

China's Economic Diplomacy in East-Asia:

What drives China's economic diplomacy in the case of political disputes in East-Asia?



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Abstract

In recent years, China's economic diplomacy has received more attention in the field of International Relations. Some scholars argue that China uses its economic diplomacy in a coercive way, while other scholars argue against this notion.

This thesis discusses China's economic diplomacy with its research question: *"What drives China's economic diplomacy in the case of political disputes in East-Asia?"*. The thesis examines two disputes between China and its neighbouring countries, Japan and South Korea, in order to research how China employs its economic power. The research is based on three factors that influence how China creates its economic diplomacy; national sentiment, history of the bilateral relations, and bilateral trade. Using process-tracing, the thesis examines these three factors of the THAAD dispute with South Korea and the Senkaku/Diaoyu Islands dispute with Japan. The aim of the thesis is to demonstrate that, while national sentiment, previous bilateral relations, and bilateral trade influence China's economic diplomacy, these factors do not influence China's decision-making equally. The thesis concludes that national sentiment influences the Chinese government the most to use its economic diplomacy coercively.

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Introduction

In recent years, China's economic diplomacy has received more attention in the field of International Relations. Some scholars argue that China uses its economic diplomacy in a coercive way, while other scholars give more nuances to this notion (Holslag 2006, 165; Garlick 2019, 1409). In the field of International Relations, academic research seems to have a special focus on China's relations with the United-States. (Rolland 2017, 131; Yu 2017, 172; Holslag 2006, 165). Furthermore, scholars focus on the Belt and Road Initiative, which is a collection of multiple economic projects financed by the Chinese government that aim to boost the global economy (Rolland 2017, 131). However, academic literature on China's economic diplomacy does not address how China uses its economic diplomacy in bilateral relations with its neighbours, despite the fact that South Korea and Japan are considered China's most relevant trading partners. Additionally, the literature fails to address the complexity of China's economic diplomacy, as it does not consider to what extent national sentiment, bilateral trade, and the history of the bilateral relations influence the decision-making process. Therefore, the existing literature on China's economic diplomacy leaves a gap open to research how China uses its economic diplomacy with South Korea and Japan.

Therefore, this thesis discusses China's economic diplomacy with its research question: *"What Drives China's economic diplomacy in the case of political disputes in East-Asia?"*. The thesis examines two disputes between China and its neighbouring countries, Japan and South Korea, in order to research what motivates China to use its economic power. The research is based on three factors; national sentiment, history of the bilateral relations, and bilateral trade. The thesis examines these three factors in relation to the THAAD dispute with South Korea. THAAD is an acronym for Terminal High Altitude Area Defense, which is an American anti-ballistic missile system, used against potential missiles from North Korea. In addition, the thesis examines these three factors in relation to the Senkaku/Diaoyu Islands dispute with Japan, which is a territorial dispute in the East China Sea.

By posing this research question, the thesis aims to provide a more comprehensive understanding of China's economic diplomacy in its own geographical region. This thesis aims to demonstrate that while China uses coercion in its economic diplomacy, the decision-making process is often more complex than portrayed in the existing literature.

The thesis does not aim to condemn China for using economic measures for diplomatic objectives, since all countries use economic diplomacy. Although economic diplomacy is not inherently Chinese, the debate around China's geopolitical relations makes the nation's contemporary economic diplomacy a relevant research topic.

The research is deemed relevant, as it provides insight into how the Chinese decision-making process works for implementing coercive measures, such as boycotts, sanctions, or embargos, during political disputes. By providing this insight, it is shown why China might react coercively with its economic diplomacy. Additionally, the thesis is deemed relevant, because it researches China's economic diplomacy in the context of political disputes, providing a contrasting perspective from the existing literature that focuses on China-US relations or the Belt and Road Initiative. By providing this perspective, this thesis inherently contributes to academic research in the field of economic diplomacy.

The thesis is outlined in the following way. Firstly, the existing literature on China's economic diplomacy demonstrates the debate on China's economic diplomacy in the literature review. Then, this debate is connected to the existing literature on two different disputes, the THAAD Dispute with South Korea, and the Senkaku/Diaoyu Islands dispute with Japan. The thesis establishes three factors that influence how China uses its economic diplomacy. These factors are national sentiment, bilateral trade, and the history of the bilateral relation. In the methodology, the thesis explains how it uses process-tracing. In the analysis, the thesis examines how national sentiment, the history of bilateral relations, and bilateral trade have influenced China's economic diplomacy. Lastly, the thesis compares the outcomes from the THAAD dispute with the outcomes of the Senkaku/Diaoyu Islands dispute and demonstrates that there are similarities in the decision-making process, but also some notable differences. Through this, the thesis aims to demonstrate that these three factors are relevant to China's economic diplomacy. However, national sentiment in China is more influential in the decision-making process, than bilateral trade and the history of bilateral relations.

Literature Review

the thesis defines economic diplomacy as the way politics shapes economic interaction and how economics shapes political interaction between states (Okano-Heijmans 2011, 27). Coercion is defined as using sanctions, boycotts, or embargos to seek some sort of leverage over another country (Okano-Heijmans 2011, 15; Wigell 2015, 138). In order to analyse what drives China's economic diplomacy during political disputes, the thesis discusses the scholarly debates on China's economic diplomacy. The literature review identifies the key aspects of the debate and identifies the three main factors that will be used in the analysis, namely national sentiment, the history of bilateral relations, and bilateral trade. The literature aims to do this by first evaluating some of the scholarly works relating to the general debate on China's economic diplomacy. Secondly, the literature review relates the discussed work to the THAAD dispute and the Senkaku/Diaoyu islands dispute in order to show how these two disputes are related to the general debate about China's economic diplomacy.

The Coerciveness of China's Economic Diplomacy

Looking into the scholarly works on China's economic diplomacy, there is a camp arguing that China is mercantilist. According to scholars in this camp, "China is actively embracing elements of neo-mercantilism" (Beeson 2009, 5). Holslag (2006) mentions that: "No state is pursuing its foreign trade policy more vigorously than China" (2006, 165). The idea that China pursues mercantilism in its economic diplomacy is supported by the fact that China scored highest in the Global Mercantilist Index, a list of countries based on the number of protective measures in their economy (Yu 2017, 175; Wein et al. 2014, 3). However, the definition of mercantilism remains ambiguous, as scholars do not agree on what it actually entails (Holslag 2006, 136). Therefore, coercion seems to be a more relevant term to study economic diplomacy, as this is defined as using sanctions, boycotts, or embargos to seek leverage over another state, which is a workable definition. (Okano-Heijmans 2011, 15; Wigell 2015, 138).

Another side of the debate on China's economic diplomacy argues that China is coercive or that it would at least have the potential to be coercive (Ravindran 2012, 124-125). The reason for this would be that China uses economic sanctions and boycotts, or threatens with them in case of disputes (Ravindran 2012, 125). Therefore, scholars would agree that China is a coercive power (Chen 2017, 83). This is understandable, as the use of sanctions and boycotts indicate that China aims to seek leverage, otherwise there would not be a reason to employ

sanctions or boycotts (Okano-Heijmans 2011, 5; Wigell 2015, 138). However, the question remains on why China uses coercion in its economic diplomacy. This is important to comprehend, in order to know if China's coerciveness has a significant influence.

