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Shu Guang Zhang, a prominent Cold-War scholar, who has previously published three books on China’s foreign relations during the Cold War, has done so again in new book that deals with a crucial aspect of the People’s Republic of China (PRC)’s foreign relations during the Cold War: economic statecraft. Previous studies of the PRC’s foreign relations have focused on the strategic and diplomatic decision-making of top PRC leaders such as Mao Zedong and Zhou Enlai. It is time to expand the study to economic, social, and cultural aspects of China’s Cold War experiences. With the rise of China as a global economic power and China’s proactive use of its economic power to expand its global influence and prestige, this timely book offers insights into Chinese leaders’ thinking about Beijing’s economic statecraft in its recent history and the factors behind those decisions. The book offers an account of China’s foreign economic relations from 1949, when the PRC was founded, to 1991, when Beijing was coping with the U.S. and western economic sanctions in the wake of the Tiananmen Square Incident. More importantly, it traces the evolution of the institutional structure and politics of China’s foreign aid agencies and major personalities. It also examines how various factors, such as the Chinese leadership’s vision of modernity and identity, and domestic politics affected Beijing’s foreign aid policies.

In chronological and thematic order, Zhang discusses and examines China’s experiences in resisting and breaking the Western economic embargo from 1949 to the mid-1950s, China’s economic relations with Soviet Union from 1953 to 1963 and the economic roots of the Sino-Soviet split, China’s economic aid diplomacy toward Afro-Asian countries from 1955 to 1970, and China’s use of trade diplomacy to ameliorate Japan’s hostility from 1955 to 1972. Against the backdrop of the Sino-Soviet split and Sino-Soviet competition in the International Communist movement, the book also reviews the successes and failures of China’s foreign economic policies in winning smaller socialist-bloc allies, most prominently North Vietnam, Albania, Mongolia, and North Korea from 1960 to 1972. The last two chapters examine how economic leverages played out in the U.S.-China rapprochement in the 1970s and 1980s and how Beijing fended off U.S. and Western economic sanctions in the late 1980s and early 1990s. Overall, the book covers not only China’s economic relations with the West and Japan (which have been studied in previous works), but also with the Communist-bloc countries and Afro-Asian countries. It is a comprehensive study of the forty-year economic statecraft of the PRC.

Given the book’s many strengths, it is not surprising that all four reviewers applaud Zhang for producing a deeply researched and carefully argued work of scholarship. Priscilla Roberts writes, “Zhang provides by far the most detailed account to date of foreign aid in China, and the arrangements that China negotiated in the dual roles of recipient and donor of external economic assistance. His account may be supplemented, but is unlikely ever to be replaced.” Amy King concurs. She notes that Zhang examines “the development, application, and evolution of China’s own economic statecraft during the Cold War. This is a magisterial volume that is likely to become the reference book on China’s foreign economic relations during the Cold War.” Niu Jun agrees, noting the book “is an outstanding work, especially from the perspective of scholars studying Cold-War era Chinese economic strategy and policy.” Frank Cain is somewhat reserved, arguing

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that Zhang’s main contribution to the U.S. embargo discussion relating to the PRC was Beijing’s “efforts to open trade links with the smaller countries outside the CoCom network and to exploit the Hong Kong trade arrangements.”

The reviewers do raise several substantive criticisms. Most reflect more on the inclusion/omission of certain topics in the book, and the direction for future research and publications. King, for instance, argues that Zhang should have given more attention to the effect of China’s actions on the target state. She also notes that had Zhang utilized more declassified Chinese foreign ministry documents, he would have seen that China’s economic statecraft was not only a “deliberate strategy,” but also a “direct economic imperative determined by China’s economic circumstances during the Cold War.” Priscilla Roberts believes that Zhang should have included a discussion of “the PRC’s support for a wide range of insurgent movements in states scattered across Asia and Africa” (a controversial aspect of Chinese foreign aid to Third World nations), and the Canton Trade Fair, “a shop window where Chinese businesses—all, of course, state-run—could display and market their products to the outside world” in the southern port city of Guangzhou starting in 1957. According to Roberts, the book should also have included “a little more information on the nature and significance of Chinese Cold War economic relations with other Western powers” in addition to Japan and the United States. Niu Jun notes that Zhang “addresses the question of institutionalizing the system of China’s foreign economic aid” in chapter 7 (253) and he agrees that China did not “begin to institutionalize its foreign aid work” until the 1970s. He praises Zhang for providing “an appropriate start” on this, and hopes that future studies will focus more on “institution building and operation mechanisms” in China’s foreign relations during the Cold War. Cain contends that Zhang should have explored the significance of the Gulf of Tonkin Resolution and “the political responses in China and the discussions in the summer of 1964” at an enlarged CCP Central Committee Politburo meeting on 12 April 1965 which agreed to ‘raise the banner of Aiding Vietnam and Resisting America now and wait till later.’” Cain believes that Zhang should have also looked to how, in the backdrop of Western embargo, China was able to collect scientific information and equipment to build its nuclear weapons program in the 1960s.

In sum, this is not an introductory work, but a book for the specialist, as Roberts notes. This book might be adopted by graduate courses on the history of modern China, China’s economic history, diplomatic history, Cold War International history, and more general courses on international politics and history. It may attract the attention of some of the concerned general public—especially given that China is becoming a twenty-first century global economic superpower.

Participants:


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**Frank Cain** holds a Ph.D. degree from Monash University, Melbourne, and taught Australian History in the School of Humanities and Social Sciences at the University of New South Wales Canberra until retirement when he became a Visiting Fellow. In 2007 he published *Economic Statecraft during the Cold War European Responses to the US Trade Embargo* (Frank Cass Cold War Series). In 2016 he published *America’s Vietnam War and its French Connection* (Routledge).

**Niu Jun**, Professor of International Studies, Peking University, received his Ph.D. at The People’s University of China (Renmin daxue) in 1988. His current research focuses on a project involving China-U.S. relations and the Cold War in East Asia. He teaches courses at Peking University including: *The foreign relations of the People’s Republic of China since 1949*, and *China’s foreign policy-making process*. Among his major publications is *Cong yan’an zouxiang shijie: zhongguo gongchandang duiwai zhengce de qiyuan* which appeared in English translation as *From Yan’an to the World: The Origin and Development of Chinese Communist Foreign Policy* (Norwalk: EastBridge, 2005).

**Amy King** is a Lecturer in the Strategic and Defence Studies Centre at the Australian National University, specialising on Chinese foreign and security policy, China-Japan relations, and the economics-security nexus in Asia. She is the author of China-Japan Relations After World War II: Empire, Industry and War, 1949–1971 (Cambridge University Press, 2016). Amy received her D.Phil in International Relations and M.Phil in Modern Chinese Studies from the University of Oxford. She is currently researching China’s role in shaping the international economic order at Bretton Woods and Bandung.

**Priscilla Roberts** taught from 1984 until 2016 in the Department of History of the University of Hong Kong. She earned her undergraduate and doctoral degrees from King’s College, Cambridge. She spent fall 2016 as a member of the School of Historical Studies at the Institute for Advanced Study, Princeton, and then joined the Faculty of Business at the City University of Macau. She has published numerous articles on twentieth-century diplomatic and international history, with a special interest in Anglo-American and Asian-Western relations. She is the author, editor, or co-editor of twenty-seven books, including *The Cold War* (Stroud: Sutton, 2000); *Window on the Forbidden City: The Chinese Diaries of David Bruce, 1973-1974* (Hong Kong: Centre of Asian Studies, University of Hong Kong, 2001); *Behind the Bamboo Curtain: China, Vietnam, and the World Beyond Asia* (Washington, DC, and Stanford: Wilson Center Press and Stanford University Press, 2006); *Lord Lothian and Anglo-American Relations, 1900-1940* (Dordrecht: Republic of Letters Press, 2010); *The Power of Culture: Encounters Between China and the United States* (Newcastle: Cambridge Scholars Publishers, 2016); *Hong Kong in the Cold War* (University of Hong Kong Press, 2016); and *China, Hong Kong, and the Long 1970s: Global Perspectives* (forthcoming, Palgrave Macmillan). She is currently completing a study of Anglo-American think tanks and China policy, 1950-1995.
Hu Guang Zhang has written over four books published in the United States on post-revolutionary China dealing with the broad topics of the impact of the Korean War, Chinese-American Confrontations between 1949 and 1958, and the economic Cold War.¹ He has drawn on a wide range of Chinese archival material in the regional archives such as Guangdong and Guangxi, Foreign Affairs and the Ministry of Railway Archives, plus a wide range of secondary sources in English including Foreign Relations of the United States (FRUS) documents and sources in the Woodrow Wilson Center, Washington, D.C. The writings of Chairman Mao Zedong are also heavily drawn on.

Zhang launches his study with a review of the effects of the trade embargo imposed on China by the U.S. and the United Nations resulting from China joining in the Korean War. However, that embargo had earlier origins in the Truman era when the U.S. switched from sharing its technology with its Western allies to one of refusing any exchange of information. The U.S. was concerned to prevent the Soviet bloc from gaining access to Western technology given the fear that World War III was imminent. As a further measure to prevent technology leakages to the East, the Americans established an organization known as the Coordinating Committee to Control East West Trade, abbreviated to ‘CoCom.’ The U.S. Congress was then debating the Foreign Assistance Act in June 1947 to establish the Marshall Plan and a clause was added denying the grant of Marshall Aid to Western countries which might pass banned material to Communist countries. The Economic Cooperation Administration (ECA) was also established by the U.S. to enforce these trade restrictions by having the European countries police more closely their export shipping arrangements. The ECA also prepared the long lists naming hundreds of items which were to be banned by the Europeans from export to the East. Finally, a large supervising body was established in Paris to compile and monitor statistics on the flow of imports and exports to and from the European countries. After China was added to the embargoed countries in 1949, it was given its own identity title, ‘ChinCom.’ And this was because the embargo against China was more comprehensive than the European one. The China list contained 400 items against 200 placed on the European list. This enlarged China differential seems to have been based on the assumption that the Chinese economy was so damaged after years of hardship that even the most elementary item was valued in those times of scarcity. At this time, Japan had gained its independence from the Supreme Command for the Allied Powers (SCAP) control and sought to recapture a portion of that fifteen per cent of the China trade it had previously held, but the new ChinCom list thwarted such an attempt. The U.S., therefore, permitted Japan to secretly reduce the 400 items closer to the 200 imposed on the Europeans.²

Zhang’s main contribution to this U.S. embargo discussion relates to the People’s Republic of China’s (PRC) efforts to open trade links with the smaller countries outside the CoCom network and to exploit the Hong


² Frank Cain, Economic Statecraft During the Cold War European Responses to the US Trade Embargo (London and New York: Routledge, 2007), 126-127.
Kong trade arrangements. Hong Kong was a British Crown colony and the UK wished not to have its trade borders closed given the economic benefit it gave to the British economy and it quietly became a smuggling port for trade in such items as medicines which contained high value in small packaging. Hong Kong had always been a free trade port and it continued to remain so during the course of the Korean War. China also engaged in trading with Indonesia and Burma to purchase their rubber crops in exchange for Chinese rice. The Chinese called on the Polish maritime fleet for one of its vessels to stand off the Indonesian coast to load the rubber as it was lighter out in purchased small lots. China also developed a barter trade system with the Japanese by which Chinese food staples were exchanged for technology items and the state-owned Chinese banks assisted in the financing of the trade. Zhang explains the difficulties China encountered in winning small markets in the European countries in order to earn the exchange to pay for the imports it required to build its new industrial economy.

