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**China's Proactive Engagement in Asia:
Economics, Politics and Interactions**

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ABSTRACT

In the past decade, China has taken a proactive approach to engage its neighbours, in the political, economic, social, as well as security dimensions. This paper attempts to analyse the major factors behind this major policy reorientation. It discusses the impact of China's prioritizing of its domestic economic development and the growth of the Chinese economy on its choice of regional policy. The paper also argues that strategic pressure from the United States in China's peripheral regions have galvanized Beijing to go to great lengths to consolidate its strategic backyard. The "pull" effect from China's neighbouring states is also analysed in detail. A central point discussed in this paper is that China's regional policy is part of China's grand strategy of ensuring its uninterrupted rise.

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China's Proactive Engagement in Asia: Economics, Politics and Interactions

During Mao's era, China hardly had a coherent or consistent policy towards its neighbours, largely due to Beijing's involvement in the Cold War superpower imbroglios as well as China's own revolution-based foreign policy.¹ Even up until the 1980s, it is believed that China was still "a regional power without a regional policy".² However, with the end of the Cold War, particularly since the mid 1990s,³ China has been able to perceive its contiguous areas as one combined geo-political identity in its foreign-policy deliberations for the first time in its history and has gone to great lengths to flesh out a policy framework, the main feature of which is an all-round and proactive engagement in Asia.

In recent years, official Chinese pronouncements and media outlets have frequently used terms such as "friendly and good-neighbourly" [*mu lin youhao*], "benevolence towards and partnerships with neighbours" [*yi lin wei shan, yu lin wei ban*] and "enrich, harmonize, and reassure the neighbourhood" [*fu lin, mu lin, an lin*] to describe China's approach towards its neighbouring states. Self-claimed altruism in these official terms notwithstanding, it seems hard to argue that Beijing has been paying only lip service to its commitments in the region. In the past decade or so, China has demonstrated considerable willingness to proactively engage its Asian neighbours. This new orientation is manifested in Beijing's actions in promoting confidence-building measures (CBMs), settling border disputes, practising relative self-restraint, reassuring neighbours of China's benign intentions, and actively participating in regional economic, political and security dialogues and institutions.⁴ Observers have used

¹ Bin Yu, "China and Its Asian Neighbors: Implications for Sino-U.S. Relations" in Yong Deng and Fei-Ling Wang (Eds.), *In the Eyes of the Dragon: China Views the World*, Rowman & Littlefield Publishers, Inc., 1999.

² Steven I. Levine, "China in Asia: The PRC as a Regional Power" in Harry Harding (Ed.), *China's Foreign Relations in the 1980s* (p. 107), New Haven: Yale University Press, 1984. It is even asserted that, as late as 1998, China had no coherent regional policy. See Denny Roy, *China's Foreign Relations* (p. 158), Lanham, MD.: Rowman & Littlefield, 1999.

³ There are different opinions concerning the beginning of the new policy. Goldstein puts it at 1996, while Foot puts it at 1997. See Avery Goldstein, "The Diplomatic Face of China's Grand Strategy: A Rising Power's Emerging Choice", *The China Quarterly*, 2001; Rosemary Foot, "China's Regional Activism: Leadership, Leverage, and Protection", *Global Change, Peace & Security*, Vol. 17 No. 2, June 2005. It is perhaps better to regard this change as a gradual process that started in the mid 1990s rather than a sharp turning point marked by a specific date.

⁴ There are numerous Chinese works that describe this change in China's regional posture. For literature in English, see, for example, David Shambaugh, "China Engages Asia: Reshaping the Regional Order", *International Security*, Vol. 29 No. 3 (Winter 2004/05); David C. Kang, "Getting Asia Wrong: The Need for New Analytical Frameworks", *International Security*, Vol. 27 No. 4 (Spring 2003).

terms such as “charm offensive”, “new diplomacy”⁵ and “soft power” approaches to describe China’s new regional posture.⁶ Partly as a result of this new posture, China’s image among its Asian neighbours has improved remarkably. Of course, such sanguine description does not negate the fact that there are many competitive elements in China’s regional policy and that there is still lingering mistrust among China’s neighbouring countries towards Beijing.⁷

Existing literature on China’s new Asian policy tends to either be descriptive or focus on implications for the United States. Instead of presenting a repetitive account of the facts,⁸ this paper attempts to analyse some major factors that have shaped China’s new policy orientation towards its neighbours. The first section discusses the profound impact of China’s priority of domestic economic development on its choice of regional policy. In addition to the commonly mentioned pre-condition of a stable regional order for economic development, this paper also explores how the growth and expansion of the Chinese economy are shaping Beijing’s regional posture. The second section analyses China’s regional strategic choice in response to its perception of U.S. policy towards China and the region. The paper argues that China’s constant apprehension of a possible U.S.-led encirclement or coercion policy against China has pushed the latter to go all out to win the political trust of its neighbours. The third part analyses the “pull” effect from China’s neighbouring states. These factors do not work in complete isolation. Instead, their interactions will be discussed throughout the paper. A central thread in all these arguments is that China’s regional policy conforms to and is part of China’s grand strategy of achieving the ultimate rise—a long-cherished national aspiration to bring about significant increase in its material power and international influence.

Regional Strategy in the Age of Economic Modernization

Scholars of international relations (IR) have posited numerous connections between domestic politics and international strategies. In contemporary China, such a link is most evidently illustrated in China’s constant emphasis to create a stable regional environment for the sake of its domestic economic development. In addition, the continuing growth of the Chinese economy now seeks access to overseas markets and a secure supply of energy and raw

⁵ Evan S. Medeiros and Taylor Fravel, “China’s New Diplomacy”.

⁶ Kuik Cheng-Chwee, “Multilateralism in China’s ASEAN Policy: Its Evolution, Characteristics, and Aspiration”, *Contemporary Southeast Asia* Vol. 27 No. 1 (2005).

⁷ See Nicholas Khoo and Michael L. R. Smith, “Correspondence: China Engages Asia? Caveat Lector”, *International Security*, Vol. 30 No. 1 (Summer 2005).

