

# An Optimistic Memo on the Chinese Noopolitik: 2001-2011

Written by Idriss J. Aberkane

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IDRISS J. ABERKANE, JUN 13 2011

2001 marked the full scale military arrival of the USA in the Eurasian heartland, yet it also marked the rather more discreet entrance of the People's Republic of China into the World Trade Organization. 2010 would, in turn, be remembered as when China achieved the world's second highest nominal GDP. Oscillating between isolationist, export substitution, and an all-out embrace of globalization's manifold levers, being both Dragon and Phoenix, in spite of having suffered subordination to politically assertive empires from 1850 to 1950 and having notoriously "missed"[1] the Industrial Revolution, China is resuming its otherwise ancient status of world innovator and economic superpower. One may remember no civilization has provided the world with more empires than the Chinese. With contemporary transport, communication, and energy as its main economic bottlenecks, and a crucial dependence on hydrocarbons, China cannot afford to miss a single technological revolution that could help it acquire global leadership – a synonym of independence. Thus, while 2001 was supposed to mark a "New American Century," China patiently agreed to the US deployment in Central Asia, mostly a self-inflicted *Berezina*, and built itself up as a diversified economic power, securing the largest sovereign capitalization and reserve-to-debt ratio. Increasingly putting unprecedented leverage at the service of innovation, China has undoubtedly embraced full spectrum Noopolitik, the policy of fostering a constant flow of innovation, the fruit of which shall be born when the Euro-Atlantic community begins copying and manufacturing Chinese products.

### **A Country between Closing and Opening, with an Immense Potential for Economic Intervention**

Self-definition and self-sufficiency are typical features of China's tactics, which it has regularly utilized throughout history, as it was a purveyor of innovation, but was not eager to share or export. In an attempt to make this essay self-sufficient, a review of China's most basic geo-historical characteristics is necessary, which may shed light on China's move, which is highly significant historically, towards a leadership role in the knowledge economy, particularly its innovation in exporting. China partaking in international affairs in its present day extent is comparable to the US, post 1941 interventionism. Whether the PRC will leverage such momentum by taking a credible leadership stance on world change, and found collegial institutions, rather than limiting its political reach to that of its sovereignty, will characterize much of the new Great Game's *rapport de force*. China is also interested in how Noopolitik applies to Realpolitik, in the sense of sustaining a flow of innovation beyond mere technology in the fields of strategy, diplomacy, and doctrine.

Yet, a fundamental political feature of China is its permanent temptation to resort back to its sovereign power. Holding little confidence in others and not accustomed to taking leadership in multilateral organizations, the Shanghai Cooperation Organization is no exception, the PRC remains wary of the multipolar world, which contains external political multipliers which are typically less reliable and more difficult to maneuver around. This may give India and Russia, two potent Great Gamers who are more experienced in navigating multilateralism and indirect power multipliers, a decisive competitive edge. While technological innovation is a clear way to dominate a competition, a tactic China is using to build influence in the Pacific and Indian Oceans by constantly upsetting the military balance of power there, political, strategic, and doctrinal originality are also in China's interest. Analyzing China's past as a way to anticipate its future may be most misleading, as the PRC's next political moves may be conditioned by total originality. The following summary of China's basic geo-historical context should therefore be taken by the reader as

# An Optimistic Memo on the Chinese Noopolitik: 2001-2011

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a way to better grasp China's history, rather than a line of extrapolation. If China has moved to full-spectrum Noopolitik, albeit such a move may seem, superficially at least, contradicted by the preservation of its politburo, what international relations experts should expect of its upcoming policy is that it will be neither opposite nor similar to that of its past, but rather independent from it, and thus least predictable. Amidst this maximal unpredictability, China's natural political propensity to trust itself alone should be remembered.

The area covered by the "Middle Country" (中国 in simplified Chinese) is either the second or third largest in the world (9,596,961 km<sup>2</sup> UN official data for mainland China), is populated by the most people (more than 1.338 billion inhabitants is the 2010 estimate), and has been administrated by the communist People's Republic of China (PRC) since 1949. It is the most dynamic of Goldman-Sachs "BRIC" emergent economies (2<sup>nd</sup> largest in nominal GDP since August 2010) with an average growth of about 10% since 1990, making it the second most attractive country for foreign direct investment after the United States. Its nominal GDP was about 5 trillion USD in 2009, while it reached second place globally in terms of PPP with 9.05 trillion.

Reflecting the PRC's status as an emergent, rather than established superpower, its GDP *per capita* in PPP was ranked 98<sup>th</sup> as of 2009 with less than 6,780 USD, yet with a Gini index comparable to that of the USA, albeit much more volatile. This gives China a particular self interest, and the more China focuses on itself, the more its global power will grow. As China has a poor GDP per capita, the volatile Gini index and rural poverty may become assets rather than liabilities. As human happiness is fundamentally a derivative, a relative measure of change that is, the capacity to change conditions is the capacity to generate popular satisfaction. China has this capacity, and this is why, in terms of its ability to quickly generate popular hope and material, albeit not political or philosophical, satisfaction, it is the leading country in the world. This has seldom been acknowledged by international relations experts, but China is the number one power in terms of its capacity to provide popular satisfaction. This ability in itself, if properly leveraged, may easily surpass the power of any Navy in the world.

China has experienced several unifications early on in its history (while the Xia Dynasty was established circa 2070 BC in modern day Dengfeng, history usually matches the emergence of imperial China to the Qin dynasty, founded circa 221 BC) and has repeatedly achieved top military, economic, cultural, and political power. It stood as the first country by foreign trade throughout both the Elizabethan and Enlightenment eras. Its dominance was accompanied by waves of expansion and retraction, and imperial cohesion was continued through an assertive sense of cultural superiority *inter alia*. Its spirituality and guidelines for the conduct of material life are often equated to Confucianism with the building of a "socialist spiritual civilization" *de jure* (constitutionally – Art 24, 4<sup>th</sup> amendment of March 2004), endorsed by the modern state. Richard Francis Burton commented on the materialist zeitgeist around the Tongzhi restoration era:

*...the great Turanian family, actually occupying all Eastern Asia, has ever ignored [the dogma of a future life]; and the 200,000,000 of Chinese Confucians, the mass of the nation, protest emphatically against the mainstay of the western creeds, because it "unfits men for the business and duty of life by fixing their speculations on an unknown world."* – Richard Francis Burton – 1880[2]

Though characterized early by a positive trade balance and interest in sustainably building a treasure from surplus, a trend which Ken Davies defines as underlining the approach of the modern day's PRC to trade, the Celestial Empire's cultural assertiveness has long subtended a deep-rooted desire for self-sufficiency, notwithstanding the conduct of overseas relations. China's relative cultural cohesion, backed by an ancient sense of civilization, philosophy, culture, and an outstanding scientific system, is often[3] quoted as having decisively ensured its reenactment after the fall of the Mongol Empire, which had yet to fully absorb it. This transition can be understood as a historical acknowledgement of the relative superiority of China's politics over the Mongol's, beyond the military excellence of the latter.

Thus, though trade, scientific and diplomatic relations were sustained early on across medieval and *Rinascimento* Europe, notably with the Italians, Portuguese (founders of the now Macau Special Administrative Zone), Britons (founders of Hong Kong, which was returned to the PRC in 1997), the Ottomans, and the Dutch. Though, China's taste of globalization has been repeatedly bitter throughout history.

