

# Who decides China's foreign policy?

The role of central government, provincial-level authorities and state-owned enterprises

## Summary

- The formation of China's foreign policy is often the result of skirmishes between influential central government institutions, provincial-level governments and major state-owned enterprises (SOEs), each working for their own greater authority and budgetary power.
- Beijing's increasingly complex diplomatic challenges require specific expertise in foreign policy planning and implementation. Specialist central government bodies with domestic remit now play a decisive role in determining the country's wide-ranging foreign policy agenda.
- Provincial-level governments and SOEs wield sufficient power to determine key elements of Beijing's foreign policy agenda, ranging from border disputes to investment in the Belt and Road Initiative.
- The actions of these different subnational actors have global consequences. For example, China's five largest power utility companies continue to resist climate policies, and their reluctance to cooperate has slowed the delivery of Beijing's domestic climate agenda.

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## Introduction

There is a common global perception that the leadership of the Communist Party of China (CPC) dictates the country's foreign policy agenda. In reality, political decision-making within China is driven by a range of interests and shaped by different stakeholders. While President Xi Jinping has centralized power in the CPC, certain actors still have varying degrees of autonomy and capacity to intervene in the foreign policymaking process.

This briefing paper argues against the misconceived idea of a top-down foreign policy approach in China. This misconception is less prevalent among China specialists, but it still persists at all levels of foreign policy debate around the world.

This paper focuses on the individual actors involved in China's foreign policy formulation and implementation process.<sup>1</sup> These actors span the country's economic, security and soft-power domains. While recognizing the core role of the CPC in critical decisions related to foreign affairs, this paper argues that such decisions are, in fact, often the result of seeking the broadest consensus among a myriad of actors. In making this argument, the paper offers a concise overview of Chinese foreign policy decision-making across economic, cultural and security spheres.

China is at the centre of numerous global foreign policy debates. Yet policymakers around the world still struggle to understand the country at a deeper level, beyond the sensationalist headlines. As a result, China is often treated as a single, unified entity. This assessment is flawed as it overlooks the bargaining that takes place between various actors during policy planning and implementation.

Studies on China's decision-making have recently gained traction within academia and think-tanks, both in China and globally. Scholars such as Shaun Breslin, Linda Jakobson, David Lampton and Zhang Qingmin have analysed complex aspects of Beijing's decision-making process.

However, the existing literature on China's pluralistic decision-making in foreign affairs is limited compared with the large number of publications that consider China as a monolithic entity.<sup>2</sup> There are two main reasons for this. Firstly, decision-making within Beijing's political establishment is fluid in nature, opaque in implementation, and flexible in terms of determining policy success. Published policy documents are usually heavy with jargon, which makes it difficult, especially for non-Chinese speakers, to investigate the policymaking process.

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<sup>1</sup> Due to limited space, this paper does not deal with the Chinese government's interactions with the People's Liberation Army.

<sup>2</sup> Jakobson, L. and Knox, D. (2010), *New Foreign Policy Actors in China*, SIPRI Policy Paper No. 26, Stockholm: Stockholm International Peace Research Institute, <https://www.sipri.org/publications/2010/sipri-policy-papers/new-foreign-policy-actors-china>; Lieberthal, K. and Lampton, D. (eds) (1992), *Bureaucracy, Politics, and Decision-Making in Post-Mao China*, Berkeley: University of California, Chapter 1, pp. 1–30; Lu, N. (1997), *The dynamics of foreign policy in China*, Boulder: Westview Press, pp. 121–24.

Secondly, in line with the increased breadth and depth of Beijing's foreign policy agenda, Chinese policymakers have extended their thinking beyond a geopolitical understanding of foreign affairs. Consequently, several central government institutions that specialize in domestic economic and industrial policies now actively participate in foreign policy agenda-setting. This has led to the 'professionalization' of Beijing's diplomatic civil service, with the recruitment of specialists to carry out planning and implementation.<sup>3</sup> This shift can be confusing to outsiders, in both the public and private sectors.

In Western foreign affairs communities, references to 'China' are largely confined to Beijing or the central governmental apparatus. However, China spans numerous provincial-level administrations, each with its own unique geographical and economic outlook. Since 1978, a process of limited economic liberalization has taken place that allows provincial governments some autonomy over their own economic policies.

As a result, many provinces utilize their limited autonomy to directly engage with foreign governments and major multinational corporations. To some extent, these provinces are also adopting a bottom-up approach to shape the central government's foreign policy agenda.

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Other key stakeholders in Beijing's foreign policy formulation and implementation are the centrally controlled state-owned enterprises (SOEs), whose involvement in foreign policy ranges from Belt and Road Initiative (BRI) investments to provocative activities in the South China Sea. The conventional wisdom is that Chinese SOEs act on behalf of the state; however, their commercial interests do not always converge with the state's agenda.

This paper adopts Graham Allison's bureaucratic politics model to analyse the evolving relationships between different players in China's foreign policy agenda-setting.<sup>4</sup> This analytical model has been widely applied to liberal democracies, but it can also be applied to a one-party state like China, where multiple stakeholders shape outcomes across different policy spheres.<sup>5</sup> In addition, the paper draws on three mechanisms of influence identified by Audrey Wong –

<sup>3</sup> Zhang, Q. M. (2021), 'Diplomacy with Chinese Characteristics', *The Hague Journal of Diplomacy*, 16(2-3), March 2021: pp. 358–69, <https://brill.com/view/journals/hjd/16/2-3/hjd.16.issue-2-3.xml>.

<sup>4</sup> Allison, G. T. (1969), 'Conceptual models and the Cuban Missile Crisis', *American Political Science Review*, 63(3): pp. 689–718.

<sup>5</sup> Wang, J. (2011), 'China's Search for Grand Strategy', *Foreign Affairs*, March/April 2011, <https://www.foreignaffairs.com/articles/china/2011-02-20/chinas-search-grand-strategy>.

'carpetbagging', 'resisting' and 'trailblazing' – to demonstrate the extent to which provincial-level authorities are able to influence the formulation and implementation of foreign policy.<sup>6</sup>

## The CPC and central government institutions

The CPC is omnipresent in decision-making across China's political apparatus. The State Council and the seven-member Standing Committee of the CPC Politburo<sup>7</sup> provide the strategic overview and long-term policy goals of Beijing's external affairs. However, individual policy measures largely fall under the remit of various central government institutions, SOEs and provincial-level governments.

China's approach to foreign policy became increasingly pluralistic after Deng Xiaoping re-emerged as the country's paramount leader in 1978. Deng's administration introduced landmark economic reforms that led to decentralization across all types of policymaking, at the national and provincial levels.<sup>8</sup> Consequently, no single central government institution has total ownership of decision-making in foreign affairs. In striving for greater political influence, these stakeholders use their expertise and resources to gain access to the Politburo.

Seeking consensus remains one of the key features of decision-making across the senior leadership of the CPC as well as among government institutions.<sup>9</sup> Although 'consensus' is often an illusion, the negotiation process provides opportunities for existing and new actors – namely vested interest groups – to influence the opinions of the most senior leaders within the Party. Vested interest groups have long played a crucial role in decision-making within Beijing's political apparatus. They provide relevant inputs and more specialized perspectives in all policy domains ranging from land reform to US–China relations. These groups consist of central government institutions, SOEs and provincial-level governments. Many of them have sophisticated advocacy capacities to shape policy agendas.

