

Working Paper Series
International Trade and Economic Diplomacy
Middlebury Institute of International Studies
Monterey, CA

China's Soft Power & Digital Trade: Reshaping Global Image Through Digital Media & Entertainment

Bryan Herbert
Nicole Kroeger
Li (Janet) Zhengjing

MA in International Trade and Economic Diplomacy Candidates

JANUARY 24, 2021

Despite having seen unprecedented economic growth over the past 30 years, in the eyes of many, China has fallen short in terms of its soft power development. China's soft power development faces challenges from western democracies that seek to delegitimize China's rise in power and influence in the world, as well as challenges from within. China's top-down authoritarian structure is not conducive to organic soft power growth, and in turn China uses a state-led top-down approach to soft power that has seen relative short-term gains but has yet to realize long-term sustainability.

I. Executive Summary:

Despite having seen unprecedented economic growth over the past 30 years, in the eyes of many, China has fallen short in terms of its soft power development. China's soft power development faces challenges from western democracies that seek to delegitimize China's rise in power and influence in the world, as well as challenges from within. China's top-down authoritarian structure is not conducive to organic soft power growth, and in turn China uses a state-led top-down approach to soft power that has seen relative short-term gains but has yet to realize long-term sustainability.

China's top down approach to soft power can be linked to its stance on digital trade and China's desire to be a leader in high technology innovation. China maintains a stance of domestic restrictiveness and international liberalization on digital trade. The result is that China has grown large domestic tech champions that are expanding internationally along the BRI, furthering Beijing's form of governance and cultural soft power through entertainment and media. Below we have highlighted key findings, recommendations and solutions for China's soft power and digital trade strategy, as well as reactionary policy recommendations for the United States:

Policy Recommendations for China:

- China should continue to promote its domestic liberalization of digital trade, even if this rate of liberalization is less than the pace at which China expands internationally. This domestic liberalization will help ward off claims and pressure from western democracies that seek to undermine China's efforts to gain an international foothold in digital trade.
- Alongside China's top-down structure for soft power growth, which promotes aspects of Chinese culture and society that Beijing supports, China should also provide a regulated channel for Chinese citizens to craft and promote their own version of the "China Dream." This will give long-term stability to China's soft power approach by separating (to a degree) the government from China's soft power ambitions.
- China should not take a confrontational stance against western democracies that seek to delegitimize China's efforts to become a global leader. In the case of Huawei and Australia, China's best course of action is to take no action and prove that China has done no wrong. China's irrational and at times hypocritical reactionary policy delegitimizes their efforts to establish themselves as a global leader.
- The unfettered organic development of China's film industry would see a dramatic improvement in the quality and international reach of Chinese media and, when combined with the growing power of China's digital technology industries, would make for a powerful soft power tool that other developing countries would respect and admire.

Policy Recommendations for the United States:

- The United States should continue to challenge China on their domestic restrictiveness on digital trade and seek fair and open competition for its own tech companies.
- The United States should seek to counter China's economic and soft power advances in countries along the Belt and Road Initiative by providing alternatives to China's form of governance and 5G technology solutions.
- In addition to the United States' organic soft power, a supplemental strategy crafted from the top down would work to counter Chinese government propaganda and anti-democratic rhetoric that is allowing for the rise of China.

II. Introduction:

A. China's Soft Power -- Organic vs Strategic

The last 10 years have seen the People's Republic of China rise meteorically from a poor developing country to a world power. Investments in traditional hard power resources such as domestic industry, international trade, and military strength have been successful while direct investments in soft power have come with their challenges. China's top down strategy to promote domestic stability and further development goals clashes with the organic self-production of soft power by a civil society, causing party leadership to invest in devising an alternative strategy to generate soft power.

In part due to soft power's indistinct nature, quantifying soft power remains difficult and in some cases an exercise in futility. Joseph Nye who coined the term in his 2004 book, defines soft power as "when a country is able to shape the outcomes in world politics because other countries admire their values, want to emulate their governance style and aspire to their levels of prosperity." Ultimately it is how well "one country or another is able to shape the preferences of another without the use of force." (Nye, 2004 5) Sources of soft power are, by necessity, indistinct as many concurrent factors interact to change a country's preferences, independent choice, and willingness to agree. For example, a country with extensive hard power resources may also generate soft power among their neighbors through an awe of military and technological prowess. A country might also have high ethical values, interesting cultural practices, or even useful luxury products that increase their soft power abroad. A country's political leaders can also generate international admiration, contributing to their country's soft power resources through noble actions. Ultimately, it is a country's ability to create a lifestyle that others want to emulate that allows for the organic self-generation of that country's soft power.

Many have pointed out a connection between a healthy civil society creating original ideas, art, and expression and the organic self-generation of soft power. While government actions and planning can influence soft power, it is the ability of that government to maintain an independent civil society that allows for the organic generation of soft power. In a speech on the future of soft power and public diplomacy, Nye explained that "the best propaganda is not propaganda, it's interactions in two way conversations," meaning that there should be a reciprocal relationship between government and civil society rather than a static dictated one. (USC Annenburg & Nye, 2019) According to Nye, for a civil society to generate what in this paper will be termed organic soft power, it needs to have enough independence from government to create its own ideas, content and lifestyle that the world can emulate.

Organic soft power creation comes with an added challenge for China, because the Chinese system of governance values societal stability over individuality. This preference necessitates restrictions to the free flow of ideas and depends on a parental top down control of society. This means that Chinese society is not self-creating new ideas that are naturally spread abroad, but that the government is picking and choosing how most admirably to depict Chinese society abroad. Much like in a high school cafeteria, however the international community does not always appreciate actions done specifically to buy favors or admiration. Efforts to increase soft power internationally through the deliberate emphasis of culture, history, and trade in goods have largely been

unsuccessful as such efforts sometimes lack a genuine spark and can be perceived as foreign propaganda.

