

A Rusty but Provocative Knife? The Rationale behind China's Sanction Usage

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China has initiated a series of “economic sanctions” against South Korea, affecting Korean pop stars visiting China and Korean investments in China. Sanctions were imposed on South Korea in response to the decision of South Korea to deploy Terminal High Altitude Area Defense (THAAD) in 2016. Furthermore, the Global Daily assembled local population to boycott Korean products and investments in China. However, the Chinese Foreign Ministry has never positively confirmed these activities as economic sanctions to South Korea related to the THAAD installation. In other words, the Chinese government singled a relatively weak message via these sanctions to South Korea. As a result, the THAAD implementation continued in South Korea. In the paper, I interpret China's rationale to impose puzzling economic sanctions, which have a weak resolution, to South Korea and Taiwan. As signaling theory argues, economic sanctions with insufficient resolution, which are more likely to fail, is a more provocative foreign policy. By reviewing China's sanctions usage to South Korea and Taiwan, I propose arguments of bureaucratic competition to answer why China launched such sanctions to other countries: those are caused by domestic institutions who are seeking reward from the Communist Party of China. By comparing shifts of leadership between domestic agencies, the paper provides evidence to support the proposed argument. I also include two alternative explanations to strengthen the proposed argument, albeit connecting the paper with other two larger streams of research, which address analyses of China's aggressive foreign policies as well as the domestic politics of economic sanctions.

Keywords: Economic Sanctions from China, South Korea, Taiwan, bureaucratic competition

Introduction

With the rise of China's power in recent years, both China's military actions in the South China Sea and economic behavior, like establishing the Asian Infrastructure Investment Bank, have

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attracted not only academic but also media attention. In addition to the use of force and its growing military expenditure, China's use of economic capability and economic sanctions is another dimension that should be addressed. Different from the 1990s, China is no longer the target of sanctions but the sanction's sender country to Japan, South Korea, Taiwan, Philippines, and even Norway since the early 2000s. Nevertheless, sanctions initiated by China are different from those imposed by Western countries that China shows opponents with weak resolutions through the mean of sanctions, a critical component for a successful sanction. Put differently, a sanction which does not signal the target country with strong resolution is more likely to fail. This way, it becomes puzzling why China initiates economic sanctions without strong resolution but provocative foreign policy tools in disputes.

The paper proposes a single case-study design focusing on cross-section differences on China's sanctions on South Korea and on Taiwan to explain the puzzle of China's use of economic sanctions via the lens of domestic bureaucratic competition. I argue that the puzzling behavior of China's sanctions has resulted from different interests between China as a unit actor and the sub-government agencies who implemented these actions. By comparing personal promotions in China's domestic government agencies with different actions in each sanction, the paper identifies a clue to show the existence of bureaucratic competition on the use of sanction between China's domestic government agencies. In addition to the primary analysis, I also introduce two alternative explanations, including the rise of China's power and the public choice theory, to back up the proposed bureaucratic argument. The paper might be the first academic study that views China not as a target but as an initiator of sanctions. Moreover, the use of economic power and sanctions could be an alternative measure to continue discussions on whether China rises peacefully in the past decades. Last but not least, this paper is expected to connect the literature of domestic politics on the use of economic sanctions with the case of China.

China's Use of Economic Sanctions

As China's economic power increases, China has applied economic sanctions as its foreign policy tool in disputes. For instance, during the territorial conflicts with the Philippines on the Shoal in the South China Sea since late 2012, China initiated a series of "economic sanctions" to pressure Manila to withdraw from the disputed area (Glaser, 2012). Scales of sanctions included additional inspections on Filipino agriculture products and "travel bans," which limited the number of tour groups to the Philippines. At the time, China was one of the major trade partners with the Philippines on agricultural goods and top-three sources of tourists to visit the Philippines every year. This is not the only case of economic sanctions initiated by China. Glaser (2012) also posits discussions on other cases of China's use of economic sanctions, such as Norway during the nomination of Liu Xiaobo for the 2010 Nobel Peace Prize. In other places in East Asia, China has pressured its political will via the use of economic sanctions. It has compelled Japan on territorial issues regarding the Senkaku Islands by the export limitation on rare earth elements (REEs) to Japan since September 2010. China is currently and was the most

significant producer and exporter of REEs at the time and provided 82% of rare earth elements to the market consumption in Japan (Humphries, 2012).