# An Optimistic Memo on the Chinese Noopolitik: 2001-2011

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Dutch and British interference with the Ming Dynasty's trans-Pacific trade for silver, which it was dependent on as it was the main backer of its currency, is what caused the economic breakdown and successive collapse of the Dynasty in 1644. Subsequently, while the Industrial Revolution was emerging in Europe, China's desire for total self reliance set off what is often considered the most dramatic mistake of its modern history. Even during its growing decline, such was, as Brzezinski recalls, Imperial China's answer to King George III of Great Britain:

The Celestial Empire, ruling all within the four seas (...) does not value rare and precious things (...) nor do we have the slightest need of your country's manufactures (...) You, O King, should simply act in conformity with our wishes by strengthening your loyalty and swearing perpetual obedience.[4]

Napoleon the 1st famously said "When China wake up, the World will tremble." Yet, in the context of the historical cradle of Marxism, China's forced opening to foreign trade prompted the debilitating Opium War, a situation which could very well know a modern reenactment with China's proximity to the world's number one heroin producer, Afghanistan. Thus, the Maoist PRC remembered foreign trade as a major source of China's alienation, and foreign investment was anathema in the PRC's early years. Ken Davies recalls *'In the 1960s virtually the only everyday consumer items bearing the "Made in China" mark that you could buy in England were egg noodles and playing cards.'*[5]

The traumatizing confrontation between China's historically transient subordination to foreign imperialism and its assertive sense of grandeur is put simply by the preamble of its constitution as adopted in 1982:

China is one of the countries with the longest histories in the world. The people of all nationalities in China have jointly created a splendid culture and have a glorious revolutionary tradition. Feudal China was gradually reduced after 1840 to a semi-colonial and semi-feudal country. The Chinese people waged wave upon wave of heroic struggles for national independence and liberation and for democracy and freedom. Great and earth-shaking historical changes have taken place in China in the 20th century.

Two episodes would trigger the PRC to retreat to its export substitution and total self-reliance doctrine, with the notable exception of such commodities as much needed chromium for its weapon industry, though interestingly enough although the PRC is a big chromium importer, China is known as history's first user of the metal. The first was the repatriation of Soviet experts subsequent to destalinization, and the second were the major trade embargos imposed by the UN in the context of the Korean War. The opening to foreign trade and late 20<sup>th</sup> century openness to globalization would be triggered by Deng Xiaoping's economic reforms which started in 1978.

Indeed, China would "wake up." Davies also notes that while Mao never left the country, both Deng Xiaoping and Zhou Enlai sojourned to France during WWI. While keeping its politburo and avoiding democracy may seem directly opposed to the innovative policies it wants to adopt, China's global diaspora actually endows the country with a deep sense of change, originality, and cosmopolitanism. China's ability to focus power on itself, thereby making its mainland more attractive to expatriates, has become a simple way to extend the PRC's cognition and creativity by injecting fresh thinking into its society. Again, currently no other country can provide faster material change, and thus popular hope and material satisfaction than China, and the PRC may leverage this tremendous power in many ways.

## Strength Born From Constraint

As Brzezinski accurately points out,[6] it is China's embrace of globalization that could be most threatening to Euro-Atlantic primacy. With a vast territory, a large population, and a key position in McKinder's Heartland, all that China is missing to achieve superpower status is a total mastery of its geography and the consolidation of an educated and creative middle class, along with, but not necessarily, coping with its many lateral pressures. While the flourishing of an educated, cosmopolitan middle class may seem hardly achievable without a broader liberty of expression, China's latest management of lateral pressure has proven its relative patience towards the foreign military presence in Central Asia. The volatility of China-India relations should not be minimized. Nevertheless, the doctrine of "China's Peaceful Rise" (中国和平崛起 in simplified Chinese) and the *New Security Concept* seem to prove the PRC's deep interest in securing power over itself before that over others. Domestic exemplarity may be the fastest and most

## **An Optimistic Memo on the Chinese Noopolitik: 2001-2011**

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sustainable way for the country to extend its foreign reach.

While its economic power and foreign investment magnetism is unrivalled, even by India, the PRC's geopolitical position is extremely narrow, and unlike the United States in the time of its emergence, the country has no prospect of surpassing its stringent lateral pressure. Yet, it is precisely the US' remoteness from the Eurasian Heartland that ensured its rise, although it is approaching its eventual fall. China cannot have a Monroe Doctrine, and the PRC's proximity to the Heartland and unique position on the Silk Road grant it tremendous leverage on world affairs, along with the tremendous risk of committing a major geopolitical faux pas.

So far, the PRC's policy seems to consist of ensuring maximal socio-economic health at the domestic level prior to any open claim over the geographic Afpak lever, which it may have little hesitation in asserting when the time comes. Although China would very easily enjoy the capacity to project an unprecedented volume of light infantry in Afghanistan, such claims may not be executed by the use of hard power, unlike the previous British, Russian, and US attempts. The most interesting defining feature of China's heavy lateral pressure is that it maintains the country's vigilance and tempers its natural propensity for unilateralism. China's lateral pressure is a remarkable strength, while the US's lack of it has proven deadly to its global dominance.

Under neo-con plans, 2001 was supposed to mark the "New American Century"[7] and the 2000s were clearly geopolitical for the USA, from the deployment in Afghanistan to that in Iraq, the late "Color Revolutions"[8] in Eastern Europe, and in key Central Asian pivots such as Kirghizstan. In buying US monetized debt; China has *de facto* financed its own military, before using its recession-proof positive trade balance to purchase Euro-backed bonds and derivatives. Even more, it has projected its economy over key African positions, thus, confronting head-on the IMF's monopoly as global lender of last resort. A candid appraisal of Chinese financing of Operation Enduring Freedom may also lead to the conclusion it had no confidence in its success. This should be seen as China further building its influence in key Heartland nations, notably Afghanistan, Kirghizstan, Turkmenistan, and Pakistan. It might be expected that China will resort to innovation[9] rather than violence when entering the Global Balkans. This would seem as one of the PRC's best possible moves at present, and the 2001-2011 decade seems to denote that Chinese strategists are most cognizant of it.

China's lack of democracy, a pressure it imposes on itself, is not necessarily an obstacle to meritocracy based creative management. The country's political power has the ability to grant many material incentives to the next generation. By taking creative leadership it may push its military elites into out-of-the box thinking in spite of its stringent political system. Therefore, it has not really proven that although creative strategies would best serve China's interest in Central Asia, its military leadership would be unable to prove creative. Undoubtedly, there is a zeitgeist propagating unilateral and coercive strategies that pervades China's entire military and strategic establishment, yet lateral pressure once again prevents the PRC from falling into the trap of facile hard-power actions.

As of 2011, China still finds itself encircled by such competitors as Japan, Taiwan, and South Korea on its eastern oceanic side, powers it could still easily co-opt, but has little modern experience in doing so, should the US lose political dominance in the region, unlike Russia and India.[10] Besides, the unilateral control of the Malacca strait, the most strategic chokepoint for oil imports, is in no way ensured. China's lateral pressure should be understood as a permanent incentive for vigilance and composure rather than a geopolitical curse. The more China is pressured geopolitically, the more it generates knowledge, and that which does not kill it will surely make it stronger.