While the guiding principle of governance might be very different in a democratic regime, vested interest groups are a ubiquitous feature of governments, irrespective of the political system.<sup>10</sup> China is no exception.

There are many institutions and stakeholders involved in the formation and implementation of Beijing's foreign policy. Influential players engage in fierce competition and advocate their preferred policies and departmental

<sup>6</sup> Wong, A. (2018), 'More than Peripheral: How Provinces Influence China's Foreign Policy', *China Quarterly*, 235: pp. 735–57, doi:10.1017/S0305741018000930.

<sup>7</sup> The Standing Committee of the wider 25-member CPC Politburo is the highest decision-making body of the Party.

<sup>8</sup> Zhang, Q. M. (2014), 'Towards an Integrated Theory of Chinese Foreign Policy: bringing leadership personality back in', *Journal of Contemporary China*, 23(89): pp. 902–22, <https://www.tandfonline.com/doi/abs/10.1080/10670564.2014.882566>; Su, C. H. (2010), 'Understanding Chinese Diplomatic Transformation: A Multi-Actors' Perspective', *The Hague Journal of Diplomacy*, 5(4), July 2010, [https://brill.com/view/journals/hjd/5/4/article-p313\\_2.xml](https://brill.com/view/journals/hjd/5/4/article-p313_2.xml); Lampton, D. M. (2015), 'Xi Jinping and the National Security Commission: Policy Coordination and Political Power', *Journal of Contemporary China*, 24(95), March 2015, <https://www.tandfonline.com/doi/pdf/10.1080/10670564.2015.1013366>.

<sup>9</sup> Su (2010), 'Understanding Chinese Diplomatic Transformation'.

<sup>10</sup> Allison (1969), 'Conceptual models and the Cuban Missile Crisis'.

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or commercial interests. This approach has much in common with practices in many Western liberal democracies. Rather than reflecting a well-calculated and immaculately executed masterplan, policy outcomes in Beijing are often a direct result of bargaining among central bureaucracies and provincial-level governments.

The BRI, President Xi's flagship initiative, is a notable example of how vague and broad policy guidance can lead to a 'land rush' among vested interests in the Chinese political system. The long-term project is an incredibly ambitious, multi-billion-dollar venture, which comprises physical and digital infrastructure-building across 120 countries.

President Xi's focus and backing of the BRI has generated two pivotal, as yet unanswered, questions for the Chinese government: Which ministry or government agency has overall responsibility for making final decisions on BRI investments? What key factors determine that a particular project is part of the initiative?

A document published by the State Council notes that the National Development and Reform Commission (NDRC) leads the overall coordination efforts to deliver the BRI, and that executive responsibility is jointly shared by the Ministry of Commerce (MOFCOM), the Ministry of Finance and the Ministry of Foreign Affairs.<sup>11</sup> Following a long-standing Party tradition, a consulting body known as a 'small leading group' was established to form consensus among different actors and to implement BRI policies. Comprised of senior policymakers, this group tackles difficult and outstanding issues when disagreements arise and final judgments are required. The group meets quarterly in the above-mentioned ministries, which share decision-making power and responsibility.

Beyond these four ministries and the small leading group, 15 other institutions and agencies in Beijing's political apparatus contribute to final decisions on projects deemed part of the BRI. However, consensus is difficult to achieve. For example, it is almost impossible to expect the Ministry of Finance and the Ministry of Transport to view the selection criteria of high-speed rail projects through the same lens. The Ministry of Finance seeks a sound return on investments and has an aversion to recipient countries defaulting on loans and credit, whereas the Ministry of Transport prioritizes the speed at which the infrastructure projects can be completed.<sup>12</sup>

Beijing's efforts to encourage prospective overseas financial and political investments as part of the BRI are hampered by its long-standing bureaucratic opacity. Foreign governments and individual investors still question who ultimately underwrites this initiative.

<sup>11</sup> China.org.cn (2015), 'Full Text: Vision and actions on jointly building Belt and Road (1)', [http://www.china.org.cn/china/Off\\_the\\_Wire/2015-03/28/content\\_35182638.htm](http://www.china.org.cn/china/Off_the_Wire/2015-03/28/content_35182638.htm).

<sup>12</sup> Yu, J. (2017), *One Belt, One Road: A Reality Check*, London School of Economics IDEAS Strategy Update, <https://www.lse.ac.uk/ideas/Assets/Documents/updates/LSE-IDEAS-One-Belt-One-Road-A-Reality-Check.pdf>.

Multiple ministries shape the policy agenda due to the Party leadership's limited capacity: it has neither the time nor expertise to make swift judgments on a range of foreign affairs issues. The Party leadership and the CPC Central Foreign Affairs Commission, headed by veteran diplomat Yang Jiechi, meet periodically and almost never resolve every single agenda item.<sup>13</sup>

Standing Committee members often seek advice from agencies and ministries before setting the actual foreign policy agenda. In this way, relevant government institutions are presented with greater opportunities and more channels to shape China's foreign affairs priorities.

The institutionalization and professionalization of foreign policy formation does not undermine the ultimate decision-making power at the very top of Beijing's leadership. The Standing Committee still decides on the matters of vital importance. More crucially, its seven members deliberate on critical decisions relating to national sovereignty, territorial integrity and the potential dispatch of the People's Liberation Army.

Yet the wider 25-member Politburo only decides on matters within the remit of 'high politics' – such as national sovereignty and military activity. The policy agenda in 'low politics' areas – such as climate change, international aid and trade negotiations – is ranked by the Politburo according to each area's perceived importance at the time. The higher an issue ranks, the less time it will take for Politburo members to determine related policy. Crucially, the perceived importance of each issue will change constantly and align with the leadership's policy priorities at home.

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For example, during the Trump administration, Chinese Vice-premier Liu He oversaw the US–China phase one trade negotiation. As trade and tariffs have become less of a priority to both China and the US under the Biden administration, the negotiation is once again the responsibility of the vice-minister of commerce.

Another notable example is the establishment of China International Development Cooperation Agency (CIDCA) in 2018. Since 2001, China has become a major financial provider of international assistance, offering distinctly different terms and conditions compared to those of advanced economies and the Washington consensus-led multilateral financial institutions.<sup>14</sup> The creation of CIDCA, which

<sup>13</sup> Ministry of Foreign Affairs (2021), 'Yang Jiechi Puts Forth China's Stands at the Start of China-U.S. High-level Strategic Dialogue', 19 March 2021, [https://www.fmprc.gov.cn/mfa\\_eng/zxxx\\_662805/t1862643.shtml](https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1862643.shtml)

<sup>14</sup> Yu, J. (2018), 'China's Xi will be judged on the results of planned reforms', *Financial Times*, 15 March 2018, <https://www.ft.com/content/f4e42222-2893-11e8-b27e-cc62a39d57a0>.

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aims to improve policy coordination on development assistance among various ministries, reflects the increasing attention devoted to development assistance on China's foreign policy agenda.