China did not launch economic sanctions only to neighbors involving sovereignty issues like the cases illustrated above. Similar implications of economic sanction usage can be found in Sino-Korean relations about the installation of the Terminal High Altitude Area Defense (THAAD) and in Cross-Strait relations about the Recognition of the 1992 Consensus and so-called “one-China policy.” In the former case, China has set investment regulation to Lotte, a Korean company offering lands for THAAD deployment, in major Chinese cities to pressure the South Korean government. Lotte-owned shopping malls and supermarkets located in those cities were shut down due to abrupt fire inspections (Kim & Jourdan, 2017). Korean pop stars’ events in China had also been canceled during the same period (Panda, 2016). In Taiwan, China launched an informal economic sanction focusing on personal travel ban to Taiwan because of the recognition of the 1992 Consensus and debates on so-called “one-China policy.” After the Democratic Progressive Party won the election in 2016, numbers of Chinese tourist groups have dropped dramatically “because Beijing has restricted the issuance of travel permits to Taiwan” (Shan, 2016). This drop of Chinese tourists has brought “depression” to tourism industries in Taiwan. Some tourism industries asked the new president to accept the “1992 Consensus” to maintain Cross-Strait economic relations and benefits similar to the period of former President Ma (Kyodo, 2016). The new Taiwan president was blamed for the drop in Chinese tourists because Beijing did not consider that she had recognized the 1992 Consensus in her inauguration and other official speeches (Smith, 2016).

In addition to consequences of those sanctions against the opponent government, the Chinese government did not positively affirm any of those actions as “economic sanctions” to pressure governments in the Philippines, Japan, South Korea, and Taiwan in all cases illustrated above. Unlike the United States and other countries usually initiating sanctions, which have a clear list of targets and treatments for sanction actions, Beijing seldom provides official statements or only refers to ambiguous wording for economic sanctions. On the other hand, most sanctions are implemented without threatening to use by local governments, customs, and travel offices. In other words, there is an asymmetry between the national political strategy and implementations of economic sanctions, which is a puzzle to the literature expectation. This project is expected to explain bureaucrat competition to the puzzle of China’s sanction usage.

Based on those special characteristics, China’s actual sanction usage is puzzling because these actions are more likely to drag China into more intensive conflicts but at the same time lower the probability to comply targeted countries. First, it can push China to increase conflicts to fulfill its policy goal as the top priority. Scholars (i.e., Helms, 1999; Selden, 1999; Askari, 2003; Grauvogel et al., 2017) usually consider economic sanction as an option in diplomatic talks and the use of force. Selden (1999) argues that sanctions seem like a policy option falling between sharp words and wars. Economic sanctions have lower costs than the use of force but stronger effects than sharp words. Moreover, Helms (1999) posits that economic sanctions are a nonviolent political option, allowing states to address international crises without resorting to the use of costly military force. Economic sanctions can be an effective but lower-cost alternative

foreign policy option than war and diplomatic negotiation. Grauvogel et al. (2017) also consider economic sanctions as a low-cost form of foreign policies. They further identify the incentive for domestic politicians to threaten to use economic sanctions in order to increase their domestic public support. However, not all sanctions work. The effectiveness of using sanctions has long been a question in the literature. Scholars (i.e., Doxey, 1980; Hufbauer et al., 1990; Drury, 1998; Drezner, 2003; Marinov, 2005; Drezner, 2011) emphasize conditions to effectiveness of economic sanctions. Doxey (1980) refers to the pressure of the sender country as the necessary condition for successful sanctions. On the other hand, Marinov (2005) turns to examine the effectiveness of sanctions by levels destabilization to leaders in the target country. Lastly, the scale of sanctions matters. Drezner (2011) posits that “smart” sanctions, which are able to target certain domestic political groups, can comply with the target country without high humanitarian costs.

However, economic sanctions can be more dangerous than foreign policymakers expect. By using economic sanctions, the sender country can sink into the crisis of conflict escalation. Lektzian and Sprecher (2007) posit that there is a significantly increased probability of the use of military force after a sanction was imposed. Scholars (i.e., Morgan & Miers, 1999; Drezner, 2003; Lacy & Niou, 2004; Lektzian & Sprecher, 2007) argue that sanctions can have a different probability of success at different stages of their implementation. Morgan and Miers (1999) show that the probability of successful use of economic coercion is greater at the threat stage than at the implementation stage. In other words, those sanctions initiated by China to its neighbor can tie the Chinese government’s hand to further conflicts or compel opponents. Therefore, it is a puzzle to observe that the implementation of economic sanctions set China at the risk of conflict escalation, instead of threatening to use.

