



Title	A comparative analysis of China-UK relations under Hu Jintao and Xi Jinping
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POL16031 Capstone Project

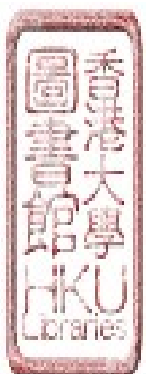
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A comparative analysis of China-U.K relations under Hu Jintao and Xi Jinping

Abstract:

In October 2015, President Xi Jinping's state visit to the U.K, coupled with strengthened trade ties and diplomatic relations, has led observers to say that the U.K. is "China's best western friend."¹ This is a departure from traditional great power relations, which has seen the U.K. and U.S. ally to promote and protect Western interests and philosophy in the international system such as a commitment to human rights, and which sees China as a rising threat. This new trend gives rise to this capstone project's two research questions: (1) "Have China-U.K relations during Xi Jinping's era strengthened, compared to Hu Jintao's era?" And (2) Who is driving the change for a stronger relationship? In order to understand whether China-U.K relations have strengthened, this research project conducts a comparative analysis of China-U.K relations during Hu Jintao and Xi Jinping's era. In combination, this research project utilizes Putnam's Two-level Game Theory to see who and what factors are driving the change for a stronger relationship. This research project compares five different aspects of China-U.K relations; diplomatic relations, trade and economic investment, energy sector cooperation, and security relations.

¹ <http://thediplomat.com/2015/10/xis-visit-to-kick-off-a-golden-age-of-china-uk-relations/>

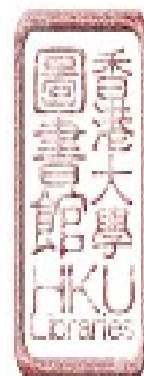


Introduction

In October 2015, President Xi Jinping's state visit to the U.K, coupled with strengthened trade ties and diplomatic relations, has led observers to say that the U.K. is "China's best western friend."² This is a departure from traditional great power relations, which has seen the U.K. and U.S. ally to promote and protect Western interests and philosophy in the international system such as a commitment to human rights, and which sees China as a rising threat. The strengthening and warming of China-U.K. relations will have major implications for great power relations in the international system. Closer China-U.K relations will provide China with more leverage and influence, and decrease U.S. leverage. Equally as important as the question of whether China-U.K. relations has strengthened, is the question of what factors are motivating the stronger relationship. To gain insight into these issues, this research project puts forward two research questions, (1) "Have China-U.K relations during Xi Jinping's era strengthened, compared to Hu Jintao's era?" (2) Who is driving the change for a stronger relationship?

In order to understand whether China-U.K relations have strengthened, this research project conducts a comparative analysis of China-U.K relations during Hu Jintao and Xi Jinping's era. This project has chosen to use the Chinese political leadership of Hu and Xi as a framework for analysis because Chinese leadership is characterized by distinct styles of governance, policy concepts, and most importantly, economic power as China has developed over time. For example, Hu's leadership was considered the fourth generation, and consisted of academically trained engineers, which led to a new, technocratic style of governance, and more pragmatic policies that saw China 'going out' into the international community in order to secure trade opportunities. In comparison, Xi is considered the fifth generation, and is characterized by the dominance of finance, management, and entrepreneurial figures in policy-making. Xi benefited from a stronger economy thanks to Hu's policies, and engaged in bolder, more assertive policies. These two leaderships span 14 years to 2016 (the year this research project is conducted), therefore allowing a significant but focused period of

² <http://thediplomat.com/2015/10/xis-visit-to-kick-off-a-golden-age-of-china-uk-relations/>



time to conduct research and comparative analysis on changes in China-UK relations.

In combination, this research project utilizes Putnam's Two-level Game Theory to see who and what factors are driving the change for a stronger relationship. Putnam's two-level game theory proposes states (national policy makers in government) are influenced by two different levels of actors: international level actors and domestic level actors. International level actors include other states and international organizations; domestic level actors include divisions within government, political lobby groups such as unions, and domestic voters. These two levels may have aligned or rival interests, but the state is influenced by both levels when making decisions. Putnam's two level game analysis is useful because it helps explain how changes in international relations (in this case, bilateral relations,) are the result of the interaction of different levels of actors, who have fluid and changing preferences and actions. This provides a more holistic analysis, and breaks the assumption that the state is a black box with set interests that are exempt from change and influence, or that international level actors and domestic level actors act in isolation.

This research project compares five different aspects of China-U.K relations:

- Diplomatic relations
- Trade and economic investment
- Energy sector cooperation
- Security Relations

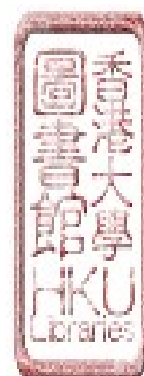
These four aspects have been selected because they cover key topics in economic, security, and political dimensions of China-UK relations. This allows the project's analysis to have breadth and coverage of all three key dimensions of international relations, and depth for a detailed understanding of critical areas of relations.

Diplomatic and security relations are also a critical area of bilateral relations, as they show the goodwill, dialogue, and cooperation (or lack of), that states have with one another. Trade and investment are critical as they are a key driving force for bilateral cooperation and show whether states are willing to be interdependent on one another,



or whether states are distrustful and have protectionist policies. Energy sector cooperation is a critical area of cooperation as it demonstrates high levels of trust; energy is vital for a state's economy and security. For example, compromises to power supplies that cut off power to air traffic control facilities could cause planes to crash, and loss of lives. For one state to give another state the consent to build or invest in energy is a big indication of trust.

This capstone project hypothesizes that China-U.K relations during Xi Jinping's era have strengthened, compared to Hu Jintao's era. China is the driving force behind the strengthening. Hu's efforts for China to be more proactive and 'go out' into the international community in order to secure its economic interests, and taking on a more active role participating in regional and world affairs contributed much to closer relations with the UK. The success of Hu's policies have grown China into the largest economy in the world, and with greater economic power, under Xi China has become more bold and assertive in the international community and is now taking its first leadership role as the founder of the Asian Infrastructure Investment Bank (AIIB). In response to China's growth and active participation in the international community, the UK has sought to maximize the opportunities China provides. But without China's efforts and economic power, the UK is unlikely to have such a strong relationship with China. This project is structured into four distinct parts. Part one looks at diplomatic relations, part two looks at trade and economic investment, part three looks at energy sector cooperation, and part four looks at security relations.

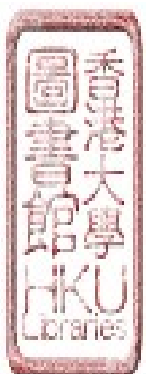


Diplomatic Relations

Introducing the context and literature around the Dalai Lama effect

Diplomacy in international relations is critically important for states to secure their interests. Diplomacy can contribute to economic trade and development, for example to sell a country's commercial and cultural exports. It can be used to integrate a country into a global or regional grouping in order to achieve strategic foreign policy goals, for example to persuade ASEAN to accept a new member country, and from a neoliberal perspective, promote greater regional stability, security, and economic prosperity. It can be used to restore legitimacy and reputation in times of a downturn in foreign perceptions, for example after World War II Germany used diplomacy to gain acceptance and approval from other Western democracies and improve its standing and position. It is valuable to analyze diplomatic relations because as the international system has become more globalized and interdependent, diplomacy has become increasingly important as states are now more geopolitically intertwined on economic, political and security issues.

In addition, it is valuable to analyze diplomatic relations because diplomacy provides the strategic advantage of allowing states to secure their interests without the use of violence and war. Diplomacy can persuade and attract other states to change their behavior without the heavy financial, political and social costs of weapons and soldiers that is required by war, and has limited consequences if it fails. Without informed, consistent and strategic diplomacy, states may compromise and undermine their interests. It follows that as a result, understanding a state's public diplomatic

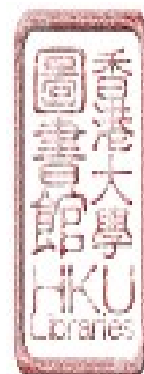


relations is informative and reveals how the state views the world, and how they view themselves in the world. A state's diplomatic relations reveals whether they are willing to trust and cooperate with other states, whether they sit on the fence and are open to compromise with other states, or if they are distrusting, aggressive, and view the world as a zero-sum game.

Since the Hu Jintao era, a new diplomatic tool has emerged and become increasingly common, pertinent and relevant in China's relations with other countries: the Dalai Lama Effect. When states officially receive the Dalai Lama, the leader of the Tibetan community, this prompts the 'Dalai Lama Effect' from China, where China expresses its opposition by reducing trade (i.e. trade sanctions and non-tariff barriers) and cancelling political visits and meetings to (and from) other countries. The Dalai Lama effect was coined by Andreas Fuch and Nils-Hendrik Klann (2010), whom conducted a study to see if states whom receive and host the Dalai Lama systematically experienced bilateral diplomatic tensions in the form of trade and cancelled meetings with China. Fuch and Klann (2010) showed that when a state's head of government met the Dalai Lama, their exports to China were reduced by 8.1 or 16.9 percent on average (depending on the estimation technique used).³ Previous research has shown that bilateral diplomacy plays an important role in trade relationships, for example Rose 2007 showed that the size of a state's diplomatic service is positively correlated with its exports, with each additional consulate increasing exports from six to ten percent.⁴ Similarly, Nitsch 2007 showed that state and official visits increases trade,

³ Andreas Fuchs and Nils-Hendrik Klann, "Paying a Visit: The Dalai Lama Effect on International Trade," Discussion Paper no. 113 for the Center for European, Governance, and Economic Development Research (October 2010), page 4

⁴ Fuchs and Klann, "Paying a Visit," 6



where one visit increases exports between eight to ten percent.⁵

The Dalai Lama is a flashpoint because he is equated to the issue of autonomy for Tibet. The Dalai Lama is the leader of the Tibetan community, and advocates for political and religious autonomy for Tibet. The Tibet narrative maintains that “Tibet has always been independent, and Sino-Tibetan relations have been nothing more than a form of patron-priest relations, with little or no implication of country to country or state-to-state relations.”⁶ The Dalai Lama has also emphasized, “Tibet and China existed as separate countries. However, as a result of misrepresentations of Tibet’s unique relations with the Manchu Emperors, disputes arose between Tibet and the present Chinese Government.”⁷ In contrast, since 1951 China has asserted governing authority over the Tibet, based on historical claims that Tibet has long been a part of Imperial China.⁸ These two conflicting narratives have produced tensions about Tibet’s status. The Chinese leadership views the Dalai Lama as a threat to its cultural, religious, territorial and political authority in China and as an internal affair, thus rejects outside interference.⁹

In contrast, in the international community states such as the UK, US, France, and Norway view the Dalai Lama is a human rights issue and have regularly hosted and shown support for the Dalai Lama. Aside from Fuch and Klann’s (2010) research, there is abundant anecdotal empirical evidence of the Dalai Lama effect. For example, in 2007 the US Congress presented the Congressional Gold Medal (the highest

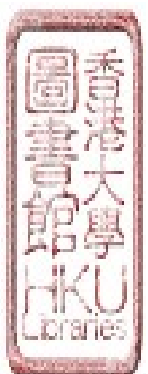
⁵ Ibid.

⁶ Ibid., 4

⁷ Andy Zhang, Hu Jintao: Facing China’s Challenges Ahead (Lincoln: Writers Club Press, 2002), page 46

⁸ Dawa Norbu, China’s Tibet Policy (Surrey: Curzon Press, 2001), page 2

⁹ Fuchs and Klann, “Paying a Visit,” 2



civilian honor) to the Dalai Lama. US President George Bush and the US Congress stood to ovation and praised the Dalai Lama as a “hero of the Tibetan struggle.”¹⁰ To compound matters in the eyes of China, during the ceremony President Bush sat next to Dalai Lama and called on China to accept the Dalai Lama, stating that religious diversity is a “source of strength” “that is why I will continue to urge the leaders of China to welcome the Dalai Lama to China.”¹¹ In response, China pulled out of, and forced the postponing of a multilateral meeting in Germany to discuss Iran’s nuclear program.¹² The meeting was a high-level meeting composed of the five permanent members of the United Nations (UN) Security Council – the US, China, UK, France, Russia – and host Germany, to discuss the UN’s new resolution and sanctions against Iran.¹³ An official for the meeting acknowledged the diplomatic tensions, “they (China) had indigestion over the presence of certain spiritual leaders in the US.”¹⁴ In 2008 French President and President of the EU at the time, Nicolas Sarkozy met with the Dalai Lama. Subsequently, China cancelled the 11th annual EU-China summit at short notice and postponed a billion-euro deal to purchase 150 passenger planes from Airbus.¹⁵ Chinese Foreign Minister Qing Gang stated, “we resolutely oppose the Dali’s separatist activities in any countries in whatever capacity, and contact with foreign leaders and him in whatever form.”¹⁶

¹⁰ “Bush and Congress honour Dalai Lama,” New York Times, accessed July 25, 2016, http://www.nytimes.com/2007/10/18/washington/18lama.html?_r=0

¹¹ “Dalai Lama all smiles as he receives congressional gold medal,” Fox News, accessed July 25, 2016, <http://www.foxnews.com/story/2007/10/17/dalai-lama-all-smiles-as-receives-congressional-gold-medal.html>

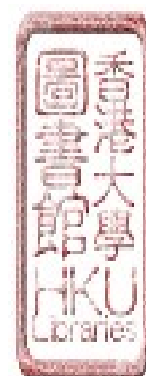
¹² “China cancels Iran meeting over Dalai Lama,” Reuters, accessed July 25, 2016, <http://www.reuters.com/article/us-china-iran-idUSN1537624920071015>

¹³ Ibid.

¹⁴ Ibid.

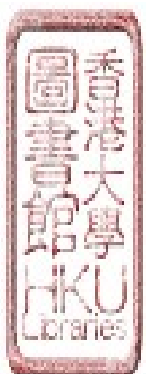
¹⁵ Fuchs and Klann, “Paying a Visit,” 10

¹⁶ “Defiant Nicolas Sarkozy meets Dalai Lama despite China’s trade threat,” Telegraph, accessed July 26, 2016, <http://www.telegraph.co.uk/news/worldnews/asia/china/3629865/Defiant-Nicolas-Sarkozy-meets-Dalai-Lama-despite-Chinas-trade-threat.html>



However, there is a gap in the literature on what domestic and national level actors influence the decision making process in China to use the Dalai Lama effect, and the decision making process in the UK over whether or not to receive the Dalai Lama. Previous research by Fuch and Klann 2010 reveals that China *does* penalize states for receiving the Dalai Lama, but does not uncover *who* influences and drives the decision to penalize states and *why* these interests penalizes states. Are National level decision makers dictating the Dalai Lama effect? Are the business interests who are part and parcel of the effect supportive of it or do they try to undermine the effect in their own interests? Are there any support groups within China that would oppose the effect and voice support for the Dalai Lama? How do these domestic actors influence China's ability to successfully exert the Dalai Lama effect? Analyzing domestic level actors' interest and influence behind the Dalai Lama effect is even more important as the Chinese Communist Party's (CCP) legitimacy is based on its performance of its promise to rejuvenate China's national glory.

This paper uses Putnam's Two Level Game to analyze Sino-UK win-sets, in order to unlock the black box of actors and how their preferences and actions are fluid and change over time. In the context of the UK's recent decision in 2015 to decline a meeting between Prime Minister David Cameron and the Dalai Lama, and the rhetoric advocating the UK as China's best western friend, applying Putnam will also shed insights on what is driving on the UK's relationship with China and how the UK positions itself in the world – which international and domestic actors influence national leaders' decisions to respond compliantly with the Dalai Lama effect; does the UK tend to prioritize maintaining positive relations with China more, or does the UK prioritize championship of human rights and the Tibet cause foremost? This paper

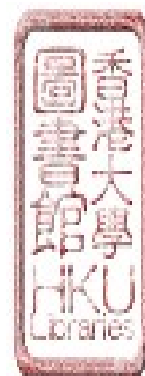


is structured as three parts; part one discusses the win-sets during Hu and Xi's leadership, and explores how domestic policies have influenced China's foreign policy strategy, and whether Chinese private business interests have affected the win-set and the efficacy of using the Dalai Lama effect. Part two discusses the win-sets during Brown and Cameron's leadership, and explores how domestic policies have influenced the UK's strategic relationship with China, and whether UK public sentiment have affected leaders' decisions to comply or ignore the Dalai Lama effect and cooperation with China.

Win-sets during Hu and Xi Leadership

China's win-set under Hu 2002-2012

The actors and interests influencing Hu's win-set is important as the Dalai Lama effect first appeared during Hu's leadership. The most important actor is the President Hu Jintao. Hu's win-sets were defined by his two major domestic and foreign policy strategies; the Socialist Harmonious Society policy (hereon referred to as Harmonious Society) and the Harmonious World policy. When Hu came to power, he inherited domestic and international realities fraught with challenges. China's rapid socioeconomic development was so successful that China was labeled the 'economic miracle' and the 'factory of the world,' however this modernization had produced an increasingly divided and unequal society, regional disparities, structural poverty, corruption and environmental concerns. This produced calls from all corners of Chinese civil society to address these social and political ills. In response, the Hu leadership officially adopted the 'socialist harmonious society' policy at the 17th CPC



Congress in October 2007.

Meanwhile, on the international level, Hu inherited a China that was passive in the international community and historically, and had abstained from asserting leadership in international affairs. Chinese scholars and international relations policy experts were increasingly questioning China's long-standing low-profile foreign policy strategy set by Deng Xiaoping, of "hiding one's capacity while biding one's time," and "not seeking to lead."¹⁷ Chinese scholars and policy experts pushed for China to take on more proactive diplomacy and stronger soft power, and provided two key arguments on why this was necessary. Firstly, there was intense domestic debate that began in 2004, just as Hu entered office, that China should assume a position in the world that is commensurate with its status as a rising major power.¹⁸ Interviews conducted with leading Chinese scholars revealed that the scholars believed the conventional low-profile strategy was now more constraining than beneficial as it compromised China's ability to promote soft power. Adherence to principles such as strict non-interference meant that China did not intervene to help solve problems in Sudan and Myanmar.¹⁹ The international community heavily criticized China for not being more proactive in these situations.²⁰

Policy experts such as Shanghai Academy of Social Sciences deputy director Huang Renwei also argued that soft power was necessary to complement and strengthen a state's hard power and in turn, its ability to secure its interests.²¹ Soft power was viewed as indispensable. "If hard power is a constant value, soft power should be a

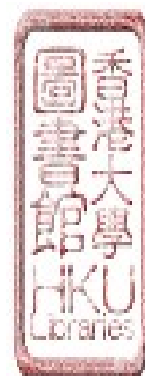
¹⁷ 'Harmonious Society' and 'Harmonious World': China's Policy Discourse Under Hu Jintao, page 2

¹⁸ Chinese Soft power and its implications for the u.s, 18

¹⁹ Ibid.

²⁰ Ibid., 19

²¹ Huang Renwei, "Soft Power and National Security," Xuexi Yuekan, January 2003.



variable or multiplier, which could magnify comprehensive power or significantly weaken it.”²² Support from policy and scholarly experts contributed to Hu’s decision to adopt a ‘harmonious world’ policy, which was officially announced at the 60th anniversary of the United Nations. In practical terms, the Hu leadership believed the harmonious world policy, which aimed to increase China’s cooperation with other states and role in international affairs (essentially China’s soft power) in order to strengthen China’s ability to secure economic interests, would also support its domestic counterpart, the harmonious society policy. Given that trade accounted for seventy percent of China’s GDP, the rationale was that increasing and improving China’s international trade ties would also promote domestic economic growth and development.²³

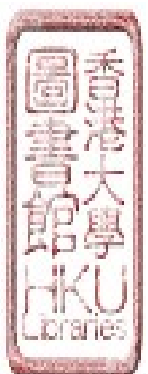
Following the announcement of the harmonious world policy, a white paper was issued on China’s peaceful development policy, which was a complement to the harmonious world policy and outlined the means to achieve a harmonious world (the ends).²⁴ The white paper articulated five key means; countries should (1) respect each other and treat each other as equals, (2) engage in economic cooperation and make economic globalization a win-win process that benefits all countries, (3) respect the cultural diversity, (4) engage in security cooperation (5) engage in environmental cooperation to protect the Earth.²⁵ These ideas reflect a neoliberal worldview that stimulating economic and security interdependence will increase the benefits of cooperation and costs of conflict, therefore states are less likely to engage in conflict

²² Huang Renwei, “Soft Power and National Security,” *Xuexi Yuekan*, January 2003.

²³ Willy Wo-Lap Lam, *Chinese Politics in the Hu Jintao Era: New Leaders, New Challenges* (New York: M. E. Sharpe, 2006), preface

²⁴ “Overview on China-UK relations,” Chinese Embassy, accessed July 25, 2016. <http://www.chinese-embassy.org.uk/eng/zygx/introduction/t693272.htm>

²⁵ *Ibid.*



with one another. In practical terms, these policy ideas have manifested into increased and strengthened trade relations, greater involvement and a more proactive role in international institutions and affairs, and increasing dialogue with other states. For example, from 2002 China has been the strongest advocate of the China-ASEAN Free Trade Area which stands as the largest free trade area in terms of population and third largest in nominal GDP.²⁶ In addition, China has actively increased its involvement in the UN, believing that the UN is a core channel for handling international affairs, especially for setting authoritative, generally-accepted principles for governing international relations, and promoting harmony, coordination, and win-win spirit in international relations.²⁷ By 2008 China had expanded its contribution to UN operations 20-fold, providing more peacekeeping staff than three other members of the Security Council (UK, US, and Russia.)^{28 29}

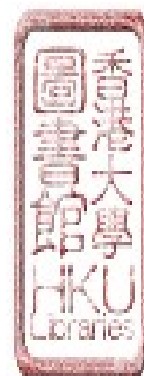
Under Hu's leadership, China's positioning of itself enabled Sino-UK dialogue and cooperation. The U.K and China conducted a series of high-level visits and diplomatic dialogues (the majority geared towards economic relations). During Hu's leadership the two sides shared 17 high-level visits involving high-level political and diplomatic actors such as the President, Premier, Vice Premier of the Hu government, and Prime Minister Gordon Brown, Foreign Secretary David Miliband and William

²⁶ "China and Asean free trade deal begins," BBC News, accessed July 25, 2016. <http://news.bbc.co.uk/2/hi/business/8436772.stm>

²⁷ "Overview on China-UK relations," Chinese Embassy, accessed July 25, 2016. <http://www.chinese-embassy.org.uk/eng/zygx/introduction/t693272.htm>

²⁸ "China's Expanding Peacekeeping Role," Stockholm International Peace Research Institute, accessed July 25, 2016. <http://www.sipri.org/media/newsletter/essay/jan09>

²⁹ Although China's involvement in international organizations and affairs such as ASEAN and the UN are not policies directed solely at the UK and/or do not always directly involve the UK, as the UK is one of the major powers in the world and a major actor in the international community (i.e including but not limited to the UK being a significant trading partner, a hub for knowledge and technology transfer, and a permanent member of the UN Security Council), all of China's policies indirectly impact the UK, therefore it is important to discuss China's major diplomatic efforts and how the UK has positioned itself in response to these efforts



Hague, as well as the Royal Family such as Queen Elizabeth II and Prince Charles. Hu's positioning of China and the subsequent diplomatic visits contributed to achieving the establishment of a strategic partnership, a joint statement, one G8 and two G20 summits, and two China-U.K. economic financial dialogues.³⁰ One of the most significant diplomatic developments was in 2004, when Premier Wen Jiabao visited the U.K. and established a "comprehensive strategic partnership" with a "pledge to work together to develop this partnership to benefit our countries and to help create a safer, more prosperous, and open world."³¹ Subsequently, the strength of China and the UK's emerging partnership was reiterated in the U.K.'s first white paper on its engagement strategy with China; the number one aim of the U.K.'s response is "getting the best for the UK from China's growth, it is about securing the greatest global value." The UK white paper also revealed that China's efforts to promote itself as an cooperative and willing member of the UN was successful, as the white paper shared the sentiment to "to consolidate and strengthen cooperation in multilateral on issues of mutual and international concern."³²

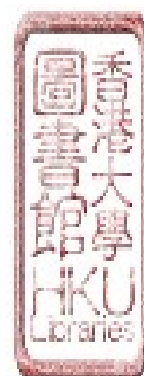
Hu's Contradictory Policies?

Given Hu's interest in repositioning China to strengthen its international role and Hu's efforts to strengthen diplomatic relations and dialogue, at first glance it seems contradictory that Hu would execute the Dalai Lama effect as it harms his previous foreign policy efforts. Yet Hu has stood firm on the Dalai Lama effect; in 2009 Foreign Minister Yang Jiechi stated that refusing to meet the Dalai Lama should be one of the "basic norms of international relations" for any country "interested in

³⁰ "Overview on China-UK relations," Chinese Embassy, accessed July 25, 2016. <http://www.chinese-embassy.org.uk/eng/zygx/introduction/t693272.htm>

³¹ "China-UK Joint Statement," Chinese Embassy, accessed July 25, 2016. <http://www.chinese-embassy.org.uk/eng/wjzc/zygx/t101947.htm>

³² "China-UK Joint Statement."



preserving its ties with China.”³³ During Hu’s era, the Dalai Lama effect had already started shaping China-UK relations. In 2008, UK Prime Minister Gordon Brown broke tradition with his predecessors who all received the Dalai Lama at 10 Downing Street, and instead received the Dalai Lama at Lamberth Palace, home of the Archbishop of Canterbury, giving the impression that he was meeting the Dalai Lama as a religious figure only. In addition, Brown was careful to inform Premier Wen Jiabao of the meeting before making it public.³⁴ This was seen as a concession to China. In 2012, when Prime Minister David Cameron met the Dalai Lama, again broke tradition and was held instead at St Paul’s Cathedral,³⁵ with Deputy Prime Minister Nick Clegg stating “Our position on Tibet is long-standing and clear: we regard Tibet as part of the People’s Republic of China.”³⁶

Why has Hu been able to use the Dalai Lama effect to successfully shape Sino-UK relations in favor of China, and without jeopardizing previous Chinese foreign policy efforts? The Dalai Lama has been successful because it is subtle; it is not officially declared, it is implemented without formal law, unilateral, limited in terms of sectoral application, scope and duration.³⁷ Because the Dalai Lama effect is not an officially declared policy, law or regulation (either domestically or internationally), it is hard for states or international organizations such as the WTO to prove its existence and undermine it. In addition, the unilateral nature of the Dalai Lama effect means that

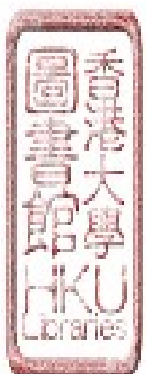
³³ “China, Dalai Lama and Frogs,” Prague Security Studies Institute, accessed July 25, 2016. <http://www.pssi.cz/publications/blog/7-china-the-dalai-lama-and-frogs.htm>

³⁴ “Brown agrees to meet Dalai Lama,” Financial Times, accessed July 25, 2016. <https://next.ft.com/content/84fac3bc-f5e0-11dc-8d3d-000077b07658>

³⁵ “David Cameron must apologise,” The Independent, accessed July 25, 2016. <http://www.independent.co.uk/news/uk/politics/david-cameron-must-apologise-for-meeting-dalai-lama-to-restore-diplomatic-relations-with-china-8606341.html>

³⁶ “David Cameron must apologise.”

³⁷ Xianwen Chen and Roberto Javier Garcia, “Economic sanctions and trade diplomacy: Sanction-busting strategies, market distortion and efficacy of China’s restrictions on Norwegian salmon imports,” *China Information* vol 30, no. 1 (2016): 30



China has full control over its punishments, it can use non-transparent political measures such as applying non-tariff barriers to disadvantage UK exports, or cancel diplomatic meetings at will. Typically, the Dalai Lama effect is limited in terms of which trade sector they affect – in Norway, China’s non-tariff barrier only affected Norway’s salmon exports to China while in the Philippines, China’s barriers only increased the difficulty for Philippines to export fruit to China.³⁸

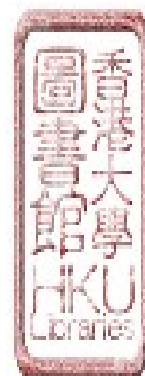
Fuch and Klann support this, arguing that the Dalai Lama effect is limited in scope and duration, as the sanctions and barriers target symbolic exports that signal China’s opposition and displeasure (often machinery as it is a product many countries export to China), and after two years, the effect wears off.³⁹ This is in line with Chen and Garcia’s finding (2016) that these measures are “typically intended to signal the Chinese Government’s displeasure regarding some event rather than cause serious long-term economic injury to the foreign country in question, (and) signal China’s frustration and serve as a warning of stronger retaliation if a country does not reverse a certain action or make an official gesture to improve relations.”⁴⁰ The unilateral and non-transparent nature of the effect enables Hu to stop or reverse the effect at will in a face-saving manner, after states have complied with China’s wishes. Because of these advantages, Hu has been able to adopt the Dalai Lama effect as a regular diplomatic tool in China’s toolbox, and use it to successfully shape the behavior of foreign states, including the UK. Chen and Garcia (2016) concur that “China has become more confident and more skilled in the statecraft of economic sanctions, and this point has to be taken seriously.”⁴¹ The Dalai Lama effect “demonstrates that China is capable of

³⁸ Chen and Garcia, “Economic sanctions and trade diplomacy,” 30

³⁹ Fuchs and Klann, “Paying a Visit,” 28

⁴⁰ Chen and Garcia, “Economic sanctions and trade diplomacy,” 31

⁴¹ Ibid., 48



exercising long-term statecraft, and that it has become more assertive in international relations.”⁴² The fact that despite China’s coercive use of the Dalai Lama effect, China has quite successfully strengthened economic ties suggests China is likely to continue using the Dalai Lama effect without costs to its key interest - trade. From 2002 to 2010, intraregional exports between China, ASEAN, Japan and Korea had increased from 34% to over 50%.⁴³ Taiwan, Japan, Korea, Singapore were also injected US\$110 billion, 60 billion, 35 billion, US\$1 billion of foreign direct investment in China (respectively).⁴⁴ With economic growth from regional trade partners, China also reciprocated economic cooperation and invested in the Southeast Asia; after the US, China was the second largest investor of FDI in the Southeast Asian region.⁴⁵ In 2010, China signed the China-ASEAN free trade agreement, the largest free trade agreement in the world, which made China the leading trade partner for ASEAN.⁴⁶

The role of Chinese private business interests

However, although Hu’s national level leadership supports the Dalai Lama effect, one critical group of actors that shows opposition to the effect are private business interests. When the Dalai Lama effect applies non-tariff barriers such as tighter regulations for foreign exports, this hurts private business interests thus they engage in ‘sanction-busting.’ Chen and Garcia’s research (2016) found that when faced with tougher regulations which impose negative flow-on effects that decrease the profitability of their goods and increase their business costs, Chinese private business

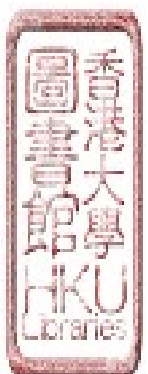
⁴² Ibid.

