

CHINA STUDIES REVIEW



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Featuring Articles by

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The SAIS China Studies Review is a publication of SAIS China Global Research Center, at the Johns Hopkins Paul H. Nitze School of Advanced International Studies.

The Review publishes interdisciplinary work by graduate students conducting research on China, including history, political science, economics, policy, security, and area studies.



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Letter from the Editor

It is with great pleasure that I present to you the latest volume of the SAIS China Studies Review. This journal is the product of the dedication and intellectual curiosity of our editorial board, contributors, and the broader SAIS community, who continue to engage deeply with the complexities of China's evolving role in the world. The articles featured in this issue span topics from policy shifts and economic transformations to social narratives and regional security concerns, reflecting the diversity of voices within China Studies at SAIS.

As Editor-in-Chief, I am deeply grateful to our authors for entrusting us with their work, and to our editorial team for their tireless efforts in bringing this volume to publication. The journal serves as a platform for emerging perspectives on China, and we hope that the insights presented here will not only contribute to academic and policy debates but also spark new questions, collaborations, and exchanges across disciplines.

To our readers, we invite you to read, reflect, and engage with the perspectives shared in these pages. As someone who is also an engaged observer and student of China Studies at SAIS, I am thankful for this opportunity to bring these perspectives to you. Whether you approach these articles as a scholar, policymaker or student, we hope you will find ideas here that will spark curiosity, challenge and enrich your understanding of China and its broader global impact. On behalf of the editorial board, thank you for joining us in this intellectual journey. We look forward to continuing the conversation in future volumes.

Warmly,
Krithiga Narayanan
Editor-in-Chief

China and Russia in the Arctic: Marriage of Convenience or Strategic Symbiosis?

Caroline Carrothers

Abstract

As China expands its Arctic footprint under the slogan of “Polar Silk Road,” the country has found a necessary partner in Russia, whose vast Arctic resources and geographic access align with Beijing’s long-term economic and strategic ambitions. The evolving Sino-Russian partnership in the Arctic – specifically in energy, infrastructure, and shipping – has intensified amid Western sanctions and broader geopolitical realignment. Although the relationship appears mutually beneficial, it seems to be shaped by short-term expediency rather than enduring trust. Analyzing key bilateral cooperation projects such as the Gamal LNG and Northern Sea Route initiatives, and exploring points of asymmetry in interests and capabilities, reveals the underlying tensions within the partnership. Ultimately, the analysis raises the question of whether Russia serves as a gatekeeper or an enabler of China’s Arctic ambitions – and what this dynamic means for the future governance and balance of power in the region.

Introduction

The Arctic is melting faster than any other region on Earth (Rantanen et al., 2022).

As the ice retreats, it exposes untapped opportunities and unlocks new strategic frontiers. China, a non-Arctic state, has declared itself a “near-Arctic state” and has steadily expanded its presence in the region through scientific research, shipping routes, and high-stakes energy investments (Irving, 2022). Russia, meanwhile, holds the longest Arctic coastline and the largest share of Arctic territory and resources. Strained by Western sanctions and economic stagnation, Moscow has welcomed Chinese investment and partnership in its northern development projects. Together, the two countries appear to be forging a new era of Arctic engagement.

Nonetheless, beneath the rhetoric of friendship and shared development, lies a relationship defined by necessity. The economic collaboration between the two powers is authentic but fragile; their strategic objectives overlap more than they align. As their cooperation deepens in the Arctic, the question arises: is this an enduring strategic symbiosis or merely a marriage of convenience? While China and Russia appear to be deepening cooperation in the Arctic through energy, infrastructure, and dialogue, their partnership is ultimately a frail alignment driven by short-term necessity and mutual convenience rather than a stable, long-term coalition.

The Economic Dimension

At the heart of Sino-Russian Arctic collaboration lies energy. The Yamal LNG project on the Yamal Peninsula represents the flagship of this cooperation. Co-developed by Russia’s Novatek and China’s CNPC and Silk Road Fund, Yamal LNG exemplifies the scale and ambition of China-Russia collaboration in extreme conditions. The project has attracted over \$12 billion in Chinese investment and has cemented China’s role as both a financier and consumer of Arctic energy (Zaikov et al., 2024).

Another major venture, Arctic LNG 2, continues this trend, although with more cautious Chinese participation amid global uncertainties. Both projects serve Russia's strategic interest in monetizing its Arctic gas reserves. For China, these projects align with long-term energy security goals and its Belt and Road Initiative, now extended into the Arctic as the "Polar Silk Road" (Alexeeva & Lasserre, 2018).

Infrastructure investment along the Northern Sea Route is also a prominent feature. China sees the Northern Sea Route as a shorter alternative to the Suez Canal, estimated to cut shipping time between Asia and Europe by 40%. In response, Chinese state-owned shipping and logistics firms have increased Arctic engagements, while China continues to invest in ice-class vessel technology (Kapoor, 2024).

Nevertheless, frictions remain. Russia is hesitant to allow foreign control or significant influence over the Northern Sea Route's governance. While Chinese capital is welcome, infrastructure remains firmly under Russian control (Pincus, 2019). The asymmetry in access and control highlights the limitations of their cooperation.

Political Alignments

Both nations share a desire to challenge Western dominance and present themselves as stewards of a multipolar world order. The Arctic provides an arena where both can project power without directly confronting NATO or the United States.

Russia emphasizes Arctic sovereignty and military strength. Its policies, including the New Arctic Policy 2035, place security as a priority (Meade, 2020). Moreover, the country has begun reopening Cold War-era bases and deploying advanced missile systems to protect its national security interests (Conley et al., 2020). (Conley, 2020)

China, by contrast, seeks to portray itself as a responsible stakeholder. Its 2018 Arctic Policy White Paper emphasizes scientific cooperation, sustainable development, and respect for international law (Alexeeva & Lasserre, 2018). However, its ambitions are strategic. China's construction of the Xuelong and Xuelong 2 icebreakers, and its increasing participation in Arctic governance forums, signal long-term interest in shaping rules and norms in the region (Weber, 2020).

Politically, the two countries have coordinated in Arctic-related multilateral settings, yet Russia's historical dominance and China's outsider status create underlying tensions. Moscow remains wary of Beijing's growing influence, even as it courts Chinese capital. Therefore, the partnership can be labeled as pragmatic, not ideological.

Points of Tension

Despite cooperative headlines, significant limitations constrain the partnership. Firstly, legal interpretations diverge. China upholds freedom of navigation in the Arctic Ocean, aligning with broader maritime norms. Russia, however, asserts control over large swaths of the Northern Sea Route under UNCLOS provisions. These differences have yet to result in confrontation but could escalate if China's shipping presence grows (Pincus, 2019).

Secondly, energy dependency cuts both ways. While Russia benefits from Chinese investment, it risks over-reliance. Beijing has emerged as a major buyer of Russian hydrocarbons, particularly since the imposition of sanction from the United States and European Union. However, the terms of Chinese financing are often opaque, and the long-term economic leverage may shift decisively in China's favor (Lukin, 2020).

Thirdly, diverging Arctic identities pose a barrier. Russia sees itself as a core Arctic power, entitled to steward the region.

China, as a self-proclaimed near-Arctic state, is attempting to carve out a role without traditional territorial claims. Said asymmetry generates geopolitical anxiety in Moscow, especially as Chinese technological and economic capacity outpaces that of Russia (Irving, 2022).

Soft Power Collaboration

China and Russia have made efforts to build soft power through scientific collaboration. Joint Arctic research expeditions, forums such as the China-Russia Arctic Workshop, and educational exchanges strive to deepen the understanding and mutual trust of both nations (Wenjun, Fei, & Peiqing, 2025).

Still, these initiatives remain overshadowed by national interests. Many Chinese scientific initiatives serve dual-use purposes,

Second, the convergence of Chinese capital and Russian territory accelerates infrastructure development in the Arctic, potentially altering global trade patterns and opening new maritime chokepoints susceptible to influence from authoritarian powers.

Third, if left unchecked, the collaboration could set precedents for norm-setting in Arctic governance, sidelining environmental concerns, indigenous rights, and multilateral transparency. The US and its allies must provide viable economic alternatives and reinforce Arctic norms through leadership in forums like the Arctic Council and IMO.

Finally, the strategic ambiguity of the partnership complicates long-term US defense planning. While neither country seeks direct military confrontation in the Arctic today, their parallel ambitions in a rapidly transforming region merit sustained attention.

The Sino-Russian partnership in the Arctic is not a strategic symbiosis but a pragmatic alignment born out of necessity.

such as climate monitoring with military applications. Russian authorities have periodically restricted access to foreign researchers in sensitive areas, reflecting a broader climate of caution.

Implications for the West

Why should the United States care? First, the Sino-Russian Arctic partnership erodes Western influence in a region that has been traditionally dominated by NATO members. As Russia turns eastward for investment and legitimacy, China gains unprecedented access to the Arctic.

Conclusion

The Sino-Russian partnership in the Arctic is not a strategic symbiosis but a pragmatic alignment born out of necessity. Their cooperation is real, particularly in energy and infrastructure, but it is constrained by geopolitical mistrust, legal differences, and diverging ambitions. China may be Russia's most important Arctic partner, but it is also its most formidable long-term competitor.

As the Arctic continues to thaw, the region will become a "trial run" for great power competition and cooperation. For the United States, engaging with Arctic allies,

investing in infrastructure, and shaping governance frameworks are critical. Ignoring the evolving China-Russia dynamic risks ceding influence in a region that is rapidly becoming central to the global tactical landscape.

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China's Urbanization and the World: a Weibo Text Discourse Analysis

Yinge Hu

Introduction

Urban villages—informal, peri-urban settlements originally built by peasants to accommodate low-income renters—have long been viewed by China's modernizing state as a temporary byproduct of urbanization. Starting in the late 2000s, Beijing began targeting these urban villages for compulsory redevelopment. Generous compensation, fueled by the prospect of high land returns, has created a new class of multimillion-yuan property owners. However, the redeveloped sites now primarily house middle- and high-income high-tech workers or owner-occupiers, displacing the original low-income peasant workers. While the Chinese government extensively advertizes the success of the urban village redevelopment in Beijing, it is important to note that marginalized groups often bear the brunt of the demolition. Moreover, media coverage tends to overlook the long-standing frustration between the government and "nail-house" holders—residents who resist eviction and refuse to move.

This paper conducts a quantitative text analysis to capture the voices of the marginalized. Specifically, we analyze Weibo posts related to Beijing's urban villages,

distinguishing between those from official accounts and those from individual users. Our findings challenge the government's idealized narrative of urban village redevelopment. The groups most affected by structural reforms express distinctly negative emotions. Topic modeling and semantic network analyses further reveal that those displaced by demolition focus on issues ranging from education and the real estate market to legal defense. In addition, urban village redevelopment is gaining increasing public attention, as many schools now organize study trips to explore the living conditions in these areas. Overall, Weibo discourse on urban villages is predominantly shaped by state-run media, which maintains a largely positive portrayal of redevelopment. In contrast, individual users provide more critical reflections, suggesting a need for deeper investigation into these voices.

Background

Subordinated to the Hukou system, the urban village residents, especially the migrant workers suffer greatly from inequality. The so-called ant-tribes and rat-tribes who live in informal urban housings are forbidden from permanent right to settle in urban areas. They often find difficulty in effectively expressing their demand and defending their own rights. The local peasants, though hierarchically superior to their renters, also find themselves marginalized in the urban area. These local villagers cannot benefit from the urban level land value and have to, themselves, build informal rental housing to compensate the potential loss. They also have no say when the government decide to demolish their village. Previous literatures argue that the inexpensive, informal housing constructed by farmers in urban villages to house migrant workers is tolerated as a transitional measure, supporting relatively high GDP growth through low-cost labor force. As development progresses, municipal governments are inevitably driven

to formalize and regulate this informality in order to promote modern city images and achieve higher property returns. This is what occurs in the beginning of the 21 Century.

To create a so-called “beautiful and pleasant urban environment” for the 2008 Beijing Olympics, the Beijing Municipal Government decided at its 61st mayor’s office meeting on September 27, 2004, to renovate 171 urban villages within the Fourth Ring Road and surrounding Olympic venues by the end of 2007. According to the Urban Village three-

Research Design

In this study we collected a corpus of Weibo posts that contain the keywords “China” and “urban village,” yielding roughly four million Chinese characters. The author then manually divided the material into two subsets: (1) 3,361 posts published by official accounts (approximately 3.1 million characters) and (2) 2,191 posts published by individual users (approximately 900,000 characters). Individual posts are generally isolated, whereas official accounts frequently repost content

While the Chinese government extensively advertises the success of urban village redevelopment in Beijing, it is important to note that marginalized groups often bear the brunt of the demolition.

year renovation plan, demolition and improvement of the poorly maintained and disorganized urban villages began in 2005. Over the course of three years, 121 of the 171 urban villages have completed the demolition process, with some areas already seeing environmental development improvements. Following the 2017 fire at Xinjian Village in Xihongmen, Daxing District, the Beijing municipal government initiated a city-wide Safety and Hidden Dangers Investigation, Major Cleaning, and Major Rectification Campaign, which included a demolition and tenant eviction drive. In the years that followed, Beijing further accelerated the redevelopment and demolition of urban villages. While the Chinese government extensively promotes the effectiveness of the redevelopment of Beijing’s urban villages, it is important to note that marginalized groups may bear the brunt of the demolition.

from higherlevel authorities, making the official subset highly repetitive and low in novelty. For example, President Xi Jinping’s remarks on Beijing’s urbanvillage policy—delivered at a meeting of the CPC Politburo—were reposted by more than 30 different official accounts. Official posts also exhibit far less lexical diversity than those by individuals. The dataset spans 1 January 2023 to 6 April 2025, a period that captures Beijing’s urbanvillage redevelopment following China’s postpandemic reopening. Consequently, the texts reflect the most recent developments and contemporary public concerns surrounding Beijing’s urban villages.

With the utilisation of Python as text analysis method, this work focuses on the analysis of word frequency, topic model, sentiment and semantic network within the Weibo text related to Beijing urban villages. First, to evaluate the word frequency of the text corpus, we primarily utilise the Jieba library, built to be the best Python

Chinese word segmentation module available for text segmentation. The TF-IDF (Term Frequency Inverse Document Frequency) model is adopted for keyword extraction, with stop words excluded from the result. As a second step, topic modelling, as a machine learning and natural language processing technique, assists us in clustering abstract topics within a collection of documents. Based on the functions of NumPy, SciPy, and Matplotlib, the Scikit-learn library helps in data preprocessing, classification, regression, dimensionality reduction and model selection. We apply consistent preprocessing steps—including tokenization, stop word removal, and TF-IDF transformation—and fine-tune model parameters to ensure coherent and meaningful topic clusters. Third, sentiment analysis of both official and individual texts corpus is conducted using both the SnowNLP and cnsnti library. Sentiment analysis involves classifying text based on the emotion expressed in it and quantifying qualitative data through sentiment scores. Generally

speaking, within SnowNLP’s framework, in a range from 0 to 1, a value greater than 0.5 is considered positive, while a value below 0.5 is considered negative. We then use the cnsnti library to classify the text segments into 7 specific categories based on a more specifically designed dictionary. The 7 sentiments include liking, anger, sorrow, joy, disgust and surprise. Finally, creating a semantic network involves representing human knowledge in a network format, where concepts are nodes and the relationships between them are edges. After extracting keywords, we further define rules for connecting words and build a vocabulary matrix. Then, we determine edge weights based on word co-occurrence. The visualisation of semantic networks is based on Gephi. With completion of qualitative content analysis, we are able to identify recurring themes, rhetorical devices, and discursive patterns in Weibo text related to Beijing urban villages.

Figure 1: Top 25 frequency words of Weibo text related to Beijing UrbanVillages

Source: Compiled by Author

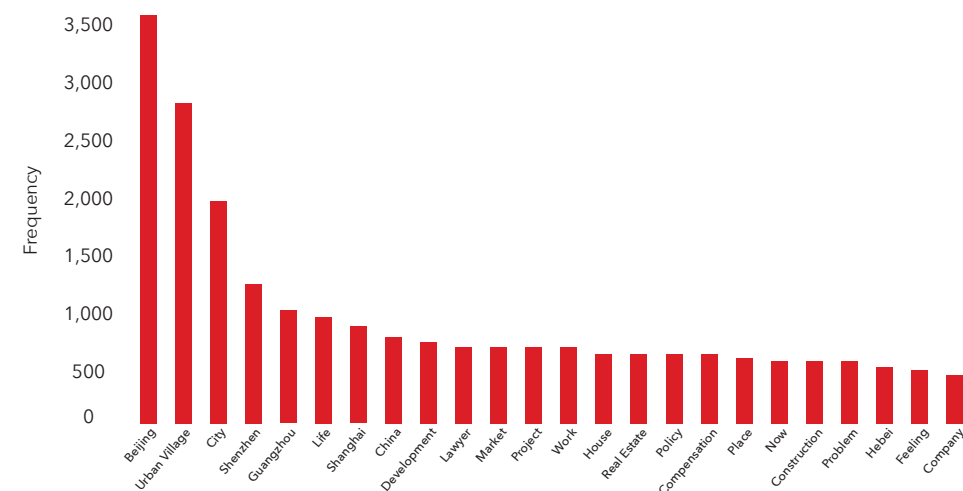


Table 1: Topic clusters related to Beijing Urban Village
Source: Compiled by Author

Individual living experience	Legaisues related to demolitions	Education	Real estate market	Study tour
Beijing	lawyer	<i>primary school</i>	real estate	museum
<i>lack for urban village father</i>	<i>compensation expropriation demolition</i>	<i>school founded student</i>	<i>policy market redevelopment</i>	<i>culture student education</i>
life	house	<i>experimental school private</i>	city	
work	resettlement		economy	study tour
house	redevelopment	<i>private-run yangguang (sunshine) education</i>	<i>urban village property market support</i>	<i>history cultural relics</i>
commuting	urban villag		growth	theme
Shnzhen	land	Jinyuan		<i>tourist summer vacation</i>
child	decision	ranking	<i>purchase restriction</i>	
Aunt Zhou	regulation	private	adjustment	practice
takeaway	<i>people's government</i>	<i>private primary school affiliated</i>	loan	step into
friend	professional	<i>primary school group</i>	promote	youth
probem	agreement		interest rate	characteristic
mother	illegal			understand

The government, through various “policies”, aims to prevent excessive speculation and to ensure that the property market remains stable and accessible to the broader population. While the government seeks to promote sustainable growth and prohibit speculative activity, the dramatic increase in property values during urban village redevelopment has attracted opportunistic investors looking to capitalize on the price hikes. Measures such as “purchase restrictions” and adjustments to “loan” availability are intended to limit speculative investment, but the increasing “interest rates” and the burgeoning “property market” dynamics have made it difficult to align the

government’s goal of affordable housing with the realities of the market.

The fifth topic highlights the increasing attention paid to Beijing urban village demolition and residents’ living conditions through organized “study tours”. These tours are typically designed for “students” and “youth”, offering them an opportunity to “step into” the current circumstance of urban village redevelopment and “understand” its cultural and historical significance. While these “study tours” are educational in nature, they often emphasize “cultural relics” and the “history” behind redevelopment efforts. However, due to China’s

Figure 3: Seven emotional categories for Weibo texts related to Beijing urban villages (individual accounts)

Source: Compiled by Author

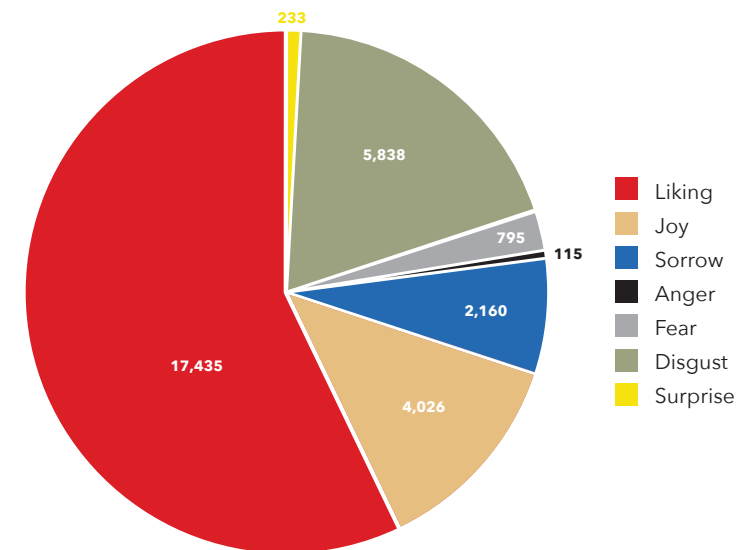
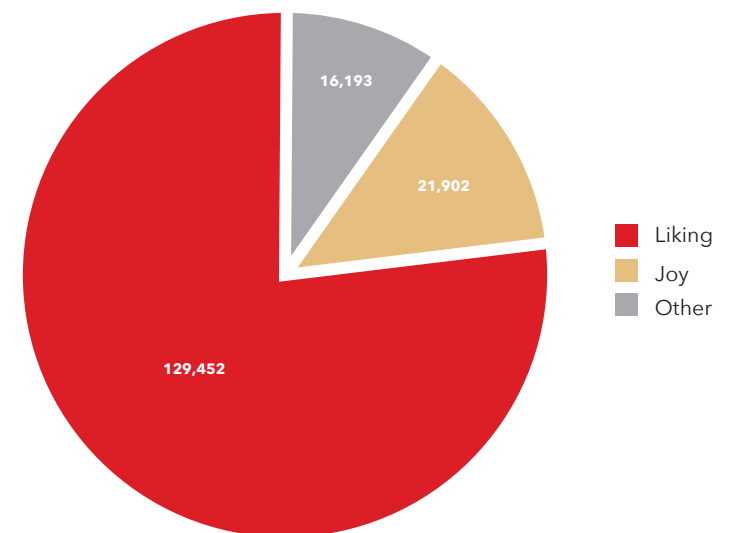


Figure 4: Seven emotional categories for Weibo texts related to Beijing urban villages (official accounts)

Source: Compiled by Author



one-party system, many of these trips are ideologically manipulated and influenced. Thus, the narrative mostly highlights the positive aspects of redevelopment. As a result, they often overlook the challenges that remain challenging to many urban village residents. These tours may aim to teach students about the "characteristics" of urban villages but tend to focus on idealized "themes" rather than presenting a balanced view of the ongoing issues. This practice, often scheduled during "summer vacation", limits a deeper understanding of the complexities of urban village transformations and the lived realities of residents. However, the study tours constitute part of the Beijing government's endeavor to promote a positive public image.

Furthermore, we manually categorized the text corpus into two groups. One contains government-led media posts, and the other contains posts from private actors or individuals. The quantitative result shows an extreme imbalance between the two groups of posts. A total of 5, 552 posts

are issued by government accounts, while only 2, 191 posts are issued by private actors and individuals. Additionally, the government posts received a total of 630, 581 likes, whereas posts by private individuals received only 287, 113 likes—less than half the amount of likes received by government posts. Additionally, we found that the posts in the official accounts have a very high frequency of repetition amongst themselves. For example, the Politburo of the Central Committee of the Communist Party addressing matters concerning urban villages was forwarded over 100 times by various government-owned Weibo accounts. This suggests the effort of the government to monopolize public discourse on Weibo. These official posts with massive forwarding also gain much more attention and likes.

As the nature and sources of information between the two groups of texts are greatly different, we decide to separately conduct sentiment analysis. We first analyzed the texts from private and personal accounts,

Figure 5: General emotional categories for Weibo texts related to Beijing Urban Villages

Source: Compiled by Author

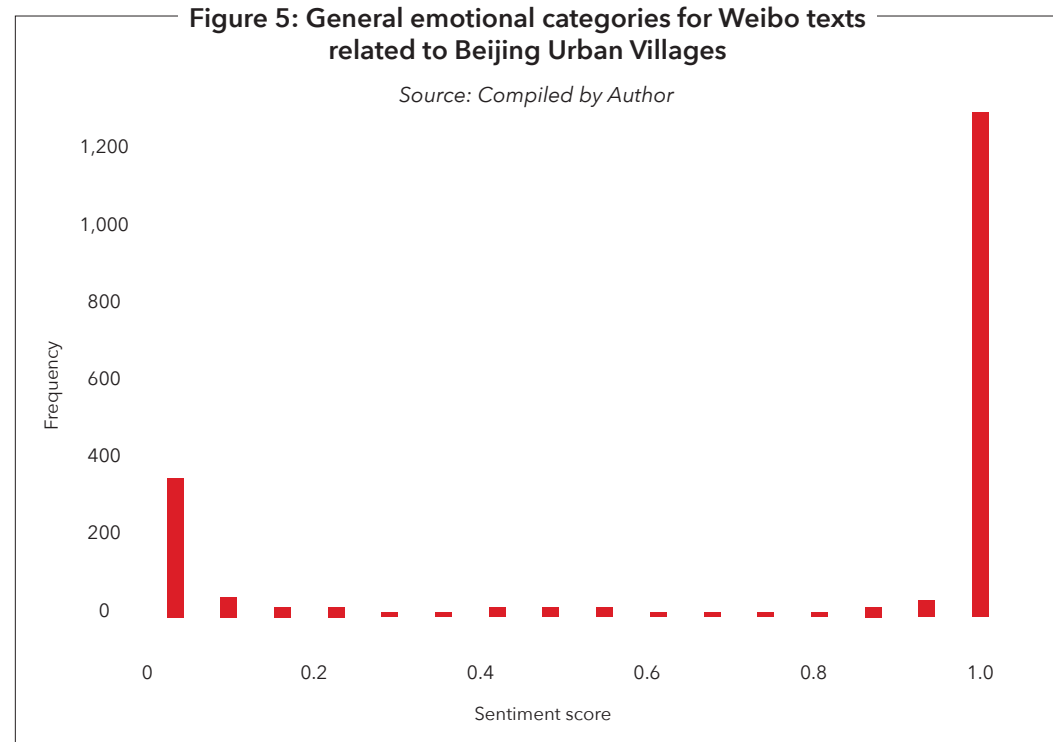
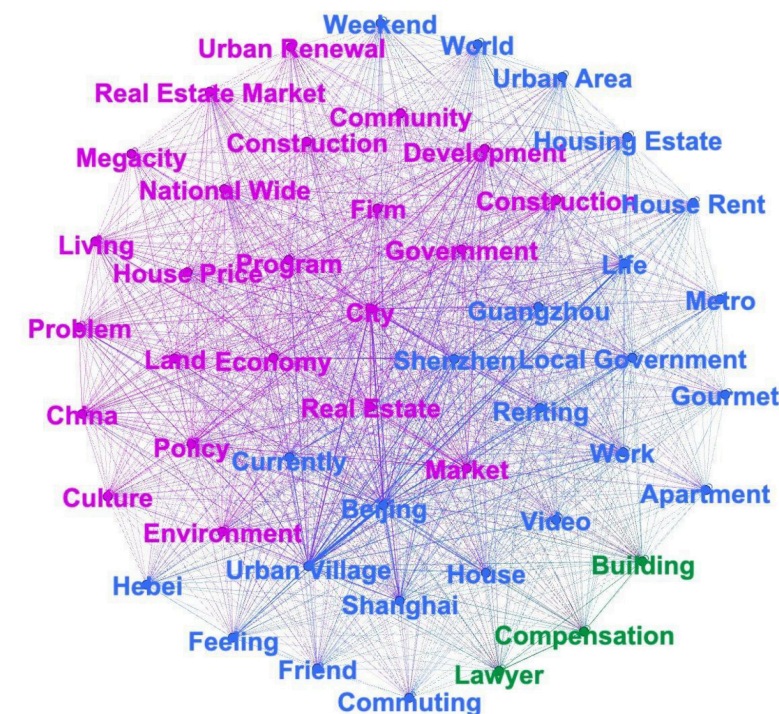


Figure 6: Semantic network analysis of all text - 3 dominant themes

Source: Compiled by Author



which are the focus of our research. The sentiment analysis results were as follows: Liking 56.97%, Joy 13.16%, Sorrow 7.06%, Fear 2.60%, Anger 0.38%, Disgust 19.08%, and Surprise 0.76%. Notably, Fear, Anger, and Disgust collectively account for a big percentage, with over 20%.

However, when comparing sentiment of official account texts, the proportion of positive emotions increased exponentially. Liking accounted for 77.26%, and Joy for 13.07%, with other emotions, including Surprise, taking up a total of 9.66%. This indicates that official accounts are more inclined to frame urban village topics positively, whereas individual and private accounts contain more negative emotions, which, in fact, may be a more accurate indicator of public opinion.

Both types of texts are then combined and their sentiment polarity is rated in total.

We discover strong polarization. The histogram (Figure 5) shows that most of the sentiments are at the two ends, 0 and 1. There are approximately 350 occurrences of very negative words, while the number of very positive words is more than 1200. The number of neutral sentiment-related words is almost zero, showing that the subject of urban villages is anything but neutral or mundane. From the above analysis, we can conclude that the highly frequent positive Weibo texts are more likely to be posted by government owned Weibo accounts.

Finally, we conduct a semantic network analysis of all the texts and pulled out three dominant themes. The pink theme is closely associated with government and macro-economic structures, with focus on terms such as "Real Estate Market", "Government", and "Urban Renewal", which encapsulate the political and economic dimensions of urban village redevelopment. The blue

color scheme, however, centers on individual-centered matters, for instance, “Life”, “Renting” and “Commuting”, which reflect living experience and concerns of individuals in urban villages. The green theme is unique, with a focus on legal matters, with terms such as “Lawyer”, “Compensation” and “Building”. It is noteworthy that legal organizations have discovered a business opportunity in the process of redevelopment. They utilize spaces such as Weibo to promote their services to urban village residents who are seeking legal aid, most specifically with regard to compensation claims and disputes related to the demolition. Thus, the semantic network analysis reveals the various perceptions and purpose of government, citizens, and lawyers towards urban village redevelopment.

Conclusion

We conclude that discussions about Beijing’s urban villages are still subject to government control, even on public opinion-oriented platforms such as Weibo. Government-run platforms, such as the Daxing government microblog account, focus heavily on publicizing the governance, redevelopment, and demolition efforts surrounding Beijing’s urban villages. However, the government’s power does not entirely suppress the voices of marginalized groups. Sentiment analysis uncovers that 20% of individual accounts discussing Beijing’s urban villages express negative emotion. Despite this, the paper still questions the extent to which the negative comments from these marginalized groups have been acknowledged by the government and broader society.

Furthermore, the paper identifies that, in addition to the three widely discussed groups, the government, villagers, and tenants, other stakeholders, such as lawyers, housing industry speculators, and the education sector, are also closely related to urban village redevelopment in Beijing. The first two groups are primarily concerned

with leveraging the policy for profit, while the education sector functions as a government mouthpiece, advertising the positive impacts of urban village redevelopment. Finally, the findings of this paper challenge the effectiveness of government responsiveness in authoritarian regimes. Does the so-called “Mayor’s mailbox” truly address the negative voices expressed on Weibo? If the Chinese government remains unresponsive to the concerns of marginalized groups, how can an inversed welfare state like China foster meaningful reform? Further, how can the inequality triggered by China’s urbanization be fundamentally addressed? These questions warrant further research.

Understanding China’s Cyber Operations

Eric Omorogieva

Introduction - “The China Threat”

The People’s Republic of China is one of the world’s most advanced powers, with cyber-espionage capabilities that rival those of leading states, such as the United States. Over the last few years, it has persistently launched cyber operations against government networks and private companies and demonstrated the ability to hack critical infrastructure. Its targeting against the U.S. often aims to steal intellectual property or sensitive data that can be used to advance the PRC’s economic interests, goals of military modernization, and safeguarding the Chinese Communist Party’s leadership. As China continues to build its offensive capabilities and gain the ability to wage war in the Indo-Pacific, fears have been raised about the threat China poses to U.S. critical infrastructure systems and Americans.