Besides, the literature suggests that while China uses coercion in its economic diplomacy, it is unclear whether its coercion has any effect (Norris 2017, 211). This notion is mentioned in more literature on China's economic diplomacy, when focused on China's relations with countries in South-East Asia for example (Ravindran 2012, 125). Furthermore, Chen (2017) describes that while China uses coercion, the Chinese government would often aim for third parties, such as the police or customs, to actually employ it, as the state finds itself in a difficult position to act coercively itself (2017, 83). This shows that while scholars agree that China uses coercion in its economic diplomacy, it remains unclear if China's coercion is effective. This is important to the thesis, as this shows that China can still be using coercion, while it does not need to affect the outcome of its political dispute.

To go a step further, the literature also suggests that China would not take up a significant role in the international community in the upcoming years, as China's resources for its economic diplomacy to do so are still limited (Jiang 2011, 80). For example, Garlick (2019) mentions that China's economic diplomacy is to some extent overstated, because China's economy relies on external demand (2019, 1409). The Chinese economy is driven by exports and foreign companies that have parts of their production line in China (Garlick 2019, 1409). Garlick (2019) provides this analysis in response to Holslag, who argues that China has been more invasive in foreign markets (2017, 58). Therefore, While China's economy is significant for the global economy as a whole, it does not necessarily include that China has much political power, as it deals with economic limitations, since China relies on exports and external demand for its own economic growth (Garlick 2019, 1409). This shows that while China uses coercion, China also deals with constraints to what extent it can use its economic diplomacy coercively. Therefore, this begs the question about the goals of China's coercive economic diplomacy, as literature points out it is constrained.

In essence, this part of the literature review has demonstrated the arguments and reasoning behind scholarly work on China's economic policies or economic diplomacy. There are some notable questions that remain in the literature on how China uses its economic diplomacy when literature points out that China's coercive economic diplomacy might not always be effective.

Furthermore, the literature does not appreciate or examines how China creates its economic diplomacy, which would be relevant in order to understand how China uses its economic diplomacy. In order to demonstrate how the political disputes with Japan and South Korea are related to this debate on China's economic diplomacy, The rest of the literature review discusses the cases of the THAAD and Senkaku/Diaoyu disputes.

The THAAD Dispute between South Korea and China

THAAD is the acronym for Terminal High Altitude Area Defense, which is a missile defence system that the United States deployed in South Korea between 2016 and 2017, due to increasing tensions with North Korea, since that country was increasingly capable of launching nuclear missiles (Sankaran & Fearey 2017, 325-327). THAAD was intentionally used to protect bases with American troops from North Korean missiles, while South Korea's largest cities, Seoul and Busan, were left unprotected by THAAD (Kim & Park 2019, 169). Therefore, THAAD was mostly used to protect US presence in the region. The Chinese government was against the deployment of the system, as China feared that THAAD would change the security dynamics in the region (Sankaran & Fearey 2017, 329-330). Even though THAAD was unable to intercept a missile coming from the Chinese mainland, China was afraid that the system could be technically upgraded to be able to detect missiles on the mainland in the future (Sankaran & Fearey 2017, 329-330).

The Chinese government implemented sanctions on South Korea's entertainment industry and its tourism industry as retaliation for the deployment. This action was a way of using coercion in China's economic diplomacy (Okano-Heijmans 2011 15; Wigell 2015, 138). China decided on sanctions against South Korea, as South Korea was dependent on trade with China (Yang 2019, 6). By punishing South Korea with sanctions on its entertainment business in China, and limiting tourism to South Korea, China sought leverage over South Korea to stop the deployment (Yang 2019, 23).

However, other literature seems to be able to provide a more nuanced idea of this. Firstly, While South Korea is quite reliant on trade with China, since it almost covers 21% of South Korea's total international trade, China did not impose any restrictions on key industries (Sankaran & Fearey 2017, 331; Ru 2017, 13). According to Ru, while the tourism industry, the entertainment industry, and the consumer industry were hit hard, these industries only amount for a small portion of South Korea's trade surplus with China (2017, 14).

South Korea mainly exports machinery and medical equipment to China and these areas even showed growth in 2017 (Ru 2017, 14). This demonstrates that in the case of THAAD, there is the same discussion on whether China's coercion is effective. While the tourism industry and entertainment industry have been hit hard by the sanctions, trade between China and South has continued to grow in this period and the sanctions did not stop the implementation of THAAD. Here, the literature points out the relevance of bilateral trade in the discussion of China's economic diplomacy, because of the question of why China did not implement sanctions on key industries.

A possible explanation for the choice not to sanction the main industries could be that China also benefits from trade with South Korea, even though South Korea is the more vulnerable state in the bilateral relations (Yang 2019, 5). Since China is South Korea's largest trading partner, but South Korea is not China's largest trading partner, the Chinese government could do more harm to the South Korean economy than South Korea could do to the Chinese economy.

In addition, China opposes both nuclearization of the Korean Peninsula and the deployment of THAAD (Sankaran & Fearey 2017, 331; Ru 2019, 15). This shows that the country does not solely seek leverage over South Korea, since China has voted in favour of sanctions against North Korea and has not used its veto against UN resolutions condemning North Korea (Sankaran & Fearey 2017, 331; Ru 2019, 15). This demonstrates that there is more behind China's economic diplomacy, because China does not have this coercive attitude in a different diplomatic situation. This is also related to the relevance of history in the bilateral relations, since previous decisions on how to deal with North Korea matter in this case. Furthermore, this once again begs the question of why China has used coercion in its economic diplomacy during the THAAD dispute.

Nonetheless, a counterargument for this is that China considers South Korea a weak link in the US-Alliance, as the country is trapped between China and the US (Sankaran & Fearey 2017, 333). Therefore, South Korea has strong ties with both countries and would be easily influenced, as it is also dependable. By aiming to influence South Korea's security decisions with sanctions and support at the UN, China could be aiming for regional dominance more subtly (Sankaran & Fearey 2017, 333).

This way, the Chinese government aims to push South Korea into its own sphere of influence. This would then be a coercive strategy. This argument demonstrates that China could still pursue a coercive strategy, but more nuanced.

This overall assessment of literature on the THAAD dispute demonstrates that there are different opinions on why China has used sanctions against South Korea to leverage the country, or if China has done this out of different concerns. Moreover, the literature on the THAAD dispute shows that bilateral trade and history are related to the debate on China's economic diplomacy. However, to what extent these factors have influenced China to use its economic diplomacy coercively is not clear. This is exactly what the analysis examines further.

The Senkaku/Diaoyu Islands Dispute between Japan and China

The Senkaku Islands in Japanese, or Diaoyu Islands in Chinese, are an island group in the East China Sea that Japan and China both claim to be part of their territory. Both countries rest their cases for control of the islands based on historical claims. However, the issue remains unsolved, and occasionally the issue flares up. 2010 was such a year when Chinese fishermen were arrested by the Japanese Coast Guard and held in custody for over ten days in Okinawa.

The case of the Senkaku Islands can be considered a case where power politics is relevant, according to one side of the debate (Ling & Nakamura 2019, 541). This is because this dispute could be considered a zero-sum game, as either one of the countries wants to control the islands (Ling & Nakamura 2019, 541). Besides, considering the fact that the Chinese government presumably implemented a halt on rare-earth materials to Japan during the time that the Chinese fisherman was in custody, the case seems to portray a dispute where the Chinese government used coercion (Bradsher, 2010).

However, some counterarguments for the stance that China took a coercive approach can be made as well. One such argument could be that the stop on the export of rare-earth materials to Japan was an issue that preceded the dispute (Lai 2018, 177; Hafeez 2019, 79). Here, the literature points towards the importance of the history of bilateral relations to understand how China uses its economic diplomacy, because the literature refers to a reason before the dispute occurred. While media outlets reported on an export quota as a way for China to seek leverage over Japan to release the fisherman, the export quota never really seems to have been imposed, according to Lai (2018, 177) and Hafeez (2019, 79).