In the context of harsh regional competition, and while it has not achieved domestic exemplarity which is *asine qua non* condition to the building up of soft power, it still has income imbalance, rural poverty, and lack of control over its poorly connected Western provinces that are prone to the so-called "three evils"[11] of the Shanghai Cooperation Organization. China knows economic growth and the constant distribution of popular hope is not an option, lest the breaking of its social contract should entail the massive adoption of a yet-to-come political alternative. The fragility of its social contract, best illustrated at the Tian an Men square protest, is consistently quoted as the PRC's main weakness, which economic growth seems to be able to cope with. From this point of view, China's interest in Noopolitik may be easily understood: generating growth is the one common solution the PRC has to almost all of its

## **An Optimistic Memo on the Chinese Noopolitik: 2001-2011**

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problems, and it has highly insulated this economic capability. For example, China is notably the one country in the world that is most resilient to economic warfare. One flaw in the PRC's "full spectrum dominance of growth" doctrine could yet arise from China missing a single revolution in the knowledge economy. The country's massive interest in Noopolitik can be seen as a natural, predictable, continuation of its past politics of growth at any price. It is actually not adventurous, but rather a safe policy to strengthen the country's unique growth capacity. China knows magnetism is going to be its most potent political tool.

*For the first time since the Mongol invasion, Chinese troops have been in western Kazakhstan and on Russian soil over there, participating in joint exercises – which is a very symbolic, new reality. This was recently brought home to me somewhat comically. When I first visited Kyrgyzstan, many decades ago in the Soviet era, the main street in Frunze, the capital, was called Lenin Prospect. When I visited independent Kyrgyzstan, whose capital is now called Bishkek, the street had been renamed Mao-Deng Xiaoping Prospect.* [12] – Zbigniew Brzezinski April 1<sup>st</sup> 2008

Knowing of his animus towards Russia, there is little doubt Brzezinski's (2008) position is biased in putting his comment of China's build-up of domestic exemplarity in such harsh words as...

*If you go to these bazaars in Central Asia, they're just filled with Chinese goods and Chinese traders. And if you go to the Amur River on the Russian-Chinese border, you see these wonderful old Russian-Ukrainian villages on the Russian side, with unpaved streets and sidewalks made of wood. Meanwhile, just across the river, the Chinese have constructed several towns, with twenty and thirty-story aluminum and glass buildings, illuminated at night, and streets with cars driving around on them. You just look at that frontier and say "What the hell's going on here?". I think to some extent it's deliberate. And there are more and more Chinese illegally in Russia on the other side of the river, leasing farms from Russian peasants who are either too lazy or too drunk to make them work, or leasing forests, or doing small retail trade.*

...yet the Russian reticence to the possible making of a Novosibirsk-Urumqi axis does tell a lot about the positive gradient of dynamism the PRC has already achieved across its Russian border. While China is far from endowed with the same diverse and abundant natural resources as the Russian Federation, the stringent economic pressure put on its growth is an immense source of strength rather than alienation. China's relative lack of raw materials and constant lateral pressure is frenetically driving it toward economics of high added value, in a manner compared to that of early Germany, when a quasi-lack of a colonial empire proved a remarkable strength in stimulating its leadership in industrial value, or that of humiliated and hydrocarbon starved Japan after WWII. Nation-states are cognitive systems, and China is no exception. The more it is denied initiative on the Malacca Strait, the more it will look for and invest in new options. From routes across the North Pole, to sustained cheap air freight like sun-powered cargo planes, or positive energy hydrogen aircraft, thereby going beyond the need to control maritime chokepoints. The more it is denied hydrocarbons and other raw materials, the more China will search for alternative solutions to their supply, thereby generating knowledge. Indeed, Noopolitik seems a very natural stance for the PRC, which is constantly encouraged to simply "go beyond" by its geopolitical environment.

### **A Political Aversion to *luan***

We have seen that from a political point of view China's embrace of Noopolitik is a natural move to ensure vital economic growth, in turn strengthening its social contract. Yet, an inevitable contradiction is arising from such dynamics: while political power needs creativity and innovation to promote non-linear leap and bound growth to maintain itself, its power may seem fundamentally inimical to creativity and out-of-the-box thinking. A propensity to which the Indians may seem more fit than their Eastern neighbors. Creativity comes from chaos, which China surely hates.

Sustaining the rather disorderly dynamic of unexpected, unplanned, creativity within a conservative order is one of China's major socio-economic challenges. This puts a premium on cultural diversity, which the PRC may become increasingly interested in building. Thus, while promoting cultural diversity was already a vital part of China's diplomacy, which should allow it to build more soft power comparatively to multi-ethnic India and provide it more legitimacy in extending its political reach across Indonesia, Papua-New Guinea, Latin America, and Africa, it also

## **An Optimistic Memo on the Chinese Noopolitik: 2001-2011**

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seems necessary for it to conduct a sustainable *Noopolitik*. Therefore, China's politics of innovation and creativity, and its theoretical way to deal peacefully with Xinjiang, can unite.

Constitutionally the People's Republic is based on a one-party communist system declaring *de scripto* adhesion to Marxism-Leninism. This includes the collectivization of property and the forbidding of private property, state control of the economy, and educating the people about historical and dialectic materialism. Ken Davies analyzes it as:

*What remains is the core belief of Stalinism: the conviction that society must be led by a one-party dictatorship that brooks no opposition. Hence the banning of opposition parties and Falun Gong. The alternative is luan (disorder), the most hated word in Chinese political thinking. The necessity of holding the country together by force is supported by the quotation from the first line of the Three Kingdoms: "The empire, long divided, must unite; long united, must divide", and by Sun Yat-sen's dictum that the Chinese are like a "sheet of loose sand", which Sun used to justify military tutelage as a necessary prelude to democracy.[13]*

The PRC's political governance divides power between the State (the head of which is the President, known as the Chairman), the People's Liberation Army, and the Communist Party of China which is controlled by the Politburo Standing Committee. The People's Liberation Army is charged with enforcing the decisions of the Party, themselves drafted by the Politburo. In essence, the Politburo is the supreme authority in China, but it needs the support of the Army for the enforcement of its decisions, which is notably *de jure* separate from the State, which is a trace of its protracted warfare origins.

The Chinese bureaucracy and elites mostly, but not totally, emanate from its Communist Party, which was *de facto* founded in 1920 and counts more than 78 million members as of 2010. At the local political level the closest enemy of the Party was the Chiang Kai-Shek led Kuomintang, conservative and anti-communist, which is still the ruling party of the "Republic of China" in Taiwan, though it is little threat to mainland China's political order.

Regarding the influence of private corporate interests on the PRC's political life it should be noted that lobbies are much less powerful than the central Government and Politburo. A situation that contrasts with that of Brazil, with its difficulty managing soy and agribusiness lobbies, or that of the USA with its lack of control of the Executive power over the Military-Industrial Complex, the Oil industry, and most influential lobbies of the Iron Triangle.