⁴³ Chih-Shian Liou and Arthur Ding., ed. *China Dreams: China’s New Leadership and Future Impacts* (Taiwan: World Scientific Publishing Company, 2015), page 48

⁴⁴ Ibid.

⁴⁵ Ibid.

⁴⁶ Ibid.



interests engaged in ‘busting’ the Dalai Lama effect; in other words private business interests actively engaged in their own strategies to mitigate the sanctions around their products.

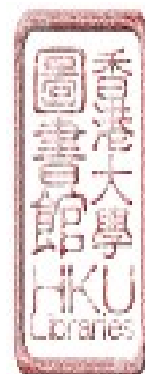
Chen and Garcia conducted anonymous and confidential interviews in China and Hong Kong with private businesses regarding China’s imposition of the Dalai Lama effect on Salmon exports. China had implemented a non-tariff barrier by tightening inspections and quarantines of imported salmon and requiring salmon imports to arrive in China before being eligible for import licenses, while each application for an import license took 20-25 days.⁴⁷ As a result, private Chinese businesses experienced delays getting their salmon to the end market, while salmon quality also degraded as it began to rot.⁴⁸ To ‘bust’ this sanction, business interests engaged in several strategies including selling fresh salmon to smoked salmon processors (as the quality was too poor to be sold as fresh salmon), engaging in legal trans-shipments (importing salmon to Hong Kong or Vietnam first and then re-exporting salmon to China) and illegal trans-shipments (falsifying country-of-origin certificates for salmon and avoiding the tighter inspections and licenses), and importing salmon through smaller ports in China where it was less common to find the new inspection procedures therefore avoiding it.⁴⁹ The interviewed business interests admitted that they “were working every channel to minimize delays from inspections,” but willing to go to lengths to ‘bust’ the Dalai Lama effect, including a willingness to distort China’s salmon market and engage in deceptive practices such as selling degraded salmon, illegal shipping, falsifying documents smuggling.⁵⁰ From 2002 to 2011, UK exports to China have

⁴⁷ Ibid., 39

⁴⁸ Ibid., 40

⁴⁹ Ibid., 42

⁵⁰ Ibid., 43



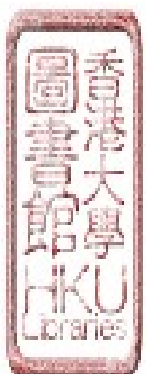
grown rapidly to quadruple to £12.5 billion.⁵¹ 19 percent of UK exports are machinery and electrical goods, while 16 percent are raw materials;⁵² given that around 60 percent of China's total imports are machinery and raw materials,⁵³ both private UK businesses that export these goods to China, and Chinese businesses that import these goods, will have a strong interest and incentive to 'bust' the Dalai Lama effect if it affects their business performance.

However, currently there is a lack of primary and secondary data on which specific UK businesses and their Chinese counterparts have attempted to 'bust' the Dalai Lama effect due to the political sensitivity of the subject, therefore the lack of transparent and available information about private business interests in Sino-UK sanction-busting is a challenge in determining how big a role they play in undermining the effectiveness of the national leadership's decision to execute the Dalai Lama effect. Nonetheless the empirical evidence strongly suggests that private business interests are a key actor that influences the efficacy of the Dalai Lama effect. To increase the efficacy of the Dalai Lama effect, China could penalize business interests engaging in sanction-busting, however China appears unwilling. One of the private business interests interviewed by Chen and Garcia (2016) believed "the Chinese government has been aware of the trans-shipments from Hong Kong and Vietnam, but it has simply ignored them."⁵⁴ This again reaffirms the argument that China uses the Dalai Lama effect for political and diplomatic purposes to send a

⁵¹ "UK Exports to China," Foreign and Commonwealth Office Economics Unit, accessed July 26, 2016.
https://www.google.com.hk/url?sa=t&source=web&rct=j&url=https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/211157/UK_Exports_to_China_-_Now_and_in_the_future.pdf&ved=0ahUKEwiR-rrNvYPOAhUFHJQKHQJkBX8QFggrMAA&usg=AFQjCNHx5xp0CqUCcVNSF6PCK-5xmBW2pQ

⁵² "UK Exports to China."
⁵³ Ibid.

⁵⁴ Chen and Garcia, "Economic sanctions and trade diplomacy," 48



strong message to other states.⁵⁵ In the Hu era, although private business interests tempered the efficacy of the Dalai Lama effect and found ways to circumvent the effect in order to continue business, their actions ultimately did not compromise the Dalai Lama effect's intended purpose.

The role of Chinese public sentiment

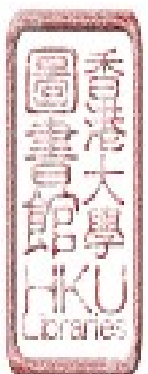
Civilians and public sentiment is often a strong and credible force in analysis using Putnam's two level game, however as China's government is not elected, autocratic, and exerts tight state control over all media channels, it is rare to get strong public sentiment on politically sensitive issues such as Tibet and the Dalai Lama. In 2008, when violent anti-government protests erupted in Tibet between ordinary Tibetans and Chinese police officers, in a notable exception, 29 individuals released an open letter criticizing authorities handling of the protests.⁵⁶ The letter suggested that the Chinese government should stop violent suppression, political investigation, and political revenge on Tibetans and instead, allow journalists and the UN to carry out an independent investigation of the unrest and protests.⁵⁷ The letter argued that an independent investigation would clarify that Dalai Lama supporters instigated the unrest, which would enable China to safeguard national unity.⁵⁸ However, this was an exception to the rule, and by and large there is limited open public sentiment opposing the Chinese leadership's decisions regarding Tibet and the Dalai Lama effect. Instead, in the aftermath of the Tibet protests, public sentiment was angry about "what it sees as a pervasive bias toward Tibet and disrespect of China in the Western media."

⁵⁵ Ibid., 46

⁵⁶ "Western stance infuriates young Chinese fed on government propaganda," The Guardian, accessed July 26, 2016, <https://www.theguardian.com/world/2008/mar/23/tibet.china>

⁵⁷ "Western stance infuriates young Chinese fed on government propaganda."

⁵⁸ Ibid.

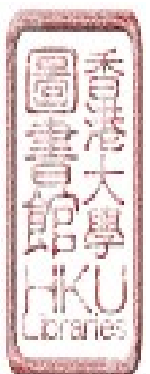


China's win-set under Xi 2013-present

When Xi came to power, he inherited a China that, after three decades of reform, was the largest economy in the world. However China was no longer achieving double-digit growth figures as it did during the 1990s and 2000s, and despite the Hu leadership's proactive harmonious society policies there were still large economic, social and geographic disparities across China. In addition, although the Hu leadership had strengthened China's position in the international community, China's new assertive role was faced with new geopolitical challenges, including increased tensions in the South China Sea, hardening of North Korea's stance, increased terrorism in Central Asia, and an increasingly active US presence due to the East Asian pivot or rebalancing.⁵⁹ As a result the Xi leadership's win-set was defined by the same key goal: to increase and distribute wealth to ensure social stability domestically, and to strengthen and promote China's role (especially in Asian affairs) and trade ties internationally. In practical terms, Xi pursued a path of continuity and built upon Hu's policies, the only major difference is Xi's assertiveness and boldness as a leader in consolidating the CCP's power in China, and China's power internationally.

Xi's major domestic policy was known as 'the Chinese dream.' Xi described the Chinese dream as the "great rejuvenation of the Chinese nation." China analyst Bill Bishop sums up the Chinese dream as the common dream of all Chinese people for "national rejuvenation, improvement of people's livelihoods, prosperity, construction

⁵⁹ Agnes Andresy. Xi Jinping: Red China, The Next Generation (Chicago: University of Chicago Press, 2003), page 57

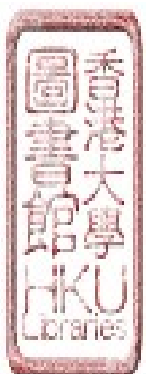


of a better society, and military strengthening.”⁶⁰ The Chinese dream is a departure from previous domestic policies because its rhetoric placed a greater emphasis on the individual, whereas previous policies such as Hu’s harmonious society and even Jiang Zemin’s Three Represents theory promoted the idea of betterment for society as a whole and placed greater emphasis on society as the unit of policy focus. The Chinese dream’s individualistic rhetoric reflects the rise of complaints, unrest and instability at the grassroots level about social inequalities and inequities in China, and is the Xi leadership’s response that they will continue to work to improve the welfare of all citizens, not only the upper and middle classes and urban classes but also those in the country side. This shift in rhetoric is significant as it reveals a legitimacy problem in China. Historically, the CCP and its leaders have relied on “cult of personality” to maintain legitimacy. The Maoist period saw the rise of leadership that relied on the individual leaders’ revolutionary personalities and popularity to legitimize their rule. As a result, power was over-concentrated in the individual leaders and their followers, who enjoyed virtually unbridled power.

The role of legitimacy of the CCP

However, modern Chinese leadership faces increasing legitimacy issues and now relies on performance to legitimize their rule. Without revolutionary leaders that project a cult of personality, Chinese leaders including Xi now seek to increasingly institutionalize the CCP, move away from ideology, and embracing performance-oriented legitimacy. The role of the CCP was no longer a revolutionary party but a ruling party, where leaders had to maintain and enhance the performance of the CCP in improving economic and social development of China. Xi faced particularly strong

⁶⁰ Ibid., page 57



pressure from public sentiment because of the Bo Xilai incident in 2012 immediately preceding his ascension to power. Bo was a member of the powerful politburo, Bo and his wife were involved in the murder of UK businessman Neil Heywood, and subsequently charged with corruption, bribery, and abuse of power, and received a life sentence.⁶¹ However, details of the incident are ambiguous and have not been independently verified, and commentators have speculated the scandal was more political than criminal.⁶² Wang (2014) calls this the “most significant political crisis Beijing has faced since 1989. It exposed internal party struggles and policy debates within the CCP.”⁶³ With the Bo Xilai incident receiving severe criticism from the public and fresh on the public’s mind, Xi’s win-set at the domestic level was defined by greater pressure and impetus to ensure the growth and betterment of China’s economy and social welfare.

Continuity and strengthening of China’s peaceful development

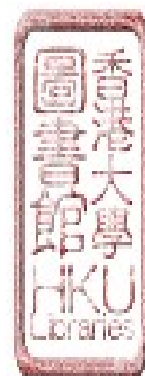
This domestic pressure translated into strong impetus for the Xi leadership to build upon Hu’s international strategy, and continue strengthening China’s role and economic ties internationally using the charm offense; neoliberal economic interdependence. Xi and Li Keqiang have continued building regional economic trade ties, at the 2013 Asia-Pacific Economic Cooperation (APEC) meeting and East Asia Summit meeting, China signed deals worth billions of dollars.⁶⁴ It was also at the APEC meeting that Xi proposed the Asian Infrastructure and Investment Bank (AIIB), a multilateral development bank that will provide loans to finance

⁶¹ Zheng Wang, “The Chinese Dream: Concept and Context,” *Journal of Chinese Political Science* 19 (2013): page 8

⁶² Ibid.

⁶³ Ibid.

⁶⁴ China Dreams: China’s New Leadership and Future Impacts, page 49

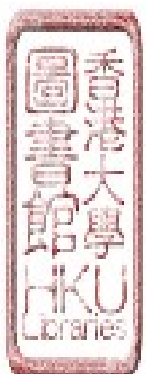


infrastructure across Asia.⁶⁵ The bank was unprecedented as it is China's first decisive effort to take a leadership role in the international community. Given that Asia has an \$8 trillion infrastructure investment deficit, where areas of Asia rich in resources and human labor are undeveloped because basic infrastructure such as electricity, roads, and telecommunications are absent, the AIIB can provide investment to promote economic growth and development.

Stimulating economic growth and development in Asia will produce new suppliers and open up new markets, which is a positive economic net benefit for the region and globally. This also increases economic integration and interdependence, which in turn increases the benefits of peaceful cooperation and increases the costs of conflict. As a result, states are less likely to go to war and fight, and peace and regional stability is promoted. Regional political stability is a significant advantage, as Asia is a flashpoint for instability due to a melting pot of different regime types, strong nationalist sentiments, unstable regimes, conflicting historical memories, and territorial disputes among other factors. Xi has emphasized that the AIIB is an initiative on China's part to take more leadership and responsibility in the international community, to produce win-win situations for all states. "China will propose the AIIB with a view to jointly seizing opportunities and meeting challenges for the benefit of common development and prosperity."⁶⁶ Jin Lique, President of the AIIB, also reaffirms the AIIB is China's charm offensive, "China's idea comes from its own experience. Infrastructure development has paved the path... China has

⁶⁵ "2013 APEC Leaders' Meeting and East Asia Summit," Center for Strategic and International Studies, accessed July 26, 2016, <https://www.csis.org/analysis/2013-apec-leaders%E2%80%99-meeting-and-east-asia-summit>

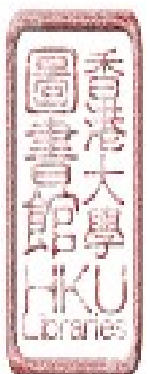
⁶⁶ "Speech by Chinese President Xi Jinping to Indonesian Parliament," *ASEAN – China Centre*, accessed November 29, 2015. http://www.asean-china-center.org/english/2013-10/03/c_133062675.htm



managed to lift 600 million people out of poverty. Now China is more developed and can afford to provide financial resources to other developing countries in Asia, it is our turn to do something for the rest of Asia, and in a certain sense, for the rest of the world.”⁶⁷

The AIIB charm offensive appears to be successful, as states such as the Philippines and Vietnam, who have territorial disputes with China have nonetheless joined. Both are founding members of AIIB. Critics criticized that the AIIB is a challenge to existing multilateral development banks such as the World Bank and the Asian Development Bank and the US western philosophy and agenda that dominates existing development banks, however despite strong US disapproval and vocal calls not to join the AIIB, states that are traditionally US allies such as the UK, Australia and South Korea, have joined. Thus far, the AIIB reflects that on the international stage, Xi has pursued continuity of Hu’s neoliberal, business-based foreign policy initiatives. The exception is that Xi’s policies are more bold and assertive, reflecting modern China’s greater economic power and leverage. Xi has continued strengthening bilateral trade partnerships, being an active and cooperative participant of ASEAN, APEC and various regional summits, and now is ‘going out’ into the international community and taking a leadership role for Asia’s economic development. China’s role and bargaining power in Asia is no longer limited to its domestic market’s buying power in trade or its supply of the world’s “factories”, but has expanded to China’s founding ownership of an international institution that can influence and increase economic development and integration, and help create and shape new norms of cooperation and connectivity in the Asian region, and heavily

⁶⁷ “Building Asia’s new bank: an address by Jin Lique,” *Brookings Institution*, accessed November 29, 2015. <http://www.brookings.edu/events/2015/10/21-asian-infrastructure-investment-bank-jin-liquin>



increase China's soft power and image in Asia and the world.

In addition, Xi's foreign policy rhetoric echoes Hu's peaceful development policy, as it continues to emphasize mutual economic benefits using language such as a "win-win strategy of opening up" and that China will "hold high the banner of peace, development, cooperation, and mutual benefit... unswervingly follow the path of peaceful development and firmly pursue an independent foreign policy of peace."⁶⁸ In the context of Xi's geopolitical challenges (increased tensions in the South China Sea, increasingly active US in Asian affairs due to the East Asian pivot), Xi's foreign policy rhetoric sends a strong message opposing the US's philosophy and agenda in the internationally community; China emphasizes *cooperation* in contrast to US *hegemony*; *peaceful rise and development* and *mutual benefit* in comparison to US *power politics* and *interventionism*, *bandwagoning* and *rebalancing* (with the Philippines, South Korea, Japan).⁶⁹ To be more clear, the 18th Party Congress Report stated that "we are firm in our resolve to uphold China's sovereignty, security and development interests and will never yield to outside interests."⁷⁰ Under Xi, China's foreign policy strategy has taken on a clear, principled with both soft and hard lines as it provides soft incentives for peace and cooperation, but hard and tangible punishments such as official rebukes and the Dalai Lama effect.

Shaping UK relations with the Dalai Lama

Xi's clear and principled foreign policy rhetoric has actually seen a reduction of the use of the Dalai Lama effect against the UK, as the UK has taken cues from China and self-censored their relationship with the Dalai Lama. Xi was officially installed as

⁶⁸ "The Chinese Dream: Concept and Context," page 49

⁶⁹ Ibid.

⁷⁰ Ibid.



President in March 2013, which coincided with a major trade visit from UK Prime Minister David Cameron. Cameron's visit to China was originally planned for April, but it was abandoned and postponed after Cameron met with the Dalai Lama. Ultimately, Cameron's March visit to Beijing saw the UK changing their stance on the Dalai Lama and distancing UK interests from the Dalai Lama. 10 Downing Street provided insight, saying that the Beijing "visit is forward looking. We have turned the page on that (Dalai Lama) issue. It is about the future and how we want to shift UK-China relations up a gear."⁷¹ Cameron also announced that he had "no plans" to meet the Dalai Lama again.⁷² This was widely seen as the catalyst for friendlier Sino-UK relations, which has remained the case as Cameron has not met the Dalai Lama again.⁷³ In 2014, Cameron visited China again, while Premier Li Keqiang came to the UK the same year, and President Xi made his first state visit to the UK in 2015.⁷⁴ In 2015, the UK again snubbed the Dalai Lama. The UK's self-censorship of its relationship with the Dalai Lama evidences that Xi's clear, principled approach with soft incentives and hard rebukes has been effective at influencing and shaping the UK's decision to meet the Dalai Lama.

Part Two: Win-sets during Brown and Cameron Leadership

UK's win-set during Hu: Brown 2007-2010

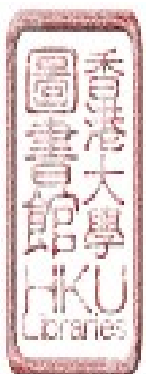
The national level leadership on the UK side, during Hu's leadership, was led

⁷¹ "David Cameron to distance Britain from Dalai Lama during China visit," The Guardian, accessed July 26, 2016, <http://www.theguardian.com/politics/2013/nov/30/david-cameron-distance-britain-dalai-lama-china-visit>

⁷² Ibid.

⁷³ "David Cameron under pressure to Meet Dalai Lama again," Free Tibet, accessed July 26, 2016, <http://freetibet.org/news-media/pr/david-cameron-under-pressure-meet-dalai-lama-again>

⁷⁴ Ibid.

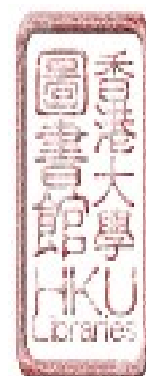


predominately by Gordon Brown. When Brown came into office, he inherited a domestic reality defined by the global financial crisis. As a result, Brown had a strong incentive to boost trade ties with China. Brown's intention to boost trade with China and foster closer relations is evident in the growth of bilateral partnerships and agreements such as the first ever "comprehensive strategic partnership," the first UK white paper on its engagement strategy with China where the number one aim of the Sino-UK relations was articulated as "getting the best for the UK from China's growth, securing the greatest global value."⁷⁵ The comprehensive strategic partnership also reiterated similar themes, stating a "pledge to work together to develop this partnership to benefit our countries and to help create a safer, more prosperous, and open world."⁷⁶ The strategic partnership emphasized the Brown leadership's desire to increase economic relations with China, and create more prosperity but does not utilize Hu's harmonious world rhetoric. This emphasizes that the Brown leadership were willing engage in the economic opportunities China presents, but did not share a willingness to identify itself in the harmonious world envisioned by China. A closer look at the areas of cooperation highlighted in the partnership reaffirms the narrow and economically interested motives behind the Sino-UK partnership; the strategic partnership articulates three areas to consolidate and strengthen the bilateral relationship: (1) increase exchange of high-level visits, (2) intensify cooperation in broad areas of trade and investment through the Joint Economic Commission, (3) increase cooperate on in areas of science, technology, education, culture, and environmental protection.

What was different about Brown's maneuvering of Sino-UK relations is that he

⁷⁵ "China-UK Joint Statement."

⁷⁶ Ibid.



promoted trade ties with China even at the cost of making concessions regarding the Dalai Lama and Tibet. Unlike his predecessors, in 2008 Brown broke tradition and met the Dalai Lama at Lamberth Palace. This was seen as a concession to China, especially compared to German Chancellor Angela Merkel. In the months before Brown met the Dalai Lama at Lamberth Palace, Merkel met the Dalai Lama in the Berlin Government Office which gave the impression she was meeting the Dalai Lama in his capacity as a visiting head of state.⁷⁷ Subsequently, Germany experienced the Dalai Lama effect when China cancelled a number of bilateral meetings with Germany. The contrast between UK and German approaches to China and the Dalai Lama is sharpened by both states' responses to the anti-government protests in Tibet. In 2008, weeks before Brown's scheduled meeting with the Dalai Lama, anti-government protests in Tibet erupted into violence and was reported as the "fiercest protests in 20 years"⁷⁸ The protests emerged out of Tibetan frustration with the lack of progress in talks between the Dalai Lama and Chinese leadership.⁷⁹ Tibetan protesters wielded iron bars while Chinese armed police fired water cannons and teargas, police cars, fire engines and security vehicles were set on fire.⁸⁰ Despite the discord, Brown's leadership went ahead and made concessions in their meeting arrangements with the Dalai Lama to make the meeting more palatable for China. In comparison, Germany suspended plans for high level talks saying that talks "were hardly imaginable while violence in Tibet continues,"⁸¹

The role of UK public sentiment

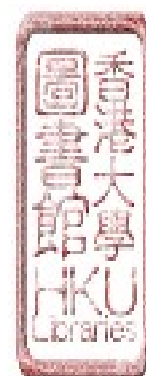
⁷⁷ "Brown agrees to meet Dalai Lama," Financial Times, accessed July 26, 2016, <https://next.ft.com/content/84fac3bc-f5e0-11dc-8d3d-000077b07658>

⁷⁸ "Protests in Tibet erupt in violence," Guardian, accessed July 26, 2016, <https://www.theguardian.com/world/2008/mar/14/tibet.china1>

⁷⁹ Ibid.

⁸⁰ Ibid.

⁸¹ "Brown agrees to meet Dalai Lama."



One of the key interests that factor into the UK win-set is domestic public sentiment. As a country with a commitment to civil and political rights, to democracy, freedom, and rule of law, and as part a responsible power, the UK's domestic constituency has actively supported causes for human rights. In the eyes of UK public sentiment, the Tibet question is not about China's internal sovereignty but rather of Tibetan's freedom to basic human rights such as freedom of religion. One of the key actors that influences public sentiment and organizes ways to express public sentiment about Tibet, is Free Tibet, a non-profit non-government organization. Free Tibet who campaigns for a "free Tibet in which Tibetans are able to determine their own future and the human rights of all are respected."⁸² To achieve this, Free Tibet mobilizes active support for Tibet and challenges human rights transgressions against Tibet and challenges China's occupation of Tibet.⁸³ In the aftermath of the 2008 Tibet protests, which coincided with the London leg of the Beijing Summer Olympics torch run, Free Tibet and other pro-Tibet groups such as Students for a Free Tibet organized pro-Tibet protests.⁸⁴

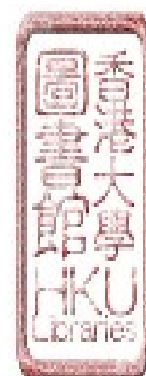
Thousands of pro-Tibet supporters showed up at the 31-mile route of the Olympic torch run to protest China. Two anonymous activists explained that they felt China was simply using the Olympics as a propaganda campaign to cover up its "appalling human rights record," "like many people in the UK we feel China has no right parading the Olympic torch in London."⁸⁵ Matt Witticase, a Free Tibet campaign spokesman, said "so many people turned out to show their solidarity with the people

⁸² "About Us," Free Tibet, accessed July 26, 2016, <https://freetibet.org/about-us>

⁸³ Ibid.

⁸⁴ "Torch relay in San Francisco draws massive protest," CNN, accessed July 26, 2016, http://edition.cnn.com/2008/US/04/08/us.olympic.torch/index.html?eref=rss_us

⁸⁵ "Thousands protest as Olympic flame carried through London," Guardian, accessed July 26, <https://www.theguardian.com/world/2008/apr/07/olympicgames2008.china2>



of Tibet and their plight, and to expose as propaganda China's claim that the torch relay is a journey of harmony."⁸⁶ However, the protests weren't without incident as it came to a standstill due to standoffs between pro-Tibet and pro-China groups and due to pro-Tibet supporters running onto the relay track.⁸⁷ There were multiple attempts to steal and extinguish the torch including one protestor who tried to steal the torch and screamed at television cameras "I urge you Gordon Brown, listen, free Tibet," and a total of 35 protesters were arrested.⁸⁸

It is worth noting that in the immediate aftermath of the 2008 Tibet protests, before the mass protests at the torch relay, Brown boycotted the opening ceremony of the Olympic Games in China and would only attend the closing ceremony. Brown was the "second major world leader" after Germany's Merkel to boycott the opening. Speaking on the partial boycott, a UK Foreign Office spokesman said "We are encouraged by the progress China has made in recent years, although we of course want to see further advances. But backing China into a corner is not a productive way of promoting respect for human rights in Darfur, Timor, or Tibet – it would be counterproductive."⁸⁹ The partial boycott can be seen as an attempt to appease negative domestic public sentiment about the protests. UK Liberal Democrat leader Nick Clegg concurs, Brown's boycott was a "belated U-turn, when he only does the right thing late in the day when he is forced to do so by public opinion."⁹⁰ This reveals that faced with pressure from public sentiments about the Tibet question and

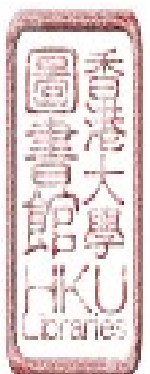
⁸⁶ "Thousands protest as Olympic flame carried through London."

⁸⁷ "Tibet protests disrupt Olympic torch parade, Telegraph, accessed July 26, 2016, <http://www.telegraph.co.uk/news/uknews/1584098/Tibet-protests-disrupt-Olympic-torch-parade.html>

⁸⁸ Ibid.

⁸⁹ "Chinese ambassador warns of backlash," Guardian, accessed July 26, 2016, <https://www.theguardian.com/world/2008/apr/14/olympicgames2008.china>

⁹⁰ "Brown will miss Beijing opening ceremony," Guardian, accessed July 26, 2016, <http://www.theguardian.com/politics/2008/apr/10/gordonbrown.olympicgames2008>



the Dalai Lama, the Brown leadership would compromise and make symbolic gestures to appease public sentiment (in this case the boycott of the opening ceremony), but ultimately the Brown leadership believed it was in the UK's interests not to boycott the entire Olympic ceremony, and that it was in the UK's best interests to continue building a stronger economic partnership with China. In the aftermath of the London torch relay protests, the Chinese ambassador to London confirmed that Sino-UK relations would suffer if there was finger-pointing and blame, saying "the Western media's demonization of China could lead to a backlash."⁹¹

UK's win-set during Xi: Cameron 2010-2016

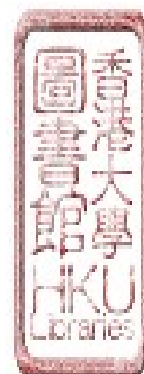
When Cameron was elected into office, it was during a time of financial uncertainty, the threat of a global recession, and of public criticism over the UK's foreign policy almost blindly following US decisions.⁹² As a result, Cameron's win-set was defined by the need to promote economic growth and reduce public debt, and to improve the UK's role in the international community. In 2010 Cameron inherited significant fiscal deficit due to Brown's inefficacy. Under Brown, when he was elected into office in 2002, public sector net debt was £307.1 billion (29 percent of GDP), but by the end of his tenure in 2007 public sector net debt had grown to £512.9 billion (36 percent of GDP).⁹³ The hole in the UK's public finances was the "largest in peacetime history."⁹⁴ As a result, Cameron's political narrative regarding the economy was that it was the 'age of austerity,' and proposed a deficit reduction plan that involved the tightest settlement of public spending and the tightest squeeze on NHS spending since

⁹¹ "Chinese ambassador warns of backlash."

⁹² S. Lee and M. Beech, *The Cameron-Clegg Government: Coalition Politics in an Age of Austerity* (UK: Palgrave Macmillan, 2011), page 205

⁹³ *The Cameron-Clegg Government*, page 70

⁹⁴ *Ibid.*, 15



the 1960s and 70s.⁹⁵ By 2011, consumer price inflation had risen to 4 percent whereas Cameron's coalition government had aimed to keep inflation to 2 percent.⁹⁶ Basic necessities such as gas and food prices were the principal source of inflation, meanwhile average earnings of UK citizens had only increased by 1.8 percent while unemployment for youth and graduates (16 – 24 year olds) had increased by 1.5 percent from 66,000 unemployed 965,000.⁹⁷ The economy was at risk of stagnating.