The two most successful modern ideas emerging from China have been the China Dream and the Belt and Road Initiative (BRI). Both ideas were produced by the Chinese government and created as potential development alternatives to the American Dream and western development methods. They have gained traction in the developing world as many countries would like to replicate China's success at pulling millions of people out of poverty. By exporting a successful development model, the Chinese Government can generate soft power resources through the creation of a Chinese lifestyle and set of aspirations for others to emulate. Juxtaposed with the chaotic news emanating from other established democracies such as the United States, for some the Chinese model and lifestyle seems like a safe and stable alternative.

However, not all developing countries are willing to sacrifice the possibility of a vibrant civil society for safety and stability, which ultimately renders the China Dream less exportable. In lacking an independent civil society that can "sell a lifestyle for the world to emulate, [and] a set of aspirations that people elsewhere might embrace," China will need a different strategy to generate soft power. (China has a Soft Power Problem, 2019) China's new soft power strategy instead focuses on controlling how others convey Chinese culture so that they may reshape their global image. Through investment in cutting edge digital trade industries and entertainment industries, China can rebrand themselves as a modern, powerful nation who through judicious investment has beat poverty to become a world power.

For this purpose, being a world leader in digital trade and entertainment is vital. For the last hundred years, China has been perceived internationally as an impoverished backward nation many regions of which did not have access to basic utilities such as electricity and plumbing. However, today through judicious investment and protection of fledgling domestic industry China boasts some of the most competent technology companies and profitable entertainment companies. This complete turnaround is part of a strategic approach to development and modernization that has successfully allowed them to nurture national champions such as Huawei, Tencent, Alibaba and TikTok through policies of protecting domestic trade and supporting international liberalization. By preventing foreign companies from dominating their domestic markets, China has been able to allow its own domestic industries to mature and survive international competition.

How a country can deliberately build its soft power resources is mostly theoretical. Much of today's soft power grows organically, depending not only on the decisions of political actors but also on the general public's opinions and preferences. Therefore, it is hard to quantify how much soft power strategic development projects such as the BRI generate among locals. Instead, the purpose of this paper is to analyze China's top-down soft power strategy to reshape its global image through investment in the digital trade and entertainment industries.

B. China's Double-Sided Stance on Digital Trade

Digital trade used to be categorized by rudimentary online platforms that facilitated the transaction of physical goods (think Amazon circa 1994). However, digital trade has since become increasingly a story of trade in services, as the digital marketplace is now dominated by streaming services, electronic goods, digital payments, online advertisements, and user data. As companies rapidly shift their business models to adapt to technological innovations, countries are faced with difficult challenges surrounding the proper regulation of this new side of the global economy.

China's international expansion has caused its stance on digital trade issues to become increasingly one of domestic restriction and international liberalization. According to the OECD Trade in Services Restrictiveness Index, China remains one of the most restrictive nations, with an index score more than double the global average. China's most restricted service sectors are closely tied to Chinese Communist Party (CCP) policy directed at making China one of the world's top destinations for emerging technologies: electronic transactions, payment systems, telecommunications and infrastructure. Domestically, China maintains heavy restrictions on digital service imports, forces data localization and limits access to online information. Many have predicted a bifurcated internet as Chinese domestic restrictions continue to widen the divide between Chinese tech firms and the rest of the global digital economy.

Abroad, and in close correlation with the rapid expansion of Beijing's BRI, China's stance on digital trade policy sings a different tune. In an effort to foster its growing domination of 5G technologies, China has pushed for greater liberalization along what Beijing has called the "Digital Silk Road", paving the way for a more interconnected region, but also for a China-dominated digital economy. When China first announced the Digital Silk Road in a 2015 white paper, they outlined four key areas of technological emphasis: (1) next generation telecommunications and fiber optic cable infrastructure, (2) satellite navigation systems, artificial intelligence and quantum computing, (3) increased international e-commerce through digital free trade zones, and (4) the multilateral adoption of international telecommunications standards.

Western countries, in particular the United States, have warned of China's growing presence in the digital economy and have attempted to discredit the trustworthiness of Chinese tech firms by citing the inherent link between the private sector and the CCP as a risk to national security. China's Huawei and ZTE have become the center of this political battle for 5G domination and, along with other fellow national brands TikTok and Tencent, are the key to China's soft power expansion. Huawei has spent the last several years building a portfolio of patents and trademarks and combined with its robust domestic market and world-class supply chain infrastructure, is emerging as one of the world's best telecommunications infrastructure providers. China has been successful, to a degree, in parlaying its success in exporting telecommunications with the international adoption of some of its biggest software companies--TikTok and Tencent. While warnings of national security issues from western democracies are not without merit, these Chinese conglomerates certainly pose substantial economic competition to Silicon Valley and other large companies that make up the bedrock of Western capitalism.

New 5G technologies will be an important step in the development of the "Internet of Things". 5G will result in faster download speeds, and exceptionally reliable low-latency communications enabling artificial intelligence, autonomous vehicles and other innovations that require ultra-fast

communication. The United States has deep anxieties over potential interference and internet security concerns as much of the infrastructure depends on the security of digital technology. The present dangers of ransomware over important infrastructure such as the electrical grid and banking resources match the potential of future anxieties. For example, The United States is looking forward to expanding into autonomous cars, which are becoming more heavily dependent on digital security. Charging toward autonomously driven vehicles and smart cities where traffic is all linked to a central network, means nefarious foreign actors could pose a national security risk if not managed properly. There is an underlying cyber-risk in our new world of the Internet of Things, and the United States deems this to be an even greater risk if these key, core technologies are being produced in China. Thus, it is no surprise that the United States is taking such a defensive stance against China's technological growth.

China is not only well positioned to become a global leader in digital commerce by establishing itself as the supreme provider of digital trade infrastructure, but also well positioned to reshape their global image and nurture a reputation as that of a modern and technologically sophisticated nation, able to transform its telecommunication infrastructure to meet the needs of the future economy. China also knows that competition with the West's large technology companies would be fierce and could still potentially threaten its national champion's domestic market share. This explains, in part, why China seeks to liberalize trade abroad but maintain domestic protectionism.