The author applies the broadest definition to ‘statecraft,’ (Chapters 1 and 7) which political historians would more precisely define simply as a collection of historical factors occurring together and producing meaningful result. One of the strongest themes explored by the author in his discussion of the economic and political history of post-revolutionary China is the difficulty China faced in rebuilding its commercial life during those harsh years after 1949. It had already been damaged from the effects of the invasion by the Japanese military commencing in the early 1930s. That invasion was followed by a lengthy civil war in which much of the military hardware from the China and Pacific wars was recycled again in an industrial-style war on the mainland. The end of that fighting and the proclamation of the People’s Republic were immediately followed with the outbreak of the Korean War, which marked the alliance of the new PRC with the equally new Democratic People’s Republic of Korea (DPRK). The author ascribes much of China’s problems in the late 1950s to the effects of Mao’s Great Leap Forward and it being linked to the collapse of the Sino-Soviet economic cooperation. But the events worsened when Mao launched the Cultural Revolution at home which almost drove China into civil war through the early 1970’s. The continuation of tensions in the Sino-Soviet relationship led to the termination of the association and to the unexpected outbreak of armed clashes between the two states along the Sino-Soviet border early in the spring of 1969.

Zhang well understands the dependency relationship between China and Vietnam and he pauses in chapter 6 to examine the effect of the Tonkin Gulf affair for the contribution it would make to President Lyndon Johnson’s launching of the war on Vietnam. Events had strengthened the Democratic Republic of Vietnam’s DRV’s (North Vietnam’s) fortunes at that time with wins against the Army of the Republic of Vietnam (ARVN) (South Vietnam) forces and the possibility of a reunited Vietnam becoming more likely. DRV regiments had moved south and tanker loads of POL (petrol, oil, and lubrication) were moving south along the Ho Chi Minh trail which had been rebuilt by Chinese engineers and labourers. The POL supplies could fuel the possible delivery of armoured vehicles and towed heavy-artillery for the war’s final stage. What was to become the essential Tonkin Gulf affair evolved with a U.S. naval radio report of three DRV torpedo boats approaching the USS Maddox at dawn of 2 August 1964. However, they were driven off by the Maddox guns and the intervention of a Crusader aircraft from the nearby USS Ticonderoga. One bullet hole was found in the ship’s superstructure. Surprisingly, on 4 August a second attack was reported on the Maddox and a sister-ship, the C. Turnerjoy, but the details were even more vague than they had been for the previous one and nothing materialized from it. The President Johnson quickly called for retaliatory action and soon after it was announced that the torpedo boat base and an oil dump at Vinh were destroyed. The Tonkin Gulf Resolution was soon adopted by both houses of Congress which authorized the President to ‘take all necessary measures’ to repel any armed attack against U.S. forces. The Resolution took the shape of a Congressional warrant for the U.S. invasion of Vietnam. Actually, a pipeline through southern DRV was already being discussed to
replace the tankers. Zhang avoids relating the Tonkin Gulf matter to Johnson’s Rolling Thunder campaign which he launched on 10 February 1965. The author does not dwell on the significance of the Tonkin Resolution and looks more to the political responses in China and the discussions in the summer of 1964 which culminated in the meeting of an enlarged Chinese Communist Party CCP Politburo on 12 April 1965 which agreed to “raise the banner of Aiding Vietnam and Resisting America now and wait till later.” The DRV was to “assume the primary responsibility in combat, with China assisting only in the DRV’s struggle so long as the military conflict could be confined to Indochina.” (218) It was later reported that in the advent of a U.S. attack on North Vietnam, the Chinese had stated that China would not sit idly and remain indifferent and would have to prepare for a Korean-type war.

Another area left unexplored in the book is the development of Chinese nuclear weapons in the 1960s. The nuclear stalemate has long been considered to be an essential element in the preservation of a nuclear peace in those decades and China’s joining the nuclear club, while not unexpected, was important for the times. China looked to build its bomb six years after the Soviet Union’s first explosion in August 1949. Delay followed after the Soviets withdrew their production of fissile material during the Sino-Soviet break in the 1960s. China found a way to produce enriched uranium and it tested its first device on 16 October 1964 in the Lop Nur testing range. China continued its nuclear research and produced its first hydrogen bomb explosion on 17 June 1967 after launching the device from a Soviet bomber. Collecting the various pieces of scientific equipment to conduct the research tested the embargo-beating skills of the Chinese planners3.

As part of its assistance to the DRV, Zhang demonstrates how the PRC gave aid directly to the National Liberation Front (NLF) which was established by the DRV as a specialized guerrilla fighting force to maintain the fight in south Vietnam. The Chinese senior officials Deng Xiaoping and Zhou Enlai took an interest in the preparation of the supply kits for dispatch to the NLF fighters in the south. By 1965 Mao himself called on his earlier days of guerrilla leadership and he ordered that the supply be hastened to the NLF of specialized equipment such as mosquito nets, rain coats, first-aid kits and ship’s biscuits. By 1967 the military in the Kunming province, just north of the Sino-Vietnamese border, was supplying a 2,200-man NLF forces with daily rations of rice, meat, fish, sesame seeds, peanuts, and sugar. By 1968 China was assisting in the building of sugar refineries, rice and flour mills and bean curd processing plants in Vietnam to maintain the provision of food and supplies to the NLF fighters. The Chinese engineers and labourers worked to construct and repair the roads and railways to maintain this southward flow of resources to the NLF’s forces.

The election of Richard Nixon as president in November 1968 continued the thrust of the White House to persuade Congress to normalise trade relations with the Sino-Soviet bloc. However, it was the work of Henry Kissinger as National Security Adviser that opened the negotiations with the PRC which made the visit of Nixon to China in February 1972 such a success. It was also the work of Kissinger that launched secret discussions with the DRV in Paris while fighting continued in Vietnam. Nixon’s re-election in 1972 opened the possibility for enlarging trade with the Sino-Soviet bloc, but Congress opposed it. The election of Jimmy Carter’s administration in 1976 encouraged senior Deputy Chairman Deng Xiaoping to look optimistically to building better relationships with the U.S. resulting in Carter inviting Deng to visit the U.S. in January-February 1979. Meanwhile China and Japan signed an eight-year trade pact for $20 billion in February 1978 which exchanged Japanese technology and manufacturing plants for Chinese coal and oil. Chinese trade


Chinese and U.S. trade eventually flourished, with Zhang calculating that by 1988 the U.S. became China’s third largest trade partner and China bearing the largest trade deficit of all states enjoying bilateral trade relations with the U.S. This harmonious relationship received a jolt in the summer of 1989 with the Tiananmen Square incident. Believing that the rioting would get out of hand, Deng Xiaoping ordered a violent response from the divisions of the People’s Army resulting in numerous deaths. The new President, George W. Bush, reacted with other European leaders by suspending U.S. weapon sales to China and terminating U.S. links with the People’s Liberation Army PLA. But China continued to remain the inexpensive source for so many consumer goods, especially clothing, footwear and textiles, that Chinese exports continued to dominate consumer markets and the importance of embargo polices crumbled away. The conduct of the 1992 elections witnessed a national return to the Democrats and the election of Bill Clinton. It was marked by the even greater expansion of the Chinese economy so that by 1995 it had become one of the world’s fastest growing economies.
Professor Zhang Shu Guang’s recently published *Beijing’s Economic Statecraft during the Cold War 1949-1991* is an outstanding work, especially from the perspective of scholars studying Cold-War era Chinese economic strategy and policy. The focus of this work is the entire forty-year Cold-War history of the foreign economic strategies pursued by Chinese decision makers, the economic policy capabilities they possessed, and the methods they employed. This is an unprecedented effort that without any doubt opens for the reader a vast field of understanding and knowledge regarding this matter. Of course, here I must first emphasize the special value of this work for Chinese scholars.

Generally speaking, the approach of the Chinese scholarly community to the study of China’s foreign economic strategy, of matters involving that strategy, and of foreign economic policy has been rather narrow and monotonal with respect to both methodology and scope. The number of published works is even smaller and generally mediocre. In recent years, there have been several doctoral dissertations that have closely examined China’s aid to Africa and North Korea during the Cold War.¹ They demonstrate praiseworthy progress with regard to mining the historical archives, argumentation, and presenting novel perspectives. Whether the results of such research may be openly published for the use and examination by scholars, however, is a matter determined by book censorship policy. This is obviously something that writers have no way to calculate or control. The situation that Chinese scholars confront shows even more clearly the special importance of *Beijing’s Economic Statecraft during the Cold War*. For both scholars of Chinese Cold-War foreign policy and scholars of economic history, this is a must-read book.

*Beijing’s Economic Statecraft during the Cold War* is a work that studies China’s foreign economic strategy and policies during the Cold War, but from the beginning to the end of the book the author also shows a much broader ambition; his approach and exposition cannot be seen as merely a study of one aspect of Cold War history, but should challenge existing theories and provide a necessary foundation of knowledge for investigating and understanding current and increasingly more frequent use of national economic power in the area of foreign policy. The latter point appears in the last part of the book regarding several key broad outlines of Chinese foreign economic policy from the end of the Cold War to the twenty-first century.

In his preface the author clearly indicates that the core question of his book stems from some doubts concerning theories of ‘economic statecraft.’ Such theories mainly focus on how great powers or superpowers use foreign economic policy vis-a-vis weak or small states. They have little to say and do not explain why and how rising powers like China make use of ‘economic statecraft’ to influence the behavior of other countries and to advance their own national interest. In order to solve these theoretical defects, Zhang Shu Guang believes that studying China has the most value, because it demonstrates what is almost “a unique pattern of behavior,”(7) and “stand[s] out as an ideal test case with which to explore many core theoretical assumptions in the field of international relations as well as international political economy” (2).

¹ Jiang Huajie, *Lengzhan shiqi zhongguo dui Feizhou de yuanzhu yanjiu, 1960-1978* [A study of China’s aid to Africa in the Cold War era] (Shanghai: East China Normal University, May 2014); Dong Jie, *Zhanhou zhongguo dui chaoxian de jingji yuanzhu he zhong-chao guanxi* [Chinese economic aid to the DPRK and Sino-DPRK relations after the Korean War] (Beijing: Peking University, 2013).
The entire text of *Beijing’s Economic Statecraft during the Cold War* demonstrates that Zhang Shu Guang’s general theoretical doubts and challenges are well-grounded. If one looks at Chinese foreign economic policy behavior during the Cold War, one may conclude that it was indeed extremely distinctive. This book points out that these distinctive features of China’s foreign economic policy and behavior were partially due to certain complicated and important aspects of its economic persona, and that complicated and, at times, confused foreign economic policy behavior and intentions resulted from this multi-faceted actor. For example, during the Cold War the People’s Republic of China (PRC) was frequently the target of economic sanctions from various camps, starting from the founding of the PRC (strictly speaking from the Korean War); it was the object of an economic blockade and sanctions by the United States and its allies. Subsequently, from the early 1960s, it was the target of economic sanctions by the Soviet Union and its allies. Then in 1989, when spring was changing into summer, the United States and other Western countries applied sanctions following the Tiananmen Incident, and so on.

On the other hand, China also received a vast amount of economic assistance. The first and most important was the large-scale economic aid provided by the Soviet Union in the 1950s. Most significant was assistance in enabling China to quickly establish a comparatively complete industrial system (61-62). Subsequently, rather substantial foreign assistance was provided in the 1980s by the United States, Japan, and other Western countries. Japan’s assistance in helping to improve China’s backward basic infrastructure played a vital role.