Bureaucratic disputes frequently erupt over development assistance between MOFCOM, as the executor of development projects, and the Ministry of Foreign Affairs, the chief implementer of Beijing's foreign policy. Each institution adopts its own respective viewpoints when proposing new development assistance projects or loans. MOFCOM prefers to combine business promotion on behalf of Chinese SOEs, whereas the Ministry of Foreign Affairs focuses on strengthening bilateral ties or extending China's influence in multilateral organizations. Neither ministry has the power to veto the other's proposals.

Scholars disagree on the power parity and level of influence between these two ministries when it comes to formulating China's development assistance policies.<sup>15</sup> MOFCOM and the Ministry of Foreign Affairs appear to be equally influential in determining policy changes with both country- and sector-specific cases, judging by the recent developments of the BRI and the Forum on China–Africa Cooperation (FOCAC) – two key policy platforms for Beijing's development policy agenda.

Besides setting broad policy priorities, the Politburo can establish new government departments or redraw policy portfolios and budgetary power among existing institutions. Yet bureaucratic shake-ups do not happen frequently and such restructuring mostly aligns with shifts in policy priorities.

For example, Made in China (MIC) 2025, a scientific and industrial policy developed by the Ministry of Science and Technology, has had a significant impact on Beijing's foreign policy agenda. MIC 2025 aims to holistically upgrade manufacturing capability and to make China a self-reliant, global champion in 10 core strategic innovation sectors. The initiative raised eyebrows in both the US and the European Union.<sup>16</sup>

MIC 2025 was initially proposed by the Ministry of Industry and Information Technology and the Chinese Academy of Engineering. It was adopted in Beijing's 13th Five-Year Plan. The initiative was later formally developed jointly by the NDRC and the Ministry of Industry and Information Technology, with some input from the Ministry of Industry and Information Technology as well as other central ministries. Despite initiating the plan, under the directive of the Politburo and the State Council, the Ministry of Information and Industries had to share policy responsibilities and budgetary powers with the NDRC and the Ministry of Science and Technology.

The Party grants both authority and budgetary powers to newly created institutions to implement policies. Certain policy domains have only recently become priorities in China's overall foreign policy agenda. For example, two government agencies share the policy remit of carbon emission reduction and developing renewable

<sup>15</sup> Zhang, D. and Smith, G. (2017), 'China's foreign aid system: structure, agencies, and identities', *Third World Quarterly*, 38(10): pp. 2330–346, <https://www.tandfonline.com/doi/abs/10.1080/01436597.2017.1333419?journalCode=ctwq20>; Varrall, M. (2016), 'Domestic actors and agendas in Chinese aid policy', *The Pacific Review*, 29(1): pp. 21–44, <https://www.tandfonline.com/doi/abs/10.1080/09512748.2015.1066414>.

<sup>16</sup> Kennedy, S. (2015), 'Made in China 2025', Centre for Strategic and International Studies, <https://www.csis.org/analysis/made-china-2025>.

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energy. When ministries share responsibility for certain policies, they engage in a bargaining process that 'involves negotiation over resources among units that effectively have mutual veto power'.<sup>17</sup>

Changes in the portfolio of the NDRC, a domestic policy-focused institution, demonstrate the shifts in China's foreign policy agenda. The State Council's 2018 bureaucratic shake-up reinforced the NDRC's authority.<sup>18</sup> The NDRC is now seen as the most influential institution both in China's central government apparatus and in overall economic policy planning. On climate issues, the NDRC and the Ministry of Environment are often at odds with one other. While the former favours quota distribution on renewable energy usage to meet emission targets, the latter prefers to have a total emissions reduction across all Chinese manufacturing.

The NDRC now provides input into almost every key aspect of China's foreign affairs agenda: the BRI, climate diplomacy and trade and investment treaty negotiations. Yet the Politburo has restructured the NDRC three times over the last 15 years to limit its power, in an attempt to minimize complaints and disputes from other central government institutions.<sup>19</sup>

Since China's admission to the World Trade Organization (WTO) in 2001, much of its foreign policy decision-making has required expertise in financial governance, technology standard-setting and climate change diplomacy – areas in which most Chinese diplomats in the Ministry of Foreign Affairs are traditionally unfamiliar. To fill this knowledge gap, specialized institutions have formed to offer expertise and advice to the top leadership. These institutions shape policy formulation and implementation, working outside the conventional channels of foreign policymaking in Beijing.

The growing influence of the State Oceanic Administration is an example of a government body that has expanded its influence and remit through its expertise and skill base. Originally formed as a research institute to serve China's Antarctica explorations, the agency has risen to prominence, from shaping Beijing's maritime security strategy to addressing domestic energy policy.<sup>20</sup> China's increasingly hostile approach over the South China Sea and the East China Sea has offered the State Oceanic Administration a perfect opportunity to gain influence. It provides the Politburo with unique scientific expertise on maritime security that other institutions with a foreign affairs portfolio do not have, increasing its influence among the top leadership.

<sup>17</sup> Lieberthal and Lampton (1992), *Bureaucracy, Politics, and Decision-Making in Post-Mao China*.

<sup>18</sup> NDRC (undated), 'Main Functions of the NDRC', <https://en.ndrc.gov.cn/aboutndrc/mainfunctions>.

<sup>19</sup> State Council (2018), *Notice of the State Council on the Set up of Institutions, 13 March 2018*, [关于国务院机构改革的说明, 全国人大第十三届代表大会, 2018年3月13日], [http://www.gov.cn/guowuyuan/2018-03/14/content\\_5273856.htm](http://www.gov.cn/guowuyuan/2018-03/14/content_5273856.htm).