The contrast between China's domestic restrictiveness and international liberalization surrounding digital trade policy shows China's top-down approach to building a world-class tech sector and promoting China's system of governance around the world. China's ambitions of spreading its form of governance around the world look different than that of the United States', but are nonetheless real. Dating back to the founding of the PRC, Mao's China sought to spread Communism throughout Africa, Central Asia and even Cuba by stimulating economic development and revolution. Since the 1960's the way in which China has pursued this goal has changed. Now, China seeks to spread its form of state-led development in its BRI partner countries, and the opaque nature of the various projects along the BRI show this ambition of internationalizing China's form of economic statecraft. Likewise, and particularly relevant to this paper, China seeks to spread its form of cyber sovereignty around the world. Partner countries Russia and Vietnam have recently adopted new cyber laws that align with China's tight control over internet content and censorship. Indeed, Chinese central government leaders often speak about offering the world a Chinese-led vision. The 'China-Plan' (*Zhong Guo Fang An*), conceived in 2013 by CCP leadership, is this vision in action. Thus, this is the focus of our analysis of China's soft power ambitions. We will analyze the relationship between China's stance on digital trade and its soft power abroad.

III. A Discussion of China's Soft Power Ambitions

A. China's Development in Cultural Soft Power

From the early 1990s to the early 2000s, China has found itself in a cultural trade deficit with much of the developed world, especially with its regional neighbors-- heavily importing movies, TV shows and music. Thus, learning from cultural imports has become a major part of China's soft power strategy, termed by Michael Keane as "Keeping up with the Neighbors". Two decades later,

China has learned from its developed neighbors, invested in its own domestic entertainment industry and emerged, ready to become a regional cultural leader. From the 2008 Beijing Olympic Games to increasing box office returns, China has proved its ability to create a cultural powerhouse.

The breakneck speed of China's development and its subsequent investment in economic and military industries has significantly increased its hard power resources causing panic among its neighbors and calls to curb its growth. When a country's hard power grows too fast, as China's has, it poses a threat to its neighbors. It also creates an inviting opportunity to use its hard power to assert its independence. In order to reduce the friction caused by rapid hard power growth, soft power in the form of trust and admiration is important. China's neighbors would worry less about a growing military and economic prowess next door if China were also able to reshape their international image and generate more soft power locally. But China's economic development has not been accompanied by an organic growth of soft power and an increase of its international attractiveness. Political analysts at the Spanish Elcano Royal Institute believe that by marrying soft power to their hard power investments, China is strategizing to reduce the threat felt by trading partners leading to fewer cross-border disputes.

B. The Chinese Government's Plan for Soft Power

China's plans for promoting soft power under the "New Era" were crafted in 2012, and subsequently divided into three phases. The first phase seeks to identify the gap of cultural influence between China and developed countries. The second phase seeks to promote soft power from five aspects--economic, political, cultural, social and environmental. The third phase seeks to establish the foundation of where China's soft power lies: The China Model. Firmly founded in a core of socialist values with Chinese characteristics.

Promoting China's soft power is a major part of China's Strategic Directives, published communiques of China's long term goals. Among these communiques is the long winded "14th Five-Year Plan (2021-2025) for National Economic and Social Development and the Long-term Objectives Through the Year 2035". According to this communique, China will be developing for the foreseeable future. It highlights the importance of fostering stronger confidence in the culture of the China Model with Chinese characteristics and the goal is to significantly increase China's economic, technological and national strength. As revealed in the communique, China is going to shift its priorities in several sectors. For example, "Replace high-speed economic growth with high-quality economic growth; rebalance its supply-side structural reform; expand domestic demand; drive modernization through innovation; promote high-end production." With all the suggestions being implemented in the next 15 years, China plans to become a strong country by 2050 with well-balanced soft and hard power within the East Asia region as well as the globe more generally.

C. The Chinese Dream

To address the soft power pull of the western democratic lifestyle and the American dream, Chinese leaders determined in 2012 that advancing an alternative lifestyle that could be admired and emulated was essential. Based on Chinese cultural ideals and traditions, the Chinese dream is

that alternative which focuses on China's long term rejuvenation and recent development success at pulling millions out of poverty. In the past century, China has grown from a partially colonized medieval country to a rapidly developing world leader. Thus, the core of the Chinese Dream is taking responsibility for building a stronger nation and supporting the ambition to provide a good quality of life for future generations.

The rejuvenation of China and the Chinese Dream have not come without western apprehension. China's initial success and entrance onto the world stage was initially dubbed as "China Rising" in Western Circles. However, this phrase has been interpreted negatively on two fronts with the first being that it includes the assumption that China was always backwards, and that China's success threatens the status quo. Hence, Chinese scholars and leaders have pushed to rebrand the "Chinese Dream" as a strategic way to soften the image of their success making it more appealing both domestically and internationally.

Chinese leaders have developed the Chinese Dream as a long-term strategic ideal established by contemporary Chinese for their future generations and as a signal of China's ambitions around the world. However, strategically growing soft power in this manner can be risky in that a top down strategic initiative can be perceived as propaganda rather than the credible building of goodwill. But, without a free civil society, Chinese leadership must find alternatives to traditional soft power growth methods. Thus a long term, strategic ideal capitalizing on China's recent success is the viable alternative.

D. China's Entertainment and Movie Industry

With a revenue of nearly 16 billion US dollars in 2018, China's film industry is the second largest in the world, beating out by a factor of two its nearest competitor. In 2020, the Chinese film industry may even beat out the US film industry for highest total profits or revenues. With consumed media and the export of films so closely linked to the US's successful growth of soft power, it is no wonder that film production and growth of a strong domestic entertainment industry are part of China's top-down strategic approach to developing soft power. In addition, an increasing percentage of the entertainment industry's revenues are coming from streaming services and other digital platforms. Interestingly, China has two very new and potentially rewarding opportunities. The first is that, faced with movie ticket revenues declining in the U.S., many Hollywood producers depend on both Chinese investors and profits from the Chinese market. The second is that the domestic U.S. industry is perhaps the strongest it's ever been and able to efficiently produce profitable films.