In sum, during the Cold War, when the international system was characterized by a confrontation between two large camps, China, which experienced a constantly changing national security strategy and foreign policy, was either the recipient of aid or the target of sanctions from the two hostile camps. The author analyzes the strategic and tactical views of Chinese leaders regarding the consequences of successive changes in strategy and the economic results thereof. Comparatively speaking, the analysis in Chapter Two of Mao Zedong’s attitude toward Soviet aid is extremely enlightening. For example, a point the author already sketched in brief, and subsequently thoroughly explores from beginning to end, is that the key to China’s economic relationship with the Soviet Union can be found in the fact that: “To Mao, the PRC’s political interest had to prevail over its economic one” (80). I think it is extremely important to grasp this point.

The Chinese Communist policy in the initial period of the PRC of ‘leaning to one side’ – that of the Soviet Union – was based on economic necessity, that is, it sought economic assistance to counteract the economic blockade imposed by the United States and other Western countries. In July 1949, Mao Zedong, Chairman of the Communist Party of China (CPC) Central Committee told Deng Xiaoping, Secretary of the Committee on the Frontline of the CPC Central Committee that the recent secret conversations between the Chinese Communist representative in Nanjing and U.S. Ambassador John Leighton Stuart were meant to compel the United States “to submit,” but that “one could see from more than a month’s experience that getting the imperialists to accept our model would not be easy,” therefore, it was necessary to “lean to one side” quickly—that of the Soviet Union—in order to break the American blockade.2

But as Zhang points out in his book, Mao, while seeking assistance from the Soviet Union, at the same time wanted to avoid becoming dependent upon the Soviet Union. The Chinese Communist leaders hoped to establish a “mutually beneficial” and “equal” relationship. They “had expected trade with the USSR to be in

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2 Deng Xiaoping, “Dapo diguo zhuyi fengxiao zhi dao,” [Smash the imperialist blockade], 19 July 1949, *Deng Xiaoping wenxuan* [Selected works of Deng Xiaoping], vol. 1 (Beijing: Renmin chubanshe, 1994), 134.
an equal and reciprocal basis.” (39) According to Zhang’s narrative, the sudden outbreak of the Korean War and China’s decision to enter the war greatly increased China’s reliance on the Soviet Union, a situation that continued until the late 1950s.

The book points out that the importance Chinese leaders began to accord to ‘self-reliance’ in 1956 partly derived from their anxiety over China’s excessive dependence on the Soviet Union. This analysis is reasonable as 1956 was the honeymoon period of Sino-Soviet relations. Soviet leader Nikita Khrushchev had earlier promised to provide China with additional large-scale aid because he needed Mao Zedong’s support in a domestic power struggle, not the other way round. As in the past, China was simply seeking Soviet aid. In sum, there is no logical reason nor any proof that Chinese Communist leaders put forward ‘self-reliance’ at this time because of concerns over future prospects of Sino-Soviet relations or that there was a need to maintain distance from the Soviet Union. What needs to be added here is only that anxiety over increasing dependency on the Soviet Union was not enough to lead Mao at this time to emphasize ‘self-reliance.’ The dispute within the Chinese Communist Party over whether or not to oppose ‘rash advances’ in economic reconstruction was rather important in this connection. Mao believed that those who opposed his radical economic plans did so because they were ‘dogmatists’ following the Soviet model. This was a more important reason why he stressed ‘self-reliance.’ This example more profoundly influenced the domestic determinants of the limits of China’s ‘economic statecraft.’ In examining the influence of domestic factors, it is not enough only to look at China’s economic situation (for example, the economic recession of 1959-1962).

In closely examining the historical development of the Sino-Soviet alliance, one must point out that forming an alliance with the Soviet Union had long had special significance for Chinese Communist leaders. Especially with respect to the value of an alliance, for Mao and others the main question was not whether they would become dependent on the Soviet Union, but whether Stalin would be willing to accept the Chinese Communists into the ‘great socialist family,’ and thereby offer the Chinese Communists economic aid. Their major worry at the time was that if they asked for too much economic aid right away, this might erode Stalin’s willingness to form an alliance with the Chinese Communists. On the other hand, they may also have recognized that, in a word, how much aid they requested should accord with the ‘principle of proletarian internationalism.’ Striving to receive Soviet economic aid was always an important motive in seeking an alliance with the Soviet Union. Moreover, as the book under review states, the assistance they received to fulfill their urgent wants, objective needs, etc., that were consequent to China’s entering the Korean War, gradually increased their dependency. At what stage were they concerned that even more Soviet aid might result in the Soviet Union’s declining interest in alliance? Or that it might result in a more detailed discussion of the Chinese Communists dependency upon the Soviet Union, and that such a discussion might assist in revealing the characteristic pragmatism of Mao and Zhou’s thinking about foreign affairs and its influence on their ‘economic statecraft?’

The analysis of China’s complicated attitude toward the question of Soviet economic aid forcefully brings to light an issue that is well worth exploring in depth, that is, Mao’s, Zhou’s, and others’ understanding of the world economy, and whether their knowledge in this regard sufficed to sustain a rational ‘economic statecraft.’ For example, the book analyzes the conclusion of Mao and others that China and the Soviet

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3 Mao Zedong, “Zai zhonggong zhongyang zhengzhiju huiyi shang de jianghua,” [Speech at a meeting of the politburo of the Communist Party], September 1948, Zhonggong zhongyang wenxian yanjiu shi bian, Mao Zedong wenji [collected works of Mao Zedong], vol. 5, (Beijing: Renmin chubanshe, 1996), 132, 143-144.
should and must establish a kind of ‘mutually beneficial’ economic relationship. They based this on the supposition that the Soviet Union needed China’s agricultural products and raw materials, and because the capitalist countries had similar needs, China, by means of exporting goods, could exchange them for hard currency (27). Their judgment regarding the world economy, the market, and trade, directly and even more clearly influenced their economic policy vis-a-vis Western countries. The following logic could always be found in the writings of Mao and others: since China could be ‘self-reliant,’ the capitalist countries would ‘make demands’ on China, because they coveted the raw materials and markets in developing countries. Therefore, they believed, as Beijing’s Economic Statecraft during the Cold War points out, that by controlling the economy, on the one hand China could “prevent economic invasion by the capitalist countries” and, at the same time, it could maintain and develop trade contacts with capitalist countries, because the latter “had no choice” but to do business with China (25-26).

Even though the Soviet Union was considered an ally and the United States an enemy, if one carefully compares the logic of Mao Zedong, Zhou Enlai, Premier of the State Council and others’ thinking about economic relations with them, both countries were actually viewed through the same lens. Since China was a developing country, big countries, whatever kind they might be, could not do without China’s agricultural products, raw materials, and so forth, which could be used as chips in bargaining over prices. The question is where these judgments come from and whether they were rational? A section of the text in Beijing’s Economic Statecraft during the Cold War supplies a negative answer to the question of rationality. For example, the author points out that the influence of the Korean War in the economic realm proved that the assessments of Mao and the others regarding the world economic situation were obviously quite ignorant. In fact, following the expansion of the Western embargo, Mao’s and the others’ supposition that the war might lead to increased demand in foreign markets and enable China to obtain more foreign currency via foreign trade came to naught (25-26).

If one looks into other aspects of how Chinese leaders handled the domain of foreign policy, a large number of case studies should lead researchers to confront the following questions and give priority to making judgments as to whether and, if so, how, Mao Zedong and others understood various dimensions of the outside world. To go one step further, was the level of their understanding of the issues they had to deal with sufficient and rational? One should make a special inquiry into Mao and the others’ understanding of world economics. Here I am simply raising the issue, but this question obviously directly influences the analysis in the following chapters of the book.

As the author indicates, understanding the specific characteristics of China’s ‘economic statecraft’ is also evident in how China very quickly became a provider of foreign economic aid. In the 1950s, at a time when China began providing economic aid in succession to Indochina and East European countries, it was still receiving large-scale Soviet economic aid and was the object of a Western economic embargo. If one wishes to provide a comprehensive analysis of China’s use of economic instruments to gauge the ability, intent, behavior, and preparedness, etc. of its foreign policy target, how to harmonize the aforementioned ‘aid recipient country,’ ‘embargoed country,’ and ‘foreign aid provider country’ into one complex identity, and understand how Chinese leaders logically demonstrated the rationality of what appears to be all sorts of mutually contradictory policies, this would be an extremely important as well as extraordinarily difficult task. The third, fifth, and sixth chapters of Beijing’s Economic Statecraft during the Cold War precisely reveal the special characteristics of and difficult situation Beijing encountered during the time it was a donor of foreign economic aid. The author’s judgments are embodied in the concluding sections of these three chapters. His
assessment is very rigorous and accurate; even though looked at this way, China’s behavior seems rather strange. This is rather striking with regard to aid to Vietnam.

Chapters 3, 5, and 6 analyze China’s economic aid to Africa, Asia, Eastern Europe, and other countries respectively. I think the most crucial among these chapters is the systematic analysis of China’s economic aid to Africa in Chapter 3, especially concerning Mao Zedong’s thoughts on the ‘intermediate zone.’ This is very helpful in explicating the ideological foundation of the rapid development of China’s economic aid during this period. In the section concerning how China began to provide economic aid, the author focuses from the outset on the most important matter of Mao’s repeated reference to the concept of the “intermediate zone.” This is of great value in understanding the motives, driving force, and objectives of China’s foreign economic aid (98-99). After all, the idea of the ‘intermediate zone’ was Mao’s newly created concept during that period. It was used to analyze world politics, guide foreign policy during the 1960s, and served as the major theoretical foundation for foreign economic policy. In recent years some of studies have discussed the formulation of such concepts as ‘the intermediate zone,’ and ‘the second intermediate zone,’ and their important place and influence in Chinese foreign policy.4 That *Beijing’s Economic Statecraft during the Cold War* uses this concept to analyze China’s foreign economic policy and treats it as a guiding ideology is extremely enlightening. Of course, we must await further study before deciding whether Mao Zedong’s theory of the ‘intermediate zone’ may be considered the theoretical foundation of Chinese foreign policy, that is to say an important ideological element of Chinese foreign policy. I myself think it may be defined as one sort of foreign policy ideology. The appearance and evolution of this concept not only reflected the ideological wellspring of Mao Zedong’s understanding of world politics, but also played an important role in guiding Chinese leaders’ understanding and grasp of world politics and determining their foreign policy.

I think another reason why Chapter 3 of this book is so important is that it reveals the crucial interaction between the development of Chinese foreign economic policy and the development of Chinese leaders’ understanding and grasp of world politics; that is, Mao Zedong guided Chinese foreign economic policy according to his world view, and conversely, China’s experience and lessons from the realm of foreign economic policy also helped Chinese leaders revise their concepts.

*Beijing’s Economic Statecraft during the Cold War* is organized chronologically. A picture of the development of China’s foreign economic aid emerges gradually. This aid began in the 1950s with the countries on China’s periphery, starting with Indochina. In fact, the earliest economic and financial aid was provided to Ho Chi Minh’s Democratic Republic of Vietnam; afterwards formal economic aid was given to Cambodia. Subsequently, it was extended to Eastern European countries, and thereafter to Africa. As the book relates, starting in 1963, China began large-scale economic aid to West Asia and North Africa, ultimately completing

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a series of remarkable construction projects (177). The foreign economic policy system comprised three parts, including: (1) the essence of world politics, the special characteristics of geopolitics, and the basic narrative of the structure of world politics, in brief the narrative of the ‘intermediate zone;’ (2) based on the theory of the ‘intermediate zone’ and the newly revived world united front policy, these theories guided China to select target countries for economic aid and determine the relative urgency of aid according to the special conditions of each region and the concrete goals that China wished to achieve; (3) the foreign economic policy principle of morality and justice, propaganda slogans, and the criteria of implementation, etc. From the early 1960s on the rapid expansion of China’s foreign economic aid induced the aforementioned theories and strategies, policies, slogans, and so forth. Therefore, studying this period of China’s foreign economic policy has particular value, especially since one should not underestimate the actual interaction between foreign economic-policy behavior and changes in the outlook of Chinese leaders and the long-term influence thereof. It is easy to observe this influence in contemporary Chinese foreign economic policy.