In addition to the first consequence of China’s sanctions, the target of China’s sanctions has less incentive to compel to China’s requests in sanctions. In the sanction literature, scholars (e.g., Morgan & Schwebach, 1997; Hart, 2000; Lektzian & Sprecher, 2007) posit that the stronger the signal a country sends with the sanctions, the higher the likelihood of sanction’s success and the lower the probability of conflicts escalations. Lektzian and Sprecher (2007) note that the stronger the signal an actor sends with a sanction, the lower likelihood of conflict escalation. Nevertheless, China’s use of economic sanctions, which mainly involved only weak resolution, contraricts the literature: not central government in Beijing but local one and other agencies imposed the sanctions. Moreover, China’s Minister of Foreign Affairs seldom admits these practices as “economic sanctions” to pressure the Philippines, Japan, South Korea, and Taiwan. Put differently, China’s economic sanctions sent a signal with weak determinants to its opponents in disputes. With this signal, opponents have fewer incentives to compel with China’s sanction usage and China has a higher probability to resort to other foreign policy options or giving up on disputes. As a result, the likelihood for China’s sanctions to be a success is relatively low as well. Thus, China’s economic sanction usage seems puzzling and looks like a rusty but provocative knife which China employs to pursue its top foreign policy goals in disputes.

Research Question: Domestic Bureaucratic Competition

In recent years, we have witnessed a heated debate on China's rise, peaceful or not, in both media and academia. In the media discussions, Xiang et al. (2015) point out that the number of articles addressing China's military expenditure in the New York Times has increased six times from 1999 to 2013. By surveying American news on the topic of China's perception from 1992 to 2006, Yang and Liu (2012) show that more news articles frame China as a threat in military dimensions than an ideological problem in the late 1990s. These findings in the media are consistent with following academic arguments which consider China as a non-peaceful rising country. Although without a general agreement in the debate, scholars (e.g., Mearsheimer, 2001; Mearsheimer, 2006; Mearsheimer, 2010; Johnston, 2003; Kang, 2007; Weede, 2010; Xiang et al., 2015) have provided plenty of analyses on how China will rise as a great power in the security dimension after economic reform. On the side of China as a revisionist, Mearsheimer (2006; 2010) predicts the non-peaceful rise of China, which will challenge the existing international order. On the other hand, other scholars (e.g., Kang, 2007; Weede, 2010) consider China as a benefit receiver from the current international economic system, and hence it is likely to be a status quo type that is unlikely to challenge the US. Empirically, Xiang et al. (2015) examine China's peaceful rise focusing on China's threat to use force, the display of force, and the actual use of force. In conclusion, they show that no empirical evidence points to more conflicts between China and other states.

Economic sanctions can be another dimension than the use of force as an extension to study of the peaceful rise of China. As mentioned earlier, economic sanctions are a foreign policy option between the diplomatic wording and the use of force. In contrast to the conventional theory on rising power, which emphasizes the use of force, the analysis of China's use of economic sanctions can be a new and promising direction to study the rise of China, which is yet currently missing in the literature.

Furthermore, China has preferred economic sanctions to the actual use of force since 1979. According to Militarized Interstate Disputes from 1979 to 2010, China is involved in 89 disputes with all countries, including Taiwan, in the world. It is less than 1.5% of disputes over all country-year dyads. Instead of using force or threatening to use force, it is possible that China has expressed its muscles in the world with other means, such as economic sanctions. This way, it is crucial to study China's use of economic sanctions, which is currently missing in the literature of rising China.

The paper proposes an analysis from the domestic perspective, mainly focusing on bureaucratic competition theory, to study China's use of economic sanctions. As Putnam (1988) and Bueno and Smith (2012) note, the political consideration of domestic factors is an indispensable condition to explain foreign politics and China is not an exception. Domestic politics is an essential but missing dimension to study China's foreign policy and its peaceful rising (e.g. Chang-Liao, 2018). For the literature of the use of economic sanctions, domestic politics is a critical dimension of the analysis (e.g. Drezner, 2011; Bueno & Smith, 2012; Grauvogel et al., 2017; Hultman & Dursun, 2017). For example, by reviewing the literature on economic sanctions and domestic politics, Bueno and Smith (2012) demonstrate that interactions between

political and institutional design in domestic politics are able to enhance the function of economic sanctions between countries. Rather than focusing on the function of political leaders, Grauvogel et al. (2017) study the effect of threatening but not yet implementing sanctions to a domestic audience in the targeted country. They posit that threatening sanction is sufficient to raise the likelihood of domestic protests to oppose the ruling regime. Following the trend to explain economic sanctions by disaggregating a country into its domestic politics, I propose a bureaucratic competition theory (i.e., Graham, 1971) as the hypothesis to explain China's economic sanction usage: these sanctions are for pleasing the party leaders by domestic agencies. In addition to the research question, I introduce two alternative explanations in the following sections to (1) demonstrate the proposed argument of the bureaucratic argument; (2) connect the issue with other two streams of literature on China's foreign policies and the domestic politics of economic sanctions.