China's involvement in American films is nothing new but it has increased significantly over the last ten years. Chinese investment has changed plots, made Hollywood films more sensitive to Chinese perspectives, and encouraged directors and writers to develop plots more likely to pass the famous Chinese censor. This limited influence is directly limited to China's soft power strategy in that this investment allows for a greater control of their own story and ideas as created by the largest movie market in the world. A lot of people watch Hollywood films, and with Chinese involvement they get better access to these viewers. This investment has also encouraged Hollywood's creation of films such as the collaboration between Universal pictures and Dalian

Wanda Group Co., “The Great Wall” (2017) and Disney’s “Mulan” (2020) both of which were adjusted to fit the perceived preferences of the Chinese market more closely, despite controversy and criticism back in the United States.

The close collaboration between Hollywood and China’s movie industry also had another effect: Chinese entertainment companies learned the ins and outs of how Hollywood makes movies, thereby more quickly developing a robust Chinese domestic industry. The past few years have seen domestic Chinese movies outperform Hollywood movies at the box office with hits such as “Ne Zha” (2019) by Chengdu Coco Cartoon, and “The Wandering Earth” (2020) by China Film Group Corporation. The 2017 big box office hit “Wolf Warrior 2” was able to tell a story so uniquely attuned to the growing domestic nationalism strain that it became the source for China’s new “Wolf Warrior” diplomatic style. These hits have also done something new for China’s domestic movie market which is that they have also done relatively well abroad. Ne Zha in particular earned \$4 million in Australia, New Zealand, the U.K. and the U.S.

The entertainment industry is a vital part of China’s soft power strategy to reshape its global image using digital trade. Ren Zhonglun, president of Shanghai Film Corp. explained that “film is one of the most valuable cultural forms” and that while many have never been to China, films allow people abroad to see how the Chinese “people look and live their lives” (Schwartzel, 2017). The entertainment industry allows the Chinese government to tell their stories and visually share the rewards and allure of the China Dream abroad.

IV. China’s Stance on Digital Trade & Soft Power Growth

China’s stance on digital trade issues and its soft power ambitions are intricately linked. This is best visualized through the Digital Silk Road component of Beijing’s BRI. Beijing is encouraging digital trade liberalization among its trading partners, maintaining protective digital trade barriers at home, and promoting its system of state-led capitalism to the developing world. This effective combination of economic and soft power is what Beijing hopes will usher in a new Era of globalization that puts China at the very center of geopolitics.

Since the WTO does not have a comprehensive agreement on digital trade, a close look at several regional trade agreements can give us insight into China’s position on digital trade. Chapter 14 of the CPTPP, which China is not a member of, has robust language on digital trade that many were hopeful would become the foundation of future WTO negotiations. However, after the United States withdrew from negotiations at the beginning of 2017, hopes for an internationally agreed-upon framework for digital trade moved to the backburner. In the absence of the United States, China pushed forward with the negotiation of the RCEP, which, when signed into effect on November 15, 2020, became the largest regional trade agreement in history. The RCEP agreement also has a chapter on e-commerce, and its language was based on the digital trade chapter from the CPTPP. However it is suspected that China was behind the addition of several key phrases that allow for China to maintain its digital trade restrictiveness at home. RCEP’s provisions on the location of computing facilities, cross-border transfer of digital information, source code and dispute settlement are seen as weaker than CPTPP. The RCEP allows member states to impose whatever national regulatory measures they want as long as it is non-discriminatory. The article on data localization is almost the same as CPTPP’s but that it includes a footnote that permits

forced data localization as long as the party deems its own policy as “legitimate,” which cannot be disputed by other parties. An article forbidding parties from requiring software source code in exchange for market access was omitted from RCEP, showing China’s continued stance on technology transfer in digit sectors. All of these aspects of RCEP allow China to keep its “Great Firewall” in place and further its strategy for developing soft power abroad through its national tech champions.

Much of China’s soft power is in the Outbound Direct Investment (ODI) that has spiked in recent years as China’s largest holding companies want to internationalize their portfolios. Chinese ODI in entertainment companies peaked in 2016 when China’s richest man, and owner of the Wanda Group, purchased Legendary Film Studios for \$3.5 billion USD. However, not long after the Chinese Ministry of Commerce issued a new direction on ODI that curbed “irrational” spending on property, sports and entertainment companies that do not further China’s goals of upgrading its industrial sector and improving technological innovation. This control over ODI has been coordinated in parallel with China’s FDI strategy, as outlined in China’s 2020 Foreign Investment Law, to encourage investments that help China move up the industrial value-added chain and acquire more technology. China’s growth ambitions and its stance on digital trade are somewhat working against each other. Since China wants to attract world-class investments in digital technologies, in time, Beijing will likely move to adopt a more liberal stance on digital trade. It seems Beijing is trying to balance the two without opening the floodgates on their domestic economy or shutting themselves out of landmark trade deals -- possibly indicating inter-part factional differences in strategy.

On the other hand, Chinese restrictiveness at home is critical for homegrown technology and industries surrounding e-commerce, film, digital payments, and 5G to grow uncontended, thus allowing China to make strong headway in other international markets. Regardless of the position of Western countries on China’s trade practices, China’s strategy seems to be working.

However, when we take a closer look at a few current events involving China, it might seem that China’s strategy is changing, and at times counterproductive to its ends. Below are two examples of how China’s recent actions have deviated from its traditional approach to its soft power diplomacy and have taken a more assertive approach to dealing with external threats to its legitimacy. In this way we can see that China’s soft power strategy is malleable and subject to the will of its leaders in Beijing.

In the wake of alleged Australian war crimes in Afghanistan, a Chinese political official Tweeted a fake image of an Australian soldier holding a knife at the throat of an Afghan child. The situation quickly spiraled into a full-blown political spat between Beijing and Canberra. This reaction from Beijing is in response to alleged human rights violations in Hong Kong and Xinjiang that have plagued the CCP over recent years. This was likely Beijing accusing Australia of being hypocritical. Many believe the Australian system is transparent, and given that investigations are already underway, Beijing is not in a particularly good position to bring attention to a subject that it has been explicitly secretive about in its own country.