Against this economic backdrop, Cameron had significant domestic pressure to foster economic growth for the UK. This resulted in Cameron adopting a plan to “rebalance” the economy by using investment-, export-, and private sector-led recovery.⁹⁸ However, Britain's traditional markets, the European Union and the US, are experiencing a financial crisis and the most severe public debt since the end of World War Two.⁹⁹ In contrast, China is switching from investment-driven to consumption-driven economy, so British firms can expect a bigger market in China.¹⁰⁰ One of the most imperative projects that British firms want to get a hold in is building a new nuclear supply plant. To fulfill election promises to boost sustainable economic growth, Cameron seeks to expand infrastructure construction.¹⁰¹ The UK would benefit from both Chinese capital and technology for a nuclear plant.¹⁰²

Against this context, it is unsurprising that throughout Cameron's tenure, he has kept

⁹⁵ Ibid.

⁹⁶ Ibid., 71

⁹⁷ Ibid.

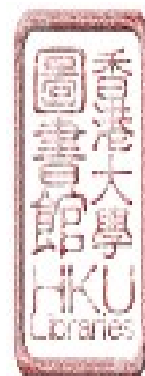
⁹⁸ Ibid.

⁹⁹ “What does the China-Britain rapport mean?” China US Focus, accessed July 26, 2016. <http://www.chinausfocus.com/foreign-policy/what-does-the-china-britain-rapport-mean/>

¹⁰⁰ “What does the China-Britain rapport mean?”

¹⁰¹ Ibid.

¹⁰² Ibid.



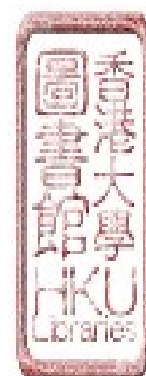
a distance from the Dalai Lama in order to appease China and secure business and trade opportunities with China. In 2012, Cameron met the Dalai Lama at St Paul's Cathedral to present him the Templeton Prize and subsequently, China reacted by postponing a major trade visit by the UK to China.¹⁰³ When the trade visit eventually happened later in 2013, 10 Downing Street released an announcement that strongly signaled whose corner they wanted to be in; "We want to deepen our relations with China and indeed we already are – UK exports to China grew faster than any of our main European partners last year. We strongly believe it is in the interests of both countries to manage our differences with respect, our position on Tibet is longstanding and clear: we regard Tibet as part of the People's Republic of China."¹⁰⁴ In 2015, during Xi's first state visit to the UK, one of the major achievements reached was China taking a 33.5 percent stake in a £18 billion nuclear power station in the UK. Britain also expects China to invest in other projects, including a high speed railway. Under Cameron, Britain has also established new visitor visas for Chinese tourists, the visas are valid for two years whereas usual visitor visas have a six month limit. Cameron's efforts to keep Chinese tourists on the map is due to the fact that they contribute £500 million a year to the UK economy, and have high growth potential as between 2014 to 2015, the amount of Chinese tourists going to the UK increased by 35 percent.¹⁰⁵ Downing Street has officially explained that "the visitor visa will enable them to maximize their spending power. Every 22 additional visitors create an additional job in the tourism sector."¹⁰⁶ Overall, Cameron has announced

¹⁰³ "David Cameron to distance Britain from Dalai Lama during China visit."

¹⁰⁴ "David Cameron's rift with China could cost UK billions," Telegraph, accessed July 27, 2016, <http://www.telegraph.co.uk/news/politics/david-cameron/10040319/David-Camerons-rift-with-China-could-cost-UK-billions.html>

¹⁰⁵ "The UK's deals worth billions with China: what do they really mean?" Guardian, accessed July 27, 2016, <https://www.theguardian.com/business/2015/oct/24/britains-deals-with-china-billions-what-do-they-mean>

¹⁰⁶ Ibid.



that Xi's 2015 visit secured £35 billion of trade and investment deals, and will create over 3,900 jobs in the UK.¹⁰⁷

The role of national interests

Cameron also faced public pressure to deviate from Brown's foreign policy. Under Brown, the UK's foreign policy had been too 'warlike' and 'lacked humility and patience' as it favored the use of force by bandwagoning with traditional allies such as the US in international affairs.¹⁰⁸ Cameron argued that by following the US in practically all foreign policy decisions, the UK risked "maximum exposure with minimum influence" in international affairs.¹⁰⁹ As an alternative, Cameron has advocated for foreign policy that is more independent of the US, saying "we will serve neither our own, or America's, nor the world's interests if we are seen as America's unconditional associate." Cameron has advocated for foreign policy that focuses on national interest, where he announced "our national interest is easily defined. It is to ensure our future prosperity and keep our country safe in the years ahead. It requires our economy to compete with the strongest and the best, our full and active engagement in world affairs."¹¹⁰ Cameron's foreign policy strategy sees the UK adopting a realpolitik worldview. The UK's win-set is defined by tangible national interests such as wealth and security, and given the slow economy, it is in the UK's national interest to ally itself with China in order to strengthen its economy.

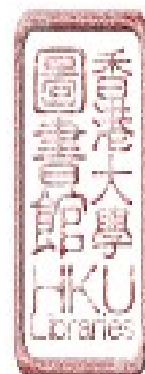
From a realpolitik perspective, the UK's decision to be one of the first Western states

¹⁰⁷ "Xi Jinping state visit: It should be 'win-win' for China and Britain", accessed July 26, 2016, <http://www.telegraph.co.uk/news/worldnews/asia/china/11943963/Xi-Jinping-state-visit-It-should-be-win-win-for-China-and-Britain.html>

¹⁰⁸ The Cameron-Clegg Government, page 205

¹⁰⁹ Ibid.

¹¹⁰ Ibid., 209



to sign up to the AIIB, and the first traditional US ally to sign up to the AIIB, is rationally because it promotes the UK's self-interest Although joining the AIIB weakened the diplomatic relationship between the UK and the US, with the US heavily criticizing the UK for "constant accommodation of China,"¹¹¹ the UK secures the opportunity for British firms to secure contracts for construction and supply of steel and other exports. This is significant as the UK's factories have massive overcapacity and could produce up to 30 percent more than the current demand for steel, coal, and building goods and services for AIIB infrastructure projects.¹¹²

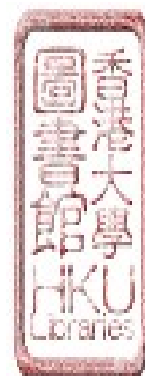
In addition, from a neoliberal perspective, as a member the UK has the ability to influence and shape discussions and norms within the Bank, rather than being locked out of the system. Although there is still public opposition to Cameron's new policy not to meet the Dalai Lama, and public opposition against warming up to China because of China's human rights record, given that China's economy and military are now bigger than the UK's, it is more constructive for the UK to persuade China on these matters through cooperation, interdependence, and friendship than through posturing and political grandstanding. The UK's decision to gain China's trust and cooperation on trade and the AIIB has been successful so far, with Xi Jinping stating that he hopes China-UK relations will reach "new heights," and become a "community of shared interests."¹¹³ The Chinese media and public sentiment has also been won over, saying that it is now a new era of "win-win results."¹¹⁴ Given that the next opportunity from China is which state becomes the AIIB's regional office, the

¹¹¹ "US attacks UK's constant accommodation with China," Financial Times, accessed July 27, 2016, <https://next.ft.com/content/31c4880a-c8d2-11e4-bc64-00144feab7de>

¹¹² "The UK's deals worth billions with China: what do they really mean?"

¹¹³ "Xi Jinping state visit: it should be 'win-win' for China and Britain, accessed July 26, 2016, <http://www.telegraph.co.uk/news/worldnews/asia/china/11943963/Xi-Jinping-state-visit-It-should-be-win-win-for-China-and-Britain.html>

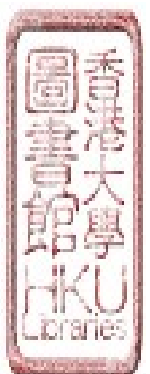
¹¹⁴ Ibid.



UK, if it follows its realpolitik strategy, is unlikely to meet the Dalai Lama in the near future.

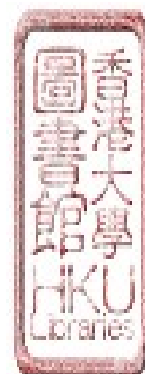
From Hu Jintao to Xi Jinping, both presidents' win-sets have been defined at the domestic level, by the need to secure economic growth and development in China to remedy unequal and inequitable development gaps in society. This was important to maintain social stability, as modern leaders and governments now rely on performance-oriented legitimacy to legitimize their rule. The shift of emphasis on Hu's harmonious *society* as the core political unit and unit for policy focus, to Xi's Chinese dream for every individual shows that over time, the need to legitimize CCP rule using performance has increased. In turn, each successive leader's need to secure economic growth and development has increased. This is the motivating impetus behind China's decision to 'go out' into the international community and secure trade cooperation, with China's assertiveness to go out increasing over time. Hu relied on establishing bilateral or participating in multilateral trade relationships, and to preserve China's image and improve cooperation, Hu advanced China using soft power through the "peaceful development" policy. In a similar vein, Hu has preferred to use soft power to disincentive states from meeting with the Dalai Lama and other behavior that openly criticizes China and threatens China's authority and sovereignty.

The advantage of the Dalai Lama effect, inherent in the fact that it is a soft power initiative so it does not involve conflict or war and is much less costly (compared to engaging in fighting). A second advantage explains why China has used it so confidently and without fear of backfiring; it is unilateral, not officially declared, and non-transparent which enables it to be subtle and easily reversible once states have



complied with China's wishes, without risk of undermining China's core economic interests. The Dalai Lama effect has been effective at shaping other states' behavior, as by Xi's era, the UK, Asian states and European states except the US and major allies such as Japan and South Korea, all avoid meeting the Dalai Lama in the interests of cooperating with China on trade opportunities. The recent success of the AIIB is evidence of states' preferences to support China in a leadership position in the Asian region, even though there has been much vocal criticism from the US that China is challenging current multilateral development banks and the Western philosophy and agenda that underlies the current banks. These trends suggest that China-UK relations have been driven by China's economic opportunities that it offers, more than any other factor. The UK has simply been pragmatic in seizing the opportunity to cooperate with China.

Analyzing the UK win-set reveals that during Gordon Brown's era, the UK made concessions in meeting the Dalai Lama in the interest of doing business with China, but did not avoid him altogether due to strong public sentiment favoring the Dalai Lama (as demonstrated by the Olympics torch run). During Brown's era, the UK's economy was slightly larger than China's. In contrast, by Cameron's era, the international and domestic backdrop had changed dramatically. China's economy was three times the size of the UK's, China had capital that was much needed by the UK for infrastructure and energy projects at home, and while China's economy was forecast to continue growing under initiatives such as the AIIB, the UK economy was stagnating and could not be helped by its traditional US or European markets who were also suffering financial crises. Cameron pursued a policy of economic pragmatism, and although there is still public discontent about the UK's closer ties to



China, Cameron has taken a realpolitik worldview of the UK's role in the international community. As a result, the UK has prioritized deficit reduction and security as its key national interests, and actively strengthened its relationship with China. Although observers, such as the Dalai Lama, have criticized the UK for compromising their morality for money,¹¹⁵ a neoliberal perspective discounts the efficacy of posturing and political grandstanding. Instead, a neoliberal perspective is more optimistic that greater cooperation and interdependence with China may actually be more constructive, promote dialogue and enable both China and UK to jointly shape future relations for mutual benefit.

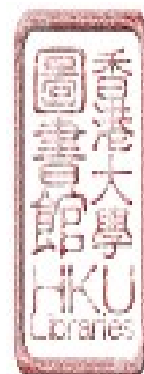
Trade and investment during the Hu and Xi administration

While Chinese foreign investment was initially focused on strategic sectors and natural resources and was focused on neighboring Asia, the second wave of investment was focused on US assets and started around the turn of the millennium¹¹⁶. This second wave of Chinese investment in the US has, however, received sometimes strong opposition from both the public and Government in the US and has led to a number of blocked bids by Chinese companies wanting to acquire US companies or bid on infrastructure assets and tenders such as telecoms¹¹⁷. Under Xi the investment focus of Chinese SOE's appears to have been refocused more towards

¹¹⁵ "Money, money, money: where is the morality?: the Dalai Lama on David Cameron's China policy," Spectator, July 27, 2016, <http://www.spectator.co.uk/2015/09/money-money-money-where-is-morality-the-dalai-lama-on-david-camerons-china-policy/>

¹¹⁶ Xiaofei Li, China's Outward Foreign Investment: A Political Perspective, University Press of America, Aug 2010, P 235

¹¹⁷ James K. Jackson, February 2016, "The Committee on Foreign Investment in the United States (CFIUS)", Congressional Research Service



Europe and specifically the UK and Germany¹¹⁸. David Cameron at the same time has been very vocal about accepting and fostering Chinese investment not just into less strategic sectors such as real estate but also into strategically important sectors such as energy, telecommunication and infrastructure. A column written by David Cameron in the Guardian in 2013 highlights:

“We want to see China succeed. Whether it is welcoming China's investment in our nuclear energy sector, or creating a western hub for the Renminbi in the city of London, we believe that the right way forward is openness, dialogue, trade and investment; working together for mutual benefit not against each other in a zero-sum game.”¹¹⁹

This open cooperation between China and the UK which has been fostered by both Xi and Cameron as seen in the recent visit of Xi in London. Xi stated in an interview with Reuters.

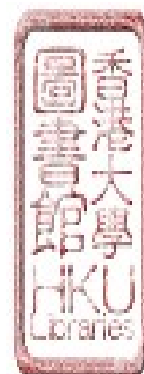
“I hope this will chart the course for the future growth of China-UK relations, inject new impetus in practical cooperation between our two countries in all fields and enable us to jointly usher in a "golden time" for China-UK comprehensive strategic partnership.”¹²⁰

Given the assertive rhetoric towards the United States, the South-China Sea disputes and competing interests in Asia one may suspect that under Xi, China is trying to

¹¹⁸ Thilo Hanemann and Mikko Huotari, “A New Record Year for Chinese Outbound Investment in Europe”, Mercator Institute for China Studies, Feb. 2016.

¹¹⁹ Cameron, David: My visit can begin a relationship to benefit China, Britain and the world, in The Guardian, Dec. 2013, <http://www.theguardian.com/commentisfree/2013/dec/02/david-cameron-my-visit-to-china>

¹²⁰ Xi Jinping, Reuters Interview, October 2015 (<http://af.reuters.com/article/worldNews/idAFKCN0SC03720151018>)



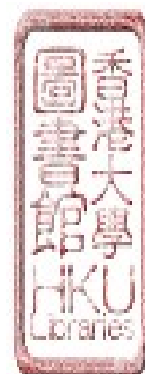
diversify both trades and investment to become less dependent on the US and Asia. Ian Johnston, nevertheless argues that China's assertiveness under Xi is mostly a continuation of policies started already under Jiang Zemin and Hu Jintao, with exclusion of the South-China Sea¹²¹.

At the same time a stronger alliance with the United Kingdom can indeed be mutual beneficial for both China and the UK. China may be able to weaken the traditional US/UK alliance, diversify its trade and investment, gain a strong foothold into the European market and lastly may use the UK to broker deals and mediate with the US. The UK at the same time drives its own goals of achieving more political power within the EU and the World by being a strong partner of China. It comes as no surprise that the UK is strongly advertising Chinese investment at the time were they may leave the European Union, following the vote to leave the European Union ("Brexit") in June 2016. A strong Chinese relationship may enable the UK to negotiate a better deal for it either as a member of the EU or gives a stronger negotiating position to enable the same single market access it currently enjoys following the Brexit. It is important to highlight though that China has been a vocal opponent of a Brexit¹²².

China's growing interest in Europe can be seen looking at investment and trade figures. Investment into Europe, and especially into France, Germany and the UK, has increased exponentially during the last five years and has overtaken foreign direct investment ("FDI") by China in the United States (USD15bn in the United States vs.

¹²¹ Ian Johnston, How New and Assertive Is China's New Assertiveness?, *International Security*, Vol. 37, No. 4, 2013, pp. 7–48

¹²² Philippe Le Corre, Could Brexit bring the end of the new Sino-British "special relationship"?, *Brookings Institution*, March 2016



EUR20bn in Europe in 2016). The UK alone has accounted for c. EUR5bn in Chinese FDI¹²³. In addition, it needs to be highlighted that the share of State Owned Enterprises (SOE) investing into Europe and the UK is significantly higher than in the US. While only 20% of Chinese FDI was driven by SOEs in the US, the EU's and UK's investment share of SOEs was over 60%¹²⁴. It is however somewhat difficult to assess how much private company's investment is driven by the Chinese leadership, as even private companies can be indirectly controlled by the Government¹²⁵. As Norris states the Chinese leadership at least partially depended on commercial private companies to perform investment: *“As such, if the state seeks to manipulate the security externalities stemming from various types of economic interaction and this economic interaction is being conducted on a day-to-day basis by commercial actors, the state must face up to the challenges of working through a proxy—namely, the commercial actors.”* He states foreign Governments are concerned about the role of the state in private and state controlled companies. At the same time, however, these companies have economic interest which may clash with the interest of the state¹²⁶. The above numbers have therefore be viewed with caution and may not be fully reflecting of all the investment decisions driven by the Central Government.

The picture looks somewhat different when looking at trade. In international trade the US is by far the biggest single trading partner of China, only lacking behind the combined EU market¹²⁷. Looking at the UK alone even when weighted based on the

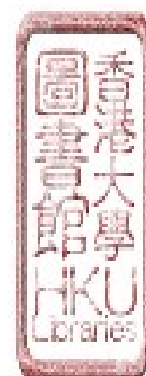
¹²³ Rhodium Group, China Investment Monitor, February 2016

¹²⁴ Rhodium Group, China Investment Monitor, February 2016

¹²⁵ US International Trade Commission, China: Description of Selected Government Practices and Policies Affecting Decision Making in the Economy, Inv. 332-492, P C8, Dec 2007

¹²⁶ William J. Norris, Chinese Economic Statecraft, “Commercial Actors, Grand Strategy, and State Control”, Cornell University Press, 2013

¹²⁷ National Bureau of Statistics of China, Statistical Yearbook 2015, “11-6 Value of Imports and Exports by Country (Region) of Origin/Destination” (2016)



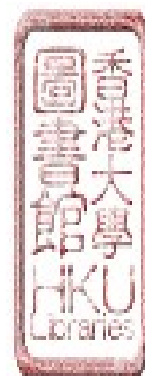
relative size of both the US and UK economy, the UK is significantly behind the US in trade with China (2% vs. 13%)¹²⁸. Even if the relative trade volumes have not significantly changed since the warming of the relationship between the UK and China and Xi and Cameron it is reasonable to look at other metrics to see whether Chinese trade and investment with the UK can change future global politics and impact US's status as key trading partner and UK position within the European Union. David Cameron has openly invited China to take part in strategic projects such as HS2 (the new high-speed railway link between London and the north), Nuclear Power and Telecommunications¹²⁹. While other European countries have been open to Chinese investment in similar sectors the US has blocked Chinese investment into perceived strategic sectors. Can the increased economic cooperation start a new strategic partnership between China and the traditional US ally UK? How did and will domestic concessions, organizations and the public opinion shape the future development, can Putman show and explain decision making patterns? Is it a hedge against US power on the background of rising tensions? Or is China keen on using the UK as a diplomatic tool to bring the US at the negotiating table? The following sections will examine both Chinas and the UK's win-sets under Hu and Xi to explore and forecast future development of Chinese investment and trade with the UK.

Win-sets during Hu and Xi leadership

When looking at the Chinese win-set one should highlight that given the limited amount of domestic constituencies the leadership of the CCP has to report to, or appease to, the win-sets should be viewed with caution as they assume that the leadership does take public opinion into account and cannot control information

¹²⁸ National Bureau of Statistics of China, (2016)

¹²⁹ Kiran Stacey, David Cameron calls for China investment in UK's HS2, Financial Times, December 2013



access and distribution through official channels or controlled media¹³⁰. Nevertheless, especially on the economic side the growing strength of Chinese private companies needs to be taken into account as they act both as intermediary for the state but also follow their own economic targets and interests¹³¹. At the same time online forums and message programs may act as a constituency of the people that are not represented in the leadership and lead to an increased speed in information flow that may influence the win-set¹³². For the following win-sets it should therefore be assumed that the leadership of China is limited by or influenced by public opinion. Recently in addition to public opinion the Chinese private business have become a more powerful voice in promoting economic policies. Many of Chinese top-business leaders are part of the Chinese People's Political Consultative Conference (CPPCC) and can lobby politicians during the meetings of the CPPCC and influence economic policies¹³³. In the CPPCC Chinese business interest are represented both by the All-China Federation of Industry and Commerce, the Chinese Chamber of Commerce, and invited business leaders such as Chairmen from SOE like Sinopec, China Unicom and China National Aviation Holding Company but also private companies like Baidu, Sina and China Power Holdings¹³⁴.

Chinese Win-set

Macro-Economic backdrop during Xi and Hu leadership

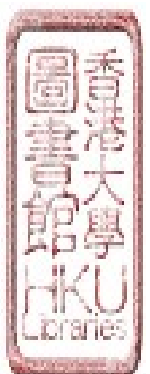
¹³⁰ Shih, Victor, 2007, "Partial Reform Equilibrium, Chinese Style." *Comparative Political Studies* 40 (10): 1238–62.

¹³¹ Norris, 2013

¹³² Johnston, 2013

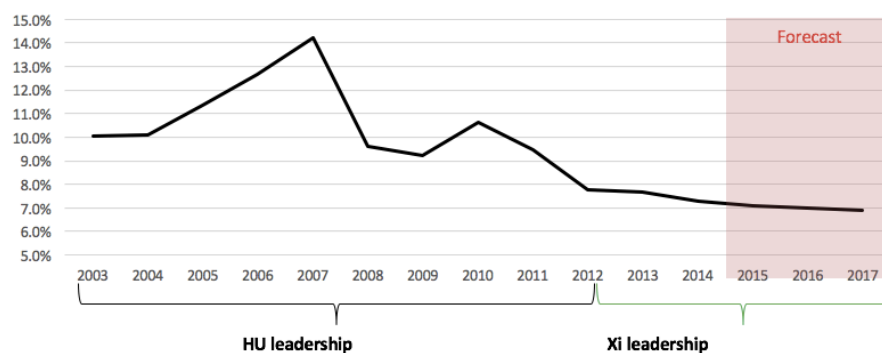
¹³³ Jamil Anderlini, Business influence grows in China, *Financial Times*, March 2011 (<https://next.ft.com/content/22461922-4684-11e0-967a-00144feab49a>)

¹³⁴ China Economic Review, CPPCC: Who's who of China's elite, March 2013, (<http://www.chinaeconomicreview.com/cppcc-whos-who-chinas-elite>)



Economic and trade policies and decisions of both leaders should be evaluated under the backdrop of the Macro Economic situation in China, which differed significantly under Hu and Xi. The economic fortunes of China influence both the domestic dimension of the leader's win-set, in the form of perception of future outlook of the population and public opinion, as well as the international dimension in form of currency fluctuations, trade barriers, raw material prices and availability and necessity and demand for export and import for goods and services amongst others.

*Graph 1: GDP Growth p.a. during Hu and Xi leadership*¹³⁵

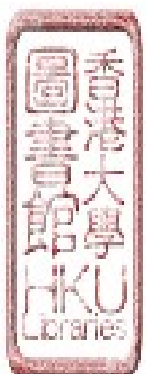


Despite navigating China through the global financial crisis (GFC) between 2008-2012 Hu Jintao was leading China through a period of sustained high growth between 2003 and 2012, with first signs of a slowdown in this last years of leadership. While it had little direct effect on Chinas GDP growth, the GFC to this date shows some enduring effects in mainly Europe and the US – China's key export and investment markets with a share of 31% of Chinese Exports in 2015¹³⁶. Total trade with Europe stood at 18% of Chinese trade while the US was responsible for 13%¹³⁷. The UK,

¹³⁵ Worldbank, World Development Indicators

¹³⁶ National Bureau of Statistics of China, Statistical Yearbook 2015, "11-6 Value of Imports and Exports by Country (Region) of Origin/Destination"

¹³⁷ Note: Given the net positive export balance total trade percentage with Europe and China is lower as China's export percentage. The balance comes from raw material imports from ie. Chile, Africa and Australia.



while most prominently featured in the recent news was only accountable for 2% of total trade with China, circa half the value of Germany.

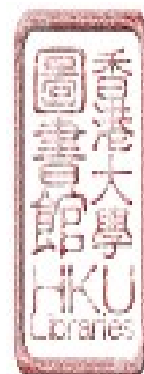
Xi on the other hand inhabited an economy in slowdown driven by global lack of demand following the above mentioned GFC. Especially Europe, as China's biggest trading partner, is still feeling the aftermath of the crisis and is, with some exceptions showing slow growth rates, low domestic demand and high unemployment¹³⁸. At the same time conflicts with the US over the leadership in the APAC region following a more assertive China made navigating for Xi more difficult than under Hu¹³⁹. The Chinese economy and the leader Xi needed to find ways of decreasing dependence on the single US market as the second biggest trading partner and find new markets of growth as the Chinese economy is moving towards a time of lower demand for the products from the main trading partners US and Europe.

China's win-set under Hu

When he took office in 2002, President Hu and his administration circle's key priority was to tackle China's increasing domestic inequalities and imbalances which have been mounting during China's strong growth in the 1990s and early 2000s in the Jiang Zemin era. However, by the beginning of 2007, after the unexpected and sudden collapse of Western export markets following the GFC, Chinese leaders decided to refocus on maintaining economic growth, no matter how unevenly wealth was distributed in the Chinese society. Hu's leadership plans to decrease taxes on farmers

¹³⁸ Worldbank, Europe and Central Asia, Overview, April 2015
(<http://www.worldbank.org/en/region/eca/overview>)

¹³⁹ Henry A. Kissinger, "The Future of U.S.-Chinese Relations Conflict Is a Choice, Not a Necessity," *Foreign Affairs*, April 2012
John Lee, "Lonely Power, Staying Power: The Rise of China and the Resilience of US Pre-eminence," *Strategic Snapshots*, no. 10, September 2011, p. 1.



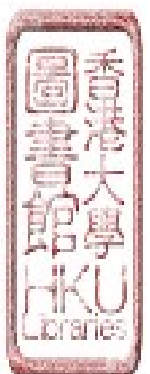
and target and build-out social welfare were quickly abandoned as the party was hoping that, by keeping the economy growing at a fast level it could, at least for that time, stay away from the lower income class increasing anxieties by lifting everybody's economic fortunes and tackle the income inequality at a later stage once the GFC has been successfully fend off. Therefore, following this change in policy, Hu's leadership focused on increasing investment within China to make up for the slowdown of trade with its key trade partners US, Europe and Japan. Given the lost focus on reducing poverty and income imbalances at the end of Hu's presidency China remained at a per capita income similar to the one in Cuba and Namibia. The spread of average incomes was even more telling. While Shanghai showed a per capita income of \$12,000 a year. Residents of Guizhou, China's poorest province, [earn](#) a mere \$2,500 a year¹⁴⁰.

On the international stage, when Hu took office, he avoided confronting the US and other Western countries as China's geostrategic position did not allow it to act too assertive at the begging of his presidency. Therefore, Hu was driving policy adjustments to concur with the fact that the US is dominating the international system and was the key driver for China's modernization efforts through investment. In the relations with other Asian countries, Beijing tried to create a peaceful regional environment to foster its own economic development.¹⁴¹

China has weathered the GFC better than most of the Western countries, following the above mentioned policy change, despite the cost of growing imbalances.

¹⁴⁰ Kerry Brown, Hu Jintao's Legacy, Foreign Policy, November 2012

¹⁴¹ Jia Qingguo, "Learning To Live With The Hegemon: Evolution Of China's Policy Toward The US Since The End Of The Cold War," *Journal Of Contemporary China*, Vol. 14, No. 44, August 2005, Pp. 395-407.



Correspondingly it overtook Japan as the world's second-largest economy which allowed Hu to drive the Chinese foreign policy towards a more assertive tone with a focus on China's core national interests.¹⁴² China's continuous strong economic growth during Hu's leadership and the GFC not only further elevated social and economic tensions but also increased expectations of the performance of the central government.¹⁴³

In 2009 Premier Wen Jiabao stated that: "China remains a developing country despite remarkable achievements and its modernization will take a long time and the efforts of several generations."¹⁴⁴ This statement reflects the enormous economic achievements and growth during the Hu period but also the mounting challenges that Hu faced or has partially generated following the GFC. Based on the strong domestic economic growth, driven by internal investment, but increasing imbalances within the country Hu spent less time focusing on promoting trade and investment relations with the UK or other countries. This is not least shown by the fact that Hu visited the UK only once in 2005 during Gordon Browns reign in the UK¹⁴⁵. Given the inward focus of Hu's government, trade and investment policies and initiatives developed rather slowly and only increased in the final years of its leadership. Only by 2010 trade and investment significantly increased as the Hu leadership reset its focus on international policies¹⁴⁶.

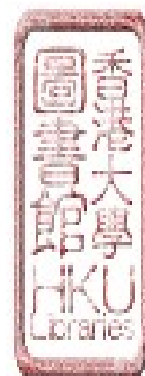
¹⁴² Chen Yue, The current international environment and the responses), Contemporary International Relations, November 2011, p. 4.

¹⁴³ Suisheng Zhao, Hu Jintao's Foreign Policy Legacy, DEC 8 2012

¹⁴⁴ "Wen rejects allegation of China, US monopolizing world affairs in future," *Xinhua*, May 21, 2009

¹⁴⁵ President Hu Jintao arrives in UK for visit, *Xinhua*, Nov. 2005 (http://www.gov.cn/misc/2005-11/09/content_94127.htm)

¹⁴⁶ Rhodium Group, China Investment Monitor, February 2016



Following China's economic dependence on foreign trade and investment the win-set for Hu was nevertheless big. Hu had to ensure a quick recovery of Chinese trade with ailing western countries and support Chinese SOE's expanding globally to further bolster Chinese growth to distract especially lower classes from the growing inequalities. Hu faced less resistance from members of the CCP given the focus to overcome problems in the domestic economy. Following the model of the CCP of "legitimacy through economic performance"¹⁴⁷. Similar to its predecessors, and the Xi government, the Hu administration kept the currency artificially low to support exports and appease business groups¹⁴⁸.