Although the economic reforms championed by Deng Xiaoping have rendered the PRC's state structure less socialistic, key sectors such as the agriculture, aerospace, infrastructure, and education remain under total state control. While probably impeding creativity, this stringent control nevertheless makes China particularly robust to economic warfare, which is reinforced by the result of the Ruble Crisis of 1998. It should not be understood as a consequence of the state claiming adhesion to socialism, but rather as a Realpolitik decision to maintain undisputable sovereignty over Chinese interests, a posture which defines the PRC at present.

While it seems rather intuitive that the Deng reforms are almost totally irreversible at the socio-political level, now that the Chinese have tasted globalization, emigration, university exchanges, and the like, it should be noted that the one-party system has resisted such a change, partly by sustaining an almost constant double digit growth, but that will not be sufficient. It should be remembered that the divergence between Russia and China over communism in 1989 was manifested by the repression of the Tian an Men square student protests, which mostly marked Gorbachev's decision not to resort to violence in Eastern Europe. Yet, given Gorbachev's later unpopularity in the Russian Federation, scoring less than 2% when he ran for office in the Federation's first elections, and the role the 1994-1999 Russian economic "humiliation" played in boosting Vladimir Putin's popularity, we may better understand the Chinese politburo's permanence.

The possibility foreign interests may penetrate China's governance remains the PRC's most sensitive issue, for which the state is most prone to resorting to immediate violence, for instance, felonious civil corruption is most often punished by death. Yet, the Tian an Men episode best demonstrates that economic growth is not a full-spectrum antidote to popular frustration, especially when such frustration is that of political aspirations rather than material or economic opportunities. How long can political aspirations be ignored in favor of economics in China? Such

# An Optimistic Memo on the Chinese Noopolitik: 2001-2011

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questions are key to the PRC's stakes in *Noopolitik*.

Although a study in 2009[14] by Derek Scissors, a biased study from a Chinese point of view, argued the PRC was halting market reforms, essentially impeding penetration by foreign companies and US ones in particular, it should be noted that the politburo's approach to state economic control is almost totally driven by national sovereignty and China's sensitivity, or lack thereof, to economic warfare. In spite of its almost total lack of control in the Malacca Strait, the PRC is the least economically vulnerable country in the world, and its political structure is oriented towards maintaining this stance. It would be suicidal, nevertheless, for China to fall back on a total export substitution policy out of diplomatic discontent, yet a total sheltering of its economic growth from foreign influence is surely in the Politburo's long-term plans, and a key to understanding China's geopolitical moves at both the domestic and foreign levels.

## The World's Wealthiest, Second Most Capital Attractive, State

If capital is power, China's main peculiarity is its unparalleled power of both capital attraction and deployment. In spite of its constitutional forbidding of private property, the PRC facing competition from other[15] tigers during the 1990s decided to set up a range of special economic zones which contribute to the dynamism of its exports and its ability to repatriate creative individuals. This includes the two cosmopolitan financial centers of Hong Kong and Macau, known as Special Administrative Regions. Also, Shanghai and Beijing are two of the most important soft power generating areas in the country.

Although it would surely lose its place in the highly unlikely event of a Pan-Arab unification of sovereign funds, as of 2011 China is the world's largest holder of sovereign wealth with the *State Administration of Foreign Exchange Company* (ca. USD 350 billion), *The Hong Kong Monetary Authority Investment Portfolio* (ca. 230G), the *National Social Security Fund* (ca. 147G), and the recently incepted, as of 2007, and strategic *China Africa Development Fund* (ca. 5G), a still modest but clear regional IMF competitor. The wealth in these funds is based on a diversified trade surplus of all consolidated sectors, with an emphasis on services and security trading for the HKMA and manufactured goods for the SAFE. In particular, while OPEC-related sovereign funds have been set up as buffers to the volatility of oil prices and are typically more inert, China's sovereign funds are particularly fit for quick investments in strategic geographical areas, emerging markets, and R&D. They represent its willingness not to let any prospective revolution (e.g.: digital, web 3.0, cheap air freight, blue economy, etc.) continue without Chinese investment. Moreover, China's intention of becoming a leading innovation trend-setter in the 21<sup>st</sup> century is not open to question. China is becoming the world's number one investor, and likes investing in it itself.

The PRC's economy grew impressively during both the Mao and the post-socialist periods. Ken Davies notes that *it doubled in size between 1952 and 1959, then doubled again by the time Mao died in 1976, so that it quadrupled over those 24 years. But in the following 23 years it has become more than eight times as big as in 1976.* " Its economic growth's qualitative backbone is the combination of its industrial and agricultural sectors. However, the consumer goods industry, especially in the domestic market with its emerging middle class, and service industry, especially in finance, are rapidly growing. In line with its clear political will of maintaining autonomy from foreign influence, it is possible key industrial and agricultural sectors may never be outsourced. China prefers to maintain a firm political hand on its comparative advantages.

The susceptibility of the Special Administrative Regions to money laundering has led the state to a trade-off policy regarding bank fraud, while it also ensures that China remains a premier attractor of world funds. Sooner or later, or as soon as the Renminbi, or another currency utilized by China for the sake of diversifying its economic postures, becomes a dividend rather than an export currency, it will surpass Wall Street and the City in enticing pre-laundered drug money.[16] While attracting foreign capital, including both laundered and grey ones, remains a vital strategic objective of China's financial system, an objective its diversity is fit to achieve, the Party's stringent policy of avoiding counter power has designed measures to target local and powerful organized crime. There would be a "reverse trade tariff"[17] impeding local money laundering, as a counter power to the Triads organization, while sustaining positive cash flow from foreign investments.[18]

## **An Optimistic Memo on the Chinese Noopolitik: 2001-2011**

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Since China's entry into the WTO in 2001, its economy is no longer *de jure* subsidized. It is expected, therefore, that general access to cheap credit will replace missing subsidies in fostering bottom-up entrepreneurship. The incubation of popular entrepreneurial initiatives is probably the easiest way for China to relax popular frustrations and leverage its immense demography, while also coping with its rampant rural poverty in order to stabilize its Gini index. Though, the PRC has yet to develop a cunning credit policy. The Bank of China's strategy of leveraging the initiatives of expatriates seems very promising. It reinforces the "Chinese entrepreneurial culture," increases mainland China's attractiveness, and has no other competitor than the informal economy in providing seed capital to entrepreneurs of Chinese origins. The informal economy-to-Bank of China ratio in providing seed capital to expatriates should be carefully monitored to assess the PRC's economic health and capacity to sustain *Noopolitik*.

Although China is the largest creditor nation in the world, as it owns over 25% of US Treasury Bonds, it has proven exceptionally resilient to worldwide crisis. Chinese economic growth is largely self sufficient, having a typical recovery growth but on a longer term because China is simply resuming its superpower status, comparable to that of the *Trente Glorieuses* in post WWII Europe, but is particularly sensitive to the volatility of energy prices. Its resilience is essentially ensured by one of the most conservative reserve policies in the world, with around 18.50% required for major banks in mainland China and 18.00% in Hong Kong, while smaller banks benefit from a slightly better money multiplier with a usual reserve policy of 16%. While, the *de jure* 10% in the United States, with no reserve requirements on saving accounts since 1990[19] which allows many banks to bypass the 10% restriction, can easily explain why Chinese banks have suffered little from the subprime mortgage crisis with none collapsing and none requiring bailing. The PRC's leeway in affecting its money multiplier is also among the largest in the world, although a move towards a more liberal reserve policy would also be largely irreversible and thus be a one-shot measure.