⁸ David Shambaugh provides a comprehensive review of the changes in China’s regional policy. See his article “China Engages Asia: Reshaping the Regional Order”; see also Michael A. Glosny, “Heading toward a Win-Win Future? Recent Developments in China’s Policy toward Southeast Asia”, *Asian Security*, Vol. 2 Issue 1, 2006.

materials, increasing the importance of its neighbours. A closer engagement with its neighbours is also expected to boost China's "western development" scheme, a strategy through which leaders in Beijing hope to rectify the widening regional disparity within China.

Regional peace for economic development

Despite the fact that the Chinese economy has been growing rapidly in the past three decades, Beijing is aware that there are still many internal as well as external obstacles to be overcome if it is to sustain the momentum of its rise. And that it has to work hard to ensure that there are no major disruptions to its ascent. A stable and peaceful external environment is perceived as one of the most crucial factors in guaranteeing the eventual realization of this grand strategy.

China's neighbouring regions is important in the minds of the Chinese leaders. First of all, the absence of any intractable conflict between China and its neighbours is a prerequisite for China to concentrate on its domestic programmes. Second, a trouble-free region is less likely to instigate rivalry between China and other external major powers. Third, a stable regional environment is a pre-condition for smooth economic activities between China and its neighbours. It is no accident that China started to re-evaluate and re-orient its policy towards its neighbours roughly at the same time when its reform and opening-up policy was initiated at the end of 1970s and early 1980s.⁹ Chinese leaders continuously emphasize the inevitable trend of "peace and development" in world politics as a justification for the feasibility of focusing on economic programmes and efforts to promote stability in the outside world. As a largely regional power, the implementation of this international strategy has to focus on Asia in order to maximize political, economic and security benefits.¹⁰

The end of the Cold War and the effects of economic reform made it not only possible but also imperative for China to further shift gear in its regional policy. The need for domestic economic development to bring about a stable regional environment has been unequivocally articulated in political documents that are intended to be the guidelines of China's political economy. In 1997, the 15th Chinese Communist Party (CCP) Congress political report cautioned that China was still in the primary stage of socialism, characterized by a low level of productivity, regional disparity, backwardness in education and technology,

⁹ Shiping Tang et al. (Eds.), *Lengzhan Hou Jin Ling Guojia Dui Hua Zhengce Yanjiu* [Neighbouring States' Policies Towards China in the Post-Cold War Era] (pp. 12-13), Beijing: World Affairs Press, 2005.

¹⁰ ibid., p. 12.

and a huge gap with the developed world, which demanded economic development to take centre stage in the foreseeable future. The document thus recommended that a good-neighbourly policy should be China's long-term strategy, stressing that contentious issues between China and its neighbouring countries should be solved through friendly consultation and negotiations for the sake of maintaining overall peace and stability. For problems that cannot be solved at the moment, they should be shelved temporarily.¹¹ Five years later, the 16th CCP Congress Report highlighted that the first 20 years of the twenty-first century would be "an important period of strategic opportunity" to turn China into a relatively well-off society. Beijing vowed to strengthen regional cooperation and push the exchanges and cooperation with regional states to a new high.¹²

Leadership change has not disrupted this strategic philosophy in China's regional policy. In August 2006, Beijing convened a central foreign-affairs conference. President Hu Jintao stressed that decades of reform and opening up has resulted in ever-increasing connections between China's domestic development and foreign affairs. He emphasized that foreign affairs would have to serve the core work of domestic economic development, particularly during the "important period of strategic opportunity", a policy prescription which necessitates a proactive approach to construct and maintain a peaceful and stable international and regional environment.¹³

Meeting the needs of economic expansion: Overseas markets and resources

By the mid 1990s, the Chinese economy has reached such a level that it had to pay more attention to foreign markets and resources, particularly energy resources and various raw materials. The surrounding regions were considered to be an important market for Chinese manufactured goods as well as convenient and reliable sources of energy and raw materials. Asia has consistently been China's most important trading partner, far outweighing other regions. For instance, in recent years, China's imports from Asia accounted for more than 60 per cent of its total import¹⁴ and exports to Asian countries amounted to around half of China's total.¹⁵ The importance of regional markets can also be seen from the fact that many of China's largest trade partners are located in its neighbouring areas. Regional markets have

¹¹ Jiang Zemin, *Report to the 15th CCP Congress*, 12 September 1997.

¹² Jiang Zemin, *Report to the 16th CCP Congress*, 8 November 2002.

¹³ Hu Jintao, Speech at the Central Foreign Affairs Conference, 23 August 2006, *Xinhua News Agency*.

¹⁴ Cited from the Chinese Ministry of Commerce online database, available at zys.mofcom.gov.cn/aarticle/b/200509/20050900360740.html, accessed on 31 January 2007.

¹⁵ Cited from the Chinese Ministry of Commerce online database, available at zys.mofcom.gov.cn/aarticle/b/200509/20050900360693.html, accessed on 31 January 2007.

become especially important for China in diversifying its trade when economic and trade friction with the United States and Western countries have become more salient in the past decade.

A secure supply of primary goods, energy and raw materials is also an important concern for China in its relations with its neighbours, especially those in Central and Southeast Asia. From 2001 to 2005, China's import of primary goods, both in terms of volume and percentage, has steadily increased.¹⁶ Regional states can be expected to be more reliable suppliers of these materials. At the 2003 Shanghai Cooperation Organization (SCO) summit, Chinese Premier Wen Jiabao proposed to set up a free-trade area among member states of the organization. China's active involvement in Central Asia has largely stemmed from its need for secure and diversified energy supplies to safeguard its rapidly developing economy.¹⁷ The China-ASEAN Free Trade Area (CAFTA) is also partly expected to help China secure a supply of energy and raw material resources from this resource-rich region.¹⁸

As the Chinese economy continues to grow at a phenomenal rate, there is growing impulse to invest in foreign economies. Starting from 2000, outbound Chinese investment has been increasing substantially.¹⁹ In this corporate Chinese “going out” frenzy, Asian countries are the first choice for many Chinese investors. In recent years, Chinese investment in Asia accounted for roughly over 50 per cent of China's total investment overseas, far surpassing Chinese investment in other regions.²⁰

Developing China's border regions: The importance of neighbouring countries

The initial idea in China's opening-up programme aimed at attracting foreign investment into the Chinese economy was to introduce international capital into the coastal areas, with the hope that after the saturation of foreign investment and the development of those coastal regions, foreign investment would move further inland, to the interior provinces. However, this grand design of policy failed to materialize. From 1999 to 2004, foreign direct investment (FDI) into China's middle provinces stood at only about 10 per cent, while the

¹⁶ Figures from the Chinese Ministry of Commerce online database, available at zhs.mofcom.gov.cn/tongji.shtml, accessed on 31 January 2007.

