

**CHINA'S FOREIGN POLICY IN 2011:
COPING WITH SHIFTING GEOPOLITICS
AND MAINTAINING STABLE
EXTERNAL RELATIONS**

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Executive Summary

1. China's greatest foreign policy challenge in 2011 is a United States that has made a geopolitical and economic shift to the Asia-Pacific. This shift has affected the dynamics of big power relations in the region. Some in China see this as an American attempt to counter China's rise.
2. The US is now a member of the East Asia Summit and is pushing for a Trans Pacific Partnership (TPP) Agreement. It has enhanced its military alliance with Australia. It has also stepped up military exchanges with the Philippines and Vietnam, which have disputes with China in the South China Sea (SCS).
3. To be sure, China started off the year determined to have stable ties with the US. President Hu Jintao embarked on his first state visit to the US in January 2011 when he stressed the importance of sound relations.
4. China was relatively restrained on issues that it would normally not take kindly to. Its response to the US announcement of an arms package of US\$5.85 billion to Taiwan in September 2011 was much less vociferous than a year ago when China threatened economic sanctions.
5. China's relations with the European Union and individual European countries were generally positive due to China's growing importance to them. China is seen as a key player to help address the debt crisis in Europe.
6. China-Japan relations improved after they nosedived last year. The earthquake that struck Japan in March 2011 fortuitously provided the opening for China to extend aid to Japan in its hour of need.
7. In contrast, China-India relations dipped. India got involved in the SCS disputes when Indian and Vietnamese firms reached a deal to exploit oil and gas in two offshore blocks in Vietnam's Exclusive Economic Zone.

8. China-ASEAN relations were dampened somewhat by the continuing row between China and ASEAN claimant states particularly the Philippines and Vietnam over their SCS disputes. Nevertheless, China made a concerted effort to try to put the SCS issue in context.
9. To ASEAN and individual ASEAN countries, China further stressed the practical benefits of a close working relationship. This theme was most evident during Premier Wen Jiabao's participation at the Bali meetings and Chinese Vice President Xi Jinping's year-end visit to Vietnam and Thailand. Implicitly, China is telling those ASEAN countries with which it has disputes in the SCS not to go overboard in bringing in third parties that could derail the benefits of cooperation.
10. Cross-strait ties made further progress in economics, cultural and people-to-people exchanges. To boost Taiwan President Ma Ying-jeou's election prospects in 2012, both sides stressed that these exchanges have benefited the ordinary masses in Taiwan.
11. As China gears up for its leadership succession in 2012, it will place greater emphasis on maintaining stable relations with other major powers and its neighbors. It will try not to overreact to anti-China sentiments or calls for retaliatory measures against China as the US presidential and congressional race heats up.
12. China is also likely to closely monitor the prospects of a TPP Agreement which has the potential of raising the development bar for China. It will further try to reduce tensions in the SCS to prevent third parties from getting more involved in the area. It will also try to ensure a stable North Korea.