Finally, the PRC's economy is clearly infrastructure-limited: as long as Chinese territory is not fully dominated by a reliable fast transportation network one may expect steady growth, and investors have understood this well. Besides, the liquefaction of the 21<sup>st</sup> century's new sources of energy is already an extremely important part of the Chinese economy. While it missed the steam and oil revolutions, China will not miss any during the 21<sup>st</sup> century. The PRC is attempting to take a clear leadership role in the sector of innovative energies. It would not be surprising if China becomes a major actor in the so-called Blue Economy, which is a highly profitable green economy, and invests in such technologies as cheap air freight and sun-powered cargo planes, especially when Germany and Japan have come to consider the proposals of Gunther Pauli, a founder of the Blue Economy movement, with increased interest after the Fukushima earthquake. As has been noted, the novel economic interests of Japan and Germany are likely to be that of China as well, until one day the interests of China become emulated themselves. Before the PRC is a global innovation trend-setter capable of threatening Silicon Valley corporations, monitoring the Chinese *Noopolitik* should not be done without monitoring that of Japan and Germany.

### **China Cannot Live on Peace Alone**

Unlike the United States in its time, emerging China has no prospect of eliminating the lateral pressure of its politically and economically assertive regional rivals. This may be considered a blessing rather than a curse, as it gives China various incentives to achieve domestic exemplarity, as already proven in its politico-economic confrontation with Russia, and gives it relative protection from suicidal arrogance.

As noted, China is contained by Japan, Taiwan, and South Korea in the east, while facing ambivalent Russia and the terminal and highly unstable build-up of US influence in Central Asia, such as its occupation of Afghanistan and deployment in other areas like Kirghizstan and Tajikistan, to the west. The only immediate regional allies of China, besides North Korea, are Pakistan and Bangladesh, where China has set up a key harbor in its "Pearl necklace" navy security system. While the Islamabad-Beijing axis has remained vigorous, numerous unresolved border conflicts are still poisoning China's regional diplomatic relations with India, Russia, Taiwan, Japan, and to a lesser extent even with Pakistan. Pakistan being a notorious source of two of the SCO's three evils, radicalism and terrorism, and in the context of Afghanistan's capacity as the world's top heroin producer, China knows the Muslim minorities in its autonomous region of Xinjiang, where the Tarim oil field lies which may account for about 30% of its national oil resources, could lead to the extremely daunting prospect of separatism as has been suggested by the Urumqi unrests of July 2009. With the relative, yet cautious, US support of the exiled Tibetan government it also



## **An Optimistic Memo on the Chinese Noopolitik: 2001-2011**

Written by Idriss J. Aberkane

comes as no surprise that *de media* (but not *de facto*) Uyghur leader Rebiya Kadeer also enjoys US diplomatic backing.

In this context, China knows that developing transportation infrastructure while diversifying its dependence on energies, including the development of photovoltaic and wind turbine technologies, but also much more innovative Chinese researched technologies, would kill two birds with one stone. Aggravated by the Soviet system induced income and opportunity inequality between workers of the industrial and agricultural sectors, China's coping with its social and ethnic issues will always centrally rely on sustained economic growth. This growth panacea policy is not going to be interrupted.

The emergence of a populous middle class and its subsequent boost to domestic consumption will also cause major environmental issues, even though the PRC's Constitution clearly states the objective of protecting the national environment, which is already being anticipated by China's interest in arcologies and the Blue Economy. New forms of contribution to the GDP, such as consumption, would also lead to rising inflation rates which would challenge China's ability to be the world's workshop in the coming decades. The PRC has started to outsource low added value productions to neighboring South-East Asia in a process that may be reminiscent of the US sponsored Maquiladoras in Mexico. The emergence of a middle class will also pose the problem of how to adjust interest rates, which should be expected to be kept at a low level to allow for a cheap Renminbi during the transition of incomes while the building of an expensive national currency is being done. Having a strong currency is clearly in China's long-term interest, especially with the global impact a significant rise in the purchasing power of 1.3 billion Chinese will entail.

Transportation and energy are the main economic bottlenecks of Chinese growth, and their enlargement should also ease the other related issues of separatism, rural poverty, and welfare. This is the well-known result of China's growth panacea policy. Notably, although it is extremely dependent upon fossil fuels, and while it is endowed with the power of the world's most sovereign wealth, China has had no major oil company. The now blue-chip China National Petroleum Corporation, which was incorporated in 1988, has not yet been one of the Financial Times' so-called "New Seven Sisters."<sup>[20]</sup> Such phrasing is nevertheless misleading as China has had an insignificant influence over the geopolitics of Big Oil in the pre 1979 era, and neither is the New Seven Sister group a cohesive cartel nor has it the prospect of achieving the geopolitical influence and coercive power of its predecessors, in a century which will clearly be "beyond petroleum." In the oil technology adoption bell curve China is still attempting to secure a significant position among the "late majority" and "laggards" tiers. In the 20<sup>th</sup> century attempting to keep a handle on coal was only somewhat politically effective, though in the 21<sup>st</sup> century, laggard oil investors may be more powerful than their 20<sup>th</sup> century coal counterparts.

While the PRC was compliant to the US geopolitical agenda during the 2000s, it has narrowed its geopolitical assertiveness to vital strategic interests only, which include the Ormuz and Malacca straits, while building up economic power. This strategy seems to have born two fruit; the first is the PRC's unequivocal political control of its Military-Industrial Complex, which strengthens its domestic exemplarity. The second, as emphasized by the world economic crisis of 2007-2010, is China's distinctive economic resilience among its G20 peers. Though, this has a price: the geopolitical containment of China has proceeded throughout all of the 2000s, and the Xinjiang issue is far from solved as it is now susceptible to the daunting emergence of exotic radical Wahabi, contemporary Salafism, and Deobandi Islam. Domestically, China is still accumulating a volatile popular political frustration which it should be proactive in addressing, lest it leave a gap in the policy of flawless, full spectrum sovereignty it is trying to enforce. In a globalized world, popular frustration at home may become an easy target for foreign influence; such is China's main weak point. Thus, while the PRC is making immense efforts to preserve its vital regional peace amid incredibly volatile lateral pressure (with Russia, India, Central Asia, the Sea of China, and the Korean peninsula), its main concern is keeping its domestic popular frustration under a critical volatility threshold.

### **China's Basic Economic Policy Since 2001**

The PRC's modern economic policy is conditioned by two main objectives: ensuring total independence from foreign influence and coercive leverage, and maintaining legitimacy domestically. These objectives clarify Chinese strategy. Both are vital, which explains the Party's pragmatism in achieving them by transcending ideologies as often as

## **An Optimistic Memo on the Chinese Noopolitik: 2001-2011**

Written by Idriss J. Aberkane

necessary. As these objectives were at the center of China's policy at the beginning of the 21<sup>st</sup> century, their achievement has let China focus its efforts on the knowledge economy and its contingent development of soft power. While analyzing the PRC's interest in Noopolitik, it is possible to see its investment in the knowledge economy as a simple, natural, continuation of its growth panacea policy.