As illustrated earlier, the Chinese government seldom admits its practices of economic sanctions. The first challenge to study China's usage of economic sanctions is data acquiring, especially the systematic one. Newspapers are probably the most accessible resource for analysis. The Integrated Crisis Early Warning System (ICEWS) event data can create a brief picture of China's interaction with neighboring countries (See Figure in the previous section). However, considering the unit of analysis for the proposed argument in the project, the country-year data generated by the event data is not the best option for the following reasons: first, the country-year data is unable to capture difference actions between domestic actors in an economic sanction; second, there are insufficient numbers of observation on China's use of economic sanction in the country-year data. This way, I argue that qualitative research method fits better with the data I am able to acquire: since every sanction involved different government agencies, it is challenging to conduct cross sanctions a regression analysis.

For instance, there are two groups of government agencies involved in sanctions between the South Korean and Taiwan case. This makes it impossible to track and compare their attitudes between each sanction. Furthermore, it is difficult to identify all government agencies involved in each sanction so that numbers of observations in each sanction are too small to conduct meaningful quantitative analysis. In other words, the concern of data availability, one selection component of the case study selects proposed by Gerring (2006), is the main concern when deciding which method to have. Therefore, I propose a case study design with multiple cases as a more appropriate option to answer the research question on domestic agency competition.

Research Design

The paper proposes a case-study approach to study puzzles of China's sanctions with the domestic bureaucratic competition argument. I argue that the puzzling behavior of China's sanctions has resulted from different interests between China as a unit actor and the sub-government agencies who implemented these actions. This way, following the classification of case study methods proposed by Gerring (2006), a single-case study fits the proposed arguments

and data structure as the main explanatory target is the competition between domestic bureaucracies. Put differently, I want to explain cross-sectional differences within a case, not the cross-case comparison. Following the focus on the case-study design, the paper examines position changes of leaders in organizations to support a proposed hypothesis, including those initiated sanctions and those in charging the disputes, in both cases to support the argument of bureaucratic competition theory.

For each case study, the paper first reviews activities related to economic sanctions initiated by following major government institutions for each case study on South Korea and Taiwan. The former one includes State Administration of Press, Publication, Radio, Film, and Television of the People's Republic of China (SAPPRFT), Ministry of Commerce of the People's Republic of China; while the latter include the Taiwan Affairs Office and local Tourism Administration offices. After discussions on the role and actions of those institutes, I compare the change of leadership in those institutes for Taiwan and South Korea respectively. With this comparison of the different characters in sanctions for each government agency and its leadership changes, it is expected to identify the function of bureaucratic competition argument.

Why does this paper select China's use of sanction to South Korea and Taiwan as cases to study? Data availability is the major rationale. Data on China's use of economic sanction is the first and primary difficulty this paper faced. The data on economic sanction (e.g., Threat and Imposition of Sanctions (TIES) from the Rice University, where the data ends at 2005 and has only one sanction from China after 2000.) do not have the episodes described in the early section. Given that the existing sanction data is missing, the newspaper is the primary source in the paper to identify China's use of economic sanction. This way, the latest two sanctions China initiated, those to South Korea and Taiwan, as the case study is the case in the paper because it is possible to have detailed information to study changes in China's domestic agencies. On the other hand, the proposed case-study design is to explain each sanction China initiated instead of comparing differences between difference sanctions. As a result, the paper chooses sanction to South Korea and Taiwan as the cases in the paper to demonstrate a minimum level pattern of China's use of economic sanctions. In the following section, I first present discussions on two alternative explanations.

Alternative Explanation

To strengthen explanatory power of the bureaucratic argument, I include the following alternative hypotheses from different levels of analysis into the discussion: (1) the rising China's power and (2) the public choice approach. The rationale for selecting these two alternative explanations is two-fold. First, both arguments are critical to China's use of economic sanctions and parts of each theory can partially explain the observation of China's use of economic sanctions. The literature on rising China's power is one of the mainstream approaches to review China's use of its foreign policies. It explains the higher frequency of economic sanctions initiated by China but not the proposed puzzles. On the other hand, the public choice approach is one of the main themes addressing the rationale of sanction initiated from the domestic

perspective. The theory looks at domestic competitions, not between proposed sub-government agencies but interest groups, who are able to benefit from initiating those sanctions. Second, including alternative explanations could connect the article with other relevant literature. In this case, discussions on China's use of economic sanctions are expected to connect and contribute to the literature on the peaceful or non-peaceful rise of China as well as the public choice theory. All in all, a comparison between proposed and alternative explanations can demonstrate the stronger explanatory power of the former but also the significance of the issue - the rationale of China's use of economic sanctions.

