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**JIIA Strategic Comments (2020-11):
China's "Wolf Warrior Diplomacy": The Limitations and Challenges Exposed by the Corona Crisis**

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## The Trump administration scapegoats China as criticism from European and other countries mounts

The latest US-China confrontation has taken on the character of a new US-China Cold War, with relations only growing worse as the two countries engage in a fierce information war over the coronavirus. China has publicly raised the possibility that the US military brought the virus to China while, in the US, Trump has called the virus the "Chinese virus" and Trump as well as Secretary of State Pompeo have, without presenting any evidence, asserted that the Wuhan Institute of Virology could be the source of the novel coronavirus and instructed US intelligence agencies to conduct a thorough investigation. In addition, Trump announced on April 15 that the US would be suspending its contributions to WHO, claiming that the international organization had been carrying water for China in dealing with the coronavirus.

Geng Shuang, deputy director of the Foreign Ministry's Information Department, responded to this in a regular press conference on April 21: "China has all along been advancing international anti-pandemic cooperation in an open, transparent and responsible attitude...With regard to the origin of the virus, we've repeatedly stated that it's a matter of science that should be researched by scientists and professionals." With Trump announcing on May 5 that the US would be releasing a report on the origins of the novel coronavirus outbreak, the two countries are now blaming each other for the spread of the virus.

Other officials outside the federal government have joined in the US' criticism of China. State Senator Roger Ross of Wisconsin submitted a resolution on March 26 blaming the Chinese Communist Party's actions for the global pandemic. The state of Missouri on April 21 accused the Chinese government and the Communist Party of China of failing to put in place measures that might have prevented the spread of infections and of thereby causing serious economic losses. Missouri constitutes part of Trump's Republican electoral power base, and it would seem that Trump's goals in scapegoating China are to win re-election in this autumn's presidential election and to fend off criticism of his own policies and political skills.

The United States has not been alone. Even Germany and Australia have become critical of China over the issue of the novel coronavirus's origins. For example, Australia, one-third of whose exports go to China, has also hardened its attitude toward China, calling for an independent investigation into the source of the coronavirus; the Chinese ambassador to Australia responded by hinting that retaliatory economic measures might be taken. The editor of the *Global Times* took to his own Weibo account on April 28 to denounce Australia as "gum stuck to China's shoe". Australian Foreign Minister Marise Payne protested, and relations between the two countries have since deteriorated.

On April 15, Germany's largest tabloid *Bild* featured a byline article by editor-in-chief Julian Reichelt that demanded $160 billion in compensation from China for the coronavirus pandemic, eliciting an official objection from the Chinese embassy in Germany.

The unscrupulous measures taken by the Chinese government in responding to the coronavirus have drawn fire from other governments as well. According to a May 3 *New York Times* article, at least seven Chinese ambassadors (those posted to France, Kazakhstan, Nigeria, Kenya, Uganda, Ghana and the African Union) had been asked by their hosts over the preceding few weeks to explain the "disinformation" about the coronavirus coming out of China and the rampant racial discrimination against African residents in Guangzhou. A good number of media outlets have reported that this discrimination stemmed from the emergence of coronavirus clusters in heavily migrant-populated areas of Guangzhou.

A staff member at the Chinese embassy in France sent out a message claiming that French senior citizens were dying of neglect in nursing homes, evoking a bitter reaction from French Foreign Minister Jean-Yves Le Drian and the French Parliament.

## China's frustrations in the face of concerns about isolation

China has portrayed itself as a hero exerting leadership as the international community confronts the coronavirus crisis and working alongside other countries facing difficulties, all the while shifting the responsibility for the spread of the coronavirus to other countries and pursuing its "Wolf Warrior Diplomacy" and "Ultimatum Diplomacy". One of its aims domestically has been to put a lid on criticism of the Xi administration for being slow to react to the coronavirus and for concealing information, and to propagate the idea that China's coronavirus countermeasures are highly regarded within the international community. Looking outward, China has become concerned about being isolated from the international community as the bilateral confrontation between the United States and China grows more serious, and it appears to be soliciting support from a greater number of countries in order to frame this confrontation as one between China and the rest of the international community on one side and the US on the other.

China's efforts are not progressing as smoothly as it might wish, though, and they are even proving counterproductive. Not only are relations between the US and Chinese governments worsening but general public opinion of China in the US is also deteriorating. In a March survey by the Pew Research Center in the United States, a record-high 66% of respondents held an "unfavorable" view of China, while an all-time low of only 26% saw China in a "favorable" light. The percentage of the US population with a negative opinion of China has risen by nearly 20 points since the start of the Trump administration. In Europe, even those countries with strong economic ties to China have expressed concern about their overreliance not only on trade with China but also on China's communication technologies, medical devices and pharmaceuticals.