At the strategic level, Chinese policy's single objective remains the achieving and sustaining of as much independence from foreign influence as possible, and the avoidance of any kind of economic subordination, even in minor sectors. Accordingly, in a prowess which has seldom been recognized as such in the West, China has maintained growth between 5% and 14% across the 1987 Crisis, the collapse of the Soviet Union, the Ruble Crisis, the collapse of the Tiger economies, and since 2001, the bursting of both the internet and biotechnology bubbles, the vast subprime mortgage crisis, and the subsequent run on raw materials.

Unlike Russia and Argentina, the PRC has not been affected by foreign economic warfare since at least 1978. Although it has been a Third World country and in spite of its vast natural wealth, never has China subordinated itself to the IMF, much unlike Brazil, for example. China is absolutely determined to maintain this independence. Most of its macroeconomic posture, including its peculiarly of being the number one holder of consolidated sovereign capital, and securing total state control over key industries is very easily explained by this perspective. Indeed, China has made clear its willingness to challenge the IMF head-on, illustrated by its alternative bailout offer to the Greek and Spanish governments. It holds so much US debt, the PRC finds itself in a position unprecedented since the Bretton Woods agreements, of being able to channel any aggressive NAFTA-zone-lead currency or debt short selling back to its instigator. With Japan, it is in that respect a two-pole economic magnet, a capacity it may use in a variety of economic warfare scenarios. Contrary to Japan, China enjoys much more independence when using its vast sovereign wealth and recession-proof positive trade balance for the continuation of political intercourse. China's 2010 rare earth embargo[21] is just one example of this. Thus, contrary to the widely held misconception that holding US debt is useless to China, notably because there is no market to aggressively dump it, the PRC's economic policy has simply used it to become the second IMF.

At the domestic level, the Communist Party is resolved to maintain its legitimacy with respect to the people that not too long ago experienced the most devastating famines of the 20<sup>th</sup> century. This legitimacy lies with the ability of authorities to offer and convey the prospect of a brighter future. Such ability, in turn, fundamentally depends on growth, but also induces a concern for further health care, education, a certain access to opportunities, and general satisfaction, all backed by an observable growth of China's Human Development. Amidst that set of concerns, the possibility that popular political aspirations could challenge the Communist Party's monopoly is the major elephant in the room.

Thus, strengthening the social contract while avoiding foreign influence, of any sort, defines the PRC's economic policy from macro to micro, foreign to domestic. In regard to China's peculiar foreign trade policy in comparison to that of major Western Powers, as of 2000 Ken Davies observed:

Does that mean that once China has gained accession to the WTO it will throw open its doors completely and become a beacon of free trade and free capital movement like Hong Kong? Nobody expects that. No major economy of China's size has developed under such conditions. Britain espoused free trade in Victorian times, but once competitors emerged in North America and Europe it quickly scuttled behind the fence of imperial (later Commonwealth) preference and "fair trade". The Americans preached economic liberty but protected their industries. European countries like Germany, France and Austria-Hungary invented their own economic doctrines justifying protectionism. Japan is a founder member of the WTO and a long-standing GATT member before that, but has become adept at devising non-tariff barriers to keep out unwelcome imports. Another old GATT member, India, until recently maintained a blanket prohibition on the import of consumer goods. So it would be unreasonable to expect China not to take refuge in non-tariff barriers and in economically respectable arguments for protecting infant industries after it joins the WTO.

While it may not seem credible for the worlds' number one exporter to erect a complex trade barrier system, it is easily understood in the context of ensuring the development of its own high-tech know-how. China wants to protect

## **An Optimistic Memo on the Chinese Noopolitik: 2001-2011**

Written by Idriss J. Aberkane

its emerging industries of high added value while increasing its attractiveness to educated individuals worldwide. In its strategy to protect infant industries, we cannot analyze China's actions without analyzing those of Japan, the USA, and Germany as well. The PRC is also particularly suspicious of foreign biotechnologies in its agriculture and healthcare sectors (try asking a top Monsanto or GSK executive about that), as was demonstrated by the nigh impossible penetration of foreign pharmaceutical companies during the SARS epidemics of 2002.

Domestically, infrastructure and transportation form the backbone of Chinese capability building policy at the macro level, with an emphasis on the improvement of education and the almost totally absent healthcare system at the social level. Serving the other grand objective of China overseas, this strategy is paralleled by an all-out search for raw materials and resources including oil and metals.

Monetarily, Chinese policy notoriously maintains the Renminbi at artificially low parity with the US dollar, thus boosting exports. Yet, it has been seldom noted for comparison, that the beginning of the US campaign in Iraq and the subsequent halt in the publication of the USD M3 index triggered China's decision to rapidly diversify its monetary assets, especially towards the euro zone, which has rendered it too big to fail, and forced it to intervene in the sovereign debt crisis of 2010. With an overestimated dollar and an underestimated Yuan, and the Federal Reserve having to maintain low interest rates lest the US recovery shatter, and while cheap dollars become less attractive as dividend payments for foreign investors, the Chinese monetary system became much more attractive between 2001 and 2011. Also, China's position as an alternative IMF encourages other BRICs to become more involved in what could become the "new deal Bretton Woods Institutions." In international relations one should never forget that nation-states are cognitive, complex learning systems, and that any action between them, especially those that clearly convey intentions, will lead them to adapt and become stronger.

As of November 2010 the PRC's Consumer Price Index (CPI) was roughly 5.1% overall[22] and unemployment figures may be around 5%, although the informal economy and the difficult penetration of a census in certain provinces makes these two figures unreliable. *The Economist* has also claimed that Total Factor productivity had grown 4% annually since 1990.

While inequalities and the healthcare gap have steadily increased during the 1990s, the Gini coefficient increased along with out-of-pocket individual contribution to healthcare spending, the 2000 decade was that of a clear-cut state policy for the improvement of social welfare marked by the reversal of these two trends. Such a move is easily understood given the state's fundamental interest in neutralizing social volatility.

In reaction to both the subprime mortgage crisis and the 2008 earthquakes, China issued an economic stimulus plan of approximately RMB 4 trillion between 2008 and 2009. Since the PRC has never applied the "too big to fail" doctrine to its own banking system, such a stimulus package has availed the Chinese economy with a tremendous Keynesian demand multiplier, much unlike the Paulson plan and the two Quantitative Easing plans in the US. Consistent with the government's policy for the 2000s, this stimulus package essentially targeted welfare and transportation, as controlling its territory is China's main goal, and is part of its grand domestic exemplarity policy within "China's peaceful rise" and the growth panacea doctrine.

Consequently, China is facing a moderate current liquidity, minus GDP gap, with a low deflationary risk. The price of consumer goods is steadily increasing in spite of a slight 0.7% deflation rate as of 2008, according to the CIA factbook. Its banking policy has consisted of carefully maintaining a good Renminbi payoff to entice investors, while ensuring cheap credit to stimulate bottom-up entrepreneurship, which is essentially made sustainable by China's large Forex and gold reserves. All this has translated to a central bank discount rate of 2.79% as of 2008 and 2009.

As of December 2010 the National Bureau of Statistics declared a positive growth in five of China's macroeconomic indicators: industrial production, urban investments in fixed assets, total retail sales of consumer goods, consumer prices, and producer prices for manufactured goods.