The more salient example of Huawei CFO, Meng Wanzhou's pending extradition from Canada to the United States shows yet another political confrontation that Beijing might have been able to handle differently. Days after Wanzhou's arrest, Beijing arrested two Canadian citizens living in China and charged them with 'spying'. The two Canadian citizens were not given fair legal representation and were not given a fair trial. While China claims the arrests are unrelated to Wanzhou's detention in Canada, this decision is widely considered a power move by Beijing in their efforts to bargain for Wanzhou's release. Nevertheless, many think that Beijing missed an opportunity to gain a key political win abroad had it only maintained its position as the "victim" in the high-profile Huawei case. Instead, the arbitrary detention and indictment of the Canadian citizens did not impress China's trading partners and did not reflect well on China's system of governance.

For China's soft power strategy to ultimately be effective, leadership must understand and uniformly act. These examples demonstrate one of the problems with having a top down soft power strategy as all actions both good and bad will reflect on the bearer. Actions made and words spoken in the heat of the moment cannot be erased and will be held up as examples of both a nation's virtues or vices. Here, China's actions were counterproductive to its efforts in generating soft power as they ultimately were actions deemed unbecoming in a world leader. Yet, what might be unbecoming in a world leader, might be becoming domestically. Like many countries around the world, China has also seen a resurgence of nationalism, therefore it is not unlikely that they have their own internal strategies which, in a clash with international ones, might take precedence. Nevertheless, China's ultimate strategy to implement long term plans for generating soft power abroad and to act in a crisis to maximize domestic support.

V. Managing Smart Power: Balancing Soft Power and Hard Power Growth

COVID-19 has introduced a difficult issue in China's goal to grow their soft power resources and reshape their global image. The initial outbreak and local government cover-up of the virus was catastrophic to the international community's trust in China's to report a major health crisis. Their popularity and thereby their soft power resources quickly fell as the virus spread across the world. While the government was able to prove that containment and control were possible, the initial outbreak undermined the vital trust of the international community already weak from the initial outbreak and handling of SARS.

Still, China has major diplomatic ambitions that require the repair of international trust and growth of soft power. The method initially chosen was the traditional one: direct aid as gifts of masks, test kits and ventilators. As early as late March, Beijing sent out crates draped in the Chinese flag as aid for European nations hit hard by the pandemic. This, however, did not receive the expected overwhelming gratitude Beijing had hoped. In further efforts to control perceptions of China's role in the coronavirus outbreak and repair a suddenly damaged reputation, Chinese diplomats began to push back on European criticism of Chinese handling of the Pandemic in what has been dubbed "Wolf Warrior" diplomacy. Janka Oertel, head of the Asia programme at the European Council on Foreign Relations explained in an interview with Reuters that "China is desperately trying to get

its coronavirus story out there and as far as it's concerned set the record straight. It's trying to do what it does domestically, which is, create a narrative and protect its reputation." (Baker & Emmott, 2020, 2)

But China's efforts to be accepted as a reliable partner for many African countries has certainly been more effective as their efforts in aiding the managing of the response have reduced the amount of criticism of China's handling of the virus. Again, China's further pledge to quickly develop a vaccine has met with hesitation in Europe and the United States but could be a boon to African nations unable to afford the vaccines produced by Pfizer and Moderna. While direct aid to alleviate the COVID-19 crisis is effective in some places, it is insufficient in reshaping China's global image. Instead, China is building a strategy to re-write their modern story, one that makes them the model country of the new digital trade industry.

A. China's Diplomatic Ambition in the New Era: Building International Image and Taking Responsibility

On December 30, 2013, Xi Jinping delivered a speech entitled "Enhancing China's Cultural Soft Power," in which he proposed building China's national image and increasing China's voice at the international level. By showing its profound historical roots, multicultural and ethnic background, The Chinese government is attempting to reshape the country's image. By focusing on planned initiatives promoting the Chinese image according to the four aspects: historic, economic, international, and ideological, China can strategically promote and manage their soft power.

1. Historic: Great Civilized Country

At the heart of the Chinese revival is, and has been, the historical roots of the Chinese civilization. Beijing has gone to great lengths to not only promote the internationalization of the Chinese language but also to promote Chinese cultural soft power abroad. Confucius Institutes offer language and cultural education programs overseas and, while they help promote the internationalization of the Chinese language and people, they are seen as international propaganda tools by some critics. Even amongst controversy the United States today has 60 Confucius Institutes -- and many other universities are on a waiting list to receive Chinese Government funding. While Beijing has seen success the world over in its Confucius Institutes, there is pushback that will require Beijing to adapt its approach to promoting its historical soft power abroad. The main issue China faces is wanting to educate the world on ancient Chinese historical achievements, but omit key defining aspects of Chinese recent history. The Confucius Institute was set out to be "a bridge to reinforce friendship between China and the world."

2. Economic: A Fast Developing East Asian Country

Since 2013, when China put forward the BRI, Chinese companies have brought capital, technology, information, and market to countries along the BRI route, trying to inject new vitality into the Asia-Europe cooperation and provide a new mode for world development and prosperity. The BRI brings development and opportunities to countries along the routes, which is a great opportunity for China to build its international image. At present, competition among major economies is intensifying. In the face of the complex and volatile international situation, China is actively building a positive image to win more recognition from other countries. Currently, the

difference between China's image of itself and how it is perceived by the rest of the world may be China's greatest strategic challenge. Joshua Cooper Ramo pointed out in his book *Brand China* that “national image is China’s most intractable strategic problem.” (Cankaoxiaoxi, 2019).

The BRI has the potential to affect more than 64% of the world’s population, improving the economic development of the affected region by a 30% increase of the global GDP. Today, many of these countries face fundamental development issues such as excessive reliance on single industry. With more robust infrastructure and a higher level of interconnectivity, the region will be able to vastly improve their economic development. While low-income countries fall into the poverty trap of high consumption, low savings and low investment; middle-income countries have frequent financial fluctuations. All these factors posed great challenges to China’s cross-border initiative. As the leader of BRI, China may put forward different economic strategies carefully in the process of multilateral corporations with countries along the BRI, for the strategies will influence China’s national image.