¹⁷ Philip Andrews-Speed and Sergei Vinogradov, “China's Involvement in Central Asian Petroleum: Convergent or Divergent Interests?” *Asian Survey*, Vol. 40 No. 2 (March–April, 2000).

¹⁸ Kuik Cheng-Chwee, “Multilateralism in China's ASEAN Policy”.

¹⁹ Chinese Ministry of Commerce Report, available at zhs.mofcom.gov.cn/accessory/200609/1157678176299.pdf, accessed on 2 February 2007.

²⁰ Data from the Chinese Ministry of Commerce online reports, available at zhs.mofcom.gov.cn/accessory/200609/1157678009981.pdf, accessed on 2 February 2007.

western provinces received less than five per cent.²¹ FDI continued to pour into China's coastal areas despite the rise of labour cost. It also started to flow into other developing economies, such as Vietnam. Partly due to a shortage of FDI, China's western areas lagged far behind its coastal regions economically. The huge economic disparity across its interior regions has a profound adverse impact on China, such as increasing income gap and living standards, social injustice, the difficulty of establishing nation-wide social welfare programmes and social instability. Beijing has realized that this widening gap has to be curbed before the situation gets out of control.

One solution to this regional disparity is to further strengthen the economic activities with neighbouring countries, many of whom are geographically close to China's poor border provinces.²² Starting from the late 1990s, Beijing started to encourage interior provinces along its major rivers to initiate more opening-up measures (*yan jiang kaifang*) and the provinces along China's borders to step up economic exchanges with neighbouring countries (*yan bian kaifang*). It was expected that closer economic ties with surrounding countries would help its western provinces to catch up with their eastern counterparts.

In this context, China began to take a more active stance in developing economic ties with Northeast Asian countries in the hope of triggering the economic recovery of the three northeastern provinces of Heilongjiang, Jilin and Liaoning. One of the purposes of forging closer ties with Central Asia is to boost economic development in China's poverty-stricken northwestern region. It is also expected that Southwest China's Yunnan, Sichuan and Guangxi provinces could benefit from more trade with South and Southeast Asia. Initiatives proposed by Yunnan with regard to the Greater Mekong Sub-region (GMS) cooperation has received strong support from leaders in Beijing.²³ Initially an economic policy, once in place, the policy of opening up to neighbouring countries necessitated the central government to pay more attention to the political and security dimensions of China's relations with its surrounding neighbours.

²¹ See Chinese Ministry of Commerce online database, available at zys.mofcom.gov.cn/aarticle/b/200511/20051100705047.html, accessed on 2 February 2007.

²² Lu Yanjun, "Dui Lengzhan Hou Zhongguo Yu Dong Nan Ya Guojia Guanxi De Zhanlue Xing Sikao" [A Strategic Thought on the Relationship Between China and Southeast Asian Countries After the Cold War], *Around Southeast Asia*, 2004:4.

²³ Author's interview with Yunnan provincial officials in December 2006.

China Between the United States and Regional States

If the priority of domestic economic development shaped the foundation of China’s “good neighbourliness” policy, then the intensity of Beijing’s engagement with its neighbouring countries can perhaps be better explained by geopolitical and strategic considerations. An important strategic goal for China was to guard against any possibility of the formation of a regional coalition to contain China’s rise, particularly if the coalition is led by the United States. This apprehension was most evident in the 1990s. A number of factors contributed to Beijing’s anxiety, including the deterioration in Sino-U.S. relations, the popularity of the “China threat” thesis in the United States, perceived U.S. heavy-handedness towards China, and uncertainties about regional states’ strategic orientation. Beijing believes that actively engaging neighbouring states could be an effective political instrument to project a more benevolent image of China to its neighbours so as to fend off any possibility of the United States initiating an implicit or explicit encirclement policy against China. An associated long-term goal for China is to consolidate its strategic backyard to play a more important role in international politics.

China’s perception of U.S. strategic intentions

In the post-Cold War era, Sino-U.S. relationships have been fraught with mutual misgivings, distrust and even hostilities. Initially, Chinese anxiety originated from U.S.-led international sanctions and the perennial scrutiny of China’s human-rights record in the aftermath of the 1989 Tiananmen suppression. Top CCP leaders believed that the United States was poised to politically “Westernize” China and “split” China by blocking its reunification efforts with Taiwan and meddling in Tibet. A flurry of unfortunate episodes in Sino-U.S. relations in the 1990s—the U.S. Congress’ moves to block China’s bid for the 2000 Olympic Games in 1993, NATO’s bombing of the Chinese embassy in Belgrade in 1999 and the collision of a U.S. EP-3 spy plane with a Chinese jet fighter in April 2001—also reinforced the Chinese perception that Washington would not hesitate to adopt a coercive approach towards China under certain circumstances.