According to leading cybersecurity firm CrowdStrike, China has escalated state-sponsored cyber operations by 150%, with targeted attacks in financial services, media, manufacturing, and industrial sectors increasing up to 300%. (CrowdStrike, 2025) U.S. officials and media have also increasingly portrayed China’s hacking operations as malicious “cyber-attacks.” For instance, in January 2024, FBI Director Christopher Wray characterized Chinese cyber-operations as “the defining threat of our generation,” claiming Chinese hackers

are pre-positioning on American infrastructure to cause “real-world harm.” Former Congressman Mike Gallagher echoed this, likening China’s infrastructure hacks to “placing bombs on American bridges, water facilities, and power plants.” (Wray, 2024) (U.S. House of Representatives, Select Committee on the CCP, 2024)

These strong statements elevate China’s cyber activities beyond traditional cyber-espionage, where the aim is information theft and vulnerability exploitation, a common practice among leading nations. For these claims to be valid, China’s cyber conduct must deviate from established norms towards cyberattacks, where the intent is to cause disruption or damage. This paper aims to understand the dynamics of Chinese cyber-espionage and its role in the PRC’s national strategy. It will explore how China’s cyber-operation techniques have evolved recently amidst strategic competition with the U.S., analyzing its offensive and disruptive cyber capabilities and potential future challenges to adversaries like the U.S.

China’s Cyber Doctrine and Organization

Following the swift U.S. coalition victory in the Gulf War, China recognized the crucial role of high technology, particularly in dominating the information space. Consequently, the PRC began issuing white papers emphasizing “informationization” (信息化) and the goal of “winning informationized local wars.” In a 2018 National Cybersecurity conference speech, General Secretary Xi Jinping underscored information’s importance to China’s strategic ambitions. (New America, 2018) Xi notably stated that informationization presented “extremely rare opportunities” for China, asserting that achieving the “great rejuvenation of the Chinese nation” required building a “cyber superpower” (网络强国建设). To this end, the PRC aimed to bolster online propaganda, safeguard

cybersecurity, achieve breakthroughs in information technology, enhance civil-military integration in the cyber domain, and actively engage in international cyberspace governance. The Gulf War highlighted the decisive role of information dominance, prompting the PLA to reassess its reliance on traditional Cold War strategies. By the mid-1990s, Chinese military leaders concluded that future wars would be fought with advanced technology and information systems, which reinforced their push toward 'winning informationized local wars' and restructuring military doctrine.

China's cyber-espionage efforts commenced around 2000, with spear-phishing as the primary method for gaining access to foreign networks and stealing data. The PRC viewed cyber-operations as a means to bridge the technological, economic, and geopolitical gaps with its Western competitors. Furthermore, cyber-espionage served to advance Chinese Communist

General Secretary of the CCP in 2012. (New America, 2018) Up until then, the PLA was China's main cyber espionage actor, and was attributed to groups such as APT1, which Mandiant linked to the PLA's General Staff Department Unit 61398. (Mandiant, 2013) In 2015, Xi's sweeping military reforms resulted in the creation of the Strategic Support Force command (SSF), which brought electronic warfare, network warfare, and space warfare forces under a single umbrella. The SSF's goal was to utilize each force's capabilities to help the PLA gather and exploit information quicker than any adversary.

The PRC has reorganized its cyber-operations, reassigning responsibilities between the MSS and PLA. Over recent years, observers have noted that operations attributed to China have predominantly been linked to the MSS rather than the PLA. The PLA's cyber operations, since this shift, have primarily focused

FBI Director Christopher Wray characterized Chinese cyber-operations as 'the defining threat of our generation,' claiming Chinese hackers are pre-positioning on American infrastructure to cause 'real-world harm.'

Party (CCP) interests, including accessing files of overseas dissidents or Western citizens perceived as conspiring against the party or acting as foreign agents. Safeguarding the party's core domestic and international interests is paramount to the PRC, making the hacking operations conducted by the People's Liberation Army (PLA) and Ministry of State Security (MSS) integral to its overall strategic mission.

Looking closer at the PLA and MSS, their cyber-operations have undergone significant organizational changes, especially following Xi Jinping's rise as

on targeting entities in Taiwan, an island China prioritizes militarily and politically for "national reunification." This change likely signifies an evolution in China's cyber-operations approach. PLA-attributed tasks imply a military nature, while MSS operations suggest espionage. Furthermore, the SSF has since dissolved and been replaced with an Information Support Force (ISF) which likely indicates China's continued progress towards its informatization goals. (Cheng, 2024) While its doctrine suggests an espionage goal, analyzing key Chinese state-sponsored operations may reveal deeper intentions.

**Case Study:
Office of Personnel
Management Breach (2015)
(Finklea et al., 2015)**

The Office of Personnel Management (OPM) hack in which a Chinese hacking group exfiltrated over 20 million U.S federal employee files along with health records and SF-86 forms remains one of China's most successful operations. (Finklea et al., 2015) While its initial access method isn't clear, many believe that the Chinese hacking group attributed to the attack used spear-phishing to gain the password of an OPM contractor. After initial access, the group used RAT malwares PlugX and Sakula to navigate OPM's networks and exfiltrate data. The success of the operation hinged on persistence from the Chinese hackers and bad security practices of the OPM office.

While the hackers had breached OPM networks since November 2013, the office did not detect the hack until March 2014. In a lapse of judgment, OPM did not publicize the breach, believing the hackers had only limited access and could be removed by a May 2014 system reset. This assumption proved incorrect. The hackers continued to establish footholds on OPM networks and in July 2014 began exfiltrating data from its systems. By December 2014, the group exfiltrated 4.2 million personnel records, In March 2015, they exfiltrated fingerprint data, and in April 2015, the office finally realized they were still being hacked.

The most important use of the data exfiltrated from OPM was like to identify American spies abroad and establish a network of connections China can make to American diplomats and other federal employees. This assists Chinese national security and ridding the nation of American assets it can identify within the country's borders. It also builds upon previous efforts to stamp out CIA and American intelligence influence in China. Around 2010, the PRC discovered the extent of CIA influence

within its military, intelligence community and government, which exacerbated its corruption problem and left it vulnerable to the U.S learning its secrets. From 2010-2012, the PRC systematically dismantled CIA spying operations by killing or imprisoning approximately 18-20 spies and upending a network that took decades to build. (Mazzetti et al., 2017; Dorfman, 2020) By launching this operation, Beijing furthers this dismantling and makes it difficult for the United States to rebuild a network of operatives in China.

From the methodology of this cyber-operation to its ultimate goals, much of the efforts for the PRC at this time were likely procuring large quantities of data which could ensure its domestic stability and prevent perceived adversaries from ever breaching its government in the same way again. The alleged spear-phishing and use of RAT malware programs do not differentiate largely from China's typical approach to cyber-operations. The OPM breach is the largest among a group of similar actions in the 2010s attributed to China which focused on stealing the data of American citizens for espionage purposes. For this breach, little of the data has reappeared in the criminal underworld or leaked back to the public but instead is useful for remedying the insecurity the CCP faced from foreign actors.

**Case Study:
Storm-0558 Intrusion (2023)
(Microsoft Security
Response Center, 2023)
(Microsoft Threat
Intelligence, 2023)**

Storm-0558 is a China-based threat actor that executes state-sponsored cyber operations. (Microsoft Security Response Center, 2023) In May 2023, the group compromised the Microsoft Exchange Online mailboxes of a long list of victims ranging from U.S officials such as Commerce Secretary Gina Raimondo and U.S. (NBC News, 2024) (Microsoft Threat Intelligence, 2023)

Ambassador to the PRC Nicholas Burns, United Kingdom officials and individuals across 22 organizations. The operation went on for a month before the U.S State Department detected the hack on June 15, 2023, with up to 60,000 emails stolen from the State Department alone. An investigation into the incident revealed that the hackers likely gained access to the accounts using a 2016 Microsoft Services Account (MSA) cryptographic key that was intended to be retired in 2021. The MSA key grants tokens that can be used to access accounts as a valid user.

The biggest questions for Microsoft are how the hackers gained access to the 2016 MSA key and why the MSA key was still able to be used in 2023. (Microsoft Threat Intelligence, 2023) Microsoft found no intrusion to its identification system but did find flaws in its token validation logic which allowed consumer keys to access Microsoft enterprise Exchange accounts if those accounts were not coded to reject consumer keys. This still leaves Microsoft unable to completely formulate how the Storm-0558 hackers gained access to the MSA key itself. (Microsoft Security Response Center, 2023) A leading theory suggested by Microsoft in a September 2023 blog was that an April 2021 system crash resulted in a crash dump which accidentally included a signing key that the Chinese hackers were able to exfiltrate. This still does not answer how the hackers accessed the data where the crash dump files were stored. Additionally, a March 2024 edit of the blog post asserted that this theory was mistaken, leaving Microsoft again without a conclusion on how the hackers succeeded in this operation. Beyond Microsoft's technical lapses, this breach revealed systemic vulnerabilities in cloud service infrastructure, which China exploited to compromise data critical to U.S. national security.

Another aspect to this operation is determining the goal of Storm-0558 in hacking the Microsoft accounts of specific foreign officials, departments, and organizations.

(Microsoft Threat Intelligence, 2023) (Microsoft Security Response Center, 2023) First, the individuals associated with the attack are likely PRC intelligence targets due to their stances against Chinese policies like its treatment of the Uyghur ethnic minority group and its military strategy in the Indo-Pacific and against Taiwan. Beginning in 2022, Secretary Raimondo has been a proponent of sanctions against advanced semiconductors to China, claiming the action aims to prevent "China from advancing its domestic semiconductor manufacturing system, which it will use to support its military modernization." Congressman Dan Bacon has been a leading sponsor of congressional bills like the "Uyghur Forced Labor Prevention Act" and increased defense cooperation with Taiwan. (Davidson, 2024)

The operation showed few signs of disruptive intentions but aimed at maintaining persistence on Microsoft's networks. (Microsoft Threat Intelligence, 2023) After Microsoft assumed they successfully stopped the hack, Storm-0558 still attempted to re-enter the networks and maintain persistence in the same mailboxes that it had previously compromised. This results in an operation that was likely for espionage purposes.

**Case Study:
Volt Typhoon (2021-)
(Microsoft Threat Intelligence, 2023;
CISA, 2024)**

The Volt Typhoon state-sponsored operations against U.S critical infrastructure networks have introduced a new element to China's cyber-espionage strategy. (Microsoft Threat Intelligence, 2023; CISA, 2024) Its operations since 2021 have targeted critical infrastructure like Communications, Energy, Transportation Systems, and Water and Wastewater Systems to gain stolen data. However, instead of installing malware onto its networks, Volt Typhoon often deploys the method of "living off of the land" (LOTL) to hack its targets. With LOTL,

the group uses tools that are already present in the environment, such as hijacked native tools, stolen credentials or exploit kits to access networks, making it far more difficult to detect or execute traditional security tools against. As a result, the hacker may be able to persist undetected from weeks to years. (LOTL refers to using existing tools and credentials within a network rather than deploying external malware). This method allows attackers to blend into normal operations, making detection difficult and amplifying psychological pressure by demonstrating China's ability to remain hidden inside U.S. infrastructure.

There is no individual hack detected in this case, but instead a series of hacks against systems which alarmed the U.S intelligence community, the White House and the private sector. Authorities claim its "unusual choice of targets and behavioral patterns were not consistent with traditional cyber espionage or intelligence gathering operations." In a joint report by U.S intelligence agencies, it assessed with high confidence that the group is pre-positioning themselves on IT networks to enable lateral movement to operational technology (OT) assets to disrupt functions. This creates concerns that actors could stay within networks in the event of a geopolitical or military crisis and launch disruptive or destructive effects.

Volt Typhoon would likely want to hack these systems for a variety of reasons. (Microsoft Threat Intelligence, 2023; CISA, 2024) The information gained could assist the PRC in understanding the weak points of U.S networks, the persistence could be tested for up to years, and China could pre-position itself on networks in the event of a crisis. However, the likelihood of remaining on networks for several years undetected in preparation for a strike during a conflict is small. Additionally, avoiding detection for a long period may not have been the goal. Detection of U.S. critical infrastructure networks is likely to spark anxiety amongst U.S.

society and leadership, which could shape decision-making around conflicts.

Lessons Learned

Some of China's most successful hacks stemmed from critical security lapses that allowed the PRC to exploit networks and establish persistence before stealing data. Its methodology and techniques for operations stem from common initial access methods like spear-phishing to accessing files which could trick systems into thinking it was a legitimate user. Volt Typhoon utilized LOTL methods to access U.S critical infrastructure systems which alarmed U.S officials. (Microsoft Threat Intelligence, 2023; CISA, 2024) However, none of these methods are innovative or new to the cyber-espionage realm. In fact, LOTL methods have been used in both attacks by other actors and the United States itself. For example, the 2021 SolarWinds intrusion, attributed to Russia, utilized these methods with far more severe consequences. (Buchanan, 2020) U.S operations such as Stuxnet against Iranian centrifuges were also intended to cause damage to infrastructure.

As relations with the United States have soured, China's response in cyberspace has grown more aggressive. However, its operations remain primarily focused on espionage rather than destruction.

There could be other strategies at play. The recent Salt Typhoon and Volt Typhoon operations against U.S critical infrastructure embolden fears U.S officials have had towards China's rising power, which China could aim to stoke further. (Microsoft Threat Intelligence, 2023; CISA, 2024) Its persistence in U.S networks and operations against critical infrastructure, despite being limited to espionage, creates the illusion of omnipresence on U.S networks. Amplifying this sentiment could shape the behavior of U.S. policymakers, raise public alarm about the risks a U.S.-China

conflict poses to domestic infrastructure, and heighten national anxiety. Hints of this strategy have shown through Wall Street Journal reporting on a secret December 2024 meeting where Chinese officials made a rare admission of Beijing's role in Volt Typhoon operations. This surprising admission, the report suggests, may serve as a warning to the United States regarding its support for Taiwan and the risks of intervening in a future conflict.

Conclusion

China continues to launch cyber-operations against the U.S at a rapid speed and has shaped an environment of persistence in its espionage. These methods, while they have sparked alarm in the U.S media and among officials, do not represent an intentional shift in posturing to destroy U.S infrastructure and harm Americans. Analyzing China's cyber doctrine and three instances of Chinese intrusions suggests that information collection and theft remain its primary goals, with collected data and the U.S. response further aiding these efforts. The data collected and the U.S response aid this collection further. U.S officials could work towards adapting policy to defend against China's techniques, closing the gap on security lapses and understanding the persistence of the present cyber-operations environment. This analysis shows that despite fears of disruption, China's operations remain centered on information collection. Acknowledging this reality is crucial for developing effective U.S. responses.

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Young Chinese Women and Abortion: Navigating Cultural, Social, and Economic Pressures

Chloe Ross Bohn

Abstract

This paper explores how young Chinese women navigate abortion decisions amid intersecting cultural, familial, and economic pressures. Drawing from semi-structured interviews with ten university students at the Hopkins-Nanjing Center, the study reveals how stigma, family expectations, financial insecurity, and inadequate sex education shape reproductive choices. While abortion remains legal and widely practiced in China, participants described how societal norms and parental influence often limit true reproductive autonomy, particularly for unmarried women, who face intense pressure to avoid premarital pregnancy.

Participants also expressed frustration with the lack of comprehensive sex education and widespread misconceptions about sexual health. Despite these constraints, all interviewees voiced strong support for legal abortion access, framing it as a matter of rights, safety, and personal agency rather than a moral or religious debate. Their views contrast sharply with abortion discourse in the United States and reflect a pragmatic, autonomy-focused perspective. These findings highlight the disconnect

between formal policy and lived experience and underscore the need for reforms that prioritize education, reduce stigma, and address informal structures of control.

Introduction

In recent decades, China has undergone sweeping demographic and policy shifts, ranging from the coercive One-Child Policy to a more recent push for increased birth rates under the current Three-Child Policy. Yet for many young Chinese women, these changes have not translated into greater reproductive autonomy. While abortion remains legal and widely available, the social, cultural, and familial environments surrounding reproductive decision-making remain highly restrictive. Women who become pregnant outside of marriage often face stigma, familial pressure, and limited access to support, all of which shape how abortion is understood and experienced.

Although abortion remains widely practiced in China, with an estimated 13 million procedures annually, these occur in a social context marked by stigma, legal ambiguity, and uneven access to reproductive education (Wang & Jiang, 2022). This contradiction underscores the need to explore not just legal frameworks but also lived experiences.

Despite extensive legal and demographic scholarship on China's population policies, relatively little research has centered on the lived experiences of young, unmarried women navigating reproductive decisions. This study seeks to address that gap by exploring how cultural expectations, economic pressures, and the absence of comprehensive sex education influence abortion decisions among a group of Chinese women aged 20 to 26, all studying at the Hopkins-Nanjing Center. Through qualitative interviews, this research surfaces the contradictions between formal legal access to abortion and the informal structures,

familial, societal, and cultural, that constrain women's reproductive choices.

By amplifying participants' narratives, this paper aims to deepen our understanding of abortion in contemporary China. It highlights the enduring influence of Confucian values, family honor, economic insecurity, and state narratives, while also examining how digital platforms and youth perspectives are beginning to shift the conversation. In doing so, it contributes to both scholarly and policy debates on reproductive rights in China and underscores the need for reforms that are grounded in lived experience rather than abstract policy goals.

Literature Review

Introduction

Despite the legal availability of abortion in China, young women's voices remain underrepresented in scholarly and policy discussions. This literature review explores the disconnect between formal reproductive policies and the lived experiences of young, unmarried women navigating these systems. It examines how state control, cultural norms, and gendered expectations shape abortion access and reproductive autonomy. Themes include the historical evolution of policy, cultural influences on morality and sexuality, stigma, sex education, legal barriers, comparative frameworks, and critical gaps in youth-centered research.

Historical and Policy Context of Reproductive Rights in China

China's reproductive governance has evolved from coercive birth limitation under the One-Child Policy (OCP) to current pronatalist incentives. However, centralized state control remains a defining feature. Alpermann and Zhan (2019) describe how demographic concerns such as labor shortages and aging have prompted a shift toward "soft" and discursive governance,

including planning documents and public campaigns to encourage childbirth.

For instance, the Law on Population and Family Planning (2001) formally guarantees citizens' reproductive rights while simultaneously embedding reproductive control as a national strategy. Articles 1 and 2 frame family planning as essential to national development and call for both control of population quantity and improvement of quality (Law on Population and Family Planning, 2001). This dual focus reinforces a population governance model that legitimizes state intervention even while asserting individual rights.

Zou and Liu (2024) analyze social media posts reflecting how young women interpret this shift.

Their findings show that IUD removal, once a symbolic act of liberation from state coercion, is now reframed as part of state-promoted fertility goals. Shi (2014) further illustrates how vertical fragmentation in governance enables coercive practices, as seen in the 2012 case of a forced late-term abortion that gained public attention through online exposure (Zhang, 2012).

Legal reforms have not translated into equal access. Yang and Chen (2022) find that courts continue to deny unmarried women access to assisted reproductive technologies (ART), maternity insurance, and custodial rights. The result is a policy landscape that formally embraces reproductive freedom while reinforcing marital conformity.

Cultural Norms and Gendered Morality

Cultural expectations around sexuality in China continue to limit young women's autonomy. Chen (2017) uses Raymond Williams's framework to categorize dominant (state and Confucian values), residual (virginity and filial piety), and emergent (urban youth embracing bodily autonomy) strands of sexual culture. These

values shape both institutional policy and interpersonal relationships.

Leiber et al. (2009) and Watts (2004) demonstrate how sex-related taboos hinder education and communication. Shame, silence, and parental discomfort restrict young people's access to sexual health information. Even after the 2002 mandate to introduce sexual education in schools, many teachers avoid the subject, and families refrain from discussing it. These gaps have left youth vulnerable to misinformation and unplanned pregnancies. Chen and Zou (2024) highlight how digital platforms provide alternative spaces to challenge conservative narratives, though these efforts are often entangled with state-promoted pronatalist messaging.

Reproductive Stigma, Single Motherhood, and Digital Discourse

Stigma remains a key barrier to reproductive autonomy. Peng et al. (2025) show how stigma correlates with depression among women seeking abortions, reinforcing the emotional costs of silence and judgment. For unmarried women, the challenges are compounded by systemic exclusion. Yang and Chen (2022) document how courts routinely uphold marital status as a prerequisite for reproductive rights.

Wang (2023) traces how feminist and queer legal activists have mobilized around these exclusions using what she calls "differential coalescing," or alliances across ideological lines that frame reproductive justice in terms of legal and human rights. Zhao and Basnyat (2021) support this with interview data from unwed single mothers, who describe isolation and familial rejection even when they choose motherhood.

Digital platforms play a dual role. Shi (2014) demonstrates how online activism successfully pressured local officials in response to a forced abortion case

However, Zou and Liu (2024) show that Weibo users both critique coercion and unintentionally state fertility goals. These findings suggest that online discourse can simultaneously challenge and reinforce state narratives.

Youth and Sex Education in China

Chinese youth increasingly engage in sexual activity without sufficient access to sex education. Watts (2004), Leiber et al. (2009), and Chunyan Li et al. (2017) reveal that institutional hesitation and cultural taboos continue to undermine sexual education. Despite policies requiring implementation, delivery remains inconsistent. Sun et al. (2025) assess an online Comprehensive Sexuality Education (CSE) program for vocational students, which improved knowledge but had limited behavioral impact. Lu et al. (2025) show that CSE can shift gender biases, particularly among male university students, highlighting its broader role in transforming social norms.

Legal Barriers to Reproductive Autonomy

Legal access to abortion exists in China, but reproductive autonomy is constrained by laws privileging marriage and social stability. Yang and Chen (2022) document how single women are denied ART and parental rights, and Su and Macer (2005) link these exclusions to a collectivist legal tradition emphasizing "yousheng" (healthy births). Song Chen et al. (2022) distinguish China's policy-centered abortion framework from rights-based models, arguing that reproductive health is seen as a tool for managing population rather than a personal freedom. Cianciarulo (2017) extends this comparison, showing that both China and the U.S. subordinate women's autonomy to national interests, whether through coerced abortion or coerced pregnancy, undermining international standards of dignity and consent.

Comparative and International Perspectives

China's reproductive policies diverge sharply from international rights-based approaches. Song Chen et al. (2022) compare China's emphasis on demographic planning with the healthcare framing common in Europe and the rights discourse historically dominant in the U.S. While legal access to abortion exists, it is conditional on state-defined goals.

Cianciarulo (2017) critiques both Chinese and U.S. systems for allowing state agendas to override bodily autonomy, and Yang and Chen (2022) argue that China's exclusion of single women violates obligations under UN's Convention on the Elimination of All Forms of Discrimination against Women (CEDAW). These studies reinforce the need for a rights-based reproductive framework grounded in equality and informed consent.

Gaps in the Literature

While the literature captures legal, policy, and cultural dimensions of abortion in China, several gaps remain. Few studies feature first-hand qualitative narratives from young or unmarried women, though Zhao and Basnyat (2021) offer a partial example. There is limited attention to intersectional identities; rural women, queer individuals, and those from lower socioeconomic backgrounds are underrepresented. Finally, ethnographic research capturing the lived realities of decision-making around abortion remains scarce.

Across policy, law, culture, and media, reproductive autonomy in China remains contingent on state priorities and social norms. Although reforms have expanded access on paper, structural and cultural constraints continue to marginalize young, unmarried, and non-conforming individuals. This literature review identifies a need for qualitative, youth-centered, and intersectional research that centers lived experience as a basis for policy reform and rights advocacy.

Methodology

Participant Recruitment

This study recruited ten female participants aged 20 to 26 from the Hopkins-Nanjing Center, an academic institution jointly operated by Johns Hopkins University and Nanjing University. Participants were selected through purposive sampling based on their age and current enrollment at the Center. Recruitment materials were distributed in both English and Mandarin through email and flyers posted in student spaces. Participants were informed that their involvement was entirely voluntary and that they could withdraw at any time without penalty or loss of benefit.

Data Collection

Data was collected through individual, semi-structured interviews conducted in both English and Mandarin, depending on participant preference. Each interview lasted approximately 30 minutes and was held in a private setting to ensure comfort and confidentiality. In addition to the interview, participants completed a brief demographic questionnaire, recording basic information such as age, home province, family social setting (e.g., rural, urban), self-identified class background, and religious affiliation. Sample interview questions included:

"Can you share your general thoughts and feelings about abortion?"

"How do societal norms and cultural values impact perceptions of abortion among young women in China?"

"Do you believe sex education in China has prepared young people to make informed reproductive choices?"

"Have you or anyone in your community faced social pressures around pregnancy or abortion?"

These questions were designed to elicit participants' views on abortion, perceptions of societal and familial pressures, and reflections on the influence of education and policy.

Ethical Safeguards

This research was reviewed and approved by the Johns Hopkins University Homewood Institutional Review Board (HIRB00019153). All participants provided informed consent prior to the interview. The consent form included clear language stating participants could skip any question or withdraw at any time. Confidentiality was ensured by assigning pseudonyms to all participants and storing data on encrypted, password-protected devices. Identifiable information was removed from interview transcripts. No data will be used for future research unless additional consent is obtained.

Analytical Method

Interviews were transcribed and analyzed using thematic analysis. A coding framework was developed based on recurring themes across participant narratives, including cultural stigma, family pressure, economic concerns, and gaps in sexual education. Coding was conducted manually, and patterns were identified to compare how different social and personal factors shaped individual perspectives on abortion. This approach enabled the researcher to capture both shared experiences and divergent viewpoints across the participant group.

Key Findings and Analysis

Cultural Norms and Social Stigma

Cultural stigma emerged as a major influence on participants' abortion decisions. Unmarried pregnancy was seen as especially shameful, with several women describing intense pressure to terminate

pregnancies to avoid judgment or being labeled "slutty." One explained, "if you are a single woman... and have a child, you will be judged by others." Some were pushed toward marriage to preserve family honor, while others feared abortion would damage future marriage prospects.

These views are tied to Confucian values emphasizing purity, family reputation, and defined gender roles. One participant noted, "the traditional thought is that women should be pure and clean, and having an abortion can tarnish that purity." Others saw abortion outside of marriage as a violation of filial expectations or womanhood norms. Though some participants personally supported abortion, they described it as a taboo topic, often discussed in whispers and accompanied by social alienation.

Family Pressure and Decision-Making

Parents played a central role in shaping abortion decisions. They were often seen as both moral guides and enforcers of social norms. One participant said, "if the parents are not being supportive, it would be a very big possibility that she will get an abortion." Others mentioned parental concern for health or reputation as a reason to avoid or terminate pregnancies. A common theme was that family involvement, while often framed as care, also reinforced stigma and curtailed autonomy.

Economic Constraints

Economic insecurity factored heavily into decisions to delay or end pregnancies. Participants cited the high cost of raising children in urban China and fears of jeopardizing career plans. One shared, "if they cannot raise the baby, they will not give birth to it." Others described abortion as a rational choice for women focused on education or employment. Being both unmarried and financially unprepared

was viewed as a dual burden, both socially unacceptable and practically unsustainable.

Lack of Comprehensive Sex Education

Most participants reported receiving minimal, biology-focused sex education. One recalled, “we only had several classes, very last classes to talk about this topic.” Many said they turned to friends or the internet for information. Despite a national mandate under Article 13 of the 2001 Law on Population and Family Planning requiring age-appropriate sexual health education, participants described implementation as minimal.

Early gaps in education extended to menstruation. Some described their first period as frightening due to a lack of preparation. This broader absence of guidance led to widespread misconceptions about contraception. One participant observed, “if you get good sex education... the possibility of pregnancy would be lower.” Many linked this knowledge gap to unplanned pregnancies, suggesting that more comprehensive education could reduce abortion rates among young adults.

Support for Legal Abortion and Autonomy

Despite the surrounding stigma, participants strongly supported legal abortion, framing it as a matter of rights, safety, and autonomy. “I think abortion is the basic rights of women,” one stated. Others emphasized that only the pregnant person should decide whether to continue a pregnancy, even if a partner disagreed. Concerns about unsafe procedures were common, and many warned that banning abortion would not eliminate it but instead drive it underground.

Reflections on U.S. Abortion Politics

Participants expressed confusion and concern over abortion restrictions in the

United States. While abortion remains stigmatized in China, participants viewed it primarily as a private health decision. Several commented on the U.S. politicization of abortion, contrasting it with China’s more pragmatic approach. One participant said, “I think Americans should learn more about Chinese people’s thoughts on abortion. Because this is really one of the most important human rights of women.”

Lingering Effects of the One-Child Policy

Several participants referenced the One-Child Policy and its lasting effects. Some explained that abortion had been normalized in their parents’ generation as a population control tool. Others reflected that while the policy is no longer in effect, the state’s strong role in regulating fertility remains. These insights point to a generational legacy that continues to shape attitudes toward reproductive decisions and state intervention.

The interviews underscore how abortion decisions among young Chinese women are shaped by a matrix of cultural stigma, family pressure, financial insecurity, and inadequate sex education. Although all participants supported legal abortion and acknowledged its importance for women’s autonomy and health, their stories revealed how stigma and silence still dominate reproductive discourse. Addressing these layered influences, through improved sex education, public dialogue, and support systems, will be crucial to advancing reproductive rights in China.

Discussion

This study illustrates the complex, intersecting forces that shape how young Chinese women perceive and experience abortion. While abortion remains legally available, participants described how cultural norms, family expectations, economic pressures, and inadequate sex education collectively

restrict their reproductive autonomy. These factors do not act independently but form a layered system of informal control that can outweigh formal legal rights.

A central paradox emerged: abortion is legal and common in China yet not perceived as a truly free choice. Participants often felt constrained by stigma, fear of parental rejection, and concerns about reputation and marriageability. Abortion outside of marriage was framed as morally questionable, with family influence, especially from parents, playing a decisive role in the outcome of pregnancies. National

legal mandates for sex education, the rise in premarital pregnancies and abortions among youth suggests persistent failures in implementation (Wang & Jiang, 2022). Improving sex education and access to contraception is critical, an insight echoed by both national research and participant reflections.

The results highlight a gap between policy and implementation. The Law on Population and Family Planning (2001) affirms reproductive rights and requires sex education, yet participants’ experiences reveal the enduring influence of cultural taboos

Abortion is legal and common in China yet not perceived as a truly free choice.

survey data reinforces this dynamic, showing that over one-third of abortions in China involve unmarried women, and that premarital pregnancies are disproportionately likely to end in abortion (Wang & Jiang, 2022). These statistics align with participants’ concerns about social judgment and family honor.

Economic insecurity added another dimension. Many viewed abortions as a pragmatic decision considering the high costs of raising children and fears about derailing education or career goals. In this context, abortion becomes a constrained necessity rather than a fully autonomous choice.

Participants also reported major gaps in sex education. Most received minimal instruction, focused on biology rather than contraception, consent, or relationships. Several linked this deficiency to unplanned pregnancies and early misconceptions about menstruation. Despite

and institutional inaction. This tension reflects what scholars describe as “discursive governance,” where rights are granted in law but undermined by informal norms and uneven enforcement.

Policy implications are clear. First, sex education programs must be reformed to ensure early, accurate, and inclusive instruction on sexual health and reproductive rights. Second, efforts to reduce stigma are essential, as participants frequently cited shame and fear of judgment as primary drivers of abortion decisions. Campaigns in schools, healthcare settings, and media could help normalize conversations and affirm women’s autonomy. Finally, legal reforms must be matched by social change. Formal permission is insufficient if social structures continue to constrain choice.