3. International: A Responsible Country

Foreign media forms a version of a nation’s international image that can alter a nation's soft power abilities through the actions and values purported by that nation. Therefore, the topics, writing styles, opinions, and attitudes of international news reports heavily affect the impression of a country by the rest of the world. Meanwhile, the image of the government in a public crisis reflects the government's ability to manage a crisis. For a long time, the Chinese media has excelled at positive publicity in external communications, such as the BRI and the National Day military parade. However, China’s State Council Information Office (CSCIO) highlighted domestic media deficiencies stating that foreign affairs ministers and domestic media reactions “lack the self-confidence, adequate response strategies and measures in the external communication of emergencies, especially with negative news.” (CSCIO, 2020)

The Chinese government has insisted that China has played a responsible role as a major power in the global fight against the pandemic. The Chinese government claims it released information on the pandemic in an open, transparent and responsible manner, and strived to strengthen cooperation with the international community. China maintains that it notified the WHO and relevant countries and regions of the epidemic in a timely manner, shared the entire genetic sequence of the virus with the world as soon as possible, carried out technical exchanges, and shared China’s experience in pandemic prevention and control in a timely manner. In this same way China has been establishing itself as a source of knowledge and support for other countries fighting the pandemic. In a show of good faith, China has committed millions of vials of its domestically produced vaccine to countries that are still struggling to get their economies back on track.

A parallel can be drawn here between China’s work along the BRI with the economic aid being extended to less developed countries to build out their telecommunications infrastructure, and this display of international goodwill surrounding the global pandemic. Much analysis has been done on China’s BRI investments, often citing their lack of financial due diligence. But, China maintains that its investments in the infrastructure of its neighbors will pay off further down the road when regional economic integration allows China to fully realize the returns on its investments. In the

same way, China's generosity surrounding the distribution of PPE and COVID-19 vaccines to less developed countries shows China's attempt to gain good will and establish political relations that realize larger returns in the long-run. Many believe this is the way in which China needs to develop its soft power in other aspects of this society.

4. Ideological: A Great Socialist Country

Displaying the image of a country through an influential major event is a good way to maximize the effect of publicity and reporting. As a military parade, China's National Day military parade functions as a way to flaunt their increasing hard power, but it also has soft power implications that go beyond displaying sheer military might. The military parade to celebrate the 70th anniversary of the founding of the People's Republic of China held in Tiananmen Square in 2019 was an important event to express the country's comprehensive strength and rapidly enhance its image. It is undeniable that the military parade is more than just a celebration. It shows the development level of the country's economy, military, science and technology and the development concept of the country's politics and diplomacy. It uses a series of ceremonial demonstrations to reach the international society on a more visceral level. This is how China's National Day military parade is enhancing national identity and social cohesion, and at the same time, reshaping its image abroad. Ultimately, China's military might is also a marker of their found sovereignty, demonstrating the strength and will of their government. This demonstrates not only their hard power capabilities but also allows them to celebrate their success by showing the global community their mastery of military technology.

In terms of increasing China's voice internationally, the Chinese government aims to strengthen its international communication capacity, carefully build a foreign discourse system, and give full play to the role of emerging media in emergency management. At the same time, the Chinese government has also publicized traditional culture in education to manage their image abroad. The purpose of President Xi's words in his 2013 speech were not merely inspirational but prologue to initiatives strengthening Chinese soft power on the international stage.

VI. Conclusion:

Over 40 years have passed since China's Reform and Opening Up under Deng Xiaoping, and China has come a tremendously long way from its poverty-stricken post-cultural revolution days. Chinese citizens now enjoy a quality of life not thought possible a generation ago as nearly one billion people have been pulled out of poverty. This is China's greatest achievement, and their message is that your country can do it too. They showcase the Chinese Dream as a success story to be replicated across the world. Their growth and improbable success have seen them leapfrog certain technologies and blaze forward developing the next generation of digital tools that are beginning to shape the world. Digital payments and currencies, 5G infrastructure, artificial intelligence, and quantum computing are a few sectors where China is challenging American's primacy of the last century. But while Chinese economic and military power is growing at unprecedented rates, the stature of Chinese soft power still falls short of its global ambition.

If China wants to leverage their economic success to develop soft power, it will need to continue to liberalize its domestic digital trade and digital media industries. The looming power of China's regulatory bodies that inhibit the internationalization of Chinese technology firms stand as a roadblock to Chinese soft power solidification. China's top-down approach to soft power development needs to be coupled with an organic bottom-up approach that supports the unfettered development of Chinese industry, media and entertainment. China is already well positioned to make this jump in soft power due to its work along the BRI in countries in South East Asia and Central Asia. These economic development projects are already winning China votes in strategic international institutions, such as the United Nations, where it can work to set new standards for telecommunications, digital trade and many other industries that will be vital to the twenty first century.

The United States' confrontational stance towards China is unlikely to diminish and China should plan accordingly. China should also seek to avoid disagreements that could reflect poorly on China in an international setting. Just as in English, in Mandarin there is a saying that *silence is gold*. When it comes to developing China's soft power, keeping silent and not reacting to provocative public statements from the West is a passive and effective way to build the international goodwill China seeks.

Global perceptions can be strategically reshaped by how a country demonstrates their accomplishments to the world, and a look at history can show us how this has happened before. At the 1851 Great Exhibition in London, Great Britain invited countries and colonies to send items of great cultural context and all those who could send what their country has best to offer. Canada sent minerals and totem poles hand carved by indigenous people. Australia sent specimens of kangaroo and koala exotic animals to the Victorians. However, the United States sent what then were viewed as technological marvels, the Virginia grain reaper, the permuting lock, the revolving charge pistol (by Samuel Colt), rubber goods, and a sewing machine among many others. These items were sent as part of a strategy to change the perceptions of Americans from that of a collection of crude, lawless scapegraces to that of a country rooted in modernity, technological breakthrough and commanding respect. In many ways it worked and was the beginning of a long-term process of gaining respect on the international stage. China's new top-down soft power strategy has this familiar tone in that they have decided that by becoming leaders in technology, by telling and controlling their story abroad, they can reshape their global image as a modern world power.

VII. About the Authors

[Bryan Herbert](#) graduated with a Master's in International Trade and Economic Diplomacy from the Middlebury Institute of International Studies at Monterey, specializing in China trade policy and trade compliance. His research interests are Chinese economic policy and strategic export controls.

