sup>35</sup>

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<sup>33</sup> In fact, the United States (and others) may have a fundamental difference with China in defining noninterference in a nation's internal affairs. The West might note, for instance, that China's international actions may help sustain unrepresentative leaderships to repress their population and avoid democratic accountability. In Burma, for instance, military sales to the ruling junta have allowed the regime to ignore the results of a democratic election and thus the expressed will of the nation's people, which can be viewed as a form of interference.

<sup>34</sup> For example, China extended \$600 million in unconditional loans to Cambodia soon after a Western consortium offered a contingency-laden package of \$601 million, allowing Hun Sen's regime to reject Western encouragement to move toward political reform and economic openness.

<sup>35</sup> China has referred to promotion of a "new international economic order" but has not yet defined explicitly the terms of this new order. See Ministry of Foreign Affairs of China, "Zhongguo Youguan Guoji Zhixu de Zhuzhang" (Chinese Proposal on International Order), 2006, <http://www.fmprc.gov.cn/chn/wjdt/wjzc/t24778.htm>.

China's political and economic relations with pariah regimes, such as Sudan, Zimbabwe, and Burma, highlight this fundamental divergence in Chinese and U.S. perspectives. China has watered down—and in the case of Burma, vetoed—UN Security Council resolutions intended to impose sanctions and other leverage on these countries that attempt to induce change in leadership behavior (see box). Beijing has traditionally disliked sanctions as a method of pressure, repeatedly affirming its preference for diplomacy as the best way to resolve disputes while asserting that sanctions inhibit rather than facilitate dialogue. This aversion to overt pressure on violators of international norms has put China at odds with the way the United States, and others in the West, have traditionally sought to create leverage for change or express international condemnation.

More fundamentally, China's promotion of noninterference is clearly meant as a direct counterpoint to U.S. attention to human rights and democracy promotion in the developing world. China often notes that its definition of human rights, which highlights economic and social development, is different from that of the United States, which highlights political and civil rights. The PRC government since Deng Xiao-ping has contended that freedom from want is the most basic of human rights and should serve as the foundation for other rights. China also disputes the notion that a nation must have democracy to exercise good governance, contending that a government's ability to meet its people's economic needs is the best standard for assessing its performance.

Regardless of whether the United States and China compete or cooperate, however, the developing world may ultimately benefit. China's emergence as a political and economic player in Africa, Latin America, Southeast Asia, and elsewhere has already prompted the United States to consider closely China's impact on U.S. global interests and on the interests of the regions themselves—resulting in greater U.S. focus on these regions and, where appropriate, partnership with China. Meanwhile, China's outreach has offered many nations a strategic opportunity to distance themselves from, if not defy the United States, and develop a more independent foreign policy. At the least, nations in the developing world may play the two powers off one another to gain maximum advantage for themselves.

In the end, fundamental disagreements between the United States and China on issues such as noninterference, good governance, and other principles, will neither lead to overt conflict nor dissipate substantially in coming years. Nonetheless, it is unlikely that China will seek to directly challenge the United States around the world in an aggressive or high-profile manner, at least in the near term. Beijing remains committed to keeping relations with the world's only superpower on a positive and cooperative track so Chinese leaders may attend to their priority interest of tending to China's substantial domestic challenges. At the same time, China will continue to wrestle with how to balance its self-identity as the "world's largest developing country" with the reality of its status as a rising major power with increasing global influence and upon which expectations will grow to take on greater responsibility for the security and stability of the international system.

### China's Relations with Pariah States

China has received much public criticism over its relations with pariah states such as Zimbabwe, Burma, and Sudan. China has remained one of Zimbabwe president Robert Mugabe's staunchest supporters. China has upgraded Zimbabwe's transport infrastructure, provided roofing material for Mugabe's U.S.\$9 million palace, and sold the regime military trainer jets, MA60 passenger planes, and radio-jamming equipment that has been used to block transmissions by opposition parties.