An explanation for this could be that the Chinese government is very conscious of its foreign image (Lai 2018, 177). By threatening Japan with economic sanctions, China negatively influenced its own global image (Lai 2018, 177).

Furthermore, a possible explanation mentioned in the literature about why China threatened with economic sanctions is about national sentiment. Firstly, the Chinese government may have felt an urge to intervene heavily in the dispute with Japan, because of nationalist sentiment among its people (Duan 2019, 424). Chinese nationalism seems to be centred around regaining or restoring the country's status glory after a period of humiliation due to imperialism (Duan 2019, 424). Regaining territory is part of this restoration, which is ultimately also the reason for Chinese nationalists to use history as a basis for their arguments in the claim of the islands (Duan 2019, 424). Therefore, national sentiment is a relevant factor to understand how China uses its economic diplomacy.

A different underlying explanation could be that China's geopolitical policies are misinterpreted. China is not a state that is looking for more territory, China would merely try to protect its territory for regime survival (Duan 2019, 437). This implies that the Chinese government has different objectives that are more domestically relevant, such as to maintain power rather than to expand power (Duan 2019, 437). Nonetheless, while this argument explains that there are more complex and different objectives behind China's economic diplomacy, it does not provide a full counterargument for the economic sanctions imposed due to the captivity of the Chinese fisherman in 2010. Additionally, this argument is not a counterargument for China's coercion in its economic diplomacy, as China can be coercive in its economic diplomacy, and have more domestically relevant objectives.

In sum, literature describing China's actions during a highpoint of the Senkaku/Diaoyu Island dispute in 2010 seems to be divided on whether China's economic diplomacy was used to seek leverage or if China's reactions had a more complex nature. The literature holds nationalist influences as possible explanations and also demonstrate the relevance of history. However, the counter explanations do not get rid of the fact that China implemented sanctions, which are interpreted as coercive. Therefore, this literature does not seem to answer what causal factors influence China's economic diplomacy the most.

To summarize the overall literature review, there has been a debate going on about the nature of China's economic diplomacy. There is a group of scholars arguing that China's economic diplomacy is coercive. The reason for this would be that China uses sanctions or boycotts, which shows that China uses coercion. However, the literature also questions the effectiveness of its economic diplomacy, which raises the issue of why China would use economic diplomacy coercively. The literature on the political disputes, that China had with its neighbours, Japan and South Korea, demonstrates that the disputes are related to the debate. Furthermore, it demonstrates that the history of bilateral relations, national sentiment, and bilateral trade are all factors that influence how China uses its economic diplomacy. Nonetheless, it does not demonstrate to what extent these factors influence China's economic diplomacy. This is what the thesis examines in the analysis.

The thesis continues with the analysis of the political disputes along the lines of the three identified factors from the literature review. It shows how national sentiment has influenced the decision-making of the sanctions. It also identifies to what extent the history of the bilateral relations has motivated the Chinese government to act coercively with its economic diplomacy. Lastly, the analysis examines how bilateral trade has influenced China's economic diplomacy.

Methodology

In order to research why the Chinese government has used its economic diplomacy the way it has done in the case of the THAAD dispute and the Senkaku/Diaoyu Islands dispute, the thesis conducts a case-study analysis of the political disputes. The research mainly focuses on qualitative data and uses theory-testing process-tracing to explain how China exercised its economic diplomacy in each case study (Beach & Pederson 2013, 18). In line with this, the analysis shows how the Chinese government came to its coercive measures. The conceptual framework is used to test to what extent national sentiment, bilateral trade, and history have influenced China's economic diplomacy during the disputes. Per case study, the data selection consists of white papers and statements from the Chinese Ministry of Foreign Affairs, the Ministry of Foreign Affairs of the other state in the case study, and data from the Observatory of Economic Complexity. The OEC is an online data visualization and distribution platform (OEC 2020a).

Conceptual Framework

In order to process-trace the causal factors of how China has used its economic diplomacy during these political disputes, it is relevant to define the terms economic diplomacy and coercion. As already mentioned in the literature review, the thesis defines economic diplomacy as the way politics shapes economic interaction and how economics shape political interaction between states (Okano-Heijmans 2011, 27). Therefore, economic diplomacy is about the economic tools used to reach a political goal or about the political tool to reach an economic goal. In the case of China and its political disputes, the thesis is more concerned with the economic measures China took to reach its political aim. In the case of THAAD, this would be to stop its implementation. In the case of the Senkaku/ Diaoyu Islands, this would be about the return of the Chinese captain.

Furthermore, the thesis defines a state as coercive when it uses sanctions or boycotts with the aim to seek leverage (Okano-Heijmans 2011, 15; Wigell 2015, 138). Therefore, coercion refers more to the way economic diplomacy is implemented, as economic diplomacy can be used in a variety of ways (Okano-Heijmans 2011, 15). As the literature review has demonstrated, coercion has occurred in both disputes.

Research Design

The thesis uses the theory-testing tracing to analyse the decision-making of China's economic diplomacy about its response in the cases (Beach & Pederson 2013, 11). This method is used, because the method aims to research to what extent a causal mechanism influences the outcome. This aim is in line with identified causal factors of the literature about the underlining reasons for China's coercion. A causal mechanism is defined as the cluster of events that have led up to the outcome studied, meaning that the causal mechanism is specific to the case, since every outcome of an event can have different causal mechanisms (Beach & Pederson 2013, 14). The ultimate goal of using this method is to examine to what extent the causal factors, history, national sentiment, and bilateral trade have influenced China's decision to use its economic diplomacy coercively in geopolitical disputes with its neighbouring countries South Korea and Japan.

This thesis follows this method for every causal factor of the existing literature, as these could function as explanations for China's economic diplomacy during disputes, and because literature has been clear that these causal factors have occurred. Per case study, the thesis traces the diplomatic relations preceding the conflict to establish to what extent any previous tensions have caused China to act coercively during the dispute. After this, the thesis traces China's national sentiment and identifies how it pushed the Chinese government to act coercively. Thirdly, the thesis traces bilateral trade between China and the other state to see to what extent economic relations have influenced China to implement sanctions. The thesis compares the outcomes of the different disputes in order to examine whether the causal factors have influenced China's economic diplomacy in similar ways.

Case Selection

The thesis conducts two case studies using the process-tracing method to analyse how China uses its economic diplomacy in the case of political disputes. The cases are chosen on the basis that the countries are located in East-Asia and that they have a political dispute with, because the thesis aims to highlight what causes China to exercise its economic diplomacy in its own region.

Besides, there are two more reasons why the THAAD dispute and the Senkaku/Diaoyu island dispute are comparable. Firstly, both political disputes happened in the past ten years. This makes the two disputes comparable, because they both provide an insight into China's economic diplomacy during political disputes in more recent years.

The second reason is that China has used its economic diplomacy coercively in both cases, making it possible to compare the cases to better understand how China uses its economic diplomacy, and what factors influence China to use its economic diplomacy coercively.

Data Selection

The data used for the analysis is mainly literature-based. Firstly, the thesis uses data from the English websites from the Chinese, Korean, and Japanese government, specifically from the Ministries of Foreign Affairs, as those would have extensive information on the countries' diplomatic relations. Both white papers and statements are used, as these provide the most information. Furthermore, statistical data on the trade relations are taken from the Observatory of Economic Complexity, as it provides information on the bilateral economic relations from all countries with a visualization of the specific goods traded between China and South Korea, and China and Japan (OEC 2020a).