Has China's economic policy secured its two main objectives? Its government independence from foreign corporations, illustrated in the recent frictions with Google, and NGOs (see China's rejection of the Copenhagen

## **An Optimistic Memo on the Chinese Noopolitik: 2001-2011**

Written by Idriss J. Aberkane

Summit) has been clearly reasserted. Through the decade the PRC also secured the highest volume of consolidated sovereign funds. Its debt to foreign exchange ratio has also consistently built up confidence in its currency, which it is paying for an increasing proportion of its raw material imports with. At the social level, it is clear that both the PRC's *de media* and *de facto* interest in education, welfare, and infrastructure will likely strengthen the social contract with its population. In terms of soft power, China's hosting of both the Summer Olympic Games in 2008 and the Shanghai World Fair in 2010 under the explicit topic of "Better Cities – Better Life" has contributed to its prestige. All of that, in spite of its diplomatic anger that the Nobel Peace Prize was awarded to Barack Obama in 2009 and Liu Xiaobo in 2010, in the context of Xinjiang's vulnerability to radicalism.

### **Knowledge is Power: From Growth Panacea to Knowledge Panacea**

In its long cyclic and diverse History the Chinese civilization has always maintained a flow of innovation. The PRC's Noopolitik is no novelty. The waxing and waning of China's various golden ages contributed paper, negative numbers, the seismometer, gunpowder, the hand grenade, land and naval mines, self-propelled missiles (including the multistage rocket), cast iron shells, the co-fusion steel process, deficiency disease, sexual endocrinal and diabetes medicine, benign inoculation therapies for smallpox, movable type printing, the crossbow and chain drive, the compass, armored warship, original administrative models (including civil service examinations), currency policies, and lastly , military tactics. Paper currency was first invented in China. It is not surprising that, as Adam Segal noted, the PRC's industry is moving from *Made in China* to "innovated in China," and is resuming yesteryears status. In the context of a rising cost of labor, energy, and raw materials, the PRC expects to both reduce the proportion of manufactured goods in its exports and to take a strong position in the knowledge economy, along with Japan, Germany, Taiwan, South Korea,[23] India, and the USA. No doubt there is a cognitive dissonance between China's self image and that of the West: China has never been a backwards country, and has never seen itself as such. It is little known, but China may have conducted the first non secret cloning experiment, by cloning a fish in 1965. It has deployed Anti-Ship ballistic missiles with the goal of resuming leadership in naval warfare technology. The Tianhe-1A was the world's fastest non secret supercomputer as of 2010, and China's Maglev expertise helped it develop the first wind Maglev turbine generator, and it would not be surprising if the PRC conducted a submarine Maglev line project within the next 30 years.

Emphasizing China's deeply-rooted desire for technological independence, Segal[24] refers to the PRC's efforts as an "Innovation Wall," which is the willingness to innovate as independently as possible from the rest of the world to simply and systematically leap ahead of any other country. Needless to say, the scope of the rising fog of war in world economic and R&D competition is particularly daunting for the Euro-Atlantic community. The Chinese phrase for national innovation *zizhu chuangxin* was notably coined in a 2006 state report titled "Guidelines on National Medium- and Long-Term Program for Science and Technology Development." If China decides to foster an innovation of its own, and the ideas were published in Mandarin language journals it would provide a barrier against other linguistic communities, and a thicker fog of war might rise in knowledge-based economic warfare. It should be noted that the advent of such a trend, where the rest of the world might start copying Chinese-innovated products, might happen before 2021. The success of the PRC's Noopolitik is best illustrated by the country's high capacity for aggressive knowledge management, and its ability to achieve by innovating faster than any other, is even higher.

In conformity with the PRC's bottom-up and top-down approaches to economic stimulus, the state's program for science and technology includes about 20 state-sponsored mega-projects along with an emerging model for a Silicon Valley-like technopolis, centered on university-industry collaboration to assist small start-ups, and to make available venture capital, Segal reports. Segal also notes that the 2006 "Guidelines..." report strongly recommends not buying any foreign "core technologies in key fields that affect the lifeblood of the national economy and national security," such as *next-generation Internet technologies; high-end, numerically controlled machine tools; and high-resolution earth observation systems.* Yet, there is one fundamental dimension that should not be overlooked in regards to the "making" of the Silicon Valley-like technopolis: fraternity and creativity, these two vital elements cannot be enacted or enforced from top to bottom. Thus, if China wants to have its own Silicon Valley it will have to accept the challenge of letting fraternity and creativity emerge, which in spite of all its domestic power it absolutely cannot make happen merely by top-down state will. Whether something comparable to Silicon Valley will manage to blossom in China or not, and India enjoys a certain competitive edge in that sense, it will be a symptom of the PRC's ability to foster

# An Optimistic Memo on the Chinese Noopolitik: 2001-2011

Written by Idriss J. Aberkane

confidence and alternative thinking, which its renowned hacker culture already seems to prove possible. China's creative identity is quite profound.

In a study, George Gilboy[25] (2004) claimed that China's development of a knowledge economy would be impeded by its stringent bureaucracy, but this seems not be the case so far. The OECD[26] estimates that in 2006 China's Gross Domestic Expenditure in R&D (GERD) was USD 73,5 billions in PPP, the third largest after that of the US and Japan. The same report notes that *"the R&D intensity – the ratio of GERD to gross domestic product (GDP) – of China's economy has increased spectacularly"*, reaching *"1.43% of GDP in 2006, up from 0.6% in 1995"*. *"Foreign-owned companies (including joint ventures and wholly owned), including those controlled from Hong Kong and Macao, China, and Chinese Taipei, account for an ever-growing share of total high-technology exports, which have increased from 73% in 1998 to 88% in 2005. These trends continued in 2006."*

Although it has become extremely prominent since its accession to the WTO, self-reliant innovation has always been a concern for scientifically-advanced China. In the modern era of the PRC starting with the cold war, the need was great to develop high-end military technologies such as A and H bombs, a strong industrial capacity, and a productive national agricultural system after the great famines of the Cultural Revolution, hence China's very clear position on foreign biotechnology and pharmaceuticals. Today, civil and entrepreneurial innovation is a must have and has arisen quite spontaneously in the context of China's growing unprecedented power of global attraction, especially at its more cosmopolitan special administrative regions and special economic zones. Yet, in spite of an increasing number of flag projects, quality manufacturing standards, and mainstream industrial production, it still remains at a relatively low level,[27] especially in reputation. It should be noted that when China became a massive exporter in the video game industry, energy delivery, and in civil transportation, it bridged the quality gap in the manner Japan did across the 1970s and 1980s. The PRC's Maglev technology, not imported, is already surpassing the Japanese and German technology. China's military-industrial capacity has standards of quality that are equal to that of the US, Japan, and Europe. Coming from the AK-74 inspired type 87 assault rifle, to the Norinco and Jianshe Corp manufactured Bullpup QBZ-95 model, China has left little doubt, as early as the 1990s, as to the long-term aims of its industrial quality standards.