Likewise in Burma, China has been the military junta's leading source of support, providing massive amounts of aid through grants and investment in government-run resource extraction industries, and more than \$1 billion in military hardware over the past two decades, which has been used less to protect against external threats than against the Burmese people themselves. In return, China has not only received critical natural resources for its development, but also access to the eastern Indian Ocean for its military, including ports for docking its ships and islands that offer listening posts to monitor activity along these critical sea lanes.

Sudan provides perhaps a unique example of how China is struggling to deal with the impact of its noninterference policy on its international reputation. Despite the horrific civil conflict and human rights violations in Darfur, China has provided Sudan's brutal government with tanks, combat aircraft, and small arms, and investment funds for Sudan's national oil industry. During a trip to the country in January 2007, Hu Jintao announced that China would forgive \$70 million in Sudanese debt and enter into a series of bilateral economic deals, including an interest-free loan of \$12.9 million for a new presidential palace. China's reliance on Sudan's light and low-sulfur crude makes it unlikely that Beijing will reduce its energy dependence on, and thus overall political support for, Sudan in the future.

However, Hu also reportedly urged Sudan's leadership during his January trip to curb its excesses and accept a UN-African Union peacekeeping mission, an apparent break with China's noninterference policy. Then, in early March 2007, China for unspecified reasons took Sudan (as well as Iran and Nigeria) off its list of favored investment destinations. Some have been tempted to conclude that Beijing has now turned a corner in its strict adherence to its noninterference policy; however, it is too soon to determine whether China's recent actions are indeed a harbinger of change, a short-term demonstration of its concern about damage to its international reputation, or an anomaly that reflects the extraordinary nature of the Sudanese genocide.

Nonetheless, it is evident that China is beginning to recognize the growing importance of monitoring the way its government and people interact with the world through the "go abroad" policy. China convened an extraordinary meeting in August 2006 of senior officials from within China and from embassies around the world to discuss how to ensure that its foreign policy and commercial outreach do not interfere with its national goals, including safeguarding China's international reputation as a constructive player in the international system. While the outcome of the meeting was inconclusive, it set the stage for establishment of working groups to continue examining the subject in anticipation of the 17th Party Congress in late 2007, and beyond.

*Source:* For a comprehensive discussion of the August 2006 "Central Work Conference on Foreign Affairs" meeting, see Bonnie S. Glaser, "Ensuring the 'Go Abroad' Policy Serves China's Domestic Priorities," *China Brief* (Jamestown Foundation), vol. VII, issue 5, March 8, 2007.

## Appendix

Table 1. China's Bilateral Partnerships

Partner	Date	Name
Brazil	November 1993	Strategic Partnership
Russia	1994 March 1996	Constructive Partnership towards the 21st Century Partnership of Strategic Coordination Towards the 21st Century
India	1996 April 2005	Constructive Partnership of Cooperation Oriented Towards the 21st Century Strategic and Cooperative Partnership for Peace and Prosperity
Pakistan	December 1996 April 2005	All-round Cooperative Partnership Oriented towards the 21st Century Closer Strategic Partnership for Cooperation
Nepal	December 1996	Good-neighborly and Friendly Partnership Oriented toward the 21st Century
France	May 1997 January 2004	Long-term Comprehensive Cooperative Partnership Comprehensive Strategic Partnership
Canada	November 1997 September 2005	Cross-century Comprehensive Cooperative Partnership Strategic Partnership
ASEAN	December 1997 October 2003	Good-neighborly Partnership of Mutual Trust Strategic Partnership for Peace and Prosperity
Mexico	1997 December 2003	Cross-century Comprehensive Cooperative Partnership Strategic Partnership
United Kingdom	October 1998 May 2004	Comprehensive Partnership Comprehensive Strategic Partnership
Republic of Korea	November 1998 July 2003	Cooperative Partnership towards the 21st Century Comprehensive Cooperative Partnership
Japan	November 1998	Friendly and Cooperative Partnership for Peace and Development
Egypt	April 1999	Strategic Cooperative Relationship
Tajikistan	July 2000	Good Neighborly and Friendly Cooperative Relationship towards the 21st Century
European Union	May 2001 October 2003	Comprehensive Partnership All-round Strategic Partnership
Bolivia	April 2001	Strategic Partnership of Common Development
Mongolia	June 2003	Good Neighborly Partnership of Mutual Trust
Algeria	February 2004	Strategic Cooperative Relationship
Italy	May 2004	Comprehensive Strategic Partnership
Germany	May 2004	Partnership with Global Responsibilities
Hungary	June 2004	Friendly and Cooperative Partnership
Romania	June 2004	Comprehensive Friendly and Cooperative Partnership
Poland	June 2004	Friendly and Cooperative Partnership