## The limitations and challenges of China's corona diplomacy

China has strategically pursued public diplomacy in the 21st century, and its endeavors to affect public opinion in the US in particular have met with a degree of success. China has become more confident as a major power since the beginning of the 2010s, however, and its relations with the US have become frostier in recent years, pushing to the forefront the idea that China should be firmer in asserting its own positions.

This "Wolf Warrior diplomacy" approach has gained momentum with the emergence of the young star Zhao Lijian as deputy director at the Chinese Ministry of Foreign Affairs' Information Department. This approach emphasizes China's national interests and assertively defends the country's stances, but the manifestation of this approach in patronizingly requesting that aid recipients express their gratitude and in continually making extortionate statements is regarded as undignified and counterproductive.

Questions are now being raised even in China about hardline approaches such as "Wolf Warrior Diplomacy", and a paper posted on April 24 on a website run by the Chinese Academy of Social Sciences - "Let's Focus on Improving Our Ability to Respond to Outside Attacks on China" (Chinese: "着力提升因应外部对华舆论攻击能力") - specifically discussed the following means of communication China should employ to win out in the fight for hearts and minds:

(1)   To preserve its own honor and rights, China needs to more deeply comprehend, ponder and reasonably and appropriately respond to the fundamental conditions, characteristics and trends of attacks on China by media in the US and elsewhere.

(2)   Given the increasingly belligerent coverage of China by overseas media as the coronavirus makes its way around the world, government media, private media, media workers associations, the Ministry of Foreign Affairs, key companies, think tanks, etc., should establish multi-dimensional mechanisms (networks) to track public opinion overseas, monitor major foreign media outlets in the US and elsewhere on a round-the-clock basis, organize rapid and robust responses and counterattacks to abuse, defamation and attacks leveled at China, and cover the sources and spread of negative public opinion.

(3)   With foreign media criticizing China's shortcomings (in responding to the coronavirus crisis), Chinese media should discern the truth and then make the facts known to the rest of the world in an objective and fair manner.

(4)   Chinese social platforms such as Weibo and WeChat should be used as alternatives to Twitter and Facebook for publicity purposes.

(5)   Methods for approaching and dealing with the media should be improved so that media representatives can be calmly and objectively persuaded with reason rather than caught up in angry exchanges of words, and the concepts of equality, cooperation, and goodwill unleashed.

(6)   More effort needs to be devoted to developing human resources who are well-versed in the rules governing media operations overseas and in public opinion trends, who have composite communication skills and who are adept at writing commentaries in foreign languages.

# Tokyo Foundation

# Japanese Multinationals and the Post-COVID Challenge

The COVID-19 pandemic has plunged Japanese multinationals into a supply-chain crisis and raised serious questions about their global strategy going forward. To grasp the dilemma facing Japanese industry, we need first to understand its dependence on China and how that relationship evolved.

Today’s global supply chains are a product of the drive by businesses to boost profits and competitiveness by cutting costs. Of course, when designing a supply-chain strategy, management should also consider the need to hedge against risk. But unless the risks are obvious or imminent, cost considerations tend to prevail. This was certainly the case among Japanese manufacturers in the post–Cold War years.

### **Offshoring and the Promise of Market Access**

In the rapidly changing economic and geopolitical climate of the 1990s, Japanese industry found itself under intense pressure to cut costs by shifting production overseas. Domestic demand was in a protracted slump following the collapse of the 1980s asset bubble, and the yen’s rapid appreciation was undercutting the competitiveness of Japanese exports. In this environment, Japan’s big manufacturers began moving their production facilities offshore—first to Southeast Asia and then to China, which was opening up its markets and actively seeking Japanese investment. By the mid-1990s, the “hollowing” of Japan’s industrial base was proceeding rapidly, fueling a sense of crisis among economists and policymakers.

Foreign direct investment (FDI) in China by Japanese businesses entered a second phase in the early years of the twenty-first century. In 2001, China achieved its long-sought goal of membership in the World Trade Organization after agreeing to fully open its markets and accept global rules. Lured by the promise of an open, rapidly expanding market, Japanese manufacturers began making plans not just to produce goods in China but to sell them there as well. The focus of FDI broadened from production to logistics and distribution.

But doing business in China proved more challenging than Japanese companies anticipated. Selling to a state-owned enterprise meant negotiating with officials of the ministry or agency with jurisdiction over that company, and those officials were apt to demand kickbacks—a violation of Japanese and international codes of corporate conduct. Chinese customers balked at the price of “high spec” Japanese products, but the manufacturers’ built-in quality assurance systems made it difficult to lower costs by downgrading specifications. Partnering with private Chinese firms that were not backed by the Chinese government presented its own risks, and there were many reports of unpaid bills. Ultimately, many Japanese companies in China limited themselves to working with other Japanese businesses there. For many, open access to the Chinese market has remained an elusive dream.