In 2004, Brzezinski[28] underlined that the success of the American *Revolution in Military Affairs* (where the term "noopolitik" was initially coined) *"has spurred China to pursue its own "RMA with Chinese characteristics" – described as "people's war under high-tech conditions."* The notion of non linear R&D competition is made very clear in the title of a study by Kung Shuang-Yin *"Achieving development by Leaps and Bounds in national Defense"*[29] (translated). In January 2011 the Washington Post also quoted a "Chinese analyst" (sic): *"Instead of competing to build ships and tanks, (...) China will focus on the weapons that can cripple them."*[30] The development of the People's Liberation Army Air Force fifth generation stealth aircraft, Chengdu J-20, already considered superior to the USAF F-22 Raptor, and the implementation of the costly Shenzhou space programs testify to the PRC's adoption of non-linear R&D. It is probably China's wish to struggle for preeminence in the Pacific, and its investment in cheap air freight best demonstrates its interest in surpassing linear competition.

The Euro-Atlantic community has tended to underestimate China's propensity for innovation. While Chinese Universities barely break the top 100 in international rankings, the trend is leaning toward China outranking Continental Europe, and France in particular. Moreover, the very idea of quantitative academic ranking is increasingly held to be fallacious. The Asia Times[31] has claimed that *"by the end of 2007, China had awarded 240,000 doctorate degrees"* and that *"by 2008, it had already surpassed the US as the world's top producer of PhD holders."* Though, such quantitative achievement is no substitute for qualitative excellence. Besides the *de facto* technopolis phenomenon arising in Hong Kong and Macau, China's two main historical technopolises are Zhongguancun around Beijing, created in 1988, and Zhangjiang around Shanghai, created in 1992. With China's cosmopolitan and highly educated diaspora, it is no surprise that as of 2010, five of the top twenty most visited websites in the world are indexed in Mandarin. They include PRC-born behemoths such as Baidu.com, Taobao.com, and Sina.com.cn, and video sharing Tudou.com, which has gained users in both North America and Europe.

Tightly controlled by the Party's institutions, among which are the Ministries of Education and Science & Technology, the Academy of Sciences, and the Foundation for Natural Sciences, the PRC's Noopolitik is paralleling its basic

## **An Optimistic Memo on the Chinese Noopolitik: 2001-2011**

Written by Idriss J. Aberkane

economic policy, giving priority to infrastructure, energy, transportation, and the dotcom economy.

Finally, the PRC's concern for energy issues, itself paralleled by the US Noopolitik regarding energy, epitomized by the post peak-oil appointment of Prof. Steven Chu to the Obama Administration in January 2009, has led it to an interest in sustainable development and arcologies, of which China is becoming, if it is not already, a world leader.[32] While such expertise is endowing the PRC with a power of attraction among the world's youth, it is also making China the most dynamic of the large territory countries in the BRIC + Canada & Australia club.

Paradoxically a fast-learner, not only is the communist PRC ready to seize any upcoming industrial, high-tech, or diplomatic revolution, but it is also becoming a major world contributor of such revolutions, as it demonstrates both its growingly assertive autonomy and leadership role in global R&D. Further, it may not be more than a decade before the Euro-Atlantic community manufactures and copies Chinese products, architecture, and systems.

Another observable Chinese paradox is that the PRC sustains a high rate of innovation amidst a non democratic environment. Maintaining "Leap and Bound" creativity could be an efficient way for China to neutralize popular frustration. What must be acknowledged is that the PRC has moved from a "growth panacea" policy, to a policy of "knowledge panacea." This best sums up its Noopolitik.

[1] China was actually the first known user of coke as fuel in History, which it initiated as early as the 11<sup>th</sup> century AD.

[2] Richard Francis Burton *The Kasidah of Haji Abdu el Yezidi* London: The Octagon Press 2004 p. 100

[3] See for example Brzezinski, Z. *The Grand Chessboard* NYC: Basic Boks 1998 p. 17

[4] Brzezinski, Z. (1997) *The Grand Chessboard: American primacy and its geostrategic imperatives* . Basic Books p. 14

[5] Ken Davies, "China's International Economic Policy", Lecture delivered to the University of Hong Kong on 19 October 2000.

[6] Brzezinski, Z. (2004) *The Choice: Global Domination or Global Leadership* Basic Books. p 158.

[7] Donnelly *et al.* (others not cited) *Rebuilding America's Defenses: Strategy, Forces and Resources For a New Century* A Report of the Project for the New American Century September 2000 See also Greg MastelA *U.S. Taiwan Free Trade Agreement* October 9, 2003

[8] A term which may not be confused with the revolutions of the Arab Spring.

[9] in technology as much as in military, political and strategic doctrine, full spectrum innovation that is

[10] Which would therefore play a decisive role in preventing the PRC from doing so would the opportunity arise.

[11] *ie.* separatism, terrorism and religious radicalism.

[12] Zbigniew Brzezinski, Brent Scowcroft, David Ignatius *America and the World* NYC : Basic Books 2008 p. 183

[13] Ken Davies, *ibid.*

[14] Scissors, D. *Deng Undone: the cost of halting market reforms in China.* Foreign Affairs May/June 2009.

[15] Hong Kong, a tiger itself, could also be seen as the PRC's competitive edge with the others.

## **An Optimistic Memo on the Chinese Noopolitik: 2001-2011**

Written by Idriss J. Aberkane

- [16] See Ruppert, M.C., 2004. *Crossing the Rubicon: the decline of the American empire at the end of the age of oil*, New Society Publishers.
- [17] Yang S *Money Laundering in China: A Policy Analysis* Journal of Contemporary Criminal Justice November 2002 vol. 18 no. 4 370-380
- [18] Wing Lo T. *Beyond Social Capital: Triad Organized Crime in Hong Kong and China* British Journal of Criminology September 1, 2010 50: 851-872
- [19] Bennett P. and Peristiani S. *Are Reserve Requirements Still Binding?* Recapping an article from the May 2002 issue of the Economic Policy Review, Volume 8, Number 1
- [20] Carola Hoyos, *The new Seven Sisters: oil and gas giants dwarf western rivals*, Financial Times. 11 March 2007
- [21] Keith Bradsher – *After China's Rare Earth Embargo, a New Calculus* the New York Times Oct. 29<sup>th</sup> 2010.
- [22] Bloomberg data
- [23] Note that South Korea has already appointed a full “Ministry of the Economy of Knowledge”.
- [24] Segal, A. (2010) *China's Innovation Wall : Beijing's Push for Homegrown technology* . Foreign Affairs Sept 28 2010.
- [25] Gilboy, G. *The Myth Behind China's Economic Miracle* Foreign Affairs Jul/Aug 2004.
- [26] OECD *Reviews of Innovation Policy: China* Sept 2008 ISBN 978-92-64-03981-0
- [27] Guo Ke-sha. *The Strategic Adjustment of China's Industry Structure in the Next Five Years* Institute of Industrial Economics, Chinese Academy of Social Sciences 2006.
- [28] Brzezinski, Z. *The Choice: Global domination or Global Leadership* Basic Books 2004 p 38 footnote #3.
- [29] Kung Shuang-Yin “*Achieving development by leaps and Bounds in national Defense*” Ta Kung Pao May 31, 2003 (translated)
- [30] David Ignatius. *The Future of Warfare* The Washington Post Jan. 2<sup>nd</sup> 2011.
- [31] Stephen Wong *In China, an easy route to academic glory* The Asia Times 25 Nov 2009
- [32] Callebaut, V. *Archibiotics* (Monograph, hardcover 304p) ISBN : 9787560944661 Beijing: 2008

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