This research deepens existing literature by centering the lived experiences of young, educated Chinese women. While

prior studies have examined legal and cultural dimensions, this study offers insight into how those systems are felt and navigated in everyday life. Participants discussed the lingering influence of the One-Child Policy, contrasted Chinese and U.S. norms, and emphasized the importance of bodily autonomy. Their narratives enrich our understanding of reproductive politics in China by rooting it in social and personal context.

At the same time, the study has limitations. The sample, drawn from the Hopkins-Nanjing Center, reflects a more urban, educated, and globally engaged demographic. National data shows a demographic shift in abortion experiences toward rural and less-educated women in younger cohorts Wang and Jiang (2022). This trend highlights the need to capture perspectives across social groups. Future research should expand to include diverse voices, across class, region, gender identity, and sexuality, to support the development of inclusive reproductive health policy.

Conclusion

This study reveals that while abortion is legal in China, the decision to terminate a pregnancy is rarely straightforward. For young, unmarried women, reproductive choices are shaped not only by individual circumstances but also by powerful cultural, familial, and institutional forces. Participants described navigating a social terrain in which pregnancy outside of marriage is heavily stigmatized, parental input is central to reproductive decisions, and financial insecurity often makes abortion seem like the only viable option. The lack of comprehensive sex education further compounds these pressures, leaving many women without the knowledge or tools to prevent unintended pregnancy in the first place.

Despite these constraints, participants voiced strong support for abortion access, framing it as a matter of health, rights,

and personal agency. Their reflections challenge assumptions about Chinese conservatism surrounding reproductive issues and highlight an emerging discourse that views abortion through the lens of autonomy rather than morality. By documenting these perspectives, this research contributes to a more nuanced understanding of reproductive politics in China and helps illuminate how legal access alone is insufficient without corresponding shifts in social and cultural norms.

However, the findings must be interpreted in context. The study sample was small, highly educated, and based in an international academic environment. These women likely reflect a more privileged subset of the broader population. Future research should expand this scope to include more diverse experiences and examine how factors like class, region, and sexual orientation further complicate access to reproductive rights.

Meaningful progress will require a multifaceted approach that expands and improves sex education, addresses stigma through public engagement, and ensures reproductive policies reflect the realities of the women they are intended to serve. Centering youth perspectives in this conversation is not only necessary but long overdue.

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China, Hong Kong and the Law of Existence

Sangeeta Chakravorty

"Mother knows best!" – Chinese proverb

"Wu fa, wu tian" (no law, no heaven)

"Albert is so much amused at my having got the Island of Hong Kong" – Queen Victoria to the King of Belgium in 1841

"We must make possible the widest democratic participation by the people of Hong Kong in the running of their own affairs, while reinforcing certainty about Hong Kong's future." – Governor Christopher Patten

Proposal

(Located in the Guangdong province in Southern China, Hong Kong was a part of China up to the nineteenth century. However, in 1898, almost all of Hong Kong was leased to the British Empire for a period of 99 years.)

Hong Kong is fortunate and unfortunate to be the carrier of British and Chinese legacies. It has an *un-Chinese* party system, and per the Basic Law (passed by the National People's Congress) the development of democracy is a stated goal. This paper shall focus on the misgovernance that occurs in Hong Kong due to the "One Country, Two Systems" mechanism. This innovation temporarily solved the issue of unification with the Mainland; however, it has reduced the

ability of the government of Hong Kong to deal with many of its issues. The Joint Declaration of the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the People's Republic of China on the Question of Hong Kong (19 December 1984) had intended that Hong Kong shall have the "power of final adjudication". Though, in reality, this is not the case. (William, 1991) (White, 2016; Leung, 1998)

The question whether Hong Kong has a western style political system, or it is more of a western style system with Asian values is highly irrelevant. The more important discussion is whether Hong Kong is *autonomous*. If yes, then which legal factors contribute in strengthening its system of autonomous government? This paper will evaluate if Hong Kong has a Constitutional mechanism in place to deal with various governance related issues. This paper will also analyse if the implementation of the Basic Law acts as an hindrance to the state investment in sectors such as infrastructure. To achieve this, I shall review laws, case laws and regulations along with the legal history of PRC. This poses its own challenges as explained elsewhere in this paper. This paper considers the connection between rule of law, lack of Constitutionalism in the politics of Hong Kong and the city's governance challenges. In its exploration of the Chinese legal regime, this paper has evaluated the push and pull mechanisms over many decades which have created a unique legal system which, at times, works against itself. (Peerenboom, 2002)

While Hong Kong's economic growth is crucial to the Mainland, the socio-economic conditions necessary for such growth are in a backslide. The growth in Hong Kong is closely tied to ease of migration, movement of expats, and effective judicial mechanisms. Due to its unique history, Hong Kong has an extreme wealth inequality which further exacerbates its social problems. The lack of complete autonomy to decide on

the matters of its supply of public goods to its citizens renders the government somewhat ineffective.

While this paper benefits greatly from all the research that came before, it lacks from an extensive analysis of other “constitutionally autonomous city – states.” Though not the focus of this paper, such a comparison would benefit policymakers in the future. This paper would have also benefitted from a study of the interactions between the LegCo and the PRC authorities. At the moment, the reciprocity of participation by the Hong Kong government in the Mainland’s policymaking has been left outside the scope of this paper. Further, the power gained by the Mainland affiliated businesses and their outsized influence in HK SAR makes for an interesting case study. The interference of such businesses with the autonomy of Hong Kong, if any, has not been included in this paper. Also excluded are the large scale protests that Hong Kong has witnessed in the recent years which increased the tensions between the Mainland and HK SAR. The policies related to the Covid pandemic have also been excluded from the scope of the review. The rationale for the exclusion is that such ordinances are special case scenarios whereas the paper is interested in exploring the connections between the historical evolution of the city – state and its distinctness / autonomy.

Background

The earliest published law in China is believed to be the *Xingshu*. This was found inscribed on bronze vessels, and is believed to be dating back to 536 BC. In later times, the legal system in China was determined by the ruling dynasties. The most influential legal precepts were *Ru Jia*, *Fa Jia*, and *Yin-Yang Jia* – a mix of Confucianism and Legalism. The Chinese legal scholars often term the struggle between these two concepts as the “rule of man” and “rule of law”. The influence of Legalism on the Chinese law has ensured that law has developed

as a tool for better administration (vertical implementation between the state and its citizens). (Chen, 2008) (Peerenboom, 2002)

China’s interactions with the world influenced its laws. As early as 1904, it saw the establishment of a Law Codification Commission. This was followed by various “edicts” adopted by the Qing dynasty to establish a constitutional government. The Nationalist / KMT government continued with the reforms that were helmed by the Qing dynasty. The laws made by KMT were unique as they sought to combine political principles of Dr. Sun Yatsen with laws – being, *Minzu*, *Minquan* and *Minsheng*.

The arrival of communism in China saw the country transform itself with Marxism, and the introduction of the Marxist concept of law. This, too, stressed on justice for an entire group/class of people as opposed to development of the rights of individuals. With Mao’s arrival, it was clear that China was going to make a break from its past practices. The 1950s, referred to as the “golden period” were dedicated to serious efforts to rebuilding of the legal system. In the communist ideology, economics and law were closely tied in. Both were means to have control over politics and administration of China. The disaster of “Great Leap Forward” made the interlinkages clear to the CCP. However, the pragmatism was short – lived as the “Cultural Revolution” destroyed most institutions. In the Third Plenary Session in 1978, the CCP recognised the necessity of development of the legal system. Under the leadership of Deng Xiaoping, there was greater codification of laws – an attempt to enshrine the principles of the communist party in writing. In 1996, under Jiang Zemin, ruling the country according to law was officially adopted as a strategy. (In the subsequent years, the role played by the WTO Agreements, which demand that the laws of the country should be transparent and universal, in the development of Chinese legal regime, cannot be understated.) (Oldham, 1986)

From the time of the Qing dynasty, a need to reform China to a constitutional monarchy was considered. This changed when KMT came into power, and adopted the Five-Power constitutional idea of Dr. Sun Yatsen. This also reflected in the *Zhonghua Mingguo Xian fa* (the Constitution of the Republic) adopted in 1946. A significant change was the Dengist Constitution adopted in 1982 incorporating the views and ideas of Deng Xiaoping.

Extraterritoriality

Attacked, divided and colonised, the Chinese scholars had to devise creative ways to tackle the difficult issue of unification of its territories. The creation of special administrative regions brings the “One Country, Two Systems” mechanism to reality. While originally aimed at Taiwan, both Hong Kong and Macau are special administrative regions. The Constitution is silent on the exact specifics of the relationship between the special administrative region and the Mainland. This poses a major challenge not just for the legal scholars but the local governments. Though one of the unintentional impacts of this system is of Hong Kong emerging as a safe haven for rich Mainlanders to park their assets. These investments further increase the division between the rich and the poor in Hong Kong. The demand for housing has skyrocketed in Hong Kong as supply is politically constrained to meet demand. (Rubinstein, 1998)

While Hong Kong is renowned as an efficient financial and security markets, it is highly dependent on the Mainland for bailouts during financial storms. Another telling fact is that the Mainland remains a key issue during the local elections in Hong Kong. The main political actors and their policy efforts are stymied due to conflict between pro-democracy and pro Mainland factions. In Hong Kong, the local politics is dominated by pro – Beijing / Nationalists (the mega wealthy local tycoons) and pro

– democracy (University students) groups. (White, 2016; Leung, 1998)

Hong Kong – The Paradox

Hong Kong has been known for its mix of politics and economics. It is not only an important trading city and port but has a highly politically involved citizenry. Many businessmen have crossed over to the political side. However, the mainland always had a say in the politics of Hong Kong. At the time of the Communist revolution, the capitalist class in the Mainland fled to Hong Kong. The Mainland, though disdainful of the capitalist Hong Kong, supplied food, drinking water and other resources to Hong Kong. This skewed exchange helped strengthen the economy in Hong Kong. A flourishing and open economy led to a distinct Hong Kong identity amongst its inhabitants. (Hsiung, 2000; White, 2016)

Post its handover to China, Hong Kong experienced many types of crises (economic, social, political). Through this all, the economic competitiveness and appeal of Hong Kong has never been in any doubt. The graph below is an illustration of the growth that has been witnessed by Hong Kong in a consistent manner.

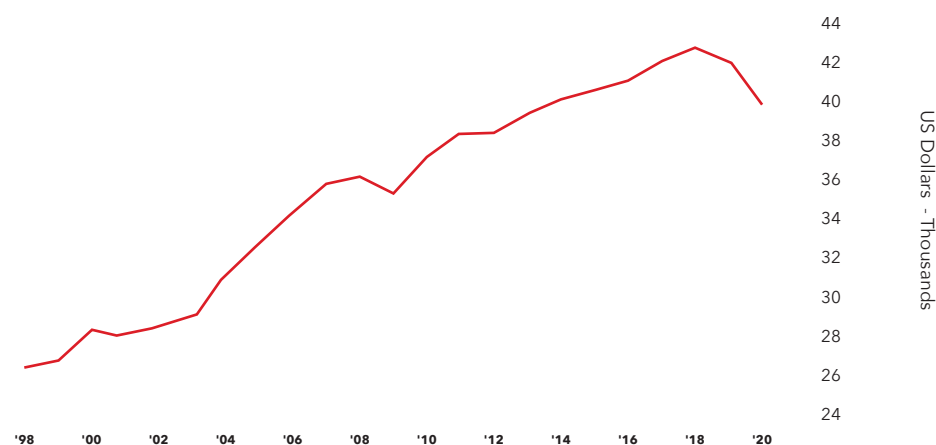
Its financial institutions and regulatory bodies are at par with the global norms. The competitiveness of the financial market in Hong Kong is linked with its highly developed society. Another reason for the attractiveness of Hong Kong’s financial market is the presence of Singapore, and the failure of Shanghai to emerge as an attractive alternative (largely attributable to the non – convertibility of Renminbi).

Its political system is quasi – Presidential in nature; and it follows common law principles for judicial matters.

(William, 1991) for Hong Kong was the Privy Council in England. During the negotiations between China and Britain with

Figure 1: GDP per capita (constant 2015 US\$) - Hong Kong SAR, China

Source: World Bank and OECD national accounts data



respect to the handover of Hong Kong, there was a proposal to constitute a court of final resort for all matters related to Hong Kong at Beijing. The final solution was the establishment of Court of Final Appeal at Hong Kong which can be staffed with foreign jurists.

As a British colony, Hong Kong did not have a written Constitution. The Basic Law²⁰, enacted in 1990 after public consultation, recognised Hong Kong's status as an international financial centre. However, the Basic Law does not have the status of being applicable to the Mainland as well. This renders various judicial pronouncements subject to nullification by the Mainland²¹.

In the late 1970s, Beijing and its aging communist party leaders were clear on reclaiming Hong Kong from Britain. The news of the commencement of the negotiations negatively impacted the economy of Hong Kong. Political instability and violence quickly spread. The public opinion turned towards renewal of the lease in favour of Britain. This forced the Mainland to form the policy of "One Country, Two Systems". This was a departure from its previous position of "Sovereignty Resumption". The key facets were: Hong Kong will have a high degree of autonomy; only foreign diplomacy will be under mainland control; *gangren zhigang*; and, the system will be unchanged for 50 years. To facilitate this, Article 31 was incorporated in the Chinese Constitution to recognize "Special Administrative Regions". Finally, in 1984, Britain and China signed the Joint Declaration which led to Hong Kong being recognized as a Special Administrative Region; and led to Hong Kong drafting the Basic Law. The economic integration increased between Hong Kong and the Mainland. The small business utilized the strategy of invoking social relations and their common ethnicity to build business ties. This was a pragmatic way to bypass the communist taboos related to investments. A turning point in this chapter was the Tiananmen incident in 1989. It led to more public protests, anger against the

Mainland government, triggered emigration in Hong Kong, and a renewed spirit in the citizenry. Needless to say, the mood in the Mainland, too, changed significantly after the protests. The cohesion is further tested by disruptive economic events and the SARS epidemic. (William, 1991)

Being Stateless

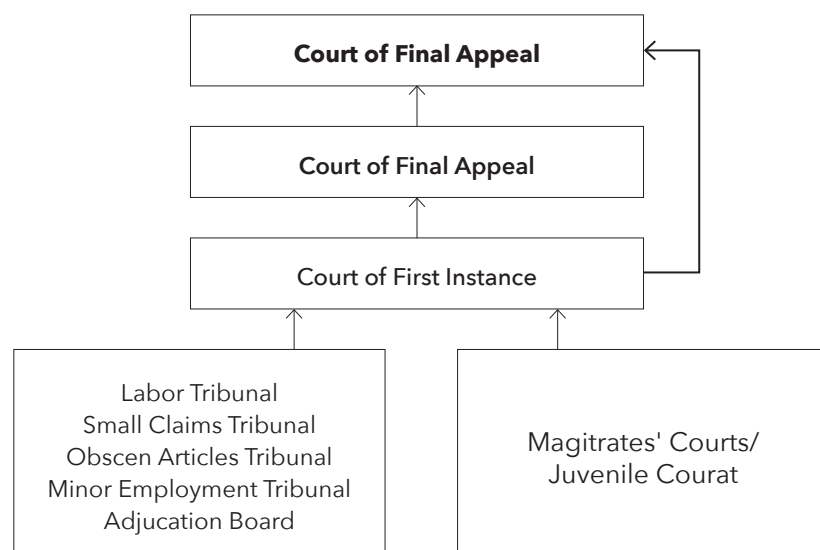
In continuing the concept of Paradox, it is important to evaluate the concept of "stateless" and the judicial pronouncements related to the same. While suing, in its name, in foreign courts, Hong Kong has faced challenges as it is not a foreign state (lacking appropriate *jus standi*); and has only received "de facto" recognition by countries such as the United States. It is a difficulty that Hong Kong faces routinely since it is not recognised as a sovereign legal and political entity. Being a non - sovereign international actor, where its entire existence is tied to international markets and conditions, Hong Kong is always likely to be in a weaker negotiating position.

Autonomous but Indistinct?

The autonomy granted to Hong Kong, by the National People's Congress, falls under Article 2 of the Basic Law. However, its Article 158 vests vast interpretive powers in the Standing Committee of the NPC. In recent years, the mechanism has been used to rein in the independence of judiciary in Hong Kong. The Mainland has also made it known that it thinks that it has the final word as far as the interpretation of Basic Law is concerned.

At the moment, China and Hong Kong function as "One Country, Two Systems". Hong Kong has WTO and APEC memberships and its own currency. Further, Hong Kong enjoys the status of "free port". It is unlikely that there will be an economic union between the two in the future. Or, even greater integration with the economy

Figure 2: Appeal structure of Magistrate's courts and tribunals in Hong Kong



of the Mainland. An interesting example of this is when financial crimes meet with jurisdictional challenges. To illustrate: Cheung Tze-keung aka “The Big Spender” was a Hong Kong resident who was accused of many serious crimes. He escaped to the Mainland which claimed jurisdiction over the matter. This was not an isolated case. Therefore, the main critique of “One Country, Two Systems” is that it leads to a situation where Hong Kong needs to choose between mainlandisation and internationalisation.

The Lesson of Giordano

When the 13-year-old left the Mainland for Hong Kong, he probably had no desire to become one of the most important voices leading the free press in Hong Kong. But before Apple Daily, his Chinese language newspaper, came the retail giant Giordano. Jimmy Lai sold the incredibly profitable company when, annoyed by a column written by Lai in Next, the Chinese authorities

democracy”. This is poignant especially due to the close relationship that exists between politics and business in Hong Kong. This case made me reflect on the Habermasian notion of identity and citizenship being tied to the citizens exercising their civil rights. This is a positive relationship where the citizens of Hong Kong strive to unite under the common identity of being members of the same society rather than merely rejecting the Chinese identity politics and nationalism. These sentiments have strengthened in Hong Kong due to the very vocal patriotism by the likes of Jimmy Lai – the admixture of political citizenship with market capitalism and individual will. (Moore, 1993) (White, 2016; Leung, 1998)

Analysis

A Constitution is an effective document only if its making involves the people who are also bound by it. However, the Weberian principle of “rational-legal domination” is not the case in PRC. In Hong Kong, at best,

Self-rule is incompatible with the style of governance that has evolved in Hong Kong. Its common law led judicial system is at odds with the Mainland's Marxist-Leninist style Constitution.

started unfairly targeting the company. Lai was also unable to establish a publishing empire that would have established him as a strong and powerful critic of the government in the Mainland. (Moore, 1993)

The case of Jimmy Lai is an illustration of the interference by the Mainland into Hong Kong which makes the city – state less competitive as a market. This case study is a prime example of the relevance and efficacy of Barrington Moore's oft-misunderstood maxim “no bourgeoisie, no

democracy can be referred to as restricted. The process of democratisation was in tandem with major economic transformation in Hong Kong. (White, 2016; Leung, 1998)

At the time of the British rule, Hong Kong existed as a colony and a non – democracy. Its transformation into a limited / restricted democracy happened after the handover. The Mainland and Hong Kong have a different perspective on their sovereignty. This leads to stasis in Hong Kong's policy making. Lacking independence, Hong

Kong, can, at best, function as a mid – level city which has to look to the Mainland for all of its crisis management. This renders the responses to Hong Kong's challenges reactive rather than prescriptive. Hong Kong and the Mainland cannot afford this for long. Hong Kong is a truly international city, and its impacts the whole world. The CCP would do well to recognise and capitalise on the same. Rule of law, Constitutionalism and economic prosperity goes hand in hand – there has rarely been different case in the modern world. The laws in Hong Kong were formed after a prolonged period of change and upheaval. Thus, limiting the arbitrariness is in the best interests of the city itself – not a single Constitution (top – down) implementation. (Peerenboom, 2002) (White, 2016; Leung, 1998)

In the end, we can say that while the stakes are very high for Hong Kong to be able to deal with its problems on its own. However, self – rule is incompatible with the style of governance that has evolved in Hong Kong. Its common law led judicial system is at odds with the Mainland's Marxist – Leninist style Constitution. An attempt to reverse engineer nationalistic possession into the Basic Law will make Hong Kong a less competitive democracy. (White, 2016; Leung, 1998)

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Shifting Tides: Empirical Insights into the Evolving Patterns of Chinese FDI in Africa

Yucheng Wu, Ke Chen

Abstract

This study examines the relationship between institutional quality and Chinese Foreign Direct Investment in Africa from 2005 to 2022, with a comparative analysis of United States FDI. While institutional quality is a well-established determinant of FDI, influencing regulatory environments and investment risks, Chinese FDI exhibits a complex and distinct pattern compared to traditional investors from developed economies. Drawing on updated panel data and employing OLS and GMM models, we find that Chinese FDI, driven by emerging market multinational enterprises (MNEs), does not consistently align with the preference for strong governance observed in developed countries' FDI. Instead, Chinese investment decisions reflect a mix of state-driven motives, resource acquisition, and infrastructure goals, often targeting countries with weaker institutions. However, following the implementation of the Belt and Road Initiative (BRI) in Africa, Chinese FDI increasingly conforms to patterns observed in developed economies, favoring African countries with stronger institutional frameworks. These findings highlight the evolving nature of Chinese FDI and its responsiveness to

global strategic initiatives, offering insights for policymakers and investors navigating Africa's diverse institutional landscapes.

Introduction

Institutional quality is widely examined as a key determinant of Foreign Direct Investment (FDI), influencing investment decisions by shaping the regulatory environment, reducing transaction costs, and mitigating investment risks. While traditional investors, such as the United States, typically prefer countries with strong governance and transparent institutions, Chinese Outward Foreign Direct Investment (FDI) has been characterized by a more complex relationship with institutional quality. Some studies suggest that Chinese firms are willing to invest in countries with weaker governance due to state-backed incentives, strategic resource acquisition, and infrastructure development goals, while others argue that private Chinese firms increasingly favor stable institutional environments for long-term investment. Despite extensive research on Chinese FDI in Africa, prior studies offer mixed evidence on the role of institutional quality in attracting Chinese FDI. Buckley et al. (2007) argue that Chinese firms are less deterred by weak governance, as state-driven motives, such as resource acquisition and geopolitical influence, often outweigh institutional risks. Similarly, Chen et al. (2018) find that Chinese FDI in Africa is positively associated with resource endowments and strategic motives, with weaker institutions sometimes facilitating easier market entry due to lower regulatory scrutiny. In contrast, other research highlights a preference for stronger institutions among Chinese investors. Wang & Zhao (2017) demonstrate that private Chinese firms, which are less reliant on state support, prioritize host countries with better governance to safeguard investments and ensure operational efficiency. Likewise, Amighini et al. (2013) suggest that Chinese FDI in manufacturing sectors, which require long-term

stability, is more likely to flow to African countries with higher institutional quality, such as those with stronger rule of law and lower corruption levels. These conflicting findings underscore the need for further investigation into how institutional quality shapes Chinese FDI in Africa, particularly in comparison to other major investors like the United States. While US FDI is consistently linked to strong governance and transparent legal frameworks (Globerman & Shapiro, 2002), Chinese FDI appears to be driven by a blend of opportunistic and strategic considerations, influenced by both host-country conditions and domestic policy objectives. This study addresses these complexities by analyzing updated data from 2005 to 2022 to reassess the relationship between institutional quality and Chinese FDI stock and flow in Africa. By incorporating US FDI into the analysis, it provides a comparative perspective to evaluate whether institutional quality differentially impacts FDI from these two global powers. The paper is structured as follows.

Section 2 offers a descriptive analysis of Chinese FDI and its presence in Africa. Section 3 provides a literature review, leading to the formulation of testable hypotheses. Section 4 introduces our model of OLS and GMM. Section 5 outlines data used in this study. Finally, Section 6 discusses the findings related to the influence of the factors on Chinese FDI and concludes the study.

Background: Evolution of China's Outward FDI and Strategic Engagement in Africa

The Historical Trajectory of China's OFDI

As one of the top three sources of outbound foreign direct investment in the world, China has undergone a significant transformation over the past several decades. China's reform and opening-up policy, which was initiated in 1978, kicked off the development of China's foreign investment.

Following the official establishment of a market-oriented economy in China in 1992, the scale of foreign direct investment, led by state-owned enterprises, surged to \$4 trillion (Naughton, 2007). Joining WTO in 2001, China further promoted enterprises' overseas economic activities, which was embraced as a state-wide political strategy. It was worth noting that private companies were legally approved to practice foreign investment in 2004, leading to the diversification of foreign investment entities. In the following few years, supportive policies, such as The Decision of the State Council on Reforming the Investment System, issued in 2004, were introduced to enhance enterprises' autonomy in outbound investment, lower the approval standards, and improve the efficiency of the administrative procedures to encourage greater participation in global investing markets. As shown in Figure 1, China's OFDI flow substantially increased after 2004 and maintained a high growth rate in the following few years.

In September 2013, Chinese President Xi Jinping proposed the Silk Road Economic Belt during a visit to Kazakhstan, followed by the 21st Century Maritime Silk Road in Indonesia in October. The Belt and Road Initiative (BRI) was officially elevated to a national strategy in November 2013 (NDRC et al., 2015), and a specific leading group was established to coordinate and promote the BRI in 2015. The initiative aims to improve infrastructure connectivity, promote trade and investment, and build a network of high-standard free trade zones. Meanwhile, the initiative has accelerated China's industrial globalization by expanding overseas markets for Chinese firms and deepening China's integration into global value chains.

The introduction of the Belt and Road Initiative (BRI) in 2013 further elevated China-Africa cooperation, highlighting production capacity collaboration in manufacturing, management, technology, and financial services as key priorities. A MoU represents the highest level of commitment

within the Belt and Road Initiative, contrasted with cooperation agreements, which generally contain broader terms and might merely signify a mutual interest in collaboration under the BRI framework.

Early milestones of BRI corporation with Africa include a 2013 Memorandum of Understanding (MoU) with Tanzania on the Bagamoyo Port development project, signed during President Xi Jinping's state visit – marking one of the earliest large-scale infrastructure collaborations aligned with the BRI framework (Ministry of Foreign Affairs of the PRC, 2013). In 2015, South Africa became the first African Country to officially sign a MoU with China on jointly advancing the Silk Road Economic Belt and the 21st Century Maritime Silk Road (The State Council Information Office of the PRC, 2021). In the same year, President Xi proposed major plans - including industrialization, agricultural modernization, and financial corporation - during the Forum on China-Africa Cooperation (FOCAC), aiming to integrate the BRI with Africa's own development priorities and elevating the partnership to comprehensive strategic level (Ministry of Foreign Affairs of the PRC, 2015).

Transformation of Investment Entities and Sectoral Strategies

In terms of the entities involved in China's outward FDI, non-state-owned enterprises are taking increasingly prominent role. Notably, by 2013, the share of investment from non-state-owned enterprises (non-SOEs) had already approached half of the total, and it has remained relatively balanced with that of SOEs in the following years. Compared to SOEs, private companies typically place greater emphasis on innovation capacity, brand image, and marketing influence. On the other hand, SOEs remain advantages in stable financial flows and favorable government policies, which jointly enhance their resilience against external risks. Therefore, SOEs continue to

Figure 1: Chinese annual outward FDI flow (MIL USD)

Source: UNCTAD Statistics Data Centre, 2025

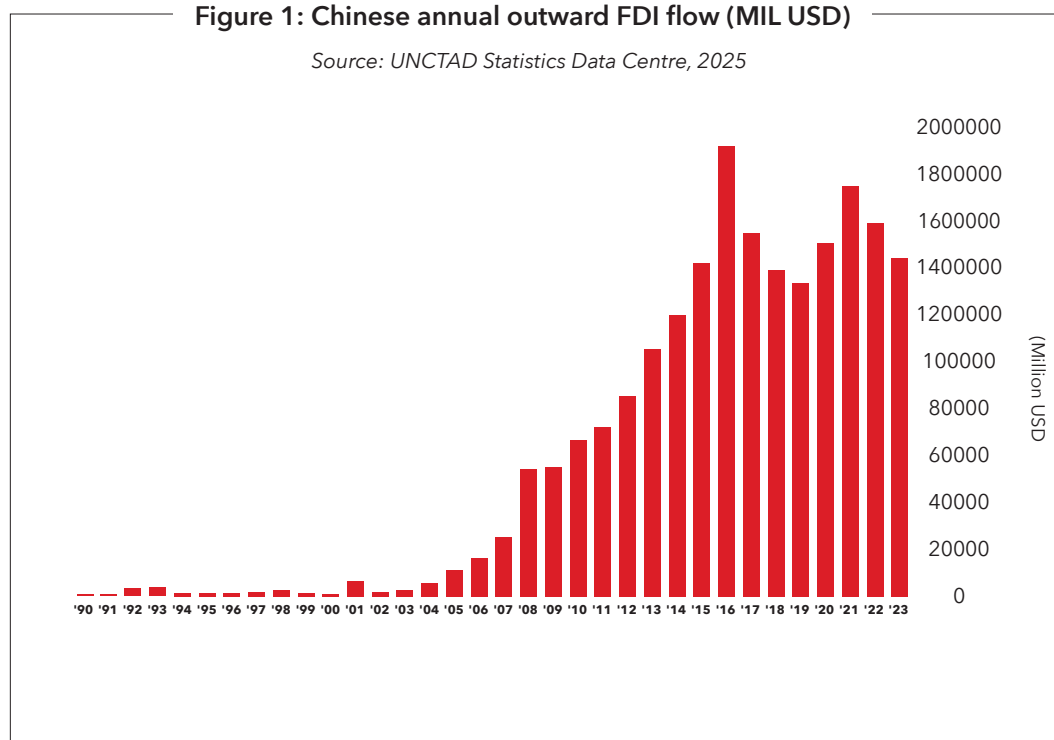
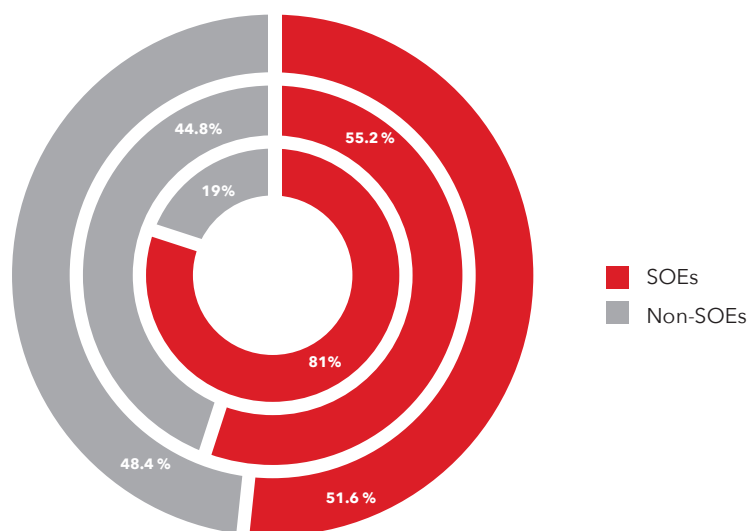


Figure 2: SOE and non-SOE share in Chinese FDI stock (2006, 2013, 2021, inner to outer rings)

Source: Statistical bulletin of China's outward FDI investment, MOFCOM



play an essential role in China's outward FDI, particularly within emerging markets.

Regarding sectoral preferences, SOEs and non-SOEs exhibit distinct investment patterns. SOEs are more concentrated in sectors such as energy and infrastructure, while non-SOEs tend to invest in manufacturing and services (Luo, Qi, & Hubbard, 2017).