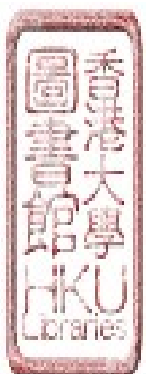
China's win-set under Xi

When Xi took office in 2012, he took over control of an economy that has been slowing down the previous two years, despite state intervention, while imbalances between rural counties and cities where at an all-time high. At the same time China under the late Hu has become more assertive and Xi, to have legitimacy as Chinese leader, faced with a weakening economy, needed to follow up on the push to foster Chinese core interests and increase Chinese strength within the region, which led to conflict with many of China's key export markets¹⁴⁹. Xi therefore had to tackle three problems at the same time. A slowing economy, decreasing relations with key markets and high domestic imbalances. In order to increase potential markets for China but also to increase its political power and to gain privileged access to market Xi started a number of initiatives to advance Chinese interests like the Asian

¹⁴⁷ Willy Wo-Lap Lam, Chinese Politics in the Era of Xi Jinping: Renaissance, Reform, Or Retrogression?, Page XV, March 15

¹⁴⁸ David A. Steinberg, 2015, Demanding devaluation, "Why China Undervalues Its Exchange Rate: The Domestic Politics of Currency Manipulation", 2015, Cornell University Press

¹⁴⁹ Willy Wo-Lap Lam, Chinese Politics in the Era of Xi Jinping: Renaissance, Reform, Or Retrogression?, Page XV, March 15



Infrastructure Investment Bank, the One Belt One Road Initiative and RECP. In addition, Xi and Premier Lei Keiqanq are fostering reform of the SOE and trying to enable private investment in SOEs and increase international competitiveness¹⁵⁰. This act was and still is however met with resistance from the conservative and left wing within the CCP, “who consider that public-ownership is the main body of socialism”¹⁵¹.

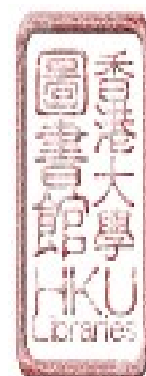
In the big picture, the win-set under Xi remained unchanged, i.e. enabling and fostering international trade to advance or at least stabilize growth of Chinese exports. However, under Xi the needed reforms and geo-political changes added international investment and entry for SOE’s in new markets as a new key focus. This could also trigger a decreasing dependence on the US market and the local market on the equation of the win-set. Xi’s win-set was further influenced by the blocking of investment in many sectors of the US economy by the US Congress given distrust in Chinese SOE and concern about national security¹⁵². With the investment opportunity closed in the US for many strategic SOE like natural resources and telecommunications, Xi and its leadership needed to find other established markets to market test Chinese SOE on the global stage. In summary while Xi’s win-set for negotiations with the UK was negatively influenced by internal politics in the CCP and the growing income disparity, at the same time it increased through the pressure to find markets for SOE’s to invest and to globalize further trade. In addition, for Xi, the UK and specifically London is a valuable partner to internationalize the Chinese

¹⁵⁰ Osamu Tanaka, “Characteristics of Likonomics” (Kazankai, “Toa,” Dec. 2013)

Xi Jinping APEC Economic Leaders’ Meeting on October 7, 2013:

¹⁵¹ Osamu Tanaka, Economic Reform and Economic Policy of the Xi Jinping Leadership, Policy Research Institute, Ministry of Finance, Japan, Public Policy Review, Vol.11, No.1, March 2015

¹⁵² James K. Jackson, February 2016, “The Committee on Foreign Investment in the United States (CFIUS)”, Congressional Research Service



Currency Renminbi given that London is one of the key financial hubs in the world¹⁵³. Lastly Xi needs partner for its Chinese lead institutions to challenge the US, the entry of the UK into the AIIB was a first step¹⁵⁴.

UK Win-set

UK win-set during Hu leadership time (Brown 2007-2010)

Gordon Brown become Prime Minister in 2007 and was more or less immediately faced with the GFC, which had enormous impact on the UK with London being one of the most important financial centers in the world and responsible for c. 15% of national output and 11% of tax income for the UK¹⁵⁵. Faced with slow GDP growth in 2008 and negative GDP growth of -4.3% in 2009¹⁵⁶, Brown tried to broker a deal to foster more investment from the Chinese State investment fund, however even in 2011 Chinese FDI stood at only c. USD 500m¹⁵⁷. Brown was focused on winning Chinese investment to bolster Infrastructure spending, create jobs and at the same time gain easier market access to China for UK companies. In 2008, Brown set a target of GBP 60bn investment by 2010, a target missed by a wide margin (cumulative investment between 2002 and 2015 stands at EUR15bn)¹⁵⁸. On the background of an ailing economy after the financial crisis the win-set for Brown was big as any agreements that brought or increased Chinese investment and trade would have had a positive impact on the economy. Brown's win-set was however impacted

¹⁵³ Paola Subacchi and Helena Huang, Chatham House Briefing Paper, The Connecting Dots of China's Renminbi Strategy: London and Hong Kong, September 2012

¹⁵⁴ HM Treasury, UK signs founding Articles of Agreement of the Asian Infrastructure Investment Bank, June 2015 (<https://www.gov.uk/government/news/uk-signs-founding-articles-of-agreement-of-the-asian-infrastructure-investment-bank>)

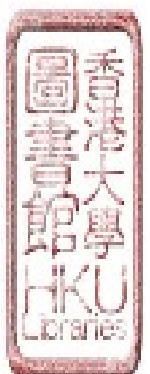
¹⁵⁵ The City of London, Financial services in the UK, Nov. 2013

¹⁵⁶ Worldbank, World Development Indicators

¹⁵⁷ Thilo Hanemann and Mikko Huotari (2016).

¹⁵⁸ Thilo Hanemann and Mikko Huotari (2016)

Andrew Porter, Gordon Brown's historic trade deal with China, The Telegraph January 2008



by negative views on Chinese politics and investment both within his own Labour Party, trade unions and the European Union which he had to take into consideration. It is important to highlight that, unlike Blair, Brown tried to further integrate the UK into Europe and the European decision making process as a normal partner and foster trade within the EU¹⁵⁹. Nevertheless, the closer ties and pro-Europe stance of Brown influenced the flexibility in dealing with China and negatively impacted the win-set as the EU was pushing to be an ethical actor in international trade and investment and highlighted for example human right questions. Any future investment and trade was likely negatively impacted by for example demonstrative acts like the “boycott” of the Olympic Opening Ceremony in Beijing in 2008 by Brown and other EU leaders¹⁶⁰. This smaller win-set however did not seem to have positively impacted negotiation outcomes for Brown or fostered trade and investment during his short period as prime minister.

UK win-set during Xi leadership time (Cameron 2010-currently)

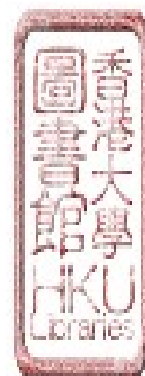
Cameron was elected in 2010 and 2015 partially because of the slow economic recovery seen under Brown. His election promises included creating jobs, backing businesses and modernizing and building out infrastructure¹⁶¹. As highlighted in his meetings with Hu and Xi in 2010 and 2015 respectively Cameron and his conservative party are actively promoting and supporting Chinese investment in the UK¹⁶². Unlike Brown, Cameron has no or limited opposition to this policy and

¹⁵⁹ Clara Marina O'Donnell, Richard G. Whitman, European Policy under Gordon Brown: Perspectives on a Future Prime Minister, International Affairs (Royal Institute of International Affairs 1944-), Vol. 83, No. 2, Europe at 50 (Mar., 2007), pp. 253-272

¹⁶⁰ Chengxin Pan, Problematising “Constructive Engagement” in EU-China Policy, HKU Press, 2012

¹⁶¹ The Conservatives, our long-term economic plan (<https://www.conservatives.com/Plan>)

¹⁶² [UK Trade and Investment](#), Chinese state visit: up to £40 billion deals agreed, Oct 2015



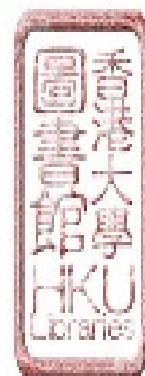
therefor can act more freely on trade and investment with China¹⁶³. In addition, Camron tries to be less influenced by the EU and is playing the BREXIT scenario to broker a better deal for the UK. While the Chinese administration has publicly stated that UK is better placed within the EU, Cameron could use the increasing Chinese investment to hedge against the impacts of a possible UK exit from the EU.¹⁶⁴ Given the stretched domestic finances in the UK after the GFC, Cameron is especially dependent on Chinese investment in Infrastructure and Energy as the recent UK budget commits the administration to produce a surplus from 2018. Therefore, during the recent visit by Xi in 2015 the two sides brokered a deal including Chinese funding of Britain's first new nuclear plant in Somerset and funding of the HS2 construction. In addition, Chinese companies hold shares in strategic holdings like Thames Water or Heathrow Airport¹⁶⁵. Lastly the continued and strong investment from China and London as RMB trading hub can further bolster the significance of London as an international finance hub in the fierce competition of global financial centers. A key focus for Boris Johnson, the current mayor of London and key figure in the conservative party.

As seen above Cameron with looser ties to the EU and backing by his own party and a definite need for investment and trade has a significantly bigger win-set than Brown. Yet despite this, under Cameron the UK is far more successful in attracting Chinese FDI. On the trade side while in absolute terms trade increased during the Cameron period, the UK is still only responsible for 2% of the trade of China. It is even more striking that on the background of a relatively high likelihood of a BREXIT, which

¹⁶³George Eaton, "The Tories' embrace of China has created a new divide in British politics", *New Statesman*, Oct 2015

¹⁶⁴Philippe Le Corre (2016)

¹⁶⁵Philippe Le Corre, What the budding China-UK romance means for the global economy, *Brookings Institution*, October 2015



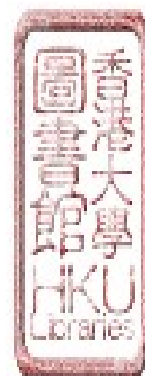
China opposes, Chinese FDI is forecast to further increase given the deals signed at Xi's London visit in October 2015.

Between Hu's and Xi's leadership the win-sets for China have been relatively stable. Nevertheless, under the late Hu and the Xi administration new elements have influenced the sets like the domestic problems of especially, the slowing economy and the growing tensions with the US and Japan but also other Asian countries mostly about territorial claims. The fact that most of those countries have some form of backing by the US, stronger in case of Japan and Korea, makes the relationship with the even US more difficult as it already is given the tensions between the current hegemon and upcoming (regional) power. Despite these tensions, however, the key economic win-set for China continues to be enabling trade globally to drive economic which has not changed between Hu and Xi.

In the UK, however, the win-set of Brown was narrower than Cameron's. Yet this is not reflected in the trade and investment data and bilateral agreements. Rather Cameron with a clear policy of appeasing China has been successfully attracting Chinese FDI and both sides plan to start a "golden area"¹⁶⁶.

Therefore, in summary, Putnam's two level analysis cannot fully explain the increase trade and investment of China in the UK under Xi and Cameron. While the win-set for China has become smaller under Xi, the change between Hu and Xi is only marginal given the continuing dependence of China on global trade and therefore it's fostering of said trade and investment of Chinese corporations abroad. From the

¹⁶⁶ Note: Cameron did have an audience with the Dalai Lama at the beginning of his term, but stated he is no longer planning to repeat this. (Andrew Marzal, Dalai Lama criticizes David Cameron for 'money over morality' snub, The Telegraph, Sep 2015)



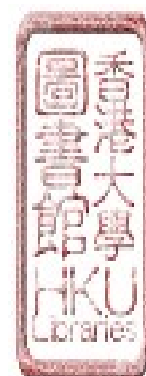
Chinese side it, according to Putnam could have not influenced the dynamics of negotiations between China and the UK much. The win-set of the UK at the same time has changed significantly. The UK is dependent on external funding, to fund its infrastructure projects and create jobs while the aftermath of the GFC, especially new regulations, is still slowing growth in the financial sector. The population and several parties in the UK as well as trade unions are more favorable about the Brexit and stronger ties to China may enable the UK to negotiate either a better deal with the EU or perform a Brexit altogether. This looks different however looking at the British Industry which is largely in favor of remaining in the EU to keep the single market¹⁶⁷. Yet again a bigger piece of the Chinese market may compensate at least partially for the lost trade with continental Europe. The increased win-set may, however, have caused the UK to become the first EU member of the AIIB despite its key ally US not favorably reacting on this move¹⁶⁸.

Nevertheless, most of the Chinese and British moves can also explained with power games by both China and the UK as seen in Waltzian Neorealism or through absolute gains fostered by Liberalism without using domestic levels of analysis.

Using Liberalism, instead of using Putnam to explain the change in outcome over the last 10 years and during the different leaderships in both the UK and China it seems indeed that China and the UK are looking at absolute gains when increasing trade over many other considerations. Both countries are in a difficult economic environment and the trade and investment agreement signed during Xi's visit in 2015

¹⁶⁷ CBI, "UK and the European Union", 2015, <http://news.cbi.org.uk/business-issues/uk-and-the-european-union/>

¹⁶⁸ Thomas Wright, A special argument: The U.S., U.K., and the AIIB, Brookings Institute, March 2015

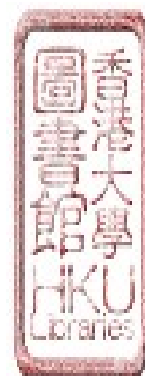


in the UK will help both countries. The UK will be able to fund expansion of its overstretched infrastructure and energy network and can open up the Chinese market to more domestic companies further helping economic growth, while hoping to attract Chinese investment in manufacturing and other industries to create jobs. China and Xi at the same time are able to entry into markets with SOE's and decrease their dependence on few select markets. In addition, investment of Chinese foreign reserves away from US treasuries decreases the high exposure to US policies of the value of the Chinese reserves and give the potential for higher returns on investment. Lastly the willingness of the UK to be the first European member of the AIIB benefited Xi's policies and institution building extremely as a significant number of European countries followed the UK's signal and made the AIIB a truly international organization compared to the initial pan-Asian backing.

Even Waltzian Neorealism, which assumes that the state of anarchy in international politics leads to states acting in ways that ensures their security as key determinant can explain the increased trade and investment between the two countries during the late Hu and Xi administration¹⁶⁹. Beijing feels its security threatened by the US military presence in the APAC region and by the US's domination of world trade and economic institution like the IMF. Therefore, increasing ties with the UK, historically one of US key allies and seen as a special relationship¹⁷⁰, and winning British participation in Beijing counterpart to the IMF, the AIIB, can be seen as a move by the Xi administration to defend its security of trade which is key to keep the economy growing, calm domestic discontent and therefore keep a tight grip on the power in

¹⁶⁹ Waltz, Kenneth, "Theory of International Politics". McGraw Hill. New York: 1979.

¹⁷⁰ David Reynolds, "A 'Special Relationship'? America, Britain and the International Order Since the Second World War", International Affairs (Royal Institute of International Affairs 1944-) Vol. 62, No. 1 (Winter, 1985-1986), pp. 1-20

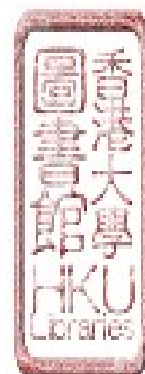


China. The investment into key strategic sectors in the UK at the same time could ensure a strong dependence of the UK on China which may influence coalition building in future conflict. Generally weakening the US-EU/UK alliance could be seen as a defensive move by Beijing and a neorealist move on the way to a possible new power balance. For the UK closer ties are a hedge against possible negative implications of a Brexit and enables the UK to punch above its weight in global politics should the UK become the key trading and investment partner and possibly mediator between the US and China, as forecast by some analysts¹⁷¹.

As shown above Putnam alone cannot alone explain the significant increase in especially Chinese investment into the UK. While the UK administrations had different win-sets, Brown with a smaller one was not able to attract Chinese investment which increased exponentially after Cameron took office. The win-set of the Hu and Xi administration are very similar with Xi having a slightly narrower set. While for example the entry of the UK into the AIIB could be explained by the larger UK win-set compared to the Chinese win-set, it remains unclear what caused the sudden increase in investment. Other theories as mentioned have their own explanations of the increased relationship between both countries under Cameron and Xi.

Liberalism can most compellingly explain the trade as both countries are achieving absolute gains and show complementary interests in the relationships. While under Xi, Chinese SOE's are increasingly looking outward for investment, the UK with a stretched budget desperately needed external investment. While this situation in the

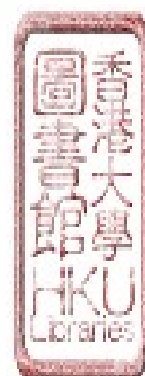
¹⁷¹ Philippe Le Corre (2015)



UK already existed under Brown, he had, as previously shown, more internal constituencies that were hindering closer Chinese ties such as his own labor party or the EU which may have led to a slower increase in Chinese trade and investment into the UK.

Both leaders Xi and Cameron are pronouncing a new strong partnership between the two counties and based on the memorandum of understanding signed in October 2015, it can be forecast that trade and investment between the two countries will continue its strong increase and outperform other partners such as the US or Europe. The aforementioned complementary needs for both countries play a role as well as further focus of the Chinese government to bolster its SOE and make them more competitive globally.

Nevertheless, the Brexit vote in June and the continuing slow-down in China may negatively impact the increase. As the Chinese Administration made clear they are opposing a Brexit which could complicate European market access for Chinese SOEs based in the UK. A continued slowdown of the Chinese economy might have the Xi administration refocusing its attention on domestic problems, like Hu during the first years of his leadership, which could slow down the trade and investment with the UK.

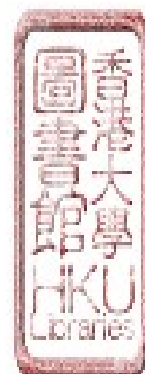


China's President Xi Jinping visited the United Kingdom in October 2015. Beijing regarded it as a "Super State Visit" because of the high reception level. Both President Xi Jinping and Prime Minister David Cameron announced the Sino-UK relation had entered a "Golden Age."

Based on the multi-levels cooperation between China and the United Kingdom, energy cooperation is a highlight. Not only in fossil fuel sectors, but also in clean energy and renewable energies. Among all the energy projects, Hinkley nuclear power plant is so significant because of its enormous expensive construction cost and it allowed the big amount of China's investment.

After the Fukushima Daiichi nuclear disaster in 2011, many countries slowed down nuclear energy development; some even stopped constructing new nuclear plants. The public was concerned about nuclear radiations and nuclear wastes. The Hinkley power station will be the first nuclear power station built in Britain after the Fukushima disaster. Supporters of Hinkley project highlighted the benefits it would bring: more employment opportunities, lower carbon emissions and increased UK's energy security. However, opposite arguments are worried about the potential nuclear disaster will bring a grave danger to the British people.

This section will apply Putnam's two-level game theory and win-set theory when discussing the Sino-UK nuclear projects. Firstly, major players from China and the UK will have shared interests in proceeding to cooperate so that the decision of



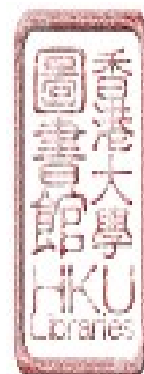
signing project is a reflection of the meeting of demands for both sides. Secondly, China's needs may be different from the UK's demands, so there are international negotiations between both parties. Thirdly, because only the negotiation delegation can appear on the negotiation table, so the chief negotiators must guard the interest of domestic groups.

Thus, the Hinkley project is a result of China-UK negotiation, and it shows some common interests from both players. This essay will examine if Putnam's theory can be used to explain the Sino-UK interactions and what are the common interests. This paper will begin introducing information on the Hinkley nuclear plant C project and the connections to Putnam's theory. Following the introduction is a theoretic framework for understanding Putnam's two-level theory and the concept of win-sets. The third part will discuss China's win-sets in the program, followed by United Kingdom's win-sets analyses in the fourth part. The conclusion and future prediction will finish this section of the essay.

Theoretical framework

As Putnam is concerned, international negotiations are not only economically but also possible politically; not only a bargaining between delegations on behalf of countries but also reflecting domestic demands. The negotiation thus becomes a two-level game.¹⁷² Level I called the international level which chief negotiator bargaining for national interests. Level II called the domestic level which chief negotiator bargaining and defending internal groups' interest. The game also includes the interactions

¹⁷² Putnam, Robert D.. 1988. "Diplomacy and Domestic Politics: The Logic of Two-level Games." *International Organization* 42 (3). [MIT Press, University of Wisconsin Press, Cambridge University Press, International Organization Foundation]: P428.
<http://www.jstor.org.eproxy2.lib.hku.hk/stable/2706785>.



between I and level II. Both Level I and level II can affect each other.

Win-sets is a core concept in the two-level game theory. Each player involved in the negotiation represent their interests and goals. Sometimes these interests are consistent but sometimes they are opposite. Only an actual common interest or an overlap of interest can finally make an achievement. Thus the preferences, coalitions and negotiation strategy are supreme to achieve the win-sets.¹⁷³

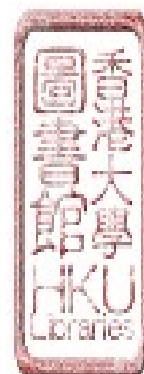
Chief negotiator or leader is important in the negotiation because the person is the only formal link connecting level I and level II. The chief negotiator is expected to be well informed about links of interests and well experienced in negotiation strategies.¹⁷⁴

Energy industries in the UK and China

Sino-UK energy cooperation is going deeply with the agreement of Chinese investments to Hinkley Nuclear Power Plant C; there are more projects are under discussion between China and the United Kingdom's governments. The bilateral dialogues are multiple and normalizing with the establishments of UK-China Energy Dialogues and the UK-China Business Forum, as well as the on-going procedures. In recent years, both governments are emphasizing on fossil fuel diversification and developing clean energy to reduce Co2 emission, control energy pollution, and coping with global climate change. Both China and the UK are more focusing on innovations in clean energy and renewable energy, transition from traditional sectors as oil and gas, to new energies including nuclear power, solar power, and wind power.

¹⁷³ Ibid. P441-2

¹⁷⁴ Ibid.P456.



Recent energy programs under Sino-UK cooperation

Date	Program	The UK side	China side
Oct. 2015	Hinkley Nuclear Power Plant C ¹⁷⁵	Electricite de France	China General Nuclear Power Corporation
Oct. 2015	20-year deal of 1 million tons of LNG ¹⁷⁶	BP	China Huadian Corporation
Jun. 2015	Contract of world's first tidal energy plant in Swansea Bay ¹⁷⁷	--	China Harbour Engineering
Oct. 2015	Framework agreement on strategic cooperation in potential shale gas exploration and production ¹⁷⁸	BP	China National Petroleum Corporation (CNPC)
Dec. 2014	Agreement on acquiring an 80 percent stake in three Electricite de France SA wind farms in the U.K. ¹⁷⁹	Electricite de France	China General Nuclear Power Group
Jun. 2014	20-year deal of 1.5 million tons of LNG ¹⁸⁰	BP	China National Offshore Oil Corporation
Apr. 2014	Solar power plants of 300 megawatts ¹⁸¹	--	AVIC International Holding Corporation

As the table shows, fossil fuel trades are still necessary to both side according to the two liquid gas deals between the UK and two Chinese State-owned firms. The totally 2.5 million tonne of gas will continually supply China for the coming 20 years, which would increase Britain's exporting and help to ease China's high demands on LNG

¹⁷⁵ China to take one-third stake in £24bn Hinkley nuclear power station.

<https://www.theguardian.com/environment/2015/oct/20/china-to-take-one-third-stake-in-24bn-hinkley-nuclear-power-station>

¹⁷⁶ BP and China Huadian corporation sign multibillion dollar LNG deal.

<http://www.bp.com/en/global/corporate/press/press-releases/bp-and-china-huadian-corporation-sign-multibillion-dollar-lng-de.html>

¹⁷⁷ Chinese group to build world's first tidal energy plant in Swansea Bay.

<http://www.ft.com/cms/s/0/1da6dcba-094b-11e5-b643-00144feabdc0.html#axzz4FY5EO1Pw>

¹⁷⁸ BP and China National Petroleum corporation to expand global partnership.

<http://www.bp.com/en/global/corporate/press/press-releases/bp-and-china-national-petroleum-corporation-to-expand-global-par.html>

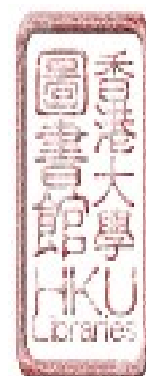
¹⁷⁹ China General Nuclear Unit Buys Stake in 3 EDF U.K. Wind Farms.

<http://www.bloomberg.com/news/articles/2014-12-16/china-general-nuclear-unit-buys-stake-in-3-edf-u-k-wind-farms>

¹⁸⁰ BP and CNOOC sign 20-year LNG deal. <http://www.bp.com/en/global/corporate/press/press-releases/bp-and-cnooc-sign-20-year-lng-deal.html>

¹⁸¹ AVIC draws up plan for UK solar plants.

http://webcache.googleusercontent.com/search?q=cache:http://usa.chinadaily.com.cn/epaper/2014-04/30/content_17477576.htm&gws_rd=cr&ei=WGqYV5nNG8bg0gTtkZzQBA



consumption. The most significant part is the multiple cooperation on clean energy and renewable energy. The Hinkley Nuclear Power Plant C is the most expensive plant in the UK, and it is the first nuclear power station project after Fukushima nuclear disaster. The Swansea Bay tidal energy plant will be the first one in the world thus it attracts a lot of attention from the industry.

Enormous Chinese investments are dropping into the UK market. The two agreements on LNG's After Premier Li Keqiang and Xi Jinping visited the United Kingdom, it was apparently that China's investments and trades to the UK had been increasing. Businesses came from the political supporting. Both the UK and China's government had established a deeper understanding of political mechanism so that business interactions were strongly supported. For the UK, those energy project can firstly reflect that Britain has the possibility to develop multiple energy industries; secondly it can reflect Britain's determination on energy power and welcome world's capital to boom the energy industries; thirdly it shows that Britain need to diversify energy industry from traditional fossil fuel to generate electricity for civil use. For China, the historical "Opening-up Policy" encourages China's companies to connect with the global market, thus many State-owned enterprises had entered overseas market for a long time. With the increasing policy support and financial support from Beijing, together with their self-designed technology, a mature market as Britain could help them grow into an international company. Also China need to balance the high demand of energy consumptions. Keeping fossil fuel importing is an essential element, while crapping the advantages on renewable and clean energy is more significant to China's domestic energy dilemma. Edward Davey, the Secretary of State for Energy & Climate Change in the United Kingdom, said in the third UK-China Energy



Dialogue, “the best friendships are built on shared interests”.¹⁸² This truth can also apply on Sino-UK energy cooperation. The next part will show some foundations of these remarkable interactions.

The UK's energy developments

Being a major power in the world, the United Kingdom is also a vital role in the Europe. Britain has a very brilliant history in the modern world while she is in financial trouble in recent years. However, Britain remains sufficient technical strengths, sophisticated market mechanism, and rich experiences.

Mature oil and gas industry

The United Kingdom was rich in oil and gas so that it was a significant resource exporter in the past century. Most of the UK's production were from offshore farms and Aberdeen was a major role in Britain's energy history.¹⁸³ Oil production peaked at 2000 with nearly 160 cube meters annually, while it went down to below 100 in the later years.¹⁸⁴

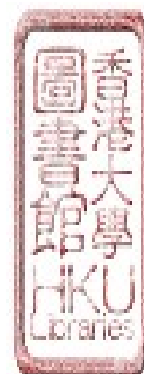
In the past century, the exportation of North Sea sharply increase the world oil and gas storages, and Britain had benefited by the rich farms. Oil and natural gas helped the UK established systematical energy industry. The BP Company entered the North Sea five decades ago and had invested 35 billion pounds into exploring, production, and delivery.¹⁸⁵ The North Sea helped BP become the top class energy company in the world. However, North Sea's storage is going small after year's production;

¹⁸² Edward Davey's opening speech to the UK-China Energy Dialogue.
<https://www.gov.uk/government/speeches/uk-china-energy-dialogue>

¹⁸³ Archived July 27, 2014, at the Wayback Machin

¹⁸⁴ United Kingdom oil production 1975-2012. https://www.og.decc.gov.uk/pprs/full_production.htm

¹⁸⁵ BP.com. http://www.bp.com/en_gb/united-kingdom/where-we-operate/north-sea.html



Britain needs new and stable energy resource to satisfy current energy consumption.

Concentrated on energy technologies

Britain understood their shrinking storage in the North Sea, and they had developed alternative energies with advanced technologies. The government issued an energy the ETL (or Energy Technology Product List, ETPL) for energy efficient and energy business.¹⁸⁶ The technologies include heat pumps, pipework insulation, solar systems and many electricity equipments.

The UK developed nuclear into civilian use from last century. By operating more than 20 nuclear power plants, Britain has experienced in the manufacture and daily management. Being one of the countries who manage nuclear weapons, the UK has a long history of nuclear arms testing and missiles testing.¹⁸⁷

Advanced in multi-energy developments

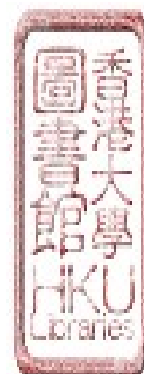
As the Ministry of Energy mentioned that the UK is surrounded by the ocean, which it's hard to import energy resource from other countries. The state has devoted into multiple energy industries, including biofuel, water power, wind power from the 1970s.¹⁸⁸

In recent years, the UK has invested into renewable energy into civilian use. An appropriate proportion of Britain's public electricity came from nuclear and other clean energy.