[Nicole Kroeger](#) is an M.A. candidate in International Policy & Development at the Middlebury Institute of International Studies at Monterey, specializing in global poverty. Her research is primarily in foreign policy, development strategies and regionally focused on China and the United States.

Li (Janet) Zhengjing is an M.A. candidate in International Trade and Economic Diplomacy at the Middlebury Institute of International Studies at Monterey, specializing in Chinese trade policy. Her research focuses on bilingual business negotiations and East Asian regional economic development.

IX. Works Cited:

- Baker, L., & Emmott, R. (2020, May 14). As China pushes back on the virus, Europe wakes to 'Wolf Warrior' diplomacy. Reuters. <https://www.reuters.com/article/us-health-coronavirus-europe-china-insig/as-china-pushes-back-on-virus-europe-wakes-to-wolf-warrior-diplomacy-idUSKBN22Q2EZ>
- Beijing Yien Century Data Technology Co., Ltd. (2019). *Mainland China box office ranking*. endata. <https://www.endata.com.cn/BoxOffice/BO/History/Movie/Alltimedomestic.html>
- Bone, R. M., & Cinotto, F. (2020, November 2). China's Multifaceted COVID-19 Diplomacy Across Africa. *The Diplomat*. <https://thediplomat.com/2020/11/chinas-multifaceted-covid-19-diplomacy-across-africa/>
- Brattberg, E., & Le Corre, P. (2020, April 15). No, COVID-19 Isn't Turning Europe Pro-China (Yet). *The Diplomat*. <https://thediplomat.com/2020/04/no-covid-19-isnt-turning-europe-pro-china-yet/>
- British Film Institute. (2020, March). *Filmed entertainment revenue worldwide 2018, by country* Published by Amy Watson, Nov 20, 2020 *The United States was the largest filmed entertainment market in 2018, with revenue of 32.23 billion U.S. dollars. In second place was China with revenue of over*. Statista. <https://www.statista.com/statistics/296431/filmed-entertainment-revenue-worldwide-by-country/>
- Cankaoxiaoxi. (2019, February 18). *Western Media: China Has Carried out Multidimensional Diplomacy in Africa by Combining Hard and Soft Power*. Beijing Cankaoxiaoxi. <http://m.cankaoxiaoxi.com/column/20190218/2371999.shtml>
- Carlson, B. (2015, September 21). The World According to Xi Jinping: How China's President Defines Chinese Dream. *The Atlantic*. <https://www.theatlantic.com/international/archive/2015/09/xi-jinping-china-book-chinese-dream/406387/>
- Carminati, D. (2020, July 3). The State of China's Soft Power. E-International Relations. *E-International Relations*. <https://www.e-ir.info/2020/07/03/the-state-of-chinas-soft-power-in-2020/>
- Central Committee of the Communist Party of China. (2020, November 3). *Proposal of the Central Committee of the Communist Party of China on Formulating the 14th Five-Year Plan for National Economic and Social Development and the Long-range Objective for the Year 2035*. Xinhuanet. http://www.xinhuanet.com/politics/2020-11/03/c_1126693293.htm
- China Economic Institute Report. (2018, November 13). The "Five-Sphere Integrated" Soft Power Strategy System with Chinese Characteristics. *China Economic Institute*, 50(932). <http://www.cciee.org.cn/archiver/cciee/UpFile/Files/Default/20181121090752005177.pdf>
- China Indicts 2 Canadians on Spying Charges, Escalating Dispute*. (2020, June 19). The New York Times. <https://www.nytimes.com/2020/06/19/world/asia/china-canada-kovrig-spavor.html>
- China Power Team. (2016, February 27). China Power Project. Is China's Soft Power Strategy Working? *China Power*. <https://chinapower.csis.org/is-chinas-soft-power-strategy-working/>
- Chinese Ministry of Foreign Affairs. (n.d.). *International Strategy of Cooperation on Cyberspace*. Ministry of Foreign Affairs of the People's Republic of China. https://www.fmprc.gov.cn/mfa_eng/wjb_663304/zzjg_663340/jks_665232/kjlc_665236/qtwt_665250/t1442390.shtml
- Cory, N. (2019, October). China and the United States: Digital Protectionism vs. Digital Free Trade. 40-43. https://csis-website-prod.s3.amazonaws.com/s3fs-public/publication/191008_PerspectivesGlobalEconomicOrder2019.pdf
- Council on Foreign Relations. (2019, September 26). China's Digital Silk Road: Strategic Technological Competition and Exporting Political Illiberalism. *Council on Foreign Relations*. <https://www.cfr.org/blog/chinas-digital-silk-road-strategic-technological-competition-and-exporting-political>
- Cunliffe, M. (1951, Summer). America at the Great Exhibition of 1851. *American Quarterly*, 3(2), 115-126. Jstor. <https://www.jstor.org/stable/3031236>
- Farley, R. (2016, April 08). How Mao Zedong Benefited From the Cuban Missile Crisis. *The Diplomat*. <https://thediplomat.com/2016/04/how-mao-zedong-benefited-from-the-cuban-missile-crisis/>
- Flint, J. (2019, October 23). Global Boundaries Break Down for Movies in U.S. and China. *Wall Street Journal*. https://www.wsj.com/articles/global-boundaries-break-down-for-movies-in-u-s-and-china-11571863144?mod=article_inline
- Hua, X. (2020, September 7). *Economic Watch: China advances digital trade to fuel economic growth*. Xinhua Net. http://www.xinhuanet.com/english/2020-09/07/c_139349050.htm
- Huang, P. (2019, October 24). 人类命运共同体为全球治理提供“中国方案”. QSTHEORY. http://www.qstheory.cn/dukan/hqwq/2019-10/24/c_1125147150.htm
- Jha, P., & Mao, F. (2020, December 3). *China and Australia: How a Twitter spat quickly escalated*. BBC. <https://www.bbc.com/news/world-asia-china-55168883>
- Joe, R. (2019, October 1). Reviewing China's National Day Parade: An in-depth look at the Chinese People's Liberation Army parade on October 1. *The Diplomat*. <https://thediplomat.com/2019/10/reviewing-chinas-national-day-parade/>