China's FDI spans across various sectors, with significant structural shifts observable over time. The Leasing and Business Services sector consistently accounted for the largest share in total FDI since 2005. The Wholesale and Retail Services has continuously ranked among the top three sectors receiving China's FDI. Beginning around 2015, the Manufacturing sector witnessed a notable increase in FDI inflow (Figure 3), particularly in high value-added segments such as automotive, electronics and equipment. Meanwhile, Mining and

Energy, which dominated earlier years, saw a relative decline in total magnitude (Figure 4), suggesting a strategic shift away from purely resource-seeking motives. Coinciding with the diversification in the composition of investors, China's global investment agenda has evolved towards market-oriented, innovation driven, and value-chain-integrated strategies, moving away from resource-seeking motivations.

Africa as a Strategic Focus: Evolving Patterns and US-China Comparison

China's outward foreign investment is highly geographically concentrated, with a predominate focus on Asia. Over the past two decades, Asia has consistently remained the largest host regions of China's OFDI, both in terms of Stock and Flow. While investment in other regions – such as Europe, North America and Africa – has

Figure 3: Top sectoral destinations of China's FDI flow with others aggregated (2004-2022)

Source: Statistical bulletin of China's outward FDI investment, MOFCOM

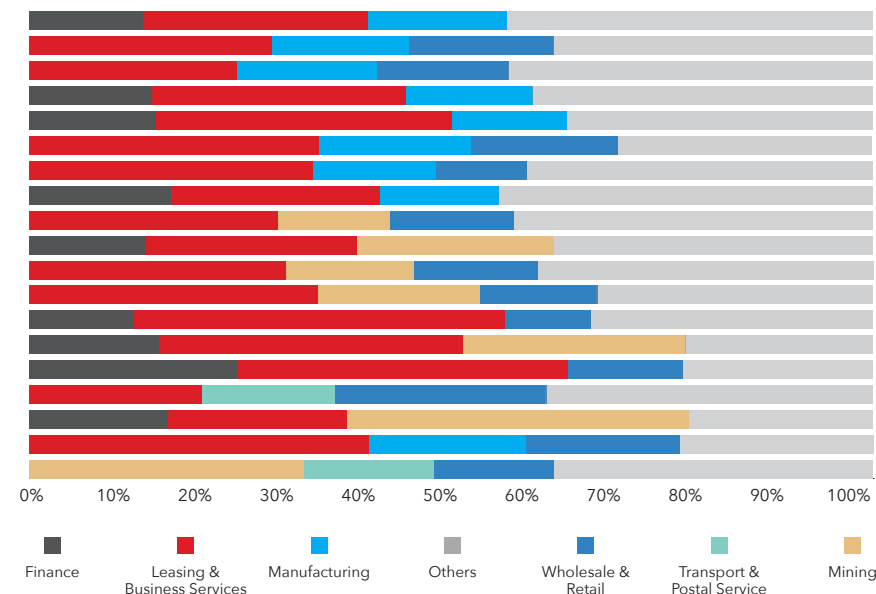
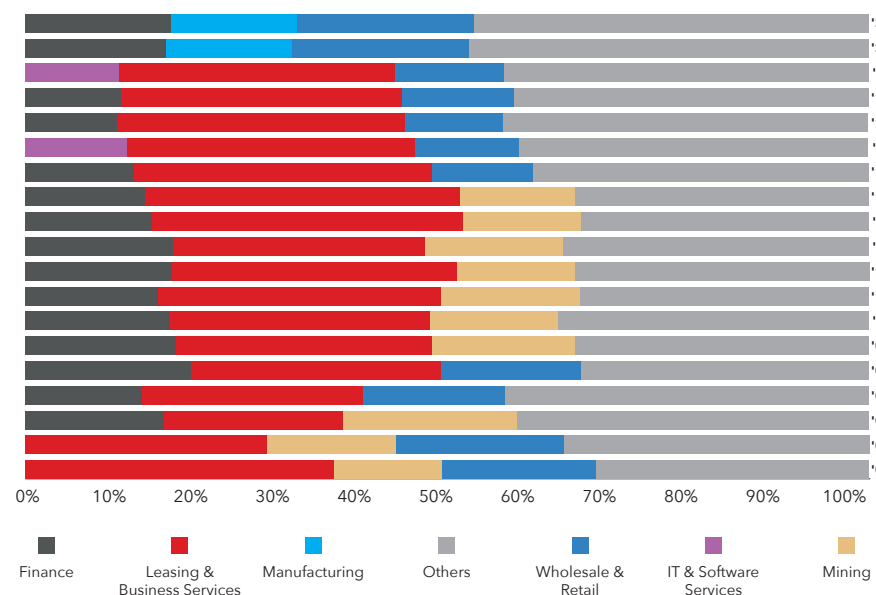


Figure 4: Top sectoral destinations of China's FDI flow with others aggregated (2004-2022)

Source: Statistical bulletin of China's outward FDI investment, MOFCOM



steadily increased, their share remains relatively modest. As shown in Figure 5, China's OFDI flows to Asia and Latin America peaked in 2016, while the stock in Africa seen a modest upward trend starting around 2018, –by which time over 37 African countries had signed MOU on the BRI cooperation (Figure 6).

While China's outward foreign investment in Africa constitutes a relatively small proportion of its global FDI, it plays an important strategic position in Chinese global development policy. Historically, China's economic engagement with Africa could source back to the foreign aid initiatives of the 1950s, with several SOEs establishing branches on the continent even prior to China's Reform and Opening-up in 1978 (State Council Information Office, 2021). Aligning with the overall development of China's integration into global trade and investment markets beginning in 1992, its investment approach in Africa gradually shifted from primarily diplomatic objectives to an economic-oriented strategy, emphasizing mutually beneficial economic cooperation (MOFCOM, 2013). Entering the 21st century, China included bilateral economic and trade corporation in long-term strategic consideration. Facilitated by supportive policy framework, China OFDI flow to Africa surged notably from 2005 onward. Although temporarily affected by global financial crisis in 2008, China's cumulative foreign investment consistently expand in the subsequent years (UNCTAD, 2021).

Over the past two decades, China's FDI in Africa has evolved from a resource-centered model to a more diversified, multi-sector investment strategy. Early investments between 2006 and 2010 were heavily concentrated in the metals and energy sectors, consistent with resource-seeking behavior (Kolstad and Wiig, 2012; Buckley et al., 2007). Notable examples include the acquisition of oil blocks in Angola and Chad by China National Petroleum Corporation

(CNPC) and mining investments by Chinese SOEs in Zambia's copper belt. From 2011 onward, Chinese enterprises started investing in real estate, consumer goods, logistics, and finance sectors, suggesting a shift toward broader strategic objectives and market development (Miao et al., 2021). For instance, China State Construction Engineering Corporation (CSCEC) developed luxury apartments and office towers in Nairobi and Addis Ababa, while ICBC's partnership with Standard Bank enabled financial expansion in southern Africa. Accelerated by the introduction of the BRI, diversification in investing sectors is seen in China's FDI practices, with notable expansions into technology, transport, and transport from 2018 onward. Post-BRI Chinese investments increasingly favor projects requiring stable governance and long-term infrastructure commitments. Examples include Huawei's rollout of digital infrastructure projects across Kenya, Uganda, and South Africa, as well as investments in hydropower plants in Madagascar and solar projects in Burkina Faso (Du and Zhang, 2018). A sharp increase in project counts in recent years has also been witnessed, particularly in technology and health, reflecting China's growing emphasis on digital infrastructure and sustainable development, aligning with the key priorities for Chinese private firm investment strategies (Xie et al., 2024). Hence, the sectoral changes in China's FDI in Africa reflect a shift from extractive investment to a more strategic, market-integrated, and governance-sensitive approach, signaling convergence with patterns more typical of advanced economies investors.

Given Africa's strategic role in Chinese global economic corporation framework and international production chains, investments have targeted manufacturing, agriculture, technology, and infrastructure sectors. For African economies, Chinese investment have crucially contributed to local industrial transformation, promoting a shift from resource-dependent sectors toward higher value-added industries.

Figure 5: China Foreign Direct Investment (2003-2022)
line shows annual flow; columns show stock flow

Source: Statistical Bulletin of China's Outward Foreign Direct Investment, MOFCOM (2023)

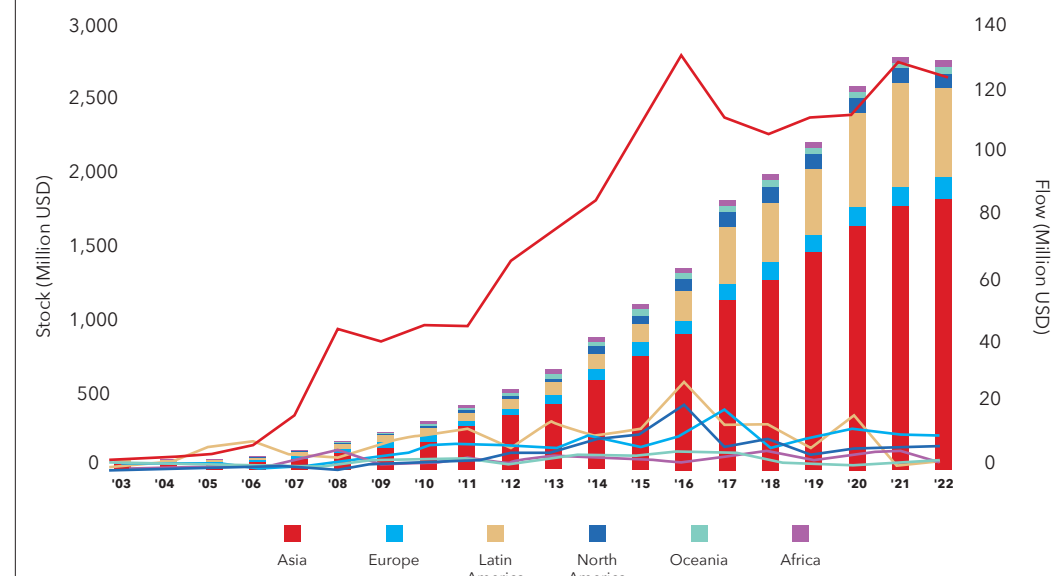


Figure 6: China's FDI to Africa (2003-2022)
line shows annual flow; columns show stock flow

Source: Statistical Bulletin of China's Outward Foreign Direct Investment, MOFCOM (2023)

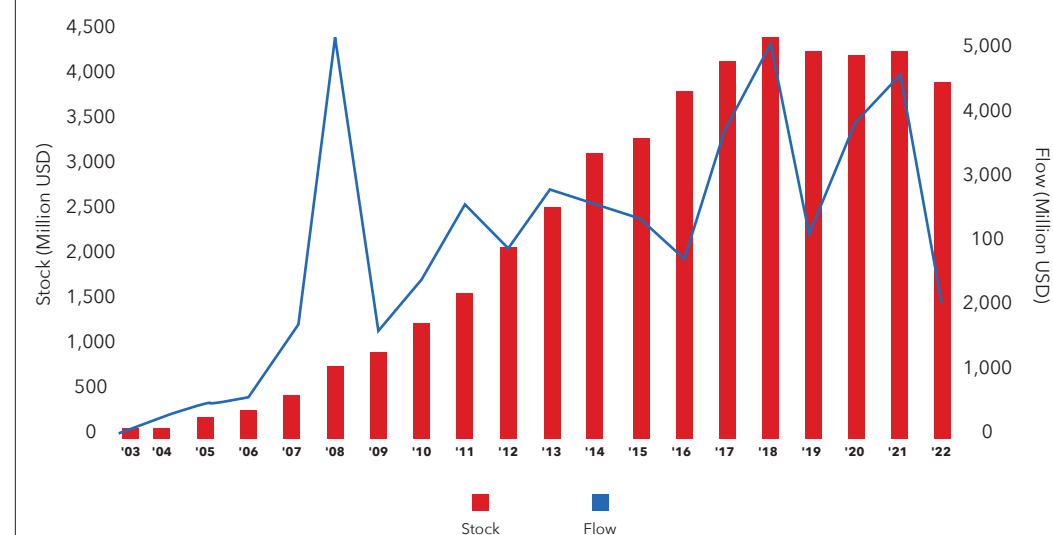
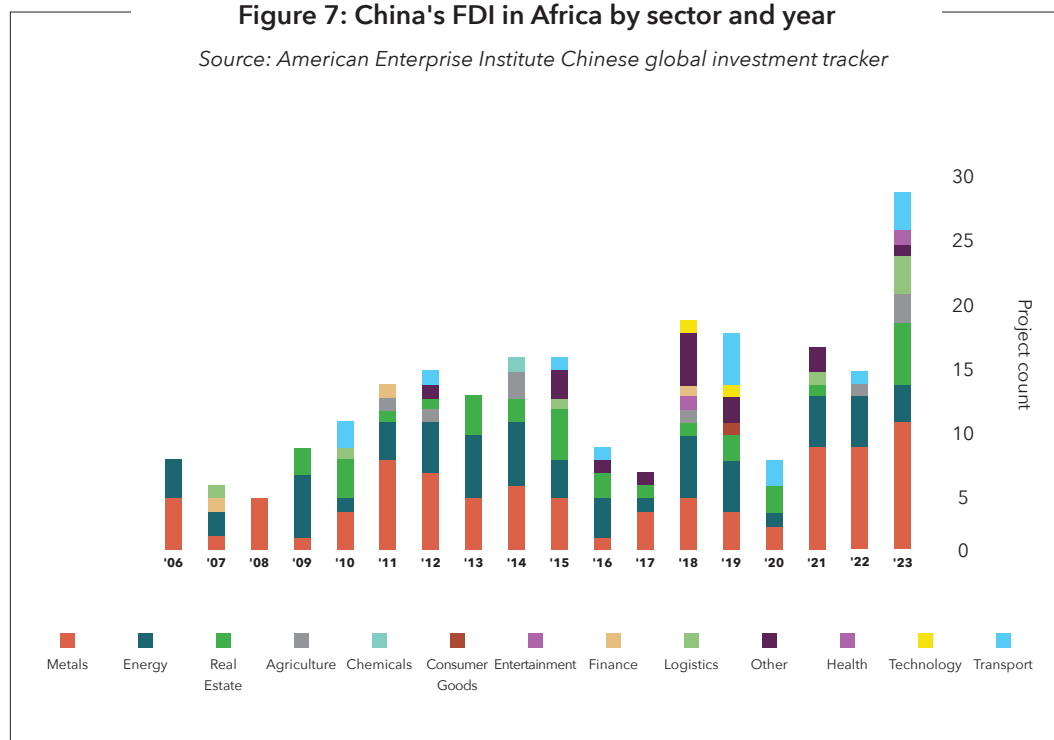
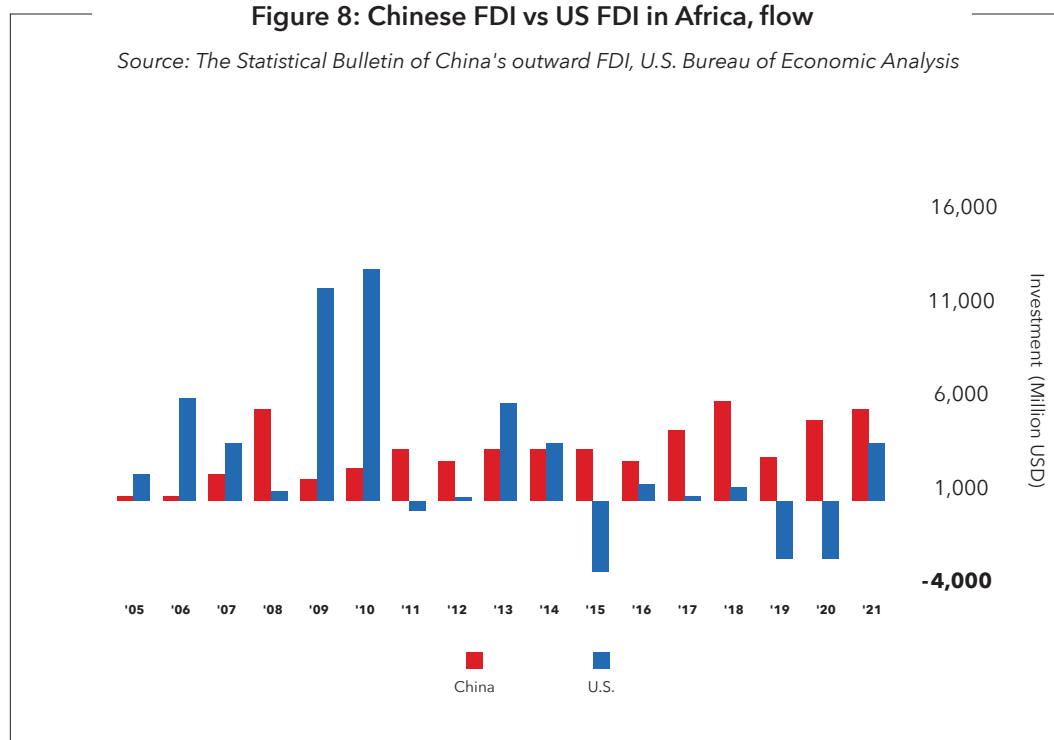


Figure 7: China's FDI in Africa by sector and year*Source: American Enterprise Institute Chinese global investment tracker***Figure 8: Chinese FDI vs US FDI in Africa, flow***Source: The Statistical Bulletin of China's outward FDI, U.S. Bureau of Economic Analysis*

Furthermore, this capital inflows have generated employment opportunities, enhanced human capital accumulation, and promoted technological innovation and management practices. Unlike traditional colonial investment patterns, Chinese approach to foreign direct investment in Africa emphasizes mutually beneficial cooperation, and inclusive economic outcomes for both sides.

The United States has maintained a significant and long-standing investment presence in Africa, primarily concentrated in sectors such as mining, oil and gas extraction, and manufacturing. Major US corporations like ExxonMobil and Chevron have heavily invested in oil-rich regions of Nigeria and Angola, while General Electric has focused on infrastructure and manufacturing projects across several African countries (USITC, 2020). Compared with Chinese FDI, which emphasizes infrastructure under the Belt and Road Initiative, US investments align more closely with market-driven opportunities, influenced by market size, institutional quality, and governance stability (USITC, 2020).

US policy toward FDI in Africa has evolved significantly over recent decades, with strategic initiatives aimed at promoting economic partnerships, enhancing trade ties, and advancing development goals. Notable policies include the African Growth and Opportunity Act (AGOA), designed to boost trade and investment by granting preferential access to US markets for qualifying African countries. More recently, initiatives such as Prosper Africa, launched in 2019, aim to mobilize resources from across the US government to increase trade and investment between the United States and Africa, creating economic opportunities and promoting sustainable development.

As depicted in Figure 7, US FDI flows to Africa were notably higher than Chinese investments before 2012 but exhibited greater volatility. US FDI reached

a significant peak during 2008-2011, driven by substantial investments in natural resources, particularly oil extraction in Nigeria and Angola, as well as mining operations in South Africa and Zambia. This surge was largely fueled by rising global commodity prices, encouraging large-scale investments by multinational companies. However, this period of robust investment was sharply interrupted by the 2008 global financial crisis, significantly reducing investor confidence and capital availability, and subsequently causing major US corporations such as Chevron and Caterpillar to scale back their African operations.

Since 2015, US FDI has faced multiple periods of decline and even negative net outflows. For example, uncertainties stemming from US foreign policy shifts under the Trump administration, including budget cuts to development aid and trade uncertainties, negatively impacted investor sentiment. Moreover, governance challenges and political instability in critical markets such as Nigeria, Ethiopia, and South Africa have further deterred US investors. In stark contrast, Chinese FDI has maintained relative stability, largely due to consistent infrastructure commitments under the Belt and Road Initiative, with significant projects including railway construction in Kenya, the Addis Ababa-Djibouti railway, and major port developments in Tanzania supported by strong governmental backing.

Literature Review

Theoretical Linkage

The determinants of FDI are traditionally analyzed through Dunning's Eclectic Paradigm, or OLI framework (Dunning, 1993), which posits that multinational enterprises (MNEs) pursue FDI when they possess Ownership, Location, and Internalization advantages. Ownership advantages include firm-specific assets like

technology or expertise; Location advantages involve host-country attributes such as resources or regulatory environments; and Internalization advantages determine whether firms internalize operations to minimize transaction costs. This framework effectively explains FDI patterns of developed-country MNEs, which typically exploit competitive advantages in host countries with strong institutional quality, robust governance, and predictable legal systems to reduce risks (Dunning, 2001). However, the OLI paradigm assumes pre-existing firm competitiveness and a preference for stable institutions, which may not fully apply to emerging market multinational enterprises (EM MNEs), particularly those from China. Unlike developed-country MNEs, EM MNEs often lack traditional ownership advantages at the outset of internationalization. Scholars argue that Chinese MNEs deviate from the OLI logic, as their FDI is frequently driven by the need to acquire strategic assets rather than exploit existing ones (Sanfilippo, 2010). The “springboard perspective” by Luo and Tung (2007) provides a more fitting framework, suggesting that Chinese firms use outward FDI to overcome latecomer disadvantages, acquiring technology, branding, and global experience to enhance competitiveness. This strategic asset-seeking behavior challenges the OLI assumption that FDI targets low-risk, high-institutional-quality environments. Instead, Chinese MNEs may prioritize locations offering access to resources or markets, even if governance is weak, reflecting a form of institutional pragmatism. Early literature supports the view that Chinese outward FDI often flows to countries with lower institutional quality. Kolstad and Wiig (2012) find that Chinese FDI, particularly in resource-rich sectors, is directed toward countries with weak rule of law and high corruption, where state-owned enterprises (SOEs) leverage government support and flexibility in opaque environments. Similarly, Ramasamy et al. (2012) note that resource-seeking Chinese FDI

is less deterred by political risk or corruption, as weaker governance can facilitate discretionary deals. Cultural factors, such as the Chinese practice of *guanxi* (informal networks), further enable Chinese firms to navigate low-institutional-quality environments, substituting for formal contracts (Buckley et al., 2007; Cheung & Qian, 2009). Additionally, China’s non-interference foreign policy and domestic experience with bureaucratic opacity reduce sensitivity to host-country governance risks (Cai & Lu, 2013). More recent studies, however, indicate an evolving trend, particularly following the Belt and Road Initiative (BRI) launched in 2013. The BRI’s focus on infrastructure, trade, and economic integration has increased the relevance of institutional quality for Chinese FDI. Du and Zhang (2018) observe that Chinese OFDI is increasingly correlated with stronger host-country institutions, as infrastructure projects require stable governance for sustainability and risk mitigation. Similarly, Zhao et al. (2021) find that private Chinese firms, which rely less on state support, prefer countries with transparent regulations and lower corruption to ensure operational efficiency. Cai et al. (2020) further note that while resource-seeking FDI may still target institutionally weak states, market- and asset-seeking FDI in sectors like manufacturing and technology is gravitating toward countries with robust legal frameworks and investor protections.

Hypothesis Development

The evolving nature of Chinese FDI reflects an increasing role for private and mixed-ownership firms, particularly following the BRI launched in 2013, with broader engagement in Africa since 2015. These firms, being more commercially oriented and risk-averse, prioritize host-country institutional quality, such as robust legal frameworks and regulatory

stability. The BRI’s emphasis on infrastructure and global integration, coupled with China’s engagement with multilateral institutions like the Asian Infrastructure Investment Bank (AIIB), has formalized Chinese OFDI, potentially aligning it with international investment norms. This shift prompts the central research question: Are Chinese MNEs converging toward the institutional preferences of developed-country MNEs in their sensitivity to host-country institutional quality post-BRI? To address this, we propose the following hypotheses, framed within the Location (L) component of Dunning’s OLI framework, where institutional quality is a key location advantage:

H0: Host-country institutional quality has no significant effect on Chinese OFDI in Africa, both before and after the BRI in Africa (2015), indicating no change in location preferences over time.

H1: Prior to 2015, Chinese OFDI in Africa was not significantly influenced by host-country institutional quality, reflecting tolerance for weaker governance environments. Post-2015, following the BRI, Chinese OFDI is positively associated with institutional quality, indicating convergence toward the location preferences of developed-country MNEs, such as those from the United States.

To test these hypotheses, we analyze Chinese OFDI stock and flow data in Africa from 2005 to 2022, alongside US FDI, using OLS and GMM models. This approach captures both long-term capital accumulation and short-term investment dynamics, enabling a comparative perspective on the role of institutional quality. We expect the coefficient on institutional quality in FDI location regressions to be statistically insignificant or negative pre-2015 under H0, and positive and significant post-2015 under H1, particularly for non-resource sectors.

Model Specification

OLS for FDI Stock

To investigate the determinants of Chinese FDI stock in African countries, we begin by estimating a linear Ordinary Least Squares (OLS) regression based on the following specification:

$$\begin{aligned} FDI_stock_{it} = & \beta_1 GDP_{1,t-1} + \\ & \beta_2 GDPG_{1,t-1} + \\ & \beta_3 Natural_{1,t-1} + \\ & \beta_4 Labor_{1,t-1} + \\ & \beta_5 IQAverage_{1,t-1} + \\ & \beta_6 Inflation_{1,t-1} + \\ & \beta_7 TradeOpen_{1,t-1} + \\ & \beta_8 AnnualLoan_{1,t-1} + \\ & \eta_t + \varepsilon_{it} \end{aligned}$$

In this specification, the dependent variable FDI_stock_{it} represents the stock of Chinese FDI in country i at time t . To mitigate endogeneity concerns following the methodology of previous studies (De Melo et al., 1997; Kinoshita and Campos, 2004), all independent variables are lagged by one period. Specifically, $GDP_{1,t-1}$ captures the size of the host country’s economy relative to China’s GDP, measured as the percentage ratio. Similarly, $GDPG_{1,t-1}$ is represented as the percentage of the host country’s GDP annual growth rate. $TradeOpen_{1,t-1}$ represents the trade openness of the host country, measured as the sum of exports and imports as a percentage of the host country’s GDP. $IQAverage_{1,t-1}$ is the

average of six Institutional Quality indicator of host country. It was calculated by the average of the six World Governmental Indicators (2022) in the models, including rule of law, control of corruption, voice and accountability, government effectiveness, political stability, and regulatory quality to see the comprehensive effects of institution (Kaufmann et al., 2010). Data has been transformed their scales so that every indicator is constructed as a normally distributed random variable with a zero mean, unit standard deviation, and ranging approximately from -2.5 to 2.5 with higher values showing better institutions. To verify the robustness of our results, we then re-estimate the full set of models first with a five-indicator index that omits rule of law (thereby mitigating potential multicollinearity) and subsequently using rule of law alone as the sole proxy for institutional quality.

The variable *Labor*_{1,t-1} denotes labor force participation rate. Inflation rate, *Inflation*_{1,t-1} serves as a proxy for macroeconomic stability, and *AnnualLoan*_{1,t-1} is annual Chinese loan to host country. Finally, indicates the annual net loan inflows received by host countries. The model includes year-fixed effects to control for global shocks and common time trends, and an idiosyncratic error term.

GMM for FDI flow

The OLS approach has notable limitations. First, it does not account for the dynamic nature of FDI—that is, the fact that past FDI decisions may influence future flows. Second, while FDI stock captures long-term accumulation trends, it may obscure short-run variation and causal inference. To address these limitations, we complement this analysis with a dynamic panel estimation using a system Generalized

Method of Moments (GMM) model, with specification below:

$$\begin{aligned} FDI_flow_{it} = & \beta_1 FDI_{1,t-1} + \\ & \beta_2 GDP_{1,t-1} + \\ & \beta_3 GDPG_{1,t-1} + \\ & \beta_4 Natural_{1,t-1} + \\ & \beta_5 IQAverage_{1,t-1} + \\ & \beta_6 Inflation_{1,t-1} + \\ & \beta_7 TradeOpen_{1,t-1} + \\ & \beta_8 AnnualLoan_{1,t-1} + \\ & \beta_9 BRI_{it} + \\ & \eta_t + \varepsilon_{it} \end{aligned}$$

In this specification, the dependent variable *FDI_flow*_{it} represents the flow of Chinese FDI in country *i* at time *t*. We include the one-year lagged *FDI*_{1,t-1} dependent variable as an explanatory variable (Mistura & Roulet, 2019), to capture the path dependence (Amighini, Mcmillan, & Sanfilippo, 2017) and trend of FDI. To address this issue, we estimate our model using the system GMM estimator, which is appropriate for dynamic panel data with a relatively small T and large N (Roodman, 2009). The advantage of the system GMM estimator is that we can use instruments from within our model to control for potential endogeneity (Arellano & Bover, 1995; Blundell & Bond, 1998; Roodman, 2009), whereas the classic instrumental variable approach would require the selection of suitable external instruments (Amighini et al., 2017). As highlighted by Amighini et al. (2017), using model internal instruments has the additional advantage of not facing the risk of including external instruments that might not be theoretically profound. In addition, we attempt to capture the effect of the BRI using a dummy variable. Considering the signing of a MoU as a critical indicator of

active participation in the BRI, which can potentially affect foreign direct investment dynamics, we construct a dummy variable *BRI*_{it} indexed by the year each host country signed the MoU. Specifically, the dummy variable takes a value of 1 for each year following the signing of the MoU and 0 for all preceding years.

Instrument Selection

In the System GMM framework, variables are categorized into endogenous and exogenous groups for instrumenting. The variable lagged FDI (*L. FDI*) is treated as endogenous, meaning past FDI values may be correlated with the error term, leading to potential endogeneity. This issue is addressed by adding lagged values (*t-2* to *t-4*) of FDI as GMM instruments, ensuring relevance while avoiding current correlation with the error term. We used three lags because of the considerable time it takes to set up a new firm, install machines, train labor, etc. (see also McCormick, 1999), before the effect of FDI can be realized.

IV – GMM:

$$L. FDI_{it} \sim (L. FDI_{i,t-2}, L. FDI_{i,t-3}, L. FDI_{i,t-4})$$

Several macroeconomic and institutional variables, including GDP growth per capita, natural resources, institutional quality, inflation, and trade openness, are assumed to be exogenous or be less endogenous and enter the model as level instruments. As a result, these are included as level instruments to improve the efficiency of the model estimation. The validity of this assumption is supported by the pairwise correlation table (see Table 3), which reveals weak or statistically insignificant correlations between these variables and FDI. Specifically, *L.GDPG* and *L.Natural* exhibit no significant correlation with FDI, suggesting weak endogeneity. Similarly, *L.TradeOpen* (-0.008, *p* = 0.805) and *IQAverage* (0.015, *p* = 0.647) show weak correlations, further supporting their use

as level instruments. However, *L.AnnualLoan* (0.147, *p* = 0.000) and *BRI* (0.089, *p* = 0.006) display significant correlations with *FDI*, suggesting strong endogeneity. To prevent bias, these variables are excluded as level instruments. Thus, the valid external instruments included in the equation are:

IV – Level:

$$(L.GDPG_{it}, L.Natural_{it}, L.IQAverage_{it}, \\ L.Inflation_{it}, L.TradeOpen_{it})$$

It is worth noting that the potency of the GMM estimator in yielding robust estimates depends on several post-estimation tests. Following Ofori et al., 2022c, Ofori et al., 2022d, we evaluate the validity of the instrument using Hansen (1982)'s test of over-identification. The Hansen test is premised on the null hypothesis that the set of identified instruments and the residuals are uncorrelated. Hence, the appropriateness of the instruments and thus the robustness of our estimates depend on the failure to reject the null hypothesis. On the other hand, if the null hypothesis is rejected, then the instruments are not robust because the restrictions imposed by relying on the instruments are invalid. Finally, we evaluate the reliability of our estimates based on the post-estimation tests of: (i) whether there is evidence of second-order serial correlation in the residuals or not, (ii) the significance of the interaction terms, and (iii) the Wald test for the overall model significance.