¹⁸⁶ GOV.uk. <https://www.gov.uk/guidance/energy-technology-list>

¹⁸⁷ Goldberg, Alfred (July 1964). "The Atomic Origins of the British Nuclear Deterrent". *International Affairs* 40 (3): 409–429.

¹⁸⁸ Association for Industrial Archaeology (1987). *Industrial archaeology review*, Volumes 10-11. Oxford University Press. p. 187.



Education on energy

The UK has special courses on different kind of energies. Schools provide educations to primary and secondary levels students on energy efficiency.¹⁸⁹ Universities also provide energy degree courses covering engineering, transferring, and effectiveness. Even the French energy giant EDF provide professional trainings on energy innovations.

After the UK's government allowed China's State-owned companies to join the local nuclear projects, Britain opened up market to Chinese investments. It is showing that both sides had upgraded into a higher level's governmental cooperation.

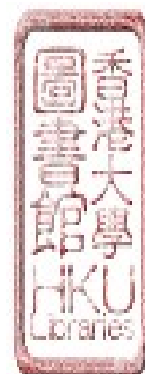
China's energy demands

China is the second largest economy in the world and China is the biggest net energy importer in the world. China regards energy market seriously. Enormous market and abundant foreign exchange reserves strongly support China's businesses.

Industry upgrade

China's GDP growth has dropped from annual 10 percent to below 7 percent in recent days. When GDP growth is high, China's economic performs well and domestic economic unbalance is not outstanding. China is famous for its exporting so that China is named as world factory. However, China also wants to shift from "Make of China" to "Design of China". With the slowly economic growth, China's exporting market is shrinking. On one hand, China's low-end steel products is difficult to sell to

¹⁸⁹ Newborough, M., et al. "Primary-and secondary-level energy education in the UK." *Applied energy* 40.2 (1991): 119-156.

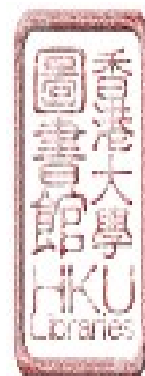


overseas market while China has to import high-end steel products for manufacturing applications and luxury automobiles. This is an example to show China's overcapacity, and this is the reason Beijing emphasizes on industry upgrading.

Beijing came up with many solutions to deal with overcapacity problem and devotes to upgrade industries. China's president and premier are promoting railway products all over the world. Chinese companies had signed contracts with African countries to construct the Eastern African railways connecting Kenya, Rwanda and some other main roles in east Africa. With the first phase and the coming phases, China's self-designed railway standards and rail-related products entered the world market by dissolving domestic steel production. According to China's new energy plan (2025) issued jointly by National Energy Administration, National Development and Reform Commission, and the Ministry of Industry and Information Technology, Beijing will focus on deeper and wider innovation of clean energy technology and efficiency of fossil fuel, and the cooperation of energy market.¹⁹⁰

With the upgrade of the energy industry, China will concentrate more on self-designed technology on green coal, shale gas, and nuclear power. The Central government will provide policy and financial support for establishing the energy mechanism. Global nuclear energy had slowed down since the Fukushima nuclear disaster, but it also exists an opportunity to restart this energy because of the global warming issues. For Beijing, it will be a chance to stimulate China's economy and apply China's technology into the world market.

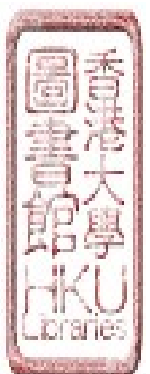
¹⁹⁰ Xinhua, 2016. http://news.xinhuanet.com/fortune/2016-06/20/c_129077318.htm



Serious energy market

China's energy structure is unbalanced which highly depends on coal consumption. Coal are used for heating, to generate electricity, to support manufacture industry. More than 40 percent of China's energy are coming from burning coal which resulted in high emission of carbon dioxide. But it is difficult for China to stop the coal industry since many people in China are fed by coal digging and coal is much cheaper to purchase than other natural resource. As a result, China has established a goal to reduce the usage of coal and increase the usage of other natural resource before the middle of 21 century. It was significant that China's co2 emission had dropped 2 percent from 2015 to 2016, which showing China's decision of energy diversification.

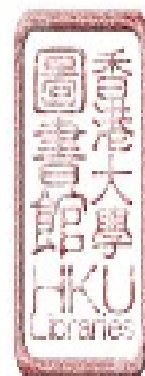
Oil and gas rank after coal to be China's another valuable energy resource. With the development of civilization, there is a sharp increase of China's citizens which requires abundant supply of gas; and automobile demands are still high in domestic China which requires rich petroleum. The huge gap between China's energy production and consumption troubles Beijing. China has surpassed the United States and been the biggest energy importer in the world. China's natural resources importing are mainly from the Middle East countries such as Saudi Arabic, and Africa countries such as Angola. With the One Belt One Road framework, China also has more channels to import natural gas from Central Asian countries as Kazakhstan and Turkistan. The conventional routes are from the land and from the sea. The former route makes China actively construct pipeline between Xinjiang province and Kazakhstan so that rich gas resources can flow to domestic China in a more secure way; the latter one also faces many uncontrollable elements such as extreme weather



and pirates, as well as potential problems when crossing Malacca Strait. Shale gas would be a pivotal role in China's future energy market. The United State has the high-end technology on collecting shale gas from the gas farm while it is apparently expensive. China's Sichuan province owns abundant shale gas and the storage rank the first in the world, much higher than the US's. Under the future cooperation between BP and Chinese firm, China might also improve self-design methods to draw these natural resource into civil use.

Government of china shares the responsibility to reduce carbon dioxide emission to cope with global climate change, hence Beijing has to shift from fossil fuel to clean energy and renewable energy gradually. Wind power, solar power, and other energy are all alternative resource but they more or less depend on uncontrollable elements. They will determined by the wind, the sun, or the rivers. Considering the limits, Chinese government would like to regard nuclear energy as priority. There are many nuclear power plants built or in discussion along China's coastal areas before Japan's nuclear disaster. After the globally slowing down on nuclear construction, China has restarted the agenda to nuclear energy. Not only more plants will be built in coastal areas, but also in inter land cities. China's advantage is local nuclear companies has innovated self-designed nuclear reactor; China's disadvantage is lacking of nuclear management experiences.

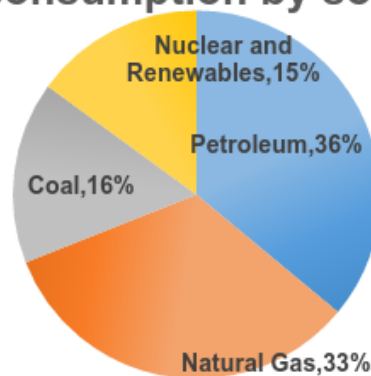
To sum up, China need breakouts in energy sector especially in oil, gas, and nuclear. Moreover, China can learn the mature experiences and managements from the United Kingdom.



1. Overviews on UK's Nuclear Market

Nearly three-quarter of UK's energy consumption is from fossil fuels, following by 16% from coal and 15% from nuclear and other renewable energy. (See Figure 1) However, with natural gas and oil production decline, UK has become a net energy importer in need of diversifying energy supply. The UK's electricity market demands more resources too. Gas and coal are the major resources used to generating electricity, but nuclear usage remains low. (See Figure 2). Driving by demands on energy diversification and electricity supply, renewable energy is a good choice for the British market.

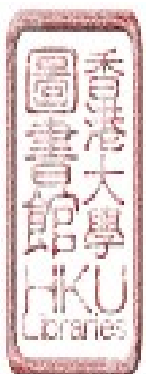
Figure 1. United Kingdom total primary energy consumption by source, 2014

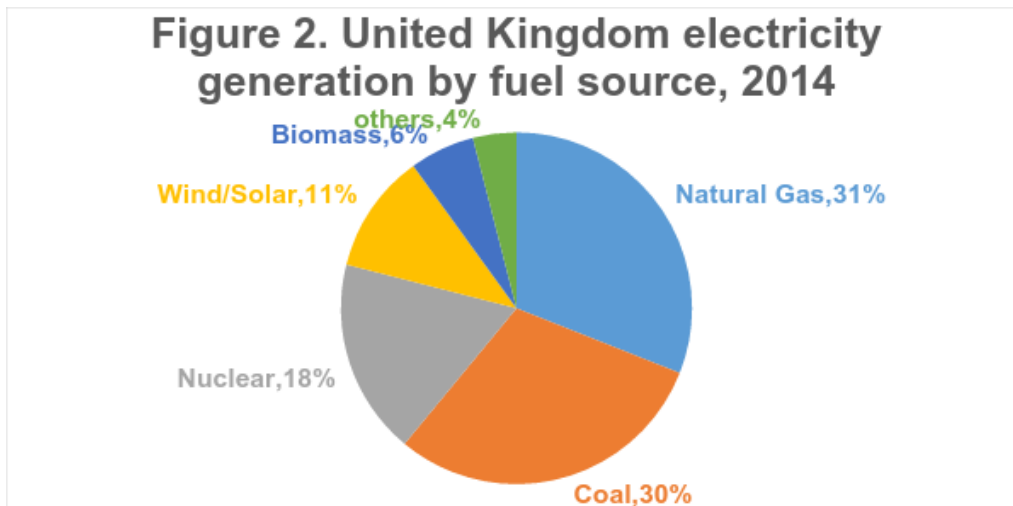


(Source: EIA¹⁹¹)

¹⁹¹ EIA.

https://www.eia.gov/beta/international/analysis_includes/countries_long/United_Kingdom/uk.pdf





(Source: EIA¹⁹²)

Nuclear power research started in the United Kingdom from the 1940s and government turned it into civil use after the World War II¹⁹³. With the world's leading technology of the first generation of reactor named Magnox reactors, British gave birth to several nuclear plants for public use. There are fifteen nuclear reactors in use nowadays, but most of them will be shut down by the 2030s.¹⁹⁴ To meet the increasing electricity consumption, along with de-carbonization procedure, UK decides to build new nuclear power plants.

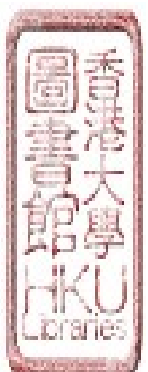
The Hinkley Point C, the one signed between President Xi Jinping and Prime Minister David Cameron, is located in Somerset, north-west of England. It will be the first nuclear facility built in the United Kingdom after the Fukushima disaster. Whereas some member states in the European Union either have slowed down nuclear energy

¹⁹² Ibid.

¹⁹³ World Nuclear Association. <http://www.world-nuclear.org/information-library/country-profiles/countries-t-z/appendices/nuclear-development-in-the-united-kingdom.aspx>

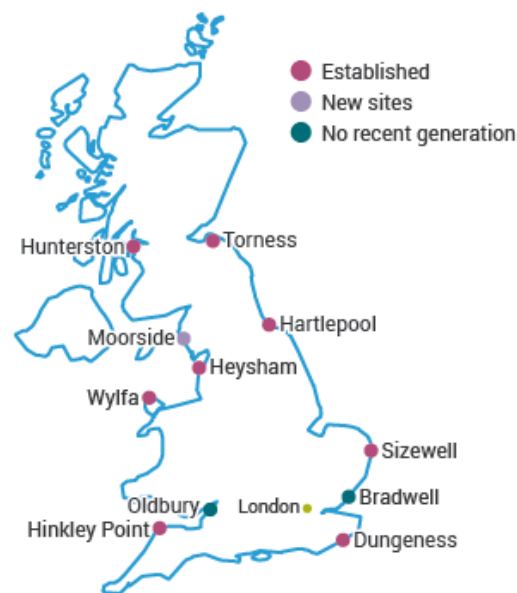
¹⁹⁴ EIA.

https://www.eia.gov/beta/international/analysis_includes/countries_long/United_Kingdom/uk.pdf



development or have shut down nuclear power stations¹⁹⁵, UK decided to continue plan another 13 new nuclear plants to meet the electricity demand.¹⁹⁶ Based on the cooperation on Hinkley Point C project, CGN further eyes on Bradwell nuclear power station in Essex with the intention to integrate China-designed Hualong reactor.¹⁹⁷ Different with the minority share CGN has in Hinkley project, the Chinese State-owned company intends to hold more than half of stake in the Bradwell project and principally hold 20 percent stake in the Sizewell power plant project in Suffolk.¹⁹⁸

Nuclear Power Plants in United Kingdom



Source: World Nuclear Association

(Source: world-nuclear¹⁹⁹)

2. China's Win-sets in the Game

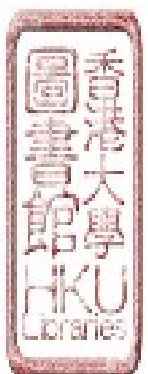
¹⁹⁵ Reuters. <http://www.reuters.com/article/us-germany-nuclear-idUSKCN0SQ1G520151101>

¹⁹⁶ World Nuclear Association, <http://www.world-nuclear.org/information-library/country-profiles/countries-t-z/united-kingdom.aspx>

¹⁹⁷ Ibid.

¹⁹⁸ Xinhua. http://news.xinhuanet.com/english/2015-10/22/c_134740998.htm

¹⁹⁹ World-nuclear. Org. <http://www.world-nuclear.org/getmedia/3db6c72a-aa1d-40bb-9611-ac628bf7d1f9/nuclear-power-plants-in-united-kingdom.png.aspx>



China is now an emerging power increasing her economic and political influences in the world, but China chose to follow the Westphalia system as a member. Respecting United States' hegemony in the current international order, China does not pose threats to the United States neither economically nor politically.²⁰⁰ However, a strategic partner relationship with the United Kingdom can fulfill China's internal demand and external demand. Chinese investors regard London as a more preferred destination because the market is English speaking, sophisticated capital system, high profitability, and labors are higher-educated.²⁰¹

The next section of this paper will include discussion major players including CGN, Ministry of Foreign Affairs, Ministry of Commerce and the National Development and Reform Commission in China's win-sets in the nuclear industry.

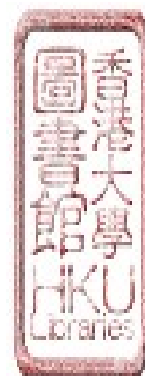
2.1 CGN's Interests

CGN is a leading state-owned company based in Shenzhen, Guangdong province. China's State Council supervises as well as the general nuclear energy developments.

CGN's businesses cover nuclear power, wind power, hydropower, and solar power. It also specializes in the design of nuclear power plants, construction and operation. CGN has six nuclear power plants in operation and three under construction along the coast in southeastern China. CGN's Daya Bay Nuclear Power Station is the earliest nuclear power plant used commercially in China since 1994. The company also concentrate on nuclear technology innovation. CGN now has intellectual property

²⁰⁰ Babones, Salvatore. "China's Predictable Slowdown." *Foreign Affairs* 18 (2015).

²⁰¹ Corre, Philippe Le. "China's Offensive in London." *Foreign Affairs*. N.p., 8 Apr. 2016. Web. 8 Apr. 2016.



rights on the third-generation nuclear reactor named “Hualong”.²⁰²

Benefited by the political background and “Going out policy”, CGN had started businesses outside China many years ago. CGN has several sub-companies in UK, Turkey, Kazakhstan, US and South Africa operating uranium trades, nuclear improvements, and clean energy cooperation.²⁰³ The European market is CGN’s priority task. Further cooperation on nuclear and other renewable power with the United Kingdom can help CGN become more internationally recognized.²⁰⁴

CGN’s overseas expansions face pressure from China National Nuclear Corporation (CNNC), the monopoly in China’s nuclear industry. Two entities have similar products and services while CNNC has better performance in the global market running a business in more than forty countries. In domestic China, CGN’s nuclear power stations are mainly located along the coast while CNNC’s stations are in interior areas. The competition between CGN and CNNC will exist in long-term. Though CGN’s nuclear power station construction businesses are developing faster than CNNC, the latter is still dominant.²⁰⁵ Those transnational contracts will help CGN establish a globalized identity and CGN can learn nuclear power management experience from EDF, which can apply to China’s market.

2.2 The role of China’s Ministry of Foreign Affairs

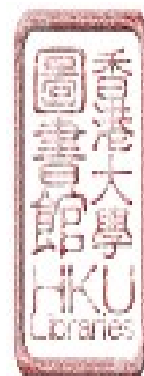
Understanding how China perceives current international order it is important to

²⁰² CGN. <http://en.cgnpc.com.cn/n658579/n658706/n678477/c831165/content.html>

²⁰³ CGN. <http://www.cgnpc.com.cn/n471051/n471186/n811384/index.html>

²⁰⁴ “中广核欧洲能源公司收购英国风电项目.” 国际工程与劳务 1(2015):91-91.

²⁰⁵ Xinhua, “中广核“曲线救国”欲破中核垄断”http://news.xinhuanet.com/finance/2014-12/16/c_127306895.htm



discuss China's foreign policy. That includes: 1) the current international order is based on the Western value, but it is not a universal one. 2) China is subjected to US's leadership status quo, and China will follow the US-led order as a participator. 3) China will be a more active player economically, politically and deepen involvement in the security fields globally.²⁰⁶ China is active in the international and regional stages in 2015 : G20 Summit, APEC Meeting, UN Framework Convention on Climate Change, as well as the forums of Sino-Africa, Sino-EU, and Sino-Latin America.²⁰⁷

Since Xi Jinping and Li Keqiang took office in 2013, Chinese carried out an anti-corruption campaign and conceived the notion of "China Dream." Being a revised version of the traditional "Going Out Policy", the Silk Road Economic Belt is a revised text of the traditional "Going Out Policy" which became the priority of China's foreign policy. It focuses on a further cooperation with Asian, African and European countries. There will be an integrated infrastructure network under the framework including high-speed railways, oil pipelines, and nuclear power plants. These increasing economic ties in the Eurasian market with the establishment of Asian Infrastructure Investment Bank (AIIB) will both bring China the opportunity to become the regional leader or even a China-led world order.²⁰⁸

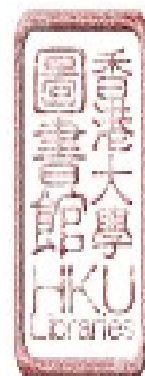
(Figure 3: The routes of Silk Road Economic Belt)

²⁰⁶ Fu Ying. "Debating the Contemporary International Order."

<http://www.iiss.org/en/events/events/archive/2015-f463/july-636f/fullerton-lecture-fu-ying-d620>

²⁰⁷ Report on the Work of the Government. http://news.xinhuanet.com/english/china/2016-03/17/c_135198880_2.htm

²⁰⁸ Fasslabend, Werner. "The Silk Road: a political marketing concept for world dominance." *European View* 14.2 (2015): 293-302.





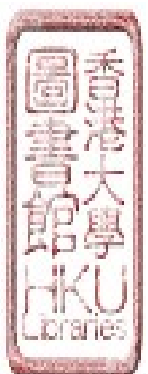
Source: Xinhua Finance Agency (2015).

Europe is an important polar in the world, and there will be a more active and stable Sino-European partnership in the future.²⁰⁹ With strong historical background, United Kingdom maintains her dominant role in Europe. London consolidated as the financial center, political center and culture center in Europe. London has been the first European country joined AIIB, which showed Britain's interest to China. Bilateral official visits in the past two years had shown a warming relation between Beijing and London. President Xi's super state visit to London demonstrated a deeper and wider strategic partnership between two countries.

2.3 The Role of China's Ministry of Commerce

China's annual Gross Domestic Production (GDP) growth dropped to 6.9 percent in

²⁰⁹ Chinese foreign minister meets the press. "Positive momentum in China-Europe ties not expedient." http://news.xinhuanet.com/english/2016-03/08/c_135167109.htm



2015, and the percent will go down in the coming years.²¹⁰ China's State Council and Ministry of Commerce have set a series of policies and goals to maintain China's internal and external economy. According to Government Report 2016, the government will keep economic development as the central task and "Opening-Up Policy" will remain its central role. China will loosen foreign investment restriction and welcome more foreign direct investment in Pilot free trade zones in Guangdong Province and Shanghai City. Exporting of high-speed rail and nuclear products are highlights showing the government's pledge of developing the Silk Road Economic Belt and AIIB.²¹¹

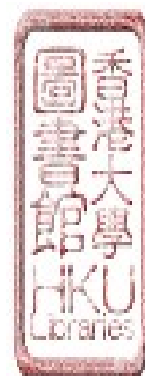
China's foreign trade on total import and export dropped 20 percent and China's export to the EU is less-performed with 15.7 percent decrease.²¹² China's industry overcapacity of steel and cement and the decision on industrial reform push government encouraging exporting infrastructure products to abroad and encouraging e-commerce in domestic to keep employment. China's gained rich experience in building infrastructure construction projects domestically. Many Chinese SOEs have been responsible for various infrastructure projects for African countries, but each SOE treats these contracts at risk because of the unstable political environment in African countries. The European market is more attractive to Chinese firms. The MOFCOM can enlarge and enhance economic ties to foreign markets through SOEs expansion overseas.

China intends to shape its identity from "Made in China" to "Designed in China." Even though there are still many cheap and low-quality goods manufactured in China

²¹⁰ World Bank. <http://data.worldbank.org/country/china>

²¹¹ Report on the Work of the Government. http://news.xinhuanet.com/english/china/2016-03/17/c_135198880_2.htm

²¹² The Regular Press Conference on the Ministry of Commerce (March 17, 2016). <http://english.mofcom.gov.cn/article/newsrelease/press/201603/20160301278807.shtml>

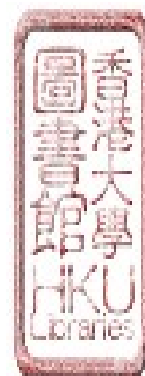


and sold all around the world, considering the increasing labor cost, higher public concern on pollution and the overcapacity of major industries make China's manufacturers have to shift from the labor-intensive to tech-intensive development. "Railway Diplomacy" and "Nuclear Diplomacy" has been China's new business cards. With innovations on high-speed railways and the third-generation nuclear reactor, China needs a new hi-end tag on its exports. However, shifts like this are not easy. China suffered setbacks in several railroad deals with Mexico and Thailand. Whether or not railway diplomacy can achieve China's goal, it can only be judged in the future with the rail projects under construction in Africa and the projects on negotiation with some EU member states. After Fukushima disaster, Russia signed many international nuclear contacts, and South Korea and Japan made breakthroughs in the United Arab and Saudi Arabia. A statement addressed by China's National Energy Administration saying that China needs to be more active in the global nuclear energy market.²¹³ Thus, facing plenty critiques about national security and environmental damage from the domestic UK to Hinkley Plant C project, Chinese firms are unlikely to leave British market but raise investments on Bradwell power plant and Sizewell power plant.

2.4 The Role of China's National Development and Reform Commission

China published the Energy Development Strategy Action Plan (2014-2020) in 2014. The Commission is responsible for monitoring and administrating China's energy security. China surpassed the United States became the world's largest net oil

²¹³ People.com. “核电中国”让世人刮目看.
http://paper.people.com.cn/rmrbhwb/html/2014-05/03/content_1422723.htm



importer in 2013.²¹⁴ With the increasing demand for electricity, China plans to reduce coal consumption and reduce carbon emission by employing more nuclear, wind, solar and gas energy for civilian use.

China's increasing external dependency on oil and gas poses energy security concern. China's import its oil and gas mainly from the Middle East and countries in Africa. Both areas are prone to security threats of wars and conflicts. Piracy issue also poses the same threat to China's maritime shipping lane in the Malacca Strait; additional frictions with its neighboring country over South China Sea territorial dispute creates added uncertainty.²¹⁵ Developing nuclear energy has been a focal point of solving energy security issue for a long time, and dozens of nuclear power plants have been in operation or under construction. However, Fukushima Disaster slowed down China's expansion in the nuclear energy sector. With 2014-2020 Energy Development Strategy Action Plan, China restarted the importance of nuclear energy development but remained highly concerned about energy security with preconditions on "adopting the world's highest safety standard and ensuring safety".²¹⁶

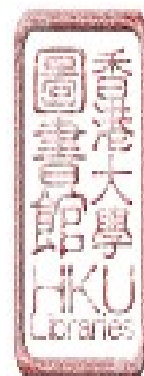
2.5 The Interests in China's Side

It is easier to discuss China's win-sets in the Sino-UK nuclear cooperation because ratification of policy choice has traditionally encountered minimal friction within the executive branch of the government. Chinese Communist Party's (CCP) policy agenda is highly in line with government and industry's agenda regarding expansion

²¹⁴ EIA. <https://www.eia.gov/beta/international/analysis.cfm?iso=CHN>

²¹⁵ Downs, Erica. "China, The Brookings Foreign Policy Studies, Energy Security Series." The Brookings Institution 12 (2006).

²¹⁶ Energy Development Strategy Action Plan (2014-2020) (Chinese version only). http://www.gov.cn/zhengce/content/2014-11/19/content_9222.htm



to overseas markets. Thus, the win-sets analysis is on the overlaps of major players' interests.

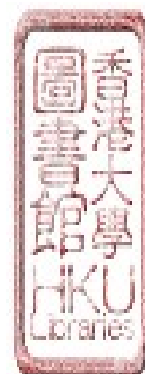
Firstly, there are interactions between CGN and China. CGN is a company that needs to seek more profits internationally while CGN is a State-Owned-Enterprise which requires it to follow CCP's decisions and policies. Secondly, there are interactions between SOEs and China's ministries. Often, China's ministries can influence strongly as well as rely on SOEs to interact with the world in accordance with its foreign policy. China's Ministries targeted various goals, the Minister of Foreign Affairs emphasizes on bilateral or multilateral relations. The Ministry of Commerce focuses on economic developments. The National Development and Reforms Commission devote to ensure China's energy security.

Hinkley nuclear power plant project is a benefit to China's economy, foreign relations, and energy security. Thus, the Hinkley plant C project represents China's interests and is supported by China.

3. UK's Win-sets in the Game

Several major players are in the analysis of UK's win-sets, including the Conservative party, the Labour Party, and some key cabinet departments.

The general election of Britain in 2015 had surprised the public. The Conservative Party triumphed in the battle against Labour Party capturing 331 seats in the House of Commons while the Labor party had a “dramatic losses” losing support from



Scotland.²¹⁷ David Cameron remains as Britain's Prime Minister and won majority public's supports than five years ago. But the new government still need to deal with many problems.²¹⁸ One of the priorities for the administration is on cutting Britain's budget deficit, the 2015 general election clearly demonstrates this point, the Labour Party made promises on cutting deficit every year while the Conservative Party pledged to reduce Government spending.²¹⁹ Other national demands are on the agenda too, for instance, the continued surge of Scottish independence movement and the referendum on Britain's membership in the European Union.

China's increasingly leading roles in international affairs are becoming more recognized than before. However, some countries are still taking a skeptical position regarding China's economic development and political stability. For Britain, securing a cooperative bilateral relationship ahead of other competitive players has many advantages. As China further develops itself on all fronts, Britain's interest would be able to extend and perpetuate into areas where lagged players could not.

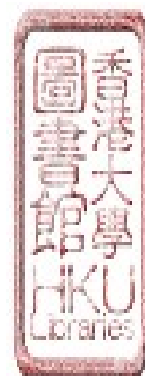
It is in Britain's interest to develop a good partnership with China in Europe.²²⁰ The development of such partnership started with economic and financial joint agreements, followed by more cooperation in sensitive industries, such as CGN's investment in Hinkley Nuclear Power Plant C and Huawei's contract on UK's national telecommunications network. Britain widely opened up the market to China despite

²¹⁷ The Economist, 2015. "Britain's Election Surprise".

²¹⁸ The Economist, 2015. "Britain's election: Cam again."

²¹⁹ Parliament, UK. "The budget deficit: Key issues for the 2015 Parliament."
<https://www.parliament.uk/business/publications/research/key-issues-parliament-2015/economy-public-finances/budget-deficit/>

²²⁰ The Economist, 2015. "An interview with George Osborne."



opposition questioned China's potential threats UK's national security.²²¹

3.1 The Roles of Conservative Party and Labour Party

The opposition Labour Party critiqued on the higher electricity bill due to the Hinkley plant C. According to the project deal, EDF will be paid 92.5 pounds per megawatt-hour for thirty-five years on Hinkley plant C. Labour questioned that the government subsidy will eventually transfer to UK consumers, meaning that consumers will have to pay a price double than the current price for future electricity. But the chief of EDF defended the price mechanism since clean energy is more expensive than fossil energy. Electricity generated by Hinkley will be less costly than an aforementioned gas-powered station which will begin operation in 2024.²²²

Both Conservative Party and the Labour Party have plans to follow Britain's decarbonization procedure and agree on clean energy development, but the priority is different. Labours is more interested in wind power and less interested in nuclear power while Conservatives favors nuclear development.²²³ Therefore, Labour questioned whether Britain should solely rely on nuclear energy development as alternatives to oil and gas. Those high subsidies devoted to Hinkley Plant C plant will reduce official supports for subsidies to other renewable energy developments.²²⁴

²²¹ FT.com. "UK security committee 'shocked' over Huawei contract with BT".

<http://www.ft.com/intl/cms/s/0/24bbea6e-ce87-11e2-ae25-00144feab7de.html#axzz45V9xQ7sQ>

²²² Telegraph.uk. EDF: "Low power price 'irrelevant' to Hinkley Point nuclear deal".

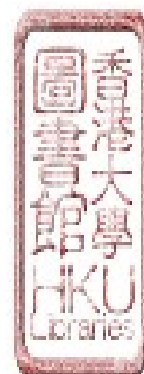
<http://www.telegraph.co.uk/finance/newsbysector/energy/11867331/EDF-Power-price-irrelevant-to-Hinkley-Point-nuclear-deal.html>

²²³ Karl Mathiesen. "Would a Labour or Tory government be better for the environment?"

<http://www.theguardian.com/environment/2015/mar/03/labour-tory-government-be-better-for-environment>

²²⁴ Bloomberg.com. "Look Beyond Hinkley for Britain's Nuclear Future, Labour Says".