Table 1. China's Bilateral Partnerships (*continued*)

Partner	Date	Name
South Africa	June 2004	Strategic Partnership of Equality, Mutual Benefit, and Common Development
Uzbekistan	June 2004	Friendly and Cooperative Partnership
Argentina	November 2004	Strategic Partnership
Chile	November 2004	Comprehensive Cooperative Partnership
Peru	January 2005	Comprehensive Cooperative Partnership
Jamaica	February 2005	Friendly Partnership of Common Development
Bangladesh	April 2005	All-Round Cooperative Partnership of Long-term Friendship, Equality, and Mutual Benefit
Sri Lanka	April 2005	All-Round Cooperative Partnership of Sincere Mutual Assistance and Friendship
Indonesia	April 2005	Strategic Partnership
Croatia	May 2005	Comprehensive Cooperative Partnership
Ukraine	May 2005	Friendly and Cooperative Partnership
Philippines	April 2005	Strategic Partnership of Peace and Development
Kazakhstan	July 2005	Strategic Partnership
Spain	November 2005	Comprehensive Strategic Partnership
Portugal	December 2005	Comprehensive Strategic Partnership
Greece	January 2006	Comprehensive Strategic Partnership
Nigeria	January 2006	Strategic Partnership
Australia	April 2006	Comprehensive Cooperative Relationship of Mutual Trust towards the 21st Century
Cambodia	April 2006	Comprehensive Cooperative Partnership
Fiji	April 2006	Important Partnership

Source: Ministry of Foreign Affairs of the PRC, <http://www.fmprc.gov.cn/chn/gjhdq/default.htm>.

Note: China and Saudi Arabia have reached consensus on establishing a "friendly and cooperative strategic partnership."

**Table 2. Chinese Participation in International Organizations (selected)\***

Organization	Status
International Atomic Energy Agency	Member
International Monetary Fund	Member
Organization for Economic Cooperation and Development (OECD)	Observer
United Nations	Member
World Bank	Member
World Health Organization	Member
World Trade Organization	Member
<b>Asia-Pacific</b>	
Organization	Status
Asia Pacific Economic Cooperation (APEC)	Member
Asian Development Bank (ADB)	Member
Bo'ao Forum For Asia (BFA)	Member
East Asia Summit	Member
Pacific Islands Forum	Dialogue partner
Shangri-La Dialogue	Member
<b>Southeast Asia</b>	
Organization	Status
ASEAN+3 (+3 = China, Japan and South Korea)	Dialogue partner
ASEAN Regional Forum (ARF)	Member
Greater Mekong Sub-region (GMS)	Member
Shangri La Dialogue	Member
<b>South Asia</b>	
Organization	Status
South Asian Association for Regional Cooperation (SAARC)	Observer

Table 2. China's Bilateral Partnerships (*continued*)