Data Source

The study utilized annual panel data over the period 2003 to 2021 for 54 African countries. Since 2003, China has published its foreign direct investment data in a format aligned with OECD and IMF international standards. These data are released annually in the Statistical Bulletin of China's Outward Foreign Direct Investment, published by the Ministry of Commerce of the People's Republic of China (MOFCOM). MOFCOM

Table 1: Variables used in study and sources - compiled by author

Variables	Explanations	Data Source
FDI	Annual China's/ US FDI Stocks and flows to host country	China Statistical Yearbooks, the Statistical Bulletins of China's Outward Foreign Direct Investment published by China's MOFCOM; Direct Investment Financial Transactions and Direct Investment Position published by Bureau of Economic Analysis (BEA)
IQAverage	Institution Quality Index: Average of 6 governance indicators	Governance Indicators, from Quality of Government Institute
GDP	Ratio of the host-country's gross domestic product to the Chinese gross domestic product, measured in US dollar, to indicate market size	World Development Indicators database provided by the World Bank
GDPG	Host-country's real income growth rate to indicate market potential	World Development Indicators database provided by the World Bank
Natural	Fuels, ores and metals exports as share of GDP	World Bank World Development Indicators
Labor	Labor force participation rate, total (% of total population ages 15+)	International Labour Organization
BRI	Dummy of country's Belt and Road Initiative participation by signing the MoU	South African Revenue Service
TradeOpen	Sum of exports and imports as a percentage of the host country's GDP	World Bank Database
AnnualLoan	Annual Chinese loan to host country	Boston University Global Development Policy Center
Inflation	Inflation, consumer prices (annual %) of host country	International Monetary Fund, International Financial Statistics and data files

was established in 2003 through the reorganization of the former Ministry of Foreign Trade and Economic Cooperation. Unlike earlier datasets based on approved ODI, which have been widely used in the literature, this bulletin is based on information collected through China's foreign investment approval and registration system. This system includes reports filed after investment activities are implemented or planned, thus offering a more accurate reflection of realized ODI and helping to reduce discrepancies between contracted and actual investment figures.

Table 2 presents summary statistics for the main variables used in the regression analysis, based on a sample from 54 countries over 19 years of up to 1,026 observations. FDI shows substantial variation, indicating diverse investment inflow levels across African countries. Core explanatory variables such as GDP, GDP growth, trade openness, and inflation also display considerable heterogeneity, reflecting structural and macroeconomic variance in the sample. The mean of binary BRI variable shows that approximately 18.5% of the observations correspond to countries participating in the Belt and Road Initiative.

Table 5 reveals the extent to which explanatory variables are correlated with dependent variable. GDP growth, natural resources, institutional quality, inflation, and trade openness all exhibit weak or statistically insignificant correlation with FDI. On the other hand, variables like Annual Loan (correlation = 0.147, $p = 0.000$) and BRI (correlation = 0.089, $p = 0.006$) show statistically significant correlations with FDI, indicating potential endogeneity.

However, the dataset is not without limitations. Not all Chinese overseas investments are captured—particularly those channeled through offshore financial centers such as Hong Kong, tax havens, or special purpose vehicles (SPVs), or informal investments. A notable example is China Nonferrous Metal Mining Group's (CNMC) investment

in Zambia's Chambishi copper mine and the associated economic zone, which was partially structured through Hong Kong-registered subsidiaries. This structure allowed segments of the investment to circumvent China's official reporting system, leading to inconsistencies between reported and actual ODI flows. Furthermore, some data are aggregated at the regional level, limiting transparency regarding the ultimate destinations of investment—such as cases where ODI appears as routed to Hong Kong but is ultimately deployed in African countries.

Empirical Results and Discussions

Determinants of Chinese FDI Stock in African Countries

To examine the overall trends since the early 2000s, we utilize the available data spanning from 2005 to the most recent year, 2021. Recognizing the significance of BRI, we divide our analysis into two distinct sub-periods, using 2015—the year BRI gained substantial momentum in Africa—as the dividing point. Consequently, our analysis comprises the pre-BRI period (2005–2014) and the post-BRI period (2015–2021), allowing us to distinctly capture the involving pattern. Table 4 reports the regression results from our initial OLS model, comparing outcomes across these two sub-periods as well as the full sample period (2005–2021).

The results highlight a significant shift in the role of institutional quality ($L_IQAverage$) in attracting Chinese FDI stock. In the pre-BRI period (2005–2014), the coefficient on institutional quality is 87.477 ($p > 0.05$), indicating no statistically significant relationship. This aligns with early literature suggesting that Chinese investors, often state-backed enterprises, prioritized resource access and strategic goals over governance stability (Kolstad & Wiig, 2012). These investments, typically in primary industries or infrastructure,

Table 2: Descriptive Statistics for Regression Variables - compiled by author

Variables	Obs	Mean	Std. Dev.	Min	Max
China FDI Flow	985	51.417	195.439	-814.91	4807.86
China FDI Stock	1026	418.459	871.495	0	7472.77
US FDI Flow	568	48.894	379.687	-1998	5170
US FDI Stock	948	780.426	2153.092	-1528	18796
GDP_CH	1022	.578	1.322	0	13.082
GDP_US	1026	.222	.461	0	3.272
CDPG	982	3.89	6.387	-50.339	86.827
Natural	993	11.823	11.635	.002	66.06
IQAverage	1026	-.682	.623	-2.41	.87
AnnualLoan	1026	167.982	748.306	0	19191.047
TradeOpen	1026	60.737	44.184	0	347.997
Inflation	910	9.023	28.907	-16.86	557.202
Labor	1026	62.146	16.382	0	89.428
BRI	988	.185	.389	0	1

were often supported by government-to-government agreements, reducing sensitivity to institutional risks like corruption or political instability.

In contrast, post-2015, the coefficient on institutional quality rises to 300.301 ($p < 0.001$), indicating a strong positive relationship. Statistically, a one-unit increase in the institutional quality score (on a scale of -2.5 to 2.5) is associated with a \$300.301 million increase in Chinese FDI stock. Economically, this shift reflects a growing preference for environments that reduce transaction costs and enhance investment predictability. For instance, a one-unit improvement in institutional quality—equivalent to moving from the governance level of a country like Sudan (-1.5) to one like Ghana (0.0)—could attract an additional \$300 million in FDI stock, assuming other factors remain constant. Better institutions improve contract enforceability, lower the risk of expropriation, and reduce costs associated with corruption, making African countries with stronger governance more attractive for market-oriented and commercially viable projects. This trend is particularly pronounced in non-resource sectors like manufacturing, where long-term stability is critical.

Comparatively, US FDI stock in the earlier period (2005–2015) shows a stronger sensitivity to institutional quality, with a coefficient of 852.839 ($p < 0.001$). A one-unit increase in institutional quality corresponds to an \$852.839 million increase in US FDI stock, nearly three times the effect observed for Chinese FDI in the post-2015 period. This disparity underscores that while Chinese MNEs are converging toward the institutional preferences of developed-country MNEs post-BRI, their sensitivity to governance remains lower than that of US investors during the earlier period, likely due to differences in investment motives and risk

tolerance. For example, while a country like Kenya ($IQ \approx 0.1$) might attract \$30 million more in Chinese FDI (post-2015) and \$85 million more in US FDI (2005–2015) per unit improvement in institutional quality, Chinese firms may still invest in riskier environments where US firms hesitated in the earlier period, reflecting a hybrid approach balancing commercial and strategic goals.

Other variables also provide economic insights. The coefficient on L_GDP remains significant across all periods, with a post-2015 value of 934.233 ($p < 0.001$) for Chinese FDI, suggesting that a 1% increase in the host country's GDP (relative to China's GDP) leads to a \$934.233 million increase in FDI stock. This highlights the continued importance of market size; particularly as Chinese firms target market-seeking opportunities post-BRI. Similarly, L_Natural (25.649, $p < 0.001$) and L_Tradeopen (1.737, $p < 0.01$) become significant post-2015, indicating that resource availability and trade openness further enhance attractiveness, with a 1% increase in trade openness boosting FDI stock by \$1.737 million. These results underscore the multifaceted drivers of Chinese FDI, where institutional quality increasingly complements traditional location advantages like market size and resources.

Through the analysis of FDI stock, we identify the key factors influencing China's investment behavior in Africa and observe a gradual convergence in its investment pattern toward developed countries such as the United States. However, given the potential dynamic characteristics of FDI decisions and the possibility of endogeneity in panel data, we further employ a dynamic panel GMM model to capture these effects more accurately.

Determinants of Chinese FDI Flow in African Countries

Table 5 (please see Appendix following References) presents the GMM-system results of 54 African countries, over the same three-time frames, with a comparative analysis of US FDI flows from 2009 to 2021.

The estimates results demonstrate a noteworthy shift: In the pre-BRI period, the coefficient on institutional quality is -8.00 ($p > 0.10$), indicating no significant relationship. However, institutional quality emerges as statistically significant at the 10% level (coefficient = 57.08, SE = 29.73). Economically interpreted, a one-unit increase in institutional quality significantly enhances Chinese FDI flows by approximately 57.08%. The emergence of institutional quality as a significant driver in the recent period indicates a changing investment strategy by Chinese entities. The introduction of the BRI in 2013 likely catalyzed the importance of governance quality, given the nature of infrastructure projects (ports, railways, and highways) demanding long-term commitments, regulatory clarity, and stable governance frameworks for their successful execution.

For the full period, column 1, institutional quality is not significant (coefficient = 24.05, $p > 0.10$), likely due to offsetting effects across sub-periods, where the pre-BRI insignificance dilutes the post-BRI effect. Comparatively, US FDI flows, column 4, show a similar sensitivity to institutional quality, with a coefficient of 63.45 ($p < 0.10$), indicating a \$63.45 million increase in FDI flows per one-unit improvement in institutional quality. This suggests that while Chinese MNEs are converging toward the institutional preferences of developed-country MNEs, their sensitivity to governance is slightly lower, reflecting a hybrid approach that balances commercial goals with strategic objectives like resource access or geopolitical influence (Globerman & Shapiro, 2002).

The BRI dummy variable further supports the role of institutional quality, with a significant coefficient of 107.76 ($p < 0.01$) in the post-2015 period, indicating that BRI-participating countries receive \$107.76 million more in FDI flows annually. This effect is partly tied to improved governance, as BRI projects often encourage host countries to streamline regulations and enhance stability, indirectly boosting the attractiveness of institutional quality. Other variables, such as market size (L_GDP, 75.71, $p < 0.10$ post-2015) and annual loans (L_AnnualLoan, 0.03, $p < 0.01$), remain significant, but their role complements rather than overshadows the growing influence of institutional quality in the post-BRI era.

The validity of the GMM estimations is supported by diagnostics tests, with acceptable p-values for the AR(1) and AR(2) tests, indicating no second-order autocorrelation issues. Additionally, the Hansen tests do not reject the null hypothesis of valid instruments (p-values ranging from 0.42 to 0.94), confirming the reliability and robustness of the system-GMM estimations.

Determinants of US FDI in African Countries

The empirical findings from both the OLS and GMM estimations provide compelling evidence that U. S. FDI in Africa follows a pattern broadly consistent with the investment behavior of developed economies, as theorized by Dunning's OLI paradigm.

In the OLS estimates of FDI stock, institutional quality is highly statistically significant across all three time periods. The coefficients range from approximately 649 to 1051, with the largest and most significant effect observed in the post-2015 period. This growing magnitude indicates an intensifying sensitivity of U. S. investment to institutional performance in African host countries over time. The persistence of this relationship further reinforces the interpretation that governance conditions are not

Table 3: Descriptive Statistics for Regression Variables - compiled by author
Standard errors in parentheses * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Variables	(1) China 2005 - 2021	(2) China 2005 - 2015	(3) China 2015 - 2021	(4) China 2005 - 2015
L.IQAverage	135.539* (57.622)	87.477 (57.904)	300.301** (99.030)	852.859*** (179.764)
L.GDP	266.496*** (51.436)	181.316*** (43.065)	934.233*** (151.139)	2499.953*** (167.620)
L.GDPG	0.365 (3.085)	1.003 (2.989)	11.171 (8.387)	-14.509 (8.946)
L.Natural	2.623 (1.633)	0.404 (1.375)	25.649*** (7.269)	28.144*** (4.957)
L.Inflation	3.262** (1.112)	6.660* (2.833)	3.900** (1.213)	0.078 (0.907)
L.TradeOpen	-1.127* (0.485)	-0.615 (0.545)	1.737* (0.672)	2.617** (0.908)
L.Labor	3.200* (1.335)	0.226 (1.233)	9.991*** (2.711)	-9.509 (5.023)
L.AnnualLoan	0.172* (0.076)	0.123** (0.047)	0.113* (0.057)	—
L.Disbursements	—	—	—	2.351*** (0.518)
Constant	193.259 (123.130)	131.137 (114.994)	-427.214 (220.047)	514.925 (269.790)
Observations	804.000	473.000	331.000	737.000
R-Squared	0.341	0.364	0.455	0.534

Table 4: GMM estimates for FDI Flow in Africa - compiled by author
Standard errors in parentheses *p<0.10, ** <0.05, ***p<0.01

Variables	(1) China 2005 - 2021	(2) China 2005 - 2015	(3) China 2015 - 2021	(4) China 2009 - 2021
L.IQAverage	24.05 (18.31)	-8.00 (16.94)	57.08* (29.73)	63.45* (35.23)
L.FDI_flow	0.03 (0.03)	0.02* (0.01)	-0.05 (0.20)	0.05 (0.19)
L.GDP	41.35*** (6.55)	37.83*** (5.32)	75.71* (43.80)	-54.48 (118.05)
L.GDPG	0.90 (0.88)	0.49 (0.79)	1.30 (1.20)	-1.37 (1.80)
L.Natural	0.58 (0.68)	-0.75 (0.67)	3.41 (2.07)	5.71** (2.28)
L.Inflation	0.04 (0.10)	0.53 (0.78)	0.25** (0.13)	-0.06 (0.25)
L.TradeOpen	0.12 (0.22)	0.27 (0.23)	0.41 (0.28)	0.04 (1.04)
L.Labor	0.94* (0.50)	0.30 (0.57)	1.71** (0.85)	-2.56** (1.03)
L.AnnualLoan	0.04*** (0.01)	0.03 (0.09)	0.03*** (0.01)	–
BRI	136.34*** (32.73)	–	107.76*** (40.19)	–
L.Disbursements	–	–	–	0.49*** (0.12)
Constant	-70.91 (44.28)	-27.83 (45.15)	-164.08* (85.87)	105.27 (145.25)
Observations	786.00	461.00	325.00	445.00
AR(1) p-value	0.22	0.28	0.12	0.23
AR(2) p-value	0.80	0.37	0.40	0.83
Hansen p-value	0.94	0.42	0.44	0.40

merely correlated with U. S. FDI but are a decisive factor.

The GMM results show that institutional quality is statistically significant only in the full-period specification (2009-2021), but not in the shorter subperiods (2009-2015 or 2015-2021). This pattern suggests that the effect of institutional quality on U. S. FDI flows unfolds primarily over a longer time horizon, rather than influencing short-term year-to-year variation. There are both econometric and theoretical explanations for this.

From a methodological perspective, the impact of institutional quality on FDI flows may exhibit lagged effects that are better captured in longer panels. Improvements in governance—such as enhanced regulatory stability, reduced corruption, or judicial reforms—often take time to be perceived by investors, incorporated into risk models, and reflected in concrete investment decisions. Thus, when analyzing a longer timeframe, the cumulative effect of governance reform becomes statistically detectable, whereas short subperiods may fail to capture the delayed response of investment flows.

Theoretically, this is consistent with the nature of FDI as a long-term commitment. U. S. investors, particularly those with high compliance standards and fiduciary constraints, do not typically react to short-term or marginal shifts in governance. Instead, they tend to respond to persistent and credible improvements in institutional quality that signal a lower risk of expropriation, contract default, or political instability. Such improvements are often gradual and take several years to influence investor behavior at scale.

The variable measuring the size of the host countries GDP is highly statistically significant and positively associated with FDI stock across all three specifications. This supports the view that the scale of the source economy's output plays a central

role in outward FDI decisions, consistent with the ownership-specific advantages outlined in Dunning's framework. The availability of natural resources is also a strong and statistically significant determinant of U. S. FDI stock in the full and pre-2015 samples, which clearly aligns with US strategic initiatives of acquiring critical minerals.

These findings align with the “location” component of Dunning's OLI framework, wherein firms seek jurisdictions that reduce operational uncertainty and transaction costs. U. S. investors, constrained by shareholder accountability, regulatory compliance, and reputational risk, exhibit a pronounced preference for environments that uphold property rights, enforce contracts, and maintain macro-political stability. The fact that institutional quality consistently dominates other macroeconomic variables—including trade openness and inflation—suggests that U. S. investors view governance capacity not simply as a background condition, but as a strategic determinant of investment viability.

Moreover, FDI flows are inherently more volatile than FDI stocks, and are influenced by short- term macroeconomic shocks, global liquidity conditions, and firm-specific strategies. These sources of noise can obscure the governance effect in short samples. By contrast, a longer sample smooths out annual fluctuations and allows for clearer identification of structural determinants such as institutional quality.

Therefore, the fact that institutional quality is only statistically significant in the full-period GMM estimation does not weaken its importance. Rather, it emphasizes that governance reforms are a long-term investment for host countries, and that their effect on attracting U. S. capital is cumulative, not immediate. This reinforces the message that institutional quality matters, but its influence is realized over extended horizons as reputational effects, investor confidence, and risk-adjusted returns converge in decision-making.

Discussion

In this study, we investigated the evolving relationship between institutional quality and Chinese FDI in Africa, particularly in the context of the Belt and Road Initiative. With our empirical estimation based on OLS and GMM models, a significant shift in China's investment behavior is found. Historically, Chinese FDI was relatively indifferent to governance quality, especially in resource-seeking sectors (Kolstad & Wiig, 2012). Based on our findings, however, institutional quality has become a statistically significant determinant of both FDI stock and flow, indicating a growing convergence with patterns observed in developed-country investors such as the United States (USITC, 2020). The growing convergence between Chinese and U. S. FDI strategies reflects broader shifts in global investment norms. Rather than diverging investment philosophies, both countries now

infrastructure projects. Private investors tend to exhibit greater sensitivity to host-country governance and legal environments (Zhao, Liu, & Sun, 2021), which may explain the increased responsiveness to institutional quality observed in the post-BRI period. Consistent with earlier research (Du & Zhang, 2018), this suggests that China's OFDI has become more risk-aware and commercially driven over time, with institutional stability increasingly influencing investment choices.

Despite these contributions, limitations should be acknowledged. Our research indicates that state-owned and private Chinese firms differ in their investment drivers and sensitivity to governance (Buckley et al., 2007); thus, incorporating firm-level data would enable a more detailed analysis of how ownership structures and sectoral focus interact with host-country institutions. Additionally, our analysis of U. S. FDI flows is limited by data availability, as disaggre-

This convergence highlights that robust institutions—transparent procurement, independent judiciaries and streamlined regulations—are now essential for attracting sustainable, long-horizon FDI from both China and developed-economy partners.

appear to value transparency, legal stability, and long-term institutional strength—particularly in infrastructure and strategic sectors. Crucially, our robustness checks—whether omitting “rule of law” from the composite governance index or using it as the sole proxy—produce post-BRI coefficients that remain positive, statistically significant, and deviate by less than 10 percent from the baseline estimates. This consistency underscores the robustness of our results.

This shift parallels structural changes in China's outbound investment landscape, including the rising participation of private firms (Luo, Qi, & Hubbard, 2017) and the strategic emphasis of the BRI on long-term

gated project-level records are only accessible from 2009 onward. While this restricts our ability to compare long-term historical trends with Chinese FDI, the post-2009 timeframe arguably offers a cleaner view of U. S. investment behavior by avoiding distortions caused by the 2008 global financial crisis. Importantly, it still enables a meaningful comparison with Chinese FDI patterns in the post-BRI period. Nonetheless, future research with long-term or alternative U. S. datasets would provide a more robust foundation for comparison and help capture the whole trajectory of FDI patterns across investor types.

Besides the driving role of market size, institutional quality, and other host-country

characteristics for FDI flows, it is essential to acknowledge that investment decisions sometimes reflect a mutual selection process between investors and host countries. This potential two-way dynamic suggests host governments may strategically shift their preference of investors in response to their diplomatic alignments. A recent example is Angola's pivot toward the U. S. and away from China, as demonstrated by its growing engagement in the Lobito Corridor through the U. S.-led Partnership for Global Infrastructure and Investment (PGII). The United States has pledged nearly \$4 billion toward this initiative, including President Biden's \$560 million commitment during his 2024 visit to Angola (AidData, 2025; The Guardian, 2024). These decisions are not purely economic but also shaped by broader geopolitical strategy. While this suggests that there might be dual-direction causality between host countries' socioeconomic situation and FDI inflows, it does not fundamentally contradict our empirical findings regarding the significant correlation between the institutional quality of host countries and their attractiveness to FDI. Further models could benefit from explicitly incorporating bilateral political alignment and host-country agents alongside economic fundamentals.

Conclusion

This study shows that Chinese FDI in Africa has undergone a profound shift in its sensitivity to host-country governance between 2005 and 2022. In the pre-2015 era—when Chinese MNEs prioritized strategic objectives such as resource access and geopolitical presence—investment flows were largely indifferent to levels of institutional quality. After the launch of the Belt and Road Initiative, however, measures of regulatory efficiency, rule of law and anti-corruption emerge as strong, positive determinants of Chinese project location, bringing Chinese investor behavior into closer alignment with that of Western firms. This convergence highlights that robust institutions—transparent procurement, independent judiciaries and streamlined regulations—are now essential

for attracting sustainable, long-horizon FDI from both China and developed-economy partners. Future research should leverage micro-level firm and sectoral datasets alongside rigorous case studies of Belt-and-Road projects to identify the causal channels through which institutional enhancements influence FDI allocation and performance.

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Table 5: Correlation matrix for main specification - compiled by author

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
FDI	1.000	–	–	–	–	–	–	–	–
L.GDP	0.263 (0.000)	1.000	–	–	–	–	–	–	–
L.GDPG	0.015 (0.653)	0.044 (0.179)	1.000	–	–	–	–	–	–
L.Natural	0.004 (0.908)	0.051 (0.119)	0.087 (0.008)	1.000	–	–	–	–	–
L.IQAverage	0.015 (0.647)	0.059 (0.068)	0.056 (0.088)	-0.388 (0.000)	1.000	–	–	–	–
L.AnnualLoan	0.147 (0.000)	0.059 (0.066)	0.005 (0.871)	0.082 (0.012)	-0.051 (0.115)	1.000	–	–	–
L.TradeOpen	-0.008 (0.805)	-0.111 (0.001)	-0.010 (0.759)	0.133 (0.000)	0.282 (0.000)	0.007 (0.832)	1.000	–	–
LInflation	0.014 (0.685)	-0.011 (0.750)	-0.104 (0.002)	0.006 (0.862)	-0.171 (0.000)	0.028 (0.404)	-0.106 (0.002)	1.000	–
BRI	0.089 (0.006)	-0.052 (0.115)	-0.138 (0.000)	-0.161 (0.000)	-0.055 (0.096)	0.046 (0.160)	0.020 (0.539)	0.107 (0.002)	1.000

Table 6: OLS estimates for the US FDI stock in Africa - compiled by author Standard errors in parentheses *p<0.05, ** <0.01, ***p<0.001			
Variables	(1) China 2005 - 2021	(2) China 2005 - 2015	(3) China 2015 - 2021
L.GDPUS	2499.953*** (167.620)	2115.857*** (162.969)	3247.006*** (360.219)
L.GDPG	-14.509 (8.946)	-6.281 (8.287)	-37.430* (18.876)
L.Natural	28.144*** (4.957)	27.760*** (5.805)	17.144 (9.299)
L.IQAverage	852.859*** (179.764)	649.166*** (193.129)	1051.075*** (283.619)
L.Inflation	0.078 (0.907)	-10.037 (8.594)	0.835 (0.904)
L.TradeOpen	2.617** (0.908)	3.021 (1.692)	2.385* (1.004)
L.Labor	-9.509 (5.023)	-8.509 (5.719)	-6.501 (9.351)
L.Disbursements	2.351*** (0.518)	2.959*** (0.725)	1.170 (0.680)
Constant	514.925 (269.790)	336.793 (374.389)	693.073 (461.098)
Observations	737	414	323
R-Squared	0.534	0.557	0.547

Table 7: GMM estimates for the US FDI flow in Africa - compiled by author Standard errors in parentheses *p<0.10, ** <0.05, ***p<0.01			
Variables	(1) China 2005 - 2021	(2) China 2005 - 2015	(3) China 2015 - 2021
L.FDIUS	0.05 (0.19)	-0.05 (0.14)	0.02 (0.25)
L.GDPUS	-54.48 (118.05)	-192.35** (78.77)	11.50 (104.96)
L.GDPG	-1.37 (1.80)	-3.85 (5.24)	-1.78 (3.16)
L.Natural	5.71** (2.28)	4.23 (4.64)	2.37 (3.31)
L.IQAverage	63.45* (35.23)	-13.47 (98.61)	10.69 (29.92)
L.Inflation	-0.06 (0.25)	-7.44 (6.74)	0.17 (0.18)
L.TradeOpen	0.04 (1.04)	0.47 (1.21)	1.25 (0.90)
L.Labor	-2.56** (1.03)	-4.02 (3.05)	-1.41 (1.35)
L.Disbursements	0.49*** (0.12)	1.16* (0.70)	0.39*** (0.15)
Constant	105.27 (145.25)	140.84 (200.54)	-93.11 (144.75)
AR(1) p-value	0.23	0.61	0.22
AR(2) p-value	0.83	0.30	0.38
Hansen p-value	0.40	0.24	0.71

Table 8: OLS estimated for the US FDI Stock in Africa (with 5 institutional indicators) - compiled by author Standard errors in parentheses *p<0.05, ** <0.01, ***p<0.001			
Variables	(1) China 2005 - 2021	(2) China 2005 - 2015	(3) China 2015 - 2021
L.Governmental Effectiveness	544.725*** (100.320)	170.592 (105.798)	576.057*** (170.124)
L.Control of Corruption	-387.290*** (78.538)	-210.760* (88.592)	-411.344*** (115.039)
L.Political Stability	-24.742 (42.013)	11.301 (34.495)	59.481 (94.666)
L.Regulatory Quality	-266.769** (94.267)	-78.695 (96.749)	-160.400 (208.419)
L.Vioce_Account	270.861*** (63.765)	200.422*** (55.703)	209.138* (90.472)
L.GDPPrper	240.385*** (63.765)	173.823*** (55.703)	878.761*** (90.472)
L.GDPG	-0.037 (51.200)	0.113 (43.423)	13.898 (157.119)
L.Natural_Resources	3.631 (3.616)	1.755 (3.333)	22.517* (8.546)
L.Inflation	2.999** (2.070)	6.400* (1.927)	3.788** (9.395)
L.TradeOpen	-1.466** (0.488)	-1.164 (0.660)	1.621* (0.651)
L.Labor	1.036 (1.667)	-2.119 (1.524)	8.498* (3.598)
L. AnnualLoan	0.156* (0.071)	0.129** (0.044)	0.095 (0.051)
Constant	400.754** (149.742)	324.005* (153.222)	-260.003 (251.940)
Observations	802.000	471.000	331.000
R-Squared	0.371	0.382	0.474

Table 9:GMM estimates for the US FDI flow in Africa (with 5 institutional indicators) - compiled by author Standard errors in parentheses *p<0.10, ** <0.05, ***p<0.01			
Variables	(1) China 2005 - 2021	(2) China 2005 - 2015	(3) China 2015 - 2021
L.Governmental Effectiveness	-1.78 (26.89)	-13.37 (33.86)	8.04 (64.36)
L.Control of Corruption	-27.16 (23.92)	1.32 (25.23)	-59.32 (41.19)
L.Political Stability	-6.76 (17.09)	-6.07 (11.59)	-4.81 (26.10)
L.Regulatory Quality	32.08 (35.68)	-5.93 (58.19)	77.74* (43.83)
L.Vioce_Account	27.50** (13.15)	15.65 (15.67)	45.36** (20.60)
L.FDI	0.04 (0.03)	0.03** (0.01)	-0.08 (0.20)
L.GDPPrper	37.35*** (5.89)	35.36*** (6.58)	63.68 (49.39)
L.GDPG	0.70 (0.71)	0.40 (0.80)	1.12 (1.31)
L.Natural_Resources	0.81 (0.73)	-0.54 (1.00)	4.23** (1.68)
L.Inflation	0.08 (0.12)	0.54 (0.77)	0.33** (0.14)
L.TradeOpen	0.16 (0.21)	0.27 (0.24)	0.38* (0.21)
L.Labor	0.44 (0.53)	0.20 (0.63)	0.45 (1.15)
L. AnnualLoan	0.04*** (0.01)	0.03 (0.09)	0.03*** (0.01)
BRI	127.70*** (31.09)	—	101.19** (40.23)
Constant	-44.76 (44.33)	-24.78 (49.14)	-77.46 (103.21)
Observations	784.00	459.00	325.00
AR(1) p-value	0.22	0.28	0.14
AR(2) p-value	0.72	0.35	0.31
Hansen p-value	0.99	0.43	0.50

Negotiating with Limits: The Feasibility of U.S. Demands Within China's Strategic and Political Boundaries

Kristina Honour

Abstract

This paper examines the feasibility of U.S. demands in trade negotiations with China, assessing how far the United States can realistically push for commitments given the enduring constraints of China's political system, economic model, and strategic priorities. Drawing on prior bilateral agreements, U.S. government grievances, and China's past compliance with international norms, the paper categorizes core U.S. demands—ranging from market access and IP protection to state subsidies and tariff enforcement—and evaluates them against China's institutional capacity and willingness to reform. The analysis finds that while China remains rhetorically committed to global trade norms and selectively complies with international expectations, its state-led development model limits the scope of genuine reform. As bilateral relations grow increasingly competitive, China's incentive to accommodate U.S. demands further diminishes.

Introduction

Since 2018, during the first Trump administration, the U.S.-China trade relationship, once defined by engagement and mutual economic benefit, now exists in a highly confrontational and decoupling phase, marked by escalating tariffs, sanctions, and economic policy clashes. The current melt-down of U.S.-China trade relations under the new Trump presidency (the Trade War 2.0) reflects a deeper breakdown into a strategic rivalry between a free-market United States and a state-driven China whose economic model poses structural challenges to global norms. As of the writing of this paper, June 2025, the trade dispute remains unsolved. A 90-day truce, agreed upon in May, may have temporarily reduced tariffs and prompted negotiations, yet tensions are as high as ever. The outcome of a new trade deal and reorientation of the U.S.-China relationship remains extremely uncertain.

This paper argues that the current phase of U.S.-China trade negotiations reflects a growing divergence not just over tariffs, but over fundamental economic and political principles. While the U.S. seeks structural reforms—including reduced state support for Chinese firms, increased market access, and enhanced intellectual property protections—China's ability and willingness to comply is limited by ideological commitments to "socialism with Chinese characteristics," domestic political constraints, geopolitical and industrial policy goals, and past patterns of selective compliance to U.S. demands for World Trade Organization (WTO) norm compliance since 2001. The central question guiding this analysis is: To what extent are U.S. demands in trade negotiations with China feasible, given China's economic model, political system, and strategic priorities? By examining the demands of the United States regarding trade, market access, industrial policy, and other grievances, this paper demonstrates that the division between U.S. expectations and the political economic

reality of the Chinese system increasingly constrains negotiated outcomes.