Limitations

There are a few limitations to this methodological approach. Firstly, as the thesis only focusses on three causal factors, the thesis does not appreciate the potential for more causal factors to influence China's economic diplomacy. Holding more potential causal factors into account makes the scope of the research too broad for a thesis. Secondly, by focusing on each of the three causal factors separately, the thesis does not recognise potential connections between the causal factors.

The thesis recognizes some limitations in its case selection as well. Firstly, the thesis does not appreciate the fact that the disputes are about two different issues. Whereas the THAAD dispute is a security issue, the Senkaku/Diaoyu Islands dispute is a territorial dispute. Furthermore, the two disputes have happened during different Chinese governments. Whereas the THAAD dispute has happened under Xi Jinping's government, the Senkaku/ Diaoyu Island dispute has happened under Hu Jintao's government. The research does not take this difference into account.

The Case with South Korea: THAAD

As mentioned in the literature review, China and South Korea were in a political dispute, when the US government and the Korean South government announced that they would cooperate in the deployment of a Terminal High Altitude Area Defense system, also known as THAAD. The purpose of deploying this system was to better equip South Korea in its defence against potential missiles from North Korea. This was considered a reasonable threat to South Korea's security, as North Korea was testing more advanced missiles around 2016 (Sankaran & Fearey 2017, 325-327).

The deployment of THAAD angered the Chinese government, as it believed it would only destabilize regional security, and requested the United States and South Korea to stop the deployment numerous times (Chinese Ministry of Foreign Affairs 2016). Nonetheless, THAAD was installed in South Korea. China imposed economic sanctions on South Korea's entertainment industry and imposed measures on the South Korea tourism sector (Sankaran & Fearey 2017, 331; Ru 2017, 13). However, the China Daily reported that the Chinese government did not ban Korean TV shows to be broadcasted in China, making the notion that China imposed sanctions somewhat ambiguous (China Daily 2016). Still, the South Korean Ministry of Foreign Affairs reported in their white paper encompassing their international relations in 2016 that its tourism sector was negatively influenced by China, because of the sanctions as a reaction to THAAD (South Korean Ministry of Foreign Affairs 2018). Different sources also mention that China restricted Chinese from travelling to South Korea and mention restrictions for Korean companies in China, such as Lotte Group (Chinese State Council 2017b; Meesak 2017).

In order to examine which causal factors have influenced China's economic diplomacy the most, the case study first looks into the bilateral relations between China and South Korea. Then, the thesis analyses data looking into national sentiment regarding China's decision to impose these economic sanctions. Lastly, the case study examines economic data to see to what extent bilateral trade has influenced the Chinese government to respond coercively to the dispute.

History of China-South Korea Relations before the THAAD Dispute

Officially the modern-day diplomatic relations between South Korea and China started in 1992, when the relations between the two countries were normalized (Min Ye 2017, 4). However, even before this date, the relations between China and South Korea were quite extensive. As China helped North Korea during the Korean War, and South Korea held diplomatic ties with Taiwan, there were basically no diplomatic ties between South Korea and China until 1978 (Ye 2017, 4). After China opened up its economy, economic relations between China and South Korea began to develop, as there were gains for both countries. South Korea got access to China's enormous market, whereas China could model its economic development to South Korea's own rapid economic growth. Trade grew considerably after this period, where there were still no official diplomatic relations (Ye 2016, 98). After 1992, South Korea and China officially started their diplomatic relations, which made trade grow even faster (Ye 2016, 98). As of now, China is South Korea's largest trading partner, making up around 21 per cent of South Korea's total trade (Ru 2017, 14).

While the economic relations between China and South Korea have improved rapidly, and have stayed considerably significant over the years, the political relations between China and South Korea have known its ups and downs (Ye 2017, 5). There are two key issues within the political relations between South Korea and China. The first issue is the diplomatic relations China has with North Korea. China is one of the few allies North Korea has, which makes China quite influential (Ye 2017, 4). This is important to South Korea, as China's influence over North Korea could be an instrument for South Korea to impact the tensions between South Korea and North Korea with (Ye 2017, 4). The second issue, closely related to the first, is the competition with China and the US. From the Korean War onwards, the US has been militarily present on the Korean peninsula. As China is becoming more military present in the region as well, an increase in US presence is considered a security threat to China. It is also China's argument that THAAD threatens China's national security that causes the Chinese government to be against THAAD (Kim 2016, 64). This already shows how issues in the history of the bilateral relations influence the THAAD dispute. South Korea is in the middle of this competition, as it has important relations with both China and the US. South Korea does not want to simply comprise these relations, as both diplomatic relations are important for South Korea's own security (Kim 2016, 64).

Looking into the relations between South Korea and China two years prior to the THAAD dispute, it seems that the overall relations were in a good state. According to the White Paper of the South Korean Ministry of Foreign Affairs on its policies in 2014, the bilateral relations between China and South Korea had been the best it had been for some time (South Korean Ministry of Foreign Affairs 2015, 1). In July 2014, the Chinese president made a state visit to South Korea, where the two countries agreed to further develop their strategic dialogue and to promote cultural exchanges (South Korean Ministry of Foreign Affairs 2015, 85). China supported the South Korean government's policies in dealing with North Korea, and the number of visitors between the two countries reached a record number (South Korean Ministry of Foreign Affairs, 2015, 88). Moreover, China and South Korea were in the midst of their free-trade agreement negotiations this year, while China was already South Korea's largest trading partner in terms of imports and exports (South Korean Ministry of Foreign Affairs 2015, 88).

Looking into the statement released by the Chinese Ministry of Foreign Affairs about the state visit to South Korea in 2014, the statement seems very comparable with the South Korean White Paper. The Chinese Ministry of Foreign Affairs mentioned that the two countries seek new ways to mutually cooperate in international security by fostering communication between the two countries' defence departments (Chinese Ministry of Foreign Affairs 2014). Furthermore, it is pointed out that the countries seek common development and regional peace, as this appears to be mentioned a few times in the summary (Chinese Ministry of Foreign Affairs 2014). The cooperation in cultural exchanges is mentioned in the Chinese summary as well (Chinese Ministry of Foreign Affairs 2014).

Looking into the relations between South Korea and China in 2015, similar patterns occur with 2014. On a political level, the two countries met up several times to strengthen their strategic cooperation and the two countries held several meetings to resolve an issue regarding illegal fishing and commence negotiations on delimitation of maritime borders (South Korean Ministry of Foreign Affairs 2016, 88). Furthermore, the FTA agreement between China and South Korea came into force, which would further foster economic activity between the two countries (South Korean Ministry of Foreign Affairs 2016, 88). Furthermore, in 2015, the South Korean president, Park Geun-Hye, made a state visit to China where mutual cooperation in the Belt and Road Initiative was expressed. Further Chinese support in finding a peaceful solution between South Korea and North Korea was expressed as well (Chinese Ministry of Foreign Affairs, 2015).

However, there is one interesting thing mentioned in the White Papers of the South Korean ministry, that has something to do with the THAAD dispute, and that is the competition between China and the US (South Korean Ministry of Foreign 2015, 1). As mentioned, China seeks new ways to counter the US in global politics, becoming a rival power in the region. The literature on the THAAD dispute pointed out that China does not want to be encircled by US allies, as this might alter the current status-quo in the region (Sankaran & Fearey 2017, 329-330). Besides the Chinese government always aims to prevent South Korea from joining a strategic alliance with Japan and the USA, even though South Korea and the USA have been allies for decades (Hao 2013, 281). This shows that the competition between China and the USA is still relevant, as it is directly mentioned in the White Papers. The THAAD dispute fits in this narrative, since China's concerns about THAAD are about its security and rivalry with the US. Therefore, this shows that the bilateral history between China and South Korea has influence over the THAAD dispute.