A particular concern for the Chinese leaders is Washington’s efforts to maintain and enhance its bilateral alliances with many of China’s neighbouring states. Beijing clearly understands that dominance of its neighbouring areas by the United States would not only significantly circumscribe China’s role in regional affairs but also, more importantly, militate against China’s modernization drive. China has been particularly apprehensive of the

strengthening of the U.S.-Japan security alliance since 1996. With growing scepticism in Japan's continued commitment to a peaceful foreign policy, Beijing took special umbrage at the new treaty's call for Japan to assume greater responsibilities in crisis situations in Japan's periphery, claiming that the change in U.S.-Japan alliance was targeted at China.²⁴

At the beginning of this century, many Chinese elite believed that they still have good reason to be wary of U.S. intentions. Annual reports by the U.S.-China Economic and Security Review Commission (USCC), a bipartisan body established by the U.S. Congress, have continuously depicted China as challenging the United States economically, politically and militarily, particularly in Asia.²⁵ President George W. Bush's perception of China as a "strategic competitor" in 2001, when he first came to power—particularly his pledge to protect Taiwan militarily—further contributed to China's anxiety over the United States' strategy towards China. China has paid close attention to Washington's and, to some extent, Japan's moves to woo India and Australia into some sort of loose strategic alliance to constrain China. Some Chinese analysts maintain that the increase in U.S. military presence in Central Asia after 11 September 2001 not only has an adverse impact on China's efforts to build regional cooperation through the SCO but also poses a challenge to China's western region, its "western development" and its energy supply.²⁶ Beijing is also concerned with the fact that the United States has expanded its defence and security ties with some Southeast Asian nations, including Singapore, Thailand, the Philippines, Indonesia and Vietnam, all in the name of anti-terrorism. Many Chinese analysts suspect that Washington desires to gain predominance in Southeast Asia under the pretext of counter-terrorism.²⁷

Most Chinese observers concur that these U.S. moves are designed to create structural restraints to China's influence in East Asia and that the U.S. security challenge is the biggest variable in China's Asian policy. There are, of course, nuanced differences among Chinese analysts. Some believe that the United States, a hegemonic power that still seeks to consolidate and expand its preponderant position globally, is indeed committed to at least

²⁴ Zhang Guocheng, "*Ling Ren Guanzhu De Xin Dongxiang: Ri Mei Xiugai Fangwei Hezuo Fangzhen Chuxi*" [New Moves Worth Watching: A Preliminary Analysis of the Revisions of Japan-U.S. Defence and Cooperation Guidelines], *People's Daily*, 14 June 1997.

²⁵ USCC (U.S.-China Economic and Security Review Commission), *Report to Congress of the U.S.-China Economic and Security Review Commission*, 2002, available online at www.uscc.gov.

²⁶ Liu Jinzhi, "*Bawo jiyu, jiasu fazhan*" [Grasp the Opportunity, Expedite the Development], *Studies of International Politics*, No. 1, 2003.

²⁷ Saw Swee-Hock et al., "An Overview of ASEAN-China Relations" in Saw Swee-Hock et al. (Eds.), *ASEAN-China Relations: Realities and Prospects* (p. 6), Singapore: ISEAS Publications, 2005.

partially containing China.²⁸ A popular argument by many Chinese analysts is that the United States has been pursuing a two-pronged strategy towards China in the post-Cold War era. On the one hand, Washington is keen to develop commercial ties with China in order to benefit from China's economic growth and seek cooperation with China on major international traditional or non-traditional security issues. On the other hand, Washington has evidently pursued a hidden or partial containment policy or, according to more moderate observers, a dual strategy of engagement and containment, to curb China's influence.²⁹ Others regard U.S. strategic moves in Asia as a de facto encirclement of China. For instance, even when there were already significant improvement in China's security situation in the region by 2003, some Chinese analysts still argued that China was essentially encircled by the United States through its alliances in East Asia, its military presence in Central, Southwest and Southeast Asia, and its enhanced military cooperation with India, Pakistan and Mongolia.³⁰

These pessimistic views are reportedly shared by top Chinese leaders as well. Former Vice-Premier Qian Qichen opined in October 2002 that the United States was strengthening its containment moves against China and that Washington would never change its dual strategy towards China.³¹ President Hu Jintao, reportedly in a private conversation, warned that the United States had “strengthened its military deployments in the Asia-Pacific region, strengthened the U.S.-Japan military alliance, strengthened strategic cooperation with India, improved relations with Vietnam, inveigled Pakistan, established a pro-American government in Afghanistan, increased arms sales to Taiwan, and so on”. He added: “They have extended outposts and placed pressure points on us from the east, south, and west. This makes a great change in our geopolitical environment.”³²

²⁸ Sun Jianshe, “Dangqian Zhongguo Zhoubian Anquan Huanjing Yu Zhong Mei Guanxi” [China's Current Peripheral Security Situation and Sino-U.S. Relations], *Shijie Jingji Yu Zhengzhi Luntai* [Forum on World Economics and Politics], Issue 3, 2003.

²⁹ Wu Guoguang and Liu Jinghua, “Containing China: Myth and reality” [*Weidu Zhongguo: Shenhua Yu Xianshi*], *Strategy and Management* [*Zhanlue Yu Guanli*], No. 1 (1996); Niu Jun and Lan Jianxue, “Zhongmei Guanxi Yu Dongya Heping” [Sino-U.S. Relations and East Asia Peace], in Yan Xuetong and Jin Dexiang (Eds.), *Dong Ya Heping Yu Anquan* [Peace and Security in East Asia] (p. 47), Beijing: Shishi Chubanshe, 2005; Rosalie Chen, “China Perceives America: Perspectives of International Relations Experts”, *Journal of Contemporary China*, Vol. 12 No. 35 (2003).

³⁰ Tang Xizhong et al., *Zhongguo Yu Zhoubian Guojia Guanxi* [China's Relations with Neighbouring States], Beijing: China Social Sciences Press, 2003.

³¹ Qian Qichen, “The Post-September 11 International Situation and Sino-U.S. Relations”, *Xuexi Shibao* [Study Times], Beijing: Central Party School, October 2002, p. 6

³² Andrew J. Nathan and Bruce Gilley, *China's New Rulers: The Secret Files* (pp. 207-208), London: Granta, 2003); cited in Rosemary Foot, “China's Regional Activism”.

Engaging Asia: China moving to hedge against the United States

In the post-Cold War era, Beijing clearly understands that maintaining a normal relationship with Washington is imperative to China's grand strategy of ensuring an uninterrupted rise. Also, the Chinese leadership realizes that China is simply too weak to challenge U.S. supremacy in East Asia and the world. Open confrontation with Washington would be detrimental to China's interests. An aggressive regional posture to challenge U.S. preponderance would only play into the traps of neo-conservatives in the United States and force Asian states to move even closer to Washington.