<b>Central Asia</b>	
Organization	Status
Conference on Interaction and Confidence Building Measures in Asia (CICA)	Member
Central Asia Regional Economic Cooperation Program (CAREC)	Member
Shanghai Cooperation Organization (SCO)	Member
<b>Africa</b>	
Organization	Status
Asia-Africa Forum	Member
China-Africa Business Council	Member
China-Africa Cooperation Forum (CACF)	Member
<b>Middle East</b>	
Organization	Status
China-Arab Cooperation Forum	Member
Cooperation Council for the Arab States of the Gulf (GCC)	Dialogue partner
<b>Latin America</b>	
Organization	Status
Forum for East Asia-Latin America Cooperation	Member
Organization of American States (OAS)	Observer
Organization for the Prohibition of Nuclear Weapons in Latin America and the Caribbean	Observer
Latin American Integration Association	Observer
<b>Europe</b>	
Organization	Status
Asia-Europe Meeting	Member
China-E.U. Summit	Member

Sources: Ministry of Foreign Affairs of the PRC, <http://www.fmprc.gov.cn/chn/gjhdq/default.htm>; Nuclear Threat Initiative, <http://www.nti.org/db/china/iaeaorg.htm>; OECD Observer, [http://www.oecdobserver.org/news/fullstory.php/aid/1769/China\\_at\\_the\\_OECD.html](http://www.oecdobserver.org/news/fullstory.php/aid/1769/China_at_the_OECD.html).

\* China is a member or observer of more than 130 (intergovernmental) international organizations and has signed 267 multilateral treaties.

Table 3. China's Trade by Region, 2006

Region	Import & Export Value (U.S.\$ billion)	Share (%)	Surplus/Deficit (U.S.\$ billion)
Total Value	1760.7	100	177.5
Asia	981.3	55.7	-69.7
Africa	55.5	3.2	-2.1
Latin America	70.2	4.0	1.8
Oceania	37.3	2.1	-5.3
Others	0.04	0	-0.04
Europe	330.2	18.8	100.5
North America	286.1	16.3	152.2
ASEAN	160.8	9.1	-18.2
European Union	272.3	15.5	91.7
Asia-Pacific Economic Cooperation	1227.3	69.7	62.0

Source: Ministry of Commerce of the PRC, "Total Import & Export Value by Country (Region) (2006/01-12)," <http://english.mofcom.gov.cn/aarticle/statistic/ie/200702/20070204358118.html>.

Table 4. China's Top 10 Trading Partners, 2006

Rank	Country (Region)	Trade (U.S.\$ billion)	Share (%)
	<b>Total Value</b>	<b>1,760.69</b>	<b>100</b>
1	European Union	272.3	15.5
2	United States	262.68	14.9
3	Japan	207.36	11.8
4	Hong Kong	166.17	9.4
5	ASEAN	160.84	9.1
6	Republic of Korea	134.31	7.6
7	Taiwan	107.84	6.1
8	Russia	33.39	1.9
9	Australia	32.95	1.9
10	India	24.86	1.4

Source: Chinese Ministry of Commerce, "Top Ten Trading Partners (2006/01-12)," <http://english.mofcom.gov.cn/aarticle/statistic/ie/200702/20070204363763.html>.

Table 5. China's Outbound Investments, 2005

Region	Investment (U.S.\$billions)	Percentage (%)	Main Destinations
Asia	2.4	60	Hong Kong, South Korea, Thailand, Cambodia, Japan
Latin America	0.659	16	Cayman, British Virgin Islands, Venezuela
Africa	0.28	6.9	Sudan, Algeria, Nigeria, South Africa
North America	0.27	6.7	United States, Canada
Europe	0.257	6.3	Russia, Germany, Britain, Kazakhstan
Australasia	0.148	3.6	Australia, New Zealand

*Source:* "China Makes More Overseas Investment in 2005, Mainly in Asia," People's Daily Online, February 10, 2006, [http://english.people.com.cn/200602/10/eng20060210\\_241644.html](http://english.people.com.cn/200602/10/eng20060210_241644.html).