Overall, while the bilateral economic relations between China and South Korea have improved rapidly after China opened up its economy to become the most relevant economic relations South Korea has, its political ties with China show some key issues. One of these issues is the China-North Korea alliance, and the second issue is the competition between China and the US. While the bilateral relations two years before the dispute are considered to be good, the analysis of the government papers shows that previous issues in the bilateral relations play a role in China's decision to act coercively in the dispute. However, it should be noted that there is only one case where the government statements refer to issues that play out in bilateral history, namely the competition between China and the US.

China's National Sentiment and Security Relating to THAAD

When analysing factors within China's regarding THAAD, it seems that there are two factors for the Chinese government that have played a part in the implementation of economic sanctions against South Korea. The first issue would be the security issue and the possibility of war on the peninsula, which brings China in a difficult situation, because it has extensive diplomatic ties with both Koreas. The second issue involves national sentiment of its citizens on the issue that the Chinese government needs to take into account as well.

Firstly, when looking into the security issue, China's policy seems to maintain the current status quo with the aim to maintain peace and regional stability, as this is mentioned in China's White papers on security cooperation in the Asia-Pacific (Chinese State Council 2017a). Besides, this notion of maintaining peace and regional stability is also mentioned by Wang Yi, China's Foreign Minister, as a response to THAAD's announcement (China Ministry of Foreign Affairs, 2016). This notion is once again mentioned in activity statements in November 2017, when the South Korean President Moon Jae-In met up with the Chinese President Xi Jinping (Chinese Ministry of Foreign Affairs 2017).

There seem to be two reasons for China to promote this from a perspective of upholding security. Firstly, China holds well-established relations with both North Korea and South Korea. The diplomatic relations with North Korea stem from an earlier period in time and have been more extensive, due to the Korean war. China aided the North Korean side during the war and China still has a security pact, signed in 1961, with North Korea (Chen 2013, 268). This would mean that if tensions between North Korea and South Korea develop into a war, China would be obligated to assist North Korea, which could lead to diplomatically complicated situations with South Korea and the US (Chen 2013, 268). Therefore, maintaining stability, or the status-quo, is vital for China to keep its current diplomatic relations (Chen 2013, 268). This issue has also come up in the bilateral relations between South Korea and China, demonstrating that the previous bilateral relations are important to understand China's actions on THAAD.

The instalment of THAAD in South Korea as a response to North Korea's nuclear threats is considered a change of the status quo, which is against China's interests (China Foreign Ministry 2016). The economic sanctions on South Korea have been used to prevent the instalment from happening in order to maintain the status quo and maintain stability in the region. However, THAAD was deployed in South Korea, despite the sanctions and Chinese concerns, demonstrating that the sanctions have had limited effect.

Connected to the security issue, national sentiment plays a role in China's policy decision-making as well. Even though China is an authoritarian state, it does not mean there is no public debate on political issues. Hao (2013) points out how media, and online platforms, are more and more used for discussions on international affairs, that the Chinese government takes into account as well (Hao 2013, 290-292). These discussions pressure the Chinese government to take action for the Chinese government to keep its control on the platforms. (Hao 2013, 294).

This control is important to the Chinese government, because its performance is becoming the most relevant factor to keep its legitimacy (Zhu 2011, 138-139). As the government is moving away from hard Marxist ideology, the Chinese government needs to be able to show that it is caring for its citizens to keep its legitimacy (Zhu 2011, 138-139). Therefore, it is important for the Chinese government to listen to online discussions to prevent losing control over the platforms and the public debate on International Affairs.

In the case of the THAAD dispute, the influence of national sentiment has also played a part. Especially in the case of sanctions against the Lotte Group, national sentiment was a significant influencing factor (Chinese State Council 2017b). The Lotte Group, a South Korean multinational, rented out part of their golf course to facilitate THAAD. In one of the statement's on THAAD, it is mentioned how the Chinese government has taken note of the public sentiment towards Lotte, and that punitive actions would follow (Chinese State Council 2017b). This statement was in response to questions from a journalist during a press conference, showing that public sentiment becomes an issue when it is picked up by the media. Furthermore, a press release in 2017 on a meeting between the South-Korean Foreign Minister and the Chinese Foreign Minister also mentioned the negative public sentiment towards Lotte Group in China due to THAAD (South Korean Ministry of Foreign Affairs 2017). Chinese consumers also boycotted the company after it signed the deal to facilitate THAAD with the South Korean government, showing that national sentiment played a key role (Lei 2017). Especially considering the fact that Chinese consumers boycotted Lotte Group themselves and that the Chinese government made a statement after taking note of this sentiment among its citizens, it shows that national sentiment has been a significant influencer for China to use its economic diplomacy coercively (Lei 2017).

Regarding the influence of issues in China's national sentiment and security, it is clear that the two parts played a role. The issue of China's security has been one of these causal factors, as the current situation on the Korean Peninsula is vital for China to maintain its current relations with both North Korea and South Korea. However, this causal factor does not explain why China imposed measures on South Korea's tourist industry. The second issue involves national sentiment and shows that national sentiment has increasingly become a causal factor for the Chinese government to act upon during the dispute. National sentiment towards South Korea has played a key role, especially towards Lotte Group, as citizens actively boycotted the company.

Furthermore, the fact that the role of national sentiment among Chinese citizens has been mentioned as a cause for sanctions in both news articles and government papers, only shows how significant it is for China's economic diplomacy (Chinese State Council 2017b).

China-South Korea Trade Relations during THAAD

So far, the analysis on the THAAD dispute analysed to what extent the bilateral history has influenced the decision to impose sanctions and how national sentiment has played a key role. The third factor is the influence of bilateral trade on China's decision to act coercively during the dispute. Looking into trade between China and South Korea, it is relevant to note that China is South Korea's largest trading partner, and South Korea is China's third-largest trading partner (South Korean Ministry of Foreign Affairs 2018). The total amount of trade between the two countries grew from 227 billion US dollars in 2014 to 240 billion dollars in 2017 (South Korean Ministry of Foreign Affairs 216; South Korean Ministry of Foreign Affairs 2018). This shows that despite the imposed sanctions on several industries, the overall trade between the two countries grew, demonstrating that the sanctions had little effect on the trade relations between the two countries.

Furthermore, the Chinese government did not impose economic sanctions on one of South Korea's key industries. Electric machinery is by far the most exported product from South Korea to China, making up more than 30% of total export products to China (OEC 2020b). A possible reason for not targeting Korea's main industries might be that South Korea exports more to China than it imports (OEC 2020b). Between 2016 and 2017, the years of the political dispute, South Korea exported approximately 150 billion US dollars to China, while it imported 98 billion is dollars (OEC 2020b). The vast majority of these exports are electrical machinery and medical equipment, as also pointed out by Ru (2017, 13; OEC 2020b). These sectors were unaffected by the economic sanctions on the tourism industry. While this shows that trade is relevant to consider, it does not explain the cause of choosing to sanction the tourism industry and the entertainment industry.

Looking into trade relations between China and South Korea, it shows that the economic sanctions imposed by China on South Korea have had a limited effect, considering the fact that trade has still grown during the period. Furthermore, the sanctions have not been imposed on one of South Korea's key industries, it shows that the sanctions have had a very limited influence over the economic relations.

Furthermore, there does not seem to be any mentioning on why China imposed sanctions on the tourism industry in government papers. Therefore, trade relations between China and South Korea to have not played a significantly influential role in China's decision-making to act coercively in the THAAD dispute.