In doing so, this paper contributes to ongoing debates about the nature of Trump-era trade policy, the limitations of rules-based economic engagement, and China's unique role in the international system. The first section provides a brief overview of the post-inauguration escalation in trade tensions. The second analyzes the substance of U.S. demands across key issue areas. The third examines China's past behavior committing to international norms and its inherent domestic political and economic structure to assess the likelihood of genuine compliance moving forward.

Trade War 2.0

President Trump's plans to overhaul trade relationships with adversaries and allies alike featured prominently in his third presidential campaign, thus it came as no surprise that one of the first memorandums released was the America First Trade Policy, outlining broad policy goals to target high-deficit trade relationships such as China. In the first 5 months of this presidential term, Trump's trade demands, tariffs, and threats have escalated quickly, with changes occurring at a pace difficult to keep up with. The purpose of this section is to briefly summarize the course of events characterizing a US-China Trade War 2.0.

On February 1, Trump imposed the first in a series of sweeping tariffs on China, a 10% tariff linked to national security concerns over fentanyl trafficking. China's retaliation went into effect February 10. On March 4, the White House responded to China's retaliation by raising the new tariffs on all imports from China from 10% to 20%, followed quickly by an escalation from China to increase tariffs on U.S. farm exports alongside other actions (sanctions, antidumping investigations, etc.). April marked the most intense escalation of the new trade war, with the United States and

China participating in a tit-for-tat retaliatory game: In addition to sector specific targets (such as steel, agriculture), mutual sweeping tariff rates rose from around 30% to 84%, then 125% by April 12.

Relief emerged from Geneva on May 12 after a bilateral meeting between President Trump and Beijing officials. The two sides agreed to cool down the tariffs down to 30% on the U.S. side, and 10% on China's side. They agreed to a 90-day pause (until August 12) for negotiations. The natural question emerges: will China and the United States reach an understanding before the end of the 90-day pause, or will negotiations break down prior to an agreement?

Beyond trade, the relationship between Washington and Beijing continues to deteriorate. The Trump administrations' other actions against China – including but not limited to imposing sector-based tariffs on steel, opening USTR investigations into China's shipbuilding industry, imposing new export restrictions on AI chips to China, and revoking visas for certain Chinese students -- threaten the fragile truce. Trump also claims China has "totally violated" the agreement by not removing non-tariff barriers as agreed under the deal. In the less than 30 days since the truce was struck, these escalations point to limited room for a lasting agreement to form.

What Will the U.S. Demand in Negotiations?

This section evaluates potential domains the Trump administration and Beijing could negotiate in the coming months, even years. To gain a better understanding of key concerns held by the United States, the following subsections review points of contention, from trade in goods and services to structural economic reforms and evaluates how they will appear in talks with Beijing. It is important to note that grievances with China extend beyond Trump and his political campaign to ensure China

"solves" the deficit problem. Requests for reform and reports of China's unfair market practices stem from all areas of the U.S. government, including the United States Trade Representative (USTR), Congressional legislation, and Committee reports, among other sources.

As reviewed below, the best perspective of what will appear in trade negotiations with China stems from previous negotiation outcomes and the most recent reports explicitly naming concerns with China. As for the Trump administration, while unpredictable on a good day and outright chaotic on a bad one, Trump's first administration can provide some clarity as to what remains important to his new administration. This section references the previous successfully negotiated trade agreement, the Phase One Economic and Trade Agreement (hereby referenced as the Phase One Agreement) signed between the United States and China on January 15, 2020. This two-year agreement obtained commitments from China on several structural reforms alongside goods and services purchases to be implemented between January 2020 and December 2021. The specific commitments are discussed below.

A Reevaluated Bilateral Trade Relationship: Expansion of U.S. Exports and Reduction in Deficit

Addressing the trade deficit with China remains a crucial goal for the United States, and arguably Trump's most vocal political drive. The United States currently maintains a \$290 billion deficit with China (as of 2024); while this amount fluctuates year to year, the general trend demonstrates a worsening trade deficit with China over time. Addressing the "large and persistent annual trade deficits in goods... [and using] appropriate measures, such as a global supplemental tariff or other policies, to remedy such deficits" is highlighted in the Trump administration's "America First

Trade Policy" unveiled in January 2025. Trump frequently exclaims his displeasure with China and how China must reduce (perhaps even eliminate) this surplus with the United States; in fact, recent statements by Trump highlight how deal-breaking this is: "Unless we solve that problem, I'm not going to make a deal... I'm willing to make a deal with China, but they have to solve this surplus."

The Trump administration will seek commitment from China to purchase additional U.S. exports, both generally and in specific sectors. This focus on trade in goods and services echoes prior negotiations between the United States and China, including the Phase One Agreement. At the time, China committed to importing an additional \$200 billion of U.S. goods and services on top of the amounts that it imported in 2017 in four broad categories: manufactured goods, energy, services, and agriculture. This implied a two-year (2020-2021) purchase commitment of \$352.2 billion, including \$251.9 billion in manufactured goods, at least \$80 billion in agricultural products, \$75.6 billion in energy products, and \$212.1 billion in services. These categories will reemerge in current trade negotiations due to the continued lobbying efforts of U.S. farmers, manufacturers, and corporations seeking additional exports to China.

Alignment with the WTO: Commitments on Intellectual Property, Technology Transfer, and Financial Services

After its accession to the WTO, China began revising its framework of laws and regulations aimed at protecting the intellectual property (IP) rights of domestic and foreign holders, as required by the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (the TRIPS Agreement). However, despite China's participation in the WTO and some reforms, China's lack of progress presents major challenges to U.S. companies and consumers. The United

States frequently files complaints regarding IP concerns through the USTR and WTO Dispute Settlement Body, claiming China “has not resolved critical deficiencies in IP protection and enforcement and, as a result, infringements remain at epidemic levels.” Thus, the Trump administration will continue efforts by previous administrations and the USTR to address these failures by China. These demands will align with grievances and necessary reforms outlined in previous reports on China’s policies and practices in both intellectual property and technology transfer.

In August 2017, during the first Trump administration, the USTR sought to address these concerns by initiating an investigation under Section 301 focused on policies and practices of China related to technology transfer, IP, and innovation. Specifically, the USTR identified four categories that would be the subject of its inquiry: requiring or pressuring technology/IP transfer, depriving U.S. companies of market-based terms in licensing, facilitating Chinese acquisition of U.S. tech/IP, and supporting cyber-enabled theft. In March 2018, USTR issued a report supporting findings that the identified practices were unreasonable or discriminatory and burdened U.S. commerce. An updated report in November 2018 found that China had not changed its policies. Based on the Section 301 findings, the United States took responsive actions, including pursuing a successful WTO dispute challenging discriminatory technology licensing measures and imposing substantial additional tariffs on Chinese imports.

The 2020 Phase One Agreement included a chapter each for intellectual property and technology transfer. The IP chapter of the Phase One agreement aimed to strengthen IP protection and enforcement in China to secure a level playing field and preserve American competitiveness. China committed to making structural changes and implementing obligations, including promulgating an Action Plan. Key commitments included expanding civil liability

and criminal enforcement for trade secret theft, as well as prohibiting unauthorized disclosure of confidential information by government personnel. For patents, China agreed to establish a mechanism for early resolution of pharmaceutical patent disputes, provide patent term extensions for delays, and permit supplemental data use. Other measures targeted trademark registrations, online infringement, counterfeit goods, and more expeditious enforcement of judgments.

While conducting business in China, foreign firms face pressure, both explicitly and implicitly, to share proprietary information as a condition of market access or regulatory approval. U.S. officials argue that these practices contribute to an unfair and coercive business environment for foreign firms. This issue also raises broader concerns about competitiveness and national security risks stemming from the systemic transfer of sensitive technologies. In the Phase One Agreement, China committed to refraining from requiring technology transfer, mandating voluntary and market-based licensing, and avoiding discriminatory enforcement of laws. This also included reforms targeting due process, transparency, and protection of confidential business information. However, enforcement remains weak, and many practices exist informally or under regulatory cover.

The financial services sector is another area in which the United States is demanding systemic reform to facilitate greater opportunities for American financial services exports into the Chinese market. U.S. financial services are a critical export, increasing significantly since China’s accession to the WTO. However, firms face significant challenges in the Chinese market: China restricts cross-border data flows, and data localization requirements create difficulties for U.S. financial service providers. Foreign banks still face market access restrictions through means like capital controls, complex licensing processes, and other bureaucratic hurdles. The Phase One Agreement attempted to address these

concerns by removing barriers, including joint venture requirements, foreign equity limitations, and discriminatory regulations in banking, insurance, securities, asset management, credit rating, and electronic payment services.

Despite commitments in the Agreement, China continues to pursue unfair trade practices and policies related to these three concerns, and the continued focus on these sectors by the Biden administration highlighted the need for further measures. China remains unaligned with WTO and G20 standards, consistently favoring domestic firms while restricting ease of business for foreign firms. In fact, the USTR acknowledged that while tariff measures under Section 301 were effective in certain respects, China’s actions had not just continued, but in some cases, worsened. The Trump administration will ask China for a renewed action plan to combat these concerns, focusing on the failed commitments from the Phase One Agreement.

Reduction of Subsidies and State Support for Industrial Policy

The U.S. seeks deeper reforms in China’s economic policies, including industrial overcapacity and state subsidies. The U.S. has expressed concerns over China’s industrial policies that lead to overcapacity, particularly in sectors like steel and aluminum, which are often supported by state subsidies. China spends roughly 5% of GDP on industrial subsidies, far larger than the United States or similar economies. As a result, Chinese firms dominate production in key sectors such as semiconductors, automobiles, and critical minerals processing. This distorted market structure allows Chinese firms to export at low, even loss-making prices, where U.S. manufacturers cannot compete. It also forces the United States, and other economies, to rely on Chinese-dominated supply chains for

critical goods, presenting a national security risk.

The Chinese central government plays a key role in furthering a wide-spread industrial policy agenda that promotes even greater subsidies and market distortions into key industries. The USTR expressed significant concern regarding China’s “Made in China 2025” plan, which outlines China’s ambitious industrial policy goals of overhauling domestic manufacturing in “strategic sectors.” This wide-reaching policy works in tandem with others (such as “Little Giants” and “Single Champion”) to support the private sector through government guidance funds, state-owned banks, and state-owned enterprises (SOEs). According to the USTR 2025 National Trade Estimate Report on Foreign Trade Barriers, China uses “unprecedented [methods including] numerous types of state intervention and support that work in concert and are designed to promote the development of Chinese industry in large part by restricting, taking advantage of, discriminating against, or otherwise creating disadvantages for foreign enterprises and their technologies, products, and services.” The USTR argues this creates severe market distortions and exemplifies how China remains above the demands of the WTO. Case in point, the USTR initiated Section 301 actions against China’s maritime, logistics, and shipbuilding sectors, stating China’s targeting for dominance “burdens or restricts U.S. commerce by undercutting business opportunities for and investments” in these sectors, which the United States deems critical to the functioning of the U.S. economy and supply chain resilience.

Structural reforms to align domestic Chinese policy more with the United States and international norms set out by the WTO will remain a central priority for the United States in negotiations. These issues reflect longstanding grievances with China’s state-led development model that distorts global markets and inhibits competition for U.S. firms. Without meaningful commitment to

reforms in these areas, there is no prospect for a balanced relationship with China. Thus, these structural concerns will likely be tied to new commitments sought by Trump, with improved mechanisms to hold China accountable.

Fentanyl Production and Export Controls

The United States increasingly links China's role in the fentanyl crisis to broader trade and national security concerns, prompting a multifaceted response involving trade policy, sanctions, and legislative action. The Trump administration, and the Biden administration before it, focuses heavily on fentanyl as a key issue in bilateral talks and relations. Other measures on the issue include congressional legislation to impose sanctions on Chinese entities involved in the drug's production, indictment of Chinese nationals and companies for trafficking chemicals, a (subsequently withdrawn) Section 301 investigation by USTR, and attempts at bilateral counternarcotics cooperation by the Biden administration in 2023.

The Trump administration explicitly cited China's role in fentanyl trafficking as part of the rationale for new tariffs on Chinese goods this spring. Despite the current 90-day tariff reduction period, the United States maintains an overall 30% tariff on China-origin goods, which includes a 20% tariff related specifically to alleged fentanyl trafficking. These tariffs are part of a broader strategy to pressure China into taking more decisive action against the production and export of fentanyl and its precursors. The specific targeting of fentanyl as a justification for tariffs exemplifies the importance of this issue to the Trump administration as they negotiate a deal with China. It is no longer seen as solely a public health crisis, but as a strategic lever in trade and geopolitical talks.

The Trump administration will demand that China implement verifiable, enforceable restrictions on precursor chemicals used in fentanyl production; specific asks could include crackdowns on chemical suppliers, increased transparency in online drug markets, and cooperation with U.S. law enforcement. Like IP enforcement provisions in the Phase One Agreement, future trade deals may include anti-fentanyl provisions to facilitate greater commitment of cooperation from China.

Prevent Tariff Evasion: Transshipment and Currency Practices

Tariff evasion mechanisms have been utilized by China in the past to circumvent trade restrictions and tariffs while preserving export competitiveness – namely transshipment and currency devaluation. Thus, China does not address underlying trade imbalances, and the U.S. tariffs are not as effective as they seem. The United States will address these concerns in negotiations and promote mechanisms that better enforce tariff policy, with the goal of holding China more accountable to trade actions.

The United States has expressed significant concern over China's attempts to evade U.S. tariffs by rerouting goods through third countries—a practice known as transshipment. This method involves Chinese exporters shipping products to intermediary nations, where they are relabeled or undergo minimal processing, before being exported to the U.S. to circumvent tariffs. Several U.S. agencies and departments presented plans to counteract these practices. In March, the House Select Committee on the Chinese Communist Party (CCP) urged federal agencies to intensify enforcement against these practices. They emphasized that such evasion tactics, including the use of false certificates of origin and minimal processing in third countries, pose a direct threat to American industries

and workers. Congressional legislation on tariff evasion includes two proposed bills (Axing Nonmarket Tariff Evasion (ANTE) Act and the Stopping Adversarial Tariff Evasion Act) that would require more comprehensive “country of origin” tracking on goods entering the United States and impose tariffs on goods from third countries if they are found to be part of schemes to circumvent existing duties. These acts, if passed, would empower USTR and Customs and Border Protection investigations into Chinese transshipment. The Trump administration will also target this issue in bilateral negotiations with top transshipment countries (Malaysia, Thailand, and Vietnam in particular).

As part of Phase One Agreement, China agreed to avoid competitive devaluation and enhance transparency in exchange rate practices. This included a commitment from China to meet International Monetary Fund (IMF) standards and commitments within the G20 for valuation and disclosure, such as publishing foreign exchange reserves and allowing market forces to determine valuation. The United States has long raised concerns about China's management of the renminbi (RMB) and the impact that has on bilateral trade. In the past, China has artificially devalued the RMB to ensure cheaper Chinese exports and more expensive U.S. imports, such as the August 2019 devaluation to offset the first trade war's tariffs. In August 2019, the U.S. Treasury labeled China as a currency manipulator, though this was removed following the Phase One Agreement. It also reflects further structural reforms requested by the United States: The state-owned People's Bank of China (PBOC) manages the RMB through a controlled float system, presumably through market-driven movements, but with potential for the state to guide the valuation into “manipulatory” territory.

Past Chinese Commitment and Implications for Future Practices

China's track record of meeting past trade commitments offers critical insight into the likely outcomes of future negotiations. This section examines how China has responded to U.S. demands in previous agreements, highlighting patterns of selective compliance, ideological limits, and policy-driven resistance. This then frames expectations for China's willingness and capacity to adopt structural reforms under renewed U.S. pressure.

Purchase Commitments of Goods and Services

The best indication of China's commitments to a future trade deal lies in the results of Trump's Phase One Agreement. As outlined in the Phase One Agreement, China committed to importing an additional \$200 billion of U.S. goods and services on top of the amounts that it imported in 2017, implying a two-year total of \$352.2 billion between January 1, 2020, and December 31, 2021. Using monthly export data, the Peterson Institute for International Economics reported that China failed to meet this commitment; in fact, it fell starkly below it. China purchased a total two-year total of \$210.1 billion, only 60% of the two-year target outlined in the Agreement. The report also broke down the covered sectors (manufactured goods, energy, services, and agriculture). China met 59% of its commitment for covered manufactured products, 37% of covered energy products, and 83% of covered agricultural products. While the Agreement did not include specific commitments regarding uncovered products, the report found U.S. exports of non-covered products to China in the two-year period were \$65.6 billion, a 6% decline from the relative amount in 2017.

A significant part of China's failure to meet these commitments lies in the natural

impact of 18 months of trade war during the first Trump administration, alongside other unexpected hurdles. Subsequent tariff escalation designed to kickstart a decoupling resulted in exporters struggling to reestablish connections within the Chinese market. For example, within manufacturing, auto exporters suffered sluggish recovery even after China lifted retaliatory tariffs. China also imposed regulatory hurdles to aircraft exporters following two crashes of Boeing 737 MAXs in 2019, which were not lifted until the end of 2021. Agricultural products fared better, though still failed to significantly gain from pre-trade war levels during the Agreement period. Soybeans, pork, corn, wheat and other products did see large increases: pork imports surged following a local outbreak of African swine fever, while corn and wheat imports increased as China implemented changes following the TWO's 2019 dispute settlement ruling against tariff rate quotas. The energy export commitments fared poorly due to highly ambitious but unfounded expectations by the Trump administration that China would need, or desire, large amounts of crude oil, liquified natural gas, and coal. This failure was in large part due to U.S. factors (capacity constraints preventing U.S. exports from fulfilling the commitment and price fluctuations that provided a natural loophole for China to import less) but changes in China's domestic goals also shifted as the central government pushed vigorously for decarbonization.

The specification of agriculture, manufacturing, and energy products within the agreement also inadvertently discouraged China from importing other, non-covered goods during the two-year period. U.S. exports to China of products without purchase commitments performed even worse than products covered by the Agreement. At the end of the day, China had little incentive to restore pre-trade war levels of imports from the United States, despite the Trump administration touting

the Agreement as a "historical trade deal" with his "very, very good friend." Though the overall mix of exports to China suffered from several expected and unexpected factors, in general the agreement did not push China to implement a better trade relationship with the United States. Instead, it appears the commitments disincentivized natural trade relationships.

In current trade negotiations, China faces two major hurdles: The willingness to agree to purchase commitments, and the ability to fulfill them. On agriculture products, China is generally willing to purchase U.S. agriculture products, particularly those consumed in large quantities domestically (pork, soybeans). However, China is also looking to diversify sourcing in the face of continued trade tensions. Since 2019, a major policy push for food security prompted China to diversify away from overreliance on U.S. products. This includes shifting focus to alternative import sources (such as Brazilian and Argentinian corn, Russian grain) but also plans to ramp up domestic production. In 2023, China finalized a national food security law to push for "absolute security" in staple grains for food use and basic self-sufficiency in all other grains. It requires national, regional, and county officials to ensure maximum domestically-produced and -processed food supply. These measures will hinder domestic consumers from importing large amounts of U.S. agricultural products, thus making the prospects of restored agricultural trade a declining dream.

In a similar vein, China's diversification of energy supply chains represents a strategic approach to energy security. Energy products were the worst performing commitment in the 2020 Agreement, and China is not willing to shore up on U.S. energy products. On crude oil, China primarily sourced from Saudi Arabia and Russia to complement domestic production, while natural gas imports from Qatar and Australia surged following LNG agreements. Manufacturing commitments will hit the

large "Made in China 2025" wall: China's desire for importing advanced manufacturing products has declined significantly as national policy drives domestic innovation in critical sectors from semiconductors to TVs, aerospace and advanced machinery. Key U.S. exports emphasized in the Phase One Agreement, including aircrafts, auto parts, industrial machinery, semiconductors are not as desirable for the Chinese market. While there may be some room for negotiation, the 2025 landscape is one where China has removed itself from key dependencies on U.S. imports.

Alignment with the WTO on Intellectual Property, Technology Transfer, and Financial Services

While China has made periodic gestures and some domestic reforms in areas of IP, technology transfer, and financial services liberalization in response to external pressure, it consistently falls short of fully aligning with WTO norms and international standards. Rather, China pursues selective commitment and implementation where the domestic system can benefit from these changes. However, when reforms conflict with its control over key industrial and economic policies, reforms are often limited to verbal commitments rather than concrete actions.

China has made notable strides in reforming its IP policies. This is evident in both the Outline for Building an Intellectual Property Powerhouse (2021-2035) and the 14th Five-Year Plan for National Intellectual Property Protection and Utilization, which clarify the goals and tasks for IP protection and utilization. China has set ambitious plans to modernize China's IP protection system by 2035, aiming to address challenges as part of a larger strategy to enhance technological and scientific self-reliance. This report includes proposed improvements for the IP legal system, new revisions to the Trademark Law, Copyright Law, and improvements to dispute and

compensation mechanisms. These changes will be implemented over the next decade. 2023 marked a pivotal year for China's IP landscape, with several legislative and procedural advancements made. First, an additional amendment to the Trademark Law focused on tackling issues such as "bad faith" trademark registration, trademark squatting, and trademark hoarding. In March, China ascended to the Apostille Convention, which standardizes the system for foreign public documents to be recognized in China. This change provides a huge leap in streamlining bureaucratic hurdles. Patent applications continue to rise, with the United States leading in foreign applicants (in 2022, over 505 million applications). Similarly trademark applications from the United States represented over 40% of all foreign applications in 2023. These are all positive steps toward improving the ease of business in China and fostering a fairer and more competitive business environment.

Yet, significant challenges remain, both logistically and legally. As part of a broader push for indigenous innovation, China continues to pursue policies that require or favor domestically owned/developed IP products, irrespective of international standards. For example, The "Build in China, Buy China" (xinchuang) policy is intended to promote national tech champions, encourage domestic consumption, and expand to SOEs and "critical sectors" including financial services, transportation, telecom, education, healthcare, aerospace, and energy. In practice, this policy marginalizes U.S. firms: some firms attempt to localize products or join joint ventures, yet the risks and restrictions regarding IP and data transfer complicate compliance with U.S. standards, prompting market exit. This policy aims to ultimately substitute out foreign players, not include them. U.S. firms also express concern over China's Anti-Monopoly Law as a tool to disadvantage foreign companies and weaken IP protection. Factors such as national security considerations, the

broader trade environment, and specific enforcement actions can influence how the law is applied. However, the general lack of transparency and equal treatment presents challenges to genuine business environment improvements.

Barriers regarding the flow of information remain strong, governed by Chinese three main data laws: The Cybersecurity Law, Data Security Law, and Personal Information Protection Law (PIPL). These laws collectively impose strict controls on the collection, storage, and transfer of data, particularly concerning personal and “important” data. For example, operators of Critical Information Infrastructure (CII) and handlers of significant volumes of personal data are mandated to store such data within China, while cross-border data transfers often require security assessments if deemed “important.” In addition to concerning the U.S. government on national security grounds (from a cross-border services and business standpoint), these policies hinder the ability of foreign service suppliers to operate; “Secure and controllable” requirements mandate domestic R&D and technology transfer/disclosure, thus disadvantaging foreign companies.

On financial services, China made several commitments under the Phase One Agreement to liberalize the financial sector. In the short term, China implemented several key agreed reforms: removing foreign equity caps in securities, asset management, and futures sectors by April 1, 2020, and in life, pension, and health insurance by the same date. Major U.S. financial institutions, including JPMorgan and Goldman Sachs, received licenses to operate as wholly foreign-owned enterprises. In 2023, China also underwent a significant financial sector reform aimed at enhancing foreign participation, part of a broader strategy to attract foreign investment. It included plans to create a new regulatory body, the National Financial Regulatory Administration, to oversee markets and financing. This is not liberalization; the party will maintain

an even tighter control over the financial sector’s policies and governance while simultaneously encouraging increased foreign investment domestically. Thus, China’s limited reforms are often negligible steps toward true liberalization, and challenges persist as foreign firms face opaque regulatory practices and tight state control. China clearly desires more foreign services, but this is framed within the context of furthering state policy and uplifting China’s development, rather than true liberalization.

Put simply, China maintains a poor record regarding transparency, ease of business, and allowing a fair playing field for international companies. While recent reforms in areas of IP, technology transfer, and financial services signal limited progress, they remain selectively applied and largely serve broader domestic objectives. These reforms are tools that support the state-led model and its overarching goals of building up China’s indigenous firms and industries. China does not demonstrate genuine commitment to aligning with international standards. At the end of the day, the strategic goal is to transition China from a “fast follower” into a self-reliant global power. These priorities fundamentally limit the scope and credibility of China to reform.

Industrial Policy and the State-Driven Model

The United States has long sought for China to adopt more market-oriented reforms, reduce state control, and align more with WTO norms on fair competition. However, China’s internal priorities and the structural realities of a state-led development model often conflict with market-oriented reforms and international standards, repeatedly limiting extensive reforms. Rather than liberalizing markets in a manner consistent with international capitalism, the CCP maintains an economic system fundamentally focused on political control and strategic national development.

As described by the U.S. Economic and Security Review Commission, under the leadership of the CCP, China operates under a “rule by law” system, where the law is a tool to wield and maintain power, rather than constrain it. The legal system functions efficiently and fairly when cases are not sensitive to CCP power and control. However, in areas that touch on domestic priorities or politically sensitive sectors (such as technology), the system remains incapacitated by central control. This subservience of the courts to Party oversight undermines their credibility and creates hazards for international firms navigating conflicting legal systems.

Central to, indeed critical to, China’s political economy is the control-based economic model which supports an intense investment-led strategy. China’s economy is characterized by the significant role of SOEs and state-championed firms which benefit from massive state subsidies and preferential treatment in credit, tax, regulation, and procurement. The CCP plays a decisive role in SOE decision-making, with the intent of strengthening the power of the state through these firms and undermining genuine competition. Reforms often reinforce the privileged position SOEs maintain, rather than force them to compete fairly with foreign companies. For example, the enforcement of the Anti-Monopoly Law reportedly disproportionately targets foreign firms. In addition to SOE favoritism, the central government utilizes the investment-led growth model as a tool to further the development of domestic industries. Policies seek foreign capital to fund industrial goals while maintaining strict control over capital flows and exchange rates.

In recent years, Party oversight of the economy has intensified under initiatives like Made in China 2025, the 14th Five-Year Plan, and a push for “new quality productive forces.” These policies reflect a long-term shift toward self-reliance, a response to both international geopolitical factors like a trade war with the United States and

domestic factors like a slowing economy. Inherent in this industrial drive is extensive state guidance, resources, and regulatory support for targeted industries. Regulatory frameworks shape domestic industry progress while actively limiting foreign access through opaque business requirements, procurement preferences for domestic firms, or other policies that undermine fair competition and market access.

This trend strongly suggests that the CCP’s overriding priorities are its continued regime survival, control over economic forces, self-reliance, and the enhancement of China’s position globally. This translates into structural policies focused on state control, strategic industrial development, technological self-reliance, military modernization, and strategic use of foreign investment to achieve these goals. These objectives take precedence over fully adopting market-based principles, judicial independence, transparency, and adherence to international standards. As a result, while China may make limited concessions to maintain access to foreign markets, technology, and investment, fundamental reforms that would challenge the Party-state’s control or strategic direction are largely resisted.

Cooperation on Fentanyl Control

The Trump administration targeted fentanyl as a key concern in the upcoming trade negotiations, however recent efforts to secure Chinese cooperation on the issue continue to be fraught with diplomatic setbacks and divergent priorities.

While the Biden administration secured talks with President Xi in November of 2023, this followed an intense year of China unilaterally refusing talks with the United States after a 2022 visit to Taiwan by then House Speaker Nancy Pelosi. Much like Trump, China is very willing to link transactional issues like fentanyl to bilateral

negotiations. More generally, Chinese officials have rejected U.S. criticism by shifting blame, arguing that the opioid crisis is a product of U.S. domestic failure, not Chinese exports of precursor chemicals. China did not attend the first meeting of a global coalition on synthetic drugs convened by the United States in 2023, further exemplifying their disinterest of operating within U.S.-led initiatives.

Even with agreements on controlling substances, previous experience demonstrates that enforcement is uneven, and the flow of precursor chemicals continues. Any given potential regulatory commitments -- diplomatic gestures, if you will -- implementation would remain limited. Like issues in other areas of cross border trade, China's internal structure creates barriers to effective implementation: for example, regulation or monitoring of chemical firms is low, often in provinces or central authority is more diffuse. Local governments, lack incentive, or the capacity to enforce export restrictions vigorously. Additionally, the continued reluctance of China to share internal data or coordinate legal action with U.S. counterparts due to sovereignty concerns, severely limits, joint investigations, and prosecution of trafficking networks.

While the Trump administration's approach often centers on tariffs and economic pressure to extract commitments, meaningful enforcement or sustained cooperation from China on the fentanyl issue would require significant trust building. Yet trust is far from present in current relations. Unlike the United States, China does not view this issue as a core national interest. It does not benefit China economically, nor does it have strong connection to their industrial policy. Thus, there is a lack of internal incentive to prioritize the issue and give the United States concessions. At the end of the day, China maintains a very low level of trust towards the United States, the Trump administration, and prospects

for cooperation. It is unlikely that China will yield quick concessions, even if Trump imposes a transactional leverage and public pressure on Beijing.

Prevention of Tariff Evasion: Transshipment and Currency Practices

While the United States is increasingly focused on closing loopholes that allow China to evade tariffs, particularly transshipment and currency manipulation, China's willingness and ability to fully comply with such demands remains limited. These mechanisms are not isolated policy choices, but rather strategic tools in China's broader state-led economic system. As such, China will likely offer surface level cooperation and diplomatic gestures on improvements, but it is unlikely to implement the structural changes that would compromise export competitiveness or central control over the economy.

China may formally denounce illegal evasion of tariffs and even pledge to work with U.S. agencies to prevent such practices, but enforcement is likely to be weak or uneven. Monitoring transshipment requires a high level of transparency and regulatory coordination, not just internally, but also with the United States and other countries. This extent of transparency is not characteristic of China. Like the fentanyl issue, China's internal structure creates barriers to the necessary collaboration tracking transshipment violations requires. Moreover, it directly limits China's ability to maintain high export volumes, which is a significant aspect of its development-led model. Given the industrial policy aims of the central government, it is highly unlikely to actively participate in enforcing the negative impacts of tariffs and trade war with the United States.

When it comes to the control over currency and exchange rates and the accusations of devaluation, the conversation is more

nuanced. While China has historically utilized currency manipulation for its own economic benefits, for example to boost exports or limit the impact of tariffs, China is also seeking to make the RMB an international currency. This limits flexibility in manipulating the currency during the trade war. At this time, it is not clear if China

significant structural reform. China's ideological commitment to a "socialist market economy with Chinese characteristics" (i.e. a state-driven development model founded on national industrial policy with selective adherence to capitalist notions) heavily influences economic policy and thus its response to external pressure for

Given these constraints, U.S. policymakers face a difficult negotiating space: to accommodate China risks subsidizing Beijing's efforts to undermine international norms, yet a full-scale decoupling would create chaos and cripple the U.S. economy.

will decide to leverage state control over exchange rates. Like the transshipment debate, China may concede some verbal commitments regarding limits on currency devaluation to appease the United States, but its actual enforcement will likely come down more to the policy goals of the central government rather than its relationship with the United States.