Beijing’s Economic Statecraft during the Cold War analyzes the process of China’s maturation as an aid donor in chapters 3, 5, and 6. In reality, even though, as mentioned in all three of these chapters, there were great differences among the aid recipients with respect to their nature and conditions, as far as China’s leaders were concerned, by uniformly employing the expression of the ‘international united front’ policy, they were more or less able to harmonize the disparate strands of their foreign economic policy. In this sense, I propose to interpret these three chapters together, the better to understand the author’s statement in the preface regarding several key elements in determining China’s foreign economic policy and ‘economic statecraft.’

While Beijing’s Economic Statecraft during the Cold War paints a much more comprehensive and rich picture, there is one unavoidable issue that stands out. While continuing the process of expanding and strengthening the use of economic instruments to pursue foreign policy goals, whether in the name of ‘the revolutionary theory of proletarian internationalism’ or in the name of ‘national interest,’ exactly which persons, making use of which organizations and mechanisms, were able to accomplish such a complicated and ever increasingly great task? In his preface the author raises this issue and, moreover, points to a number of important persons who took part in these decisions and actions. Chapter 6 contains a section on aid to Vietnam, and indicates that large-scale aid led to the establishment of a particular organization to coordinate the various central government departments and coordinate relations between central and local government departments (224-225). These kinds of contradictions also existed with respect to aid to Korea. In section 2 of Chapter 7, the author specifically addresses the question of institutionalizing the system of China’s foreign economic aid (253). My impression is that not until the 1970s did China begin to institutionalize its foreign aid work. A large number of newly released historical documents demonstrate that following the deepening of research into Cold-War era Chinese foreign policy and the rapid development of post-Cold War Chinese foreign economic policy – one can predict that from now on it will further accelerate – research into institution building and operation mechanism should receive greater attention. With regard to this area, the present book provides an appropriate start.

The contents of this book are quite rich; after one finishes reading it, it is difficult to avoid returning to the question Zhang Shu Guang raises in his preface: How, after all, should we evaluate certain theories from the past?
Shu Guang Zhang had already made a major contribution to our understanding of the economic dimension of the Cold War through his first book, which examined the U.S.-led embargo on China and its effect on the Sino-Soviet relationship. Now, Zhang builds on that contribution by examining the development, application, and evolution of China’s own economic statecraft during the Cold War. This is a magisterial volume that is likely to become the reference book on China’s foreign economic relations during the Cold War.

This book makes two major contributions: its substantive argument, which reveals an understudied dimension of economic statecraft using newly-available Chinese sources; and its contribution toward understanding China’s foreign policy decision-making processes. The theoretical literature on economic statecraft has been dominated by research on negative or coercive forms of economic statecraft, such as sanctions. Yet Zhang demonstrates that positive economic inducements have been equally important forms of economic statecraft for weak and rising powers like China. In China’s case, Zhang convincingly demonstrates that China’s approach to economic statecraft was shaped powerfully by the experience of being subjected to Western economic sanctions and of becoming economically dependent on the Soviet Union during the 1950s. These experiences helped China’s leaders to understand the utility of economic instruments of foreign policy, but also made them eager to differentiate China from the Soviet Union or United States in their use of these economic instruments. Most notably, Beijing came to view positive forms of economic statecraft—as foreign aid—as a critical plank in its policy toolkit, and tried to use this foreign aid to strengthen the economic development of Communist and non-Communist countries outside the U.S.-led order. To further differentiate itself from the Soviet Union, China also tried hard to avoid attaching “political strings” to its foreign aid, though at times, as Zhang notes, this was more successful in rhetoric than in reality.

By setting out the institutional and leadership frameworks within which China’s foreign economic policy was organized, this book is also an important resource for those seeking to understand China’s foreign policy-making processes during the Cold War. Zhang pays particular attention to the key individuals and organizations that led the policy-making process within Beijing, and the evolution of these institutional structures as China’s bureaucracy underwent reform and decentralization. In particular, he highlights the important roles played by the State Council, Ministry of Foreign Trade, and Ministry of Foreign Affairs at various stages of Chinese economic statecraft activities, from negotiating agreements with foreign countries, designing and supervising aid projects, obtaining finance, and assuring quality control over foreign aid projects. Such detailed accounts allow us to better understand the sheer complexity of the task that China faced in developing and implementing foreign economic diplomacy during the Cold War. Moreover, this fine-grained investigation reveals that although it had no experience with economic diplomacy, the Chinese state was able to coordinate a nuanced strategy of economic statecraft—despite the fact that responsibility for it was divided across several agencies—and to reform its institutional structures when bureaucratic challenges arose.

I have, however, two related critiques of the book. The first is that it pays too much attention to China’s actions relative to the attention it pays to the effect of those actions on the target state – particularly in

relation to some cases in Chapter 3. The second is that it places too much weight on deliberate strategy as the explanation for China’s behavior, which was also driven by more direct economic imperatives determined by China’s economic circumstances during the early Cold War. I explore these critiques in more detail below.

First, a key focus of the book is assessing whether economic statecraft afforded China influence over the foreign-policy behavior of target states. Yet measuring influence is a tricky affair. As Zhang himself notes, measuring influence requires not only understanding the behavior and motivations of the sending country (China), but also the domestic politics, motivations, and responses of the target state (5, 17). In practice, however, Zhang devotes relatively greater attention to assessing China than he does to assessing the target states, and evidence on the target-side is patchy. For example, in Chapter 3 he shows that, between 1955 and 1970, Beijing employed an economic inducement strategy towards non-Communist countries in Asia and Africa as a way to: undermine U.S. isolation of China by cultivating friendly and cooperative relations with target states; transform China’s international image into that of a benevolent rather than a belligerent country; and persuade countries in Asia and Africa to grant China diplomatic recognition. The chapter provides superb detail on the range of economic inducement measures used by Beijing. These included concluding trade agreements that locked in pricing structures that benefited target states but were often unfavorable to China; a willingness to use barter trade, which allowed those countries that had limited supplies of hard currency to engage in trade; and efforts—not always successful—to ensure that China’s foreign aid and technical assistance programs were effective, efficient, and respectful of local cultural and economic needs. Yet the chapter provides only limited evidence that these economic inducement strategies actually translated into greater Chinese influence over target states. For example, Zhang cites the fact that a host of Asian and African countries established diplomatic ties with China between 1955 and 1960 as evidence that “Beijing evidently made breakthroughs with its diplomatic offensive” (109). But without investigating the policies and motivations of these Asian and African countries, we have no way of knowing whether it was economic statecraft that caused these states to grant China diplomatic recognition, or some other factor. Similarly, the chapter examines China’s extensive economic investment in Cambodia, such that by the mid-1960s, “[People’s Republic of China]-aided factories accounted for about half the country’s industrial output” (114). Zhang concludes that Cambodia’s economic dependence on China “more or less guarantee[d] its political alliance with Beijing” (114). Yet to be truly persuaded of this argument we would need to better understand Cambodia’s policies and preferences, or to find evidence that China’s foreign aid caused Cambodia to pursue policies that it would not have otherwise pursued.

By comparison, Chapter 5 provides a more fulsome account of the policies and preferences of the targets of Chinese economic statecraft. As a result, it is more successful in measuring Chinese influence and, more importantly, the limitations of that influence. By devoting analytical attention to the domestic politics and foreign-policy goals of North Korea, Mongolia, and Albania, Zhang demonstrates that Beijing frequently failed to translate economic statecraft into influence over these target states. This was because even weak states like Mongolia and North Korea had considerable agency in shaping their relationship with China, particularly in the international context of the Sino-Soviet split. Zhang highlights how, for example, North Korean leader Kim Il-sung exploited the competition between China and the Soviet Union by playing the two powers off one another and ratcheting up the levels of foreign aid he could extract from either side. In addition, Zhang demonstrates that China’s economic statecraft often failed precisely because target states resented China’s attempts to gain greater influence over their domestic and foreign policy affairs. On numerous occasions, Beijing’s attempts to induce or coerce states like North Korea and Mongolia simply resulted in their leaning closer to the Soviet Union as a way to resist Chinese pressure.
Zhang’s findings accord with those of a recently published edited collection by Evelyn Goh. Adopting a methodology that explicitly focuses on the targets of Chinese influence, Goh and her contributors demonstrate that Chinese influence even over the weakest developing states in Asia has not been guaranteed. Instead, and complementing the findings offered by Zhang, they argue that China’s ability to achieve influence is determined not simply by Chinese behavior and goals, but more importantly by the preferences, decision-making processes, and strategic behavior of the target states. Zhang’s research also provides powerful evidence of another important dimension of Chinese influence: that which Goh and her contributors refer to as the “preference multiplying” effect. That is, China’s influence has been most successful not when it has attempted to induce or coerce countries through economic or other means, but rather when it has pursued policies that align with target states’ own interests. As Zhang demonstrates, China may have gained its greatest influence over states in Asia and Africa when Chinese Communist Party Chairman Mao Zedong and Premier Zhou Enlai developed forms of foreign aid that respected the sovereignty of recipient countries, did not attempt to attach political conditions to that aid, and provided economic assistance that would help newly-decolonising countries become independent and self-reliant. This approach to foreign aid—exemplified in China’s ‘Eight Principles for Economic Aid and Technical Assistance to Other Countries’—stemmed not only from China’s desire to differentiate its aid from that provided by Western countries, but also from China’s shared identity as a developing country that had also faced economic coercion and dependency. China’s efforts to differentiate itself from the West and its developing country identity continue to play important roles in shaping China’s contemporary foreign aid and economic diplomacy strategies. As a pairing, these works are thus timely offerings that shed light on how China uses economic statecraft to obtain influence and on the considerable limitations of that influence.