China's Rising Power.

The first alternative explanation refers to the international relations theory on the rise of China (i.e., Mearsheimer, 2006; Mearsheimer, 2009; Kaplan, 2011). Mearsheimer (2006) shows that China, as a rising power, will establish its hegemony in Asia and trigger tension between its neighboring countries (e.g., India, Japan, Russia). Moreover, a rising China is able to pursue a foreign policy similar to that of "Imperial Germany, Imperial Japan, and Nazi Germany" (Mearsheimer, 2009, p. 252). Kaplan (2011) argues that China's behavior in the South China Sea as a rising regional power is similar to the United States in the Caribbean Sea in the late 19th century. Rising China's power is the main factor to explain its foreign policy behavior.



Figure 1. Economic Sanctions from China

At first glance, stories of economic sanctions illustrated in the beginning happened around the 2010s, especially after 2008, which is a time period some scholars argue that the year 2008 is a turning point in the trajectory of China's rise (e.g., Buzan & Cox, 2013; Shambaugh, 2011; Zhao, 2013) in the existing research on China's rise. The data on China's use of economic sanctions provide a result similar to this expectation. Figure 1 is the economic sanction initiated by China from 1995 to 2015. I set event based on CAMEO code 163, "*Impose administrative sanctions*", and 172, "*Impose embargo, boycott, or sanctions, to generate these observations.*" Also, China is the initiated country for all cases. There are more sanctions initiated by China in the latter years after 2005 than the early 1990s as China increases its national capability in the past decades. If rising China's power is a strong explanation, it is expected to observe a positive correlation with rising China's power (i.e., GDP, military expenditure, or CINC scores) with the use of economic sanctions.

Public Choice Theory.

The second alternative hypothesis incorporates the public choice approach (e.g., Kaempfer & Lowenberg, 1989; Kaempfer & Lowenberg, 1992; Dorussen & Mo, 2001), which emphasizes on pressures from domestic interest groups to government decision makers on the use of economic sanctions. Kaempfer and Lowenberg (1989; 1992) introduce the public choice approach to study the domestic influence on economic sanctions, focusing on satisfying interest groups in both sender and target countries. They (1989, p. 13) argue that "foreign policy trade restrictions are shaped largely by domestic interest group competition within the sanctioning country." Put differently, different pressures from different domestic interest groups lead to different sanctions, such as import and export restrictions, and imposing agencies. Although this mechanism can be applied to both sender and target countries in the sanction, Dorussen and Mo (2001, p. 420) differentiate between A and B in both sides. They argue that the sender country prefers the strategy of audience cost that "governments can commit themselves to groups with a special interest in the policy of the target." Application of public choice approach emphasizing on domestic interest groups to China's use of sanctions can be a connect a signal-case study on China to more extensive literature on economic sanctions. For instance, Weiss (2013) shows that nationalist protests during two US-China crises played the role of audience cost for China, an authoritarian regime, in negotiation.

A supporting argument is expected to observe either evidence of direct lobbying from China's domestic interest groups or the existence of close government-industry connection. Given that it is difficult to find these events, news on serious competition between South Korea and Taiwan on China's domestic market those sanctions would negatively influence can be indirect evidence to support this alternative argument on the public choice theory.

Test of Alternative Explanations.

Before the primary analysis of the bureaucratic competition argument, I will first discuss two alternative hypotheses: China's rising power and the public choice argument. The former states that China as a newly rising power in the region will initiate more aggressive actions to its neighbors and the economic sanctions is one of these actions. Thus, it is expected that China to impose more sanctions together with the rise of power. However, the paper finds positive coefficient but no statistical significance at 5% level between China's uses of economic sanctions and different measures of China's national power by the binary negative binomial count model. The measures of China's national capability include CINC scores, constant military spending, military expenditure by share of GDP, and constant GDP at Trillions USD. The CINC scores are from the Correlates of War Projects; China's military spending in constant value and by the share of GDP is from the SIPRI Military Expenditure Database; China's constant GDP is from World Bank Data. The p-value for each measure of China's power in the negative binomial count model respectively are .089, .326, .175, and .351; the coefficients are 15.25, 3.38e-06, 196.016, and .082. Moreover, there is no statically significant of China's use of economic sanction after 2008. The p-value is .878 for the count model with a dummy variable, which the year after 2008 is 1 and 0 for the previous years. This way, the rising power argument could not explain the distribution of China's economic sanctions: whether China resorted to more sanctions when its power grows; on the other hand, the country-year unit of analysis could not answer the asymmetric practice of China's sanctions between central and local government agencies.