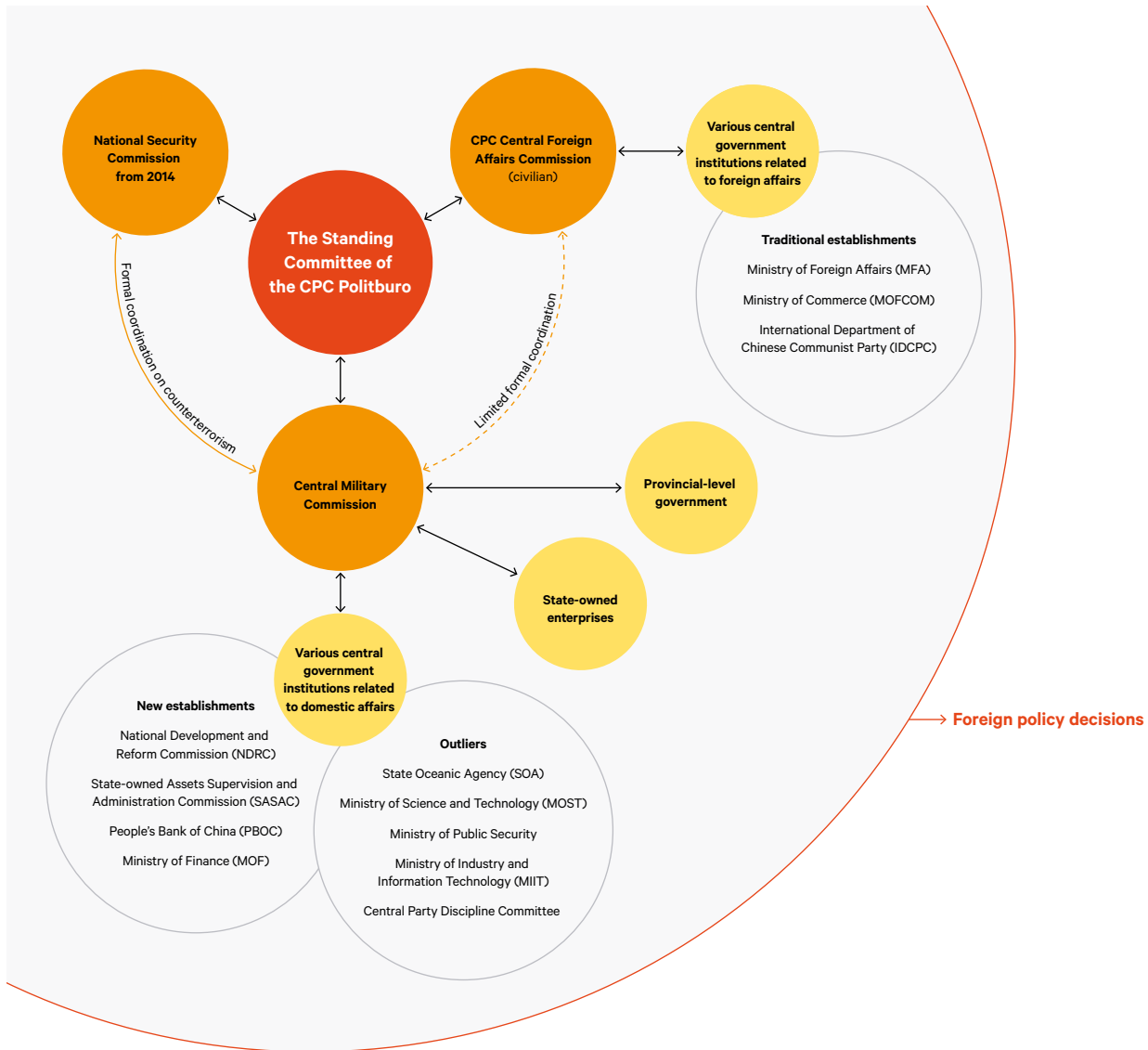
<sup>20</sup> State Oceanic Administration (2014), 'State Oceanic Administration', [http://english.www.gov.cn/state\\_council/2014/10/06/content\\_281474992889983.htm](http://english.www.gov.cn/state_council/2014/10/06/content_281474992889983.htm).



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Figure 1. Complexities in foreign policymaking in Beijing



Source: Compiled by Yu Jie.

## Chinese SOEs and foreign policy decision-making

Chinese companies, specifically SOEs, have an unusual structure: they are a hybrid of corporate organization and government ministry. Their relationship *vis-à-vis* the Party and the central governmental apparatus should not be characterized as a submissive one.

In recent years, the interests of Chinese SOEs have diverged from those of the Party. Subsidiaries of SOEs, particularly energy, construction and utility companies, have listed on foreign stock exchanges. Bargaining has increased between the

central government institutions and the profit-driven SOEs. For example, the three Chinese national oil companies have consistently blocked efforts to form a Ministry of Energy. Each company has its own vision for how China's energy sector and pricing mechanisms should be arranged, as well as strong political backing from individual members of the Standing Committee.<sup>21</sup>

Many China specialists have noted the prevalence of these disputes between the SOEs and their superiors – either the Party or the central government institutions – and the resulting ripple effect across all policy domains.<sup>22</sup>

It is crucial to distinguish between the different relationships between central government institutions, the CPC leadership and SOEs. The Party has authority over the central government apparatus in terms of personnel appointments and resource distribution. However, the link between SOEs and the central government is not as straightforward. While Beijing's central institutions have some authority and can set the parameters for the economic engagements of SOEs, the latter regularly sidestep government institutions and instead communicate directly with members of the Standing Committee.

Some SOEs and central government institutions have the same bureaucratic status under the State Council, though SOEs often have greater political clout and financial capacity. Furthermore, SOEs do not always accept decisions made by the central government. Instead, they see government institutions as their brokers with the Party leadership, which could help them to advance their interests during the policy formation process.

The CPC has reinforced its governing mechanism with the aim of regulating the economic activities of SOEs. In terms of asserting control, the Party has the final say in the appointment of the chief executive officer (CEO) and Party secretary in the most powerful SOEs.<sup>23</sup> The CPC chooses the heads of SOEs through two governing agencies: the Central Department of Organization (CDO) (the equivalent of the CPC's human resources department), and the State-owned Assets Supervision and Administration Commission (SASAC), which puts forward candidate recommendations.

According to SASAC, chairs and CEOs of the more powerful SOEs are 'directly appointed and assessed by the Party'.<sup>24</sup> Heads of SOEs are appointed to a rank equivalent to a State Council minister or a provincial governor. Within Beijing's

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<sup>21</sup> Downs, E. (2008), 'Business Interests Groups in Chinese Politics: the Case Studies of the Oil Companies', in Li, C. (ed.) (2012), *China's Changing Political Landscape*, Washington, DC: The Brookings Institution, pp. 121–41; Breslin, S. (2021), 'Chapter 2: Interests, Actors and Intent' from *China Risen: Studying Chinese Global Power*, Bristol University Press.

<sup>22</sup> Ibid.; Leutert, W. (2018), 'The Political Mobility of China's Central State-Owned Enterprise Leaders', *China Quarterly*, 233: March 2018, pp. 1–21, <https://www.cambridge.org/core/journals/china-quarterly/article/abs/political-mobility-of-chinas-central-stateowned-enterprise-leaders/5E083126010315761F7ABBA2F18DD51F>.

<sup>23</sup> Rosen, D. and Hanemann, T. (2009), 'China's Changing Outbound Foreign Direct Investment Profile: Drivers and Policy Implications', Petersen Institute for International Economics Policy Brief: June 2009, No. PB09-14, Washington, DC: Petersen Institute, <https://www.piie.com/publications/policy-briefs/chinas-changing-outbound-foreign-direct-investment-profile-drivers-and-0>; Leutert (2018), 'The Political Mobility of China's Central State-Owned Enterprise Leaders'.

<sup>24</sup> State-Owned Assets Supervision and Administration Commission (SASAC) (2021), 'Directory of Centrally Controlled State Owned Enterprises', <http://en.sasac.gov.cn/directory.html>.

governmental apparatus, bureaucratic ranking is decisive in assessing how much power each appointee has, whereas a candidate's professional experience is less relevant.

SOE leaders sometimes make business decisions based on their own political ambitions to elevate their bureaucratic rank. Rosen and Hanemann argue that 'headline business deals will offer CEOs a chance to elevate their political ranking within the Party as well as the bureaucratic status of the whole company in the government apparatus'.<sup>25</sup>

Conflict arises when Beijing's policy agenda is at odds with that of an SOE. Blindly obeying proposed central government policies might erode an SOE's commercial interests or put its survival in jeopardy. In cases where an SOE is allocated insufficient resources from Beijing, it will negotiate with the relevant government agencies to foster a shift in the policy agenda. Occasionally, if negotiations fail, SOEs have been known to completely disregard decisions made by the government. These actions have far-reaching implications.