My second critique involves Zhang’s instrumentalist approach to China’s foreign economic diplomacy during the Cold War. By focusing on economic statecraft rather than simply interdependence or foreign economic policy, the book necessarily hones in on the instrumental uses of China’s foreign economic policy. Yet doing so downplays the economic challenges China faced during the Cold War, and China’s need to develop trade, aid, and investment ties with other countries as a way to develop its own economy. The disadvantages of using this economic statecraft framework are particularly highlighted in Chapter 4, which examines the China-Japan trade relationship. Here, Zhang argues that between 1955 and 1972, Beijing consistently manipulated the Japanese business community’s expectations of trade with China as a way to pressure the Japanese government into adopting particular foreign policy positions. In Zhang’s reading, Beijing applied trade inducement and punishment strategies as a way to “drive a wedge” between Japan and the United States, to force the United States to withdraw its military bases from Japan, and to obtain diplomatic recognition from Japan (136). Yet while these goals were an important part of Beijing’s strategy towards Japan, they were not the only goals motivating China’s leaders in its foreign economic policy towards that country. In my own work I have demonstrated that, starting in the late 1940s, China’s Communist leaders worked hard to rebuild trade ties with Japan and to draw on Japanese technology, investment, and skilled expertise as a means of rebuilding and transforming China into a modern, industrialized economy. Indeed, China’s leaders considered Japan so significant for China’s economic future that in the midst of the trade freeze following the 1958 Nagasaki flag incident—when a group of Japanese youths defaced a PRC flag flying

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at a trade exhibition in the city of Nagasaki—I show that Chinese officials began quietly meeting with Japanese politicians to find ways to re-open the China-Japan trade relationship. Crucially, in October 1959, Mao Zedong and Liao Chengzhi, China’s leading adviser on Japan, both privately informed Japanese delegations that China was willing to relax a key political condition—namely Japan’s diplomatic recognition of China—in order to restart the trade relationship.4

This difference in interpretation partly stems from our use of different sets of Chinese archival documents. In the Japan chapter in particular, Zhang relies more heavily on published collections of Chinese archival documents (such as Zhou Enlai waijiao wenxuan) and less on recently declassified (though sadly now no longer accessible) files from the Chinese Foreign Ministry Archive.5 The Foreign Ministry Archive files tend to provide greater evidence of the economic difficulties China faced, and the important role that Japanese technology, industrial goods, and economic advisers played in assisting China’s economic modernization during the late 1940s, 1950s, and 1960s. Our different interpretations are also, however, the result of Zhang’s use of economic statecraft as an analytical framework. By adopting this framework, Zhang views the China-Japan trade relationship solely as a tool that Beijing could exploit to achieve political leverage and foreign policy influence. This conceptualization of economic interdependence between two countries is too narrow; it inaccurately discounts the economic reasons that countries might pursue particular foreign economic policies. Whereas China’s economic statecraft towards developing countries in Asia and Africa may have been of little benefit to China’s own economy, Japan was a different case. As a more advanced economy, Japan was a critical source of technology, industrial goods, and skilled labour for China, and the only existing model of a modern, industrialized Asian nation. The highly complementary economic relationship between China and Japan during the early Cold War was important not only in rebuilding China’s war-torn economy, but also in transforming Chinese conceptions of economic development models, and in laying the foundation for what would eventually become the world’s third-largest bilateral trade relationship.

This emphasis on strategic as distinct from economic imperatives is a general tendency of political scientists and is evident in their approach to contemporary Chinese policies such as the Asian Infrastructure Investment Bank and the Belt and Road Initiative, a development strategy focusing on connecting and economic cooperation between China and countries stretching from Africa to the South Pacific. Interestingly, economists demonstrate the opposite tendency and often fail to acknowledge the strategic aspects of these initiatives. Whereas economists focus on the infrastructure deficit in Asia and the development benefits of these Chinese connectivity initiatives, political scientists tend to emphasize China’s ability to obtain influence and even coercive pressure over target states via these economic tools. This dividing line calls for a multi-disciplinary approach to researching China’s foreign economic policy. Such a multi-disciplinary approach would recognize both the strategic imperatives and economic constraints shaping Chinese policy.

Despite these critiques, Shu Guang Zhang has provided a rich conceptual and empirical account of China’s economic statecraft during the Cold War. This book will make a major, wide-ranging contribution to the literature on economic statecraft, Chinese foreign policy, and Cold War history.


Economic statecraft, the concept that informs this massive volume on Communist China’s Cold-War economic policies, is a term that has recently regained currency. Popularized in the mid-1980s by David A. Baldwin, who viewed the use of a wide range of economic measures, whether sanctions or inducements, as a less risky alternative to nuclear diplomacy and military confrontation, the idea—though not the practices it connoted—subsequently largely fell from view.¹ The concept re-emerged when then Secretary of State Hillary Clinton took it up, towards the end of her tenure, as an integral part of the panoply of American foreign policy tools covered by the umbrella terms of soft power or, better still, smart power.² A recent Foreign Affairs article goes so far as to lament its absence from current U.S. diplomacy, as American policymakers—unlike their counterparts in other nations—prefer to rely on force rather than economic tactics to pursue their international objectives.³ One suspects, however, that had the vagaries and personal idiosyncracies of one candidate not loomed so large in the recent presidential campaign, the idea of economic statecraft might have been rather more prominent in foreign policy debates.

The use of economic power in international affairs is by no means novel. Often, it has been employed as an adjunct to military policy. Since at least the sixteenth century, powerful nations engaged in war have subsidized their weaker allies, while seeking to deny their enemies access to valuable resources. The War of 1812 between Great Britain and the United States was, indeed, prompted by British efforts to prevent the Americans from trading with Napoleonic Europe. A century later, German submarine attacks on American shipping, intended to cut off vital war supplies shipped to the Allied powers from the United States, were the proximate cause of the U.S. entry into World War I. Both Great Britain and the United States assisted their wartime allies financially, though between the world wars American insistence that these were loans that must be repaid became the source of bitter international disputes among the former Allied and Associated Powers.

What was new after World War I was the formulation—by European and American bankers and officials—of a rather wide variety of ambitious and wide-ranging economic proposals to facilitate European recovery from the ravages of war. Most involved the deployment of American capital from both private and governmental sources, over a period of years, in multiple European states.⁴ Although these schemes proved largely abortive,


at least in their original form, they were the intellectual ancestors of the post-World War II Marshall Plan. During the 1920s, the proponents of these projects were more successful in designing and implementing economic recovery loans—funded largely by private bankers, in association with the international central banking system and sometimes the League of Nations—that were intended to restore currency stability and promote economic recovery and growth across Europe, financial ventures that governments of the time broadly supported and endorsed.\(^5\) Unfortunately, this economic architecture proved too flimsy to withstand the pressures of the Great Depression, and collapsed during the early 1930s.

From the Paris Peace Conference onward, if not before, Japan justified its annexation of China’s northeastern provinces in Manchuria on the grounds that its own large population and lack of natural resources left it with no alternative but to expand into neighboring territory.\(^6\) German dictator Adolf Hitler used similar arguments, buttressed by charges that the 1919 Versailles settlement had unfairly deprived that country of territories that should have been part of Germany, to reinforce German claims to large portions of Czechoslovakia and Poland, as well as Hitler’s demands for the restoration of some of Germany’s former colonies. With varying degrees of effectiveness, in the 1930s the League of Nations and the United States sought in response to employ economic sanctions against nations that were considered aggressors, notably Japan in Manchuria and Italy in Abyssinia. In the case of the United States, from the mid-1930s onward private American trade with belligerent nations was also restricted by the successive Neutrality Acts, measures designed not so much to penalize errant nations as to prevent the United States from being drawn into another major international conflict. When war did begin in Europe, rolling back or at least modifying existing American neutrality legislation to permit nations battling Germany continued access to U.S. raw materials and manufactured goods, including vital weaponry, immediately became one of the top objectives of the Allied powers, Great Britain and France, and of those Americans who identified with their cause or opposed Nazi Germany or Fascist Italy. In an effort to deter Japan from expanding its war with China, in 1940 and 1941 the United States gradually expanded economic sanctions on trade with Japan, a strategy that backfired rather spectacularly when the total embargo on oil and petroleum imposed in June 1941 impelled

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Japanese military leaders and politicians within six months to attack not just the United States fleet at Pearl Harbor, but all Western interests in Asia.

Before then, in spring 1941 the United States had introduced a massive program of economic aid to nations—most notably Great Britain and its Dominions, and before long the Soviet Union—that were seeking to resist the onslaught of Nazi Germany. Popularly known as Lend-Lease, and vastly extended after December 1941, this undertaking was effectively the forerunner of post-World War II military security programs, promoted by the administration of Franklin D. Roosevelt as a means to keep the conflict removed from American shores by giving assistance to other nations that were already battling U.S. opponents. Lend Lease continued throughout the war, as the United States leveraged its position as the world’s strongest economic power into military support for its wide array of allies. Given its status as a wartime program, however, Lend Lease was quickly terminated when the war ended. With victory in sight, however, the United States took the lead in setting up international institutions—the International Monetary Fund and the World Bank (the International Bank for Reconstruction and Development)—that were supposed to provide the investment capital for postwar recovery, while preventing any recurrence of the international economic strife and rivalries that many leading policymakers held responsible for precipitating World War II. Solid economic foundations were now perceived as fundamental to any lasting peace settlement, an essential complement to the new United Nations organization that was designed to maintain international order and stability.

The developing Cold War greatly complicated these designs. Numerous aspects of American and to a lesser degree Western economic diplomacy of every kind from the 1940s to the early 1990s have attracted significant scholarly attention. When the new institutions and ad hoc loans from the United States to selected nations proved inadequate to prevent mounting economic difficulties in Western Europe, the United States launched the Marshall Plan or European Recovery Program (ERP), a multilateral government-sponsored venture intended to rebuild the economies of all the non-communist European nations. This ambitious and
largely successful undertaking is still considered the high point of U.S. foreign aid programs. Only slightly later, when it became apparent that economic security alone would not suffice to reassure the nervous European governments, was this supplemented by the military alliance of the North Atlantic Treaty Organization. In addition, to assist poorer countries, President Harry S. Truman devised the Point Four program of aid to developing or ‘Third World’ nations. A significant number of studies have focused upon U.S. postwar foreign aid and trade policy during the Cold War, not least in terms of the role that U.S. assistance played in Vietnam. Aaron Forsberg highlights the degree to which both U.S. Cold-War priorities and the commitment of American policymakers to liberal free trade norms drove the Japanese economic miracle of the 1950s. Fears that the United States was falling behind its Communist rivals in terms of the effectiveness and Third World acceptance of its foreign aid programs were the most significant factor that impelled President John F. Kennedy to establish the Peace Corps in the early 1960s. Various works also suggest that military spending has driven the Cold-War strategy and political economy of the United States,

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often with detrimental consequences for the country’s long-term economic health.\textsuperscript{14} With the end of the Cold War, at least one historian attempted to provide an overview of all U.S. foreign economic diplomacy during that time.\textsuperscript{15}

For all its protagonists, the Cold War centered as much on economics as it did on military confrontation. Yet, while U.S. economic policy during the Cold War has attracted extensive scrutiny, this is far less true of its Cold War opponents, the Soviet Union and China. This absence in considerable measure reflects the degree to which sources on the non-Western side of the Cold War were until fairly recently closed to most researchers. That has begun to change. Oscar Sanchez-Sibony recently published a study of Soviet economic policy during the Josef Stalin and Nikita Khrushchev years of the Cold War that highlighted the degree of Soviet economic interaction with the capitalist world, at least within some sectors of the Soviet bureaucracy.\textsuperscript{16} A new volume by Richard B. Day focuses upon Soviet perceptions of Western capitalism in the Cold War’s first thirty years, and why Soviet leaders pertinaciously believed that their country’s economy had the potential to out-perform its rivals.\textsuperscript{17} Soviet and Chinese economic aid to Vietnam and in some cases to North Korea have also featured prominently in assorted works by Chinese and other scholars of relations among the Cold-War rivals.\textsuperscript{18} Several chapters in the edited collection \textit{Brothers in Arms} deal at least in part with Soviet economic aid to China, and what the Soviets expected in return.\textsuperscript{19} A wide-ranging study by Jeremy Friedman


focuses upon the numerous means whereby the Soviet Union and China competed for influence and allies in the Third World, a contest in which economic aid of every description was one key weapon.20

Shu Guang Zhang was one of the earliest and most accomplished mainland-born scholars to focus upon the history of the Cold War, breaking new ground by employing a wide array of Chinese, Russian, and Western sources. His several pathbreaking volumes on Chinese policies during the Cold War already include a distinguished study of the impact of Western economic sanctions not just upon China itself, but upon the Sino-Soviet alliance.21 He has now taken on the formidable task of trying to provide an account and assessment of mainland China’s economic statecraft throughout the entire Cold-War period. Seeking to provide a comprehensive picture, he brings together and seeks to weave into one comprehensive narrative China’s experiences with embargoes imposed from outside, including efforts to break them; its experiences with foreign aid, as both recipient and donor, and the broader implications of these actions for the Communist camp and the Cold War; and the international ramifications of the policies of economic reform and opening up that Deng Xiaoping spearheaded from the late 1970s onward, especially in terms of China’s relations with the United States.