Although China genuinely wants to pursue a strategic détente with the United States, the regional strategic milieu complicates China's choices. The persistent "China threat" rhetoric in the United States is perceived by Beijing as extremely harmful to China's international reputation and its relations with neighbouring states.³³ China's own assertive actions during the territorial disputes in the South China Sea in the late 1980s and early 1990s only served to further exacerbate its image in Asia and led to the growth of the "China threat" among some political elite in the region. Throughout the 1990s, many Asian nations were uncertain of China's long-term strategic intentions and sensitive to China's external behaviour, and they intentionally strived to keep the United States in their regional security architecture to serve as a counterweight to China.³⁴ In short, the strategic situation was rather ominous for China.

In light of this strategic environment, Beijing realizes that it could not simply take the risk of depending on the whims of the United States. Many Chinese analysts still believe that China should discard any wishful thinking of building a strategic partnership with the United States and instead should prepare for the worst possible scenario.³⁵ In view of this, China has sought to strategically reassure, politically engage and economically integrate with its neighbours in order to "hedge against downturns in Sino-U.S. relations"³⁶ and to ensure that its neighbours do not "fall within the ambit of another power antagonistic to China".³⁷ Chinese strategies in this regard include working with other major powers, reassuring

³³ Fu Liqun, "Several Basic Ideas in U.S. Strategic Thinking", *Beijing Zhongguo Junshi Kexue*, 1 (20 February 1997).

³⁴ Evelyn Goh, "Meeting the China Challenge: The U.S. in Southeast Asian Regional Security Strategies", *Policy Studies* 16, 2005, The East-West Center, Washington.

³⁵ Zhou Jianming, "Bixu Cong Zuihuai De Kenengxing Lai Kaolu Women De Guojia Anquan Zhanlue: Zhuyi Guancha Meiguo Dongxiang" [Our National Security Strategy has to be Based on the Worst-Case Scenario: Watching Closely the U.S. Moves], *Global Times [Huanqiu Shibao]*, 11 May 2001.

³⁶ Zhang Yunling and Tang Shiping, "China's Regional Strategy", p. 50.

³⁷ Evelyn Goh, "Meeting the China Challenge".

regional states of China's benign intentions and actively participating in multilateral institutions—in sum, behaving like a responsible power.³⁸ This multi-pronged policy is premised on the assumption that if China can have normal working relations with other powers, they would be less likely to form a regional coalition against China. Also, if China develops good ties with states in the region and neutralize their positions, they would be less inclined to gang up with external powers against China's interests.³⁹

Beijing understands only too well that in order to reassure neighbouring states, China has to seriously first address their security concerns. Resolving border disputes has been one of the priorities on the agenda of China's regional policy. China has successfully resolved its land border disputes with all neighbours except India, delimiting over 20,000 kilometres of previously volatile borders. In Central Asia, China has tried to bind SCO member-countries more closely to China and ultimately diminish or undermine the influence of the United States.⁴⁰ This has been done largely through political and security cooperation with these local states. For instance, China signed with other members of the “Shanghai Five” the Agreement on Confidence Building in the Military Field along the Border Areas in 1996, and the Agreement on the Mutual Reduction of Military Forces in the Border Areas in 1997. The PLA has also participated in joint military exercises with its Central Asian counterparts in recent years. In addition to these military measures, political relations between China and its Central Asian neighbours have improved markedly, as evidenced by the frequent summits, ministerial-level meetings and numerous working-level consultations. China published its first defence white paper in 1995 largely as a result of pressure and persuasion from neighbouring countries, especially Southeast Asian nations. In the first, as well as subsequent, defence white papers, Beijing repeatedly reaffirmed its good-neighbourly foreign policy to rhetorically reassure China's Asian neighbours that the rise of China is not a challenge or threat but an opportunity for regional stability and development.⁴¹

In 1997, China proposed a “new security concept” that emphasizes equality, mutual trust, dialogue, confidence-building and institutionalized multilateralism. This initiative was aimed to build a benign China image and weaken U.S.-dominated security arrangements in

³⁸ Yong Deng, “Reputation and the Security Dilemma: China Reacts to the China Threat Theory” in Johnston and Ross (Eds.), *New Directions in the Study of China's Foreign Policy*, Stanford, California: Stanford University Press, 2006.

³⁹ Zhang Yunling and Tang Shiping, “China's Regional Strategy”, p. 51.

⁴⁰ Michael Vatikiotis, “The Architecture of China's Diplomatic Edge”, *The Brown Journal of World Affairs*, Vol. XII, Issue 2, Winter/Spring 2006.

⁴¹ Rosemary Foot, “China's Regional Activism”, p. 147

Asia, which highlighted military alliances. Chinese proposal of conducting an East Asian military dialogue was also aimed at mitigating regional states' complaints that China was not interested in multilateral military-to-military consultations. In the case of the South China Sea, Beijing boldly decided to engage the ASEAN states collectively, in an about-turn from its previous position that the disputes had to be addressed bilaterally, eventually signing the Declaration on the Conduct of Parties in the South China Sea. Acceding to ASEAN's Treaty of Amity and Cooperation is also a good example of China's effort to reassure its neighbours.

The strategy of reassurance goes beyond the security arena. In the economic arena, Beijing won considerable kudos from many Asian neighbours during the Asian financial crisis in 1997. Since then, China has further stepped up actions to alleviate regional anxiety over its economic competitiveness and reassure everyone that China intends to practise self-restraint and create win-win situations. In this sense, China's economic engagement with its neighbouring states cannot be purely understood from an economic perspective. This is illustrated in the negotiation of CAFTA, especially the "early-harvest" scheme, which is regarded as a Chinese concession to Southeast Asian countries.⁴² China's decision to launch a free-trade area with ASEAN was made largely in response to ASEAN states' anxiety and worries over the adverse impact of China's rapid economic growth and competitiveness.⁴³ In this sense, it can be interpreted that CAFTA was "political confidence-building" for both sides.⁴⁴ On the part of China, one consideration was to create conditions that would enable regional states to benefit economically from China's rapid growth and larger flow of regional trade. Beijing hoped that if regional states saw their economic ties with China beneficial to their economic future, they would be more willing to deepen their political and strategic relationships with China.