<http://www.bloomberg.com/news/articles/2016-04-11/the-invisible-money-makers-who-thrived-during-2015-s-oil-slump>



There was a debate in the UK parliament in 2013 on the costs of clean energy development. The cost of improving nuclear power is around 200 pounds per MWh while offshore wind power costs 140 pounds per MWh and onshore wind power costs 90 pounds per MWh.²²⁵ But Conservatives think wind power and solar power are highly dependent on the nature which is less predictable and out of human control. Thus, Conservatives maintains nuclear energy in the central aim of developing clean energy to meet increasing energy consumption.²²⁶

Although Labour questioned the building of Hinkley Point C plant, they still support it for the following reasons. 1) The project can offer 25,000 more employment opportunities to the public according to EDF's report, a result that both Conservatives and Labour promised to increase employment and work opportunities in each of their election manifestoes. 2) Both Conservatives and Labour have to reduce greenhouse gas emission to combat climate change so investing in renewable and green energy is a must in Britain. 3) Britain's electricity generating resources mainly rely on oil and gas while the production from the North Sea is decreasing. Britain needs more energy to cover the consumption and production gap, be they nuclear, solar or the wind. Thus, the Hinkley project satisfied Britain's demand.

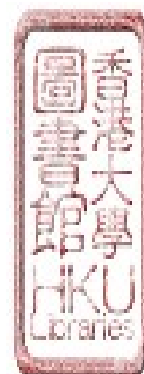
3.2 The Roles of UK's major government departments

Department of Energy & Climate Change

This department is responsible for Britain's energy development and energy security.

²²⁵ David Thorpe. "Labour needs a new policy on Hinkley C and nuclear power".
http://www.theecologist.org/blogs_and_comments/commentators/2987427/labour_needs_a_new_policy_on_hinkley_c_and_nuclear_power.html

²²⁶ The Guardian.com. "George Osborne puts the UK at the heart of the global race for mini-nuclear reactors."



It is not easy for Britain to import electricity from abroad.²²⁷ Therefore self-sufficient is vital to Britain's energy security. The French-Chinese Hinkley project will generate 7% of electricity and service six million consumers at its designed capacity. With the operation of Hinkley and following projects of Sizewell and Bradwell, Department of Energy believes Britain can have a more controllable and low-carbon emission energy sources unlike wind power and solar power that are highly dependent weather.²²⁸

Her Majesty's Treasury

The department is working on a national long-term economic plan. After the global financial crisis in 2008, Britain's economy is weakened and focused on deficit reduction and debt reduction which restricted investment flow into the energy industry. As chancellor George Osborne said, Chinese investment can benefit Britain and British people. China will share the responsibility to build the costly nuclear power plant in Britain so that government can increase much more budget and use taxpayer's money to health care and education.²²⁹

3.3 Britain's Interests in the Game

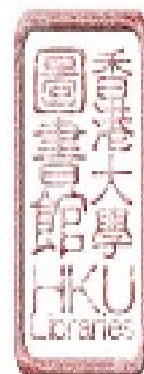
From 2010 to 2015, the Conservative-led government set out economic recovery as the administration's priority and the UK's economy recovered from recession during the five-year coalition government that led by the Conservative government.²³⁰ The result of the election showed public support for the Conservative party and the party's manifestos.

²²⁷ GOV.uk. "Amber Rudd's speech on the energy benefits of staying in the EU."

²²⁸ Gov.uk. "What the Government is doing to secure investment in clean, secure and affordable energy."

²²⁹ The Economist. "Britain's foreign policy, An interview with George Osborne."

²³⁰ Manifesto of Conservative Party. <https://www.conservatives.com/manifesto>



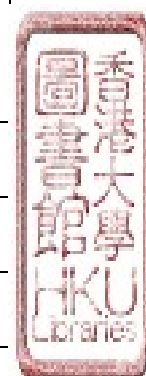
Foreign investments help Britain especially when the state emergently needs economic recovery. Although Conservatives and Labour have different concerns about Hinkley nuclear plant; and various governmental departments have a departmental focus on the issue. However, the overall Britain's position backs the Hinkley project for benefits of economic development, energy self-sufficient and employment opportunity.

4. Apply Putnam's Theory into Hinkley Case

Apply win-sets theory on the Hinkley's case, focuses on areas where individual, groups and national interests overlaps. Apply two-level game theory, in this case, is evident to see how domestic demands influence state's international needs.

Table 1: The List of Individual and National Interests

	China	Britain
Domestic needs	Economic development	Economic development
	Increasing firms' profit	Reducing deficit
	Mitigate industrial overcapacity while profiting overseas	Cutting government budget
	Learning advanced management experiences on nuclear power station	Creating more jobs
	Ensuring energy self-sufficiency	Ensuring energy self-sufficiency
	Ensuring energy security	Ensuring energy security
	Decarbonization	Decarbonization



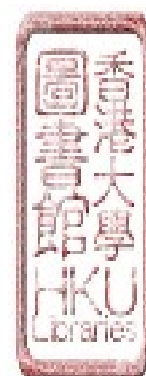
International needs	Acquiring cooperative relationship with the UK	Acquiring cooperative relationship with China
	Promoting China's advanced infrastructure capacity and manufacturing technologies	Attracting foreign investment

As illustrate in Table 1, there are many overlapped interests between China and Britain. Both countries regard economic development as their central focus. Since Hinkley project is in the nuclear industry, both China and the UK have energy standard requirements. Those common interests become the win-sets of Hinkley project.

The leader's' consolidation of power are important too. Xi is perceived to be the strongest leader since Mao Zedong. Therefore, the government and party under such influence would expect to have better policy outcomes and more efficient implementations. David Cameron and his team of ministers recovered the UK's economic conditions and also consolidated more power since the last general election. Applying chief negotiator's role in Putnam's theory, both leaders represented respective domestic interests and national interests well, and this enabled a win-win foundation during the negotiation process.

5. The Limits of This Paper

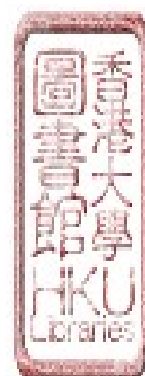
This paper has several limits when applying Putnam's theory into its analysis. Firstly, it is not easy to collect data on project negotiation procedures and terms of exchange between China and the UK. Secondly, the role of EDF was excluded in this discuss



because this paper focuses on Sino-UK relations. Thirdly, how the Hinkley project could affect domestic groups and how this project could affect Sino-UK relation in the future remain uncertain because the nuclear plant is under plan and construction. Therefore, many perceived negative components of the deal like the potential increase in electricity bill to consumers would not be seen until the completion of the project.

With these limits, this paper can describe certain interactions between China and the UK, as well as interactions among individual players. At this stage, Putnam's theory can only explain some part of the case, but cannot draw a comprehensive conclusion on the matter.

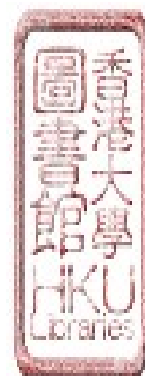
China and Britain are both major powers at the global stage. A "Golden Age" coated bilateral relationship will make China and UK to expand cooperation into areas like finance, development, cultural exchange, social communication and other general areas. Based on the good start of nuclear cooperation on Hinkley power plant C, this would likely to lead the way of a wave of Chinese investment into Britain. However, while China and UK are enjoying their "Golden Era" in bilateral relations, it is worth asking how long beneficial conditions underlying the win-sets theory will last.



Possibly more than any other country China is under both domestic and international pressure to mitigate climate change adequately. Reasons for this are vast in numbers and complexly linked at times. To some extent we consider Putnam's two-level game theory as a guiding analytical framework again, aiming to more easily explain an increasingly benevolent tone between China and the U.K. when exchanging thoughts on global warming countermeasures. Like other developed nations, the U.K. has often been an outspoken critic of China's high amounts of carbon dioxide emissions but there seems to be a significant shift in attitudes. As a result, debates on global climate change become a powerful example to illustrate altering dynamics in win-sets within both China and the U.K. Crucial components that make up national political structures such as leadership style, the form of governmental system as well as opinions of civic society have always shaped international meetings to certain extents, including climate change conferences.²³¹ Pillars of domestic politics are being influenced or even simultaneously interact with international politics. Putnam's theory also inspires to see how opinions from the wider international community affect win-set designing processes within China and the U.K. individually.

This section of the capstone project refers to two of the most telling international meetings addressing global warming, the 2009 United Nations Climate Change Conference in Copenhagen and the recent 2015 United Nations Climate Change Conference in Paris. Understanding of distinct case studies adds more profoundness when examining the changing nature of Chinese-British expectations of each other.

²³¹ Peter Christoff, "Taking Preferences Seriously: A Liberal Theory of International Politics," *International Organization* 51 (1997): 513.



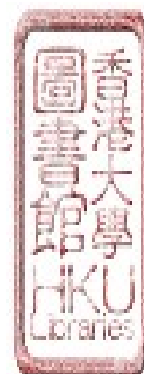
Compared to relations under the Gordon Brown and Hu Jintao era, specific domestic circumstances like the financial crisis of 2007/08 and its still existing aftereffect on the U.K, as well as rising security tensions for China with the U.S interest in the South China Sea, have led to significant growth in cooperation between David Cameron and Xi Jinping. Particular illumination of single negotiation actors allows enhanced comprehension about interplays between national and international political circumstances. Examination of country-specific domestic political circumstances under the Hu Jintao and Gordon Brown era as well as the current David Cameron and Xi Jinping period can shed light on respective behaviors towards each other during meetings on global warming.

Overview of Meetings in Copenhagen and Paris

In the eyes of developed countries, the 2009 UN Climate Change Conference in Copenhagen was perceived as notorious failure. Western ambitions to establish binding carbon dioxide reduction commitments were not fulfilled whereas major Kyoto Protocol principles from 1992 like the “common but differentiated responsibility” conception were kept.²³² A non-binding Copenhagen Accord was drafted by America and the four big newly industrialized BASIC countries (Brazil, South Africa, India and China), agreed upon by more than 100 U.N. member states.²³³ Highlights of this arrangement included the limitation of a global temperature rise to an increase of 2 degree Celsius - above pre-industrial levels -, call for more transparency of climate change actions by developing countries, as well as increased allocation of financial resources and capacity building to help less developed

²³² Peter Christoff, “Cold Climate in Copenhagen: China and the United States at Copenhagen,” *Environmental Politics* 19 (2010): 637.

²³³ Karl Hallding, Marie Jürisoo, Marcus Carson and Aaron Atteridge, “Rising Powers: The Evolving Role of BASIC countries,” *Climate Policy* 13 (2013): 608.



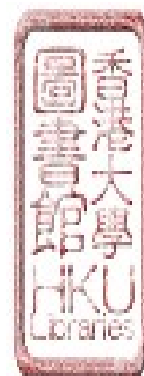
nations.²³⁴

Results of the Copenhagen conference left former British Prime Minister Gordon Brown and his Secretary of State for Energy and Climate Change, Ed Miliband, deeply disappointed with China in particular. Back then, Britain's domestic socio-economic conditions were more favorable compared to now, allowing it to express open critique about China on an international platform. Like other developed nations, they too hoped China would support the idea of binding promises to make up for its high levels of carbon dioxide emissions. However, as announced by the influential National Development & Reform Commission of China (NDRC) and China's Department of Climate Change, China made official plans for "autonomous domestic mitigation actions" after dispute with developed countries in Copenhagen.²³⁵ As following developments have shown, China did not shy away from actual implementation of important measures such as promotion of the renewable energy industry. Rather than lack of commitment, it was more a question if China was already prepared to take responsibility on the world stage in 2009. Part of the answer lies in China's limited win-set situation at the time. The Hu administration prioritized domestic affairs and efforts to ensure internal stability through rising economic output over promising actions to the wider international community. Further explanation for this logic is shown in later parts of this particular capstone section about climate change negotiations.

On the contrary, the atmosphere at the UN Climate Change Conference in Paris last

²³⁴ Radoslav S. Dimitrov, "Inside UN Climate Change Negotiations: The Copenhagen Conference," *Review of Policy Research* 27 (2010): 795.

²³⁵ Yingying Lu, Alison Stegman and Yiyong Cai, "Emissions Intensity Targeting: From China's 12th Five Year Plan to Its Copenhagen Commitment," *Energy Policy* 61 (2013): 1164.

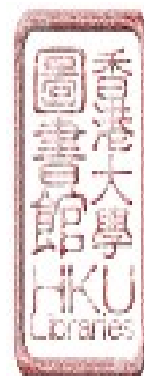


year was perceived to be much more pleasant. For the first time in history there was some form of universally adopted, binding climate change deal. Though some of the agreements like the Intended Nationally Determined Contributions (INDCs) are not binding yet, they allowed increased confidence in the process to fight global warming. China's INDCs included Enhanced Actions on Climate Change, highlighting newly found responsibility to "fully engage in global governance" by further committing to a peak in carbon dioxide emissions before 2030 and an ever increasing share of non-fossil fuels.²³⁶ China's goals did not sound too different from previous non-binding roadmaps in terms of ambition but since the country truly achieved successful pursuit of its former agendas, reactions in Paris by developed nations were comparatively positive.

As usual Western critics like the U.K. became weaker themselves since the 2009 Copenhagen Climate Change Summit (partly because of specific weaknesses in domestic decision making mechanisms), there seemed to be more agreement with China's developments in 2015. Aware of China's growing desire to become a superpower and worried about its own national budget deficits, Britain's leaders knew their future win-sets would most likely be influenced by China's financial injections into their energy sector in the near future. As part of the E.U., the U.K.'s INDC ambitions were set for overall emission reductions of 40% by 2030.²³⁷ Considering voting on the U.K.'s future relation with the E.U. (i.e. Brexit) was soon to be followed, it is surprising that David Cameron's administration especially pushed for quite ambitions targets. At present it is highly debatable whether the U.K. can commit to

²³⁶ Anthony HF Li, "Hopes of Limiting Global Warming? China and the Paris Agreement on Climate Change," *China Perspectives* 1 (2016): 49.

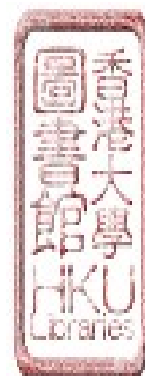
²³⁷ "Paris Agreement - European Commission," last modified May 1, 2016, http://ec.europa.eu/clima/policies/international/negotiations/paris/index_en.htm.



promised cuts in carbon dioxide emissions to this great degree without continuous financial support from the E.U. when Brexit is about to happen. With the latest results, the win-set conditions of the U.K seem to have changed dramatically, increasing hopes towards better cooperation with China all the more. There will be increasing need to change the U.K.'s national agenda to make it complementary to China's foreign policy goals. Determination of the national win-set is not that much of a sovereign matter anymore. In addition, in times when China's relationship with the U.S. becomes increasingly volatile, both the U.K. as well as China can benefit from each other's assistance.

Conditions of Negotiation Partners and Implications for Climate Change Debates

As previously mentioned, multiple key deciding factors from domestic political life such as leadership style, form of governmental system and public opinions play into a country's behavior in international negotiations. Regarding energy politics, China's maneuvering room is mostly influenced by the overall agenda of the nation's most influential political factor, the Chinese Communist Party (CCP). Regarding other governmental institutions, there are interests by actors from the Ministry of Environmental Protection, the Ministry of Science and Technology, as well as the Ministry of Foreign Affairs. Having mentioned this, due to its closeness to the CCP elite the National Development and Reform Commission, and even more so, the informal advising committee around the National Leading Group to Address Climate Change and Energy Conservation and Emission Reduction (NLGACCECER) have considerable more power over climate change policies compared to ministries



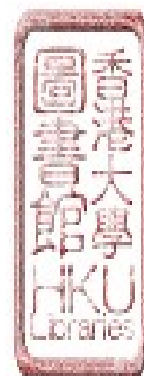
listed.²³⁸ As the NLGACCECER is headed by the Chinese Premier, there is direct linkage to the Standing Committee of the Central Political Bureau of the Communist Party of China (the country's committee consisting of the prime leadership from the CCP).

Compared to 2009, present Chinese business communities which share access to the energy sector with major state-owned enterprises as well as general public opinion is much more weighted into overall decision making processes of the leadership circle. Developments regarding energy have become a key tool to manage foreign policies whilst still existing high pollution levels pose an increasing risk of domestic social unrest. Overall, the Chinese President and the rest of the CCP elite have the biggest influence on China's stance on international climate change debates, both in 2009 and 2015. Compared to Hu Jintao's contributions to climate change politics however, Xi Jinping proves to be much more hands on as he tries to centralize power. Xi's appearance at the 2015 Climate Change in Paris simultaneously personified China's commitment to energy transformation and aspiration to become an even stronger global power player.

In the U.K., interests in energy politics are represented by the Department of Energy and Climate Change as well as the Department for Environment, Food and Rural Affairs.²³⁹ (On an interesting side note: After the vote to leave the E.U., newly appointed British Prime Minister Theresa May created the Department for Business, Energy and Industrial Strategy - merging the Department of Energy and Climate

²³⁸ Wei Liu and Bo Qin, "Low-Carbon City Initiatives in China: A Review From the Policy Paradigm Perspective," *Cities* 51 (2016): 131.

²³⁹ "Departments, Agencies and Public Bodies," last modified May 1, 2016, <https://www.gov.uk/government/organisations>.

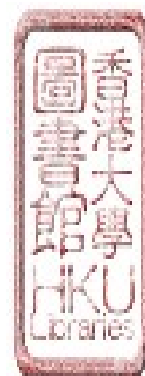


Change together with the Department for Business, Innovation and Skills.²⁴⁰ The move signals Britain's increasing awareness that business and energy politics are not to be separated, elevating China's role as a closer ally to the U.K. with its financial resources and strategic investment strategies for the developed world).

There are significant differences between commitments to fight global warming, including degrees of legal implications, amongst Hu Jintao and Xi Jinping. Whilst Hu focused primarily on country specific internal affairs and therefore made less room for issues related to the rest of the world, Xi Jinping understands how to utilize China's cutting-edge in renewables and financial reserves targeting energy related investment projects to gain a more assertive role in international politics. China's changing win-sets have seen increased attention on global warming and how energy market structures have powerful economic and geo-strategic implications.

For Britain on the other hand, both 2009 and last year's conference marked the country's continuous official dedication to counteract global warming. Having said this, interest in the topic was driven by varying objectives. Though there is always the genuine hope to help protect the earth, the U.K.'s current interference with worldwide energy arrangements is increasingly related to concerns about the domestic economy. China is seen as one of the last hopes to contribute to Britain's economic and energy security. David Cameron and his government became flexible enough to allow market access for China despite widespread security concerns, adjusting the national win-set configuration according to compatibility with China's win-set. Compared to China, current interests of British private businesses and negative public opinion on closer

²⁴⁰ "Departments for Business, Energy and Industrial Strategy," last modified May 2, 2016, <https://www.gov.uk/government/organisations/department-for-business-energy-and-industrial-strategy>.



collaboration are less and less taken into account by politicians because options are constrained. The U.K.'s maneuvering room has decreased remarkably in recent years, forcing it to agree with arrangements and partners it might have rejected in the past.

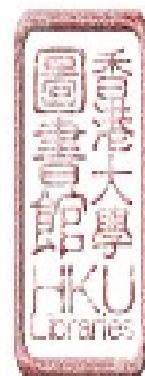
Domestic Leadership and Resulting Complexities in the International Arena

Of all the leaders of China's modern history, Hu Jintao's overall achievements are often seen to make him the weakest president of all. Whilst insiders such as former Newsweek Beijing Bureau Chief and President of the Chinese Foreign Correspondent's Club Melinda Liu initially connected Hu's "unassertive approach"²⁴¹ to a potentially gracious leadership style, same observations made other observers worried about the leader's strength in an incalculable domestic setting within China.²⁴² As Joseph Nye highlights in his book *Presidential Leadership and the Creation of the American Era*, the potential of a leader's legacy is often measured by categorizing him as either transactional or transformational politician.²⁴³ In retrospect Hu Jintao is most commonly put into the former camp of transactional leaders. Given China's undoubtedly miraculous economic performance during his time in office one must wonder about the justifications behind such judgement. What sort of measurements can be taken to assess the chief of state's power effectively and how it the result to be connected with energy politics? One possibility to investigate the leader's domestic influence is to compare his performance to the second most important person in command. In the case of Hu Jintao's term in office we have to take a look at his labor division with Wen Jiabao, the Chinese Prime Minister at the time.

²⁴¹ Melinda Liu, "Who's Next: The Man Who Will Run China," *Newsweek*, December 30, 2002, 76.

²⁴² Willy Wo-Lap Lam, *Chinese Politics in the Hu Jintao Era: New Leaders, New Challenges* (Abingdon-on-Thames: Routledge, 2006).

²⁴³ Joseph S. Nye, *Presidential Leadership and the Creation of the American Era* (Princeton: Princeton University Press, 2014).

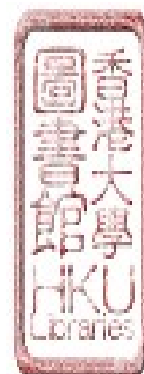


Amidst a rather low-spirited 2009 World Economic Forum in Davos, Wen Jiabao “injected a note of optimism.”²⁴⁴ Equally committed to represent his country’s agenda to find balance between growing economic performances and contributions to fight global warming. It was also Wen and not Hu who attended the 2009 Copenhagen Climate Summit. Back then, China’s image on the international stage was not as established as it is nowadays. Lack of Hu Jintao’s presence in the Copenhagen negotiations not only hinted at a surprisingly weak leader on top of an economic powerhouse. The composition of the Chinese delegate also embodied a reduced size of win-sets negotiable with China. However, as highlighted in Putnam’s two-level game theory, a superficially weaker position does not necessarily translate into diminished power over decision making by others.

Ultimately, Wen Jiabao only spent less than 60 hours in the Danish capital whilst heads of the most developed countries persevered until the very end.²⁴⁵ After Wen’s sudden departure, reasoned with failing communication and lack of trust (the Chinese government accused Barack Obama in particular of making secret plans that disregarded conditions of less developed nations), the circle of meaningful Chinese negotiators began to shrink further. In 2009 China still held on tightly to its identity as a still developing country, leaving less tolerance for economically more advanced countries to dictate its course in climate change policies. Georgetown University’s Mark Habeeb and his book *Power Tactics in International Negotiation: How Weak Nations Bargain with Strong Nations* (1988) confirms Putnam’s view that seemingly

²⁴⁴ Carter Dougherty, “Chinese Premier Injects Note of Optimism at Davos,” *The New York Times*, January 28, 2009.

²⁴⁵ “Endeavours to Build Global Hope,” last modified April 1, 2016, <http://www.fmprc.gov.cn/ce/cedk/eng/ztbd/tqbh/t647946.htm>.



weaker position of country A leaves a stronger B and its allies not much choice other than finding a solution which is definitely within A's win-set.²⁴⁶

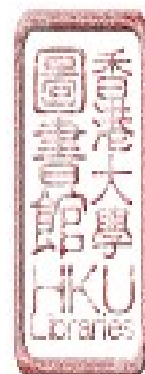
If China's political elite aroused attention more because of absence rather presence at Copenhagen, the U.K.'s role in the game attracted attention with assertive leadership presence. Gordon Brown and former Secretary of State for Energy and Climate Change, Ed Miliband, managed to perform as well attuned duo. For the two men Copenhagen gatherings became a platform to further promote ideas conceptualized in their national policy papers for the domestic UK Climate Change Act 2008.²⁴⁷ What was viewed by some critics at home as "economic suicidal", became reason for euphoria in the camp of environmentalists.²⁴⁸ With the policy paper the United Kingdom became the first ever individual country to develop an extensive framework to combat climate change.

As also discussed in Putnam's writings, rigorous new policies often face resistance in the domestic context. This sort of scenario has also occurred during policy implementation efforts in the U.K. where certain interest groups divided public responses about the Climate Change Act. British leaders understood that resistance to Brown's climate change policies could potentially be overthrown with approval of such undertakings by influential developed nations present in Copenhagen. There was hope for a more agreeable domestic win-set, enabled through support by the international community. Furthermore, Brown's strategy exemplified some

²⁴⁶ Mark Habeeb, *Power Tactics in International Negotiation* (Baltimore: John Hopkins University Press, 1988).

²⁴⁷ "Climate Change Act 2008," last modified April 4, 2016, <http://www.legislation.gov.uk/ukpga/2008/27/contents>.

²⁴⁸ Matthew Lockwood, "The Political Sustainability of Climate Policy: The Case of the UK Climate Change Act," *Global Environmental Change* 23 (2013): 1341.



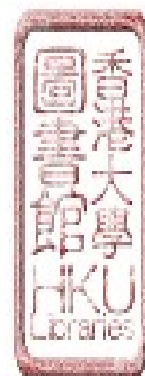
diplomatic delicacy by inviting Energy Secretary Miliband as authoritative supporter, showing Britain's commitment to global warming by dedication through relevant political staff attendance. Brown identified flaws in his personal power dynamics and lack of domestic support but made up for it with appropriate domestic political staff interacting with international allies.

Even though for different reasons, both Hu Jintao as well as Gordon Brown shared a shortage of political solidness at the time of Copenhagen negotiations. However, the U.K. political leader and his entourage concealed difficulties with moralistic attitude towards those who didn't agree on their course. Brown's supporter Miliband was even bold enough to openly denounce China as "trying to hijack the Copenhagen Climate Deal."²⁴⁹ The U.K.'s stronger overall standing in 2009 and similarity of goals with other developed nations allowed it to confidently express an accusatory tone opposite a China with much lower international recognition back then. Though Gordon Brown welcomed Premier Wen Jiabao and President Hu Jintao during official state visits in early 2009 and the Second Financial Summit of G20 Leaders in London respectively, those meetings concentrated on shared economic win-sets instead of talks about the environment.²⁵⁰

In summary the events of Copenhagen confirm validity of Putnam's two-level game theory as China could hold on to one of the principles of international environmental

²⁴⁹ "Ed Miliband: China Tried to Hijack the Copenhagen Climate Deal," last modified April 4, 2016, <http://www.theguardian.com/environment/2009/dec/20/ed-miliband-china-copenhagen-summit>.

²⁵⁰ Ceslav Ciobanu and David Bejou, "Forging New Global Alliances: Emerging Markets and Advanced Economies," *Journal of Relationship Marketing* 8 (2009): 286.



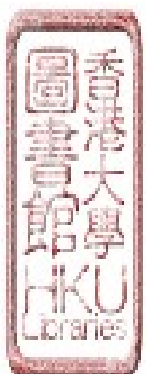
law, “common but differentiated responsibilities” with smaller win-set.²⁵¹ Nowadays, behavior of the Chinese leadership is assertive. Xi Jinping has brought upon the start of a more characteristic leadership style, forming all trends in political, economic and social spheres - domestically and internationally. For example there is his current role in light of economic developments. Whilst we know of popular terms in the manner of “Thatcherism” and “Abenomics”, spectators of the present Chinese regime are all too familiar with “Xiconomics”. Whilst such terms do not stand for straight forward economic victory, they indicate how the economy is tightly controlled by an individual stateswoman or statesman. In contrast, even though the current Prime Minister Li Keqiang is a trained economist he is called “the weakest Chinese prime minister in decades.”²⁵²

Though it was Hu Jintao, a Tsinghua University trained engineer, who introduced China’s Scientific Outlook on Development (even promoted in the widest corners of Xinjiang province) present green energy devolvments under Xi Jinping are now taken more serious by the international community.²⁵³ Current centralization under Xi counteracts previous Chinese trends where some educational specialization was needed to gain power over a certain strategic department. Whilst Hu Jintao was still preoccupied with problematic areas set in the domestic context, Xi Jinping is required to commit to a wider global agenda after years of Chinese economic growth. Comparing different aspects of the Chinese political elite present at the 2015 Paris Summit and the Copenhagen event in 2009 leaves one with a remarkable observation.

²⁵¹ Mary J. Bortscheller, “Equitable but Ineffective: How the Principle of Common but Differentiated Responsibilities Hobbles the Global Fight Against Climate Change,” *Sustainable Development Law & Policy* 10 (2010): 49.

²⁵² Editors, “A Very Chinese Coup,” *The Economist*, October 17, 2015.

²⁵³ Hu Jintao, “Thoroughly Implement the Scientific Concept of Development, Make Efforts to Promote Leaping Advances and Long-Term Stability in Xinjiang,” *Chinese Law and Government* 45 (2012): 51.

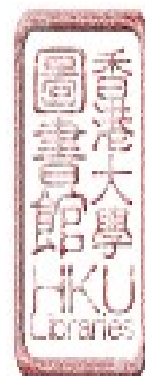


Whilst Chinese leadership strength was questioned with Hu Jintao's absence and Wen Jiabao's sudden departure, Xi Jinping himself represented the position of China in the French capital last year. In Copenhagen American President Obama felt humiliated when left with no choice but to negotiate with former Vice Foreign Minister He Yafei after Wen Jiabao's departure. In 2015 the same President of the United States faced Xi Jinping - a government official with a strong aura and confidence to personally defend China's agenda in the international context. In 2001 influential academic scholar David Lampton highlighted "changing patterns of elite" in China, allowing increasing dilution of power at the top level.²⁵⁴ Lampton based his argument on a growing trend of specialized expertise needed make it to the top of the government instead of pure relationships amongst the leaders and the next generation. This observation might be true to some extent after Deng Xiaoping's reforms and the following leadership styles of Jiang Zemin and Hu Jintao. Now this observation must be revisited with the current developments in Beijing. Some scholars detect transformational qualities in the current Chinese President, reminding of Deng Xiaoping's legacy.²⁵⁵

There is surprisingly little academic research on the implications of presence or absence of presidents during international negotiations. Given the current revival of Putnam's two-level game theory this leaves room to explore further. The summit in Paris showed points of contact between domestic and international win-sets can be very much guided by the heads of states during events of global significance. In the case of last year, the significance of Xi's presence was further elevated with the

²⁵⁴ David M. Lampton, 'China's Foreign and National Security Policy Making Process: Is it Changing and Does It Matter', in *The Making of Chinese Foreign and Security Policy in the Era of Reform*, ed. by David M. Lampton (Stanford: Stanford University Press, 2001), p.1.