This is, it has to be said, not an introductory work, but a book for the specialist who already knows the outlines of Communist Chinese domestic and international policies and the Cold War. From China’s foremost leaders Mao Zedong, Zhou Enlai, and Deng Xiaoping downward, there is little attempt to introduce the various characters and personalities involved. A basic knowledge of the convolutions of Chinese and Cold-War history from 1945 onward is also required and assumed. Like Zhang’s earlier works, it melds an extensive array of Chinese sources, some archival, others massive printed collections, with materials from Soviet and U.S. archives. Many of the Chinese records, including sources from municipal and provincial archives and such repositories as the holdings of the Chinese Railway Administration, are unmediated. Others, such as the extensive printed documentary collections on Zhou Enlai and several other Chinese leaders, are edited collections. As with the Foreign Relations of the United States series, historians are deeply grateful that these exist but, while respecting the hard work of the editors involved, would ultimately prefer access to the originals. But let us look back thirty years and be grateful for what we do now have.

Zhang is perceptive in noting that, throughout the Cold War, China was the target of economic sanctions from Western powers, a campaign spearheaded and orchestrated by the United States. Countering and dismantling these sanctions was from 1950 onward a major objective of Chinese diplomacy, a quest that continued into the 1990s. At the 1954 Geneva Conference, for example, the Chinese delegation invested a significant amount of time in negotiating sanctions-busting trade deals with the various countries represented there. While individual non-Communist states and businesses might be eager to trade, mainland China’s leaders had some excuse for believing that the global economic system and the largely Western-led international institutions that sought to manage it were rigged against the People’s Republic of China (PRC). The choices they faced were whether to reject that system entirely, even while subverting the economic restraints imposed on dealings with China, or to seek to work within it and ultimately, perhaps, adapt it to


their own country’s advantage. Rhetorically, China might affirm its adherence to the first option, even while taking advantage of loopholes in the system; in practice, it gradually moved toward the second.

Meanwhile, China turned to the leader of the international Communist camp for assistance. This was in reality nothing new. Since the 1920s, as part of its international strategy of promoting revolution—combined, at times, with attempts to safeguard Russian security interests—the Soviet Union had provided aid and assistance to the Chinese Communist left (and, at times, even to the nationalist leader Chiang Kai-shek and his cohorts). Knowing left from right was often far from easy in these years. Soviet aid was a significant factor in the continued survival of the Chinese Communist Party and its ultimate victory in the Chinese Civil War, if only by counterbalancing U.S. aid to China—including some Marshall Plan funds—that was largely directed to Chiang and the Guomindang government. The Communist triumph in China did not, however, eliminate their requirements for outside aid. If anything, the need to rebuild China and remedy the damage wrought by a dozen years of external and civil war, followed just over twelve months later by the demands of Chinese intervention in Korea, brought increased demands for assistance from China’s Soviet patron. Building China up as a strong and internationally respected power and reversing the perceived dishonor of the previous ‘century of humiliation’ was now a top priority for mainland leaders.

Zhang provides by far the most detailed account to date of foreign aid in China, and the arrangements that China negotiated in the dual roles of recipient and donor of external economic assistance. His account may be supplemented, but is unlikely ever to be replaced. Under Stalin, the Soviets initially drove quite hard bargains on trade and aid, most of which came in the form of loans rather than outright donations. Zhang highlights the degree to which during the PRC’s first decade, Chinese leaders, from Zhou Enlai if not Mao Zedong downward, not only believed they were on probation, but apparently did not resent this. Rather, they made it a matter of pride to perform better than expected, making every effort to repay loans ahead of schedule, even at times of domestic hardship and shortage, and at least initially accepting Soviet advice and guidance on economic priorities and strategies. Meanwhile the Soviets, especially up to the death of Stalin in 1953, seem to have viewed China as a useful and often inexpensive source of raw materials and goods they could not obtain elsewhere. Under Khrushchev’s leadership, the terms of Soviet aid became more generous. Even so, after 1956 the new Soviet leader, facing major problems in Eastern Europe, sought to shore up his support in the Soviet satellites there by diverting aid once destined for China to them, even while dispatching additional Soviet advisers to China. After some prevarication, moreover, the Soviets declined to assist China in its efforts to build its own nuclear weapons, restricting their aid in this field to the construction of atomic reactors designed to produce power for peaceful purposes. Meanwhile, Soviet concern was rising over China’s internal policies, especially the Great Leap Forward, with Soviet officials warning—quite correctly—that this initiative was ill-advised and likely to prove disastrously unsuccessful. External Chinese belligerence, especially over Taiwan, was equally alarming to Soviet leaders. Ultimately, they withdrew all the Soviet advisers, shocking the Chinese.

Zhang’s description of the role of economic aid in the Sino-Soviet split needs to be read in conjunction with other accounts, notably those of Lorenz Lüthi, Sergey Radchenko, and Austin Jersild, as well as the works of

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Shen Zhihua, Li Danhui, and Xia Yafeng cited above. Perhaps reflecting his foregrounding of Chinese sources, he portrays Chinese leaders as more conciliatory and subsequently more willing to compromise with the Soviets than some earlier scholars, especially Ilya V. Gaiduk, have argued. Yet he also describes China’s rejection of what might be considered Soviet overtures, especially an apparently generous offer of food and other assistance during the Great Famine. Zhang also makes it clear that, despite the sufferings of the Chinese peasants during this period, their government insisted on paying back its loans from the Soviet Union not just on time, but ahead of schedule. In addition, while its own people were starving, China provided extensive economic assistance to other communist states. Perhaps most notable among these was Vietnam, where from the early 1960s onward the northern government led by the venerable communist and nationalist revolutionary, founding president Ho Chi Minh, was escalating its efforts to destabilize and eventually take over the south. As hostilities accelerated, so too did the commitment of U.S. aid and advisers, leading to commensurate boosts in Chinese contributions. In these years other communist bloc states, especially Albania, North Korea, and Outer Mongolia, were also significant targets for Chinese aid, not least because PRC leaders hoped thereby to weaken the Soviet position within the Communist world. In a self-proclaimed “People’s Republic,” as Zhang clearly demonstrates, the interests of the people themselves came second to maintaining what its top leaders considered China’s national interests.

Zhang skillfully elucidates the dual role of China as both a ‘sender’ and a ‘target’ of foreign aid. Despite its own economic needs, from virtually the foundation of the PRC, its leaders viewed foreign aid to weaker countries as one means of proving that China had indeed stood up. From at least 1949 onward, China was providing fraternal assistance to other Asian Communist regimes, especially the anti-French rebels in Vietnam led by Ho Chi Minh, who had a longstanding association with Zhou Enlai. Chinese pride in having rejected Western quasi-imperialism meshed perfectly with the contemporaneous rising tide of anticolonialism then swelling across much of Asia and Africa, including the Middle East. Nationalist leaders in most of the decolonizing areas, such as Premier Jawaharlal Nehru of India, showed real sympathy for the new People’s Republic, and often rushed to recognize the new Chinese government. Especially once it had put the Korean War behind it, in the mid-1950s mainland China showed considerable skill in aligning itself with the non-aligned movement across what would soon be termed the developing world or ‘Third World.’ Mao Zedong repeatedly enunciated worldviews that saw the decolonizing areas as an ‘intermediate zone’ that could be persuaded to tilt toward the Communist world or, later, to accept Chinese leadership. While his theories evolved over time, the broad thrust was clear: China could use a wide range of economic incentives and inducements to win international friends and influence across the Third World, but also to split both the Soviet and non-Communist camps by detaching selected allies from their Russian or American patrons.

Chinese aid to Third-World and decolonizing states features prominently in this volume. Zhou Enlai was a highly visible presence at the 1955 Bandung Conference of Asian and African nations, a gathering that enabled emerging post-imperial nations to proclaim that they were united by a set of specific interests that distinguished them from their former overlords. If the sense of solidarity was somewhat illusory and

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ultimately crumbled, for some years it nonetheless proved intoxicating to many of the attendees, impelling them to perceive themselves as a separate and coherent international bloc. It also offered Mao Zedong’s regime an opportunity to expand its influence. China immediately began offering nations such as Indonesia, Ceylon (Sri Lanka), Nepal, and Burma both trade and aid proposals carefully tailored to each state’s individual circumstances and needs. Even during the Great Famine, the latter two states received shipments of Chinese grain. Zhang’s study is particularly insightful in yielding new information on the PRC’s dealings with revolutionary Egypt, where nationalist army officers had rejected British overlordship and expelled its pliable monarch, King Farouk. From 1950 onward, China provided Egypt with economic assistance. The U.S. employment of economic pressure during the Suez crisis, first rescinding aid previously promised to Egypt to build the Aswan Dam in retaliation for Egypt’s acceptance of weaponry from Eastern Europe and the Soviet Union, and later refusing to support the pound sterling unless British forces withdrew from Egypt and abandoned the Anglo-French plan to retake the Suez Canal, is well known. Less familiar is the fact that, as Zhang demonstrates, during the crisis, China provided Egypt with extensive economic and military aid, all of it without cost, an index of the determination of the People’s Republic to align itself with decolonizing Third World nations in Asia and Africa.

During the 1960s and 1970s, in an effort to increase its international clout, China greatly expanded its aid programs in the Middle East and Africa, again tailoring what it offered to the individual circumstances of each target. Zhou Enlai devoted much time and energy to these initiatives, laying down detailed guidelines as to how they should be run. He paid equal attention to how Chinese aid workers should behave, insisting that they not seek special privileges and should show great respect for their hosts. Here, perhaps, one can see the legacy of experiences with Soviet experts. The emergence of new nations across Asia and Africa, each with voting rights at the United Nations, offered China an opportunity to boost its chances of winning a seat in that organization at the expense of Taiwan, something that became a reality in 1971. Without the votes of the Afro-Asian bloc, in the face of continued if less than passionate opposition from the United States, China would have been unable to reverse twenty years of exclusion from that body. Once China had won admission, its aid programs continued, in part to reward its friends. As ever more developing nations switched diplomatic recognition from Taiwan to mainland China, they did so at the price of losing what were often generous aid packages funded by the Republic of China. Predictably, they looked to the People’s Republic to take up the slack. Once China embraced economic modernization, it still provided aid to suitable recipients, but guidelines laid down by Deng Xiaoping directed that assistance be given not only to economically viable initiatives, but that it must also in some way promote broader Chinese foreign policy objectives. But perhaps he was only stating directly what had always been implicit in Chinese foreign aid programs.