Taking initiatives in multilateral diplomacy has also been viewed as useful to "tie down and impede possible U.S. efforts to engage in sharp pressure or containment of China".⁴⁵ In the past decade, China has taken an active role in ASEAN-related dialogues and cooperation mechanisms, for instance, the ASEAN Regional Forum (ARF), ASEAN+3

⁴² Alice D. Ba, "China and ASEAN: Renavigating Relations for a 21st-Century Asia".

⁴³ Joseph Yu-shek Cheng, "The ASEAN-China Free Trade Area: Genesis and Implications", *Australian Journal of International Affairs*, Vol. 58 No. 2, June 2004.

⁴⁴ Sheng Lijun, *China-ASEAN Free Trade Area: Origins, Developments and Strategic Motivations* (p. 16), Singapore: ISEAS, 2003.

⁴⁵ Robert G. Sutter, *China's Rise in Asia: Promises and Perils* (p. 9), Lanham, Maryland: Rowman & Littlefield, 2005.

(ASEAN plus China, South Korea and Japan), ASEAN+1 (ASEAN and China) and numerous track-two consultations. In the 2003 ARF meeting, China proposed to create the “ARF Security Policy Conference” among military personnel in the Asia-Pacific. The proposal was interpreted to be China’s move to reduce the influence of the Shangri-la Dialogue, which is heavily influenced by the West, and possibly a proposal for an alternative security mechanism.⁴⁶ Many Chinese moves with regard to ASEAN have far exceeded the requirement of creating a stable regional environment and the demands of China’s economic influence. They are primarily driven by political and strategic security considerations.

There are, of course, other strategic considerations for China to proactively engage its neighbours. Engaging Asian neighbours, especially East Asia, is perceived to be important in pushing for a multi-polar world.⁴⁷ Engaging its bordering regions is also regarded as an important move to strengthen China’s global posture. For the time being, the Chinese leadership clearly understands that China is still a major regional power with some, albeit limited, global clout. Having a solid foundation in the region and playing an influential role in regional international affairs are not only necessary but imperative for China to be a world power in the future. China’s foray into the region also has to do with its concerns over the Taiwan issue. This is similar to the mid 1990s when Beijing was increasingly worried about Taiwan’s influence in Southeast Asia. A more profound consideration has to do with the worst-case scenario of Taiwan moving towards independence and the subsequent U.S. involvement. With the possibility of Taiwan independence looming large, Beijing’s effort to develop closer ties with regional states can be viewed as a precautionary move to neutralize regional states in any possible conflict across the Taiwan Strait.

The “Pull” of Regional States

It takes two hands to clap. China’s “charm offensive” in Asia could not have worked without regional states’ accommodation of China’s interests and concerns. The “pull” effect, which has been under-valued by scholarly analyses, plays a crucial role in China’s interactions with its neighbours. Behind these pull efforts are regional states’ shared political values, principles or norms to maintain regional stability, priority in domestic economic growth, and anxiety

⁴⁶ Kuik Cheng-Chwee, “Multilateralism in China’s ASEAN Policy”.

⁴⁷ Yan Xuetong, “Zhongguo Waijiao Xu Lizu Zhoubian” [China’s Foreign Affairs Should be Based on Periphery], *Liao Wang Xinwen Zhoukan* [Outlook News Weekly], 13 March 2000; CICIR ASEAN Research Team, “Zhongguo Dui Dongmeng Zhengce Yanjiu Baogao” [A Research Report on China’s ASEAN Policy], *Xiandai Guoji Guanxi* [Contemporary International Relations], Vol. 10, 2002.

over regional domination by one single power. It is safe to say that without this pull factor, China's regional posture would be significantly different from what it currently is.

The Tiananmen incident of 1989 was a watershed in China's regional posture. The political crisis not only triggered the diplomatic isolation of China but also engendered a dramatic breakthrough in China's regional policy. In the face of sanctions imposed by the United States,⁴⁸ China placed top priority on improving relations with its neighbours, an effort reciprocated by political willingness from most of its neighbours. Asian reaction to the Tiananmen suppression was quite different from that of Western governments. With the exception of Japan, they did not openly criticize the Chinese leadership. The South Korean government simply stated that the incident in Tiananmen Square was "regrettable". Southeast Asian nations were largely reticent or claimed that it was China's "internal affair",⁴⁹ and did not hesitate to engage China.⁵⁰ Even Japan, initially an ally of the United States in ostracizing China, decided to withdraw from the Western coalition one year after Tiananmen. The action provided China with considerable leverage to break off the estrangement strategy of the West.

Regional states' tolerance and engaging attitude made it possible for China to take bold steps to improve its relations with the region.⁵¹ Noting the muted response from ASEAN on the Tiananmen crackdown, Beijing even treated the South China Sea as less important in its foreign policy agenda.⁵² The first round of regional activism resulted in China restoring or establishing diplomatic ties with a number of Asian countries, including Indonesia, Singapore, Brunei and South Korea, in a rather short period of time. China also succeeded in improving relations with India, the Philippines, Russia, Mongolia and Vietnam. Beijing moved swiftly to secure diplomatic relationships with the newly independent Central Asian countries, including Kazakhstan, Tajikistan, Kyrgyzstan, Uzbekistan and Turkmenistan. China also began to take a more active role in ASEAN activities, as evidenced by former Foreign Minister Qian Qichen's participation in an ASEAN meeting in 1991, the first step towards

⁴⁸ For Beijing's bleak assessment of its external situation, see Chen You-wei, "Viewing a Changing World from the PRC Embassy Window in Washington, DC", *Journal of Contemporary China* Vol. 11 No. 30 (2002), 161–172.

⁴⁹ Seiichiro Takagi, "The Asia-Pacific Nations: Searching for Leverage" in Ramon H. Myers, Michel C. Oksenberg and David Shambaugh (Eds.), *Making China Policy*, 2001.

⁵⁰ Alastair Iain Johnston and Robert S. Ross (Eds.), *Engaging China: The Management of an Emerging Power*, 1999.

⁵¹ Alice D. Ba, "China and ASEAN: Renavigating Relations for a 21st-Century Asia".

