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Discussion Paper

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***Session I: China's Asia Strategy :***

**Transforming China-Asia Relations: Understanding China's Asia Strategy**

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## Introduction

Has China had an Asia Strategy?

A short answer is absolutely yes. Since the mid-1990s, China has been exploring a new Asia strategy. Asia is the core no. one of China's most important foreign policy priorities.

In recent years, China has explored its regional policies. Beijing issued papers on its EU policy<sup>1</sup> and on its Africa policy<sup>2</sup> separately. Although China has not issued an Asia policy yet, in many statements and speeches at important inter-governmental conferences, Chinese leaders have repeatedly said: China "pursues good neighbourly or partnership relations" and "fosters a harmonious, secure and prosperous neighbourly environment". In other words, China has offered Asian countries: (1) common "peaceful development"; (2) "equality and mutual trust"; (3) "mutual benefit or positive sum games"; and (4) "cooperative security"; and (5) recently, a "harmonious region". China has forged various "all-round", "friendly", "cooperative", "strategic", and "reciprocal" partnerships in Asia. See appendix 1.

For understanding China's Asia policy or Asia strategy, I provide Six Ps to organize my thoughts:

- Prosperity
- Peace
- Public goods
- Principles
- Problems (puzzles)
- Propositions (prescriptions)

**Prosperity: China defines its interests as promoting the prosperity of Asia**

Since the early 1980s, China has generally enjoyed a rapid unprecedented economic growth. In the late 1970s, China began to unilaterally open its market by "introducing foreign investment". With a sustainable inflow of outside investment, Chinese economic growth gradually accelerated. In 2010s, China has been serving as the largest assembling "factory" for the world, especially Asia's leading industrialized economies including Japan, South Korea, Singapore, Taiwan and Hong Kong, which all have taken advantage of the opportunity of China's economic opening up. This is in substance not a China-centered regional division of labor in Asia. The "Chinese national economy" has been

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<sup>1</sup> China's EU policy, Ministry of Foreign Affairs, Beijing, 2003.

<sup>2</sup> China's Africa policy, Ministry of Foreign Affairs, Beijing, 2006.

East “Asianized”<sup>3</sup> or regionalized by these industrial economies. The growth of China’s economy is a key to other economies in Japan, South Korea as well as the ASEAN states. In this sense, China becomes a leading “engine” of the economic growth in Asia. China’s opening to Asia and the world has helped transform China’s relations with Asia, but also Asia’s relations with the world.

Increasingly, a Chinese “developmental state” has shared many things such as political values and foreign policy principles with the states in Asia. This is a part of the so-called “Beijing Consensus”. The core of this “consensus” is prosperity sharing: a sense of community of interest or an identity of interest-based regionalization. Here, the word “interest” is broadly defined.

### Peace: China defines its interests as promoting peace and stability of Asia

China’s periphery is a vast area and it virtually covers the whole of Asia and beyond. China’s fundamental interests lie in various developments in Asia. For China, it is critical to deal with its neighbors properly and wisely because China could not possibly maintain smooth development without a stable, peaceful and prosperous periphery.

Generally speaking, in the last 30 years, Asia enjoyed a a period of lasting peace in unexpected ways. There have been no major wars in Asia since a short China-Vietnam military conflict in the Cold War context in 1978-79. China’s concentration on “economic construction” policy has made it necessary to seek and maintain good relations with Asia by diplomacy rather than by use of force. The regional stability and peace really was important for China’s development. Therefore, its rapid economic growth and a prosperity sharing strategy have become major peace factors in regional affairs. Based on this economic interdependence, China plays a key role in keeping and making peace in the region.

- China has contributed to peacekeeping troops and assistance for post-conflict reconstruction to countries such as Cambodia, East Timor and Afghanistan.
- China has sought peaceful/negotiating solutions to China’s territorial disputes with Asian countries. In the South China Sea, “China and ASEAN have agreed to resolve boundary problems peacefully and concentrate on joint economic development, although Vietnam remains deeply suspicious”<sup>4</sup>. Officially, China and Japan have reached a “principled consensus” on the “East China Sea issue” in order to make it a “sea of peace, cooperation and friendship”.<sup>5</sup>

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<sup>3</sup> For example, a relatively earliest usage of “Asianization” is Yoichi Funabashi, “The Asianization of Asia” New York: *Foreign Affairs*, November/December 1993.

<sup>4</sup> George Yeo (Singaporean Foreign Minister), “Can China Emerge Peacefully?”, Singapore: *Straits Times*, Oct. 22, 2007.