### **Outsourcing and Deindustrialization**

Meanwhile, China has remained pivotal to the supply chain of Japanese multinationals, but the relationship has evolved and diversified over the years. To grasp the nature of these changes, it is helpful to break the manufacturing industry down into three categories: low-, medium-, and high-value-added products.

Where low-value-added products are concerned, Japanese corporations gradually quit manufacturing in China after around 2000, as rising labor and other production costs cut into profits. But although they divested themselves of their Chinese factories, they did not sever ties with China altogether; they simply switched from offshoring to outsourcing. Japanese companies continued to sell products made in China to their own specifications. (Products manufactured by Chinese companies under contract to Japanese corporations can be quite different from those made for the domestic market, as evidenced by the fact that Chinese tourists visiting Japan often make bulk purchases of Japanese toothbrushes that are in fact made in China.)

As regards manufacture of medium-value-added household appliances, the tendency among Japanese companies, when faced with high production costs and foreign competition, has been to abandon production of lower-end models and focus on high-end products (such as ultra-high-definition TVs). But given the growing competition from South Korean and Chinese companies, it is unclear how long Japanese manufacturers will continue making such products in China.

The high-value segment also presents a mixed picture. Most Japanese electronics manufacturers have given up on such finished products as laptop computers and smartphones, but they continue to supply key components like high-end semiconductors. Japan’s auto plants, though, now rely on China for most interchangeable components.

At one time, there were as many as 25,000 Japanese businesses with operations or branch offices in China. The number now has fallen considerably from that peak, dipping below 15,000. About half of them plan to strengthen their Chinese operations, however, and sell their products locally. How will the economic relationship evolve going forward?

### **Managing the Risks**

The COVID-19 outbreak, which disrupted many companies’ global supply chains, vividly illustrated the risks of “putting all one’s eggs in one basket.” The pandemic will eventually subside, but its lessons will not soon be forgotten. Burned by the epidemic, Japanese corporations will doubtless be exploring options for asset reallocation. That said, the solution is by no means simple.

In terms of hedging against supply-chain risk, it would clearly make sense for Japanese manufacturers to begin moving some of their production facilities to Southeast Asia and “reshoring” others back to Japan. But this is not an easy decision to make.

China is not merely the world’s factory but also one of its biggest and most promising consumer markets. In 2019, per capita gross domestic product rose to more than $10,000. By unit sales, China is already the world’s largest market for automobiles and smartphones. It also leads the world in beer and wine consumption. The opportunities of this market are too great to ignore. The answer, therefore, is not to decouple from China but to better manage the risks of doing business there. Let us consider these risks one by one.

To start with, Japanese businesses in China must give careful thought to geopolitical risks, especially those stemming from the escalating trade war with the United States. As the Chinese economy contracts, China’s restrictions on cross-border capital transactions will doubtless continue. These dynamics will heighten the risk of harsh new restrictions on fund transfers from China or an unfavorable shift in exchange rates. Of course, individual companies can do little to manage geopolitical risks. What they can do is limit their exposure to such risks through optimal allocation of their human and financial resources.

Japanese companies operating in China also need to pay heed to the heightened potential for social unrest in the wake of the COVID-19 outbreak. The crisis has dealt a mortal blow to many small businesses, and multinationals have begun shifting production to other emerging markets. A sharp rise in unemployment could provide a fertile breeding ground for social unrest, with significant repercussions for Japanese businesses.

Further, if high unemployment and falling incomes erode household finances sufficiently, China’s real estate bubble could collapse, potentially destabilizing the entire financial system—a peril with which Japan is all too familiar. In a worst-case scenario, the chain reaction could engulf the public sector and trigger a sovereign debt crisis. China’s debt-to-GDP ratio is not particularly high if one considers only the debt of the national government, but when local governments and state-owned commercial banks and state-owned enterprises are added, total public debt comes to more than 300% of GDP (according to the Institute of International Finance). Under these circumstances, Japanese businesses cannot ignore the risk of a Chinese debt crisis stemming from a collapse of the real-estate market.

### **The Importance of Balance**

Japanese multinationals need to take all these hazards into account when doing business in China. At the same time, they need to begin crafting a new global strategy adapted to the uncertainties of the post-COVID world.

The US-China struggle for hegemony will continue to play out long after the pandemic is over. How will Japanese industry navigate these stormy seas? An “equilateral” triangle among Japan, the United States, and China is not in the cards. Japan must find a way of coexisting with both superpowers, pursuing new investments and better market access in China without losing open access to US markets—or, for that matter, losing sight of opportunities in Europe and Southeast Asia.