For example, China's five largest power utility companies (in terms of assets and installation capacity) – known as the 'Big Five' – have vehemently resisted setting carbon emission quotas in the past due to their share of the coal-fired electricity generation market.<sup>26</sup> Their reluctance to cooperate with the central government over setting emission targets has slowed the delivery of Beijing's domestic climate policy agenda.<sup>27</sup>

Government departments have the power to allocate financial support and manpower to SOEs, but recipients always appeal for a bigger share of resources in return for supporting Beijing's policies. This often brings unexpected complications. Previous bargaining by SOEs has damaged international cooperation and, in turn, the reputations of Chinese companies and the Chinese government, as seen in several BRI-related projects in Europe.<sup>28</sup> It has also prompted some countries, such as Italy, to reconsider their existing memorandums of understanding on the BRI.<sup>29</sup>

This bargaining between SOEs and the central government can be viewed as a process of 'competitive persuasion'.<sup>30</sup> SOEs argue for support of their preferred policies or investments. The winner of this process will enjoy either financial benefit and/or political backing from the central government. A competitive persuasion process, in which the provision of valuable information and expertise is essential, demonstrates key factors in Beijing's decision-making process.

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<sup>25</sup> Li, X. J. and Zeng, K. (2019), 'Geopolitics, Nationalism, and Foreign Direct Investment: Perceptions of the China Threat and American Public Attitudes toward Chinese FDI', *Chinese Journal of International Politics*, 12(4): pp. 495–518, <https://academic.oup.com/cjip/article-abstract/12/4/495/5650488?redirectedFrom=fulltext>; Leutert (2018), 'The Political Mobility of China's Central State-Owned Enterprise Leaders'.

<sup>26</sup> Conventional Energy (2019), 'All You Need to know about the Chinese Power Companies', *Energy Iceberg*, 15 September 2019, <https://energyiceberg.com/state-owned-power-utilities>.

<sup>27</sup> Hornby, L. (2017), 'China's consolidation push turns to sprawling power sector', *Financial Times*, 14 June 2017, <https://www.ft.com/content/50614ed4-4c69-11e7-919a-1e14ce4af89b>.

<sup>28</sup> Wheeler, A. (2019), 'Italy's Maritime Silk Road Dreams Headed for Rocks', *Silk Road Briefing*, Dezan Shira & Associates, <https://www.silkroadbriefing.com/news/2019/11/12/italys-maritime-silk-road-dreams-headed-rocks>.

<sup>29</sup> Johnson, M., Ghiglione, D. and Sciorilli-Borrelli, S. (2021), 'Mario Draghi sets tone in cooling EU-China relations', *Financial Times*, 6 June 2021, <https://www.ft.com/content/4d7bf8ad-f585-44b2-9250-790ec430de4b>.

<sup>30</sup> Halpern, N. (1992), 'Information flows and policy coordination in the Chinese bureaucracy', in Lieberthal and Lampton (1992), *Bureaucracy, Politics and Decision Making in Post-Mao China*.

The process of competitive persuasion partly explains SOE investments and roles under the BRI. For example, key Chinese utility and construction SOEs were involved in developing a China–Pakistan Economic Corridor (CPEC) campaign to build coal-fired power and hydropower plants in Pakistan. Only SOEs specializing in utilities, power generation and infrastructure construction had the necessary expertise to contribute to the formation of the CPEC initiative in its early stages.

The BRI involves numerous countries and industrial sectors. Beijing's pursuit of BRI investments frequently converges with SOE commercial interests. Therefore by suggesting investments that the central government is more likely to approve, SOEs can influence the formulation of overall BRI priorities. However, central and provincial governments often have very limited capacity to assess the viability of individual projects suggested by SOEs.

## **While SOEs have been able to bolster China's geopolitical authority, backed with generous state loans, their ties with Beijing have drawn criticism from various countries and have undermined their profitability in overseas markets.**

Many industries that involve BRI projects are relatively unknown to both central and provincial-level governments. The authors' own research interviews, and the work of other scholars, reveal that both central and provincial-level governments lack the sectoral expertise and administrative capacity to conduct thorough due diligence on project feasibility.<sup>31</sup> Their restricted capacity has inevitably given those involved leeway to shape final decisions. This knowledge and expertise gap enables the SOEs involved to 'become de-facto decision makers in their specialized fields'.<sup>32</sup>

Direct association with Beijing is a double-edged sword for the overseas investments of SOEs. While SOEs have been able to bolster China's geopolitical authority, backed with generous state loans, their ties with Beijing have drawn criticism from various countries and have undermined their profitability in overseas markets.

Recently, the Czech Republic and Romania proposed a blanket ban to stop Chinese SOEs, such as China General Nuclear Power Station, from investing in their physical infrastructure. This arose from deteriorating bilateral relations with China, and a high level of suspicion of SOEs with direct ties to Beijing.<sup>33</sup>

<sup>31</sup> Li and Zeng (2019), 'Geopolitics, Nationalism, and Foreign Direct Investment: Perceptions of the China Threat and American Public Attitudes toward Chinese FDI'; Yu, J. (2014), 'Partnership or Partnerships? An Assessment of China-EU Relations between 2001 and 2013 with Case Studies on Their Collaboration on Climate Change and Renewable Energy', LSE PhD Thesis, <http://etheses.lse.ac.uk/3294>.

<sup>32</sup> Yu (2014), 'Partnership or Partnerships? An Assessment of China-EU Relations between 2001 and 2013'.

<sup>33</sup> Briniza, A. (2021), 'Romania is Closing Door to public tenders for Chinese Companies', 9 February 2021, Romanian Institute for the Study of Asia-Pacific, <http://risap.ro/en/romania-is-closing-the-door-to-public-tenders-for-chinese-companies>; Reuters (2021), 'China Sidelined for Czech Nuclear Tender, Russia Still in Play', 27 January 2021, <https://www.reuters.com/world/china/china-sidelined-czech-nuclear-tender-russia-still-play-2021-01-27>.

Furthermore, while most SOE leaders possess strong sectoral knowledge, they often lack 'soft skills' and familiarity with BRI-recipient countries. Their awareness of local politics is poor and their engagement with the local communities, trade unions and NGOs of host nations is minimal – as evidenced by the backlash against China Ocean Shipping Group Company (COSCO) in Greece.<sup>34</sup> This lack of engagement with host countries risks further damaging Beijing's reputation and that of the SOEs involved.

## Provincial-level governments

China's 22 provinces, four municipalities (Beijing, Chongqing, Shanghai and Tianjin), two special administrative regions (Hong Kong and Macau) and five autonomous regions (Inner Mongolia, Guangxi, Tibet, Ningxia and Xinjiang) each have their own distinctive geographical, economic and cultural outlook. To effectively maintain unity and cohesion, Beijing seeks to perform a difficult balancing act: ensuring compliance with the party line, while leaving provincial-level governments space to be flexible and autonomous in policy implementation.<sup>35</sup> As a result, power has historically oscillated across the various levels of government. An effective analysis of Chinese foreign policy decision-making requires an understanding of the push–pull power dynamic that has long existed between the central and local governments.