<sup>5</sup> Xinhua News Agency, “China, Japan reach principled consensus on East China Sea issue”, June 18, 2008.

- China has not intervened into other countries' internal affairs by using economic and military sanctions and political pressure. However, China has softly and constructively gotten involved into the conflict between the US and other Asian countries such as the DPRK, Myanmar and Iran, which have kept better relations with China.
- China has carefully managed its conflicting interests and rights over Asia with the US.

### Public goods: China defines its interests as promoting regional multilateral institutions

In the aftermath of the “Asian financial crisis”, China’s decision to support the ASEAN initiative to launch a dialogue between Southeast Asia and Northeast Asia was a key to the emergence of the “ASEAN + 3” (APT) process, an East Asia-centered regional cooperation. Since that point,

- China has fully supported ASEAN-organized regional dialogues and forums including the East Asia Summit (EAS) or “Economic Cooperation among 16 Nations” including the APT countries and Australia, India and New Zealand.
- China favors an inclusive or open East Asia Community.
- China’s participation made current Asian regional institutions more functional than the mere “talk shop”.
- China has actively and persistently participated in two extremely important inter-regional cooperation dialogues, forums or mechanisms, namely, the Asia-Pacific Economic Cooperation (APEC) and the Asia-Europe Meeting (ASEM). China considers and supports the proposal of an Asia-Pacific Free Trade Area (APFTA) by the US and will chair the ASEM summit in 2008.
- Together with Russia and other Central Asian countries, China has organized the Shanghai Cooperation Organization (SCO), which is regarded as a new kind of effective multilateralism.
- China has not only mediated the DPRK-US nuclear conflict by chairing the Six-Party Talks, an ad hoc multilateral negotiating process, but has been pushing toward a regional multilateral security arrangement based on the progress of the talks. So far, the six-party process has reached three “joint statements” and has been implementing them. “The Six Parties agreed to explore ways and means for promoting security cooperation in Northeast Asia”.<sup>6</sup> By a Six-Party Talks “joint statement”, a “working group” on a “Northeast Asia Peace and Security Mechanism” was established.<sup>7</sup> China hopes that

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<sup>6</sup> Joint Statement of the Fourth Round of the Six-Party Talks, September 19, 2005.

<sup>7</sup> Joint Statement: Initial Actions for the Implementation of the September 192005 Joint Statement, The Third Session of the Fifth Round of the Six-Party Talks, February 13, 2007.

the long divided Northeast Asia will finally have an institutionalized multilateral security mechanism.

- Although China talks regionally, for solutions, China also acts bilaterally. China's FTAs with other economies are good examples. The China-ASEAN FTA has helped consolidate China's relations with Southeast Asia for mutual benefits and trusts
- It seems China has been simultaneously living with sub-regional, regional and inter-regional mechanisms and is playing a driving role in the regional integration.
- Now, with a new financial crisis, China views a strengthened and expanded regional financial cooperation as a solution to stabilize the most difficult financial situation. Of course, China's participation in regional institutions brings a better external environment for itself and contributes to regional stability and peace.

## Principles

- Political and value differences between China and other Asian countries are not major obstacles towards regional cooperation bilaterally and multilaterally. China respects others countries' domestic political choices and results.
- While it continues to adhere to the rule of "non-interference/non-intervention" into other countries' internal affairs, in a rapidly changing world, a sustainably rising China actually explores how to play its constructive part in broadly defined international intervention. The transforming of China's role in international intervention has been driven by the nation's growing integration into the global political economy. So far, China has still not deeply become involved into coercive intervention unilaterally or multilaterally, but selectively participated in international intervention strictly mandated by the UN system or any regional framework. But, facing big challenges, great pressures and many uncertainties, China has to balance its old words of "non-interference" and the new deeds towards international intervention.
- From Deng Xiaoping to Hu Jintao, while Chinese leaders repeatedly and firmly have underlined its indisputable sovereignty over some territories, China's current leaders continue to seek a principle for managing the disputes with some Asian countries: putting aside differences and developing the disputed areas jointly.
- While China advocates a "harmonious region", it has been trying to better manage its relations with America's primacy in Asia.