Mapping out a smart global business strategy amid all this complexity and uncertainty will mean carefully weighing the relative risks and opportunities presented by the world’s markets. The calculation will differ by sector and company; there is no single formula. But there are some universally applicable principles. In the post-COVID era, balance must be the overarching principle guiding the global strategies of Japan’s multinational corporations.

Jiia 요약

1. 중국은 본인들이 저지른 실수(초기단계에서의 코로나를 제어하지 못한 것)을 만회하고 그 책임을 회피하면서 국제사회의 민심을 얻기위해, 최후통첩외교, 전랑외교를 하고있다.
2. 코로나바이러스를 확산시킨 것은 중국이지만 코로나바이러스를 방역하고 물자를 지원받기 위해서는 중국에게 외교적으로 부탁해야 하는 상황이다. 이 같은 상황에서 상대적으로 소득수준이 낮은 국가들에게는 지원을 해주는 대가로 충성을 요구하는 최후통첩외교를, 어느정도 소득수준이 있는 국가들에게는 강하게 나가면서 지원과 국제사회의 여론을 요구하는 전랑외교를 펼치고 있다.
3. 하지만 미국과, 독일 그리고 대 중국수출이 3/1을 차지하는 호주까지도 최근 중국의 이같은 외교행태를 비판하고 있다. 이 같은 국가들은 중국을 상대로 코로나 피해에 대한 소송전을 준비하고 있으며 이 같은 행보는 중국의 외교정책과 양 극단에 서 있다.
4. 이러한 중국의 외교정책은 국제사회로 하여금 중국에 대해 더 나쁜 인식을 가지게 하며 공공외교적으로는 손해일 것이다. 따라서 중국은 더욱더 중국을 공격하는 여러가지 방법들에 대해 이해를 하고, 주로 미국이 시행하는 이 같은 공격들에 대해 더 효과적으로 대응해야 한다. 또한 강제적인 외교가 아닌 객관적인 논조로 중국의 입장을 설명하고 설득하는 데에 집중해야 한다. 와 같은 대응방법을 펴야 한다.

Tokyo Foundation 요약

1. 중국시장은 거대해지고 중국은 급속도로 대국화하였다. 하지만 일본기업들과 일본제품들은 중국시장에 잘 적응하지 못하는 모습을 보이고 있다. 이 같은 상황에서 코로나19가 발생하여 일본에게는 중국에 있는 기업들을 자국으로 복귀시키거나 동남아 국가 등으로 이전하는게 더 나아 보인다.
2. 하지만 앞으로 중국은 더욱더 거대해 질 것이며, 음료소비, 자동차소비, 첨단제품 소비 비중이 이미 높은 추세로 증가하고 있다. 일본이 이러한 중국에 진출하지 못한다면 큰 손해일 것이다.
3. 하지만 일본의 기업들이 중국으로 진출하는 데는 제약이 있다. 미국의 대중국규제, 코로나 사태로 인한 중국의 중간규모 기업의 줄도산, 부동산 버블의 붕괴 등의 리스크가 있다.
4. 또한 현재진행형이며 앞으로도 지속될 미중갈등의 리스크가 있기 때문에 일본은 중간에서 균형점을 잡는 외교를 하여 양 시장을 동시공략 할 필요가 있다.

두 자료의 공통점

1. 중국에 대하여 비판적인 논조이다. 일본국제문제연구소 같은 경우는 코로나19 미중갈등 측면에서 중국의 공공외교적 실패를 꼬집고 있다. 중국이 언론조작, 지원국에 대한 과도한 국제사회적 여론몰이 요구 등을 비판하고 있으며 이러한 비판이 중국에게 좋지 못한 영향을 준다는 내용을 적었다. 도쿄재단 같은 경우는 코로나 19로 현재 중국의 경제가 좋지 못함을 지적하면서 중국에 대한 비판적으로 논평한다.
2. 코로나19사태에서 중국의 영향력이 급격하게 증가한다는 것에 동의한다. 일본국제문제연구소 같은 경우는 사회주의체제가 코로나19를 감시하고, 차단하며 예방하는 것에 있어서 매우 효율적이었다고 논평했다. 또한 타국에 코로나 지원 물자를 보내면서 외교적 영향력을 급속도로 확대하고 있다고 주장했다. 도쿄재단 같은 경우는 포스트 코로나 시기, 중국시장의 크기와 앞으로의 성장가능성을 높게 평가하며, 일본 기업들이 중국에 남아 있어야 한다고 주장한다.
3. 중일관계가 개선되어야 한다는 것에 동의한다. 일본국제문제연구소는 중국의 공공외교정책을 비난하면서도, 일본 정부 차원에서는 대중국 비판어조를 높이면 안 된다고 말했다. 도쿄재단 같은 경우도 마찬가지로 미중사이에서 균형을 잡는 외교를 강조했다.

출처

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