⁵² Lee Lai To, *China and the South China Sea Dialogue* (pp. 14-15), Westport, Conn.: Praeger, 1999.

China-ASEAN institutionalized linkage.⁵³ Without the nurturing efforts of regional states, one can hardly imagine such a process of interaction between China and its surrounding states.⁵⁴

As the repercussions of Tiananmen started to die down, talks of the “China threat” began to emerge and gain momentum in the West. While many in the West advocated a “containment” or “constraintment” policy against China, regional states clearly resisted an explicit “balance of power” approach towards China.⁵⁵ Instead, they pursued an engagement policy.⁵⁶ Even Vietnam, which traditionally viewed China as the most plausible threat to its security, did its best “to cultivate friendly bilateral relations and is engaging in talks over a number of contentious issues” with China.⁵⁷

There are a number of reasons why regional states chose to engage China. Perhaps the most significant factor is a genuinely shared conviction among Asian states that some sort of regulated cooperation and consultations, instead of unbridled rivalry and competition, works to the benefits of all. There are also many practical concerns on the part of regional states. For instance, many neighbouring states have concluded that, given the rise of China is inevitable, the best strategy is to socialize and enmesh China into regional norms and institutions in order to forestall the possibility of either Chinese disruption or domination in the region. As the Chinese economy keeps its phenomenal rate of growth, regional states have come to realize that China is increasingly becoming the “engine” of regional economic growth.⁵⁸ Towards the mid 1990s, seeing the regional economic integration in North America and West Europe and increasing economic competition, ASEAN countries began to consider closer economic ties with China in order to sustain their own economic growth.⁵⁹ Another incentive for regional states to engage China is a fear of the worst-case scenario in which China experiences dramatic domestic political and economic setbacks that may result in

⁵³ Bin Yu, “China and Its Asian Neighbors: Implications for Sino-U.S. Relations” in Yong Deng and Fei-Ling Wang (Eds.), *In the Eyes of the Dragon: China Views the World*.

⁵⁴ For regional states’ different approach to China’s human rights, see Chen Jie, “Human Rights: ASEAN’s New Importance to China”, *Pacific Review*, Vol. 6 No. 3 (1993).

⁵⁵ David C. Kang, “Getting Asia Wrong”.

⁵⁶ Alastair Iain Johnston and Robert S. Ross, *Engaging China: The Management of an Emerging Power*, London and New York: Routledge, 1999.

⁵⁷ Kim Ninh, “Vietnam: Struggle and Cooperation” in Alagappa, *Asian Security Practice*, p. 462.

⁵⁸ Cao Yunhua and Xu Shanbao, “Mu Ling Waijiao Zhengce Yu Zhongguo-Dongmeng Guanxi” [Good-neighbourly Policy and China-ASEAN Relations], *Dangdai Yatai* [Contemporary Asia-Pacific], Vol. 2, 2004.

⁵⁹ Alice D. Ba, “China and ASEAN: Renavigating Relations for a 21st-Century Asia”.

internal fragmentation or even civil wars. Such a situation would be catastrophic for the regional economies.

With the exception of Japan and Taiwan, Asian states that share China's border also prefer some kind of Chinese role as a hedging strategy to balance the influence of another or other extra regional powers. Many Asian states, especially those in East Asia, still depend heavily on U.S. security protection. But they are worried about both a U.S. withdrawal from the region and U.S. sole domination over regional affairs. Thus, being receptive to China's participation and influence is part of regional states' long-term strategy of maintaining a balance of influence among the major powers. This kind of thinking varies significantly from country to country. Russia, besides its fears over Chinese immigration into its Far East territory, sees China as a strategic partner in balancing the domineering position of Washington.⁶⁰ Although both Japan and South Korea maintain close security ties with the United States, they also want to keep some balance in the Sino-U.S. rivalry, and so engage China economically and politically.⁶¹ In the case of South Korea, Seoul seeks to "further expand its burgeoning ties with China", while at the same time maintain its alliance relationship with Washington.⁶² In Central Asia, the newly independent states face four pressing tasks: solidifying their nationhood, maintaining political stability, securing economic growth and reducing their dependence on Russia.⁶³ China is perceived as a help in achieving many of these goals.

This "balance of influence" strategy is perhaps most evident in Southeast Asia. No matter what terminology scholars use to describe ASEAN's strategic calculation—a dual strategy of "deep engagement" and "soft balancing" towards China,⁶⁴ a "counter-dominance" strategy towards all external powers,⁶⁵ or an "enmeshment" policy to draw in all major external powers⁶⁶—it is commonly acknowledged that ASEAN intends to provide a neutral

⁶⁰ Alexander Lukin, "Russian Perceptions of the China Threat" in Herbert Yee and Ian Storey (Eds.), *The China Threat: Perceptions, Myths and Reality*, London: RoutledgeCurzon, 2002.

⁶¹ Wenran Jiang, "The Japanese Assessment of the 'China Threat"'; Taeho Kim, "South Korea and a Rising China: Perceptions, Policies and Prospects" in Herbert Yee and Ian Storey (Eds.), *The China Threat: Perceptions, Myths and Reality*.

⁶² Jae Ho Chung, "China's Ascendancy and the Korean Peninsula" in David Shambaugh (Ed.), *Power Shift: China and Asia's New Dynamics*.

⁶³ Philip Andrews-Speed and Sergei Vinogradov, "China's Involvement in Central Asian Petroleum: Convergent or Divergent Interests?", *Asian Survey*, Vol. 40 No. 2 (March–April, 2000).

⁶⁴ Evelyn Goh, "Meeting the China Challenge".

⁶⁵ Amitav Acharya, "Engagement, Containment, or Counter-Dominance: Malaysia's Response to the Rise of China" in Johnston and Ross (Eds.), *Engaging China*.

⁶⁶ Evelyn Goh, "Meeting the China Challenge".

platform for regional cooperation and competition. Part of this strategy is to engage and socialize China with ASEAN norms and rules in order to hedge against potentially aggressive Chinese domination, which in practice provides much room and an “invitation” for China’s active participation into regional affairs. China, after a short period of hesitation, has gleefully accepted the invitation. Realizing that it has neither the capability nor the possibility to be the predominant power in the region,⁶⁷ Beijing has come to understand that active participation in regional affairs and multilateralism can only serve China’s strategic interests of maintaining a stable regional order, reassuring its neighbours and expanding its political influence.