Zhang does not mention another and still controversial aspect of Chinese foreign aid to Third World nations: the PRC’s support for a wide range of insurgent movements in states scattered across Asia and Africa. In its early decades, Red China apparently provided weapons, financial subsidies, and training for would-be revolutionaries, in some sense replicating the policies of disseminating and supporting international revolution previously embraced by the youthful Soviet government between the wars. Chinese leaders claimed that such support for efforts to overthrow existing governments represented ‘party-to-party’ as opposed to ‘state-to-state’ relations, a somewhat meaningless formula given the close relationship between the Chinese Communist Party and the mainland government, but one that its proponents claimed exonerated PRC

officials from overt responsibility. Thai, Malaysian, Indonesian, Burmese, and other leaders were less forbearing, and until the late 1970s the issue represented a major stumbling block to Chinese efforts to win diplomatic recognition from assorted non-communist Third World states. This facet of Chinese economic—and revolutionary—statecraft was clearly a significant factor in PRC policies. Given recent resentment of China’s overbearing behavior among its Asian neighbors, and the suspicion that aid, even when apparently generous, often provokes from the recipients, these past practices are not something that current Chinese leaders desire to publicize. Except for the special case of Vietnam, one suspects the relevant files are likely to remain closed almost indefinitely.

Zhang, as much a political scientist as a historian by training, uses his study of Chinese economic assistance to test various international relations theories. He posits that, given that both the Soviet aid program to China and several Chinese foreign aid programs to other nations—notably Vietnam, Albania, and Outer Mongolia—ended in tears, his findings validate Realist rather than Liberal theories of international relations. When asymmetrical relationships are in force, they tend to encourage international hostility, not understanding. Yet his work perhaps suggests that a more nuanced interpretation is in order. Zhang himself notes that, in some of the less prominent recipient countries, Chinese aid projects and the personnel who worked on them are still fondly remembered. Just possibly, a great deal depended on the individuals involved, and the level of their enthusiasm and commitment to their joint ventures and the broader project of which these formed part. To American observers, Chinese strategies associated with the implementation of Third World aid appeared formidable. The bestselling novel The Ugly American (1958), cited by President John F. Kennedy while he was still a senator, and the inspiration for his foundation of the Peace Corps, contrasted the dedicated and down-to-earth personnel working on both Soviet and Chinese aid programs in the Third World with their purportedly aloof and pampered U.S. counterparts. More than a decade later, David Bruce, one of the foremost American diplomats of his generation and the founding chief of the U.S. Liaison Office in Beijing, the first official U.S. mission to China since 1949, gave high praise to how the Chinese had “captured . . . the hopes of the third world,” describing this as “a model of what can be done at slight expense, through tact and diplomacy.” Bruce “believe[d] that the votes China now commands in the U.N. have been most cheaply bought—and I don’t use the word in an insidious sense—the most cheaply acquired, in diplomatic history.” He highlighted the flattering receptions the Chinese accorded every visiting foreign leader: Zhou Enlai, though “visibly overworked,” would meet him personally at the airport, and the Chinese government would give him a lavish reception, with outstanding banquets and displays of the visitor’s “national flag in great profusion and greater numbers than ever appeared in his own capital.” These practices, Bruce believed, were enormously effective in enhancing China’s international standing and influence with small and sensitive countries and their leaders.

But not always. China’s most disastrous experiences with foreign aid came with Vietnam and Albania, two case studies that Zhang explores in great detail. For a quarter-century and more, North Vietnam was a close

26 See Friedman, Shadow Cold War.


28 David Bruce, remarks at East Asian Chiefs of Mission Conference, 15 November 1973, in David Bruce, Window on the Forbidden City: The Beijing Diaries of David Bruce, 1973-74, Priscilla Roberts ed., (Hong Kong: Centre of Asian Studies, University of Hong Kong, 2001), 356.
Chinese ally. Without Chinese aid, the communist North would almost certainly have been unable to prevail against and eventually annex the South. Yet in the mid-1970s the relationship fell apart, the victim in part of Vietnamese resentment of what was perceived as overbearing Chinese arrogance and of the Sino-Soviet competition for influence within the Communist camp, but also of the exhaustion of Chinese resources. Almost simultaneously, China’s relationship with the maverick East European communist state Albania, another major aid target, likewise collapsed, a second casualty of the ever increasing strain on limited Chinese funds for external assistance. As the once fraternal links unraveled and acrimony took over, first Zhou Enlai and then, climactically, Mao Zedong died. Strategic threats from Russia rather than its lagging economic performance had driven China into a limited rapprochement with the United States from 1971 onward. But it was becoming increasingly apparent that without a dramatic improvement in its economic fortunes, despite its size and massive population, China would punch below its weight in international affairs. As Zhang recounts in considerable detail, it was Deng Xiaoping who—after staging a comeback and disposing of assorted rivals in the later 1970s—decided that, at least so far as China was concerned, the Cold War was a thing of the past. In order to fulfill its potential to become a great power, China must focus upon economic development, further improving relations with the United States in the interests of gaining access to American technology, expertise, capital, and markets. If this objective necessitated deferring indefinitely the entire question of the status of Taiwan, he would, however reluctantly, pay the price.

Given the prodigious amount of research that has gone into this near monumental volume, it seems almost churlish to demand more. The sheer scope of the project demands a certain selectivity. Certain omissions do, however, spring to mind, at least in terms of calling for further study. In 1957 the Chinese government established the Canton Trade Fair, held twice a year in the southern port city that had functioned in the late eighteenth and early nineteenth centuries as the prime gateway for foreign business dealings with China. This exhibition functioned as a shop window where Chinese businesses—all, of course, state-run—could display and market their products to the outside world. Premier Zhou Enlai personally ensured that, even at the height of the Cultural Revolution, these meetings continued, perhaps somewhat muted, but without major disruption from officious Red Guards.29 The Canton Trade Fairs—still in existence today—served as an economic interface between Communist China and the outside world, a relationship that has not yet been adequately researched. They were one venue where official and private and non-governmental economic interests intersected and encountered each other at the global level. So, too, did the capitalist and Communist worlds.

Although Zhang attempts to provide a comprehensive evaluation of China’s economic relations with other Communist nations, the Third World, and Western states, in terms of the last, this volume concentrates primarily on China’s dealings with Japan, until recently Asia’s strongest economy, and the United States, the world’s leading economic and military power throughout the Cold-War years until the present. The reasons for choosing to focus on these are self-evident. In terms of comparisons, however, the book might have benefited by offering a little more information on the nature and significance of Chinese Cold War economic relations with other Western powers. From 1949 to 1997, economic pragmatism impelled China to leave the colonial territory of Hong Kong under British administration, a decision that, however ideologically

compromising in terms of anti-imperialist principle, proved immensely profitable for the Beijing authorities. British eagerness to trade with China, directly or through the colonial territory of Hong Kong, was among the major stimuli that impelled the British government to recognize China in 1950. As with Japan, from at least 1953 onward, a significant constituency of British businessmen—some though not all leftists whose sympathies lay with the mainland government—sought to expand trade with China. While the British government, like other U.S. allies (some of whom in practice persistently ignored the restrictions), reluctantly acquiesced in U.S.-led embargoes on China, it repeatedly sought to moderate these and thereby mitigate the impact of sanctions. Moreover, throughout the Cold War Hong Kong remained a major gateway for commercial and financial dealings with China, with its businessmen and banks effectively evading many of the proclaimed restrictions and providing the Communist mainland with the greatest portion of its foreign exchange. Until 1968, the differential sterling exchange rate provisions in force in the territory also meant that China could acquire sterling—and thereby access other foreign currencies—on advantageous terms that undercut the official fixed rates.

In a pathbreaking chapter on Chinese economic relations with Japan, Zhang brings up China’s efforts to use economic incentives to pressure capitalist states into making diplomatic concessions, in part by subjecting them to domestic political difficulties and in part by offering economic incentives. Again, he could perhaps have enlarged on this theme. This was a tactic first used under Premier Zhou Enlai in the early 1970s. In 1969-1970 China was Australia’s foremost market for wheat, taking 31 percent of Australian production. When Sino-Australian talks on diplomatic recognition stalled, for three years China placed no further wheat orders in Australia, switching its purchases to Canada, which had gone ahead and opened relations with China. Australian sales fell by $31 million, a blunt warning that continuing to give China the cold shoulder would have very real and unpleasant consequences. With Zhou Enlai’s health declining, in May 1974, Chinese Vice Foreign Minister Qiao Guanhua warned a delegation of U.S. governors that until full Sino-U.S. diplomatic normalization was attained, a move that would require a settlement of the still outstanding Taiwan question and the breaking of U.S. relations with the island, “restrictions on the level of trade and exchanges” would be inevitable. Two days later, Vice-Minister of Foreign Trade Yao Yilin reiterated this message.

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30 Priscilla Roberts, “Cold War Hong Kong: Juggling Opposing Forces and Identities,” in Hong Kong in the Cold War, eds. Priscilla Roberts and John M. Carroll (Hong Kong: Hong Kong University Press, 2016), 28-32.


Almost simultaneously, the Chinese raised new obstacles to any settlement of ongoing dual bilateral
negotiations on outstanding private U.S. financial claims against the Chinese government and Chinese
demands for the return of assets frozen by the U.S. government in 1950. The issue was not finally settled
until early 1979, as part of the package of agreements associated with the normalization of Sino-U.S. relations
under President Jimmy Carter and the withdrawal of U.S. recognition from Taiwan.35

Deng Xiaoping’s decisions in 1978 and his ruthless concentration upon economic modernization and reform
above all else set China on the track to becoming the major power it is today, one of the world’s two greatest
economies. Continuing Chinese economic growth helped the international system to weather the global
meltdown that began in summer 2008. From Deng Xiaoping through Hu Jintao, China proclaimed its
adherence to peaceful economic development, even as the domestic reforms introduced by Deng and his
successors noticeably excluded political democracy. With ever increasing enthusiasm, China not only
embraced market norms itself, but also urged them upon external recipients of its foreign aid programs. In
international organizations of every kind, especially those in the economic sphere, China soon became a
recognizable presence. From the 1980s onward, Chinese leaders also insisted that foreign economic assistance
must promote China’s own best interests. As its economic strength and assets burgeoned, China used its
investments not just to gain access to sometimes scarce resources of every kind, but also to further its
diplomatic positions on a range of issues. Most of these tactics were not new, but were rather extensions or
reiterations of practices established during the Cold War.

For much of the Cold War, China had sought to present itself as the leader of the Third World and
developing nations, effectively challenging established international norms and institutions from the outside.
Yet it also sought to win respect as a great power, an insider accepted as a peer by other major states. Its
current leader’s policies encapsulate the inherent contradictions between these two near schizophrenic
positions of insider and outsider, both of which were implicit in China’s Cold War economic statecraft.
Zhang completed his manuscript just as President Xi Jinping assumed office in China, but before the extent
of Xi’s uncompromising international and domestic stance had become fully apparent. China’s massive
reserves of foreign currency allow it to finance ambitious programs on a scale unrivalled since the Marshall
Plan. Xi has announced a massive program of economic development aid aimed at China’s neighbors and
more distant countries, the ‘One Belt, One Road’ initiative. China has also taken the lead in creating the
Asian Infrastructure Investment Bank, a rival to the Western-led World Bank and International Monetary
Fund, and also to the Japanese-dominated Asian Development Bank. China proclaimed itself the exponent of
the ‘China Dream’ and the ‘Beijing Consensus,’ an international vision of economic development led by an
authoritarian government that stood in sharp relief to the ‘Washington Consensus’ that economic
development and democratic political reform must and should go hand in hand. On the military and
diplomatic scene, China also became increasingly assertive, aggressively pressing its demands to supremacy
over much of the South China Sea, in the face of rival and probably more convincing claims from various
Southeast Asian states. With Chinese economic growth slowing, it is still unclear just how successful the new
initiatives that China is promoting will eventually prove to be, in terms of enhancing its international
influence. As China itself discovered in the 1960s and 1970s, and the Soviet Union and United States already
knew, recipients of foreign aid and investment frequently prove ungrateful. Whatever surprises the future may

35 John Holdridge to Secretary of State, 14 June 1974, 2 cables, ibid., 498-499. For more background, see
William Burr, “‘Casting a Shadow’ Over Trade: The Problem of Private Claims and Blocked Assets in U.S.-China
hold, Zhang’s comprehensive and beautifully researched study does a great service in allowing us to place Xi’s seemingly novel moves in the longer context of China’s often paradoxical economic engagement with the outside world.
It is with unusual delight—not so much anxiety—and appreciation—very little agony—to read the four reviews of my recently published *Beijing’s Economic Statecraft During the Cold War, 1949-1991*. Drawn largely from their own research specialties and widely recognized scholarly contributions, Frank Cain, Niu Jun, Amy King and Priscilla Roberts have produced expectedly insightful and exceedingly extensive comments, critiques and suggestions that I immensely appreciate and hope that H-Diplo readers will find enlightening. My particular gratitude also goes to Mark Kramer and Thomas Maddux. It was Kramer who kindly initiated the move to an H-Diplo roundtable review of this book and Tom who has meticulously and kindly coordinated the effort.