The second alternative hypothesis refers to the public choice argument, which focuses on the influence of domestic interest groups on the government to use sanctions against their competitors. Two possible pieces of information are required: first, direct influence or lobbying of local interest groups from the industry, which the sanction involved, to China's government; second, evidence of severe market competition between the target sector of the sanction and the local industry. Although the latter one is an indirect option to support these alternative explanations, it might be a possible proxy to test the argument in China, where the transparency of government lobbying is missing.

In the case of South Korea, the primary target of sanctions is the Lotte Group's supermarket, entertainment, and hotel investment. This way, the department store and retail industry should be the potential interest group and industry to benefit from the sanction. However, there is no direct evidence of China's interest groups lobbying or specific closer government-industry connection close to the time of economic sanctions. There is no evidence of lobbying from China's detail or department store industry to sanction South Korea and the Lotte Group. Furthermore, the incentive for domestic industry to sanction the Lotte Group is relatively low. According to the 2016 retail report, the Lotte Group was not on the list of the 2016 top hundred retail stores in China, according to the 2016 top hundred retail reports from China's Chain Store & Franchise Association. Little can other company gain interests from the sanction on Lotte's supermarket and mall. The cost of lobbying the government to sanction is relatively easy to outweigh the benefit of the additional market share.

In the case of Taiwan, the target of sanction is the industry of the group tour to Taiwan, which is limited to individual travel agencies in each province. Compared to the sanction directly on the Lotte Group, the sanction on Taiwan damage the interests of those permitted travel agencies in China and benefit other agencies without permissions. However, both direct or indirect evidence is missing to support the lobbying from the group with the potential to be benefited by the sanction. There is no evidence of lobbying from the latter group or news on market competition between travel agencies right before the sanction. Second, there is no sign of national-wide coalition and market competition between non-permitted travel agency to permitted one. Since the local government initiates the permission of group tour to Taiwan, only a national broad coalition against permitted travel agencies can explain the national-level sanction to Taiwan via the public choice argument. Hence, this alternative explanation cannot answer the use of sanctions on Taiwan.

Due to insufficient evidence to support the public choice argument, the public choice argument based on the competition of domestic interest is hard to explain China's use of economic sanctions to either South Korea or Taiwan. To further explain the puzzle of China's economy, I propose two case studies on South Korea and Taiwan to review proposed bureaucratic competition theory in addition to both alternative hypotheses discussed above. With this case design, the paper can identify the existence of bureaucratic competition on the issue of sanctions within China.

Empirical Results: A Case Study on South Korea

The sanctions on South Korea started in early 2017, right after South Korea accepted the THAAD installation in July 2016. The measures of sanction covered Chinese group tour bans (BBC, 2017), Lotte Group investment in China (Yang & Jin, 2017, June 6), and voluntary boycotts of South Korean businesses and goods (Woody, 2017). The People's Daily, the Global Times, and the Communist Youth League of China all severely condemned and urged to sanction South Korea. However, China's central government, especially the Ministry of Foreign Affairs, never officially admit these actions as sanctions on South Korea, even if both news presses and the Youth League are with the CCP and have strong connections with the Chinese government. The sanctions continued for six months and ended in late October 2017 before South Korean President Moon Jae-in met with Xi Jinping at the Asia-Pacific Economic Cooperation (APEC) Summit in Vietnam in early November. In the end, South Korea did not withdraw the THAAD installation but promised that "deployment was not aimed at any third country and did not harm China's strategic security interests" (Yang & Jin, 2017, October 31).

To apply to bureaucratic competition theory, I focus on leaders of three domestic agencies: Li Baoshan, the chief editor of People's Daily, Qin Yizhi and Gao Hucheng, the former minister of the Ministry of Commerce. First, two domestic agencies have played a significant role during the sanctions on South Korea. The People's Daily and the Global Times, a Chinese press under its auspices, both condemned South Korea and Lotte Group for the THAAD installation, and they should pay the cost of this action. Moreover, the Global Times even asked Chinese people to

voluntarily boycott Korean goods and companies as revenge for the THAAD (Yu, 2017). In other words, they are one of the dominant forces in pushing domestic nationalism and economic sanctions during the dispute with South Korea. On the other hand, the Ministry of Commerce, which government agency should have been active during sanctions, was not heavily involved in the sanction. Therefore, a comparison of the leaders shifted between these agencies could be a hint to the competition between domestic government agencies.