²⁵⁵ P. H. Yu, "What Kind of Leader Will Xi Jinping Be?," *American Foreign Policy Interests* 34 (2012): 297.



nature of his address. Though he spoke in the plural, the Chinese leader did not abstain from confronting ever-present quarrels evoked through traditional assumptions of political realism:

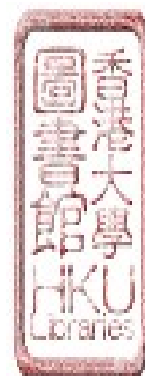
“We should create a future of win-win cooperation, with each country making contribution to the best of its ability (...) reject the narrow-minded mentality of "zero sum game" (...), and assume more shared responsibilities for win-win outcomes”.²⁵⁶

However, as Xi is now a much more confident leader compared to his predecessor he is much more vulnerable to criticism about his bold movements. Furthermore, the international community and the U.K. too, expects the Chinese president to keep promises made about fighting global warming.

The final Copenhagen Accord and the decision making processes leading to it imply China's solidarity with other BASIC nations as well as other less developed nations has ceased towards the end of negotiations. In 2009 China's final win-set could not accommodate yet for needs of weaker states. Especially before and at the beginning of Copenhagen 2015 the union of AOSIS (alliance of small island states) applauded China's support for increased financial injections by developed countries. AOSIS built “a discourse and leadership strategy around morality, uniting a broad coalition - including China.”²⁵⁷ However, by the end it shows China's potential gain from serving them was not large enough to keep the world's most populous country firmly adhere

²⁵⁶ “Full Text of President Xi's Speech at the Opening Ceremony of Paris Climate Summit,” last modified April 3, 2016, http://www.chinadaily.com.cn/world/XiattendsParisclimateconference/2015-12/01/content_22592469.htm.

²⁵⁷ Ines Agueda Courneloup and Arthur Mol, “Small Island Developing States and International Climate Change Negotiations: The Power of Moral Leadership,” *International Environmental Agreements: Politics, Law and Economics* 14 (2014): 293.



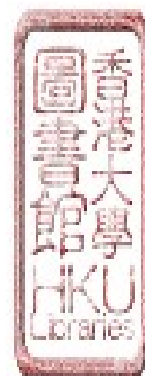
to some initial promises opposite strong negotiators like the U.S. and the U.K.

A question worth dwelling on is whether the type of issue to be solved has an impact of a win-set flexibility. Global warming shares characteristics with terrorism and cyber security threats as all these issues need to be handled by more than one actor. Also, if global concerns such as climate change can change flexibility in win-sets, will this have an impact on decision making and relations in less problematic areas? One could argue that pressure to collaborate successfully leads to increased mutual understanding and trust. Strategic sectors such as the economy could benefit to certain extents if there were less doubts about intellectual property rights due to enhanced levels of communication in international meetings. Certainly in the case David Cameron's U.K and Xi Jinping's China, the combination of certain domestic shortcomings and mutual task to handle a global issue has promoted stronger bilateral ties.

Objectives for Collaboration on Carbon Capture and Storage

In recent years, there has been increased attention on potential clean energy collaboration between the United States and China. Given America's advanced scientific expertise and China's desire for more updated technology, collaboration makes sense. However, despite awareness about ongoing climate change, fears about intellectual property theft and general espionage prevent realization of opportunities between the two countries.²⁵⁸ Intellectual property theft, loss in economic prospects and wider security issues also concern British politicians and business people but

²⁵⁸ Asia Society, "A Roadmap for U.S.-China Collaboration on Carbon Capture and Sequestration" (Report, New York, United States, November, 2009).

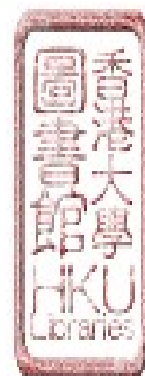


negative suspicions are decreasing as dependency on China grows. The following section highlights again why cooperation between China and the U.K. in clean technology is desirable given respective domestic economic and financial conditions in the Xi and Cameron leadership era. It is advocated that there must be partnership in carbon capture and storage (CCS) capacity building in particular as China's output levels of greenhouse gas through coal consumption are still overwhelmingly dangerous. Immediate solution is required. About 90% of China's carbon dioxide emissions are fossil fuel based and this proportion is not likely to change soon due to relatively low costs of domestic resources.²⁵⁹ Prestigious research institutes in Great Britain with their advanced knowledge become an attractive partner for China whilst closer collaboration with Chinese state-owned enterprises, private businesses and scientists can improve relations from a soft power perspective. As the U.K. is threatened by financial bottlenecks and China fears growing security threats (most prominently in the Asia-Pacific region), exchanges based on education and research collaboration may be less politicized - improving soft power relations smoothly through understandable need. As they counteract economic, geo-strategic and environmental concerns together, they also serve a greater purpose of combating global warming. This side effect can transform into a major development, shaking up prevailing power structures in the international political system. Newly found comradeship amongst China and the U.K. builds future negotiation power opposite other major developed countries from the E.U. and America.

Overview about the Near-Zero-Emissions Coal (NZE) Plant Initiative

An important step towards cleaner energy involves carbon capture and storage. The

²⁵⁹ Asian Development Bank, "Roadmap for Carbon Capture and Storage Demonstration and Deployment in the People's Republic of China" (Report, Manila, Philippines, November, 2015).



bilateral 2006 China-UK Near Zero Emissions Coal Initiative was established as part of a larger 2005 EU-China NZEC Agreement.²⁶⁰ The overall NZEC roadmap is divided into three different stages. The first phase, introduced by two separate but complementing Memoranda of Understanding, is primarily concerned about “knowledge sharing and capacity building” between the E.U. and China as well as the U.K. and China.²⁶¹ Two paths of feasibility studies were backed through a 2.6 million euros E.U. budget for COACH (Cooperation Action with CCS China-EU) and 3.5 million pounds for the NZEC initiative associated with the U.K.²⁶² The fact that Britain got involved with China together with the E.U. and as a separate entity/individual financial contribution, shows there was substantial commitment from British decision makers in the beginning. Furthermore, official sources such as the current website of the European Commission announce that the second phase for NZEC was intended for creating site-specific designs, particularly in view of constructions in a Chinese setting.²⁶³ Final phase three was designated for the building and usage of the first demonstration plant with CCS technology by 2020.

Domestic Issues in the U.K and the Effect on NZEC

At first NZEC received much welcoming amongst all parties involved.²⁶⁴ However, as 2009 correspondences between British politicians from the European Union Committee responsible for Foreign Affairs, Defense and Development Policy and the former U.K. Minister for Energy and Climate Change reveal actual project

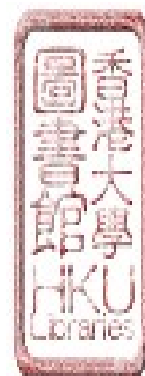
²⁶⁰ “China-EU Near Zero Emission Coal - European Commission,” last modified June 28, 2016, http://ec.europa.eu/clima/dossiers/nzec/index_en.htm.

²⁶¹ “China-EU Near Zero Emission Coal - European Commission”.

²⁶² House of Lords (European Union Committee), *Stars and Dragons: The EU and China* (London: The Stationary Office Limited, 2010).

²⁶³ “China-EU Near Zero Emission Coal - European Commission”.

²⁶⁴ Sander Egmond and Marko P. Hekkert, “Argument Roadmap for Carbon Capture and Storage,” *International Journal for Greenhouse Gas Control* 11 (2012): 148.



developments could not keep up with early enthusiasm.²⁶⁵ Until today there are various shortcomings, including those of domestic financial nature. Failed completion of phase two with the designing for specific sites (first successful executions were planned for the period 2008-10) underline an ever decreasing chance of completion on the final phase with concrete constructions (originally said to be finished by 2020).²⁶⁶

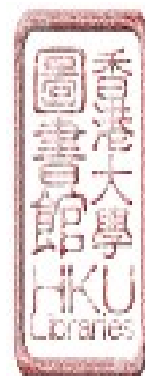
A big factor preventing conclusion of the project has to do with inadequate monetary resources from the European Union and the United Kingdom alike. Considering that NZEC was supposed to take-off around the time of the 2007/08 Financial Crisis, delay is understandable to a certain degree. Doubts arise as there is some form of incompatibility between initial promises from developed countries such as the U.K. and subsequent accusations at the Copenhagen 2009 UN Climate Change Conference. The world community, richer nations in particular, expected China to take a bigger role in climate change mitigations and yet, same parties failed to secure resources that would support China's developments towards a greener future. Prominent voices of the U.K.'s political scene especially blamed China to behave like an unaccountable and irresponsible economic powerhouse.²⁶⁷ As previously seen in climate negotiations like those taking place in Kyoto 1992, there have always dissonances because of different expectations and varying degrees of legally binding agreements.²⁶⁸ When developed countries get angry about China's non-binding approach at international climate change conferences, the question must be asked how much they should expect

²⁶⁵ "Appendix 5: Correspondence with the Government," last modified July 10, 2016, <http://www.publications.parliament.uk/pa/ld200910/ldselect/lddeucom/76/7619.htm>.

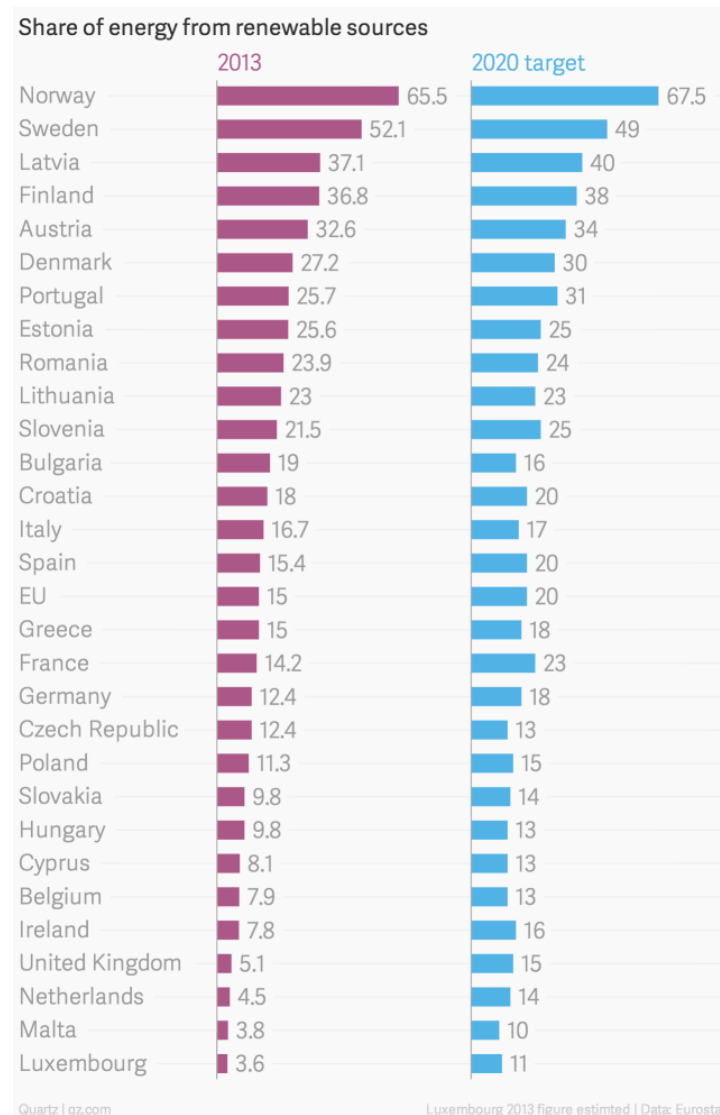
²⁶⁶ "Carbon Capture and Sequestration Technologies," last modified June 20, 2016, <https://sequestration.mit.edu/tools/projects/nzec.html>.

²⁶⁷ Mark Lynas, "How China Made It an Unfair Copenhagen," *New Statesman*, January 04, 2010, 34.

²⁶⁸ Elliot Diringer, "Letting Go of Kyoto," *Nature* 479 (2011): 291.

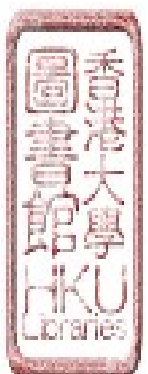


if they have trouble abiding to their own promises. In the case of the NZEC initiative and agreements between China and the U.K. in particular, a continuously shrinking British national budget slowed down progress significantly. Compared to Gordon Brown's time in office, David Cameron's government had to deal with an astonishing reduction of its political win-set - affecting energy policies in both national and



international dimensions.

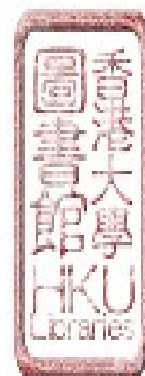
The following chart illustrates the E.U.'s green energy contributions from a few years ago in 2013 and individual country goals for 2020.



Source: “Three European Countries Have Already Hit Their 2020 Renewable Energy Goals,” last modified May 11, 2016, <http://qz.com/359415/three-european-countries-have-already-hit-their-2020-renewable-energy-goals/>.

As we can see above, with a clean energy share of just 5.1% the U.K. was amongst the weakest European green energy contributors in 2013. Ambitions of a 15% green energy proportion for 2020 signals there is not any significant commitment to renewables in the close future. This is an astonishing situation because the U.K. has been of the biggest advocates of immediate carbon dioxide reductions within the European Union. With the recent vote for Brexit, it can well be true that not even 15% green energy shares are achievable anymore with diminishing financial support from the E.U. Receiving 24% of an overall sum of 7.2 billion euros, the U.K. has been the greatest beneficiary of the European Investment Bank’s Climate Awareness Bond Project, allowing it to allocate resources for more sustainable energy.²⁶⁹ China’s investment into energy alternatives on the other hand are positively striking. The country is currently the world’s biggest backer due to agendas formulated in the 12th Five-Year Plan for Economic and Social Development, allowing assignments of more

²⁶⁹ “Brexit May Lose U.K Billions in Funding for Climate, Renewables,” last modified July 21, 2016, <http://www.bloomberg.com/news/articles/2016-02-02/brexit-may-lose-u-k-billions-in-funding-for-climate-renewables>.



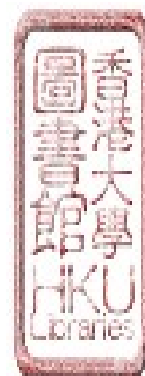
than 400 billion dollars for clean energy within the period 2012-2015.²⁷⁰ Over the years, China's expertise in clean energy has become developed enough so that it is able to pursue goals in this matter without closer dependency on developed nations. What China needs now is strong collaboration to navigate through concrete environmental issue caused by continuous coal consumption. At the moment the U.K may not be interested or able to develop its renewable energy sector. Instead it may contribute tackling global warming through assistance to China when its scientific community pushes boundaries in carbon capture and storage partnership.

Financial struggles of both the E.U. and the U.K. may prevent them from immediate investment into plants with CCS technology but it would be great loss for all participants if the NZEK initiative was completely stopped for monetary reasons. Financial issues can have a great impact on the political agenda on the national level, including financial allocations to international projects, but global warming tests delicate distinctions between national and international political spheres anyhow. Surely, if the U.K. and other countries are mostly limited to research collaboration with China instead of direct investment into coal plants sites, economic gains may not look as promising. However, perspective of long-term environmental damage alone should motivate the E.U. and the U.K. to cooperate with China nevertheless.

Policy Implications

If the NZEC initiative would have been more successful so far, discussions on climate change responsibilities might have been less critical. The European Union and the U.K. provide legal frameworks which are satisfyingly lawful to most extents. Though

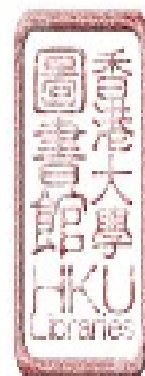
²⁷⁰ Zhen-Yu Zhao, Yu-Long Chen and Rui-Dong Chang, "How to Stimulate Renewable Energy Power Generation Effectively?," *Renewable Energy* 92 (2016): 147.



this is a favorable condition, too bureaucratic mechanisms hinder important developments requiring quick actions. As individual European countries struggle to fund CCS research in cooperation with China, it is not certain when the NZEK venture can be completed. How would progress in capacity building look like if countries like the U.K. would have been flexible enough to change the nature of their interests? China's financial resources should be sufficient to substitute for some financial gaps and need for cleaner air is more than ever existing. If the U.K. had valued more its own strengths in research facilities instead of chasing economic gains, China might be a substantially cleaner country by now. The British Geological Survey, a natural environment research council, epitomizes the meaningful role British research organizations could play. Firstly, it produces specialized reports with much depth. Talking about potential carbon dioxide storage sites by the water, it goes as far as to write about "potential chemical interactions of injected CO₂ with the surrounding rocks".²⁷¹ With China's various geological conditions, such knowledge is useful. In the case of Chinese Guangdong province for example there is a potential match between information discussed by the British Geological Survey and Guangdong's own energy saving roadmap. As China's economic power motor, this part of the country produces particularly high greenhouse gas outputs. Situated by a large coastal strip, reliable content about carbon storage sites suited for this geological landscape is necessary.²⁷² Nevertheless, as China's provincial governments have an important say in strategic areas that affect them directly, close collaboration with Chinese scientists is needed too to allow sustainable developments within the country.

²⁷¹ "CO₂ Storage, CCS in China & Europe, British Geological Survey (BGS)," last modified June 20, 2016, <http://www.bgs.ac.uk/research/energy/ccs/home.html>.

²⁷² Ying Huang, Hongxu Guo, Cuiping Liao and Daiqing Zhao, "The Study on Prospect and Early Opportunities for Carbon Capture and Storage in Guangdong Province, China," *Energy Procedia* 37 (2013): 3221.



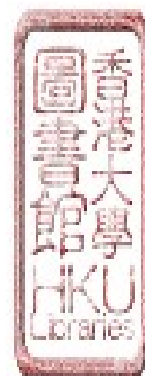
The situation in Guangdong reveals local knowledge building is unavoidable. British scientists can build a bridge between foreigners and Chinese government officials. Knowledge should be digestible for all relevant parties and academics from the U.K. can deepen their appreciation about the other side. The British Geological Survey also worked on the U.N.'s Intergovernmental Panel on Climate Change (IPCC) Special Report where carbon capture was an important theme.²⁷³ Thus, agencies like the British Geological Survey could help establish closer bonds between all important players. No matter if it is British government leaders and business communities or Chinese scientists, high-level provincial politicians or even a supranational institution like the U.N. Through British Geological Survey these actors can come all together in the name of scientific progress and more successful climate change mitigation. Individual win-set ambitions become slightly less the center of attention, making room for overlapping agendas.

Geopolitical Concerns and the Need for Growth in Soft Power

Collaboration could not only imply better relations between high level politicians and the business community amongst the two countries. It can also affect evaluations between people to people. As China became a huge factor for the realization of future U.K. nuclear plant developments through Xi Jinping's state visit last year, there have been countless outcries by the wider U.K. public. Commentaries such as one found in The Guardian reflected popular opinions at the time: "This nuclear power deal (...) is one of the maddest ever struck".²⁷⁴ Especially in democratic states, public opinion has always been an important factor. Since a positive vote for Brexit especially it has

²⁷³ U.N. Intergovernmental Panel on Climate Change, Renewable Energy Sources and Climate Change Mitigation : Special Report of the Intergovernmental Panel on Climate Change (New York: Cambridge University Press, 2012).

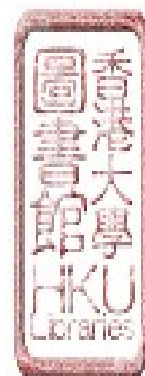
²⁷⁴ Polly Toynbee, "This Nuclear Power Deal With China is One of the Maddest Ever Struck," The Guardian, October 21, 2015.



become clear that people's opinion can become a game-changing force that influences both domestic and international political atmospheres. Especially now when the relationship between the U.K. and the rest of the E.U. it's likely to deteriorate, the U.K.'s affiliation with other strong partners is more crucial than ever.

U.K. support for updated CCS technology in China does not only contribute to a better climate on the bilateral level. If China makes significant reductions in carbon dioxide excretions, those accomplishments lead to increased positive perceptions amongst other members of the international community. Fruitful bilateral partnership between the U.K. and China likely possesses ability to transform power relations in multiple dimensions. Previous rivalry between the U.S. and China can be substituted by a more mutually dependent energy friendship which, in the best case scenario, can first revolutionize thinking about collaborations in the energy transformation processes but also intergovernmental partnerships in general.

There could have been some sort of more substantial U.S.-U.K. partnership regarding research and capacity building for a more sustainable energy landscape. Often, potential for cooperation is dependent if countries involved share enough similarities between each other's win-sets. Besides telling resemblances in their governmental systems and political agendas, the U.S. and the U.K. are unmistakable backers of clean energy on the world stage. Yet, their own bilateral efforts are surprisingly old compared to some other recent international developments. According to online statements of the U.S. Department of Energy (DOE), the U.S.-U.K. Collaboration on Fossil Fuel Energy Research and Development is the last substantial cooperation with



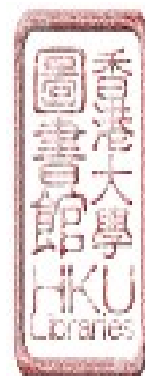
the U.K. Department of Energy and Climate Change (DECC).²⁷⁵ As part of a greater U.S.-UK Memorandum of Understanding concerning energy, established in 2000, the Implementing Arrangement of U.S.-U.K. Collaboration in Fossil Energy Research and Development from 2003 seems outdated compared to latest partnerships between individual U.S. and U.K. stakeholders with other countries.²⁷⁶ The Implementing Arrangement was signed when Tony Blair was still U.K. Prime Minister but even a political change with Gordon Brown and David Cameron as heads of state did not lead to pushing developments into more productive directions. In other words, even though overall American and British financial conditions and scientific capabilities were more advanced than China's to some degree, there was insufficient interest to get things going together. Instead, both developed nations expected China's win-set to accommodate the rest of the world's call for a greener environment in Copenhagen 2009. Similarly to the NZEC initiative, paper documents about the U.S.-U.K. collaboration on fossil fuel energy reveal plans for "(...) joint planning and exchange of information and personnel in the field of cleaner coal technology, (...), including clean coal research, development, and demonstration of new technologies".²⁷⁷ As both the U.S.-U.K. partnership as well as the E.U./U.K. involvement with NZEC have shown, no particular member of the developed world has sincerely helped to tackle China's dangerous levels of carbon dioxide emissions by CCS. Instead, reciprocal assignments of guilt for climate catastrophe have been rising throughout the years.

As long as there are geopolitical tensions with China like the conflict in the South

²⁷⁵ "United States-United Kingdom Collaboration on Fossil Energy R&D," last modified July 27, 2016, <http://energy.gov/fe/united-states-united-kingdom-collaboration-fossil-energy-rd>.

²⁷⁶ "Implementing Agreement - U.S-U.K. Collaboration in Fossil Energy Research and Development," last modified July 27, 2016, <http://energy.gov/fe/downloads/implementing-agreement-us-uk-collaboration-fossil-energy-rd>.

²⁷⁷ "Implementing Agreement - U.S-U.K. Collaboration in Fossil Energy Research and Development."



China Sea and China's own carbon dioxide emissions are not significantly reduced to allow better air conditions, it is unlikely that Chinese investments into foreign clean energy projects are genuinely respected. Most of the times Chinese foreign direct investments into Europe are directly associated with state-owned enterprises.²⁷⁸ At present, any form of Chinese money flow targeting the E.U. is simultaneously a political affair. An article published in the Energy Policy journal last year reveals how Chinese investment in the European energy sector illustrates telling connections between the nature of the investor and the receiver of the money.²⁷⁹ With Brexit about to happen, it is quite likely that demands of Chinese investors and money recipients from the U.K. are increasingly complementary. Contrary to previous periods of acute security crisis, especially during the Cold War, there is less reason to attune win-sets between the U.S. and the U.K. At present, there is no signal that the U.K. is a reliable endorser of American foreign policies in the South China Sea. As the U.K. keeps on losing ties with strategic partners, its relationship with China can become of great help to avoid further decline of influence on the world stage.

Final Summary of Gains through Extended Partnership

Whilst NZEK was implemented, China also worked on national carbon capture and storage research on its own. Chinese decision makers showed certain efforts which would provide them with preparation for partnership with their informative U.K. counterparts. Overall the Chinese Ministry of Science and Technology (MOST) in particular played a crucial role in these preparations. As they initiated the Scientific and Technological Actions on Climate Change in 2007, they stated similar goals to

²⁷⁸ Sophie Meunier, Brian Burgoon and Wade Jacoby, "The Politics of Hosting Chinese Investment in Europe - An Introduction," Asia Europe Journal 12 (2014): 109.

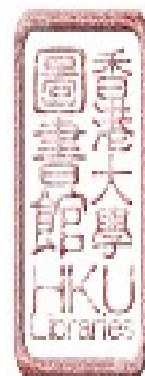
²⁷⁹ Ping Lv and Francesca Spigarelli, "The Integration of Chinese and European Renewable Energy Markets: The Role of Chinese Foreign Direct Investments," Energy Policy 12 (2015): 14.



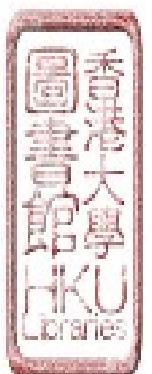
those outlined by official NZEK documents. MOST's official appeal on carbon capture capacity growth included wish to “develop key technologies (...), design the technical roadmap (...), engineering and technical demonstration projects”²⁸⁰. A bilateral undertaking like NZEK motivates actors on both sides to grow in their capacities. In this instance, the U.K. has interest to prove competence so that it can secure future partnerships and financial support from China for other projects. China too will have to make adequate efforts as British foreign expertise is doomed for failure if relevant Chinese parties do not act the way it is needed. Handling carbon capture and storage brings upon many complexities. If educational levels and perceptivity of Chinese scientists were not similarly developed as those of British colleagues, then how would they process and apply newly found discoveries? A group of scholars from both countries have highlighted that no matter how much insight there can be acquired with help from the U.K., only Chinese professionalism found in its own domestic setting can bring the most successful outcome possible: “The key is for (Chinese) power plant operators, oil and gas companies and other industries to gain experience with all aspects of the process through construction, commissioning and operation of a large-scale CCS unit”.

China has an interest to keep coal as major means of energy. Even though its manufactured goods are not as high in demand anymore due to a slowing global economy, plenty of energy is still needed. Furthermore, unemployment because of a shrinking coal industry bears risk of social unrest. As Chinese society is more aware about health concerns, speedy cooperation with helpful companions is almost inevitable. In Putnam's two-level game theory this all translates into domestic

²⁸⁰ Ministry of Science and Technology, “China's Scientific & Technological Actions on Climate Change” (Policy Paper, 2007).

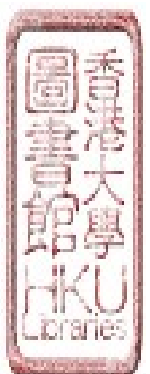


pressures which must be soothed accordingly. British expertise on carbon capture and storage allows the continuation of the Chinese coal industry and thus, hopefully a good enough level of economic output to bring China closer to its goal to become a developed country. To China, internal affairs still take priority on the political agenda but balancing satisfying domestic economic growth together with tackling of global climate change is progressively important with the wish to be a respected superpower.



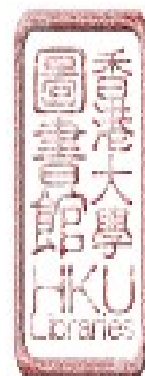
Security and Military Relations

An area of focus that must be accounted for when considering state relations is that of the relationship that exists between two states on a security and military front. This may not always have application that will reshape the understanding of how two states interact as some states will not have any engagement with another due to limited resources, lack of political or economic interest in an area, or other reasons that negate the need for two countries to either conflict or collaborate on a security or military front. The factor that perhaps has the most influence is the actual states involved themselves. Factors such as geographic location, resource competition, strategic positioning all play into how a state will ultimately engage their neighbors, but the state themselves drives the influence the other factors have on decision making and outcomes. States with military capability, history, and the ability to pursue actions with public support will be much more likely to engage in conflict than a state that lacks military tradition, capability, and public support or stomach for such actions. Military cooperation might also exist depending on the region. Regionalized groups comprised of security forces from multiple states such as the African Union's peacekeeping arm exist not just for the sake of cooperation, but to deal with very real security threats including states with weak borders and with conflict leading to fighting across borders and mass migration of refugees. On the other hand you have states that are cooperating through various partnerships and initiatives even if direct security links may not be evident. Likely there is still mutual interest in the ability to maintain a stable environment in a state as that will translate to the regional and international level.



With regards to China and the United Kingdom, traditional military and security ties, for example engagements with each other in any form of conflict or strong, publicized links between the two states' military and security infrastructures, are limited at least with regards to information available to the public. The United Kingdom of course has historical military ties related to conflict with the Chinese, but this is so long ago during the time in which the United Kingdom and its claimed empire spread across the world that it is mostly irrelevant when considering modern interaction between the two states' militaries. The United Kingdom no longer claims the empire of old and while it does have modern, developed military capabilities demonstrated through deployments to various areas of the world over the past few decades, it is not making itself actively present in the Asia Pacific region as the United States is and therefore does not engage in any form of conflict with the Chinese in the region. The international focus on the Asia Pacific region looking specifically at conflict and potential conflict is focused mostly in two areas that involve China. One is the ongoing situation on the Korean Peninsula in which Russia, the United Kingdom, the United States, China, the Republic of Korea, Japan, and others are all involved in various capacities in monitoring and attempting to contain what is perceived by most to be an ongoing threat posed by the Democratic People's Republic of Korea and its current leader, Kim Jong Un. The second major focus that involves the Chinese is related to ongoing territorial and water usage claims in the South China Sea; an ongoing series of events that has spanned years and involves not only the United States and China, but Vietnam, Philippines, Taiwan, Brunei, and Malaysia.