In essence, the analysis of the THAAD dispute between China and South Korea between 2016 and 2017 has shown that the history of the bilateral relations, national sentiment, and trade relations seem to be able to explain how China exercised its economic diplomacy to some extent. The history of the bilateral has demonstrated that key issues, such as China's competition with the US has been something that has influenced bilateral relations with South Korea for decades and it has played a relevant factor in the decision of China to impose sanctions. Furthermore, considering national sentiment, statements provided by the Chinese Ministry of Foreign Affairs and the Chinese State Council show that national sentiment has been a significant influencer. For the trade relations, it remains unclear how this has influenced China's decision-making. Thus, the analysis has demonstrated that national and history are more influential factors in China's decisions to act coercively than trade relations.

The Case with Japan: The Senkaku/ Diaoyu Islands

The Senkaku/Diaoyu Islands dispute is a territorial dispute between China and Japan, which has played a role in their bilateral relations for decades (Hagström 2005, 164). The islands are located between Taiwan and Okinawa. Japan has claimed ownership of the islands since 1895 (Pan 2007, 71). The territorial dispute has been more at the forefront of China-Japan relations since the late 1960s, when hydrocarbon deposits were discovered around the islands and when protests in China broke out about the return of Okinawa from the US to Japan, which also included the islands. (Pan 2007, 73).

Both sides claim that the islands belong to their territory, as Japan claims that the islands were not claimed yet by any sovereign state in 1895, while China claims that the islands belong to its territory based on historical documents from the Ming Dynasty (Hagström 2005, 164; Pan 2007, 77). Both countries have documents stating their claims to the islands. In the Chinese ones, it is expressed how the islands are inherently Chinese, because they would have been ceded from the Qing Dynasty to Japan in 1895, and were later illegally returned to Japan under the San Francisco treaty in 1971 (Chinese State Council 2012). The Japanese government bases its claims over the islands on international law. According to the Japanese government, no state had been in control over the islands since Japan began to control the islands in 1895 (Japanese Ministry of Foreign Affairs 2014).

The dispute between China and Japan has been a continuous issue in their bilateral relations, as the issue has occasionally flared up (Pan 2007, 73-75). One such time was in 2010 when Chinese fishermen rammed a vessel from the Japanese Coast Guard (Yahuda 2013, 55). The Japanese Coast Guard arrested the Chinese fishermen and held the captain in custody for over 10 days (Lai 2018, 177). While this was not the first time the Japanese Coast Guard intercepted Chinese fishermen or activists, it was the first time that there was a criminal charge, which marks this incident as an escalation in the dispute (Hafeez 2015, 77). In response to the arrest of the Chinese captain, the Chinese government cancelled numerous activities with the Japanese government, such as the talks about joint-development of the area (Hafeez 2015, 81).

Furthermore, China allegedly stopped the export of rare-earth materials to Japan in retaliation for the captain's arrest, even though some literature suggests this has not happened (Hafeez 2015, 81; Lai 2018, 177).

Since this Chinese response demonstrates that economic diplomacy was used coercively, the 2010 case between Japan and China is a relevant case study for this thesis. Firstly, The case study analyses how the history of the bilateral relations between China and Japan has played an influential role in why China would use its economic diplomacy coercively. Secondly, the case study examines Chinese national sentiment that has contributed to the use of its economic diplomacy. Thirdly, the case study examines the trade relations between Japan and China in order to demonstrate how this has been a reason for China to use its economic diplomacy the way it did.

History of China-Japan Relations before the 2010-Incident

Looking into the history of the bilateral relations between China and Japan since the end of the Cold War, the bilateral relations have been heavily influenced by the changing status of the countries (Yahuda 2013, 33). Whereas Japan declined as global power due to a slowing economy, China ascended this position due to its growing economy (Yahuha 2013, 33). This was also the time in which China's government moved away from communist ideology, but evoked a new sense of nationalism (Yahuda 2013, 33). In this revoked Chinese nationalism, Japan was considered the aggressor, due to the occupation of China during the Second World War (Yahuda 2013, 33). This notion that Japan was an aggressive country, which still had to make amends with its history, created distrust in the bilateral relations between Japan and China (Yahuda 2013, 33). While the Chinese government started more bilateral engagements with neighbours after the Cold War, such as with South Korea, and with the United States, it's level of engagement with the Japanese government was the same, as during the Cold War due to this perception of Japan. (Yahuda 2013, 33).

While the Japanese government aimed to engage with the Chinese government, by issuing multiple apologies for its wartime past, the Chinese government often interpreted this as insincere (Yahuda 2013, 34). A good example of this feeling would be Jiang Zemin's disappointed during his visit to Japan when he did not receive a written apology just as his South-Korean counterpart Kim Dae-Jung, despite the multiple apologies from the Japanese government before (Yahuda 2013, 34).

The difficult political relations after the Cold War do not mean that there was no level of engagement at all. The Japanese government and the Chinese government participated in a series of building projects under the name “Building of a Partnership of Friendship and Cooperation for Peace and Development” (Yahuda 2013, 36). This shows that despite the difficulties in bilateral relations, there was still some levels of cooperation between Japan and China.

Looking into the bilateral relations between Japan and China two years before the 2010 dispute, this sense of cooperation is often highlighted. The Japanese Foreign Ministry mentions that the relations with China are one of the most important for example (Japanese Ministry of Foreign Affairs 2009, 15-16). The year 2008 marked the 30th anniversary of the peace treaty and friendship treaty between the two countries. Therefore, the Japanese and the Chinese government held several meetings to further foster its relations in the areas of environment, security, and the economy (Japanese Ministry of Foreign Affairs 2009). This year even marked the first visit of a Chinese president to Japan in over ten years, which demonstrates that 2008 was a remarkable year in the relations between China and Japan.

Most notably in 2008, the Japanese and Chinese governments signed a treaty on joint-development of the Chun Xiao Area to extract oil and gas (Japanese Ministry of Foreign Affairs 2009, 15-16). This is quite interesting, since the Senkaku/Diaoyu Islands dispute also evolves around the use of natural resources around the islands (Pan 2007, 72). This begs the question of why the Chinese government and the Japanese government would not also cooperate to exploit the Senkaku/Diaoyu Islands. The fact that this has not happened seems to suggest that more factors are involved in that case, than in the case of the Chun Xiao Area.

The Chinese Ministry of Foreign Affairs does not provide any documents or activity statements concerning its bilateral relations with Japan in 2008 on its website. The only notable piece of information is a document discussing the consultations on Hu Jintao's visit to Japan (Chinese Ministry of Foreign Affairs, 2008). The lack of information from the Chinese side demonstrates the difficult bilateral relations, since a lack of information does not show a commitment to a partnership.

In 2009, the state of the bilateral relations between China and Japan seemed to be similar to the state of relations in 2009. The two countries held several meetings to further foster communication between the states (Japanese Ministry of Foreign Affairs 2010a, 10). Furthermore, the two countries cooperated in a regional framework with South Korea to foster trilateral relations (Japanese Ministry of Foreign Affairs 2010a, 7). The diplomatic summary mentions that the two states still need to work out matters concerning resource development in the East China Sea (Japanese Ministry of Foreign Affairs 2010a, 10). However, the text does not mention how or why it is still needed, but it does suggest that there are some disagreements in bilateral relations, such as the disagreement on the Senkaku/Diaoyu Islands (Japanese Ministry of Foreign Affairs 2010a, 10).