While plenty of literature recognizes the role that provincial-level governments play in the formulation and implementation of relevant policies, this dynamic is often overlooked in the public discourse in favour of a perception that power is unilateral and centralized, flowing from the top of the CPC down to the townships. It is essential that foreign policymakers outside of China understand how provincial-level governments contribute to, and sometimes complicate, foreign policy decision-making.

Gerald Segal argues that decentralization and internationalization have disrupted the flow of power in China's political hierarchy. By empowering provinces to become important political actors, these joint forces have effectively 'deconstructed' China's foreign relations.<sup>36</sup> China's 1982 Constitution redefined the prerogatives of central and local governments, and increased the agency of provinces in the Chinese political economy.<sup>37</sup> One example of this is the central government's decision to allow local governments to commit to large-scale investment projects

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<sup>34</sup> Kastner, J. and Seferiadis, G. (2020), 'COSCO faces backlash as it moves to tighten grip on Greek port', *Nikkei Asian Review*, 29 December 2020, <https://asia.nikkei.com/Business/Transportation/COSCO-faces-backlash-as-it-moves-to-tighten-grip-on-Greek-port>.

<sup>35</sup> Donaldson, J. (2016), 'China's Administrative Hierarchy: The Balance of Power and Winners and Losers Within China's Levels of Government', in Donaldson, J. (ed.) (2016), *Assessing the Balance of Power in Central-Local Relations in China*, London: Routledge.

<sup>36</sup> Segal, G. (1994), 'Deconstructing foreign relations', in Goodman, D. S. G. and Segal, G. (eds) (1994), *China Deconstructs: Politics, Trade and Regionalism*, London: Routledge.

<sup>37</sup> Su, C. (2010), 'Understanding Chinese Diplomatic Transformation: A Multi-Actors' Perspective', *The Hague Journal of Diplomacy* 5(4): p. 317, doi:10.1163/187119110X527142.

without first acquiring approval.<sup>38</sup> While centralization has increased under President Xi, there are still areas where provincial-level governments have leeway to exert influence over Beijing's foreign policy directives.

This paper presents Shanghai, Yunnan and Shaanxi as case studies to illustrate how local governments influence the country's evolving foreign policy agenda. As the highest contributor to China's GDP, Shanghai's economic prowess gives its municipal government significant bargaining leverage and a strong platform from which to challenge central authority and shape policy.<sup>39</sup> Yunnan is less economically developed; however, its geographical position, bordering Southeast Asia, has elevated its political capital. It has a unique role in managing border relations and associated security threats. Meanwhile, the Shaanxi provincial government has used its soft power to position itself as a manufacturing centre for the BRI and a magnet for foreign direct investment.

Audrey Wong has identified three mechanisms that local governments use to shape policy: 'carpetbagging' (modifying the implementation of central policy); 'resisting' (refusing to adopt Beijing's policies); and 'trailblazing' (creating new policy ideas that benefit local interests and proactively persuading the central government to adopt them).<sup>40</sup> This paper applies Wong's concepts to Shanghai, Yunnan and Shaanxi to demonstrate how local governments shape foreign policy through the economy, security and soft power, respectively.

Due to limited space, this paper does not reflect all aspects of provincial influence on the central government. Instead, through these three case studies, the paper seeks to facilitate a more nuanced understanding of the central-local dynamic, and to show how provincial-level governments are not only important subnational actors, but also, increasingly, global players.

## Shanghai: 'carpetbagging' economic directives

As an important industrial, financial, commercial and cultural hub, Shanghai is arguably the most obvious example of how a subnational decision-making body shapes China's foreign policy. Shanghai's importance to the country's foreign affairs, particularly Sino-US relations, is reflected in its enduring function as a venue for diplomatic meetings. This was most notable in 1972 when President Richard Nixon visited the city and signed the Shanghai Communiqué with Premier Zhou Enlai, signalling the normalization of Sino-US relations.<sup>41</sup> More recently, Shanghai hosted the Biden administration's first official visit to China, which culminated in a joint commitment to cooperate on the climate crisis.<sup>42</sup>

<sup>38</sup> Donaldson (2016), 'China's Administrative Hierarchy: The Balance of Power and Winners and Losers Within China's Levels of Government'.

<sup>39</sup> Statista (2019), 'Chinese cities with the highest GDP in 2019', <https://www.statista.com/statistics/278939/chinese-cities-with-the-highest-gdp>.

<sup>40</sup> Wong, A. (2018), 'More than Peripheral: How Provinces Influence China's Foreign Policy', *China Quarterly*, 235: pp. 735–57, doi:10.1017/S0305741018000930.

<sup>41</sup> Zhu, Z. (2005), 'Regional Influence in China's U.S. Policy Making: The Roles of Shanghai and Wang Daohan', in Su, L. and Hao, Y. (eds) (2005), *China's Foreign Policy Making: Societal Force and Chinese American Policy*, London and New York: Taylor and Francis.

<sup>42</sup> US Department of State (2021), 'U.S.-China Joint Statement Addressing the Climate Crisis', <https://www.state.gov/u-s-china-joint-statement-addressing-the-climate-crisis>.

Shanghai is a spearhead for economic reforms and liberalization. In August 2019, six years after the launch of the China (Shanghai) Pilot Free Trade Zone (SHFTZ), China's State Council approved plans to establish a new area of the free-trade zone – the Lingang New Area. The State Council intends for the expansion to 'lead the healthy development of economic globalization' by helping China to further open up to foreign investors.<sup>43</sup> A month later, the Shanghai Municipal People's Government (SMPG) published a document outlining its plans to encourage foreign investment and facilitate the SHFTZ and Lingang New Area by introducing innovative policies. Shanghai was also the first regional jurisdiction to propose guidelines for implementing the Foreign Investment Law (FIL), which is the basis for a new investment framework that promises equal treatment for foreign and domestic enterprises.<sup>44</sup> The SMPG has a vision to build itself into an 'excellent global city' by 2035, as outlined in the Shanghai Master Plan 2017–2035.<sup>45</sup> Through these long-term plans, the SMPG's influence on central directives can be interpreted as 'carpetbagging' (i.e. modifying the implementation of policy to pursue local interests). By introducing new ideas on how to implement foreign policy, Shanghai has eroded some of the central government's authority.<sup>46</sup>

## **The SMPG's 'carpetbagging' of diaspora-management policies, while in line with Beijing's interests, illustrates how provincial-level governments can influence the policy implementation process in pursuit of their own interests.**

The SMPG's strategy to engage Chinese nationals living overseas is another example of the subnational government 'carpetbagging' central government policy. In a speech delivered at the 19th Party Congress in October 2017, President Xi emphasized the need to 'maintain extensive contacts with overseas Chinese nationals, returned Chinese and their relatives and unite them so that they can join our endeavours to revitalize the Chinese nation'.<sup>47</sup>

<sup>43</sup> China State Council (2019), 'Notice of the State Council on Issuing the Overall Plan for the Lingang New Area of the China (Shanghai) Pilot Free Trade Zone [国务院关于印发中国(上海)自由贸易试验区临港新片区总体方案的通知]', [http://www.gov.cn/zhengce/content/2019-08/06/content\\_5419154.htm](http://www.gov.cn/zhengce/content/2019-08/06/content_5419154.htm).