Of these two major security focuses involving the Chinese in the Asia Pacific right now, the United Kingdom is involved only in the focus on the Democratic People's

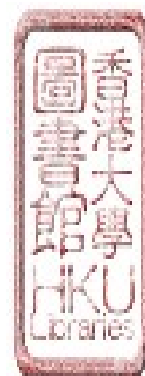


Republic of Korea and the potential security threat they pose to the greater region of East Asia. This involvement isn't by way of physical presence, but rather on the diplomatic front through the United Kingdom's permanent seat on the UN Security Council. This depicts a picture of the relationship between China and the United Kingdom as being limited on the security and military front, at least through direct involvement with each other, and would then lead some to assume that the United Kingdom would surely follow traditional policy goals of the United States in the region as the United States and United Kingdom have been closely allied and mutually involved in military operations for some time, both through the North Atlantic Treaty Organization, or NATO, and through direct cooperation and coalition involvement that has led to the two committing military forces to fighting side by side in numerous conflicts, though this is certainly changing in a new landscape post-Iraq²⁸¹. To simply assume this is to be the case for all involvement across the world, however, would perhaps be shortsighted as the mutual activities on the security and military front between the United Kingdom and the United States have not been largely focused on the Asia Pacific region and have in fact been much more focused on the Middle East and Eurasia through conflicts in Iraq and Afghanistan, North Africa to include Libya, and Europe with threats faced by radicalized people living within European and British borders²⁸²

This ultimately means that the focus must lay elsewhere when trying to examine this relationship. It isn't so simplistic as to suggest that there just is no relationship. Rather, it would lend to an idea that the relationship isn't found in conventional

²⁸¹ <http://www.independent.co.uk/news/world/middle-east/chilcot-inquiry-black-ops-in-iraq-caused-split-between-us-and-uk-7130996.html>

²⁸² <https://www.chathamhouse.org/expert/COMMENT/POST-BREXIT-BRITAIN-WOULD-DOUBLE-DOWN-MIDDLE-EAST-ALLIANCES>



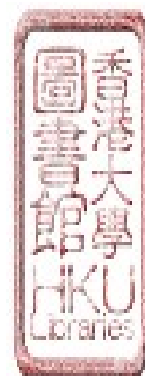
means of conflict between militaries and battles or alliances surrounding territories, but driven by other factors that can build a relationship between states. Much of this section will focus on what is believed to be one of the chief alternatives to traditional military engagement that is connecting these two states at the security and military level: the sale and export of commodities from the United Kingdom to China. Specifically, the commodities that will be examined have been classified to fall into one of two categories. The first category indicates the commodity has a military purpose in use and application. The second is a dual-use category in which the commodities in question could be used for purposed that support military purpose, but could also be used for alternative purposes and are not categorized as military equipment that could potentially blocked by convention surrounding export control.

As Hu Jintao's reign lasted from 2002 to 2012 with the transition occurring over the backend of 2012 and 2013 and with Xi Jinping having been in power since, the data that will be examined will run for the same duration of 24 months when examining both United Kingdom exports to China during the rule of Hu Jintao as well as Xi Jinping. The data set being examined for Hu Jintao's period will run from March 2011 to March 2013. The data set for Xi Jinping, from March 2013 to March 2015. Trying to perform a side-by-side analysis will inherently have a few flaws that can and should be identified before going further. For one, the landscape of the international system is constantly changing as are the dynamics playing out within a state at the domestic level. To try and perform a one for one analysis simply will not reflect the same variables. Also worthy of mention is that the data set being examined related to Hu Jintao's rule relates to a period of him winding down his role. Most likely the transition was well underway behind closed doors before the official public



handoff of power to Xi Jinping and so it is possible that the data may reflect a portion of time in which transition was already underway and is not a true reflection of one or the other's policy effects. On the other side of the same situation, we are still in the first five years of Xi Jinping's rule and the data that is available could account for the period of March, 2013 when he assumed the leadership role to March 2015, in an effort to match the timespan being analyzed in Hu Jintao's reign as well because 2016 data has not been made available for consumption by the public at this time.

Much of the military and defense relationship between the UK and China can be discussed in terms of the UK and China's relationship with United States foreign policy objectives or in relation to United Nations collaborative efforts, an organization that the United States headquarters and contributes significantly to in terms of funding. While this has remained fairly consistent from Hu Jintao's period of leadership to Xi Jinping's, much has also been made of Jinping's recent visit to London and what that could mean for the future of UK-China relations, though it isn't clear what this will mean specifically for the security communities in both countries. Looking past the surface of their relationship in the security sector, one that seems to be defined by relations with the United States, this section will explore linkages between the UK and China in the arms and defense trade in an attempt to better understand what is being procured, by who and why. Given the nature of the security work, there is likely much more happening at a less-visible level with agents, be it individuals or organizations that have little to no obligation to openly discuss their relationship in any formal, documented capacity. This information might help shed light on the true nature of the existing relationship, and through a better understanding of the information, better predictions might be made about the future of the two country's relationship in the security realm. The data should also reveal if there are



real changes in the relationship between the two countries that can be observed from Hu Jintao's time in power to Xi Jinping's.

The data being accessed is coming from a non-profit organization named "Campaign against the Arms Trade." It should be noted that they are not the original source of the data, but rather are compiling the information from official UK government reports and statistics and making it available online for research and analytical purposes. The Campaign against the Arms Trade has organizational goals that are quite ambitious to say the least. They list priorities as stopping "...the procurement or export of arms where they might exacerbate conflict, support aggression, or increase tension, support an oppressive regime or undermine democracy, or threaten social welfare through the level of military spending."²⁸³ This would mean their priorities ultimately can be summed up to be one focus of stopping the procurement or export of arms as their caveats seem to be all encompassing for what the trading of arms and other military commodities are used for. This potential bias should be offset by the source of the data and the raw availability of the information contained without organizational judgement being passed through summaries and analysis.

The tables below represent the data sets discussed above and are labeled appropriately for comparison:

²⁸³ <https://www.caat.org.uk/about>

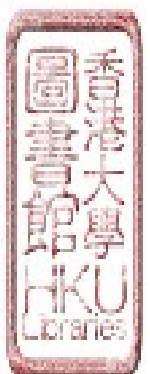


Figure 1: Dual Use Exports to China, March 2011 to March 2013²⁸⁴

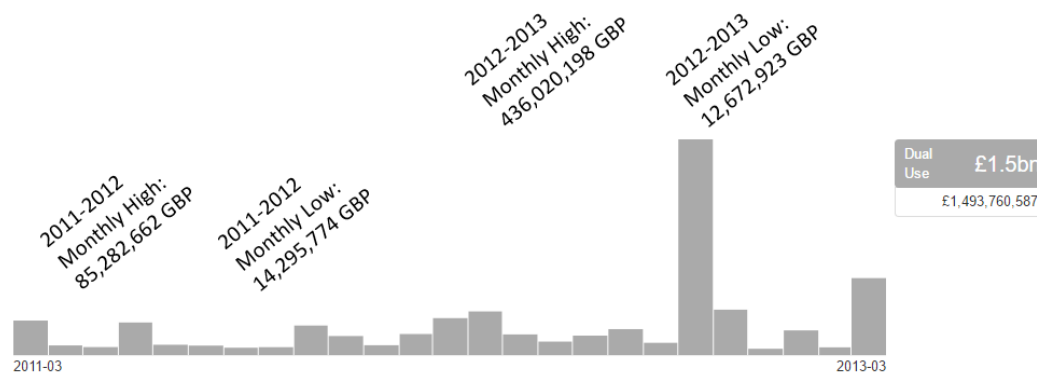
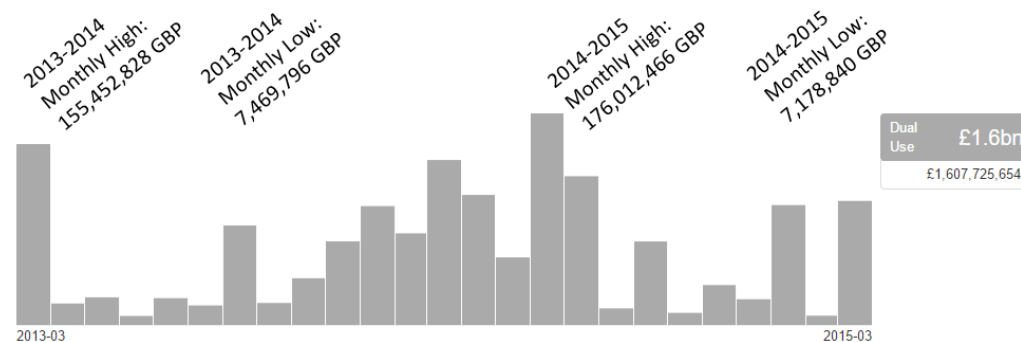


Figure 2: Dual Use Exports to China, March 2013 to March 2015²⁸⁵



²⁸⁴ https://www.caat.org.uk/resources/export-licences/date?rating=Dual+Use&iso2=CN&date_to=2013-03-31&date_from=2011-03-01

²⁸⁵ https://www.caat.org.uk/resources/export-licences/date?rating=Dual+Use&iso2=CN&date_to=2015-03-31&date_from=2013-03-01

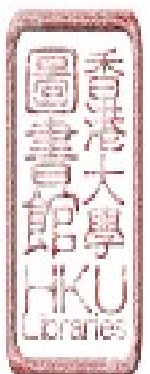


Figure 3: Military Use Exports to China, March 2011 to March 2013²⁸⁶

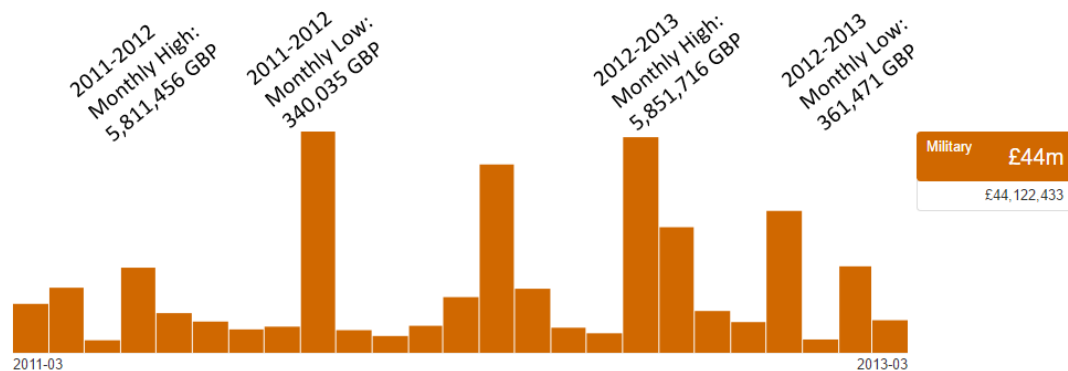
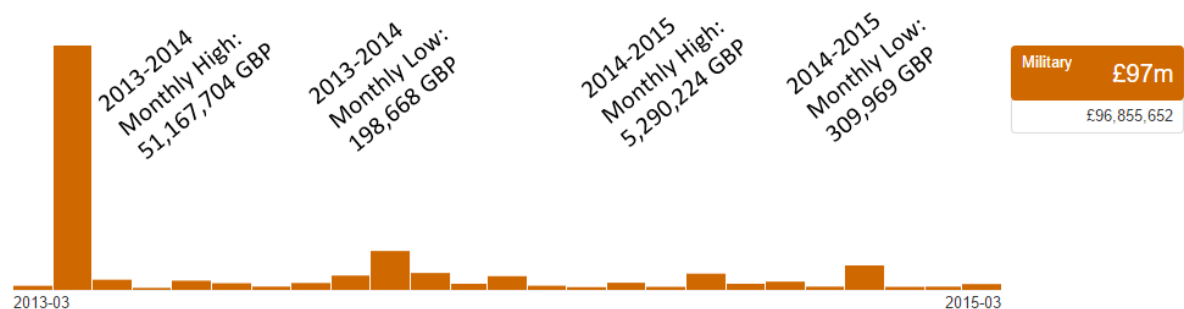


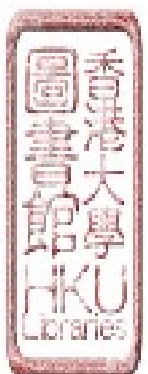
Figure 4: Military Use Exports to China, March 2013 to March 2015²⁸⁷



What is interesting from the data represented above in Figure 1 through Figure 4 is that low-spending in both dual-use commodities as well as military commodities remained fairly consistent for a “minimum threshold” of spending occurring each year. For the dual-use commodities, the lowest spending month of the year remained between 7 and 7.5 million GBP. For the military-use category, the low-spend month

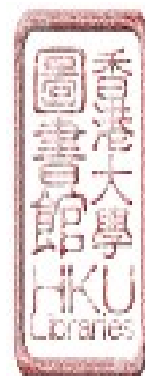
²⁸⁶ https://www.caat.org.uk/resources/export-licences/date?rating=Military&iso2=CN&date_to=2013-03-31&date_from=2011-03-01

²⁸⁷ https://www.caat.org.uk/resources/export-licences/date?rating=Military&iso2=CN&date_to=2015-03-31&date_from=2013-03-01



remained between 300 to 400 thousand GBP. Both had an outlier with the dual-use spending seeing lowest spending month nearly double the other years in 2011 and with 2013 having its low-spend month outlier significantly less than average at just under 200,000 GBP.

The high end is less consistent across years with the lowest of the four high-spend months on dual-use commodities falling to 2011 and the highest following in 2012 at over twice the high-spend found in both 2013 and 2014. Military-grade exports remained consistent in three of the four years examined with regards to highest-spending month of the year, all hovering around 5 million GBP. The major outlier, and it truly is a major outlier not just in the sense of the yearly high comparisons, but when looking at military exports from the United Kingdom to China across all four years, each month, is that of 2013's military commodity exports. This total is just about 51 million GBP in products that were provided to China and is on the heels of Xi Jinping assuming power, occurring only one month after formally becoming President and only a few months after becoming head of the Communist Party. The data seems to suggest more consistent big spending on military imports from the UK during Hu Jintao's period of time being examined and a fair amount of expenditure on dual-use imports with one major month with over 400 million GBP in imports during the 2012-2013 timeframe. Xi Jinping's data looks at big spending immediately after assuming office on military imports and consistent big spending on dual-use imports throughout the time. The data doesn't offer much in the way of insight into the relationship between China and the United Kingdom on a military and security front except to make clear that business is business and has been continuing

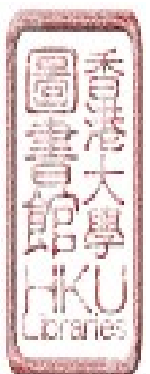


to respond to the needs of China, with some months much more spending-intensive than others.

The information regarding the trading of security and defense technology discussed above also raises several questions regarding how involved the governments are and at what levels as well as how much British and Chinese nationals know about this market. To give everyone the benefit of the doubt from the start would assume that British and Chinese governments would support legitimate trade opportunities that exist between the countries, even in industries that are defense and security-centric. After all, China wouldn't be alone in acquiring equipment from the British as the UK is a global leader in surveillance technology and a proponent of methods of force intended to be non-lethal, though the British have sold many lethal arms as well²⁸⁸. If this were to be the case, the Chinese would be working under the assumption that the procurement of such equipment would not cause significant disturbance at the domestic or the international level and the British would be, more or less, hands-off in any transactional dealings, but remaining present in an oversight capacity through export control.

Assumptions would also have to be made about the general populations of both countries as well in this payout, however these assumptions are more likely to have factual basis than the aforementioned assumptions regarding the governments of both countries; the previous paragraph is highly unlikely on all counts given the serious nature with which both states take their presence and action on the international level. Far more likely are very calculated decisions designed to have specific benefit and

²⁸⁸ <http://www.independent.co.uk/news/uk/politics/british-government-arms-sales-saudi-arabia-yemen-3-billion-bombs-missiles-war-crimes-houthi-a7157856.html>



impact. This becomes even more likely a scenario when considering export controls in place for goods deemed to be strategic in nature.

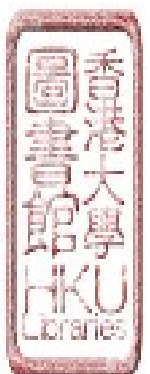
In fact, the United Kingdom's own official guidance available to the public, captured in "Detailed Guidance" pertaining to "Embargoes and Sanctions on China" on their www.gov.uk site, states:

"Almost all national governments in the world control the export of goods for various reasons depending on the nature and destinations of the proposed export. The export of strategic goods and technology in particular, are controlled because of various reasons, including:

- Concerns about internal repression, regional instability and other human rights violations
- Concerns about the development of weapons of mass destruction
- Foreign policy and international treaty commitments including as a result of the imposition of European Union (EU) or United Nations (UN) trade sanctions or arms embargoes
- National and collective security of the UK and its allies

There is currently a partial arms embargo in force on China. This is partially imposed by the EU, and has also been implemented in UK law."²⁸⁹

²⁸⁹ <https://www.gov.uk/guidance/arms-embargo-on-china>

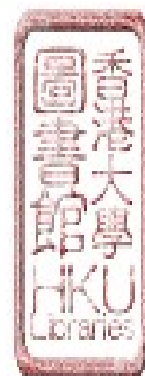


This statement, one which would suggest both the ability and the need to be accountable from a moral perspective within the United Kingdom to the domestic population to at least some degree, plays into a much more complicated picture when examining the data related to the export of both military and dual-use goods to China. Of the four bullet points highlighted in what is essentially a statement of UK policy, arguments could be made for China satisfying the requirements of at least three of them. The first bullet point, referring to concerns of repression, instability and human rights issues, might ultimately be the one that allows countries such as the UK the ability to traverse what is essentially a diplomatic tightrope being driven by industry on one side and a large state consumer on the other. Two of the three issues mentioned in the bullet, internal repression and human rights violations, are certainly hot-topic issues when West-Chinese relations are brought up in the international media. The UK government faced criticism for police reaction to some protestors during Xi Jinping's visit to London and a British human rights commission detailed alleged human rights abuses conducted by China in a recommendation to rethink relations²⁹⁰. What could be argued is China's leverage in this situation is the regional instability factor. While of course China is involved in a number of spats regionally, from South China Sea conflict that recently resulted in a third party arbitrator utilized through UN convention by the Philippines²⁹¹ to continuing skirmishes between naval and fishing vessels as well as other incidents between China and Vietnam²⁹², the one that gives them leverage is their ability to represent themselves as a chief container of the North Korea problem.

²⁹⁰ <http://www.theguardian.com/politics/2016/jun/27/uk-should-rethink-china-friendship-over-human-rights-tory-group-urges>

²⁹¹ <http://www.scmp.com/news/china/article/1990677/asia-europe-talks-end-no-mention-south-china-sea-ruling-hague-tribunal>

²⁹² <http://www.bbc.com/news/magazine-35234183>



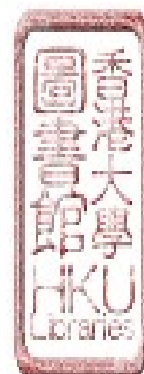
States involved in the regional security dilemma surrounding the ill-named Democratic People's Republic of Korea must always consider the key strategic role China has been able to assume, effectively containing acts fueling instability to prevent chaos in the region and gaining diplomatic credibility and credential in the process. This isn't to say that China doesn't have a sizable interest in maintaining a certain degree of calm in the region. The isolated, impoverished neighbor of China has a population of 25 million people²⁹³ and judging by the strategic deployment of Chinese military personnel²⁹⁴, they would like to ensure any crisis occurring inside the Democratic People's Republic of Korea is contained as much as possible within the borders, or at least not extending into Chinese borders. The potential refugee crisis that could occur should chaos erupt or the government fall would directly affect China as routes to the South are heavily militarized and dangerous with unmanned lethal technology such as landmines present throughout the border region²⁹⁵. Better than having to deal with such a potential catastrophe is to prevent it from occurring in the first place, hence the need for China to maintain a sense of status quo, both on the domestic, within the Democratic People's Republic of Korea, and on the international level, pertaining to potential conflict between the Democratic People's Republic of Korea and other forces such as the United States and the Republic of Korea.

While not nearly as involved as say the United States or the Republic of Korea, at least in the sense of what many might assume to mean "involved" (for the purposes of this discussion, the general assumption would be military capacity in the region that is directly engaged or has the ability to engage another state and has adversarial policy goals), the United Kingdom is a permanent member of the United Nations Security

²⁹³ <http://data.worldbank.org/indicator/SP.POP.TOTL>

²⁹⁴ http://www.upi.com/Top_News/World-News/2016/04/20/China-deploying-troops-along-North-Korea-border/9411461165635/

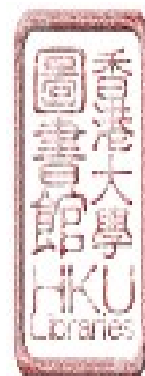
²⁹⁵ http://www.nytimes.com/2015/08/11/world/asia/north-korea-placed-mines-that-maimed-2-south-korean-soldiers-at-dmz-seoul-says.html?_r=0



Council and remains active in issues and negotiations pertaining to the Democratic People's Republic of Korea. In many ways this helps to negate some of the outcome associated with a traditional analysis of British foreign policy pertaining to security and military; one that has been very much in line with United States and NATO policy with regards to actual commitment and troop deployment. Instead of being tied to what is increasingly becoming a divided region with many allegiances split between China and the United States, the United Kingdom is able to utilize its position as one of only five permanent security council members to effect change and exert influence in a manner that it must surely enjoy while it lasts. While the United Nations is not by any means an end all, be all for resolving conflict or imposing law and order on the international community, it does offer a unique opportunity to drive policy initiatives and make international statements for states that may not be able to produce comparable military forces to major powers such as China and the United States. This is not to say that the United Kingdom does not have military capability. Some would even argue that head-to-head, while vastly outnumbered in comparison, the United Kingdom's quality and advanced nature of military technology and capabilities would level the playing field between the two states and in certain strategic outcomes might even be able to overcome the Chinese military²⁹⁶, though this sort of analysis is heavily based on a number of circumstantial requirements and outcomes that may never be satisfied.

Nonetheless, this role as a permanent member of the Security Council allows for states such as China and the United Kingdom to build relationships with each other even when finding themselves on opposite sides of Security Council voting and

²⁹⁶ <http://www.businessinsider.com/why-britains-military-could-beat-china-2014-1>

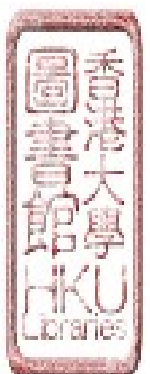


working together on joint-initiatives. United Nations-sanctioned peacekeeping operations, something China has very much been involved in over the years of both Hu Jintao and Xi Jinping. In 2015, Xi Jinping pledged 8,000 additional Chinese peacekeeping forces and \$100 million US dollars to peacekeeping efforts and supporting African Union efforts on the African continent²⁹⁷, an action that certainly cements his commitment to a serious Chinese presence in the United Nations both on the policy and peacekeeping fronts. This relationship building is evident in examples between the United States and China as both had interests in maintaining and promoting peace and development in South Sudan. In China's case, it is one of the biggest investors in South Sudan's oil fields, but in dual-purpose, the commitment to peacekeeping efforts across the African continent made it even easier to work alongside the United States on mediation efforts and to commit a small contingency of peacekeeping forces as approximately 700 were in April of 2015.²⁹⁸

Though China and the United Kingdom are two very different places with vastly different geography, populations, and culture to name but a few items, the underlying theoretical approach taken to understanding decisions made at the international level remain the same. Differences in application will exist as each state and government has unique features that determine the role of the people in the greater decision making process, but they are nonetheless guided by the same theoretical principles. For example, the United Kingdom functions through the establishment of Parliament which is comprised of elected representatives that are accountable to the people they represent in their home districts. This compares to China where elected officials claim

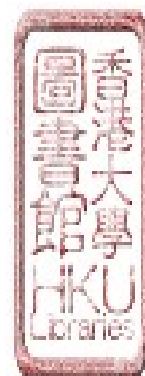
²⁹⁷ <http://www.scmp.com/news/china/diplomacy-defence/article/1862255/chinese-president-xi-jinping-makes-us1-billion-pledge>

²⁹⁸ <http://www.nytimes.com/interactive/projects/cp/reporters-notebook/xi-jinping-visit/china-surprises-u-n-with-100-million-and-thousands-of-troops-for-peacekeeping>



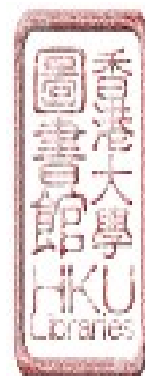
localized offices through various systems that, for the purposes of this paper, won't contribute to what is being examined here. The central decision making is being made by the leaders of the Communist Party and domestic issues can be met with a level of force and blackout that would be unacceptable to the UK populace. This isn't to say that Chinese citizens are content and oblivious with decisions made at the domestic and international, but rather to suggest that they are less able to hold the central government accountable for decisions made as the representatives are not elected and as control of the media and internet in terms of what makes it out to the masses is vested in the Chinese government.

Unfortunately without a strong foundation to begin with between the two states grounded in either military conflict or cooperation, limited mostly to interaction through the United Nations as both members sit on the Security Council, and with data indicating fairly consistent trade of dual-use and military use commodities with the exception of a few outliers present under both Hu Jintao and Xi Jinping's periods analyzed, it is difficult to tell if British-Chinese security and military relations have changed notably one way or the other. The focus would seem to be on dual-use commodities under Xi Jinping, but while perhaps indicating there is more business to be had by British exporters, it also suggests Xi Jinping has focus on the Chinese domestic population.

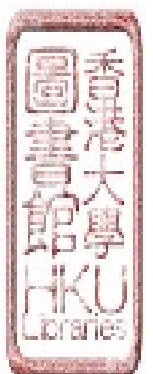


Conclusion

Changing relations between China and the U.K. is a reflection of respective alterations in their domestic conditions as much as it is a sign for shifting power dynamics in the international political system overall. Outside influences on two countries are primarily represented by on-going struggles of the U.S. and some other developed European countries. Hu Jintao's task to find balance between solution approaches to national disturbances opposite international affairs was less demanding than the prevailing circumstances in Xi Jinping's leadership period. Not only China and the U.K. but also the rest of the world has great complexities to deal with at the moment. As those irritations not straight-forwardly or solely related to China and the U.K. have been rising both in America and Europe (i.e. war in the Middle and the Financial Crisis), the U.S. in particular has developed an increasingly offensive foreign policy towards China because it feels threat to its identity as a global hegemon. Even though China might not have wanted to invest too much energy into its relation with the U.K. in the beginning, other prominent international actors have encouraged this behavior through their own economic and security concerns. Positive developments between China and the U.K. are based on increasingly complementary characteristics, conditioned by domestic, bilateral as well as international affairs. International relations theory by definition tries to create different boundaries between political actors and reasons for decision making mechanisms but sometimes these boundaries are too artificial. Especially in today's globalization, there is no neat line anymore between domestic and international developments. Even though Putnam's two-level game theory does provide a useful analytical framework to understand the driving forces behind changing China-U.K. relations, distinction between the

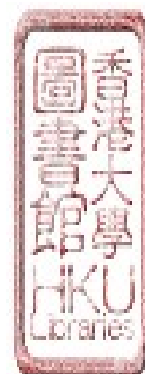


domestic and international political spheres is slightly artificial in the current context. Just as strict lines between different actors and mechanisms must be lowered because of trends in political reality, theories of international relations too should mirror some more flexibility and openness for required adjustments.

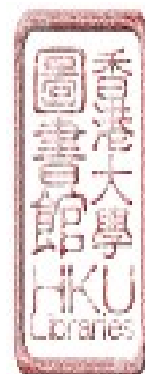


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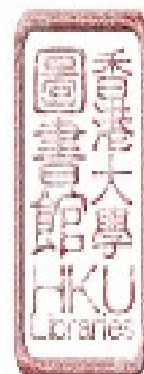
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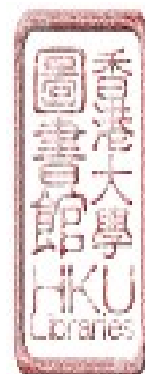
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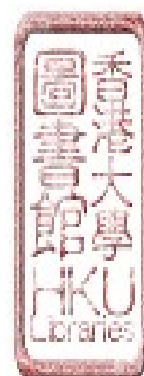
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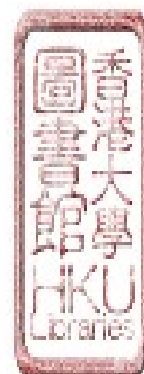
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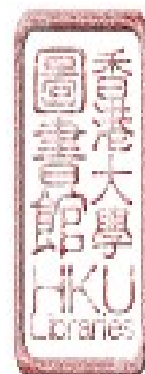
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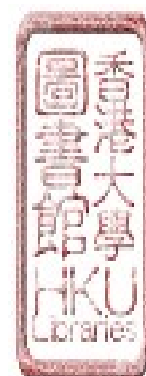
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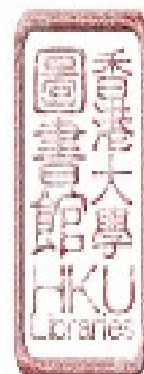
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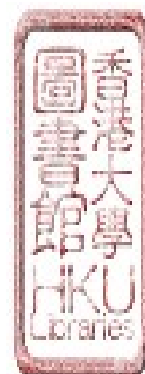
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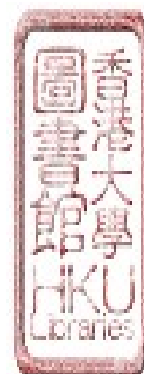
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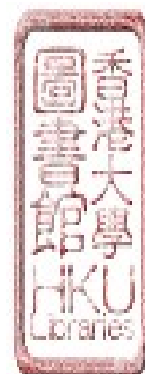
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