## Problems (puzzles)

- China quickly established or re-established its relations with some Asian countries after the end of the Cold War. But, some of bilateral relations are not necessarily mature and stable. Both China and these countries still need time to move their nascent progress of the relations forward.
- China faces a more complicated geo-political and geo-economic competition than ever as many others in Asia attach extremely high importance to the “new military revolution” or arms races, the renewed alliance system, the control of “sea power”, and the seeking of energy security.
- Emerging Asian regional forums and mechanisms are still informal. Functionally, many of them are still under-institutionalized.
- What China has shown or exported to the region is mainly the nation’s economic dynamics or other dimensions of China’s “hard power”. China’s influence in the region by its soft power is growing fast but still relatively limited. China’s economic interest-based relations with Asia have grown rich, but its non-economic relations, for example, value-based ties, are still problematic. Some basic principles in China-Asia relations such as “win-win” are based on China’s rapid expansion of market economy - at “good times”. In the political and cultural sphere, “Asian values” as well as “Beijing Consensus” are both still controversial.
- Some in Asia may truly consider China as a new leading power, that provides favorable opportunities in their economic development and foreign policies. But some in Asia still rely on their military and political alliances with America and other big powers to balance China’s rise. China has had no alternative but not to play a direct regional leadership role in Asia’s integration. The US with Japan, its most important ally in Asia, has opposed any possibility of Chinese regional dominance.
- Like Russia that faces NATO, China has to face a US-organized regional alliance system in the Pacific Asia. The proposed regional “peace and security mechanism” by the Six-Party Talks may look like Asia’s OSCE. But, its emergence not only depends on real big progress of the denuclearization on the Korean Peninsula, but it depends also on America’s political willingness. Sheila Smith of the Council on Foreign Relations argues cautiously that there is a tension between US alliances and the proposed mechanism.<sup>8</sup>

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<sup>8</sup> See South Korea Embassy in Washington, [http://www.dynamic-korea.com/culture/view\\_culture.php?uid=200800091563&main=EVT&sub=&keyword=polic](http://www.dynamic-korea.com/culture/view_culture.php?uid=200800091563&main=EVT&sub=&keyword=polic).

## Propositions

In the future, China needs to do many things to deepen and broaden its relations with Asia.

### *1. China's economy:*

If it continues to boom until 2038, China will win another “strategic period” – the new prosperity and the opportunity to attract Asia. Predictably, China will be Asia’s largest economy in the foreseeable future. But the Chinese economy is really not the largest. And it is unlikely to easily sustain its economic growth, especially if the global financial crisis slows down China’s economy.

China has to pursue a strategic shift of its growth to an environmentally sustainable or what Chinese leaders call “scientific” development. Nobody knows whether the pursuit of the new development will succeed in the end. The world’s biggest “factory” or the FDI-led development model has already led to China’s dependency on others. If China fails to upgrade its economy to an advanced level and increase its Chinese ownership, it would be unlikely to really move to the center of Asian regional political economy.

### *2. Bilateral relations:*

Today, countries around the world have their growing stakes in China. Confrontation with China is costly. In the future, China will continue to build mutual trust, friendly and cooperative web of good relations with Asia. Some of China’s improved bilateral relations such as China-Japan and China-India are still fragile. China faces a challenge to forge a real “strategic partnership” with Asia, particularly with Japan and India. A good triangle among China, India and Japan is definitely in Asia’s regional interest.

### *3. Regional integration:*

- Asia’s peace and development depend on whether or not the region makes a political decision to go towards regional integration. China must be a leader to drive the process.
- Asia needs to explore its own approach and model to be an integrated region. In this regard, China can help fully to facilitate a benign environment for a birth of Asian model of regional integration. In the years to come, China can do more things to promote Asian integration: 1) continue to support ASEAN’s unique and central role in initiating, organizing regional cooperation between Northeast Asia and Southeast Asia as well as other parts of the greater Asia; 2) continue to contribute to the building of regional institutions; 3) deal with pressing issues such as energy and climate change at the regional level; 4) strengthen regional financial cooperation in order to effectively use China, Japan and other countries’ huge foreign reserves; 5) propose and negotiate a pan-Asian regional charter.

#### *4. The principles, values for regional cooperation and regional identity*

Looking beyond shared principles such as the national sovereignty, non-interference, peaceful co-existence, which have kept Asia mutually separate and independent, can China find new principles to bind Asia together? A way for China to have a united Asia is to learn from ASEAN: let new principles such as democracy, good governance, stability, and positive-sum games co-exist with the old principles.