The Chinese Ministry of Foreign Affairs reports on the tenth strategic dialogue between Chinese and Japanese officials, where it was expressed that the two countries' relations are of great significance (Chinese Ministry of Foreign Affairs 2009a). Besides this document, there is one other document discussing the trilateral cooperation between Japan, China, and South Korea is discussed. All three countries agree to promote mutual trust, economic cooperation, and respond to global issues (Chinese Ministry of Foreign Affairs 2009b). Other than this, there is little said about the bilateral relations between China and Japan in 2009 from the side of the Chinese Ministry of Foreign Affairs.

Whereas the statements made by the Japanese government show an emphasis on cooperation, the relations between China and Japan were already building up to the 2010-incident. Hafeez (2015) argues that the bilateral relations between Japan and China were slowly deteriorating after 2008 when a minor incident occurred between Japan and China concerning the islands. The Chinese government sent vessels to the Senkaku/Diaoyu Islands for the first time, which caused the Japanese government to respond with extra patrols (Hafeez 2015, 79). This was considered a minor incident, as tension de-escalated quickly, but it was the start of slowly deteriorating bilateral relations (Hafeez 2015, 79). Therefore, there was a built-up in tensions between Japan and China prior to the capture of the Chinese captain contributed to the decision for China to impose measures.

In sum, the history of the bilateral relations between China and Japan demonstrate that the bilateral relations between Japan and China have been difficult already since China integrated into the international economy. While Japan and China cooperate on some levels, such as building projects, national sentiment and its difficult history have often influenced the relations. This demonstrates that it is not uncommon for China and Japan to be in a political dispute, as the one in 2010.

China's National Sentiment Relating to the 2010-Incident

The most relevant issue concerning the incident in 2010 was the role of national sentiment. The China Daily reports about protests around the Japanese Embassy a day after the capture of the Chinese fishermen for example (China Daily 2010a). This national sentiment was also further expressed online, with the China Daily reporting that some online outlets got overwhelmed with thousands of messages regarding the incident (China Daily 2010c). The protests lasted until at least until October, since the Japanese government made a statement about its concerns of "destructive activities" during anti-Japanese protests in a meeting between the two foreign ministers in Hanoi (Japanese Ministry of Foreign Affairs 2010b). From the Chinese side, the statement about this meeting only mentions that the Chinese government restates its position on the issue and that cooperation and mutual trust are the only way forward in its bilateral relations with Japan (Chinese Ministry of Foreign Affairs 2010b). These sources show that national sentiment in China starts to play a role quite soon in the dispute, as protests around the Japanese embassy in Beijing started only a day after the capture of the fishermen. Public sentiment generally plays a role when an unexpected event happens (Reilly 2014, 215). Furthermore, it shows that national sentiment continues to be influential the dispute, as reports on anti-Japanese are still made sometimes after the peak of the dispute.

National sentiment has been influential for some time (Deans 2000, 120). The Chinese government has increasingly got concerned over national sentiment in foreign relations, because of a nationalist basis of this sentiment (Deans 2000, 120). Nationalism has increasingly become the way for the Chinese government to base its legitimacy on, as communist ideology has slowly faded away (Deans 2000, 120; Yahuda 2013, 33). Therefore, a strong response from the government in this dispute with Japan would be necessary in order to keep its legitimacy in the eyes the Chinese public (Deans 2000, 120; Zhu 2011, 138-139). Anti-Japanese sentiment takes up a role in Chinese nationalism, due to the difficult history between the two states (Deans 2000, 122). Related to this, territorial disputes take up a role a well, since there is this sense of

restoration of Chinese glory (Duan 2019, 424). After China lost parts of its territory to imperial powers in the 19th and 20th century, some of which went to Japan, there was this feeling of humiliation (Duan 2019, 424). The Senkaku/Diaoyu Islands play a key role in this belief, due to the fact that Japan claims the islands as well. This reasoning can also be found in the explanation of the Chinese State Council on why the islands belong to China, which is mostly argued with a historic perspective (Chinese State Council, 2012).

This is reflected in the strong response the Chinese government has had towards Japan on the issue, mentioning that it will take strong countermeasures and that the Japanese government is responsible for serious damage in the bilateral relations (Chinese Ministry of Foreign Affairs 2010a). This was posted just the evening before the China Daily reported on the massive outcry against Japan online, and a few days after the first reports on the protests (China Daily 2010c). This gives some reason to believe that the public sentiment and the protests against Japan would have been a causal factor for the Chinese government to react with sanctions. According to a Japanese report on the issue, the majority of countermeasures were announced around the same time as the announcement of the protests (Japanese Ministry of Foreign Affairs 2010c).

The other statements of the Chinese Ministry of Foreign Affairs regarding the capture of the fishermen do not seem to have any other mention of the boycott against Japan, and the China Daily even denies that there was an embargo on rare-earth materials to Japan, which was supposedly one of the measures that the Chinese government took in response (China Daily 2010b). This is in line with Lai's (2018) article that concluded that the rare-earth-material ban was never imposed (2018, 177).

In essence, national sentiment has been a significant causal factor for the Chinese government to allegedly use its economic diplomacy in the case of the 2010-incident, in which Chinese fishermen were captured around the Diaoyu/Senkaku Island by the Japanese government on the basis that the fishermen were illegally in Japanese waters. The reason for this would be the fact that Chinese nationalism has been a prominent feature of national sentiment, in which anti-Japanese feelings take up a role. The fact that the Chinese government expressed that it would take countermeasures especially around the height of national sentiment. Furthermore, national sentiment and Chinese nationalism have also influenced its bilateral relations with Japan, showing how significant its influence is. However, the question around the embargo on rare-earth materials remains, which the last section of the analysis aims to clarify further.

China-Japan Trade Relations during the 2010-Incident

So far, the analysis on the Senkaku/Diaoyu Islands dispute in 2010 has demonstrated how issues within Chinese national sentiment have played a significant role in the decision-making of using its economic diplomacy coercively. However, the question remains on why the Chinese would place a boycott on exports of rare-earth materials to Japan. In addition, there is even this question of whether the embargo has been imposed at all. According to a New York Times report, the Chinese government imposed a boycott on rare-earth materials to Japan. In a statement of the Japanese Ministry of Foreign Affairs, concerns about the export of rare-earth materials are expressed as well (Japanese Ministry of Foreign Affairs 2010b; Bradsher 2020), while the Chinese government denies that the boycott was placed on Japan (China Daily 2010d).

Looking at the data from the Observatory of Economic Complexity, it is clear that bilateral trade in rare-earth materials was a small portion of the total bilateral trade between China and Japan in 2010 (OEC 2020c). Of the 144 billion US dollars exported from China to Japan, only 2.47 billion dollars were from rare-earth materials, making the industry small in comparison to other industries (OEC 2020c). Machinery takes up a much larger portion of the overall exports from China to Japan with more than 60 billion dollars exported in 2010 (OEC 2020c). However, it should be considered that rare-earth materials are often used to build machinery, making it a vital source for Japan (Bradsher 2010

The data also shows that trade in minerals and rare-earth materials between China and Japan grew between 2009 and 2010 and between 2010 and 2011 (OEC 2020c). Therefore, the data does not reflect any effects of a boycott. The Chinese government has been paying attention to its rare-earth industry since 2005, as the industry has been a large polluter (Wübbecke 2013, 392). Export controls have been part of China's policy to establish more control on the industry, since the rare-earth industry has not developed the way the Chinese government has wanted the industry to grow (Wübbecke 2013, 386). Therefore, the Chinese government-imposed restrictions on rare-earth material exports on the basis of resource management and environmental protection (Lai 2018, 177). While these export quotas on rare-earth materials in 2011 came at a similar time as the Senkaku/Diaoyu Islands dispute, the Chinese government did not issue a halt on the export of rare-earth materials to Japan officially (Wübbecke 2013, 390).