- Jones Day. (2020, February). *China Further Opens its Market with New "Foreign Investment Law"*. Jones Day: Insights. <https://www.jonesday.com/en/insights/2020/02/chinas-new-foreign-investment-law>
- Kaylan, M. (2019, September 5). China has a Soft Power Problem. *Wall Street Journal*. <https://www.wsj.com/articles/china-has-a-soft-power-problem-11567696212>
- Keane, M. A. (2010). Keeping Up With The Neighbours: China's Soft Power Ambitions. *Cinema Journal*, 49(3), 130-139. Researchgate.net. https://www.researchgate.net/publication/236823181_Keeping_Up_with_the_Neighbors_China%27s_Soft_Power_Ambitions
- Kennedy, M. (2019, November 01). New Russian Law Gives Government Sweeping Power Over the Internet. NPR. <https://www.npr.org/2019/11/01/775366588/russian-law-takes-effect-that-gives-government-sweeping-power-over-internet>
- Landale, J. (2020, May 12). Coronavirus: China's new army of tough-talking diplomats. *BBC*. <https://www.bbc.com/news/world-asia-china-52562549>
- Leblond, P. (2020, November 23). Digital Trade: Is RCEP the WTO's Future? *Center for International Governance Innovation*. <https://www.cigionline.org/articles/digital-trade-rcep-wtos-future>
- Meltzer, J. P. (2020, October). China's digital services trade and data governance: How should the United States respond? *Brookings Institute*. <https://www.brookings.edu/articles/chinas-digital-services-trade-and-data-governance-how-should-the-united-states-respond/>
- 19th CPC Central Committee. (2020, October 29). *Chinese Original Document for the Fifth Plenary Session of the 19th CPC Central Committee The Conference Communiqué*. Xinhuanet. http://www.xinhuanet.com/2020-10/29/c_1126674147.htm
- Nye, J. (2004). *Soft Power*. Public Affairs.
- Ramo, J. C. (2007). Brand China. Foreign Policy Centre.
- Rao, T. (2020, June 12). *Covid-19 and Its Aftermath: Impact on China's Soft Power*. Observer Research Foundation. Observer Research Foundation. <https://www.orfonline.org/expert-speak/covid-19-and-its-aftermath-impact-on-chinas-soft-power-67754/>
- Schwartzel, E. (2017, April 18). Hollywood's New Script: You Can't Make Movies Without China. *Wall Street Journal*. https://www.wsj.com/articles/hollywoods-new-script-you-cant-make-movies-without-china-1492525636?mod=article_inline
- Schwartzel, E. (2017, December 27). China Recreates the Silk Road to Challenge Hollywood. *Wall Street Journal*. https://www.wsj.com/articles/china-recreates-the-silk-road-to-challenge-hollywood-1514390400?mod=article_inline
- Statista. (2020, November 20). *Filmed entertainment revenue worldwide 2018, by country*. Statista. <https://www.statista.com/statistics/296431/filmed-entertainment-revenue-worldwide-by-country/>
- Toplensky, R. (2020, February 18). *Beijing's Soft Power Push on Global Tax*. The Wall Street Journal. <https://www.wsj.com/articles/beijings-soft-power-push-on-global-tax-11582025581>
- USC Annenburg & Nye, J. (2019, June 6). *Joseph Nye on the Future of Soft Power and Public Diplomacy*. Youtube. Retrieved November 29, 2020, from <https://www.youtube.com/watch?v=q75uTqz5XS4>
- Wang, F. (2017, September 15). *Government Curbs Sink Overseas Investment in Property, Sports, Entertainment*. Caixin. <https://www.caixinglobal.com/2017-09-15/government-curbs-sink-overseas-investment-in-property-sports-entertainment-101145879.html>
- Watson, R. T. (2020, March 11). Hollywood Relies More Than Ever on Movie-Streaming Revenue From Overseas. *Wall Street Journal*. [wsj.com/articles/hollywood-remade-film-industry-increasingly-relies-on-revenue-from-digital-overseas-viewing-11583947196](https://www.wsj.com/articles/hollywood-remade-film-industry-increasingly-relies-on-revenue-from-digital-overseas-viewing-11583947196)
- Wee, S. (2020, September 11). *From Asia to Africa, China Promotes Its Vaccines to Win Friends*. The New York Times. <https://www.nytimes.com/2020/09/11/business/china-vaccine-diplomacy.html>
- Wernau, J. (2019, December 18). Hollywood Takes a Back Seat to China's Own Domestic Filmmakers at Box Office. *Wall Street Journal*. <https://www.wsj.com/articles/hollywood-takes-a-back-seat-to-chinas-own-domestic-filmmakers-at-box-office-11576674000>
- Westerman, A. (2019, January 01). To The Dismay Of Free Speech Advocates, Vietnam Rolls Out Controversial Cyber Law. NPR. <https://www.npr.org/2019/01/01/681373274/to-the-dismay-of-free-speech-advocates-vietnam-rolls-out-controversial-cyber-law>
- Wong, J. (2020, October 22). China Tops the Box Office but Cinema Stocks Aren't Blockbusters. The Wall Street Journal. <https://www.wsj.com/articles/china-tops-the-box-office-but-cinema-stocks-arent-blockbusters-11603362711>
- Yuanyuan, Z., & Yaqingzi, D. (2020, January 6). 对外传播中应对负面事件的新闻报道框架及策略分析. External Communication Section. <http://media.people.com.cn/n1/2020/01/06/c431273-31536223.html>
- Zixuan, H., & Heiwai, T. (2017, August 22). Why China Is Curbing Outbound Direct Investment. Peterson Institute for International Economics. https://www.piie.com/blogs/china-economic-watch/why-china-curbing-outbound-direct-investment?gclid=Cj0KCQiAqo3-BRDoARIsAE5vnaI28XXmUthBbrm2cv_GYgIEjVnKzmxVoPwjNsmi6JE2MoEaN8DC_5YaAlekEALw_wcB