#### *5. New political equations with the non-Asian powers:*

China-Asia relations will have to consider the West (mainly America and Europe) factor. There are two triangles: China, Asia and the US, China, Asia and Europe, and their three-dimensional equations: the effects of China-Asia relations on the US, the Asia-US or Asia-EU relations on China, and the China-US or China-EU relations on Asia. The Asia factor has become prominent in China-US and China-EU interactions. The strengthened existing or proposed mechanisms such as the APEC, ASEM and a security mechanism from the Six-party Talks would serve as multilateral platforms to manage interests between China and the West. The West and other big powers could not accept a China-led regional order; China could not intend to join the existing America-centered “hub and spokes” hegemonic system. So, it is in China’s long interest to explore a new regional order in Asia: a post-US hegemonic region, where most of the global powers co-exist and co-prosper peacefully.

## Appendix

### **1. Current narratives of China’s bilateral relations with countries and powers in the greater Asia**

DPRK: the Treaty on Friendship, Cooperation and Mutual Assistance between China and Korea is still valid.

ROK: “comprehensive and cooperative partnership” (with South Korean President Roh) to “strategic cooperative partnership” (with South Korean President Lee)

Japan: The Statement for an Comprehensive strategically reciprocal relations released in 2008 (the 4<sup>th</sup> fourth communiqué)

Philippines: cooperation in jointly exploring resources in the South China Sea

ASEAN (Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam): a “strategic partnership”; implementing the FTA and negotiating the investment agreement; China creates an ambassadorship to ASEAN in 2008



Australia: An economic partnership with shared security and strategic interests, an FTA has been under negotiation

New Zealand: China-New Zealand free trade agreement (FTA) signed in 2008.

Bangladesh: “all-round cooperative partnership”

India: “a strategic partnership towards peace and prosperity”

Nepal: “close neighbors on the two sides of the Himalayan Mountains with a long history of friendly and cooperative ties”

Pakistan: Treaty of Good-Neighborliness and Friendly Cooperation signed, a “more closer all-round strategic cooperative partnership”

Sri Lanka: “China-Sri Lanka Friendship Year” (2007) to celebrate the 50<sup>th</sup> diplomatic anniversary

Afghanistan: Treaty of Good-Neighborliness and Friendly Cooperation becomes effective in 2008

Kazakhstan: since 2005, a “strategic partnership”

Uzbekistan: Treaty of Friendly Cooperation and Partnership signed in 2005

Kyrgyzstan: statement on deepening the Good-Neighborliness and Friendly Cooperation in 2007

Tajikistan: Treaty of Good-Neighborliness and Friendly Cooperation signed in 2007

Russia: Treaty of Good-Neighborliness and Friendly Cooperation signed in 2001; an “strategic partnership”

The United States: There are two inter-governmental dialogues to regulate the relations: the “Strategic” (China) or “Senior” (the US) Dialogue and the Strategic Economic Dialogue (SED)

## **2. China’s memberships in key regional forums, institutions and mechanisms**

Asia-Pacific Economic Cooperation (APEC)

Asia-Europe Meeting (ASEM)

ASEAN Regional Forum (ARF)  
 ASEAN Plus Three (APT)  
 East Asian Summit (EAS)  
 Six-Party Talks (6PT) and a Peace and Security Mechanism (PSM)  
 The South Asian Association for Regional Cooperation (SAARC) (observer)  
 Shanghai Cooperation Organization (SCO)  
 Chiang Mai Initiative (CMI)

### **3. China's major trading partners in Asia:**

Japan (USD236 billion in 2007, mutually largest trading partners), China is South Korea's largest trading partner (bilateral trade volume USD145 billion in 2007), ASEAN (trading volume USD202.5 billion in 2007), is China's fourth largest trading partner.

### **4. Multilateral agreements China has signed**

- With ASEAN: the Joint Statement of the Heads of State/Governments of the member countries of ASEAN and the Chinese President in 1997, the Joint Declaration on the ASEAN–China Strategic Partnership for Peace and Prosperity in 2003; the ASEAN–China Plan of Action 2004, the Joint Declaration on the Code of Conduct in the South China Sea (DOC). China was the first dialogue partner of ASEAN to accede to the Treaty of Amity and Cooperation (TAC). In 2006, at the Commemorative Summit at Nanning, China celebrated the 15<sup>th</sup> anniversary of the establishment of the China–ASEAN dialogue partnership
- With SCO: the Treaty on Long-Term Good-Neighborliness and Cooperation signed by the member states including China in 2007; China's National People's Congress (Parliament) ratified the treaty in 2008.
- The Six-Party Talks: China chaired and signed the joint agreements of September 19, 2005, of February 13, 2007, and of October 4, 2007 with the other five parties