After a few years of participation, Beijing had also realized that regional multilateral institutions, such as the ARF, ASEAN+3, APEC, as well as many other track-two consultations such as CSCAP, were not the political tools of Washington. Beijing found out that ASEAN states were quite accommodating to China’s interests. By the end of the 1990s, Chinese suspicion and misgivings towards these multilateral security arrangements had given way to receptivity and then proactive participation. China even spearheaded the formation of two important regional forums, the SCO and the Boao Asia Forum.

In the process of interacting with regional states, China has learnt not only of their engaging attitude towards Beijing but also the agreement with neighbours on norms that should govern regional order. China’s involvement in the ARF demonstrates this point well. China initially had reservations about the ARF due to four considerations: possible Washington domination, internationalization of the Spratly Islands dispute, the inclusion of the Taiwan problem in discussions and concerns about military transparency.⁶⁸ That caution was overcome when Beijing discovered that the forum would be steered by neither the United States nor Japan but ASEAN. Beijing gradually came to realize that discouraging “a containment-oriented American posture is one of the key goals being pursued by ASEAN through the ARF”.⁶⁹ The institutional features of the ARF, which models on the “ASEAN Way” of informal format, extensive consultations, consensus-building and incrementalism, has made it possible for China to participate in a comfortable manner.⁷⁰ China realized that it

⁶⁷ Joseph Yu-shek Cheng, “The ASEAN-China Free Trade Area: Genesis and implications”, *Australian Journal of International Affairs*, Vol. 58 No. 2, June 2004.

⁶⁸ Kuik Cheng-Chwee, “Multilateralism in China’s ASEAN Policy”.

⁶⁹ Amitav Acharya, “Containment, Engagement, or Counter-Dominance?” in Alastair Iain Johnston and Robert S. Ross, *Engaging China: The Management of an Emerging Power* (p. 143).

⁷⁰ Alice D. Ba, “Who’s Socializing Whom?”.

need not play coalition-building politics in the forum.⁷¹ The measures chosen for the first phase of the ARF, confidence building, were “rather modest” in scope and reflected ASEAN member states’ willingness to “develop the ARF in a manner and at a pace that is comfortable for China and the ASEAN states”.⁷² The third phase, conflict resolution, was later changed to “elaboration of approaches to conflicts” to accommodate China’s opposition of a too-rapid institutionalization of the ARF and China’s apprehension that any security cooperation in the Asia-Pacific region would call for “the collective intervention in disputes among countries or seeking immediate settlement of all concrete security problems”.⁷³

Conclusions

In the past decade, China’s regional policy has indeed undergone profound changes and its essence could be summarized as a proactive engagement of its neighbouring regions. It has been argued that this “soft” approach constitutes an important part of China’s new international grand strategy.⁷⁴ There are, of course, numerous reasons why Beijing would adopt this new regional approach. For instance, some Chinese scholars maintain that it is simply impossible for China to emerge as a global power if it is entangled in many unending territorial disputes with its neighbours. Few analysts would explicitly attribute the origins of this new posture to China’s altruism or any cultural pacifism that some people tend to believe. Beijing’s proactive engagement of its neighbourhood stems from its scrupulous calculations of palpable interests, notably economic gains and strategic advantages in the face of pressures from the United States. China’s regional strategy also made possible by regional states’ accommodation of China’s concerns and the congruence of expectations between them and China. In short, China’s regional activism has been necessitated by domestic priority on economics, intensified by external strategic pressures and nurtured by accommodation and reciprocity of neighbouring states.

Apparently, these factors are not deeply embedded to render any longevity of Chinese policy. However, one can perhaps reasonably argue that the two conditions, economic priority and U.S. strategic pressure, are likely to persist in the foreseeable future. The Beijing

⁷¹ Rosemary Foot, “China in the ASEAN Regional Forum”, *Asian Survey*, Vol. 38 No. 5, 1998.

⁷² Amitav Acharya, “Containment, Engagement, or Counter-Dominance?” in Alastair Iain Johnston and Robert S. Ross, *Engaging China: The Management of an Emerging Power* (p. 141).

⁷³ Ah Ying, “Cooperation in Security and Security Through Cooperation”, *People’s Daily*, 16 July 1997; cited in Amitav Acharya, “Containment, Engagement, or Counter-Dominance?” in Alastair Iain Johnston and Robert S. Ross, *Engaging China: The Management of an Emerging Power* (p. 141), London and New York: Routledge, 1999.

⁷⁴ Chong-Pin Lin, “Beijing’s New Grand Strategy: An Offensive with Extra-Military Instruments”, *China Brief*, Vol. VI, Issue 24, 6 December 2006.

leadership has unequivocally stated that China needs to concentrate on domestic socio-economic progress well until the middle of this century in order to catch up with some of the medium-level developed countries. U.S. strategic pressure on China is unlikely to subside significantly. In fact, as China rises, more conflict and mutual suspicion in Sino-U.S. relations could be in the offing. The neighbouring areas will be crucial for Sino-U.S. relations as well as the realization of China's rise, as President Hu Jintao reportedly pointed out in an internal speech in 2004 that "China's opportunities—and challenges—lie in [its relations with] peripheral countries; the latter provides China with hope, but can also be a cause of instability".⁷⁵

In this sense, Beijing will have to continue to consolidate its strategic backyard and constantly send political signals to Washington that China can be trusted in this region.⁷⁶ It is highly possible that in the next few decades China may have to adopt roughly the same framework of regional policy. This explains why in its relations with nearby areas—either multilateral institutions or individual states—China has stressed the strategic dimension in a bid to solidify the foundation of these relationships and to prevent them from becoming ad hoc or expedient.

⁷⁵ Xiao Shi, "Heping Jueqi Strategy has Become State Policy", *The Mirror* (Hong Kong), May 2004.

⁷⁶ Jane Perlez, "The Charm From Beijing", *The New York Times*, 9 October 2003.

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