<sup>44</sup> Zhang, Z. (2019), 'Shanghai Releases Implementation Regulation for Foreign Investment Law', China Briefing, 30 September 2019, <https://www.china-briefing.com/news/shanghai-releases-implementation-regulation-foreign-investment-law>.

<sup>45</sup> Shanghai Municipal Bureau of Planning and Natural Resources (2019), 'State Council Approval on the Shanghai City Master Plan [国务院关于上海市城市总体规划的批复]', <https://ghzyj.sh.gov.cn/ghjh/20200110/0032-811864.html>.

<sup>46</sup> Wong (2018), 'More than Peripheral: How Provinces Influence China's Foreign Policy'.

<sup>47</sup> *China Daily* (2017), 'Full text of Xi Jinping's report at 19th CPC National Congress', 4 November 2017, [https://www.chinadaily.com.cn/china/19thcpcnationalcongress/2017-11/04/content\\_34115212.htm](https://www.chinadaily.com.cn/china/19thcpcnationalcongress/2017-11/04/content_34115212.htm).

The central government's policies<sup>48</sup> to encourage overseas Chinese nationals to return home are viewed by many as a strategy to attract high-quality professionals to contribute to the nation's development in education, science, culture and health, thereby boosting China's economy and international status.<sup>49</sup> While the central government has set the overall agenda on issues concerning overseas Chinese nationals, the SMPG has shaped the state–migrant relationship dynamics through its subnational policies and by promoting 'return and repatriation as tools for co-opting local development'.<sup>50</sup>

City-level policies on migration governance have led to competition with other cities and regions. Officers working in the Shanghai Office for Overseas Chinese make an active effort to 'maintain a high profile' and 'utiliz[e] available corridors to push top policy goals forward'.<sup>51</sup> The SMPG's 'carpetbagging' of diaspora-management policies, while in line with Beijing's interests, illustrates how provincial-level governments can influence the policy implementation process in pursuit of their own interests.

## Yunnan: 'resisting' border security directives

In China's border provinces, domestic politics are inextricably bound to foreign policy. Located in southwest China, Yunnan borders Myanmar, Laos and Vietnam and has been strategically promoted by Beijing as a 'major gateway' to Southeast Asia and South Asia.<sup>52</sup> Much of the existing literature on Yunnan looks at its pivotal role in China's cross-border economic development;<sup>53</sup> however, the provincial government's policies also have implications for national security. In the case of Myanmar, Beijing's interests are threefold: economic cooperation, energy transportation and, most importantly, border security.<sup>54</sup>

Beijing generally permits Yunnan's provincial government to manage engagement with ethnic minority groups living along Myanmar's border. On one level, this enables Beijing to 'maintain plausible deniability and avoid inconsistency

<sup>48</sup> The State Council of the People's Republic of China (2018), 'New rules for visas to help Chinese "return home"', 23 January 2019, [http://english.www.gov.cn/state\\_council/ministries/2018/01/23/content\\_281476023072204.htm](http://english.www.gov.cn/state_council/ministries/2018/01/23/content_281476023072204.htm); Barabantseva, E. and Wang, T. (2020), 'Diaspora Policies, Consular Services and Social Protection for Chinese Citizens Abroad', in Lafleur, J. M. and Vintila, D. (eds) (2020), *Migration and Social Protection in Europe and Beyond* (Volume 3), Cham: Springer; Chinaqw (2016), '华侨、华人如何在中国买房?需要注意这些程序 [How should overseas Chinese buy properties in China? Note this procedure]', <http://www.chinaqw.com/sqfg/2016/07-08/94588.shtml>.

<sup>49</sup> Wang, H. (2013), 'China's Return Migration and its Impact on Home Development', UN Chronicle, 23 October 2013, <https://www.un.org/en/chronicle/article/chinas-return-migration-and-its-impact-home-development>.

<sup>50</sup> Hasic, J. (2020), 'Diaspora-management policies of modern "city-states": strategies and practices of engaging Overseas Chinese by Shanghai Municipal Government', *Political Research Exchange*, 2(1): p. 8, doi:10.1080/2474736X.2020.1807370.

<sup>51</sup> Ibid.

<sup>52</sup> Xinhuanet (2019), 'China Focus: Commodity expo brings more opportunities to China, South and Southeast Asia cooperation', 7 June 2019, [http://www.xinhuanet.com/english/2019-06/17/c\\_138149479.htm](http://www.xinhuanet.com/english/2019-06/17/c_138149479.htm); China Daily (2011), 'Seeing the other side of the coin', 20 April 2011, [http://www.chinadaily.com.cn/opinion/2011-04/20/content\\_12359671.htm](http://www.chinadaily.com.cn/opinion/2011-04/20/content_12359671.htm).

<sup>53</sup> Su, X. (2012), 'From peripheral frontier to economic bridgehead: the case of Yunnan', *International Journal of Urban and Regional Research*, 37: pp. 1213–232, doi:10.1111/j.1468-2427.2012.01191.x; Summers, T. (2021), 'The belt and road initiative in Southwest China: responses from Yunnan province', *The Pacific Review*, 34(2): pp. 206–29, doi:10.1080/09512748.2019.1653956.

<sup>54</sup> Sun, Y. (2012), 'China's Strategic Misjudgement on Myanmar', *Journal of Current Southeast Asian Affairs*, 31(1): pp. 73–96, doi.org/10.1177/186810341203100105.



in its relationship with Myanmar's central government'.<sup>55</sup> However, by devolving responsibility to Yunnan, Beijing creates space for the provinces to 'resist' central policies,<sup>56</sup> which in turn can negatively impact bilateral relations with Myanmar. The actions of Yunnan's provincial government are therefore frequently seen as undermining the effective implementation of Beijing's policy towards Myanmar.<sup>57</sup>

For example, in 2015, Kachin State in Myanmar arrested 153 Chinese workers from Yunnan for illegal logging and sentenced them to life imprisonment.<sup>58</sup> According to Sun Yun, the Ministry of Foreign Affairs was left quietly frustrated by the Yunnan provincial government's handling of the incident. However, the ministry was unable to exert influence over the provincial government in this matter, which damaged China's relations with Myanmar.<sup>59</sup> Illegal logging has long been a source of tension between central and provincial governments. In 2005, Greenpeace accused Asia Pulp & Paper Co (APP) of illegal logging in Yunnan. China's State Forestry and Grassland Administration condemned APP's exploits and claimed that the Yunnan provincial government was at fault. In response, the provincial government denied that APP was involved in illegal activity.<sup>60</sup> This disconnect between the central and provincial government was picked up by global media, which described how 'a few Chinese businessmen, backed by the authorities in Yunnan Province, are completely undermining Chinese government initiatives to combat illegal logging'.<sup>61</sup> Under President Xi, Yunnan has become more compliant in its intermediary role between Beijing and Myanmar,<sup>62</sup> but the potential for provinces to influence foreign policy by resisting central directives remains.