Conclusion: Structural Realities and the Future of U.S.-China Rivalry

This paper has traced the nature of U.S. demands in trade negotiations with China and evaluated the extent to which those demands are feasible, given China's political economic structure and strategic goals. By examining both the nature of U.S. grievances and the structural underpinnings of China's domestic and international behavior, what China is realistically able and willing to concede becomes clear.

In assessing China's past commitments and its ability to meet future U.S. demands, the interplay between ideological convictions, domestic political realities, and strategic objectives limits its ability to implement

reform. Domestic constraints, such as maintaining political stability and the priorities of the Party, further complicate willingness to implement reforms; China maintains the stance that external pressure often challenges sovereignty, and U.S. demands conflict with China's non-interference policy. Based on these current circumstances, China will not meet domestic or external demands for further economic and political reform.

Given these constraints, U.S. policymakers face a difficult negotiating space. Unfortunately, the United States cannot afford to pursue either extreme of the policy spectrum. To accommodate China's predatory practices given its status as a WTO member risks emboldening, even subsidizing, Beijing's efforts to undermine international norms. Yet to sever ties with China once and for all -- a full-scale decoupling -- will ultimately create total chaos and a crippled U.S. economy, given the extensive dependence the U.S. market has on Chinese goods. This leaves the United States in a position to pursue a middle ground policy, one that blends the strategic responses of the last decade.

U.S. policy on China shifts with each administration. The Obama administration sought cooperation through multilateral institutions, aiming to integrate Beijing into a liberal economic order. This approach relied on the so-called “natural course” toward liberalization assumed by Western leaders, yet Beijing’s resistance to change undermines this assumption. The first Trump administration shifted relations toward confrontation. While the Phase One Agreement resulted in short-term wins and commitments, China’s lack of follow through on structural change demonstrates the limited effectiveness of trade-based agreements. Finally, the Biden administration adopted a hybrid model: Maintain Trump’s efforts to “de-risk” the United States from China, overhauling industrial policy to encourage sensitive sectors (like semiconductors) to “reshore.” It also focused on restoring alliances to combat dependency while encouraging cooperation with China on some key issues. None of the above policies resulted in structural change, nor does Washington seem to have a long-term strategy for contending with Beijing.

A more effective strategy from the Trump administration would be embracing strategic realism. Regardless of international pressure, China will not experience significant internal reform. Thus, the United States must prioritize where to increase resilience and containment against China. Such a strategy would include:

1. Focusing additional decoupling in critical sectors to limit exposure in areas tied to national security (semiconductors, biomanufacturing) while recognizing that lower-risk economic flows must continue to prevent economic chaos.

2. Continuing industrial revitalization at home through long-term investment in American infrastructure, innovation, and human capital. Decades of dependency and neglect for home-bred manufacturing will only be reversed through a strong industrial policy.

3. Coordinating policy with U.S. allies to develop comprehensive trade agreements, supply chains, and monitoring mechanisms that offer an alternative to dependency on China and complacency with WTO violations.

This approach both recognizes China’s structural limitations while shifting the United States down a path to self-reliance and restored leadership. Of course, the Trump administration does not have a history of cooperation at a bilateral or multilateral level, and budget cuts to critical industrial policies like the CHIPS Act undermine the very Make America Great Again macro policy Trump claims to promote. Perhaps the question should not be “are U.S. demands feasible,” but rather “can the United States adapt to a world where China remains a systemic rival to market capitalism and pursue a strategy that rebuilds American strength?”

the previous successfully negotiated trade agreement, the Phase One Economic and Trade Agreement (hereby referenced as the Phase One Agreement) signed between the United States and China on January 15, 2020. This two-year agreement obtained commitments from China on several structural reforms alongside goods and services purchases to be implemented between January 2020 and December 2021. The specific commitments are discussion below.

A Reevaluated Bilateral Trade Relationship: Expansion of U.S. Exports and Reduction in Deficit

Addressing the trade deficit with China remains a crucial goal for the United States, and arguably Trump’s most vocal political drive. The United States currently maintains a \$290 billion deficit with China (as of 2024); while this amount fluctuates year to year, the general trend demonstrates a worsening trade deficit with China over time. Addressing the “large and persistent annual trade deficits in goods... [and using]

appropriate measures, such as a global supplemental tariff or other policies, to remedy such deficits” is highlighted in the Trump administration’s “America First Trade Policy” unveiled in January 2025. Trump frequently exclaims his displeasure with China and how China must reduce (perhaps even eliminate) this surplus with the United States; in fact, recent statements by Trump highlight how deal-breaking this is: “Unless we solve that problem, I’m not going to make a deal... I’m willing to make a deal with China, but they have to solve this surplus.”

The Trump administration will seek commitment from China to purchase additional U.S. exports, both generally and in specific sectors. This focus on trade in goods and services echoes prior negotiations between the United States and China, including the Phase One Agreement. At the time, China committed to importing an additional \$200 billion of U.S. goods and services on top of the amounts that it imported in 2017 in four broad categories: manufactured goods, energy, services, and agriculture. This implied a two-year (2020-2021) purchase commitment of \$352.2 billion, including \$251.9 billion in manufactured goods, at least \$80 billion in agricultural products, \$75.6 billion in energy products, and \$212.1 billion in services. These categories will reemerge in current trade negotiations due to the continued lobbying efforts of U.S. farmers, manufacturers, and corporations seeking additional exports to China.

Alignment with the WTO: Commitments on Intellectual Property, Technology Transfer, and Financial Services

After its accession to the WTO, China began revising its framework of laws and regulations aimed at protecting the intellectual property (IP) rights of domestic and foreign holders, as required by the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (the TRIPS Agreement).

However, despite China’s participation in the WTO and some reforms, China’s lack of progress presents major challenges to U.S. companies and consumers. The United States frequently files complaints regarding IP concerns through the USTR and WTO Dispute Settlement Body, claiming China “has not resolved critical deficiencies in IP protection and enforcement and, as a result, infringements remain at epidemic levels.” Thus, the Trump administration will continue efforts by previous administrations and the USTR to address these failures by China. These demands will align with grievances and necessary reforms outlined in previous reports on China’s policies and practices in both intellectual property and technology transfer.

In August 2017, during the first Trump administration, the USTR sought to address these concerns by initiating an investigation under Section 301 focused on policies and practices of China related to technology transfer, IP, and innovation. Specifically, the USTR identified four categories that would be the subject of its inquiry: requiring or pressuring technology/IP transfer, depriving U.S. companies of market-based terms in licensing, facilitating Chinese acquisition of U.S. tech/IP, and supporting cyber-enabled theft. In March 2018, USTR issued a report supporting findings that the identified practices were unreasonable or discriminatory and burdened U.S. commerce. An updated report in November 2018 found that China had not changed its policies. Based on the Section 301 findings, the United States took responsive actions, including pursuing a successful WTO dispute challenging discriminatory technology licensing measures and imposing substantial additional tariffs on Chinese imports.

The 2020 Phase One Agreement included a chapter each for intellectual property and technology transfer. The IP chapter of the Phase One agreement aimed to strengthen IP protection and enforcement in China to secure a level playing field and preserve American competitiveness. China

committed to making structural changes and implementing obligations, including promulgating an Action Plan. Key commitments included expanding civil liability and criminal enforcement for trade secret theft, as well as prohibiting unauthorized disclosure of confidential information by government personnel. For patents, China agreed to establish a mechanism for early resolution of pharmaceutical patent disputes, provide patent term extensions for delays, and permit supplemental data use. Other measures targeted trademark registrations, online infringement, counterfeit goods, and more expeditious enforcement of judgments.

While conducting business in China, foreign firms face pressure, both explicitly and implicitly, to share proprietary information as a condition of market access or regulatory approval. U.S. officials argue that these practices contribute to an unfair and coercive business environment for foreign firms. This issue also raises broader concerns about competitiveness and national security risks stemming from the systemic transfer of sensitive technologies. In the Phase One Agreement, China committed to refraining from requiring technology transfer, mandating voluntary and market-based licensing, and avoiding discriminatory enforcement of laws. This also included reforms targeting due process, transparency, and protection of confidential business information. However, enforcement remains weak, and many practices exist informally or under regulatory cover.

The financial services sector is another area in which the United States is demanding systemic reform to facilitate greater opportunities for American financial services exports into the Chinese market. U.S. financial services are a critical export, increasing significantly since China's accession to the WTO. However, firms face significant challenges in the Chinese market: China restricts cross-border data flows, and data localization requirements create difficulties for U.S. financial service providers.

Foreign banks still face market access restrictions through means like capital controls, complex licensing processes, and other bureaucratic hurdles. The Phase One Agreement attempted to address these concerns by removing barriers, including joint venture requirements, foreign equity limitations, and discriminatory regulations in banking, insurance, securities, asset management, credit rating, and electronic payment services.

Despite commitments in the Agreement, China continues to pursue unfair trade practices and policies related to these three concerns, and the continued focus on these sectors by the Biden administration highlighted the need for further measures. China remains unaligned with WTO and G20 standards, consistently favoring domestic firms while restricting ease of business for foreign firms. In fact, the USTR acknowledged that while tariff measures under Section 301 were effective in certain respects, China's actions had not just continued, but in some cases, worsened. The Trump administration will ask China for a renewed action plan to combat these concerns, focusing on the failed commitments from the Phase One Agreement.

Reduction of Subsidies and State Support for Industrial Policy

The U.S. seeks deeper reforms in China's economic policies, including industrial overcapacity and state subsidies. The U.S. has expressed concerns over China's industrial policies that lead to overcapacity, particularly in sectors like steel and aluminum, which are often supported by state subsidies. China spends roughly 5% of GDP on industrial subsidies, far larger than the United States or similar economies. As a result, Chinese firms dominate production in key sectors such as semiconductors, automobiles, and critical minerals processing. This distorted market structure allows Chinese firms to export at low, even loss-making prices, where U.S.

manufacturers cannot compete. It also forces the United States, and other economies, to rely on Chinese-dominated supply chains for critical goods, presenting a national security risk.

The Chinese central government plays a key role in furthering a wide-spread industrial policy agenda that promotes even greater subsidies and market distortions into key industries. The USTR expressed significant concern regarding China's "Made in China 2025" plan, which outlines China's ambitious industrial policy goals of overhauling domestic manufacturing in "strategic sectors." This wide-reaching policy works in tandem with others (such as "Little Giants" and "Single Champion") to support the private sector through government guidance funds, state-owned banks, and state-owned enterprises (SOEs). According to the USTR 2025 National Trade Estimate Report on Foreign Trade Barriers, China uses "unprecedented [methods including] numerous types of state intervention and support that work in concert and are designed to promote the development of Chinese industry in large part by restricting, taking advantage of, discriminating against, or otherwise creating disadvantages for foreign enterprises and their technologies, products, and services." The USTR argues this creates severe market distortions and exemplifies how China remains above the demands of the WTO. Case in point, the USTR initiated Section 301 actions against China's maritime, logistics, and shipbuilding sectors, stating China's targeting for dominance "burdens or restricts U.S. commerce by undercutting business opportunities for and investments" in these sectors, which the United States deems critical to the functioning of the U.S. economy and supply chain resilience.

Structural reforms to align domestic Chinese policy more with the United States and international norms set out by the WTO will remain a central priority for the United States in negotiations. These issues reflect longstanding grievances with China's

state-led development model that distorts global markets and inhibits competition for U.S. firms. Without meaningful commitment to reforms in these areas, there is no prospect for a balanced relationship with China. Thus, these structural concerns will likely be tied to new commitments sought by Trump, with improved mechanisms to hold China accountable.

Fentanyl Production and Export Controls

The United States increasingly links China's role in the fentanyl crisis to broader trade and national security concerns, prompting a multifaceted response involving trade policy, sanctions, and legislative action. The Trump administration, and the Biden administration before it, focuses heavily on fentanyl as a key issue in bilateral talks and relations. Other measures on the issue include congressional legislation to impose sanctions on Chinese entities involved in the drug's production, indictment of Chinese nationals and companies for trafficking chemicals, a (subsequently withdrawn) Section 301 investigation by USTR, and attempts at bilateral counternarcotics cooperation by the Biden administration in 2023.

The Trump administration explicitly cited China's role in fentanyl trafficking as part of the rationale for new tariffs on Chinese goods this spring. Despite the current 90-day tariff reduction period, the United States maintains an overall 30% tariff on China-origin goods, which includes a 20% tariff related specifically to alleged fentanyl trafficking. These tariffs are part of a broader strategy to pressure China into taking more decisive action against the production and export of fentanyl and its precursors. The specific targeting of fentanyl as a justification for tariffs exemplifies the importance of this issue to the Trump administration as they negotiate a deal with China. It is no longer seen as solely a public health

crisis, but as a strategic lever in trade and geopolitical talks.

The Trump administration will demand that China implement verifiable, enforceable restrictions on precursor chemicals used in fentanyl production; specific asks could include crackdowns on chemical suppliers, increased transparency in online drug markets, and cooperation with U.S. law enforcement. Like IP enforcement provisions in the Phase One Agreement, future trade deals may include anti-fentanyl provisions to facilitate greater commitment of cooperation from China.

Prevent Tariff Evasion: Transshipment and Currency Practices Tariff evasion mechanisms have been utilized by China in the part to circumvent trade restrictions and tariffs while preserving export competitiveness – namely transshipment and currency devaluation. Thus, China does not address underlying trade imbalances, and the U.S. tariffs are not as effective as they seem. The United States will address these concerns in negotiations and promote mechanisms that better enforce tariff policy, with the goal of holding China more accountable to trade actions.

The United States has expressed significant concern over China's attempts to evade U.S. tariffs by rerouting goods through third countries—a practice known as transshipment. This method involves Chinese exporters shipping products to intermediary nations, where they are relabeled or undergo minimal processing, before being exported to the U.S. to circumvent tariffs. Several U.S. agencies and departments presented plans to counteract these practices. In March, the House Select Committee on the Chinese Communist Party (CCP) urged federal agencies to intensify enforcement against these practices. They emphasized that such evasion tactics, including the use of false certificates of origin and minimal processing in third countries, pose a direct threat to American industries

and workers. Congressional legislation on tariff evasion includes two proposed bills (Axing Nonmarket Tariff Evasion (ANTE) Act and the Stopping Adversarial Tariff Evasion Act) that would require more comprehensive “country of origin” tracking on goods entering the United States and impose tariffs on goods from third countries if they are found to be part of schemes to circumvent existing duties. These acts, if passed, would empower USTR and Customs and Border Protection investigations into Chinese transshipment. The Trump administration will also target this issue in bilateral negotiations with top transshipment countries (Malaysia, Thailand, and Vietnam in particular).

As part of Phase One Agreement, China agreed to avoid competitive devaluation and enhance transparency in exchange rate practices. This included a commitment from China to meet International Monetary Fund (IMF) standards and commitments within the G20 for valuation and disclosure, such as publishing foreign exchange reserves and allowing market forces to determine valuation. The United States has long raised concerns about China's management of the renminbi (RMB) and the impact that has on bilateral trade. In the past, China has artificially devalued the RMB to ensure cheaper Chinese exports and more expensive U.S. imports, such as the August 2019 devaluation to offset the first trade war's tariffs. In August 2019, the U.S. Treasury labeled China as a currency manipulator, though this was removed following the Phase One Agreement. It also reflects further structural reforms requested by the United States: The state-owned People's Bank of China (PBOC) manages the RMB through a controlled float system, presumably through market-driven movements, but with potential for the state to guide the valuation into “manipulatory” territory.

Past Chinese Commitment and Implications for Future Practices

China's track record of meeting past trade commitments offers critical insight into the likely outcomes of future negotiations. This section examines how China has responded to U.S. demands in previous agreements, highlighting patterns of selective compliance, ideological limits, and policy-driven resistance. This then frames expectations for China's willingness and capacity to adopt structural reforms under renewed U.S. pressure.

Purchase Commitments of Goods and Services

The best indication of China's commitments to a future trade deal lies in the results of Trump's Phase One Agreement. As outlined in the Phase One Agreement, China committed to importing an additional \$200 billion of U.S. goods and services on top of the amounts that it imported in 2017, implying a two-year total of \$352.2 billion between January 1, 2020, and December 31, 2021. Using monthly export data, the Peterson Institute for International Economics reported that China failed to meet this commitment; in fact, it fell starkly below it. China purchased a total two-year total of \$210.1 billion, only 60% of the two-year target outlined in the Agreement. The report also broke down the covered sectors (manufactured goods, energy, services, and agriculture). China met 59% of its commitment for covered manufactured products, 37% of covered energy products, and 83% of covered agricultural products. While the Agreement did not include specific commitments regarding uncovered products, the report found U.S. exports of non-covered products to China in the two-year period were \$65.6 billion, a 6% decline from the relative amount in 2017.

A significant part of China's failure to meet these commitments lies in the natural

impact of 18 months of trade war during the first Trump administration, alongside other unexpected hurdles. Subsequent tariff escalation designed to kickstart a decoupling resulted in exporters struggling to reestablish connections within the Chinese market. For example, within manufacturing, auto exporters suffered sluggish recovery even after China lifted retaliatory tariffs. China also imposed regulatory hurdles to aircraft exporters following two crashes of Boeing 737 MAXs in 2019, which were not lifted until the end of 2021. Agricultural products fared better, though still failed to significantly gain from pre-trade war levels during the Agreement period. Soybeans, pork, corn, wheat and other products did see large increases: pork imports surged following a local outbreak of African swine fever, while corn and wheat imports increased as China implemented changes following the TWO's 2019 dispute settlement ruling against tariff rate quotas. The energy export commitments fared poorly due to highly ambitious but unfounded expectations by the Trump administration that China would need, or desire, large amounts of crude oil, liquefied natural gas, and coal. This failure was in large part due to U.S. factors (capacity constraints preventing U.S. exports from fulfilling the commitment and price fluctuations that provided a natural loophole for China to import less) but changes in China's domestic goals also shifted as the central government pushed vigorously for decarbonization.

The specification of agriculture, manufacturing, and energy products within the agreement also inadvertently discouraged China from importing other, non-covered goods during the two-year period. U.S. exports to China of products without purchase commitments performed even worse than products covered by the Agreement. At the end of the day, China had little incentive to restore pre-trade war levels of imports from the United States, despite the Trump administration touting the Agreement as a “historical trade deal” with his

“very, very good friend.” Though the overall mix of exports to China suffered from several expected and unexpected factors, in general the agreement did not push China to implement a better trade relationship with the United States. Instead, it appears the commitments disincentivized natural trade relationships.

In current trade negotiations, China faces two major hurdles: The willingness to agree to purchase commitments, and the ability to fulfill them. On agriculture products, China is generally willing to purchase U.S. agriculture products, particularly those consumed in large quantities domestically (pork, soybeans). However, China is also looking to diversify sourcing in the face of continued trade tensions. Since 2019, a major policy push for food security prompted China to diversify away from overreliance on U.S. products. This includes shifting focus to alternative import sources (such as Brazilian and Argentinian corn, Russian grain) but also plans to ramp up domestic production. In 2023, China finalized a national food security law to push for “absolute security” in staple grains for food use and basic self-sufficiency in all other grains. It requires national, regional, and county officials to ensure maximum domestically-produced and -processed food supply. These measures will hinder domestic consumers from importing large amounts of U.S. agricultural products, thus making the prospects of restored agricultural trade a declining dream.

In a similar vein, China’s diversification of energy supply chains represents a strategic approach to energy security. Energy products were the worst performing commitment in the 2020 Agreement, and China is not willing to shore up on U.S. energy products. On crude oil, China primarily sourced from Saudi Arabia and Russia to complement domestic production, while natural gas imports from Qatar and Australia surged following LNG agreements. Manufacturing commitments will hit the large “Made in China 2025” wall: China’s

desire for importing advanced manufacturing products has declined significantly as national policy drives domestic innovation in critical sectors from semiconductors to TVs, aerospace and advanced machinery. Key U.S. exports emphasized in the Phase One Agreement, including aircrafts, auto parts, industrial machinery, semiconductors are not as desirable for the Chinese market. While there may be some room for negotiation, the 2025 landscape is one where China has removed itself from key dependencies on U.S. imports.

Alignment with the WTO on Intellectual Property, Technology Transfer, and Financial Services

While China has made periodic gestures and some domestic reforms in areas of IP, technology transfer, and financial services liberalization in response to external pressure, it consistently falls short of fully aligning with WTO norms and international standards. Rather, China pursues selective commitment and implementation where the domestic system can benefit from these changes. However, when reforms conflict with its control over key industrial and economic policies, reforms are often limited to verbal commitments rather than concrete actions.

China has made notable strides in reforming its IP policies. This is evident in both the Outline for Building an Intellectual Property Powerhouse (2021-2035) and the 14th Five-Year Plan for National Intellectual Property Protection and Utilization, which clarify the goals and tasks for IP protection and utilization. China has set ambitious plans to modernize China’s IP protection system by 2035, aiming to address challenges as part of a larger strategy to enhance technological and scientific self-reliance. This report includes proposed improvements for the IP legal system, new revisions to the Trademark Law, Copyright Law, and improvements to dispute and

compensation mechanisms. These changes will be implemented over the next decade. 2023 marked a pivotal year for China’s IP landscape, with several legislative and procedural advancements made. First, an additional amendment to the Trademark Law focused on tackling issues such as “bad faith” trademark registration, trademark squatting, and trademark hoarding. In March, China ascended to the Apostille Convention, which standardizes the system for foreign public documents to be recognized in China. This change provides a huge leap in streamlining bureaucratic hurdles. Patent applications continue to rise, with the United States leading in foreign applicants (in 2022, over 505 million applications). Similarly trademark applications from the United States represented over 40% of all foreign applications in 2023. These are all positive steps toward improving the ease of business in China and fostering a fairer and more competitive business environment.

Yet, significant challenges remain, both logistically and legally. As part of a broader push for indigenous innovation, China continues to pursue policies that require or favor domestically owned/developed IP products, irrespective of international standards. For example, The “Build in China, Buy China” (xinchuang) policy is intended to promote national tech champions, encourage domestic consumption, and expand to SOEs and “critical sectors” including financial services, transportation, telecom, education, healthcare, aerospace, and energy. In practice, this policy marginalizes U.S. firms: some firms attempt to localize products or join joint ventures, yet the risks and restrictions regarding IP and data transfer complicate compliance with U.S. standards, prompting market exit. This policy aims to ultimately substitute out foreign players, not include them. U.S. firms also express concern over China’s Anti-Monopoly Law as a tool to disadvantage foreign companies and weaken IP protection. Factors such as national security considerations, the

broader trade environment, and specific enforcement actions can influence how the law is applied. However, the general lack of transparency and equal treatment presents challenges to genuine business environment improvements.

Barriers regarding the flow of information remain strong, governed by Chinese three main data laws: The Cybersecurity Law, Data Security Law, and Personal Information Protection Law (PIPL). These laws collectively impose strict controls on the collection, storage, and transfer of data, particularly concerning personal and “important” data. For example, operators of Critical Information Infrastructure (CII) and handlers of significant volumes of personal data are mandated to store such data within China, while cross-border data transfers often require security assessments if deemed “important.” In addition to concerning the U.S. government on national security grounds (from a cross-border services and business standpoint), these policies hinder the ability of foreign service suppliers to operate; “Secure and controllable” requirements mandate domestic R&D and technology transfer/disclosure, thus disadvantaging foreign companies.

On financial services, China made several commitments under the Phase One Agreement to liberalize the financial sector. In the short term, China implemented several key agreed reforms: removing foreign equity caps in securities, asset management, and futures sectors by April 1, 2020, and in life, pension, and health insurance by the same date. Major U.S. financial institutions, including JPMorgan and Goldman Sachs, received licenses to operate as wholly foreign-owned enterprises. In 2023, China also underwent a significant financial sector reform aimed at enhancing foreign participation, part of a broader strategy to attract foreign investment. It included plans to create a new regulatory body, the National Financial Regulatory Administration, to oversee markets and financing. This is not liberalization; the party will maintain

an even tighter control over the financial sector's policies and governance while simultaneously encouraging increased foreign investment domestically. Thus, China's limited reforms are often negligible steps toward true liberalization, and challenges persist as foreign firms face opaque regulatory practices and tight state control. China clearly desires more foreign services, but this is framed within the context of furthering state policy and uplifting China's development, rather than true liberalization.

Put simply, China maintains a poor record regarding transparency, ease of business, and allowing a fair playing field for international companies. While recent reforms in areas of IP, technology transfer, and financial services signal limited progress, they remain selectively applied and largely serve broader domestic objectives. These reforms are tools that support the state-led model and its overarching goals of building up China's indigenous firms and industries. China does not demonstrate genuine commitment to aligning with international standards. At the end of the day, the strategic goal is to transition China from a "fast follower" into a self-reliant global power. These priorities fundamentally limit the scope and credibility of China to reform.

Industrial Policy and the State-Driven Model

The United States has long sought for China to adopt more market-oriented reforms, reduce state control, and align more with WTO norms on fair competition. However, China's internal priorities and the structural realities of a state-led development model often conflict with market-oriented reforms and international standards, repeatedly limiting extensive reforms. Rather than liberalizing markets in a manner consistent with international capitalism, the CCP maintains an economic system fundamentally focused on political control and strategic national development.

As described by the U.S. Economic and Security Review Commission, under the leadership of the CCP, China operates under a "rule by law" system, where the law is a tool to wield and maintain power, rather than constrain it. The legal system functions efficiently and fairly when cases are not sensitive to CCP power and control. However, in areas that touch on domestic priorities or politically sensitive sectors (such as technology), the system remains incapacitated by central control. This subservience of the courts to Party oversight undermines their credibility and creates hazards for international firms navigating conflicting legal systems.

Central to, indeed critical to, China's political economy is the control-based economic model which supports an intense investment-led strategy. China's economy is characterized by the significant role of SOEs and state-championed firms which benefit from massive state subsidies and preferential treatment in credit, tax, regulation, and procurement. The CCP plays a decisive role in SOE decision-making, with the intent of strengthening the power of the state through these firms and undermining genuine competition. Reforms often reinforce the privileged position SOEs maintain, rather than force them to compete fairly with foreign companies. For example, the enforcement of the Anti-Monopoly Law reportedly disproportionately targets foreign firms. In addition to SOE favoritism, the central government utilizes the investment-led growth model as a tool to further the development of domestic industries. Policies seek foreign capital to fund industrial goals while maintaining strict control over capital flows and exchange rates.

In recent years, Party oversight of the economy has intensified under initiatives like Made in China 2025, the 14th Five-Year Plan, and a push for "new quality productive forces." These policies reflect a long-term shift toward self-reliance, a response to both international geopolitical factors like a trade war with the United States and

domestic factors like a slowing economy. Inherent in this industrial drive is extensive state guidance, resources, and regulatory support for targeted industries. Regulatory frameworks shape domestic industry progress while actively limiting foreign access through opaque business requirements, procurement preferences for domestic firms, or other policies that undermine fair competition and market access.

This trend strongly suggests that the CCP's overriding priorities are its continued regime survival, control over economic forces, self-reliance, and the enhancement of China's position globally. This translates into structural policies focused on state control, strategic industrial development, technological self-reliance, military modernization, and strategic use of foreign investment to achieve these goals. These objectives take precedence over fully adopting market-based principles, judicial independence, transparency, and adherence to international standards. As a result, while China may make limited concessions to maintain access to foreign markets, technology, and investment, fundamental reforms that would challenge the Party-state's control or strategic direction are largely resisted.

Cooperation on Fentanyl Control

The Trump administration targeted fentanyl as a key concern in the upcoming trade negotiations, however recent efforts to secure Chinese cooperation on the issue continue to be fraught with diplomatic setbacks and divergent priorities.

While the Biden administration secured talks with President Xi in November of 2023, this followed an intense year of China unilaterally refusing talks with the United States after a 2022 visit to Taiwan by then House Speaker Nancy Pelosi. Much like Trump, China is very willing to link transactional issues like fentanyl to bilateral negotiations. More generally,

Chinese officials have rejected U.S. criticism by shifting blame, arguing that the opioid crisis is a product of U.S. domestic failure, not Chinese exports of precursor chemicals. China did not attend the first meeting of a global coalition on synthetic drugs convened by the United States in 2023, further exemplifying their disinterest of operating within U.S.-led initiatives.

Even with agreements on controlling substances, previous experience demonstrates that enforcement is uneven, and the flow of precursor chemicals continues. Any given potential regulatory commitments -- diplomatic gestures, if you will -- implementation would remain limited. Like issues in other areas of cross border trade, China's internal structure creates barriers to effective implementation: for example, regulation or monitoring of chemical firms is low, often in provinces or central authority is more diffuse. Local governments, lack incentive, or the capacity to enforce export restrictions vigorously. Additionally, the continued reluctance of China to share internal data or coordinate legal action with U.S. counterparts due to sovereignty concerns, severely limits, joint investigations, and prosecution of trafficking networks.

While the Trump administration's approach often centers on tariffs and economic pressure to extract commitments, meaningful enforcement or sustained cooperation from China on the fentanyl issue would require significant trust building. Yet trust is far from present in current relations. Unlike the United States, China does not view this issue as a core national interest. It does not benefit China economically, nor does it have strong connection to their industrial policy. Thus, there is a lack of internal incentive to prioritize the issue and give the United States concessions. At the end of the day, China maintains a very low level of trust towards the United States, the Trump administration, and prospects for cooperation. It is unlikely that China will yield quick concessions, even if Trump imposes a transactional leverage and public pressure on Beijing.

Prevention of Tariff Evasion: Transshipment and Currency Practices

While the United States is increasingly focused on closing loopholes that allow China to evade tariffs, particularly transshipment and currency manipulation, China's willingness and ability to fully comply with such demands remains limited. These mechanisms are not isolated policy choices, but rather strategic tools in China's broader state-led economic system. As such, China will likely offer surface level cooperation and diplomatic gestures on improvements, but it is unlikely to implement the structural changes that would compromise export competitiveness or central control over the economy.

China may formally denounce illegal evasion of tariffs and even pledge to work with U.S. agencies to prevent such practices, but enforcement is likely to be weak or uneven. Monitoring transshipment requires a high level of transparency and regulatory coordination, not just internally, but also with the United States and other countries. This extent of transparency is not characteristic of China. Like the fentanyl issue, China's internal structure creates barriers to the necessary collaboration tracking transshipment violations requires. Moreover, it directly limits China's ability to maintain high export volumes, which is a significant aspect of its development-led model. Given the industrial policy aims of the central government, it is highly unlikely to actively participate in enforcing the negative impacts of tariffs and trade war with the United States.

When it comes to the control over currency and exchange rates and the accusations of devaluation, the conversation is more nuanced. While China has historically utilized currency manipulation for its own economic benefits, for example to boost exports or limit the impact of tariffs, China is also seeking to make the RMB an international currency. This limits flexibility

in manipulating the currency during the trade war. At this time, it is not clear if China will decide to leverage state control over exchange rates. Like the transshipment debate, China may concede some verbal commitments regarding limits on currency devaluation to appease the United States, but its actual enforcement will likely come down more to the policy goals of the central government rather than its relationship with the United States.

Conclusion: Structural Realities and the Future of U.S.-China Rivalry

This paper has traced the nature of U.S. demands in trade negotiations with China and evaluated the extent to which those demands are feasible, given China's political economic structure and strategic goals. By examining both the nature of U.S. grievances and the structural underpinnings of China's domestic and international behavior, what China is realistically able and willing to concede becomes clear.