Li Baoshan, the chief editor of the People's Daily, was appointed to his current position in 2014. He was one of the alternate members of the Central Committee of the Communist Party of China during the 18th Party Congress with the order of 34th in the group. Alternative members of the Central Committee have been considered as candidates with prospective future in China. In the 19th Party Congress, Li's position has been changed to be in the Full Commission of the Central Commission for Discipline Inspection (CCDI) (Xinhua, 2017). This is the highest internal-control institute in the Communist Party of China (CPC). The Central Committee and the CCDI are instituted in different but crucial systems in the CPC. It is therefore difficult to compare the degree of personal promotion. Moreover, there is no considerable change in Li's position. For instance, he is not a member of the standing committee in the CCDI. Hence, it is fair to state that Li remains in the same position in the party and the government.

On the other hand, Gao Hucheng, the former minister of the Ministry of Commerce, has a different story. He became the minister of the Ministry of Commerce in 2013 but was removed from the ministry in early 2017. Zhong Shan, who worked under Xi in the Zhejiang from 2002 to 2007, takes over the position. This leadership change in the Ministry of Commerce has been considered as a prelude for Xi to grip more power in the CPC during the 19th Party Congress (Straits Times, 2017). After the 19th Party Congress, Gao is currently one of the vice directors of the Subcommittee of Hong Kong, Macao and Taiwan Compatriots and Overseas Chinese in the Chinese People's Political Consultative Conference (CPPCC). Concerning personal promotion, it is clear that Gao has been demoted to the Chinese government.

The People's Daily, a CPC newspaper, played a leading role in sanctioning South Korea on the THAAD. Its chief director maintains his position in the 19th Party Congress. On the other hand, the leader of the Ministry of Commerce, who should have taken actions to pressure South Korea, had little actions against the opponent in the dispute. Although there is no direct evidence connecting these personal promotions in China to sanctions on South Korea, this comparison of those China's government agencies still provides a hint to think about the effect of bureaucratic competition to the use of economic sanctions in China in the case of South Korea.

Empirical Results: A Case Study on Taiwan

The second case study illustrates the effect of bureaucratic competition on China's uses of economic sanctions via Taiwan's case since 2016. Right after the 2016 President Election in Taiwan, China began a series of actions against the new government for not recognizing the

“1992 Consensus,” which is the principle guideline for China and Taiwan government during the previous government from 2008 to 2016. Among different measures, the sanction of the group tour to Taiwan attracts more public and media attention. An example of other direct actions includes boycotting Taiwan’s participation in the International Civil Aviation Organization (ICAO) annual meeting in Montreal, which China did not take such action during the previous Ma administration (Feng, 2016). For Taiwan, Chinese tourists were expected to bring 66 billion USD (200 billion TWD) revenue to Taiwan in 2015 and the expected damage to Taiwan from the sanction is about 1.3 billion USD (40 billion TWD) (Lin, 2016). Moreover, three quarters of total tourists from China are group tourists, which required permitted travel agencies and government premonition to set up the tours (Oriental Daily News, 2016). Hence, the sanctions on the tourists to Taiwan is significant to Taiwan and its government. In response, the protest in 2017 from those association of travel agents mentioned earlier regarding China’s tourists also supports the significant role of this sanction to Taiwan.

Similar to the sanction on the Lotte Group, China did not admit the drop of group tourists to Taiwan for the new government as a way of sanction. Although there is no official documentation on the travel ban to Taiwan, some travel agencies in Taiwan received the information and confirmed the sanction anonymously (Apple Daily, 2016, Jan., 23). Officially, the president of Association for Relations Across the Taiwan Straits, the organization in China setting up for dealing with direct interaction with Taiwan, said that there is no such travel ban from China to Taiwan (Sina, 2016). This way, the resolution of China’s sanction to Taiwan on tourists is unclear to Taiwan. Regarding the resolution of the sanction, the DPP government denied the existence of the sanction and of course did not compel to the China’s demand on the 1992 Consensus (Apple Daily, 2016, July 19).