## Shaanxi: 'trailblazing' soft power

Given the historical narrative of Shaanxi as a 'cradle of civilization' and 'the birthplace of the Chinese nation',<sup>63</sup> it is unsurprising that the People's Government of Shaanxi Province is 'trailblazing' China's soft-power initiatives. According to President Xi, Shaanxi is the 'psychological identity of Chinese culture and Chinese revolution', and 'if you want to know the future of China, you should

<sup>55</sup> International Crisis Group (2009), *China's Myanmar Dilemma: Crisis Group Asia Report No. 177*, Brussels: International Crisis Group, [https://www.files.ethz.ch/isn/105942/177\\_chinas\\_myanmar\\_dilemma.pdf](https://www.files.ethz.ch/isn/105942/177_chinas_myanmar_dilemma.pdf).

<sup>56</sup> Wong (2018), 'More than Peripheral: How Provinces Influence China's Foreign Policy'.

<sup>57</sup> International Crisis Group (2009), *China's Myanmar Dilemma: Crisis Group Asia Report No. 177*; Yun, S. (2017), *China and Myanmar's Peace Process*, Special Report, Washington, DC: United States Institute of Peace, <https://www.usip.org/publications/2017/03/china-and-myanmars-peace-process>.

<sup>58</sup> McLaughlin, T. and Hnin, Y. Z. (2015), 'Freeing of Chinese loggers riles Myanmar citizens', Reuters, 31 July 2015, <https://www.reuters.com/article/cnews-us-myanmar-amnesty-idCAKCN0Q517X20150731>.

<sup>59</sup> Yun (2017), *China and Myanmar's Peace Process*.

<sup>60</sup> China Daily (2005), 'Paper-making giant probed for illegal logging', 31 March 2005, [https://www.chinadaily.com.cn/english/doc/2005-03/31/content\\_429950.htm](https://www.chinadaily.com.cn/english/doc/2005-03/31/content_429950.htm); Stalley, P. (2010), *Foreign Firms, Investment, and Environmental Regulation in the People's Republic of China*, Stanford: Stanford University Press.

<sup>61</sup> Global Witness (2005), 'Burma's Missing Timber Millions: Destination China', <https://www.globalwitness.org/en/archive/burmas-missing-timber-millions-destination-china>.

<sup>62</sup> Yun (2017), *China and Myanmar's Peace Process*.

<sup>63</sup> Ministry of Foreign Affairs of the People's Republic of China (2016), 'Ministry of Foreign Affairs Holds Event Presenting Shaanxi Province', [https://www.fmprc.gov.cn/mfa\\_eng/zxxx\\_662805/t1378215.shtml](https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1378215.shtml).

[...] go to Shaanxi and witness the exciting new changes'.<sup>64</sup> For the CPC, 'spiritual civilization' is a basic component of China's cultural soft power and is key to boosting its international image.<sup>65</sup>

Driven by its local economic and cultural priorities, Shaanxi is pursuing new BRI policy ideas and narratives. The BRI is an 'extremely loose, indeterminate scheme' and therefore is susceptible to influence and interpretation from provincial governments seeking to promote local interests. Rather than representing a 'geostrategic blueprint', BRI activities are a manifestation of intersecting lower-level interests.<sup>66</sup>

The unveiling of the BRI in 2013 led to competition among provinces hoping to capitalize on the initiative for local gain. A debate erupted between Henan and Shaanxi over the starting point of the ancient Silk Road. In a bid to persuade the central government, both provinces launched public campaigns and poured funding into research projects and policy narratives to evidence their claims. Through its existing soft-power capacity, Shaanxi was able to influence early designs of the BRI. Both Shaanxi and Henan were among 15 provinces invited to the BRI symposium by the NDRC in late 2013.<sup>67</sup>

Since the BRI launched, Shaanxi has frequently hosted exhibitions and trade expos, as well as projects aimed at boosting local culture and tourism. The initiative has enhanced Shaanxi's soft-power and its international role.<sup>68</sup> The BRI has put local issues at the heart of global politics, turning provincial governments, such as Shaanxi, into 'trailblazing' international actors.

## Conclusion

This briefing paper challenges the conventional wisdom that China functions as a unitary player in international affairs. Far from reflecting the agenda of a well-orchestrated single entity, foreign policy formulation and implementation in Beijing's corridors of power is susceptible to skirmishes among central government institutions, provincial-level governments and major SOEs, each working for their own greater authority and budgetary power.

Despite the Party's increased control over numerous institutions and corporations, each subnational actor is able to influence some of the most important foreign policy decisions. Seeking consensus remains one of the most frequent formats of decision-making within the Chinese political

<sup>64</sup> Ministry of Foreign Affairs of the People's Republic of China (2016), 'Event Presenting Shaanxi Province'.

<sup>65</sup> Glaser, B. S. and Murphy, M. (2009), 'Soft power with Chinese characteristics the ongoing debate', in 'Chinese Soft Power and Its Implications for the United States', CSIS Smart Power Initiative Report, Washington, DC: Centre for Strategic and International Studies, p. 15, [https://csis-website-prod.s3.amazonaws.com/s3fs-public/legacy\\_files/files/media/csis/pubs/090403\\_mcgiffert\\_chinesesoftpower\\_web.pdf](https://csis-website-prod.s3.amazonaws.com/s3fs-public/legacy_files/files/media/csis/pubs/090403_mcgiffert_chinesesoftpower_web.pdf).

<sup>66</sup> Jones, L. and Zeng, J. (2019), 'Understanding China's "Belt and Road Initiative": beyond "grand strategy" to a state transformation analysis', *Third World Quarterly*, 40(3): pp. 1–28, doi:<https://doi.org/10.1080/01436597.2018.1559046>.

<sup>67</sup> Zeng, J. (2019), 'Narrating China's belt and road initiative', *Global Policy*, 10(2): pp. 207–216, doi:<https://doi.org/10.1111/1758-5899.12662>.

<sup>68</sup> China Daily (2018), 'Shaanxi: Building new cultural bridges on Belt and Road', 14 May 2018, <https://www.chinadaily.com.cn/a/201805/14/WS5af8e37ea3103f6866ee81ed.html>.

## Who decides China's foreign policy?

The role of central government, provincial-level authorities and state-owned enterprises

system. Since China has become a major player on the global stage, foreign policy decision-making now demands more time and expertise than was required in the past.

As a result, China's foreign policy agenda has witnessed a significant institutional power shift from traditional diplomacy-led ministries to specialized units. While foreign affairs are not necessarily within the remit of most of these specialized government institutions, they have still been able to influence Beijing's foreign policy agenda, with far-reaching implications for China and the world.

The same is true for Chinese SOEs, which are often seen as vehicles solely for promoting Beijing's geostrategic ambition. When SOEs believe that their commercial interests are being jeopardized by government policies, conflicts and disagreements arise.

Subnational governments have retained a certain degree of economic autonomy since Deng's landmark economic reforms in the late 1970s. Some provincial-level governments wield sufficient power to determine key elements of Beijing's foreign policy agenda, ranging from border disputes to the BRI. Their activities are key to understanding China's motivations.

To this end, analysis of the country's foreign policy should be less concerned with the idea of what China wants, and instead focus more on the agendas and actions of the various influential SOE and provincial-level actors. In particular, the complexities of Beijing's seemingly coherent grand strategy and the vested interests within ministries and corporations are often overlooked.

Despite President Xi's iron-fist approach to Party control, China's foreign policy decision-making process remains fluid in nature, opaque in implementation and erratic in coordination.

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