In assessing China's past commitments and its ability to meet future U.S. demands, the interplay between ideological convictions, domestic political realities, and strategic objectives limits its ability to implement significant structural reform. China's ideological commitment to a "socialist market economy with Chinese characteristics" (i.e. a state-driven development model founded on national industrial policy with selective adherence to capitalist notions) heavily influences economic policy and thus its response to external pressure for reform. Domestic constraints, such as maintaining political stability and the priorities of the Party, further complicate willingness to implement reforms; China maintains the stance that external pressure often challenges sovereignty, and U.S. demands conflict with China's non-interference policy. Based on these current circumstances, China will not meet domestic or external demands for further economic and political reform.

Given these constraints, U.S. policymakers face a difficult negotiating space. Unfortunately, the United States cannot afford to pursue either extreme of the policy spectrum. To accommodate China's predatory practices given its status as a WTO member risks emboldening, even subsidizing, Beijing's efforts to undermine international norms. Yet to sever ties with China once and for all -- a full-scale decoupling -- will ultimately create total chaos and a crippled U.S. economy, given the extensive dependence the U.S. market has on Chinese goods. This leaves the United States in a position to pursue a middle ground policy, one that blends the strategic responses of the last decade.

U.S. policy on China shifts with each administration. The Obama administration sought cooperation through multilateral institutions, aiming to integrate Beijing into a liberal economic order. This approach relied on the so-called "natural course" toward liberalization assumed by Western leaders, yet Beijing's resistance to change undermines this assumption. The first Trump administration shifted relations toward confrontation. While the Phase One Agreement resulted in short-term wins and commitments, China's lack of follow through on structural change demonstrates the limited effectiveness of trade-based agreements. Finally, the Biden administration adopted a hybrid model: Maintain Trump's efforts to "de-risk" the United States from China, overhauling industrial policy to encourage sensitive sectors (like semiconductors) to "reshore." It also focused on restoring alliances to combat dependency while encouraging cooperation with China on some key issues. None of the above policies resulted in structural change, nor does Washington seem to have a long-term strategy for contending with Beijing.

A more effective strategy from the Trump administration would be embracing strategic realism. Regardless of international pressure, China will not experience significant internal reform. Thus, the United

States must prioritize where to increase resilience and containment against China. Such a strategy would include: Focusing additional decoupling in critical sectors to limit exposure in areas tied to national security (semiconductors, biomanufacturing) while recognizing that lower-risk economic flows must continue to prevent economic chaos. Continuing industrial revitalization at home through long-term investment in American infrastructure, innovation, and human capital. Decades of dependency and neglect for home-bred manufacturing will only be reversed through a strong industrial policy. Coordinating policy with U.S. allies to develop comprehensive trade agreements, supply chains, and monitoring mechanisms that offer an alternative to dependency on China and complacency with WTO violations. This approach both recognizes China's structural limitations while shifting the United States down a path to self-reliance and restored leadership. Of course, the Trump administration does not have a history of cooperation at a bilateral or multilateral level, and budget cuts to critical industrial policies like the CHIPS Act undermine the very Make America Great Again macro policy Trump claims to promote. Perhaps the question should not be "are U.S. demands feasible," but rather "can the United States adapt to a world where China remains a systemic rival to market capitalism and pursue a strategy that rebuilds American strength?"

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Mainland-Hong Kong Identity Conflict and its Implications for US-China Relations

Yunqiu Zhang

Introduction

The escalating conflicts between Hong Kong and Mainland China, often expressed through large-scale social and political movements demanding greater autonomy and, at times, independence, have attracted significant academic attention in recent years. Much of the existing research has thoroughly examined the political disputes between the two sides, particularly concerning universal suffrage and democratization. This paper seeks to analyze these conflicts from a socio-cultural perspective and explain their impact on the public's policy perceptions and China's national security outlook.

Based on Friedman's theory of identity practice, the paper examines the construction process of both Hong Kong local identity and Chinese national identity from the perspectives of self positioning, past construction and competition for the defining right. This paper argues that the imagination of the West plays opposing roles in the formation of the two identities. As competition over the right of identification intensifies, the identity conflict has led Hong Kong people to perceive post-handover policies from the central Chinese government as fundamental threats to their values and way of life. At the same time, Chinese leaders see Hong Kong's

demands for autonomy as a challenge to national security. However, this dynamic is poorly understood by U.S. policymakers in their responses to China's hardline stance on Hong Kong. This paper recommends moving beyond the authoritarianism-democracy dichotomy and incorporating the ongoing nation-building efforts of both Chinese society and the Chinese government to better understand the logic behind China's foreign policy decisions.

Theory of the Identity Practice

Friedman (1992) argues that the practice of identity involves both self positioning and past construction. Self positioning requires identification of external and internal groups to a subject or population. The construction of the past, by selectively organizing the events in a relation of continuity with the contemporary subject, creates an appropriated representation of a life leading up to the present. Though, the construction of history is the construction of the events that happened in the past, the motivations of the action of self-defining life history come from the specific social world that the contemporary subject is living in. The past is constructed based on the way it supposed to be in accordance with the situations of current affairs. Thus, the making of history in identity construction serves the purpose of creating a relation between the constructed past and the present. In this case, understanding the constructive process requires not only situating the identity construction in relation to the others but also within the specific social context and time period it happens.

Furthermore, Friedman (1992) points out that there exists a power dynamic in the identify construction. The ownership of the right to define one person's or a population's culture is closely connected with the ownership of the right narration of the history. When the authority or the hegemon of writing others break down, a possibility of a new voice occurs. Hence, the emergence

of a cultural identity usually implies a larger unity's fragmentation and is always experienced as a threat.

Following these three dynamics of the practice of the identity, positioning the self, constructing the past and competing for the right of defining, this paper explores the conflict between the Chinese national identity and the Hong Kong local identity, and the impact the conflicts brought to the deteriorating Mainland China-Hong Kong relation. The paper argues that the two opposite identity constructions regarding their relations to the West and the competition over the right of identification between the two cause Hong Kong people to perceive the policies of the Chinese central government as fundamental threats. Meanwhile the conflicts also cause the Chinese leaders to define the localist identity trend in Hong Kong as national security concern. As a result, the Extradition Bill invoked strong local resistance and was repressed by the government's hardline measures.

This paper first analyzes the construction of the narratives of both Chinese national identity and the Hong Kong local identity from the perspectives of how they are constructed against the external groups, how the historical past is redefined, and the competition over the ownership of the right identification. The paper then compares the two narratives and identify the conflicts between the two identity narratives. Next the paper analyzes how the identity conflicts impact the policy perception of people in Hong Kong and the security view of the Chinese leaders. Lastly, the paper concludes with policy implications regarding the US policy making towards China.

The Construction of Chinese National Identity

Chinese national identity is constructed against its perception of the external group, the West. As this perception changed over time, the narrative of Chinese national

identity changed accordingly through the reconstruction of the historical past of China's encounter with the West. While Chinese national identity has long been constructed in relation to the West, China's national narratives have been continuously reshaped in response to its evolving perceptions of the West.

Born with Purposes

The contemporary Chinese national identity was born out of China's transition from an ancient empire to a modern nation-state during late Qing dynasty. Qing's tough encounter with the West brought urgent need for establishing a modern nation-state. Since the bitter loss of the First Opium War to the British, Qing dynasty gradually lost its authority and territorial integrity to the Western powers and finally became a semi-colony. Such encounter with the West led to the ultimate collapse of the long-lasting empire system in China and caused the old empire to search for a new modern status that constitutes both a new polity and a new position vis-à-vis the Western power in the international society.

In this case, the establishment of both the Chinese state and Chinese nation serves the purpose of fighting against the colonial powers to regain the independent status of China and recover the lost territory and authority integrity. Against this backdrop, the conceptualization of a unified Chinese nation that carries on such mission, termed as "Chinese nation" (中华民族), was constructed for the first time in Chinese history. The ensuing Chinese state, the Republic of China, also adopted such national imagination and constructed China as a nation worthy of being saved from the Qing dynasty, northern warlords, and foreign empires (Callahan, 2006). Same national imagination continued to be the identity foundation in the People's Republic of China.

Chinese Nation, the Founding of PRC and Mao

Despite being the only ruling Party in China, the Republican government was under the constant military struggles with warlords, foreign colonial powers and later the Japanese invasion that carved up China into pieces. After the Second Sino-Japanese war, The Kuomintang (KMT) lost the civil war to the Chinese Communist Party (CCP). In 1949, the Chinese Communist Party, led by its Chairman Mao Zedong, claimed the founding of a new Chinese state, the People's Republic of China. KMT had to give up its rule in Mainland China and retreat to Taiwan. This declared KMT's aspirations for national unification a failure and allowed the CCP to successfully claim itself as the first Chinese government that has led the Chinese people to regain the country's independence and unification (with the expectation of Hong Kong, Macao and Taiwan), which became the core component of CCP's legitimacy in governing China and Chinese people.

During this time, the core parts of the national aspirations from the late Qing intellectuals were inherited by the PRC. The moment of the declaration the establishment of the new state by Mao is told to all Chinese people as Mao proudly announcing to the Chinese people and the world that "Chinese people have stood up!"² The history of Chinese people's continuous struggle in the history is referred as "the crisis moment of the Chinese nation" in PRC's national anthem. These efforts constructed a national story of a unified nation fighting against the colonial powers for its independence since late Qing and finally achieved the goal with the establishment of the PRC. However, as the domestic and international situations evolved, new components were added to the national imagination. The international isolation received by the newly established PRC, particularly after its intervention in the Korean War and during the Cold War era,

motivated Chinese leadership to modify the national narrative.

Mao interpreted the international isolation imposed to PRC as imperialist conspiracy led by the US to destroy the regime under the leadership of CCP. He famously put up that "the US imperialists have not given up its wild ambition to subjugate our country" ("美帝国主义亡我之心不死") and identified "three mountains of imperialism, feudalism, and bureaucrat-capitalism that have been oppressing the Chinese people" as the sources of Chinese nation's suffering. The Western imperialism led by the US who has long been oppressing Chinese nation was phrased as? the primary enemy of Chinese nation. All Chinese people were mobilized in the New Democratic Revolution led by CCP leadership to topple the "three mountains". As a result, anti-US sentiment became a main theme of the national narrative during this period of time and a strong victim mentality dominated Chinese national identification (Suzuki, 2007).

Patriotic Education Program in 1990s

While the discourse of the Chinese nation against the Western imperialism led by the US gradually died down from the main themes of the national narrative when the new Chinese leadership decided to pursue the reform policies and open up China to the world with the aim to develop China's economy through integrating the country with the global economic system, in face of the perceived weakening regime legitimacy due to the bankruptcy of Communism ideology, fast domestic socio-cultural changes and the international hostility after the 1989 Tiananmen protests, China picked up the anti-West theme in its national identity narrative again and inculcated this narrative through the nationwide patriotic education program. The education program contains three major themes, the Chinese tradition and history, territorial integrity and national unity. The history of humiliation caused by the imperialist invasion and the

victimization of the country in the international system by the West was brought to the forefront in the identity construction (Sinkkonen, 2014).

Post 2008 and Xi's Chinese Dream

China's perception of the West changed again in 2008. In contrast to the long-lasting stagnation caused by the financial crisis in the West, China's relative smoother and quicker recovery and its successful hosting of the Olympic Games in the same year caused Chinese leadership to redefine its position against the West in the international system. Phrasing the situation as "uprise of the East and the downfall of the West" (Zhao, 2013), the leadership saw it as a window period for Chinese government and its people to gain more confidence in the political and socio-economic systems with the Chinese characteristics and to redefine China's position in the international society.

Such perception led the Chinese leadership to reemphasize the theme of the "hundred years' of national humiliation" strongly in the national narrative and construct China's current and future status in a counited relation to the country's past. President Xi came up with the term of "Chinese dream" and defined the dream as "achieving great rejuvenation of the Chinese nation". It is explained as "the greatest dream of the Chinese people since modern time. It embodies a long-cherished hope of several generations of Chinese people, reflects the overall interests of the Chinese nation and the Chinese people, and is a shared aspiration of all sons and daughters of the Chinese nation." (Ruan, 2020). In other occasions, when Xi talked about building the "community of Chinese nationhood", he stressed that the West should view China from the vantage point of five thousand year of civilization, and only in this way can the West truly understand China's past, present and future (Buckley, Wang, & Dong, 2022).

A continued relation of the current international situation that China is facing and the future that China longs for to the constructed historical past that China has experienced stood out in such narrative. The Chinese nation, as a unity, has carried the same missions and hopes walking along the history all the way from generations to generations to the moment. This discourse of rejuvenation constituting the construction of the historical continuity from late Qing to the modern days gives meanings to the current situation of Chinese nation and the past this nation should have. National rejuvenation becomes the way to address the hundred years' of national humiliation, and the national rejuvenation is a future in which the Chinese nation is strong, prosperous, modernized and free of the humiliation.

The Construction of Hong Kong Local Identity

Superior Us vs. Inferior Other

Despite Hong Kong's prolonged colonial history, the British Empire and the West it symbolized did not become the "other" in the construction of Hong Kong local identity, instead, it was Mainland China that took on that role. This local identity is not only constructed based on the perceived difference between itself and the external group, but also the perceived superiorities it enjoys over the external group. The localist Hong Kong identity was constructed based on the Anti-China sentiment and a reconstruction of the colonial past.

1950s-1970s

The tendency to construct a Hong Kong local identity distinct from a Chinese identity can be traced back as early as the 1970s. The early wave of refugees migrating to Hong Kong to escape the turmoil and deprivation in Mainland China during the 1950s and 1960s embedded an image

of a chaotic and underdeveloped China in the minds of local people in Hong Kong.

Such perceptions were reinforced by the manufacture sectors' fast taking off and the explosive material living standards rise and capital accumulation it brought. The growing sense of superiority gradually became the foundation to a Hong Kong local identity by constructed by the local residents. Mainland immigrants, many of whose status were still legal at the time,

became the inferior "other" in this narrative. They were perceived as "rural, undisciplined, and unmotivated" by the Hong Kong mass media. By comparison, the "old" Hong Kong residents are "urban, hardworking, upwardly mobile and intelligent" (So, 2015). This early narrative of superior us Hong Kong people against inferior they Mainland Chinese, represented by the immigrants, laid the foundation for subsequent local identity construction in Hong Kong.

1980s-1990s

With Mainland China entered the reform period and market economy brought fast GDP growth, material affluence, wealth accumulation and freedom of consumptions were not sufficient to construct the narrative of superior Hong Kong vs. inferior Mainland China. The perceived difference was gradually built up on the different modernization experiences of the two groups. During the time, Mainland Chinese society welcomed its very first interactions with the global economic system and Hong Kong experienced its transformation from a manufacturing center to an international financial hub. Hong Kong local identity was given new meanings based on the perceptions of this new comparison. In the new narrative, being a Hong Konger meant being more sophisticated, cosmopolitan and having better taste and style compared to Mainland Chinese who did not know how to spend their newly earned money well (Mathews, 1997).

Post-Handover Era

Recognizing Hong Kong's value in helping with Mainland China's opening up, the Chinese government replaced border control with policies facilitating intensive population and capital exchanges between the two sides after it took over Hong Kong's sovereignty in 1997. Facing the increasing all-around influence that Mainland China generated on Hong Kong society, the old superiority constituting advanced material conditions and deepened modernization processes can no longer sustain itself. A more localist and radical Hong Kong identity gradually came into being based on new perceptions the society had with Mainland Chinese people and the Chinese government.

Policies like "Individual Traveller's Scheme" allowed a large influx of Mainland tourists into Hong Kong within a short period, while so-called Mainland "hot money" rapidly flowed into the city's property market (So, 2015). The misbehaviors of some Mainland tourists such as littering and cutting the lines became the focal point of the mass media in Hong Kong mass media's reporting. The waves of Mainland incomers' panic buying of baby milk powers in Hong Kong caused by a food safety scandal in China and the increasing numbers of Mainland pregnant women delivering their babies in Hong Kong's public hospitals caused widespread social discontent. The existing perceptions of Mainland Chinese people being uncivilized and less educated were reinforced. The Chinese government was perceived to be seriously corrupted and incapable. Meanwhile, a strong sense of being forced to compete for public resources that originally belong to Hong Kong people by Mainland incomers emerged.

At the same time, under the governance of the Hong Kong government and big business coalition, Hong Kong society witnessed substantial upward mobility decrease, increasing wealth inequality and escalating unaffordable housing issue. The

structure failed to lift the living standards for the general public or establish competitiveness in sectors other than finance, trade and professional services. The socioeconomic stagnation caused feelings of frustration, discontent and anxiety over the future of Hong Kong, particularly among the young generations. Against this backdrop, incoming Mainland students and immigrants were seen as threats to the local employment. Many local university students complained about bank and consulting jobs requiring Mandarin Chinese. They believed that this gives unfair advantages to Mainland students in the job market.

A localist Hong Kong identity narrative, which is exclusionary toward mainland Chinese, was constructed based on these newly generated perceptions in early 2000s. In 2004, a group of politicians and professionals with various backgrounds defined a set of “core values of Hong Kong”. They phrased Hong Kong as a community represented by the values of freedom, democracy, human rights, rule of law, justice, and transparency in contrast to the corrupted Chinese system. In 2011, localist scholar Chin Wan termed Hong Kong as a “city-state” rather than a special administrative region of the PRC determined by the Chinese government. Following the same path, many further adopted the self-determination discourse to define the nature of Hong Kong (So, 2015). The street hawkers in Mong Kok area were recognized as the symbol of the unique Hong Kong local culture and lifestyle when protestors violently resisted police’s efforts cleaning up the unlicensed hawkers in 2016. The incident was later dubbed the “Fishball Revolution”, named after the popular traditional Hong Kong street food.

The Reconstruction of The Collective Colonial Past

Given these newly developed perceptions, the localist identity also reconstructed Hong Kong’s colonial past that was believed to be shared by Hong Kong people collectively

besides reconstructing the uniqueness that distinguishes Hong Kong from Mainland China.

The governance mode and the state-society relationship under the colonial rules were redefined in the academic community. The understanding of Hong Kong society’s being “apolitical” and cherishing only material gains were overturned. Hong Kong people’s agency of defending their rights and advocating for their interests mostly through unconventional forms of political participation is widely emphasized (Lam, 2003). As for the governing mode, the British colonial government is believed to be more “collaborative” in its governance than it was portrayed before. Its responsiveness to the popular demands is put in focus.³ In the social governance, the British colonial government is believed to have granted the traditional Chinese gentry class a greater degree of autonomy and made no deliberate effort to impose an inferior, second-class citizen identity on the people of Hong Kong. At the same time, the de facto superiority of British rulers, the extremely asymmetrical power they enjoyed vis-a-vis the Chinese people, and the strong racial discrimination embedded in the government policies were downplayed in the reconstruction.

Among the Hong Kong public, waves of preservation movements, marked by a reimagining of the colonial past, were sparked by the government’s plans to demolish old colonial infrastructure for new development projects. In this process of rewriting the historical past, the old buildings constructed by the British government in its public housing program were given new meaning. They became the symbol of the successful stories of poor working-class individuals achieving their dreams of upward mobility through hard work amid the economic boom brought about by favourable colonial government policies. In this case, Hong Kong people under British colonial rule are believed not to have been exploited colonial subjects,

but rather individuals with a broad worldview and the autonomy to pursue their personal aspirations (Chu, 2007). The old story of colonial rulers exploiting local resources and neglecting the rights and poor living conditions of immigrant labors and low-income workers for the benefits of the British empire is reworded. Furthermore, during the sociopolitical movements calling for political reform in Hong Kong, a native Hong Kong identity and the history of youth-led nativist preservation movements were selectively invoked to construct a nostalgic narrative that justified demands for a Hong Kong free from Mainland China’s influence. Lowe and Tsang (2018) point out that during the 2014 Umbrella Movement, an imagined halcyon era of British colonialism was created, in which Hong Kongers saw themselves as beneficiaries of the privileges they were fortunate to receive as colonial residents.

In this case, the reconstruction connected the present of Hong Kong with its historical past. The unique and superior characters that Hong Kong people enjoy with pride today, including freedom, autonomy, economic affluence and cosmopolitan worldview, are attributed to the governance of the colonial past. As these values were constructed as the foundation of the localist Hong Kong narrative, the British colonizers became part of the “us” in this identity. A unified democratic Hong Kong achieving its social progress and economic development through local people’s negotiation and cooperation with the British colonial government now becomes the life story collectively shared and identified by the Hong Kong people.

Analysis

The Identity Construction in Mainland China

The Chinese national identity has always been formed in contrast to the country’s perception of the West. The constructed

history of China’s encounters with the West constitutes a core part of Chinese national identity with Hong Kong occupying a special position within it. This identity narrative framed the relationship as a unified Chinese nation resisting the colonial West, who had undermined China’s sovereignty, territorial integrity, national unity, and pride. After 2008 and especially following Xi’s rise to power, China perceives the West, led by the US, as declining in relative power. This led to a reemphasis of the victimization and humiliation in the national identity and the construction of the Chinese Dream in which China regains its national pride with a renewed position in the international system.

In this story, Hong Kong has always been a part of “us”, the unifying nation fighting for the final realization of the national unification and the recovery of the national pride. As the hundred years’ of humiliation of Chinese nation started from the British Empire taking control over Hong Kong after the First Opium War, Hong Kong’s colonial history was given special symbolized meaning. Hong Kong’s handover and the implementation of One Country Two System are seen as important landmarks of China’s journey of recovering its territorial integrity and overcoming the humiliation it suffered.

The Identity Construction in Hong Kong

In the case of Hong Kong, its local identity has always been constructed based on its perception of China with the superiority it enjoys over the perceived China. The identity narrative changed as Hong Kong’s interactions with Mainland China in different historical stages and social context changed local people’s perceptions of both Mainland China and the British colonial government.

While “Chineseness” and “China” still composed a part of Hong Kong’s identity debates in the past, the sudden increase of

the socio-economic and cultural exchanges between Hong Kong and Mainland China and the continuous political battle between the Chinese central government and the Pan-democratic forces in Hong Kong transformed the perception of China from inferiority to a new type of anti-China sentiment that contains strong antagonism against both the Chinese government and the people coming from Mainland China (Ma, 2015). Policies from the Chinese government and the Mainland Chinese coming to Hong Kong are not only seen as the cause of intense competitions over the public resources and employment opportunities in Hong Kong, but also fundamental threats to Hong Kong's values and its way of life. They became the driver of the socio-economic and political problems that Hong Kong people have to face.

Meanwhile, a reconstruction of Hong Kong's colonial past downplayed the exploitations and the racial discriminations of the colonial policies while stressing its contributions to Hong Kong's economic prosperity and modernization. The sources for Hong Kong to construct its superiority against Mainland China are directly attributed to the colonial government and its responsiveness to local population's demands. Hong Kong now understands its past as a democratic community working with the collaborative governance of the British colonial government to achieve its prosperity.

Based on the new understandings of both China and the colonial past, the new localist Hong Kong identity composes an exclusion against the Chinese central government and the Mainland Chinese immigrants and strong demands for a future maintaining Hong Kong's way of life, or even a restoration to the imagined colonial past.

Conflicts Between the Two Identity Narratives

A comparison of identity constructions in Mainland China and Hong Kong reveals three points of conflict. Firstly, the Chinese

national identity and the Hong Kong local identity are construed in opposition to different external groups. The Chinese national identity positions the Chinese nation against the perceived West and includes Hong Kong as part of the internal group. However, the Hong Kong local identity positions Hong Kong in contrast to the perceived China. China is the external "other" in this narrative.

Secondly, the two identity narratives constructed the relationship that the "us" has with the West in a conflicting manner. The Chinese national identity narrative saw the West as the cause of the national humiliation, the enemies destroying the country's sovereignty and territorial integrity, and the obstacles for China to achieve its dream. On the contrary, the identity narrative of Hong Kong constructed the British colonial rule as the foundation of Hong Kong's development and modernization, of which the local people are proud.

The third conflict exists in the ownership of the right history and the rights to define the self and others. In the Chinese national identity narrative, China owns the right to define the historical past of both Mainland China and Hong Kong. Hong Kong's colonial history is seen as part of the China's national humiliation. Hong Kong is constructed as part of the Chinese nation who share the same aspirations for territorial integrity, sovereignty, pride and the rejuvenation of the Chinese nation.

By contrast, in the Hong Kong local identity narrative, Hong Kong has the ownership of the right history. The national humiliation of China, the sufferings of the Chinese people and the past and future of Hong Kong that is constructed by China are rejected and replaced by a colonial past shared only by the people in Hong Kong. This tension over the right to define Hong Kong manifested through local resistance to the promotion of the "Moral and National Education", a series of education programs designed to cultivate patriotism among of Hong Kong

students in 2012. Many of the students involved in this protest later became the founding members of the localist parties and organizations in Hong Kong that advocate for radical localist Hong Kong identity and anti-China agenda.

This complex identity conflicts between Mainland China and Hong Kong exert a major influence on Hong Kong's public perceptions of China's policies in Hong Kong, particularly the "One Country, Two System" and the series policies aiming to facilitate integrations.

Hong Kong People's Policy Perception

One Country Two System

The "One Country, Two Systems" was established as the framework for the Chinese government's governance of Hong Kong following the 1997 handover. Under this political structure, Hong Kong became a special administrative region under the sovereignty of the Chinese central government. While acknowledging China's sovereignty, the arrangement gives the government of Hong Kong Special Administrative Region a high degree of autonomy in governing Hong Kong's domestic issues and promises Hong Kong's capitalist system intact for fifty years.

From the perspective of China, "One Country, Two System" represents Chinese leadership's great political courage and wisdom in recovering the territory occupied by colonizers and realizing the national unification. Hong Kong's handover in 1997 is referred as "the unification of Hong Kong" as it symbolizes the land coming back to its motherland after the forced separation. This success serves as strong evidence that China is no longer the weak and backward Qing dynasty that once lacked control over its own destiny. After prolonged struggles,

the Chinese nation has finally gained equal status with its former colonial powers.

However, from Hong Kong's perspective, having witnessed waves of Mainland refugees coming to Hong Kong escaping from the political and economic turmoil, the handover of sovereignty from British colonial power to the Chinese central government brought only anxiety and uncertainty about the future of Hong Kong's development and stability. Amid stock market instability and migration waves, "One Country, Two System" represented the protection of the capitalist system, the unique culture, and the way of life in Hong Kong to the local people (Chan, 2000). To them, the high degree autonomy of Hong Kong inherently meant the preservation of two distinct identities. Hong Kong people saw the arrangement as the central government's response to local society's demands.

Integration Policies

Since Hong Kong's handover in 1997, the Chinese government has introduced a series of policies that have facilitated interaction between Hong Kong and Mainland China, particularly in economic and social spheres. Two-way flows of people and capital have been strongly encouraged, with substantial government investment directed toward infrastructure projects to further integrate Hong Kong, Macao, and southern China.

With the identity conflicts of the two side gradually intensifying, these integration policies are perceived as culture and identity threat by Hong Kong people. The policies are interpreted as Chinese government breaking its commitment to adhere to the "One Country, Two System". The interventionist strategies to deal with Hong Kong issues and is termed as the project of "Mainlandization" by local scholars. It is believed that these policies aim to "blur the physical, social, cultural and psychological border between Mainland China and Hong Kong" (Chan, Nachman, & Mok,

2021). The widespread frustration and anxiety caused by the possibility of losing the Hong Kong's unique way of life led strong and even radical reactions among the Hong Kong society to the policies. Localist camps with anti-China, anti-Communist and anti-Mainlandization agenda achieved landslide victories in elections. Political demands to defend Hong Kong's autonomy found extensive support. Hong Kong-Mainland China conflicts further intensified.

1 China's Reaction

Chinese governments saw this development of the localist identity which laid foundation for localist sociological movements in Hong Kong a direct threat to its national security. Callahan (2006) argues that "history" is a security issue and the "security" is about defending "us" so much as "telling us who we must be". Almost by the same token, when defining the external threats that Chinese nation is facing and constructing the new national narrative of Chinese Dream, Xi expanded the definition of national security into the sphere of cultural security.

Given the close connection between CCP's legitimacy and its claimed historical legacies, the development of an alternative identity narrative, one that constructs a very different version of the historical past in relation to the West, appears to pose a significant threat to China's cultural security. The national security concerns may partially explain Xi's absolute hardline policies responding to the social unrest fueled by the development of an alternative identity narrative in Hong Kong.

Anti-Extradition Bill Movement

China's perceived turn from protection to intervention led to Hong Kong's growing demand for a future free of China's influence. The Extradition Bill proposed by the Hong Kong government was seen as a further erosion of Hong Kong's autonomy.

Protestors' call to "Restore Hong Kong, Revolution Now" was highly associated with national security by China. As a result, it supported the Hong Kong government in the employment of the police force and

issued the National Security Law in early 2020. The violent clashes between the police and protesters lasted for half a year, paralyzing normal life in the city.

Conclusion and Policy Implications

As analyzed above, the multi-layered identity conflicts between Hong Kong and Mainland China have been the underlying cause of the deterioration in the relationship between the two sides. The conflicting identity narratives led Hong Kong people to perceive the arrangement of "One Country, Two System" as a promise to protect local culture and way of life and the integration policies as fundamental threats to them. As the demands for eliminating China's influence grew, Chinese leadership increasingly viewed the localist trend in Hong Kong as threats to national security and responded with hardline oppression.

The US government framed the Anti-Extradition Bill Movement and China's repression from a human rights perspective. It suspended Hong Kong's special trade status due to worsening human rights conditions. Student activists were invited to the US Congress for hearings to draft the Hong Kong Human Rights and Democracy Act. The US government also connected the issue with the perceived China's authoritarian turn domestically and aggressive turn internationally. It framed the conflicts similarly to how it framed the Taiwan issues, depicting Hong Kong people's aspirations for democracy as being brutally repressed by the government. Nonetheless, as analysed above, behind the surface of political conflicts lies an intensified socio-cultural conflicts between Hong Kong and Mainland China.

Nonetheless, while the US government well captured Hong Kong's the demand for the localist identity, the accumulated socio-cultural conflicts between Hong Kong and Mainland China and the interactions between identity construction and public policy perceptions behind the

movement were largely ignore. Moreover, it is worth noting that while Hong Kong rejected Chinese national identity declined, public identification with Chinese national identity remained at a high level. The complex identity formation process and its interactions with policy making in China received little understanding.

Zhao (2013) finds out that the "strident turn" in Chinese foreign policies after 2008 is the result of state-led nationalism converged to the popular nationalism rather than the vice versa. The popular nationalism has always demanded Chinese government to take a tougher attitude in its foreign

Chinese people and the policy trends of the Chinese government requires understanding of their social-cultural foundations first. The authoritarianism- democracy dichotomy that is dominating the policy debates oversimplify the issue.

Policy making towards China has been the subject of heated debate. Despite China's opening to the world, rapid economic growth, and the emergence of a growing middle class, its system has not converged to the model the West expected. On the contrary, China is exploring an unique development path for its own. The logic of such decision-making can be traced to the leadership's understanding and construction of China's historical past. At the society level, as demonstrated in the case of Hong Kong, identity construction is closely related to public policy

perceptions and the social consensus formation. For China, even after hundreds

Behind the surface of political conflicts lies an intensified socio-cultural conflict between Hong Kong and Mainland China.

policy making. Weiss (2019) argues that Chinese public is in fact more hawkish in its attitude toward foreign countries than most in the West might expect. Chinese government's repeated emphasis of "hurting Chinese people's feeling" in response to historically sensitive issues might not mere propaganda, but rather a reaction to domestic public sentiments.

A grassroot level identification process that plays an important role in the national identity construction might be the cause of this public's hawkish attitude. In this case, understanding the political demands of

years of the collapse of Qing dynasty, the country is still in the exploration of the path toward a modern nation-state. The unfinished transition should be an essential perspective to understand China's decision-making and Chinese society.

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