The issue with rare-earth materials is also mentioned in one of the reports from the Japanese Ministry of Foreign Affairs about a meeting between the Chinese and Japanese ministers (Japanese Ministry of Foreign Affairs 2010b).

Still, there have also been some reports that some local customs were mandated to delay exports to Japan until the political dispute was resolved (Lai 2018, 177; Wübbecke 2013, 390). It is the case that some local customs officer were more eager to implement an export stop to Japan this time, due to the dispute (Wübbecke 2013, 390). However, the export quotas have also been imposed on the European Union and the United States since 2005 (Wübbecke 2013, 390). Therefore, the trade relations between Japan and China have not been a significant influencer for China to act coercively.

In sum, the analysis of the 2010-incident in the Senkaku/Diaoyu island has demonstrated that the history of the bilateral relations has played a role in the decision-making of China's economic diplomacy, as the relations between Japan and China have been difficult for years. Furthermore, it is argued in the literature that the bilateral relations were already slightly worsening before the dispute, which may have caused China to react more seriously. Additionally, it is clear that national sentiment has had the most significant role in China's response in the dispute, as its harsh response came after a huge public outcry, which started only a day after the capture of the fishermen. Furthermore, Chinese nationalism and national sentiment towards Japan have influenced the bilateral relations as well. In terms of relations and the reason to embargo rare-earth materials, There are conflicting notions of whether or not China imposed a hard boycott, however, evidence points out that export controls on the rare-earth material issue have not played a significant role for China to act coercively.

The Cases Compared

Since it is the aim of this thesis to test how bilateral history, national sentiment, and trade relations influence how China uses its economic diplomacy in the case of political disputes, this section of the thesis compares the THAAD case and the Senkaku/Diaoyu case. Each of the three factors is compared in order to see which of the causal factor influences China the most. Moreover, differences and commonalities are described to examine whether common patterns appear.

Firstly, looking to what extent the history of the bilateral relations influences how the Chinese government exercises its economic diplomacy, the THAAD case with South Korea demonstrates that bilateral relations between China and South Korea have played a relevant role. The case shows tensions with US influence over South Korea has played a significant role in China's decision making. In the case of the Senkaku/Diaoyu Islands dispute, the history between Japan and China is also an influential factor, as mentioned in the literature (Hafeez 2015, 79). Both cases demonstrate that there is a significant influence of previous relations. However, a lot of the data does not refer directly to history. In the case of THAAD, there was one reference to the ongoing competition between China and the US. In the case of the Senkaku/Diaoyu Islands, there was a lack of information from the Chinese side in terms of history.

Looking at national sentiment, it is clear that national sentiment plays a significant role as causal factor for the way China uses its economic diplomacy. The case of THAAD demonstrated that Chinese consumers boycotted the South Korean company Lotte due to its involvement in the dispute. The Chinese government took note of this sentiment and implemented sanctions on the Lotte Group in response. Moreover, the THAAD demonstrated that China's national security played a role as well. In the case of the Senkaku/Diaoyu Islands, it is also clear that national sentiment has played a crucial role. Protests against Japan commenced only a day after the news of the capture of the fishermen. This public outcry against Japan in China also became a concern that the Japanese Foreign minister addressed to his Chinese counterpart (Japanese Ministry of Foreign Affairs 2010b). Furthermore, the analysis of the bilateral history between China and Japan also shows that national sentiment is influential in history.

Thirdly, in terms of trade relations, it remains unclear to what extent this factor has been influential for China to use its economic diplomacy. In the case of THAAD, it is clear that China did not implement any measures against South Korea's largest export industries to China. Furthermore, it is clear that South Korea exports more to China than to South Korea, which could be a reason for China not to implement measures to South Korea's largest industries. However, this remains uncertain, just as the question of why China would implement measures on the entertainment industry. In the case with Japan on the Senkaku/Diaoyu Islands, the issue of rare-earth material has sparked the idea that China stopped the export of rare-earth materials to Japan in response to the arrest of the Chinese fishermen around the Senkaku/Diaoyu Islands. However, it is pointed out how export quotas are actually part of China's larger policy over rare-earth materials. This demonstrates that trade relations in both cases have had a limited influence.

In sum, when comparing the THAAD case with the Senkaku/Diaoyu case in 2010, some similar patterns occur. In both cases, the history of the bilateral relations and national sentiment within China have a significant influence on how China has used its economic diplomacy. Its trade relations with South Korea and Japan that have had a lesser influence. However, as national sentiment is more clearly discussed in the government documents, national sentiment is argued to have most influence over China's economic diplomacy.

Conclusion

Existing literature on China's economic diplomacy has often focused on its seemingly coercive outcomes, while not entirely focusing on the causal factors of the decision-making of its economic diplomacy. The thesis has contributed to the existing literature by examining some of the potential causal factors for the Chinese government to take into account when creating economic diplomacy in the case of political disputes with its neighbouring countries, which seems to be an overlooked aspect of the debate around China's economic diplomacy.

Overall, the thesis concludes that China's national sentiment, bilateral history, and trade relations partly explain what drives China's economic diplomacy in the case of political disputes. However, national sentiment is the most influential factor, as national sentiment comes up more clearly in government documents. In the case of the THAAD dispute with South Korea, China's decision-making showed that it considered these three factors to some extent, but that the Chinese government acted upon national sentiment among Chinese citizens towards the Lotte Group. In the case with Japan about the Senkaku/Diaoyu Islands dispute, the analysis has also demonstrated that these three factors play a role to some extent, but that national sentiment is clearly more influential, considering that national sentiment has already been an issue in their bilateral history.

With this conclusion, the thesis has accomplished some of its aims. The thesis has been able to create a more comprehensive picture of China's economic diplomacy by focusing on causal factors that explain its coercive strategies. Furthermore, it has been able to provide an overview of what drives China's economic diplomacy when dealing with political disputes. Furthermore, by examining political disputes China had with its neighbours South Korea and Japan, the thesis has been able to provide an insight into how China uses its economic diplomacy in its own geographical region. Through accomplishing these aims, the thesis has contributed to the existing literature and filled the gap in the existing literature on what factors influence China's economic diplomacy the most.

However, there are also some issues that the thesis has not been able to prove or demonstrate in this thesis. Some questions around the THAAD dispute and the Senkaku/Diaoyu dispute remain, such as the question as to why China would choose to sanction South Korea's

entertainment industry. Considering the limitations of the thesis, the thesis has not paid attention to the differences between the THAAD dispute and the Senkaku/Diaoyu dispute.

Whereas the THAAD dispute is mostly a security issue, the Senkaku/Diaoyu dispute is a territorial issue. Nor has the thesis addressed possible differences in Chinese governments, since the dispute occurred during different Chinese presidents. Nonetheless, by focussing on bilateral history, national sentiment, and trade relations, the thesis has filled the gap in the literature on what factors influence China's economic diplomacy the most.

Implications for Future Research

As the thesis has concluded that national sentiment has been the most influential factor for the Chinese government to use its economic diplomacy coercively, some implications for future research can be made. For example, future research can elaborate on this thesis by addressing some of the limitations and explore the differences in China's economic diplomacy when looking at different types of dispute. Secondly, it should also be considered that there might be more causal factors that this thesis has not been able to address. Future studies could help detect more potential causal factors the Chinese government might consider in the creation of economic diplomacy. Thirdly, new research could detect whether other political disputes between China and other states follow similar patterns, as this thesis only focused on two political disputes. Lastly, future research could build further on this thesis by examining whether there have been differences in China's economic diplomacy under different Chinese presidents.

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