In the case of the sanction on Taiwan, the paper emphasizes two sets of government agencies in China: China Tourism Administrations in each province as well as the Taiwan Affairs Office. The former set of government institutes include the central office in the central government and each province. As the sanction on the travel ban was directly imposed by offices in each province and the missing evidence of direct command from the office in the central government to the sanction, I, therefore, focus on leaders in each province instead of the one in the center. Given that there are 311 permitted travel agents across 31 provinces in China, I select top five offices in the provinces that have most permitted travel agents (Tourism Bureau, 2019). These offices include Beijing Municipal Commission of Tourism Development, Tourism Administration of Guangdong Province, Tourism Administration of Zhejiang Province, Tourism Administration of Jiangsu Province, and Fujian Province Commission of Tourism Development. Each province has 29, 21, 18, 17, and 16 permitted travel agents respectively. Since the beginning of the sanction on Taiwan, I find that the leaders for those five offices in each province, including Song Yu, Zeng Yingru, Xie Jijian, Qin Jingan, and Wu Xiande respectively, remained in their position. Qin Jingan for the Jiangsu office even got the promotion to be the member of the Jiangsu People’s Congress. In sum, the leaders of the travel offices, which have engaged in the tourist’s sanction to Taiwan, remain in their positions or being promoted.

In addition to those travel offices in those provinces, the Taiwan Affairs Office is the comparison group to identify the bureaucratic competition argument. This office is the principal administrative agency in China responding to Taiwan issues, and the one should have acted aggressively to Taiwan's new DDP government since 2016 but did not. Zhang Zhijun is the director of the office since 2013 and has a significant contribution to improving Cross-Strait relations with Taiwan's Ma government. Without other direct actions to pressure the new but prone independent Taiwan government, the Taiwan Affairs office only warned the dangerous of independent and stated China's position in Cross-Strait relationships (Caixin, 2016). Of course, these statements have little effect on the Taiwan government's position in Cross-Strait relations. In return, there are rumors on the further placement of Zhang in the party (New Tang Dynasty 2016) for being unable to deal with the Taiwan's Tsai government. The absence of his name in the nomination of the 19th National Congress is another evidence to observe (Epoch Times, 2017). On the one hand, the Taiwan Affairs Office should have pressured more on the Taiwan new government but had limited actions immediately; on the other hand, there are rumors on Zhang's future downgraded position in the government.

By comparing changes on leaders between those five tourist offices in each province and the Taiwan Affairs Office, the leader of the latter government institute is expected to be punished more than the formers. While lacking direct evidence, this indirect comparison yet gives us a clue to consider the possibility of bureaucratic competition to the use of economic sanctions in China in the case of Taiwan.

Conclusion

Economic sanctions are an option for diplomatic talks and before the use of force. A successful sanction can save costs of militarized conflicts for the sender country. As a rising economic power, China has issued more economic sanctions than in the 1980s, however, they have a puzzling pattern. The central government of China seldom confirms the use of sanctions. Furthermore, most sanctions were implemented by local governments or domestic agencies. It leads to an asymmetric practice of sanctions that can decrease the probability for China to reach its policy goal at this stage. An asymmetric sanction can send a signal on China's weak resolution in disputes, which means its opponent has no incentive to compromise to China's sanctions. Although the position promotion in China is not the best observation of rewards from the CCP, it is fair to be the most convenient and observable factor to address the issue in addition to the size of budget or personnel for a certain government agency. This way, China's use of economic sanctions is not the decision of China as a whole but the result of domestic agencies within the government.

While considering the problem of existing data on China's use of economic sanctions, I posit a case study design using sanctions on South Korea and Taiwan by comparing leaders' promotion in two Chinese domestic agencies. By comparing their role in the sanction and their latest

promotion, I found a hint to demonstrate the possibility of bureaucratic competition within China's sub-government agencies.

Last but not least, I also include two alternative explanations --- China's rising power and public choice approach. It can not only strengthen the proposed argument but also connect the paper with other two larger literatures analyzing China's aggressive foreign policies as well as the domestic politics of economic sanctions. Furthermore, the paper is expected to contribute to the literature of economic sanctions usage by including the case of China, a rising actor to the issue. However, there are yet several limitations of the article: the external validity of this article is the first limitation since the conclusion is driven from only two case studies on the rationale of China's economic sanction usage. Second, the frequency with which China imposes economic sanctions depends on China's economic capability and bilateral relations. Based on these limitations, future research can strengthen the proposed argument to provide more systematic identification of government agencies involved in each sanction China has initiated so far. This way, it could largely solve the problem of selecting bias. What's more, another possible direction for future research is to identify other functions of how the Chinese government rewards its sub-government leaders in addition to position changes.

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