Much as I am in agreement with many of the comments and suggestions of the reviewers, I would also like to offer my responses to some of the critiques and elaborate on some of the issues.

In this book, I took on the concept of economic statecraft as a frame of reference. Economic statecraft is a large and still evolving concept. It is larger than the usual ones frequently used by both political scientists and diplomatic historian in the literature, including but not limited to sanctions diplomacy, aid diplomacy, economic diplomacy, or foreign economic policy, etc. Defined in general as “a government’s ability, intention and actual policy in using economic instruments in pursuit of foreign-policy goals” (2), it connotes much broader and comprehensive implications than the other concepts, though. There are at least three tracks to explore. For one, in terms of policymaking, it involves strategic thinking, decision making and policy executing. For another, in terms of policy outcomes, it entails strategies, policies, plans, and projects. Still for another, in terms of functional factors, it concerns personnel, institutions, and culture. To accord each track an equal or balanced weight is by any measure a formidable challenge and in effect hard to come by. On this, Niu Jun is absolutely right to say that “[i]f one wishes to provide a comprehensive analysis of China’s use of economic instruments to gauge the ability, intent, behavior, and preparedness, etc. of its foreign policy target, how to harmonize the aforementioned ‘aid recipient country’, ‘embargoed country’, and ‘foreign aid provider country’ into one complex identity, and understand how Chinese leaders logically demonstrated the rationality of what appears to be all sorts of mutually contradictory policies, this would be an extremely important as well as extraordinarily difficult task.” On the other hand, however, to seek clues by tracking these and other complex factors in as much sequential and logical fashion as possible proves feasible and helpful. This is exactly what I wished to achieve when positioning my research and analyses, with, however, some successes and many regrets.

With this in mind, I felt compelled to build a research agenda that would have to be reasonably selective and to some extent exclusive. Amy King is right to suggest that it would have been more conclusive to examine the efficacy of a certain policy or diplomacy, being either sanctions or aids, when trying to come to grips with one’s foreign economic actions. And, by this measure, her critique that the book “devotes relatively greater attention to assessing China than [it] does to assessing the target states, and evidence on the target-side is patchy” has a ground. My defense, though, is that a cross-examination of how effective a particular act of economic statecraft is—whether or not it realizes the objective being attached to it – by assessing not only how the sender carries it out but also how the target receives or reacts to it requires a far broader scope of analysis than my originally designed research agenda is able to do. Indeed, such a scope would have entailed a drastically different research design and more so, enormous, if not impossible, research efforts: it is hard to imagine if and how one is able to singlehandedly explore each target’s (either an aid recipient government or a country subject to an economic sanction) action/reaction or interaction with the sender, if one takes into
consideration the requirements of, in this case, different languages, country knowledge, and archives availability or accessibility.

There can be little doubt that an efficacy analysis would make any study of economic statecraft a lot more comprehensive. In this sense, I am grateful to King’s reference to a recently published collection of studies, Evelyn Goh, ed., *Rising China’s Influence in Developing Asia.* What particularly interests me is the “preference multiplying” effect of China’s aid diplomacy identified by Goh and her contributors, meaning, in King’s words, “China’s influence has been most successful not when it has attempted to induce or coerce countries through economic or other means, but rather when it has pursued policies that align with target states’ own interests.” A multiple case analysis by largely political scientists and area specialists, this volume has at least offered a new analytical framework that should be very helpful to a further study on the outcomes of China’s economic statecraft during the Cold War. It would, for example, guide attempts to explore exactly how the targets of China’s aid or sanctions, including but not limited to communist countries such as North Vietnam, North Korea, Albania, Mongolia, Cuba and many other non-communist governments in Asia, Africa and Latin America, responded to and often mediated the anticipated Chinese influence. Any of such efforts would serve to reconcile the preference multiplying effect hypothesis further with historical evidence, a much neglected objective of the Cold-War international history approach.

This also leads to King’s second critique that my approach to China’s foreign economic diplomacy during the Cold War is much of an instrumentalist. “By focusing on economic statecraft rather than simply interdependence or foreign economic policy,” she argues, the book “downplays the economic challenges China faced during the Cold War, and China’s need to develop trade, aid, and investment ties with other countries as a way to develop its own economy.” King then suggests that I should have paid a balanced attention to both strategic/foreign policy imperatives and economic imperatives that may have shaped the evolution of China’s economic statecraft. King’s critique admittedly had merit. Again, economic statecraft is by definition more comprehensive than economic diplomacy or foreign economic policy and should invariably involve economic considerations. Whist tackling the narrowness in conceptualizing economic statecraft, I intended to go beyond the instrumentalist limitations by looking at how domestic economic dynamics might serve as a catalyst to aid-seeking-or-giving endeavors and, in effect, found evidence particularly in Beijing’s aid seeking with Moscow in the 1950s and leverage exercises toward the U.S. late in the 1970s, both of which were aimed at acquiring technology, investment, and skilled expertise as a means of rebuilding and transforming China into a modern, industrialized economy. King’s own work, *China-Japan Relations after World War Two: Empire, Industry and War, 1949-1971,* has convincingly identified the functioning of economic need behind China’s foreign economic policy toward Tokyo in the 1950s, which is regrettably missing in my book. The extent to which economic imperatives affect foreign economic policy behaviors deserves the attention of scholars interested in describing and prescribing economic statecraft.

What also deserves scholarly attention is the People’s Republic of China’s (PRC) “support for a wide range of insurgent movements in states scattered across Asia and Africa,” as Pricilla Roberts brilliantly suggests. She tells us that in the heydays of the Cold War in Asia, China provided weapons, financial support, and

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personnel training for “would-be revolutionaries” in Burma, Malaysia and Indonesia, “in some sense replicating the policies of disseminating and supporting international revolution previously embraced by the youthful Soviet government between the wars.” Viewed as exporting revolutions to these countries, China’s “economic—and revolutionary—statecraft” ended up with counter-productive results by at least portraying a belligerent image of Beijing among the leaders of these governments, which then cost China a great deal of political and economic resources to rectify. Though not a perfect fit to the focus of Beijing Economic Statecraft during the Cold War, this still controversial area of China’s economic statecraft would otherwise deserve a serious investigation, of course, if and when the related archives and records in China and the concerned countries become accessible to historians. Roberts makes yet another excellent suggestion for further study: how China’s Canton (Guangzhou) Trade Fair facilitates or reflects the development of Beijing’s economic statecraft. Since its first opening in 1957, the twice-a-year held Trade Fair “served as an economic interface between China and the outside world, a relationship that has not yet been adequately researched.” Still in existence today, the Fair has been “one venue where official and private and non-governmental economic interests intersected and encountered each other at the global level.” It would be surprising if a state-sponsored trade fair like this embodied no political or foreign-policy objectives throughout the Cold War period, which might possibly have been inducing some non-communist governments to do away with their commitments to the U.S.-led international trade embargo regime against the PRC by trading with China, or to create and/or strengthen economic leverages or interdependence with the target governments, particularly of China’s small neighbors, by supplying the latter their needed goods and materials via bilateral trade. This would certainly be an aspect of Beijing’s economic statecraft where the economic imperative might play out in parallel with strategic ones.

By the same token, Frank Cain’s review reinforces the need for a thorough discussion on the interconnection between economic and strategic imperatives. Though reviewing my book chiefly from an international trade perspective, Cain highlights the “difficulties” that economic sanctions imposed by either the U.S.-led western countries or the USSR had cost China, particularly the ones “China encountered in winning small markets in the European countries in order to earn the exchange to pay for the imports it required to build its new industrial economy.” As it is important for exploring the efficacy of embargo or sanctions by examining the target, an effort rarely seen in the existing economic statecraft literature, Caine’s point on the possible transcending from economic difficulties to political/diplomatic problems is highly appreciated. Along this line, his suggestion to explore “the development of Chinese nuclear weapons in the 1960s” merits particular attention, which I tackled a bit in my earlier work but am now convinced that more ought to and can be done.

Finally, let me address Niu Jun’s broad question of so what, that is, “how, after all, should we evaluate certain theories from the past.” There have been debates on if, how, and why historians should reach out to other disciplines so as to engage in a much broader development of human knowledge. Ever since John Lewis Gaddis called for diplomatic historians—particularly those working on the Cold War history—to walk across the boundary early in the 1990s, many have attempted to incorporate theories of international relations or

other social science disciplines into their studies. An integral part of the Cold War international history represents just that. Instead of trying to build a theory from history, historians have tried to carry out at least two tasks in this regard: one is to reconcile theories with historical evidence, and the other is to construct an analytical framework out of theories or theoretic assumptions. My past works have exemplified these attempts: Deterrence and Strategic Culture: Sino-American Confrontation, 1949-1958 is more an effort of the first whereas Mao’s Military Romanticism: China and the Korean War, 1950-1953 and Economic Cold War: America’s Embargo against China and the Sino-Soviet Alliance, 1949-1963 lean to the second. Beijing’s Economic Statecraft during the Cold War has tried to do both. For the first, my evidence has suggested not only concerns about the narrowness (only as a policy instrument) and imbalance (heavy on negativity) of the existing literature on economic statecraft but the need to add aspects of “incentive manipulation” and “imperative for development” as supplements to the ones on economic sanctions and assistance. For the second, I built a conceptual framework out of the chief arguments of economic statecraft to explore particularly how a rising power such as China would develop its economic statecraft. The latter proves somewhat valid and greatly helpful. Without exaggerating the theoretical implications of this study, however, I would assert that my study has identified a learning curve for a rising power on economic statecraft that may be applicable to many countries on the rise, including but limited to India, Brazil or even today’s Russia.

This study, as illustrated in bullet points in the conclusion, may suggest some policy implications. For one, each and every aspect of a rising power’s economic statecraft, as it is evolves, proves paradoxical. Roberts correctly points out that “as China itself [particularly under Mao Zedong and Deng Xiaoping] discovered in the 1960s and 1970s, and the Soviet Union and United States already knew, recipients of foreign aid and investment frequently prove ungrateful,” giving rise to unexpected and unwanted dispute or even conflict. The evolution of China’s economic statecraft during the Cold War should then be “allowing us to place Xi’s seemingly novel moves in the longer context of China’s often paradoxical economic engagement with the outside world.” For another, as this study implies, the realist’s rationality functioning through sheer interest,


whether or not in parallel with that of the targets, offers a strong clue into how the complexity of Beijing’s economic statecraft may play out, particularly when China is heading to an established power status.